



Minnesota

# Comprehensive Annual Financial Report

For the Year Ended  
December 31, 2013



# **CITY OF ELK RIVER, MINNESOTA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended December 31, 2013**

**PREPARED BY THE FINANCE DEPARTMENT**

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



**This page has been left blank intentionally**

CITY OF ELK RIVER, MINNESOTA  
 TABLE OF CONTENTS  
 DECEMBER 31, 2013

	<u>Page No.</u>
<b>I. INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	1
Certificate of Achievement .....	4
Organizational Chart .....	5
Elected and Appointed Officials .....	6
 <b>II. FINANCIAL SECTION</b>	
Independent Auditor's Report .....	7
Management's Discussion and Analysis .....	9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	19
Statement of Activities .....	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	25
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund .....	26
Statements of Net Position - Proprietary Funds .....	27
Statements of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds .....	29
Statements of Cash Flows - Proprietary Funds .....	31
Statement of Fiduciary Net Position - Developer Escrow Agency Fund .....	35
Notes to Financial Statements .....	36
 Required Supplementary Information	
Schedule of Funding Progress - Elk River Fire Relief Pension Plan .....	63
Schedule of Funding Progress - Other Postemployment Benefits .....	63
 Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds .....	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds .....	65
Nonmajor Special Revenue Funds:	
Subcombining Balance Sheet - Nonmajor Special Revenue Funds .....	66
Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds .....	68
Special Revenue Funds:	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Library .....	70

CITY OF ELK RIVER, MINNESOTA  
 TABLE OF CONTENTS  
 DECEMBER 31, 2013

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

# **INTRODUCTORY SECTION**



**This page has been left blank intentionally**



June 2, 2014

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, 2013, is hereby submitted. Minnesota State Statutes and the City's ordinance require an annual audit of the City's accounts by the State Auditor's Office or by independent certified public accountants. The firm of Abdo, Eick, and Meyers was selected to perform the City's audit and their unmodified opinion has been included in this report. The independent auditor's report is included in the financial section of this report.

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

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

### **Profile of the Government**

The City of Elk River was originally incorporated in 1880 and consolidated with Elk River Township in 1978 to form a city of 44 square miles. The City of Elk River is located in Sherburne County and serves as the county seat. Elk River is located approximately halfway between the metropolitan areas of Minneapolis/St. Paul and Saint Cloud along the Mississippi River. The City of Elk River has been growing and will not reach full development in the near future. The current population is approximately 23,273. Urban services are available to about one-third of the land area in the City.

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

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

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

### **Local economy**

The local economy has showed some evidence of growth by the increase in building permits with a construction value of \$38,440,128 being issued in 2013. This is a 50 percent increase from 2012. New additions and remodels accounted for \$21,784,319 of new value, and an additional \$15,182,066 in residential construction with miscellaneous permits making up the balance. The number of new housing units increased from 36 in 2012 to 82 in 2013. The average value of new homes increased to \$185,147. Single family homes accounted for all 82 of the new housing units in 2013.

Many of Elk River's largest employers reported stable or growing employment levels between 2013 and 2014. This is largely due to the upward trend in manufacturing activity in the region. Many larger Elk River employers are experiencing modest growth. There has been continual interest in both affordable and market rate multi-family housing projects.

Several Elk River companies made significant new improvements including Preferred Powder Coating with the construction of a new 100,000 sq. ft. facility; Alliance Machine expanded their manufacturing facility by 17,250 sq. ft., while several other businesses completed expansions and upgraded their facilities. The outlook in this region looks promising with anticipation of several additional upgrades and expansions in 2014.

### **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, 2013 is 45%. 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 2014 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 2013, the city completed construction of phase I of the 171<sup>st</sup> Avenue Focus Area Study, opening Natures Edge Business Center. The project involved extending municipal streets and utilities to serve a new 28-acre business park. The city also initiated an update to our comprehensive and parks master plans, these strategic initiatives will provide direction about future growth of the city. The city also implemented a long-term funding plan for our pavement management program to ensure funding exists for sealcoating, overlay and reconstruction maintenance projects. 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, 2012. This was the 24th 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, 2013. It was the 5<sup>th</sup> consecutive year the City received the award for the document.

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

Respectfully submitted,



Timothy Simon  
Finance Director



**This page has been left blank intentionally**



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

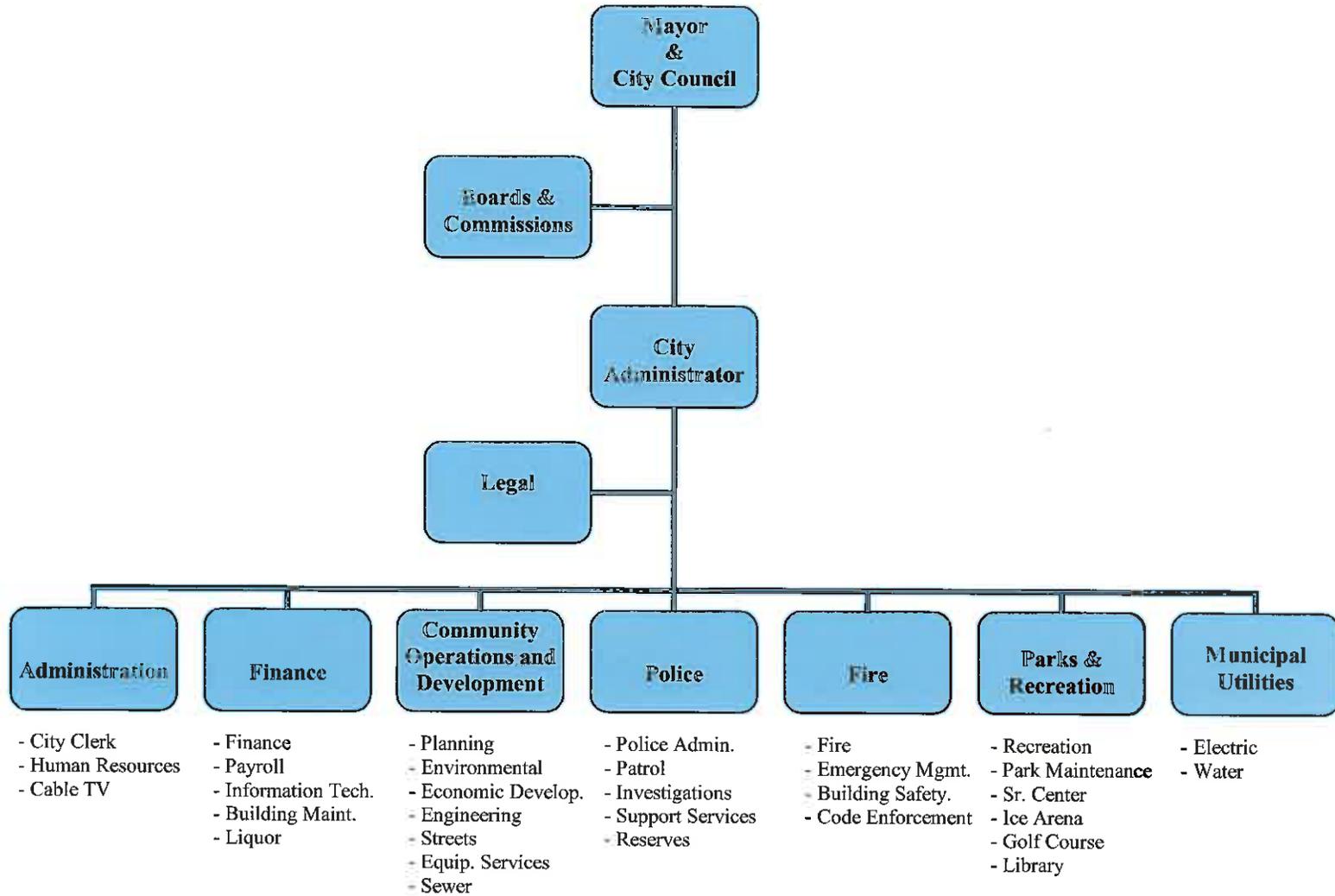
**December 31, 2012**

Executive Director/CEO



**This page has been left blank intentionally**

# CITY OF ELK RIVER ORGANIZATIONAL CHART



**CITY OF ELK RIVER, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
YEAR ENDED DECEMBER 31, 2013**

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

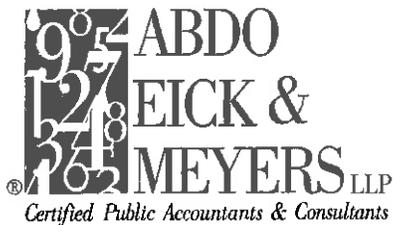
**APPOINTED PERSONNEL**

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

# **FINANCIAL SECTION**



**This page has been left blank intentionally**



## 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, 2013, 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. The prior year comparative information has been derived from the City's 2012 financial statements and, in our report dated May 17, 2013 we expressed unmodified opinions on the respective proprietary fund financial statements. 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 financial statement presentation.

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, 2013, 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 conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

*Abdo Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP

Minneapolis, Minnesota

May 13, 2014

## 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, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 3 of this report.

### Financial Highlights

The assets and deferred outflows of resources of the City of Elk River exceeded its liabilities at the close of the most recent fiscal year by \$199,320,162 (net position). Of this amount, \$47,027,216 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position decreased by \$1,949,704, attributable to over \$1 million in expenses within economic development related to TIF that will be reimbursed with future TIF revenues and the decrease in market value of the city's investments at year end.

As of the close of the current fiscal year, the City of Elk River's governmental funds reported combined ending fund balances of \$38,479,671.

	General	Special Revenue	Debt Service	Capital Projects	Total
Nonspendable	\$ 14,628	\$ 99,703	\$ -	\$ -	\$ 114,331
Restricted	-	3,065,982	11,289,861	445,025	14,800,868
Committed	247,937	3,186,146	-	1,207,543	4,641,626
Assigned	-	868,866	-	14,586,805	15,455,671
Unassigned	5,791,725	-	-	(2,324,550)	3,467,175
	<u>\$ 6,054,290</u>	<u>\$ 7,220,697</u>	<u>\$ 11,289,861</u>	<u>\$ 13,914,823</u>	<u>\$ 38,479,671</u>

The City of Elk River's total long-term liabilities increased \$4,685,370 during the current fiscal year, from \$45,966,899 to \$50,652,269.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Bonds payable	\$ 30,614,972	\$ 10,026,700	\$ (3,785,072)	\$ 36,856,600
Contracts for deeds	1,410,000	-	-	1,410,000
Compensated absences	1,395,326	653,660	(605,990)	1,442,996
Net OPEB obligation	208,486	86,785	(47,334)	247,937
Total governmental activities	<u>33,628,784</u>	<u>10,767,145</u>	<u>(4,438,396)</u>	<u>39,957,533</u>
Business-type activities:				
Bonds payable	9,876,567	-	(1,509,089)	8,367,478
Notes payable	1,975,812	-	(186,588)	1,789,224
Compensated absences	418,317	306,374	(267,023)	457,668
Net OPEB obligation	67,419	14,416	(1,469)	80,366
Total business-type activities	<u>12,338,115</u>	<u>320,790</u>	<u>(1,964,169)</u>	<u>10,694,736</u>
Total City long-term liabilities	<u>\$ 45,966,899</u>	<u>\$ 11,087,935</u>	<u>\$ (6,402,565)</u>	<u>\$ 50,652,269</u>

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Elk River's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

## Government-wide Financial Statements

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

The statement of position presents information on all of the City of Elk River's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Elk River is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of Elk River that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Elk River include general government, public safety, public works, culture and recreation, economic development and interest on long-term debt. The business-type activities of the City of Elk River include municipal liquor, garbage, sewer, water, and electric.

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

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

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

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

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

The City of Elk River maintains three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, YMCA Bonds, and TIF Districts funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36 - 62 of this report.

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

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

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Elk River, assets and deferred outflows of resources exceeded liabilities by \$199,320,162 at the close of the most recent fiscal year.

By far, the largest portion of the City of Elk River's net position (73 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Elk River uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Elk River's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Elk River Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Current and other assets	\$43,006,847	\$40,048,326	\$28,382,679	\$26,864,729	\$71,389,526	\$66,913,055
Capital assets	112,604,539	114,193,629	72,116,614	72,120,598	184,721,153	186,314,227
Total assets	<u>155,611,386</u>	<u>154,241,955</u>	<u>100,499,293</u>	<u>98,985,327</u>	<u>256,110,679</u>	<u>253,227,282</u>
Total deferred outflows of resources	<u>330,846</u>	<u>367,111</u>	<u>75,525</u>	<u>83,765</u>	<u>406,371</u>	<u>450,876</u>
Long-term liabilities						
outstanding	39,957,533	33,628,784	10,694,736	12,338,115	50,652,269	45,966,899
Other liabilities	<u>2,304,480</u>	<u>3,079,644</u>	<u>4,240,139</u>	<u>3,361,749</u>	<u>6,544,619</u>	<u>6,441,393</u>
Total liabilities	<u>42,262,013</u>	<u>36,708,428</u>	<u>14,934,875</u>	<u>15,699,864</u>	<u>57,196,888</u>	<u>52,408,292</u>
Net investment						
in capital assets	84,353,785	84,060,768	62,035,437	60,351,984	146,389,222	144,412,752
Restricted	5,256,724	6,391,182	647,000	724,500	5,903,724	7,115,682
Unrestricted	<u>24,069,710</u>	<u>27,448,688</u>	<u>22,957,506</u>	<u>22,292,744</u>	<u>47,027,216</u>	<u>49,741,432</u>
Total net position	<u>\$113,680,219</u>	<u>\$117,900,638</u>	<u>\$85,639,943</u>	<u>\$83,369,228</u>	<u>\$199,320,162</u>	<u>\$201,269,866</u>

An additional portion of the City of Elk River's net position (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$47,027,216) 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.

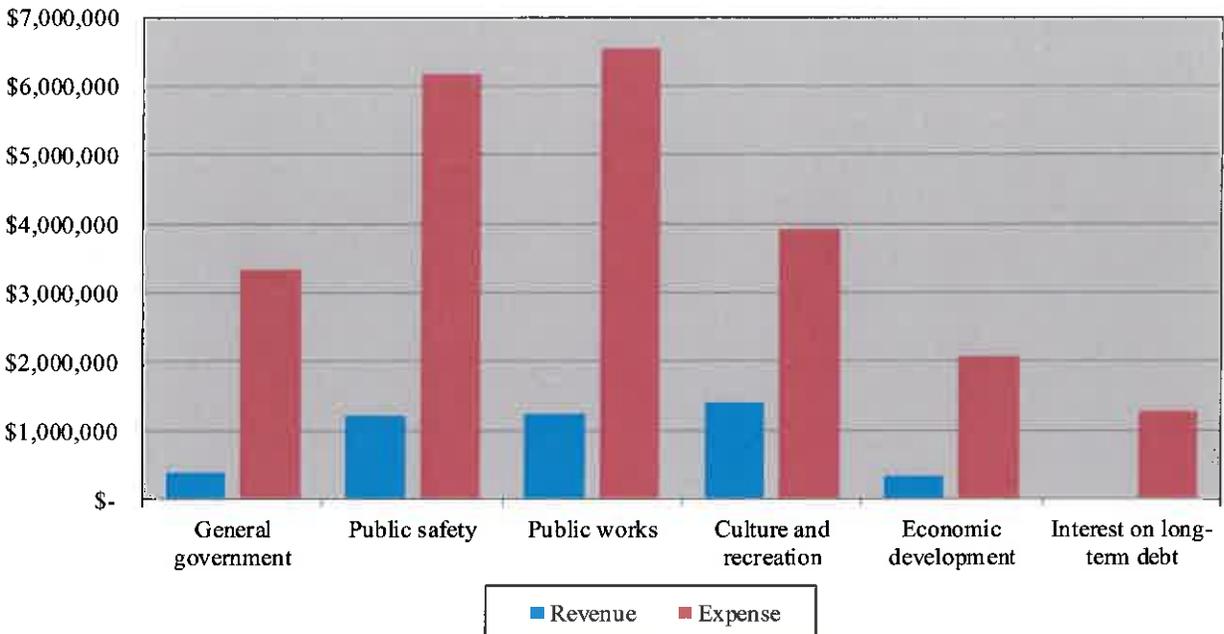
**City of Elk River Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,856,556	\$ 2,378,009	\$ 43,065,945	\$ 42,109,355	\$ 45,922,501	\$ 44,487,364
Operating grants and contributions	954,164	1,018,519	-	23,440	954,164	1,041,959
Capital grants and contributions	807,208	1,007,794	924,641	490,916	1,731,849	1,498,710
<b>General revenues:</b>						
Property taxes	10,830,218	11,684,445	-	-	10,830,218	11,684,445
Other taxes	829,112	125,623	-	-	829,112	125,623
Grants and contributions not restricted to specific programs	1,436,135	1,307,662	-	-	1,436,135	1,307,662
Unrestricted investment earnings	(663,762)	319,654	(243,047)	219,950	(906,809)	539,604
Gain on disposal of capital assets	629,177	49,470	1,572	1,260	630,749	50,730
<b>Total revenues</b>	<u>17,678,808</u>	<u>17,891,176</u>	<u>43,749,111</u>	<u>42,844,921</u>	<u>61,427,919</u>	<u>60,736,097</u>
<b>Expenses:</b>						
General government	3,344,317	2,994,342	-	-	3,344,317	2,994,342
Public safety	6,173,244	6,187,246	-	-	6,173,244	6,187,246
Public works	6,535,616	6,037,000	-	-	6,535,616	6,037,000
Culture and recreation	3,914,000	4,013,098	-	-	3,914,000	4,013,098
Economic development	2,088,064	1,059,058	-	-	2,088,064	1,059,058
Interest on long-term debt	1,288,020	1,163,352	-	-	1,288,020	1,163,352
Municipal liquor	-	-	5,706,760	5,622,305	5,706,760	5,622,305
Garbage	-	-	1,251,420	1,276,887	1,251,420	1,276,887
Sewer	-	-	2,320,743	2,239,914	2,320,743	2,239,914
Water	-	-	2,332,680	2,264,814	2,332,680	2,264,814
Electric	-	-	28,422,759	27,586,573	28,422,759	27,586,573
<b>Total expenses</b>	<u>23,343,261</u>	<u>21,454,096</u>	<u>40,034,362</u>	<u>38,990,493</u>	<u>63,377,623</u>	<u>60,444,589</u>
<b>Increase (decrease) in net position before transfers</b>	<u>(5,664,453)</u>	<u>(3,562,920)</u>	<u>3,714,749</u>	<u>3,854,428</u>	<u>(1,949,704)</u>	<u>291,508</u>
<b>Transfer of capital assets</b>	<u>(121,172)</u>	<u>(348,259)</u>	<u>121,172</u>	<u>348,259</u>	<u>-</u>	<u>-</u>
<b>Transfers</b>	<u>1,565,206</u>	<u>1,504,263</u>	<u>(1,565,206)</u>	<u>(1,504,263)</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	<u>(4,220,419)</u>	<u>(2,406,916)</u>	<u>2,270,715</u>	<u>2,698,424</u>	<u>(1,949,704)</u>	<u>291,508</u>
<b>Net position - beginning</b>	<u>117,900,638</u>	<u>120,307,554</u>	<u>83,369,228</u>	<u>80,670,804</u>	<u>201,269,866</u>	<u>200,978,358</u>
<b>Net position - ending</b>	<u>\$ 113,680,219</u>	<u>\$ 117,900,638</u>	<u>\$ 85,639,943</u>	<u>\$ 83,369,228</u>	<u>\$ 199,320,162</u>	<u>\$ 201,269,866</u>

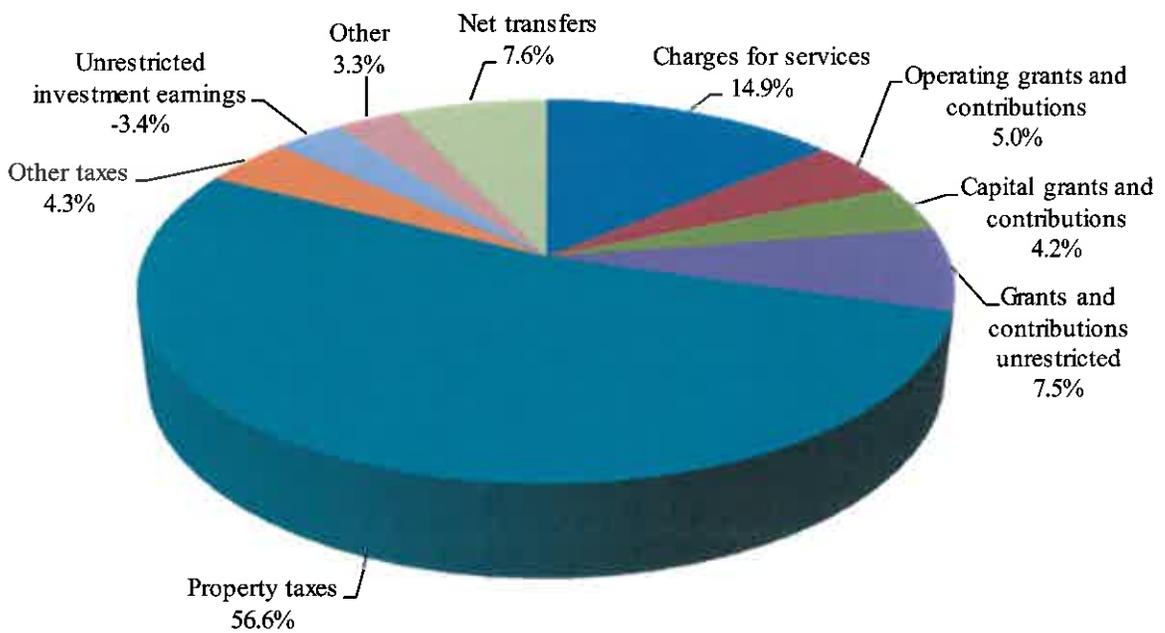
**Governmental activities.** Governmental activities account for 57% of the City of Elk River's net position. Governmental activities decreased the City's net position by \$4,220,419. Key elements of the relevant changes are as follows:

- In mid-2013 the City approved and collected franchise taxes of \$715,000 on electric and gas utilities to provide a funding source for the ongoing maintenance and repair of the city street system; no longer utilizing special assessments and property taxes.
- Tax increment revenues decreased \$742,000 due to the decertification of two tax increment financing districts in 2012.
- The decrease in investment earnings reflects the market value adjustment of the city's investment portfolio.
- The improving economy brought an uptick in new home building and economic development activity. The city sold a lot in its recently opened business/industrial park and approved several other development and expansion projects.

### Expenses and Program Revenues - Governmental Activities

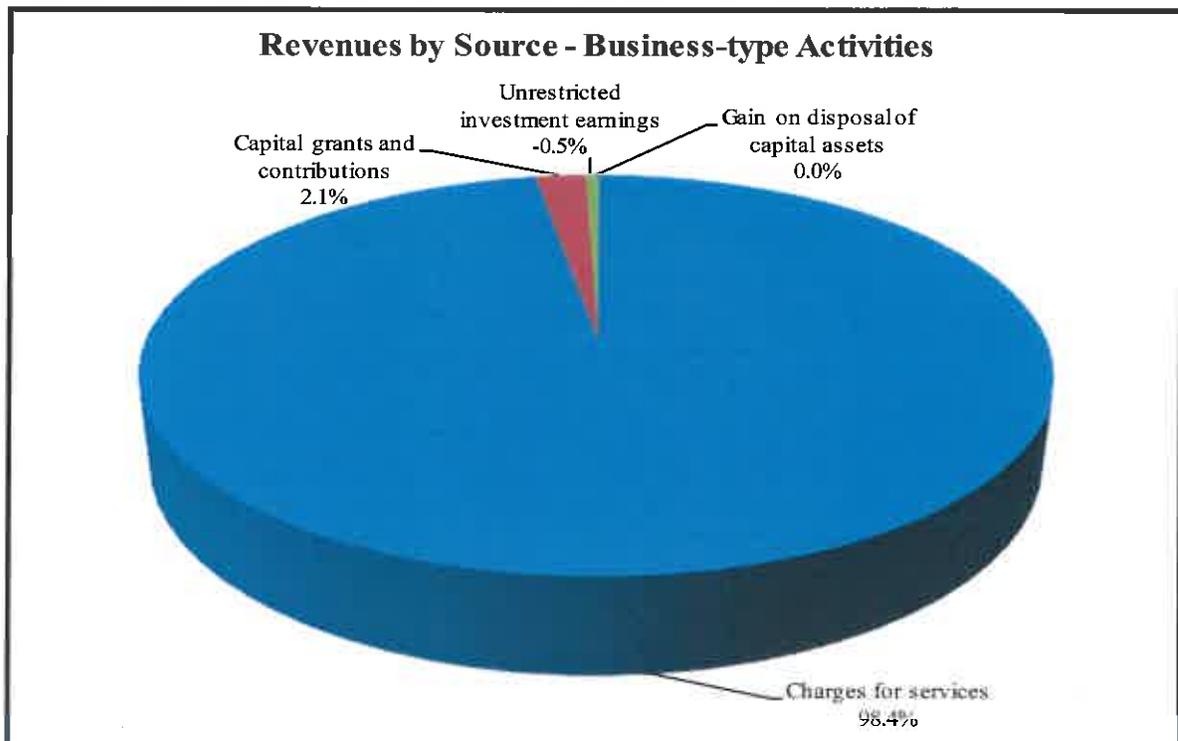
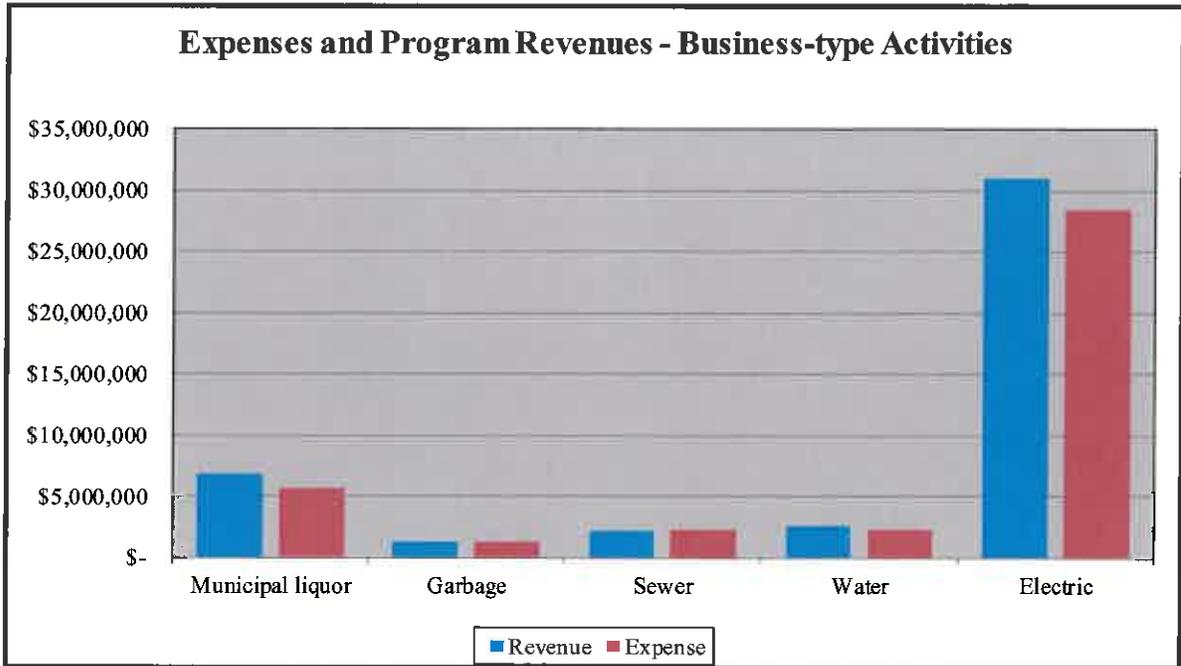


### Revenues by Source - Governmental Activities



**Business-type activities.** Business-type activities increased the City of Elk River’s net position by \$2,270,715. Key elements of this increase are as follows:

- Charges for services for business-type activities increased \$956,590 due largely to increased liquor sales and an increase in electric usage. The electric utility accounts for 72% of the total charges for services.
- The increase in connection fees was largely impacted by the resurgence in building activity as the economy has begun rebounding.
- The decrease in investment earnings reflects the market value adjustment of the city’s investment portfolio.



## Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38,479,671. Approximately 9% of this total amount (\$3,467,175) constitutes unassigned fund balance. The remainder of fund balance (\$35,012,496) is not available for new spending because it is either 1) nonspendable (\$114,331), 2) restricted (\$14,800,868), 3) committed (\$4,641,626) or 4) assigned (\$15,455,671) 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 decreased \$151,024 during the current year, resulting primarily from the intended use of fund balance and less than anticipated expenditures.

The YMCA Bonds fund increased \$9,730,259 due to the issuance of refunding bonds.

The TIF Districts fund decreased \$946,916 due to TIF development expenses that will be reimbursed with future TIF revenues.

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

Unrestricted net position in the respective proprietary funds are Municipal Liquor - \$2,535,831, Garbage - \$615,475, Sewer - \$5,795,594, Water - \$3,233,364, and Electric - \$10,777,242. The Garbage fund net position decreased \$3,198 due mainly to the market value adjustment of investments and the Sewer fund net position decreased \$426,346 due mainly to system repairs and maintenance. All other proprietary funds had increases in net position.

## General Fund Budgetary Highlights

Differences between the original budget and the final budget for the General fund amounted to \$3,200. The expenditure budgets were amended to reflect the increase in expenditures related to park maintenance. Key factors are as follows:

- Total revenue collections were 99% of budget. Property tax collections were \$52,961 under budget due to delinquent taxes and other taxes were \$30,129 over due to increased gravel tax collections.
- Expenditures were under budget by \$247,095 due mainly to several vacant positions and sound fiscal control by city departments.
- Transfers out were over budget due to Council approved transfers to the capital outlay reserve fund for capital equipment and to the storm water management fund.

## 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, 2013, amounts to \$184,721,153 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure. The total decrease in the City of Elk River's investment in capital assets for the current year was \$1,593,074 or less than 1 percent (a 1.4 percent decrease for governmental activities and a .006 percent decrease for business-type activities).

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

- \$209,000 in public safety equipment, \$195,000 in public works equipment and \$503,000 in parks equipment
- Infrastructure improvements for the street improvement project totaled \$2.6 million.
- Completed the public works facility expansion adding an additional \$636,630 in construction costs and capitalizing \$8.7 million to buildings and \$800,000 to improvements.
- System improvements for water and electric resulted in \$2.2 million assets being added and an additional \$2.2 million in projects carried over to the next fiscal year.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 37,806,871	\$ 37,864,101	\$ 1,526,008	\$ 1,486,693	\$ 39,332,879	\$ 39,350,794
Construction in progress	-	8,861,930	2,265,169	285,001	2,265,169	9,146,931
Buildings	31,023,746	23,780,074	10,644,146	11,167,594	41,667,892	34,947,668
Other improvements	2,412,772	2,062,487	-	-	2,412,772	2,062,487
Equipment	3,660,988	3,530,374	1,402,605	1,336,055	5,063,593	4,866,429
Infrastructure	37,700,162	38,094,663	56,278,686	57,845,255	93,978,848	95,939,918
<b>Total</b>	<b>\$ 112,604,539</b>	<b>\$ 114,193,629</b>	<b>\$ 72,116,614</b>	<b>\$ 72,120,598</b>	<b>\$ 184,721,153</b>	<b>\$ 186,314,227</b>

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

**Long-term debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$50,652,269, an increase of \$4,685,370 from 2012. General obligation improvement bonds (\$34,675,000) 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 (\$3,990,000) were used to finance sewer and water systems. Revenue bonds (\$4,340,000) were used to finance electric system improvements. Special assessment bonds (\$1,585,000) 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	
	2013	2012	2013	2012	2013	2012
<b>Bonds payable:</b>						
G.O. bonds	\$ 34,675,000	\$ 26,334,000	\$ -	\$ -	\$ 34,675,000	\$ 26,334,000
G.O. revenue bonds	-	-	3,990,000	4,750,000	3,990,000	4,750,000
Revenue bonds	-	-	4,340,000	5,085,000	4,340,000	5,085,000
Special assessment bonds	1,585,000	3,975,000	-	-	1,585,000	3,975,000
Issuance premium	596,600	305,972	37,478	41,567	634,078	347,539
<b>Total bonds payable, net</b>	<b>36,856,600</b>	<b>30,614,972</b>	<b>8,367,478</b>	<b>9,876,567</b>	<b>45,224,078</b>	<b>40,491,539</b>
Contracts for deeds	1,410,000	1,410,000	-	-	1,410,000	1,410,000
Notes payable	-	-	1,789,224	1,975,812	1,789,224	1,975,812
Compensated absences	1,442,996	1,395,326	457,668	418,317	1,900,664	1,813,643
Net OPEB obligation	247,937	208,486	80,366	67,419	328,303	275,905
<b>Total</b>	<b>\$ 39,957,533</b>	<b>\$ 33,628,784</b>	<b>\$ 10,694,736</b>	<b>\$ 12,338,115</b>	<b>\$ 50,652,269</b>	<b>\$ 45,966,899</b>

Additional long-term debt in the amount of \$1,410,000 is for a contract for deed, \$1,789,224 is for notes payable, \$1,900,664 is for compensated absences, and \$328,303 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 \$48,527,082. \$21,322,661 of the City's net outstanding debt is counted within the statutory limitation.

Additional information on the City of Elk River's long-term debt can be found in Note 3E on pages 51 - 53 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 2014 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**



**This page has been left blank intentionally**

**CITY OF ELK RIVER, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

	Primary Government			Component Unit - HRA
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 29,007,322	\$ 22,847,081	\$ 51,854,403	\$ 1,043,777
Restricted cash and investments	-	647,000	647,000	-
Cash with fiscal agent	9,712,875	-	9,712,875	-
Receivables (net):				
Interest	101,812	46,326	148,138	-
Taxes	549,307	-	549,307	13,607
Accounts	656,974	2,817,718	3,474,692	750
Special assessments	2,121,102	-	2,121,102	-
Notes, net	435,902	-	435,902	400,000
Due from other governments	38,156	12,209	50,365	-
Due from primary government	-	-	-	230,623
Internal balances	269,066	(269,066)	-	-
Inventories	-	2,062,965	2,062,965	-
Prepaid items	114,331	218,446	332,777	-
Capital assets:				
Nondepreciable	37,806,871	3,791,177	41,598,048	257,100
Depreciable (net)	74,797,668	68,325,437	143,123,105	161,703
<b>Total assets</b>	<b>155,611,386</b>	<b>100,499,293</b>	<b>256,110,679</b>	<b>2,107,560</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	330,846	75,525	406,371	-
<b>LIABILITIES</b>				
Accounts payable	584,427	3,808,477	4,392,904	7,717
Salaries payable	347,302	193,250	540,552	1,326
Due to other governments	63,665	65,666	129,331	-
Due to component unit	230,623	-	230,623	-
Accrued interest payable	543,353	127,443	670,796	-
Unearned revenue	535,110	45,303	580,413	-
Non-current liabilities:				
Due within one year	3,533,619	1,988,701	5,522,320	-
Due in more than one year	36,423,914	8,706,035	45,129,949	-
<b>Total liabilities</b>	<b>42,262,013</b>	<b>14,934,875</b>	<b>57,196,888</b>	<b>9,043</b>
<b>NET POSITION</b>				
Net investment in capital assets	84,353,785	62,035,437	146,389,222	418,803
Restricted for:				
Debt service	2,329,723	647,000	2,976,723	-
Landfill mitigation	660,000	-	660,000	-
Economic development	2,194,964	-	2,194,964	-
Insurance benefits	22,850	-	22,850	-
Law enforcement	45,671	-	45,671	-
Park improvements	3,516	-	3,516	-
Housing and redevelopment	-	-	-	1,679,714
Unrestricted	24,069,710	22,957,506	47,027,216	-
<b>Total net position</b>	<b>\$ 113,680,219</b>	<b>\$ 85,639,943</b>	<b>\$ 199,320,162</b>	<b>\$ 2,098,517</b>

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

**CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b><u>Functions/Programs</u></b>			
<b>Primary Government:</b>			
Governmental Activities:			
General government	\$ 3,344,317	\$ 338,469	\$ 63,680
Public safety	6,173,244	961,072	-
Public works	6,535,616	206,606	724,748
Culture and recreation	3,914,000	1,075,576	18,780
Economic development	2,088,064	274,833	-
Interest on long-term debt	1,288,020	-	-
Total governmental activities	<u>23,343,261</u>	<u>2,856,556</u>	<u>807,208</u>
Business-type Activities:			
Municipal liquor	5,706,760	6,756,581	-
Garbage	1,251,420	1,285,138	-
Sewer	2,320,743	1,613,276	629,092
Water	2,332,680	2,381,651	295,549
Electric	28,422,759	31,029,299	-
Total business-type activities	<u>40,034,362</u>	<u>43,065,945</u>	<u>924,641</u>
Total primary government	<u>\$ 63,377,623</u>	<u>\$ 45,922,501</u>	<u>\$ 1,731,849</u>
<b>Component Unit:</b>			
Housing and Redevelopment Authority	<u>\$ 96,722</u>	<u>\$ -</u>	<u>\$ -</u>

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

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position

<u>Primary Government</u>			
<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Component</u>
<u>Activities</u>	<u>Activities</u>		<u>Unit - HRA</u>
\$ (2,942,168)	\$ -	\$ (2,942,168)	\$ -
(4,941,934)	-	(4,941,934)	-
(5,277,244)	-	(5,277,244)	-
(2,517,036)	-	(2,517,036)	-
(1,758,931)	-	(1,758,931)	-
(1,288,020)	-	(1,288,020)	-
<u>(18,725,333)</u>	<u>-</u>	<u>(18,725,333)</u>	<u>-</u>
-	1,049,821	1,049,821	-
-	33,718	33,718	-
-	(78,375)	(78,375)	-
-	344,520	344,520	-
-	<u>2,606,540</u>	<u>2,606,540</u>	<u>-</u>
<u>-</u>	<u>3,956,224</u>	<u>3,956,224</u>	<u>-</u>
<u>(18,725,333)</u>	<u>3,956,224</u>	<u>(14,769,109)</u>	<u>-</u>
-	-	-	(96,722)
9,909,285	-	9,909,285	251,589
833,085	-	833,085	-
87,848	-	87,848	-
829,112	-	829,112	-
1,436,135	-	1,436,135	105
(663,762)	(243,047)	(906,809)	4,274
629,177	1,572	630,749	-
(121,172)	121,172	-	-
1,565,206	(1,565,206)	-	-
<u>14,504,914</u>	<u>(1,685,509)</u>	<u>12,819,405</u>	<u>255,968</u>
(4,220,419)	2,270,715	(1,949,704)	159,246
<u>117,900,638</u>	<u>83,369,228</u>	<u>201,269,866</u>	<u>1,939,271</u>
<u>\$ 113,680,219</u>	<u>\$ 85,639,943</u>	<u>\$ 199,320,162</u>	<u>\$ 2,098,517</u>

**CITY OF ELK RIVER, MINNESOTA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
DECEMBER 31, 2013**

	General Fund	YMCA Bonds	TIF Districts	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 6,207,285	\$ 411,102	\$ 366,979	\$ 22,021,956	\$ 29,007,322
Cash with fiscal agent	-	9,712,875	-	-	9,712,875
Receivables:					
Interest	25,311	-	1,283	75,218	101,812
Taxes	468,299	11,970	-	69,038	549,307
Accounts	51,312	-	63,665	541,997	656,974
Special assessments	-	-	-	2,121,102	2,121,102
Notes, net	-	-	73,247	362,655	435,902
Due from other governments	35,125	-	-	3,031	38,156
Due from other funds	79,759	-	-	1,768,989	1,848,748
Due from component unit	2,766	-	-	-	2,766
Prepaid items	14,628	-	-	99,703	114,331
Total assets	<u>\$ 6,884,485</u>	<u>\$ 10,135,947</u>	<u>\$ 505,174</u>	<u>\$ 27,063,689</u>	<u>\$ 44,589,295</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 242,501	\$ -	\$ -	\$ 341,926	\$ 584,427
Salaries payable	327,506	-	-	19,796	347,302
Due to other governments	-	-	63,665	-	63,665
Due to other funds	-	-	1,247,986	331,696	1,579,682
Due to component unit	-	-	233,389	-	233,389
Unearned revenue	14,040	-	-	521,070	535,110
Total liabilities	<u>584,047</u>	<u>-</u>	<u>1,545,040</u>	<u>1,214,488</u>	<u>3,343,575</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - taxes	246,148	7,322	-	38,357	291,827
Unavailable revenue - special assessments	-	-	-	2,111,567	2,111,567
Unavailable revenue - notes	-	-	-	362,655	362,655
Total deferred inflows of resources	<u>246,148</u>	<u>7,322</u>	<u>-</u>	<u>2,512,579</u>	<u>2,766,049</u>
<b>FUND BALANCES</b>					
Nonspendable	14,628	-	-	99,703	114,331
Restricted	-	10,128,625	441,509	4,230,734	14,800,868
Committed	247,937	-	-	4,393,689	4,641,626
Assigned	-	-	-	15,455,671	15,455,671
Unassigned	5,791,725	-	(1,481,375)	(843,175)	3,467,175
Total fund balances	<u>6,054,290</u>	<u>10,128,625</u>	<u>(1,039,866)</u>	<u>23,336,622</u>	<u>38,479,671</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,884,485</u>	<u>\$ 10,135,947</u>	<u>\$ 505,174</u>	<u>\$ 27,063,689</u>	<u>\$ 44,589,295</u>

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

**CITY OF ELK RIVER, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 38,479,671

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

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

Governmental capital assets	\$ 178,576,578	
Less accumulated depreciation	<u>(65,972,039)</u>	112,604,539

2. Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements. 2,766,049

3. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Bonds payable	(36,260,000)	
Deferred charge on refunding	330,846	
Issuance premium	(596,600)	
Contracts for deeds	(1,410,000)	
Accrued interest payable	(543,353)	
Compensated absences	(1,442,996)	
Net OPEB obligation	<u>(247,937)</u>	<u>(40,170,040)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 113,680,219

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, 2013**

	General Fund	YMCA Bonds	TIF Districts	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 9,150,139	\$ 258,300	\$ 87,848	\$ 1,433,842	\$ 10,930,129
Other taxes	114,129	-	-	714,983	829,112
Licenses and permits	513,779	-	-	-	513,779
Intergovernmental revenue	557,990	-	-	603,468	1,161,458
Charges for services	740,756	-	1,590	1,184,560	1,926,906
Fines and forfeits	122,985	-	-	40,496	163,481
Special assessments	-	-	-	764,006	764,006
Interest income	84,214	(52,673)	1,191	(696,495)	(663,763)
Miscellaneous:					
Landfill expansion fee	-	-	-	807,851	807,851
Refunds and reimbursements	65,053	-	-	112,893	177,946
Contributions	14,667	245,743	-	673,381	933,791
Other	7,762	-	-	266,221	273,983
Total revenues	<u>11,371,474</u>	<u>451,370</u>	<u>90,629</u>	<u>5,905,206</u>	<u>17,818,679</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,846,579	-	-	109,921	2,956,500
Public safety	5,468,765	-	-	28,728	5,497,493
Public works	2,279,059	-	-	520,953	2,800,012
Culture and recreation	1,619,679	-	-	1,033,138	2,652,817
Economic development	-	-	356,850	1,300,072	1,656,922
Debt service:					
Principal	-	300,000	-	1,894,000	2,194,000
Interest and service charges	-	544,016	-	585,556	1,129,572
Bond issuance costs	-	153,795	-	-	153,795
Capital outlay:					
General government	41,310	-	-	109,438	150,748
Public safety	27,674	-	-	343,574	371,248
Public works	32,589	-	-	3,442,439	3,475,028
Culture and recreation	-	-	-	565,470	565,470
Economic development	-	-	680,695	-	680,695
Total expenditures	<u>12,315,655</u>	<u>997,811</u>	<u>1,037,545</u>	<u>9,933,289</u>	<u>24,284,300</u>
Excess (deficiency) of revenues over expenditures	<u>(944,181)</u>	<u>(546,441)</u>	<u>(946,916)</u>	<u>(4,028,083)</u>	<u>(6,465,621)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,216,000	250,000	-	4,991,233	6,457,233
Transfers out	(422,843)	-	-	(4,469,184)	(4,892,027)
Refunding bonds issued	-	9,685,000	-	-	9,685,000
Premium on debt issued	-	341,700	-	-	341,700
Principal paid on refunded bonds	-	-	-	(1,540,000)	(1,540,000)
Sale of capital assets	-	-	-	686,407	686,407
Total other financing sources (uses)	<u>793,157</u>	<u>10,276,700</u>	<u>-</u>	<u>(331,544)</u>	<u>10,738,313</u>
Net change in fund balances	(151,024)	9,730,259	(946,916)	(4,359,627)	4,272,692
Fund balances - January 1	6,205,314	398,366	(92,950)	27,696,249	34,206,979
Fund balances - December 31	<u>\$ 6,054,290</u>	<u>\$ 10,128,625</u>	<u>\$ (1,039,866)</u>	<u>\$ 23,336,622</u>	<u>\$ 38,479,671</u>

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

**CITY OF ELK RIVER, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 4,272,692

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

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

Capital outlay	\$ 4,592,851	
Depreciation expense	<u>(5,715,906)</u>	(1,123,055)

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

Transfers of capital assets	(121,172)	
Disposals	(1,729,953)	
Depreciation on disposals	<u>1,385,090</u>	(466,035)

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

Property taxes	(99,912)	
Special assessments	(528,917)	
Notes	<u>109,281</u>	(519,548)

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.

Issuance of long-term debt	(9,685,000)	
Repayment of principal of long-term debt	3,734,000	
Bond premium	<u>(341,700)</u>	(6,292,700)

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	(19,459)	
Amortization of issuance premium	51,072	
Amortization of deferred charge from refunding	(36,265)	
Compensated absences	(47,670)	
Net OPEB obligation	<u>(39,451)</u>	<u>(91,773)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (4,220,419)

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



**This page has been left blank intentionally**

**CITY OF ELK RIVER, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 9,203,100	\$ 9,203,100	\$ 9,150,139	\$ (52,961)
Other taxes	84,000	84,000	114,129	30,129
Licenses and permits	558,400	558,400	513,779	(44,621)
Intergovernmental revenue	545,600	545,600	557,990	12,390
Charges for services	705,150	730,150	740,756	10,606
Fines and forfeits	127,200	127,200	122,985	(4,215)
Interest income	100,000	100,000	84,214	(15,786)
Miscellaneous revenue:				
Refunds and reimbursements	66,500	66,500	65,053	(1,447)
Contributions	25,000	17,400	14,667	(2,733)
Other	6,000	6,000	7,762	1,762
Total revenues	<u>11,420,950</u>	<u>11,438,350</u>	<u>11,371,474</u>	<u>(66,876)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,950,550	2,950,550	2,846,579	103,971
Public safety	5,709,000	5,709,000	5,468,765	240,235
Public works	2,131,550	2,131,550	2,279,059	(147,509)
Culture and recreation	1,658,150	1,678,750	1,619,679	59,071
Capital outlay:				
General government	44,900	44,900	41,310	3,590
Public safety	28,000	28,000	27,674	326
Public works	20,000	20,000	32,589	(12,589)
Total expenditures	<u>12,542,150</u>	<u>12,562,750</u>	<u>12,315,655</u>	<u>247,095</u>
Deficiency of revenues over expenditures	<u>(1,121,200)</u>	<u>(1,124,400)</u>	<u>(944,181)</u>	<u>180,219</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,216,000	1,216,000	1,216,000	-
Transfers out	(294,800)	(294,800)	(422,843)	(128,043)
Total other financing sources (uses)	<u>921,200</u>	<u>921,200</u>	<u>793,157</u>	<u>(128,043)</u>
Net change in fund balance	(200,000)	(203,200)	(151,024)	52,176
Fund balance - January 1	<u>6,205,314</u>	<u>6,205,314</u>	<u>6,205,314</u>	<u>-</u>
Fund balance - December 31	<u>\$ 6,005,314</u>	<u>\$ 6,002,114</u>	<u>\$ 6,054,290</u>	<u>\$ 52,176</u>

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

**CITY OF ELK RIVER, MINNESOTA  
STATEMENTS OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2013 AND 2012**

	Municipal Liquor		Garbage	
	Current Year	Prior Year	Current Year	Prior Year
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 1,992,380	\$ 1,555,676	\$ 606,857	\$ 591,503
Restricted cash and investments	-	-	-	-
Receivables (net):				
Interest	7,391	4,635	2,207	1,637
Accounts	-	-	13,313	14,281
Due from other governments	-	-	-	-
Due from other funds	-	-	92,162	104,952
Inventories	1,084,352	1,032,803	-	-
Prepaid items	-	-	-	-
Total current assets	<u>3,084,123</u>	<u>2,593,114</u>	<u>714,539</u>	<u>712,373</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	753,961	753,961	-	-
Depreciable	3,084,328	3,084,328	-	-
Accumulated depreciation	(1,596,785)	(1,472,028)	-	-
Total noncurrent assets	<u>2,241,504</u>	<u>2,366,261</u>	<u>-</u>	<u>-</u>
Total assets	<u>5,325,627</u>	<u>4,959,375</u>	<u>714,539</u>	<u>712,373</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	-	-	-	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	333,588	268,789	99,064	92,912
Salaries payable	24,320	22,217	-	788
Due to other governments	65,564	66,933	-	-
Due to other funds	-	-	-	-
Unearned revenue	2,112	1,987	-	-
Accrued interest	-	-	-	-
Compensated absences payable - current	44,800	44,498	-	-
Notes payable - current	-	-	-	-
Bonds payable - current	-	-	-	-
Total current liabilities	<u>470,384</u>	<u>404,424</u>	<u>99,064</u>	<u>93,700</u>
Noncurrent liabilities:				
Compensated absences payable	60,277	54,815	-	-
Net other postemployment benefits obligation	17,631	13,330	-	-
Notes payable	-	-	-	-
Bonds payable	-	-	-	-
Total noncurrent liabilities	<u>77,908</u>	<u>68,145</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>548,292</u>	<u>472,569</u>	<u>99,064</u>	<u>93,700</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,241,504	2,366,261	-	-
Restricted for debt service	-	-	-	-
Unrestricted	<u>2,535,831</u>	<u>2,120,545</u>	<u>615,475</u>	<u>618,673</u>
Total net position	<u>\$ 4,777,335</u>	<u>\$ 4,486,806</u>	<u>\$ 615,475</u>	<u>\$ 618,673</u>

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

Sewer		Water		Electric		Total
Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year
\$ 5,446,672	\$ 5,287,842	\$ 3,390,879	\$ 3,254,530	\$ 11,410,293	\$ 10,646,164	\$ 22,847,081
-	-	-	-	647,000	724,500	647,000
20,197	15,359	3,306	2,322	13,225	9,286	46,326
155,215	44,854	160,618	152,945	2,488,572	2,318,928	2,817,718
-	-	-	-	12,209	-	12,209
303,385	303,851	-	87,211	-	-	395,547
-	-	15,005	16,920	963,608	928,800	2,062,965
-	-	40,418	34,572	178,028	187,839	218,446
<u>5,925,469</u>	<u>5,651,906</u>	<u>3,610,226</u>	<u>3,548,500</u>	<u>15,712,935</u>	<u>14,815,517</u>	<u>29,047,292</u>
411,095	411,095	807,911	92,242	1,818,210	514,396	3,791,177
37,200,800	37,200,800	33,954,031	33,539,230	54,095,276	53,494,906	128,334,435
(16,616,444)	(15,638,513)	(13,008,780)	(11,976,338)	(28,786,989)	(27,883,481)	(60,008,998)
<u>20,995,451</u>	<u>21,973,382</u>	<u>21,753,162</u>	<u>21,655,134</u>	<u>27,126,497</u>	<u>26,125,821</u>	<u>72,116,614</u>
26,920,920	27,625,288	25,363,388	25,203,634	42,839,432	40,941,338	101,163,906
-	-	15,106	16,754	60,419	67,011	75,525
66,056	172,734	76,261	39,519	3,233,508	2,246,876	3,808,477
17,226	15,121	17,310	8,065	134,394	81,732	193,250
-	-	102	-	-	155,225	65,666
-	-	114,397	-	550,216	456,681	664,613
-	-	43,191	31,095	-	8,262	45,303
9,049	11,693	36,368	43,005	82,026	94,796	127,443
12,699	9,792	45,779	44,229	106,070	101,094	209,348
-	-	-	-	189,353	186,588	189,353
560,000	175,000	527,000	517,000	503,000	588,000	1,590,000
<u>665,030</u>	<u>384,340</u>	<u>860,408</u>	<u>682,913</u>	<u>4,798,567</u>	<u>3,919,254</u>	<u>6,893,453</u>
7,152	9,828	43,454	38,088	137,437	115,973	248,320
17,693	13,729	-	-	45,042	40,360	80,366
-	-	-	-	1,599,871	1,789,224	1,599,871
-	560,000	2,098,495	2,626,313	4,678,983	5,410,254	6,777,478
<u>24,845</u>	<u>583,557</u>	<u>2,141,949</u>	<u>2,664,401</u>	<u>6,461,333</u>	<u>7,355,811</u>	<u>8,706,035</u>
689,875	967,897	3,002,357	3,347,314	11,259,900	11,275,065	15,599,488
20,435,451	21,238,382	19,142,773	18,528,575	20,215,709	18,218,766	62,035,437
-	-	-	-	647,000	724,500	647,000
<u>5,795,594</u>	<u>5,419,009</u>	<u>3,233,364</u>	<u>3,344,499</u>	<u>10,777,242</u>	<u>10,790,018</u>	<u>22,957,506</u>
<u>\$ 26,231,045</u>	<u>\$ 26,657,391</u>	<u>\$ 22,376,137</u>	<u>\$ 21,873,074</u>	<u>\$ 31,639,951</u>	<u>\$ 29,733,284</u>	<u>\$ 85,639,943</u>

**CITY OF ELK RIVER, MINNESOTA**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Municipal Liquor		Garbage	
	Current Year	Prior Year	Current Year	Prior Year
Sales and cost of sales:				
Sales	\$ 6,753,521	\$ 6,516,386	\$ -	\$ -
Cost of sales	(4,705,979)	(4,638,550)	-	-
Gross profit	<u>2,047,542</u>	<u>1,877,836</u>	<u>-</u>	<u>-</u>
Operating revenues:				
User charges	-	-	1,272,297	1,279,607
Delinquency collections	-	-	10,034	11,540
Other	3,060	8,848	2,807	35,213
Total operating revenues	<u>3,060</u>	<u>8,848</u>	<u>1,285,138</u>	<u>1,326,360</u>
Operating expenses:				
Personal services	628,933	607,500	19,811	54,678
Supplies	26,507	16,887	7,077	4,262
Purchased power	-	-	-	-
Other service charges	220,584	221,593	1,224,532	1,217,947
Depreciation	124,757	124,350	-	-
Total operating expenses	<u>1,000,781</u>	<u>970,330</u>	<u>1,251,420</u>	<u>1,276,887</u>
Operating income (loss)	<u>1,049,821</u>	<u>916,354</u>	<u>33,718</u>	<u>49,473</u>
Nonoperating revenues (expenses):				
Interest income	(87,003)	14,485	(25,161)	5,730
Miscellaneous revenue	-	-	-	-
Interest expense	-	(13,425)	-	-
Gain (loss) on disposal of capital assets	-	-	-	-
Capital asset transfer	-	(69,800)	-	-
Total nonoperating revenues (expenses)	<u>(87,003)</u>	<u>(68,740)</u>	<u>(25,161)</u>	<u>5,730</u>
Income before contributions and transfers	962,818	847,614	8,557	55,203
Contributions - connection fees	-	-	-	-
Capital contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	<u>(672,289)</u>	<u>(468,667)</u>	<u>(11,755)</u>	<u>(4,120)</u>
Change in net position	290,529	378,947	(3,198)	51,083
Net position - beginning	<u>4,486,806</u>	<u>4,107,859</u>	<u>618,673</u>	<u>567,590</u>
Net position - ending	<u>\$ 4,777,335</u>	<u>\$ 4,486,806</u>	<u>\$ 615,475</u>	<u>\$ 618,673</u>

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

Sewer		Water		Electric		Total
Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,753,521
-	-	-	-	-	-	(4,705,979)
-	-	-	-	-	-	2,047,542
1,604,673	1,527,337	2,214,697	2,219,145	31,261,292	30,365,645	36,352,959
1,279	2,389	24,328	20,610	254,542	238,314	290,183
7,324	4,125	39,099	25,387	(669,455)	(345,269)	(617,165)
1,613,276	1,533,851	2,278,124	2,265,142	30,846,379	30,258,690	36,025,977
500,867	477,598	421,753	392,768	1,815,680	1,707,401	3,387,044
130,128	115,607	270,141	273,183	129,967	135,161	563,820
-	-	-	-	21,254,950	20,499,773	21,254,950
689,168	623,453	518,903	465,014	2,897,799	2,908,383	5,550,986
977,931	994,295	1,032,442	1,028,593	2,029,496	2,099,594	4,164,626
2,298,094	2,210,953	2,243,239	2,159,558	28,127,892	27,350,312	34,921,426
(684,818)	(677,102)	34,885	105,584	2,718,487	2,908,378	3,152,093
(232,971)	51,112	20,799	30,870	81,289	117,753	(243,047)
-	-	103,527	78,739	182,920	144,779	286,447
(22,649)	(28,961)	(89,441)	(105,256)	(211,429)	(236,261)	(323,519)
-	-	1,572	(1,000)	(83,438)	2,260	(81,866)
-	-	-	-	-	-	-
(255,620)	22,151	36,457	3,353	(30,658)	28,531	(361,985)
(940,438)	(654,951)	71,342	108,937	2,687,829	2,936,909	2,790,108
629,092	316,309	295,549	174,607	-	-	924,641
-	199,214	121,172	218,845	-	-	121,172
-	-	15,000	-	-	-	15,000
(115,000)	(175,156)	-	(39,456)	(781,162)	(816,864)	(1,580,206)
(426,346)	(314,584)	503,063	462,933	1,906,667	2,120,045	2,270,715
26,657,391	26,971,975	21,873,074	21,410,141	29,733,284	27,613,239	83,369,228
\$ 26,231,045	\$ 26,657,391	\$ 22,376,137	\$ 21,873,074	\$ 31,639,951	\$ 29,733,284	\$ 85,639,943

**CITY OF ELK RIVER, MINNESOTA  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Municipal Liquor		Garbage	
	Current Year	Prior Year	Current Year	Prior Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 6,753,646	\$ 6,516,537	\$ 1,296,089	\$ 1,292,638
Other operating cash receipts	3,060	8,848	2,807	35,213
Payments to suppliers	(4,941,189)	(4,940,851)	(1,225,457)	(1,224,957)
Payments to employees	(616,765)	(588,138)	(20,599)	(54,839)
Net cash provided by operating activities	<u>1,198,752</u>	<u>996,396</u>	<u>52,840</u>	<u>48,055</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	(672,289)	(468,667)	(11,755)	(4,120)
Decrease (increase) in due from other funds	-	-	-	-
Increase (decrease) in due to other funds	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(672,289)</u>	<u>(468,667)</u>	<u>(11,755)</u>	<u>(4,120)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	-	(32,541)	-	-
Proceeds from sale of capital assets	-	-	-	-
Contributions from developers and residents	-	-	-	-
Principal paid on capital debt	-	(730,000)	-	-
Interest paid on capital debt	-	(27,113)	-	-
Principal paid on promissory note	-	-	-	-
Net cash used by capital and related financing activities	<u>-</u>	<u>(789,654)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	(89,759)	20,124	(25,731)	7,052
Net increase (decrease) in cash and cash equivalents	436,704	(241,801)	15,354	50,987
Cash and cash equivalents, January 1	<u>1,555,676</u>	<u>1,797,477</u>	<u>591,503</u>	<u>540,516</u>
Cash and cash equivalents, December 31	<u>\$ 1,992,380</u>	<u>\$ 1,555,676</u>	<u>\$ 606,857</u>	<u>\$ 591,503</u>
<b>Reconciliation of cash and cash equivalents to the statement of net position:</b>				
Cash and investments	\$ 1,992,380	\$ 1,555,676	\$ 606,857	\$ 591,503
Restricted cash and investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 1,992,380</u>	<u>\$ 1,555,676</u>	<u>\$ 606,857</u>	<u>\$ 591,503</u>

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

Continued

Sewer		Water		Electric		Total
Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year
\$ 1,496,057	\$ 1,488,609	\$ 2,310,937	\$ 2,231,224	\$ 30,744,006	\$ 30,481,587	\$ 42,600,735
7,324	4,125	105,809	87,822	134,209	125,965	253,209
(925,974)	(621,835)	(822,255)	(836,986)	(24,329,126)	(23,771,526)	(32,244,001)
(494,567)	(473,992)	(370,140)	(351,049)	(1,518,107)	(1,460,301)	(3,020,178)
82,840	396,907	1,224,351	1,131,011	5,030,982	5,375,725	7,589,765
-	-	15,000	-	-	-	15,000
(115,000)	(175,157)	-	(39,456)	(781,162)	(816,864)	(1,580,206)
-	-	-	55,260	-	-	-
-	-	201,608	-	93,535	84,127	295,143
(115,000)	(175,157)	216,608	15,804	(687,627)	(732,737)	(1,270,063)
-	(120,818)	(1,010,051)	(114,709)	(2,540,610)	(1,517,549)	(3,550,661)
-	-	2,325	-	27,000	14,458	29,325
629,092	316,309	295,549	174,607	-	-	924,641
(175,000)	(170,000)	(517,000)	(491,000)	(813,000)	(559,000)	(1,505,000)
(25,293)	(31,440)	(95,248)	(110,492)	(220,878)	(241,275)	(341,419)
-	-	-	-	(186,588)	(187,070)	(186,588)
428,799	(5,949)	(1,324,425)	(541,594)	(3,734,076)	(2,490,436)	(4,629,702)
(237,809)	64,387	19,815	29,735	77,350	113,216	(256,134)
158,830	280,188	136,349	634,956	686,629	2,265,768	1,433,866
5,287,842	5,007,654	3,254,530	2,619,574	11,370,664	9,104,896	22,060,215
\$ 5,446,672	\$ 5,287,842	\$ 3,390,879	\$ 3,254,530	\$ 12,057,293	\$ 11,370,664	\$ 23,494,081
\$ 5,446,672	\$ 5,287,842	\$ 3,390,879	\$ 3,254,530	\$ 11,410,293	\$ 10,646,164	\$ 22,847,081
-	-	-	-	647,000	724,500	647,000
\$ 5,446,672	\$ 5,287,842	\$ 3,390,879	\$ 3,254,530	\$ 12,057,293	\$ 11,370,664	\$ 23,494,081

**CITY OF ELK RIVER, MINNESOTA**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Municipal Liquor		Garbage	
	Current Year	Prior Year	Current Year	Prior Year
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 1,049,821	\$ 916,354	\$ 33,718	\$ 49,473
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Other revenue related to operations	-	-	-	-
Depreciation expense	124,757	124,350	-	-
(Increase) decrease in assets:				
Accounts receivable	-	-	968	(1,280)
Due from other funds	-	-	12,790	2,771
Due from other governments	-	-	-	-
Inventories	(51,549)	(31,067)	-	-
Prepaid items	-	-	-	-
Increase (decrease) in:				
Accounts payable	64,799	(36,820)	6,152	(2,748)
Salaries payable	2,103	2,728	(788)	(161)
Due to other governments	(1,369)	4,066	-	-
Unearned revenue	125	151	-	-
OPEB liability	4,301	4,500	-	-
Compensated absences payable	5,764	12,134	-	-
Net cash provided by operating activities	<u>\$ 1,198,752</u>	<u>\$ 996,396</u>	<u>\$ 52,840</u>	<u>\$ 48,055</u>
<b>Noncash capital and related financing activities:</b>				
Amortization of bond premium	\$ -	\$ -	\$ -	\$ -
Amortization of deferred charges on refunding	-	-	-	-
Contribution of capital assets from (to) municipality	-	(69,800)	-	-
Assets purchased on account	-	-	-	-
Disposal of capital assets, net	-	-	-	-

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

Sewer		Water		Electric		Total
Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year
\$ (684,818)	\$ (677,102)	\$ 34,885	\$ 105,584	\$ 2,718,487	\$ 2,908,378	\$ 3,152,093
977,931	994,295	103,527	78,739	182,920	144,779	286,447
(110,361)	(34,071)	1,032,442	1,028,593	2,029,496	2,099,594	4,164,626
466	(7,045)	(7,673)	(25,844)	(169,644)	184,681	(286,710)
-	-	-	-	-	-	13,256
-	-	-	-	(12,209)	1,627	(12,209)
-	-	1,915	8,989	(34,808)	68,325	(84,442)
-	-	(5,846)	(15,887)	9,811	(65,773)	3,965
(106,678)	117,225	36,742	(51,854)	386,632	50,178	387,647
2,105	(332)	9,245	1,602	52,662	7,233	65,327
-	-	102	(918)	(155,225)	(38,183)	(156,492)
-	-	12,096	1,195	(8,262)	8,262	3,959
3,964	4,246	-	-	4,682	4,601	12,947
231	(309)	6,916	812	26,440	2,023	39,351
<u>\$ 82,840</u>	<u>\$ 396,907</u>	<u>\$ 1,224,351</u>	<u>\$ 1,131,011</u>	<u>\$ 5,030,982</u>	<u>\$ 5,375,725</u>	<u>\$ 7,589,765</u>
\$ -	\$ -	\$ 818	\$ 818	\$ 3,271	\$ 3,271	\$ 4,089
-	-	1,648	1,648	6,592	6,592	8,240
-	199,214	121,172	218,845	-	-	121,172
-	-	-	-	600,000	-	600,000
-	-	753	1,000	110,438	9,211	111,191

**CITY OF ELK RIVER, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
DEVELOPER ESCROW AGENCY FUND  
DECEMBER 31, 2013**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	\$ 41,738
Accounts receivable	<u>2,377</u>
Total assets	<u>\$ 44,115</u>
 <b>LIABILITIES</b>	
Refundable deposits payable	<u>\$ 44,115</u>

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

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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. It is this criterion that results in the HRA being reported as a discretely presented component unit. The HRA does not issue separate financial statements and are included in the financial section of this report.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major enterprise funds:

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

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

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

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

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

Additionally, the government reports the following fund types:

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

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

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). 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 year end). Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

**F. Budgetary Information**

**1. Budgetary Basis of Accounting**

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

On or before July 1 of each year, all departments and agencies of the City submit requests for appropriation to the City's administrator so that a budget may be prepared. Before September 15, 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. Supplemental budgetary appropriations increased \$3,200 due mainly to park maintenance.

**2. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2013, expenditures exceeded appropriations in the Library fund by \$2,990, which was funded by available fund balance.

**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 and Payables**

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.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

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.

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, 2013 and December 31, 2012 is as follows:

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
Electric	\$ 109,845	\$ 109,845	\$ -
Water	<u>26,250</u>	<u>26,250</u>	<u>-</u>
Total	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ -</u>

Special Assessments

Special assessments receivable include the following components:

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

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. In governmental fund financial statements, special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable not received within 60 days after year end are offset by a deferred inflow of resources in the governmental fund financial statements. At December 31, 2013, the total delinquent special assessment receivable balance was \$69,609.

Notes Receivable

The City received grant proceeds from the State of Minnesota to fund economic development projects. These funds have been loaned to several businesses and the terms of repayment vary with each loan. Notes receivable in the Revolving Loan fund is offset by a deferred inflow of resources. Deferred inflow of resources in governmental activities is susceptible to full accrual on the government-wide statements.

**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. Restricted Assets**

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

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**7. 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, 2013, the balance reported in the governmental fund financial statements consists of \$517,935 from unearned park dedication credits and \$17,175 from other unearned miscellaneous fees and contributions.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

**8. 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 delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. 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.

**9. 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 192 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.

**10. Fund Balance**

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

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

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

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

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

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

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

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

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

**11. Net Position**

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

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

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

**12. 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.

**13. Comparative Data/Reclassifications**

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

**A. Deficit Fund Equity**

The following funds had deficit fund balances at December 31, 2013:

Primary Government:	
TIF Districts - major capital projects fund	\$ 1,039,866
Park Dedication - capital projects fund	\$ 839,659

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

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

**A. Deposits and Investments**

Deposits

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

At year end, the City's carrying amount of deposits was \$13,545,562 and the bank balance was \$13,456,471. The bank balance was covered by federal depository insurance totaling \$1,130,472 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 \$1,043,777 and the bank balance was \$1,043,777. The bank balance was covered by federal depository insurance and securities held by the pledging financial institution's agent in the HRA's name.

Investments

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

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

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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, 2013 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, 2013, more than 5% of the City's investments were held in the following U.S. Agencies: Federal National Mortgage Association (33.4%), Federal Home Loan Bank (18.2%), Federal Farm Credit Bank (6.2%), and Federal Home Loan Mortgage Corporation (2.9%).
- Interest rate risk - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

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

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

As of December 31, 2013, 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	\$ 5,286,418
Broker Money Markets	N/A	Less than 6 months	568,761
Total pooled investments			<u>5,855,179</u>
<b>Non-pooled investments:</b>			
<b>U.S. Government Securities</b>			
	AA	1 to 5 years	476,936
	AAA	1 to 5 years	972,652
	AA	More than 5 years	461,605
	AAA	More than 5 years	26,317,018
Total U.S. Government Securities			<u>28,228,211</u>
<b>U.S. Treasury Securities</b>			
	AAA	Less than 6 months	107,691
	AAA	1 to 5 years	239,549
Total U.S. Treasury Securities			<u>347,240</u>
<b>Municipal Securities</b>			
	A	1 to 5 years	263,490
	AA	6 to 12 months	250,728
	AA	1 to 5 years	1,514,830
	AA	More than 5 years	1,419,520
	AAA	1 to 5 years	1,022,718
	AAA	More than 5 years	2,081,266
Total Municipal Securities			<u>6,552,552</u>
<b>Negotiable CD's</b>			
	N/A	Less than 6 months	1,094,951
		6 to 12 months	1,953,541
		1 to 5 years	3,762,855
		More than 5 years	911,270
Total negotiable CD's			<u>7,722,617</u>
Total non-pooled investments			<u>42,850,620</u>
Total investments			48,705,799
<b>Deposits</b>			13,545,562
<b>Cash on hand</b>			4,655
Total cash and investments			<u>\$ 62,256,016</u>

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

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

N/A Indicates not applicable.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

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

	<u>Primary Government</u>	<u>Component Unit - HRA</u>
Statement of Net Position		
Cash and investments	\$ 51,854,403	\$ 1,043,777
Restricted cash and investments	647,000	-
Cash with fiscal agent	9,712,875	-
Statement of Fiduciary Net Assets		
Cash and investments	<u>41,738</u>	<u>-</u>
 Total	 <u>\$ 62,256,016</u>	 <u>\$ 1,043,777</u>

**B. Notes Receivable**

The City has made several business subsidy loans to local businesses, some of which were funded with grant proceeds received from the state and federal governments. The terms of repayment vary with each loan and will be repaid over a period of five years. Under the terms of the grant agreement, the City retains the grant repayments. Notes receivable of \$73,247 in the TIF Districts fund and \$362,655 in the Revolving Loan fund are outstanding at December 31, 2013.

In 2013, the Federal DEED fund loaned \$400,000 to several businesses through the Forgivable Loan Program targeting manufacturing, industrial, and high-tech businesses to stimulate private sector investment. The note is deferred until the businesses have complied with the note agreements for a minimum of one year, at which time the note is then forgiven.

In 2006, the HRA issued a loan to a developer to assist in the financing of a housing development for the benefit of low and moderate income residents which was funded with state grant proceeds. Repayment of the loan is deferred for 30 years, payable in one lump sum at an interest rate of one percent. Notes receivable of \$400,000 in the HRA is outstanding at December 31, 2013.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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, 2013 was as follows:

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 37,864,101	\$ -	\$ (57,230)	\$ 37,806,871
Construction in progress	8,861,930	636,630	(9,498,560)	-
Total capital assets not being depreciated	<u>46,726,031</u>	<u>636,630</u>	<u>(9,555,790)</u>	<u>37,806,871</u>
Capital assets being depreciated:				
Buildings	36,268,984	8,836,450	(117,000)	44,988,434
Other improvements	4,779,886	861,109	(394,162)	5,246,833
Equipment	10,717,298	970,925	(462,738)	11,225,485
Infrastructure	77,342,653	2,665,125	(698,823)	79,308,955
Total capital assets being depreciated	<u>129,108,821</u>	<u>13,333,609</u>	<u>(1,672,723)</u>	<u>140,769,707</u>
Less accumulated depreciation for:				
Buildings	12,488,910	1,583,678	(107,900)	13,964,688
Other improvements	2,717,399	306,559	(189,897)	2,834,061
Equipment	7,186,924	800,516	(422,943)	7,564,497
Infrastructure	39,247,990	3,025,153	(664,350)	41,608,793
Total accumulated depreciation	<u>61,641,223</u>	<u>5,715,906</u>	<u>(1,385,090)</u>	<u>65,972,039</u>
Total capital assets being depreciated, net	<u>67,467,598</u>	<u>7,617,703</u>	<u>(287,633)</u>	<u>74,797,668</u>
Governmental activities capital assets, net	<u>\$ 114,193,629</u>	<u>\$ 8,254,333</u>	<u>\$ (9,843,423)</u>	<u>\$ 112,604,539</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,486,693	\$ 39,315	\$ -	\$ 1,526,008
Construction in progress	285,001	2,972,484	(992,316)	2,265,169
Total capital assets not being depreciated	<u>1,771,694</u>	<u>3,011,799</u>	<u>(992,316)</u>	<u>3,791,177</u>
Capital assets being depreciated:				
Buildings	19,507,731	122,872	-	19,630,603
Equipment	5,348,965	367,180	(145,696)	5,570,449
Collection and distribution	102,462,568	1,762,298	(1,091,483)	103,133,383
Total capital assets being depreciated	<u>127,319,264</u>	<u>2,252,350</u>	<u>(1,237,179)</u>	<u>128,334,435</u>
Less accumulated depreciation for:				
Buildings	8,340,137	646,320	-	8,986,457
Equipment	4,012,910	270,856	(115,922)	4,167,844
Collection and distribution	44,617,313	3,247,450	(1,010,066)	46,854,697
Total accumulated depreciation	<u>56,970,360</u>	<u>4,164,626</u>	<u>(1,125,988)</u>	<u>60,008,998</u>
Total capital assets being depreciated, net	<u>70,348,904</u>	<u>(1,912,276)</u>	<u>(111,191)</u>	<u>68,325,437</u>
Business-type activities capital assets, net	<u>\$ 72,120,598</u>	<u>\$ 1,099,523</u>	<u>\$ (1,103,507)</u>	<u>\$ 72,116,614</u>

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

Capital asset activity for the HRA component unit for the year ended December 31, 2013 was as follows:

Component Unit	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 257,100	\$ -	\$ -	\$ 257,100
Capital assets being depreciated:				
Other improvements	174,290	-	-	174,290
Less accumulated depreciation for:				
Other improvements	968	11,619	-	12,587
Total capital assets being depreciated, net	173,322	(11,619)	-	161,703
Component unit capital assets, net	<u>\$ 430,422</u>	<u>\$ (11,619)</u>	<u>\$ -</u>	<u>\$ 418,803</u>

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

Governmental activities:		
General government		\$ 289,379
Public safety		608,510
Public works		3,629,254
Culture and recreation		1,188,763
Total depreciation expense - governmental activities		<u>\$ 5,715,906</u>
Business-type activities:		
Municipal liquor		\$ 124,757
Sewer		977,931
Water		1,032,442
Electric		2,029,496
Total depreciation expense - business-type activities		<u>\$ 4,164,626</u>

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

The composition of interfund balances as of December 31, 2013 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Electric	\$ 58,423
General	Water	13,254
General	Nonmajor governmental funds	8,082
Garbage	Electric	92,162
Sewer	Electric	131,585
Sewer	Nonmajor governmental funds	171,800
Nonmajor governmental funds	TIF districts	1,247,986
Nonmajor governmental funds	Water	101,143
Nonmajor governmental funds	Electric	268,046
Nonmajor governmental funds	Nonmajor governmental funds	151,814
Total		<u>\$ 2,244,295</u>

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

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

Due to/from component unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - General Fund	Component unit - HRA	\$ 2,766
Component unit - HRA	Primary government - TIF Districts	233,389

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 \$233,389 payable to the HRA will be paid with the collection of tax increment revenue and will not be repaid within one year.

Interfund transfers:

	<u>Transfer In</u>	<u>Transfer Out</u>
<b>Governmental funds:</b>		
Major funds -		
General	\$ 1,216,000	\$ 422,843
YMCA bonds	250,000	-
Nonmajor funds	<u>4,991,233</u>	<u>4,469,184</u>
Total governmental funds	<u>6,457,233</u>	<u>4,892,027</u>
<b>Proprietary funds:</b>		
Municipal liquor	-	672,289
Garbage	-	11,755
Sewer	-	115,000
Water	15,000	-
Electric	<u>-</u>	<u>781,162</u>
Total proprietary funds	<u>15,000</u>	<u>1,580,206</u>
<b>Total</b>	<u>\$ 6,472,233</u>	<u>\$ 6,472,233</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. In 2013, the Street Improvements fund transferred \$3,000,000 to provide startup funding for the creation of the Pavement Management fund and financing for street improvements.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

**E. Long-term Debt**

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

<u>PRIMARY GOVERNMENT</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Payable 12/31/13</u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
General Obligation Bonds:					
2006C G.O. Capital Improvement Bonds	12/14/2006	2/1/2027	3.80-4.05%	\$ 3,220,000	\$ 2,535,000
2007D EDA G.O. Bonds	11/8/2007	2/1/2017	3.80%	10,000,000	10,000,000
2008A EDA G.O. Bonds	2/20/2008	2/1/2015	3.38%	2,000,000	645,000
2010A G.O. Capital Improvement Bonds	4/21/2010	2/1/2023	2.00-4.00%	6,105,000	4,835,000
2012A G.O. Capital Improvement Bonds	3/15/2012	2/1/2033	1.00-2.50%	6,975,000	6,975,000
2013A EDA G.O. Refunding Bonds	2/12/2013	2/1/2033	2.00-3.00%	9,685,000	9,685,000
Total general obligation bonds				<u>37,985,000</u>	<u>34,675,000</u>
Special Assessment Bonds:					
2003A G.O. Improvement Bonds	12/9/2003	2/1/2014	2.00-4.00%	1,255,000	60,000
2012B G.O. Improvement Refunding Bonds	3/15/2012	2/1/2018	2.00%	1,525,000	1,525,000
Total special assessment bonds				<u>2,780,000</u>	<u>1,585,000</u>
Total bonded indebtedness				40,765,000	36,260,000
Contracts for deeds	4/12/2008	4/6/2013	5.00-6.00%	1,800,000	1,410,000
Compensated absences payable				-	1,442,996
Net OPEB obligation				-	247,937
Total governmental activities indebtedness				<u>\$ 42,565,000</u>	<u>\$ 39,360,933</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
General Obligation Revenue Bonds:					
2003B G.O. Water Revenue Bonds	12/9/2003	2/1/2014	2.00-3.70%	\$ 1,995,000	\$ 235,000
2005B G.O. Sewer Revenue Refunding Bonds	6/14/2005	2/1/2016	3.00-4.00%	1,660,000	560,000
2008A G.O. Water Revenue Refunding Bonds	2/20/2008	2/1/2022	2.50-3.65%	3,085,000	2,180,000
2010A G.O. Capital Improvement Bonds	4/21/2010	8/1/2023	2.00-4.00%	1,265,000	1,015,000
Total general obligation revenue bonds				<u>8,005,000</u>	<u>3,990,000</u>
Revenue Bonds:					
2006A Electric Revenue Bonds	3/2/2006	8/1/2021	3.15-4.00%	3,595,000	2,180,000
2007A Electric Revenue Bonds	3/28/2007	2/1/2022	4.00%	2,875,000	2,160,000
Total revenue bonds				<u>6,470,000</u>	<u>4,340,000</u>
Total bonded indebtedness				14,475,000	8,330,000
Promissory note	3/19/2002	12/31/2022	-%	3,521,000	1,789,224
Compensated absences payable				-	457,668
Net OPEB obligation				-	80,366
Total business-type activities indebtedness				<u>\$ 17,996,000</u>	<u>\$ 10,657,258</u>
Total City indebtedness				<u>\$ 60,561,000</u>	<u>\$ 50,018,191</u>

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

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

	Primary Government - Governmental Activities					
	G.O. Bonds		Special Assessment Bonds		Contract for deed	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,160,000	\$ 1,054,579	\$ 375,000	\$ 28,550	\$ 1,410,000	\$ 84,600
2015	1,195,000	1,027,045	310,000	21,100	-	-
2016	1,275,000	995,159	305,000	14,950	-	-
2017	10,530,000	957,026	300,000	8,900	-	-
2018	1,440,000	535,338	295,000	2,950	-	-
2019 - 2023	7,870,000	2,020,971	-	-	-	-
2024 - 2028	5,710,000	1,087,179	-	-	-	-
2029 - 2033	5,495,000	387,444	-	-	-	-
<b>Total</b>	<u>\$ 34,675,000</u>	<u>\$ 8,064,741</u>	<u>\$ 1,585,000</u>	<u>\$ 76,450</u>	<u>1,410,000</u>	<u>84,600</u>

	Primary Government - Business-Type Activities					
	G.O. Revenue Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,155,000	\$ 116,866	\$ 435,000	\$ 165,023	\$ 189,353	\$ -
2015	300,000	92,840	455,000	148,480	191,508	-
2016	305,000	84,333	470,000	131,160	194,292	-
2017	320,000	74,850	490,000	113,053	195,216	-
2018	335,000	63,948	515,000	93,815	198,252	-
2019-2023	1,575,000	132,484	1,975,000	160,964	820,603	-
<b>Total</b>	<u>\$ 3,990,000</u>	<u>\$ 565,321</u>	<u>\$ 4,340,000</u>	<u>\$ 812,495</u>	<u>\$ 1,789,224</u>	<u>\$ -</u>

Long-term liability activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
<b>GOVERNMENTAL ACTIVITIES:</b>					
Bonds payable:					
General obligation bonds	\$ 26,334,000	\$ 9,685,000	\$ (1,344,000)	\$ 34,675,000	\$ 1,160,000
Special assessment bonds	3,975,000	-	(2,390,000)	1,585,000	375,000
Issuance premium	305,972	341,700	(51,072)	596,600	-
Total bonds payable	<u>30,614,972</u>	<u>10,026,700</u>	<u>(3,785,072)</u>	<u>36,856,600</u>	<u>1,535,000</u>
Contracts for deeds	1,410,000	-	-	1,410,000	1,410,000
Compensated absences	1,395,326	653,660	(605,990)	1,442,996	588,619
Net OPEB obligation	208,486	86,785	(47,334)	247,937	-
Governmental activity long-term liabilities	<u>33,628,784</u>	<u>10,767,145</u>	<u>(4,438,396)</u>	<u>39,957,533</u>	<u>3,533,619</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Bonds payable					
G.O. revenue bonds	4,750,000	-	(760,000)	3,990,000	1,155,000
Revenue bonds	5,085,000	-	(745,000)	4,340,000	435,000
Issuance premium	41,567	-	(4,089)	37,478	-
Total bonds payable	<u>9,876,567</u>	<u>-</u>	<u>(1,509,089)</u>	<u>8,367,478</u>	<u>1,590,000</u>
Notes payable	1,975,812	-	(186,588)	1,789,224	189,353
Compensated absences	418,317	306,374	(267,023)	457,668	209,348
Net OPEB obligation	67,419	15,807	(2,860)	80,366	-
Business-type activity long-term liabilities	<u>12,338,115</u>	<u>322,181</u>	<u>(1,965,560)</u>	<u>10,694,736</u>	<u>1,988,701</u>
<b>Total primary government long-term liabilities</b>	<u>\$ 45,966,899</u>	<u>\$ 11,089,326</u>	<u>\$ (6,403,956)</u>	<u>\$ 50,652,269</u>	<u>\$ 5,522,320</u>

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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 \$10,645,000 bonds outstanding. The bonds are general obligations of the City and are backed by its full faith and credit.

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

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

For the business-type activities, the general obligation revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the Sewer and Water funds and are backed by the full faith and credit of the City. Annual principal and interest payments on the bonds are expected to require about 12 and 27 percent of revenues from the Sewer and Water funds, respectively. For 2013, principal and interest paid and total operating revenues for the Sewer fund were \$200,293 and \$1,613,276, respectively. For 2013, principal and interest paid and total operating revenues for the Water fund were \$612,248 and \$2,278,124, 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 3 percent of revenues from the Electric fund. For 2013, principal and interest paid and total customer revenues for the Electric fund were \$1,033,878 and \$30,846,379, 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.

On February 12, 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 FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

**F. Fund Balance Classification**

At December 31, 2013, a summary of the governmental fund balance classifications are as follows:

	General Fund	YMCA Bonds	TIF Districts	Other Governmental Funds	Total
<b>Nonspendable:</b>					
Prepaid items	\$ 14,628	\$ -	\$ -	\$ 99,703	\$ 114,331
<b>Restricted for:</b>					
Debt service	\$ -	\$ 10,128,625	\$ -	\$ 1,753,800	\$ 11,882,425
Landfill mitigation	-	-	-	660,000	660,000
Economic development	-	-	441,509	1,744,897	2,186,406
Insurance benefits	-	-	-	22,850	22,850
Law enforcement	-	-	-	45,671	45,671
Park improvements	-	-	-	3,516	3,516
Total restricted	<u>\$ -</u>	<u>\$ 10,128,625</u>	<u>\$ 441,509</u>	<u>\$ 4,230,734</u>	<u>\$ 14,800,868</u>
<b>Committed to:</b>					
Library operations	\$ -	\$ -	\$ -	\$ 448,680	\$ 448,680
Ice arena	-	-	-	245,124	245,124
Economic development	-	-	-	2,296,904	2,296,904
Insurance reserve	-	-	-	195,438	195,438
Street improvements	-	-	-	1,207,543	1,207,543
OPEB obligation	247,937	-	-	-	247,937
Total committed	<u>\$ 247,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,393,689</u>	<u>\$ 4,641,626</u>
<b>Assigned to:</b>					
Landfill mitigation	\$ -	\$ -	\$ -	\$ 655,177	\$ 655,177
Law enforcement	-	-	-	992	992
Debt service	-	-	-	37,796	37,796
Economic development	-	-	-	174,901	174,901
Capital equipment	-	-	-	2,363,328	2,363,328
Building construction/improvements	-	-	-	3,864,325	3,864,325
Street improvements	-	-	-	1,794,744	1,794,744
Other improvement projects	-	-	-	6,387,251	6,387,251
Park improvements	-	-	-	177,157	177,157
Total assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,455,671</u>	<u>\$ 15,455,671</u>

**Note 4: OTHER INFORMATION**

**A. Risk Management**

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

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

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**Note 4: 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**

The Utilities has entered into an agreement to transfer ownership of electric plant and electric service to customers in certain areas currently receiving electric service from Connexus Energy.

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

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

The Utilities paid \$1,023 and \$3,948 in 2013 and 2012, respectively, for loss of revenues under this agreement. All amounts paid are included in property and equipment.

**D. Pension Plans**

**1. Public Employees Retirement Association**

**a. Plan Description**

All full-time and certain part-time employees of the City of Elk River are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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

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

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**Note 4: OTHER INFORMATION – CONTINUED**

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

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

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

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

**b. Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. In 2013, the City of Elk River was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 14.4% for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2013, 2012 and 2011 were \$584,075, \$553,395 and \$528,696, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2013, 2012 and 2011 were \$383,545, \$369,421 and \$355,670, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

**c. Defined Contribution Plan**

Three 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.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**Note 4: OTHER INFORMATION – CONTINUED**

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. For salaried employees, employer contributions are determined by the employer and must be a fixed percentage of salary. 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 2013 were:

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

**2. Volunteer Fire Department Relief Association**

**a. Plan Description**

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

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

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

**b. Funding Policy**

The financial requirements of the Special fund are determined in accordance with Section 69.772 of the Minnesota Statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The Association is comprised of volunteers and therefore members have no contribution requirements. During the year, the City recognized as revenue and as expenditure on-behalf payments of \$167,103 made by the State of Minnesota for the Fire Relief Association.

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**Note 4: OTHER INFORMATION – CONTINUED**

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

Annual Pension Cost	\$197,103
Contributions Made:	
City	\$30,000
State Aid	\$167,103
Actuarial Valuation Date	12/31/13
Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period:	
Normal cost	20 years
Prior service cost	5 years
Asset valuation method	Market
Actuarial Assumptions	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

The City's annual pension cost, the percentage of annual pension cost contributed, and the net pension obligation for the Relief Association for the year ended December 31, 2013 and the preceding fiscal years was as follows:

**Three Year Trend Information**

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$157,022	100%	-
12/31/12	148,465	100%	-
12/31/13	197,103	100%	-

**c. Funded Status and Funding Progress**

As of December 31, 2013, the actuarial accrued liability was \$2,592,356. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Percentage Funded
12/31/13	\$ 2,880,579	\$ 2,592,356	\$ 288,223	111.1%

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**Note 4: OTHER INFORMATION - CONTINUED**

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

**1. City of Elk River**

**a. Plan Description**

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

**b. Funding Policy**

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

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

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

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

	<u>Municipal Retiree Health Plan</u>	<u>Utility Retiree Health Plan</u>
Annual required contribution (ARC)	\$ 100,739	\$ 6,793
Interest on net OPEB obligation	9,422	1,614
Adjustment to ARC	<u>(13,642)</u>	<u>(2,334)</u>
Annual OPEB cost	96,519	6,073
Contributions made	<u>(48,803)</u>	<u>(1,391)</u>
Increase in net OPEB obligation	47,716	4,682
Net OPEB obligation - beginning of year	<u>235,545</u>	<u>40,360</u>
Net OPEB obligation - end of year	<u>\$ 283,261</u>	<u>\$ 45,042</u>

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**Note 4: OTHER INFORMATION - CONTINUED**

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension Obligation</u>
<b>MRHP:</b>				
12/31/2011	\$ 99,058	\$ 25,001	25%	\$ 174,636
12/31/2012	97,719	36,810	38%	235,545
12/31/2013	96,519	48,803	51%	283,261
 <b>URHP:</b>				
12/31/2011	\$ 5,663	\$ -	- %	\$ 35,759
12/31/2012	4,601	-	- %	40,360
12/31/2013	6,073	1,391	23%	45,042

**d. Funded Status and Funding Progress**

As of January 1, 2011, the most recent actuarial valuation date, the funded status of the plan was as follows:

	<u>Municipal Retiree Health Plan</u>	<u>Utility Retiree Health Plan</u>
Actuarial accrued liability (a)	\$ 908,610	\$ 42,681
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a-b)	<u>\$ 908,610</u>	<u>\$ 42,681</u>
Funded ratio (b/a)	0.00%	0.00%
Covered payroll (c)	\$ 6,901,671	\$ 2,286,547
Unfunded actuarial accrued liability as a percentage of covered payroll ((a - b) / c)	13.17%	1.87%

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

**e. Actuarial Methods and Assumptions**

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

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**Note 4: OTHER INFORMATION – CONTINUED**

For the MRHP, in the January 1, 2011 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 8% initially, reduced incrementally to an ultimate rate of 5% after six 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, 2013 was thirty years.

For the URHP, the following simplifying assumptions were made:

*Retirement age for active employees* – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, 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 8.5% initially, reduced to an ultimate rate of 5% after seven years, was used.

*Health insurance premiums* – 2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*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, the project unit credit 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, 2013 was thirty years.

**F. Segment Information**

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

**CITY OF ELK RIVER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**Note 4: OTHER INFORMATION – CONTINUED**

**G. Conduit Debt Obligations**

From time to time, the City has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial, multi-family and educational facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payment received from the benefited entity. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2013, there were five series of revenue bonds outstanding, with an aggregate principal payable amount of \$13,948,532.

**H. Commitments**

The City 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 City signed a new agreement with Minnesota Municipal Power Agency (MMPA).

In 2007 the City entered into an agreement with Central Minnesota Municipal Power Agency (CMMPA) to acquire an interest in the CAPX Initiative Brookings Project, a 250 mile new power transmission line between Brookings, South Dakota, and the Twin Cities. In 2011 there was increased opportunity for investment, and subsequent agreements provide an ownership share of \$5.6 million or 18.9%. The return on this investment through CMMPA is designed to provide approximately \$124,000 annually over the 40 year project life.

**I. Subsequent Events**

The City will redeem the \$560,000 outstanding principal of the G.O. Sewer Revenue Refunding Bond, Series 2005B on February 1, 2014. As a result of the early redemption of the bonds, the City will save \$22,769 in debt service payments.

On February 12, 2014, the City issued \$2,030,000 of Electric Revenue Refunding Bonds, Series 2014A to provide resources for the crossover refunding of \$2,180,000 of the outstanding principal of the Electric Revenue Bonds, Series 2006A on August 1, 2014. It is anticipated that the refunded maturities will be called and prepaid at a price of par plus accrued interest on May 1, 2014, which is within 90 days of settlement of the bonds.

**CITY OF ELK RIVER, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2013**

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Percentage Funded	Pension Benefit Per Year of Service
12/31/11	\$ 2,260,830	\$ 2,540,365	\$ (279,535)	89.0%	\$ 5,091
12/31/12	2,456,311	2,551,430	(95,119)	96.3%	5,091
12/31/13	2,880,579	2,592,356	288,223	111.1%	5,091

**Other Postemployment Benefits  
Schedules of Funding Progress**

**Municipal Retiree Health Plan**

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

**Utilities Retiree Health Plan**

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

# **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, 2013**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 6,032,580	\$ 1,142,965	\$ 14,846,411	\$ 22,021,956
Receivables:				
Interest	16,435	3,798	54,985	75,218
Taxes	32,347	28,648	8,043	69,038
Accounts	251,567	-	290,430	541,997
Special assessments	-	569,554	1,551,548	2,121,102
Notes, net	362,655	-	-	362,655
Due from other governments	31	-	3,000	3,031
Due from other funds	949,576	-	819,413	1,768,989
Prepaid items	99,703	-	-	99,703
	<u>7,744,894</u>	<u>1,744,965</u>	<u>17,573,830</u>	<u>27,063,689</u>
Total assets	<u>\$ 7,744,894</u>	<u>\$ 1,744,965</u>	<u>\$ 17,573,830</u>	<u>\$ 27,063,689</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 110,061	\$ -	\$ 231,865	\$ 341,926
Salaries payable	19,796	-	-	19,796
Due to other funds	9,972	-	321,724	331,696
Unearned revenue	3,135	-	517,935	521,070
Total liabilities	<u>142,964</u>	<u>-</u>	<u>1,071,524</u>	<u>1,214,488</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	18,578	15,212	4,567	38,357
Unavailable revenue - special assessments	-	568,517	1,543,050	2,111,567
Unavailable revenue - notes	362,655	-	-	362,655
Total deferred inflows of resources	<u>381,233</u>	<u>583,729</u>	<u>1,547,617</u>	<u>2,512,579</u>
<b>FUND BALANCES</b>				
Nonspendable	99,703	-	-	99,703
Restricted	3,065,982	1,161,236	3,516	4,230,734
Committed	3,186,146	-	1,207,543	4,393,689
Assigned	868,866	-	14,586,805	15,455,671
Unassigned	-	-	(843,175)	(843,175)
Total fund balances	<u>7,220,697</u>	<u>1,161,236</u>	<u>14,954,689</u>	<u>23,336,622</u>
	<u>\$ 7,744,894</u>	<u>\$ 1,744,965</u>	<u>\$ 17,573,830</u>	<u>\$ 27,063,689</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,744,894</u>	<u>\$ 1,744,965</u>	<u>\$ 17,573,830</u>	<u>\$ 27,063,689</u>

**CITY OF ELK RIVER, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 750,129	\$ 584,642	\$ 99,071	\$ 1,433,842
Franchise tax	-	-	714,983	714,983
Intergovernmental revenue	12,255	502,271	88,942	603,468
Charges for services	1,154,510	-	30,050	1,184,560
Fines and forfeits	40,496	-	-	40,496
Special assessments	-	202,457	561,549	764,006
Interest income	(103,881)	11,951	(604,565)	(696,495)
Miscellaneous revenue:				
Landfill expansion fee	-	-	807,851	807,851
Refunds and reimbursements	112,393	500	-	112,893
Contributions	31,909	-	641,472	673,381
Other	200,315	-	65,906	266,221
<b>Total revenues</b>	<b>2,198,126</b>	<b>1,301,821</b>	<b>2,405,259</b>	<b>5,905,206</b>
<b>EXPENDITURES</b>				
Current:				
General government	105,434	-	4,487	109,921
Public safety	18,113	-	10,615	28,728
Public works	66,681	-	454,272	520,953
Culture and recreation	943,317	-	89,821	1,033,138
Economic development	1,300,072	-	-	1,300,072
Debt service:				
Principal	-	1,894,000	-	1,894,000
Interest and service charges	-	570,292	15,264	585,556
Capital outlay:				
General government	-	-	109,438	109,438
Public safety	-	-	343,574	343,574
Public works	-	-	3,442,439	3,442,439
Culture and recreation	76,168	-	489,302	565,470
<b>Total expenditures</b>	<b>2,509,785</b>	<b>2,464,292</b>	<b>4,959,212</b>	<b>9,933,289</b>
Excess (deficiency) of revenues over expenditures	(311,659)	(1,162,471)	(2,553,953)	(4,028,083)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	(3,882)	830,195	4,164,920	4,991,233
Transfers out	(323,245)	-	(4,145,939)	(4,469,184)
Principal paid on refunded bonds	-	(1,540,000)	-	(1,540,000)
Sale of capital assets	680,695	-	5,712	686,407
<b>Total other financing sources (uses)</b>	<b>353,568</b>	<b>(709,805)</b>	<b>24,693</b>	<b>(331,544)</b>
Net change in fund balances	41,909	(1,872,276)	(2,529,260)	(4,359,627)
Fund balances - January 1	7,178,788	3,033,512	17,483,949	27,696,249
Fund balances - December 31	<b>\$ 7,220,697</b>	<b>\$ 1,161,236</b>	<b>\$ 14,954,689</b>	<b>\$ 23,336,622</b>



**This page has been left blank intentionally**

## NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

Senior Citizen Account - This fund is used to account for Senior Citizen program costs funded by revenues generated from Senior Citizen activities.

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, 2013**

	Library	Ice Arena	Pinewood Golf Course	Senior Citizen Account	Landfill	Revolving Loan
<b>ASSETS</b>						
Cash and investments	\$ 447,254	\$ 141,013	\$ 5,488	\$ -	\$ 1,308,844	\$ 753,780
Receivables:						
Interest	1,565	500	-	-	4,901	2,797
Taxes	3,183	-	-	-	-	-
Accounts	-	179,142	-	-	3,725	50,000
Notes, net	-	-	-	-	-	362,655
Due from other governments	-	-	-	-	-	-
Due from other funds	-	2,240	-	-	-	-
Prepaid items	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 452,002</b>	<b>\$ 322,895</b>	<b>\$ 5,488</b>	<b>\$ -</b>	<b>\$ 1,317,470</b>	<b>\$ 1,169,232</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,336	\$ 62,674	\$ 658	\$ -	\$ 2,293	\$ 1,023
Salaries payable	-	13,725	3,067	-	-	-
Due to other funds	290	-	-	-	-	-
Unearned revenue	-	1,372	1,763	-	-	-
<b>Total liabilities</b>	<b>1,626</b>	<b>77,771</b>	<b>5,488</b>	<b>-</b>	<b>2,293</b>	<b>1,023</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - taxes	1,696	-	-	-	-	-
Unavailable revenue - notes	-	-	-	-	-	362,655
<b>Total deferred inflows of resources</b>	<b>1,696</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>362,655</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	660,000	-
Committed	448,680	245,124	-	-	-	805,554
Assigned	-	-	-	-	655,177	-
<b>Total fund balances</b>	<b>448,680</b>	<b>245,124</b>	<b>-</b>	<b>-</b>	<b>1,315,177</b>	<b>805,554</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 452,002</b>	<b>\$ 322,895</b>	<b>\$ 5,488</b>	<b>\$ -</b>	<b>\$ 1,317,470</b>	<b>\$ 1,169,232</b>

Federal DEED	State DEED	Development Fund	Insurance Reserve	Drug Forfeiture Reserve	YMCA Grant	Economic Development Authority	Total Nonmajor Special Revenue Funds
\$ 311,155	\$ 384,413	\$ 550,184	\$ 224,277	\$ 46,621	\$ 628,153	\$ 1,231,398	\$ 6,032,580
	1,424	2,040	834	167	2,207	-	16,435
	-	13,547	-	-	-	15,617	32,347
	-	16,088	2,612	-	-	-	251,567
	-	-	-	31	-	-	362,655
	-	947,336	-	-	-	-	31
	-	-	99,703	-	-	-	949,576
	-	-	-	-	-	-	99,703
<u>\$ 311,155</u>	<u>\$ 385,837</u>	<u>\$ 1,529,195</u>	<u>\$ 327,426</u>	<u>\$ 46,819</u>	<u>\$ 630,360</u>	<u>\$ 1,247,015</u>	<u>\$ 7,744,894</u>
\$ -	\$ -	\$ 29,521	\$ 9,435	\$ 156	\$ -	\$ 2,965	\$ 110,061
	-	-	-	-	-	3,004	19,796
	-	-	-	-	-	9,682	9,972
	-	-	-	-	-	-	3,135
	-	29,521	9,435	156	-	15,651	142,964
-	-	8,324	-	-	-	8,558	18,578
-	-	-	-	-	-	-	362,655
-	-	8,324	-	-	-	8,558	381,233
-	-	-	99,703	-	-	-	99,703
311,155	385,837	-	22,850	45,671	592,564	1,047,905	3,065,982
-	-	1,491,350	195,438	-	-	-	3,186,146
-	-	-	-	992	37,796	174,901	868,866
<u>311,155</u>	<u>385,837</u>	<u>1,491,350</u>	<u>317,991</u>	<u>46,663</u>	<u>630,360</u>	<u>1,222,806</u>	<u>7,220,697</u>
<u>\$ 311,155</u>	<u>\$ 385,837</u>	<u>\$ 1,529,195</u>	<u>\$ 327,426</u>	<u>\$ 46,819</u>	<u>\$ 630,360</u>	<u>\$ 1,247,015</u>	<u>\$ 7,744,894</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, 2013**

	Library	Ice Arena	Pinewood Golf Course	Senior Citizen Account	Landfill	Revolving Loan
<b>REVENUES</b>						
Property taxes	\$ 62,200	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	-	10,986	-
Charges for services	-	748,496	165,400	-	13,193	2,495
Fines and forfeits	-	-	-	-	-	-
Interest income	6,059	2,079	-	33	(55,443)	(30,652)
Miscellaneous revenue:						
Refunds and reimbursements	-	-	-	-	-	-
Contributions	25,340	6,569	-	-	-	-
Other	-	14,275	-	-	-	145,076
Total revenues	<u>93,599</u>	<u>771,419</u>	<u>165,400</u>	<u>33</u>	<u>(31,264)</u>	<u>116,919</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	66,681	-
Culture and recreation	99,490	620,097	212,427	11,303	-	-
Economic development	-	-	-	-	-	271,060
Capital outlay:						
Culture and recreation	-	<b>76,168</b>	-	-	-	-
Total expenditures	<u>99,490</u>	<u>696,265</u>	<u>212,427</u>	<u>11,303</u>	<u>66,681</u>	<u>271,060</u>
Excess (deficiency) of revenues over expenditures	<u>(5,891)</u>	<u>75,154</u>	<u>(47,027)</u>	<u>(11,270)</u>	<u>(97,945)</u>	<u>(154,141)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	47,027	-	-	-
Transfers out	-	-	-	-	(48,245)	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>47,027</u>	<u>-</u>	<u>(48,245)</u>	<u>-</u>
Net change in fund balances	(5,891)	75,154	-	(11,270)	(146,190)	(154,141)
Fund balances - January 1	<u>454,571</u>	<u>169,970</u>	<u>-</u>	<u>11,270</u>	<u>1,461,367</u>	<u>959,695</u>
Fund balances - December 31	<u>\$ 448,680</u>	<u>\$ 245,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,315,177</u>	<u>\$ 805,554</u>

Federal DEED	State DEED	Development Fund	Insurance Reserve	Drug Forfeiture Reserve	YMCA Grant	Economic Development Authority	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 398,635	\$ -	\$ -	\$ -	\$ 289,294	\$ 750,129
		-				1,269	12,255
		221,426				3,500	1,154,510
		-		40,496			40,496
4,538	(16,226)	(19,861)	(8,383)	616	9,646	3,713	(103,881)
		53,150	59,243				112,393
		40,964					31,909
		-					200,315
<u>4,538</u>	<u>(16,226)</u>	<u>694,314</u>	<u>50,860</u>	<u>41,112</u>	<u>9,646</u>	<u>297,776</u>	<u>2,198,126</u>
			105,434				105,434
				18,113			18,113
							66,681
400,000		445,526				183,486	943,317
							1,300,072
							<b>76,168</b>
<u>400,000</u>	<u>-</u>	<u>445,526</u>	<u>105,434</u>	<u>18,113</u>	<u>-</u>	<u>183,486</u>	<u>2,509,785</u>
(395,462)	(16,226)	248,788	(54,574)	22,999	9,646	114,290	(311,659)
		(50,909)				-	(3,882)
					(250,000)	(25,000)	(323,245)
		680,695				-	680,695
		<u>629,786</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>(25,000)</u>	<u>353,568</u>
(395,462)	(16,226)	878,574	(54,574)	22,999	(240,354)	89,290	41,909
706,617	402,063	612,776	372,565	23,664	870,714	1,133,516	7,178,788
<u>\$ 311,155</u>	<u>\$ 385,837</u>	<u>\$ 1,491,350</u>	<u>\$ 317,991</u>	<u>\$ 46,663</u>	<u>\$ 630,360</u>	<u>\$ 1,222,806</u>	<u>\$ 7,220,697</u>

**CITY OF ELK RIVER, MINNESOTA  
SPECIAL REVENUE FUND - LIBRARY MAINTENANCE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 63,100	\$ 63,100	\$ 62,200	\$ (900)
Interest income	6,400	6,400	6,059	(341)
Miscellaneous revenue:				
Contributions	27,000	27,000	25,340	(1,660)
Total revenues	<u>96,500</u>	<u>96,500</u>	<u>93,599</u>	<u>(2,901)</u>
<b>EXPENDITURES</b>				
Culture and recreation:				
Current	<u>96,500</u>	<u>96,500</u>	<u>99,490</u>	<u>(2,990)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(5,891)	<u>\$ (5,891)</u>
Fund balance - January 1			<u>454,571</u>	
Fund balance - December 31			<u>\$ 448,680</u>	

**CITY OF ELK RIVER, MINNESOTA  
SPECIAL REVENUE FUND - ICE ARENA FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 741,400	\$ 741,400	\$ 748,496	\$ 7,096
Interest income		-	2,079	2,079
Miscellaneous revenue:				
Vending machines	11,800	11,800	11,569	(231)
Contributions	7,300	7,300	6,569	(731)
Other	3,050	3,050	2,706	(344)
Total revenues	<u>763,550</u>	<u>763,550</u>	<u>771,419</u>	<u>7,869</u>
<b>EXPENDITURES</b>				
Culture and recreation:				
Current	632,700	632,700	620,097	12,603
Capital outlay	357,300	357,300	76,168	281,132
Total expenditures	<u>990,000</u>	<u>990,000</u>	<u>696,265</u>	<u>293,735</u>
Excess (deficiency) of revenues over expenditures	(226,450)	(226,450)	75,154	301,604
<b>OTHER FINANCING SOURCES</b>				
Transfers in	45,500	45,500	-	(45,500)
Net change in fund balance	<u>\$ (180,950)</u>	<u>\$ (180,950)</u>	75,154	<u>\$ 256,104</u>
Fund balance - January 1			<u>169,970</u>	
Fund balance - December 31			<u>\$ 245,124</u>	

**CITY OF ELK RIVER, MINNESOTA  
SPECIAL REVENUE FUND - PINWOOD GOLF COURSE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 188,500	\$ 188,500	\$ 165,400	\$ (23,100)
<b>EXPENDITURES</b>				
Culture and recreation:				
Current	233,300	233,300	212,427	20,873
Deficiency of revenues over expenditures	(44,800)	(44,800)	(47,027)	(2,227)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	44,800	44,800	47,027	2,227
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - January 1			<u>-</u>	
Fund balance - December 31			<u>\$ -</u>	

**CITY OF ELK RIVER, MINNESOTA  
SPECIAL REVENUE FUND - LANDFILL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 7,000	\$ 7,000	\$ 10,986	\$ 3,986
Charges for services	9,000	9,000	13,193	4,193
Interest income	9,500	9,500	(55,443)	(64,943)
Total revenues	<u>25,500</u>	<u>25,500</u>	<u>(31,264)</u>	<u>(56,764)</u>
<b>EXPENDITURES</b>				
Public works:				
Current	<u>71,950</u>	<u>71,950</u>	<u>66,681</u>	<u>5,269</u>
Deficiency of revenues over expenditures	(46,450)	(46,450)	(97,945)	(51,495)
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(48,245)</u>	<u>11,755</u>
Net change in fund balance	<u>\$ (106,450)</u>	<u>\$ (106,450)</u>	(146,190)	<u>\$ (39,740)</u>
Fund balance - January 1			<u>1,461,367</u>	
Fund balance - December 31			<u>\$ 1,315,177</u>	

**CITY OF ELK RIVER, MINNESOTA**  
**SPECIAL REVENUE FUND - ECONOMIC DEVELOPMENT AUTHORITY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 292,500	\$ 292,500	\$ 289,294	\$ (3,206)
Intergovernmental revenue	-	-	1,269	1,269
Charges for services	3,500	3,500	3,500	-
Interest income	7,000	7,000	3,713	(3,287)
Total revenues	<u>303,000</u>	<u>303,000</u>	<u>297,776</u>	<u>(5,224)</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	249,800	249,800	183,486	66,314
Excess of revenues over expenditures	53,200	53,200	114,290	61,090
<b>OTHER FINANCING USES</b>				
Transfers out	(25,000)	(25,000)	(25,000)	-
Net change in fund balance	<u>\$ 28,200</u>	<u>\$ 28,200</u>	89,290	<u>\$ 61,090</u>
Fund balance - January 1			<u>1,133,516</u>	
Fund balance - December 31			<u>\$ 1,222,806</u>	

## 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.

MPFA Loan - This fund is used to account for the accumulation of resources and payment of principal and interest to finance Municipal State Aid eligible road improvements.

**CITY OF ELK RIVER, MINNESOTA  
SUBCOMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2013**

	Improvement Bonds	Government Building Bonds	MPFA Loan	Total Nonmajor Debt Service Funds
<b>ASSETS</b>				
Cash and investments	\$ 447,936	\$ 695,029	\$ -	\$ 1,142,965
Receivables:				
Interest	1,360	2,438	-	3,798
Taxes	8,250	20,398	-	28,648
Special assessments	569,554	-	-	569,554
Total assets	<u>\$ 1,027,100</u>	<u>\$ 717,865</u>	<u>\$ -</u>	<u>\$ 1,744,965</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	\$ 3,922	\$ 11,290	\$ -	\$ 15,212
Unavailable revenue - special assessments	568,517	-	-	568,517
Total deferred inflows of resources	<u>572,439</u>	<u>11,290</u>	<u>-</u>	<u>583,729</u>
<b>FUND BALANCES</b>				
Restricted	454,661	706,575	-	1,161,236
Total deferred inflows of resources and fund balances	<u>\$ 1,027,100</u>	<u>\$ 717,865</u>	<u>\$ -</u>	<u>\$ 1,744,965</u>

**CITY OF ELK RIVER, MINNESOTA**  
**SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Improvement Bonds	Government Building Bonds	MPFA Loan	Total Nonmajor Debt Service Funds
<b>REVENUES</b>				
Property taxes	\$ 225,828	\$ 358,814	\$ -	\$ 584,642
Intergovernmental revenue	-	-	502,271	502,271
Special assessments	202,457	-	-	202,457
Interest income	5,316	6,635	-	11,951
Miscellaneous revenue:				
Refunds and reimbursements	-	500	-	500
Total revenues	<u>433,601</u>	<u>365,949</u>	<u>502,271</u>	<u>1,301,821</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	850,000	545,000	499,000	1,894,000
Interest and service charges	87,268	476,482	6,542	570,292
Total expenditures	<u>937,268</u>	<u>1,021,482</u>	<u>505,542</u>	<u>2,464,292</u>
Deficiency of revenues over expenditures	<u>(503,667)</u>	<u>(655,533)</u>	<u>(3,271)</u>	<u>(1,162,471)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	275,799	554,396	-	830,195
Principal paid on refunded bonds	(1,540,000)	-	-	(1,540,000)
Total other financing sources (uses)	<u>(1,264,201)</u>	<u>554,396</u>	<u>-</u>	<u>(709,805)</u>
Net change in fund balances	(1,767,868)	(101,137)	(3,271)	(1,872,276)
Fund balances - January 1	<u>2,222,529</u>	<u>807,712</u>	<u>3,271</u>	<u>3,033,512</u>
Fund balances - December 31	<u>\$ 454,661</u>	<u>\$ 706,575</u>	<u>\$ -</u>	<u>\$ 1,161,236</u>



**This page has been left blank intentionally**

## NONMAJOR CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

**CITY OF ELK RIVER, MINNESOTA  
SUBCOMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
DECEMBER 31, 2013**

	Capital Reserve	Equipment Replacement	Park Dedication	Park Improvements	Government Buildings
<b>ASSETS</b>					
Cash and investments	\$ 1,522,438	\$ 830,973	\$ -	\$ 101,331	\$ 3,789,122
Receivables:					
Interest	5,723	3,080	-	359	14,051
Taxes	-	605	-	-	-
Accounts	328	-	-	-	115,584
Special assessments	17,769	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	56,821	-	79,761	-
Total assets	<u>\$ 1,546,258</u>	<u>\$ 891,479</u>	<u>\$ -</u>	<u>\$ 181,451</u>	<u>\$ 3,918,757</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,322	\$ 54,478	\$ -	\$ 4,294	\$ 54,432
Due to other funds	-	-	321,724	-	-
Unearned revenue	-	-	517,935	-	-
Total liabilities	<u>2,322</u>	<u>54,478</u>	<u>839,659</u>	<u>4,294</u>	<u>54,432</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - taxes	-	530	-	-	-
Unavailable revenue - special assessments	17,079	-	-	-	-
Total deferred inflows of resources	<u>17,079</u>	<u>530</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted	-	-	3,516	-	-
Committed	-	-	-	-	-
Assigned	1,526,857	836,471	-	177,157	3,864,325
Unassigned	-	-	(843,175)	-	-
Total fund balances	<u>1,526,857</u>	<u>836,471</u>	<u>(843,175)</u>	<u>177,157</u>	<u>3,864,325</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,546,258</u>	<u>\$ 891,479</u>	<u>\$ -</u>	<u>\$ 181,451</u>	<u>\$ 3,918,757</u>

<u>GRE Reserve</u>	<u>Pavement Management</u>	<u>Street Improvements</u>	<u>Improvement Projects</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 1,858,875	\$ 656,351	\$ 1,819,525	\$ 4,267,796	\$ 14,846,411
6,891	1,899	7,276	15,706	54,985
-	-	4,781	2,657	8,043
-	174,518	-	-	290,430
-	-	691,738	842,041	1,551,548
3,000	-	-	-	3,000
241,963	440,868	-	-	819,413
<u>\$ 2,110,729</u>	<u>\$ 1,273,636</u>	<u>\$ 2,523,320</u>	<u>\$ 5,128,200</u>	<u>\$ 17,573,830</u>
\$ -	\$ 66,093	\$ 40,918	\$ 9,328	\$ 231,865
-	-	-	-	321,724
-	-	-	-	517,935
<u>-</u>	<u>66,093</u>	<u>40,918</u>	<u>9,328</u>	<u>1,071,524</u>
-	-	2,572	1,465	4,567
-	-	685,086	840,885	1,543,050
-	-	<u>687,658</u>	<u>842,350</u>	<u>1,547,617</u>
-	-	-	-	3,516
2,110,729	1,207,543	1,794,744	4,276,522	1,207,543
-	-	-	-	14,586,805
<u>2,110,729</u>	<u>1,207,543</u>	<u>1,794,744</u>	<u>4,276,522</u>	<u>(843,175)</u>
<u>\$ 2,110,729</u>	<u>\$ 1,273,636</u>	<u>\$ 2,523,320</u>	<u>\$ 5,128,200</u>	<u>\$ 17,573,830</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, 2013**

	<u>Capital Reserve</u>	<u>Equipment Replacement</u>	<u>Park Dedication</u>	<u>Park Improvements</u>	<u>Government Buildings</u>
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ -	\$ 208	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-	-
Intergovernmental revenue	88,942	-	-	-	-
Charges for services	-	-	18,780	5,872	-
Special assessments	12,611	-	-	-	-
Interest income	(65,950)	(34,494)	194	1,701	(157,962)
Miscellaneous revenue:					
Landfill expansion fee	-	-	-	-	807,851
Contributions	73,220	-	-	10,290	-
Other	11,228	154	-	-	36,412
Total revenues	<u>120,051</u>	<u>(34,132)</u>	<u>18,974</u>	<u>17,863</u>	<u>686,301</u>
<b>EXPENDITURES</b>					
Current:					
General government	4,487	-	-	-	-
Public safety	3,112	-	-	-	7,503
Public works	28,944	-	-	-	73,867
Culture and recreation	-	-	-	88,701	-
Debt service:					
Interest and service charges	-	-	15,264	-	-
Capital outlay:					
General government	109,438	-	-	-	-
Public safety	-	233,024	-	-	110,550
Public works	-	193,183	-	-	602,025
Culture and recreation	-	169,196	-	320,106	-
Total expenditures	<u>145,981</u>	<u>595,403</u>	<u>15,264</u>	<u>408,807</u>	<u>793,945</u>
Excess (deficiency) of revenues over expenditures	<u>(25,930)</u>	<u>(629,535)</u>	<u>3,710</u>	<u>(390,944)</u>	<u>(107,644)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	91,792	531,162	-	342,289	-
Transfers out	(112,900)	-	-	-	(554,396)
Sale of capital assets	-	5,712	-	-	-
Total other financing sources (uses)	<u>(21,108)</u>	<u>536,874</u>	<u>-</u>	<u>342,289</u>	<u>(554,396)</u>
Net change in fund balances	(47,038)	(92,661)	3,710	(48,655)	(662,040)
Fund balances - January 1	1,573,895	929,132	(843,369)	225,812	4,526,365
Fund balances - December 31	<u>\$ 1,526,857</u>	<u>\$ 836,471</u>	<u>\$ (839,659)</u>	<u>\$ 177,157</u>	<u>\$ 3,864,325</u>

<u>GRE Reserve</u>	<u>Pavement Management</u>	<u>Street Improvements</u>	<u>Improvement Projects</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ -	\$ -	\$ 49,290	\$ 49,573	\$ 99,071
-	714,983	-	-	714,983
-	-	-	-	88,942
-	-	-	5,398	30,050
-	-	278,018	270,920	561,549
(79,960)	(10,524)	(81,607)	(175,963)	(604,565)
-	-	-	-	807,851
557,962	-	-	-	641,472
-	-	18,112	-	65,906
<u>478,002</u>	<u>704,459</u>	<u>263,813</u>	<u>149,928</u>	<u>2,405,259</u>
-	-	-	-	4,487
-	-	-	-	10,615
1,120	153,328	106,751	91,382	454,272
-	-	-	-	89,821
-	-	-	-	15,264
-	-	-	-	109,438
-	-	-	-	343,574
-	2,464,760	182,471	-	3,442,439
-	-	-	-	489,302
<u>1,120</u>	<u>2,618,088</u>	<u>289,222</u>	<u>91,382</u>	<u>4,959,212</u>
<u>476,882</u>	<u>(1,913,629)</u>	<u>(25,409)</u>	<u>58,546</u>	<u>(2,553,953)</u>
-	3,121,172	4,481	74,024	4,164,920
(39,500)	-	(3,275,799)	(163,344)	(4,145,939)
-	-	-	-	5,712
<u>(39,500)</u>	<u>3,121,172</u>	<u>(3,271,318)</u>	<u>(89,320)</u>	<u>24,693</u>
437,382	1,207,543	(3,296,727)	(30,774)	(2,529,260)
<u>1,673,347</u>	<u>-</u>	<u>5,091,471</u>	<u>4,307,296</u>	<u>17,483,949</u>
<u>\$ 2,110,729</u>	<u>\$ 1,207,543</u>	<u>\$ 1,794,744</u>	<u>\$ 4,276,522</u>	<u>\$ 14,954,689</u>



**This page has been left blank intentionally**

## 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, 2013**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>ASSETS</b>				
Cash	\$ 51,752	\$ 39,834	\$ 49,848	\$ 41,738
Accounts receivable	1,381	5,210	4,214	2,377
 Total assets	 <u>\$ 53,133</u>	 <u>\$ 45,044</u>	 <u>\$ 54,062</u>	 <u>\$ 44,115</u>
 <b>LIABILITIES</b>				
Refundable deposits payable	<u>\$ 53,133</u>	<u>\$ 42,564</u>	<u>\$ 51,582</u>	<u>\$ 44,115</u>

## COMPONENT UNIT FINANCIAL STATEMENTS

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

### Governmental Fund

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

**HOUSING AND REDEVELOPMENT AUTHORITY  
OF ELK RIVER, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2013**

<b>ASSETS</b>	
Cash and investments	\$ 1,043,777
Receivables:	
Taxes	13,607
Accounts	750
Notes	400,000
Due from primary government	<u>233,389</u>
Total assets	<u><u>\$ 1,691,523</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 7,717
Salaries payable	1,326
Due to primary government	<u>2,766</u>
Total liabilities	<u>11,809</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - taxes	<u>7,451</u>
 <b>FUND BALANCES</b>	
Nonspendable	400,000
Restricted	<u>1,272,263</u>
Total fund balances	<u>1,672,263</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 1,691,523</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, 2013**

FUND BALANCE - HOUSING AND REDEVELOPMENT AUTHORITY	\$ 1,672,263
--	--------------

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

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

Governmental capital assets	431,390	
Less accumulated depreciation	<u>(12,587)</u>	418,803

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

	<u>7,451</u>
--	--------------

NET POSITION OF HOUSING AND REDEVELOPMENT AUTHORITY	<u><u>\$ 2,098,517</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, 2013**

<b>REVENUES</b>	
Property taxes	\$ 254,710
Intergovernmental revenue	105
Interest income	4,274
Total revenues	<u>259,089</u>
 <b>EXPENDITURES</b>	
Economic development:	
Current	<u>85,103</u>
Net change in fund balance	173,986
Fund balance - January 1	<u>1,498,277</u>
Fund balance - December 31	<u><u>\$ 1,672,263</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, 2013**

NET CHANGE IN FUND BALANCES - HOUSING AND REDEVELOPMENT AUTHORITY \$ 173,986

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

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

Depreciation expense (11,619)

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 (3,121)

CHANGE IN NET POSITION OF HOUSING AND REDEVELOPMENT AUTHORITY \$ 159,246



**This page has been left blank intentionally**

# STATISTICAL SECTION

## (UNAUDITED)

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

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

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

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

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 68,351,167	\$ 73,150,041	\$ 82,663,610	\$ 85,293,459
Restricted	10,963,518	12,410,832	4,802,808	6,189,063
Unrestricted	19,452,247	21,267,772	27,998,543	25,641,836
Total governmental activities net position	<u>\$ 98,766,932</u>	<u>\$ 106,828,645</u>	<u>\$ 115,464,961</u>	<u>\$ 117,124,358</u>
Business-type activities				
Net investment in capital assets	\$ 52,377,687	\$ 54,577,074	\$ 59,410,729	\$ 59,942,345
Restricted	2,197,066	2,256,419	445,900	733,400
Unrestricted	10,332,005	11,810,416	13,839,859	17,028,349
Total business-type activities net position	<u>\$ 64,906,758</u>	<u>\$ 68,643,909</u>	<u>\$ 73,696,488</u>	<u>\$ 77,704,094</u>
Primary government				
Net investment in capital assets	\$ 120,728,854	\$ 127,727,115	\$ 142,074,339	\$ 145,235,804
Restricted	13,160,584	14,667,251	5,248,708	6,922,463
Unrestricted	29,784,252	33,078,188	41,838,402	42,670,185
Total primary government net position	<u>\$ 163,673,690</u>	<u>\$ 175,472,554</u>	<u>\$ 189,161,449</u>	<u>\$ 194,828,452</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					
2008	2009	2010	2011	2012	2013
\$ 85,390,968	\$ 86,149,417	\$ 84,629,091	\$ 84,741,957	\$ 84,060,768	\$ 84,353,785
5,569,773	4,723,030	7,341,554	6,283,346	6,391,182	5,256,724
27,628,733	28,588,304	26,702,252	29,282,251	27,448,688	24,069,710
<u>\$ 118,589,474</u>	<u>\$ 119,460,751</u>	<u>\$ 118,672,897</u>	<u>\$ 120,307,554</u>	<u>\$ 117,900,638</u>	<u>\$ 113,680,219</u>
\$ 60,750,900	\$ 59,601,861	\$ 60,972,838	\$ 60,525,218	\$ 60,268,219	\$ 62,035,437
724,500	724,500	724,500	724,500	724,500	647,000
17,696,135	19,793,756	19,907,416	19,421,085	22,376,508	22,957,506
<u>\$ 79,171,535</u>	<u>\$ 80,120,117</u>	<u>\$ 81,604,754</u>	<u>\$ 80,670,803</u>	<u>\$ 83,369,227</u>	<u>\$ 85,639,943</u>
\$ 146,141,868	\$ 145,751,278	\$ 145,601,929	\$ 145,267,175	\$ 144,328,987	\$ 146,389,222
6,294,273	5,447,530	8,066,054	7,007,846	7,115,682	5,903,724
45,324,868	48,382,060	46,609,668	48,703,336	49,825,196	47,027,216
<u>\$ 197,761,009</u>	<u>\$ 199,580,868</u>	<u>\$ 200,277,651</u>	<u>\$ 200,978,357</u>	<u>\$ 201,269,865</u>	<u>\$ 199,320,162</u>

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

	Fiscal Year			
	2004	2005	2006	2007
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,440,200	\$ 2,503,826	\$ 2,560,213	\$ 2,732,697
Public safety	4,988,424	5,255,974	5,606,438	5,924,093
Public works	4,277,071	4,281,725	6,169,030	6,527,565
Culture and recreation	2,058,882	2,535,955	2,859,058	3,598,695
Economic development	912,698	938,164	631,437	1,001,829
Interest on long-term debt	936,515	881,001	764,725	952,082
Total governmental activities expenses	<u>15,613,790</u>	<u>16,396,645</u>	<u>18,590,901</u>	<u>20,736,961</u>
Business-type activities:				
Municipal Liquor	3,760,156	4,348,673	5,202,087	5,301,597
Garbage	953,432	1,047,479	1,094,788	1,114,133
Sewer	1,457,386	1,633,276	1,721,522	1,786,266
Water	1,783,081	2,091,723	2,104,827	2,413,942
Electric	13,362,081	14,877,986	16,588,510	18,718,636
Total business-type activities expenses	<u>21,316,136</u>	<u>23,999,137</u>	<u>26,711,734</u>	<u>29,334,574</u>
Total primary government expenses	<u>\$ 36,929,926</u>	<u>\$ 40,395,782</u>	<u>\$ 45,302,635</u>	<u>\$ 50,071,535</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 308,781	\$ 288,032	\$ 246,541	\$ 283,003
Public safety	1,956,967	2,050,437	2,403,601	1,533,699
Public works	226,907	280,583	617,099	76,117
Culture and recreation	812,401	877,789	1,065,218	1,083,081
Economic development	96,396	379,002	178,217	92,486
Operating grants and contributions	427,513	480,649	387,584	362,313
Capital grants and contributions	11,879,536	7,573,752	8,117,032	4,174,427
Total governmental activities program revenues	<u>15,708,501</u>	<u>11,930,244</u>	<u>13,015,292</u>	<u>7,605,126</u>
Business-type activities:				
Charges for services:				
Municipal Liquor	4,345,702	4,806,061	5,906,768	6,043,088
Garbage	973,176	1,055,753	1,106,268	1,139,763
Sewer	2,365,262	1,261,853	1,352,647	1,454,219
Water	2,095,018	1,365,136	1,770,819	2,144,622
Electric	14,765,479	15,955,440	17,143,485	19,895,323
Operating grants and contributions	8,615	9,255	504,168	295,081
Capital grants and contributions	3,028,454	3,654,383	4,297,666	1,996,636
Total business-type activities program revenues	<u>27,581,706</u>	<u>28,107,881</u>	<u>32,081,821</u>	<u>32,968,732</u>
Total primary government program revenues	<u>\$ 43,290,207</u>	<u>\$ 40,038,125</u>	<u>\$ 45,097,113</u>	<u>\$ 40,573,858</u>
<b>Net (expense)/revenue</b>				
Governmental activities	\$ 94,711	\$ (4,466,401)	\$ (5,575,609)	\$(13,131,835)
Business-type activities	6,265,570	4,108,744	5,370,087	3,634,158
Total primary government net (expense)/revenue	<u>\$ 6,360,281</u>	<u>\$ (357,657)</u>	<u>\$ (205,522)</u>	<u>\$ (9,497,677)</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					
2008	2009	2010	2011	2012	2013
\$ 3,286,350	\$ 2,777,568	\$ 3,028,102	\$ 3,495,458	\$ 2,994,342	\$ 3,344,317
6,715,607	6,106,181	6,011,477	6,238,611	6,187,246	6,173,244
5,875,992	5,397,058	5,447,282	5,720,759	6,037,000	6,535,616
3,549,637	3,767,312	3,702,671	3,851,181	4,013,098	3,914,000
1,893,707	1,569,432	1,438,742	1,451,109	1,059,058	2,088,064
1,315,275	1,252,493	1,138,414	1,045,905	1,163,352	1,288,020
<u>22,636,568</u>	<u>20,870,044</u>	<u>20,766,688</u>	<u>21,803,023</u>	<u>21,454,096</u>	<u>23,343,261</u>
5,464,819	5,374,453	5,267,041	5,366,557	5,622,305	5,706,760
1,166,709	1,256,177	1,331,514	1,304,238	1,276,887	1,251,420
1,849,031	1,781,804	1,962,431	2,130,287	2,239,914	2,320,743
2,506,510	2,334,388	2,089,889	2,108,499	2,264,814	2,332,680
<u>22,036,471</u>	<u>23,258,383</u>	<u>25,452,567</u>	<u>26,726,349</u>	<u>27,586,573</u>	<u>28,422,759</u>
<u>33,023,540</u>	<u>34,005,205</u>	<u>36,103,442</u>	<u>37,635,930</u>	<u>38,990,493</u>	<u>40,034,362</u>
<u>\$ 55,660,108</u>	<u>\$ 54,875,249</u>	<u>\$ 56,870,130</u>	<u>\$ 59,438,953</u>	<u>\$ 60,444,589</u>	<u>\$ 63,377,623</u>
\$ 371,911	\$ 334,100	\$ 301,509	\$ 425,954	\$ 369,794	\$ 338,469
962,275	634,242	722,073	787,884	789,728	961,072
159,664	47,860	61,605	79,073	82,173	206,606
1,084,067	1,074,266	1,089,058	1,102,630	1,128,070	1,075,576
65,999	60,335	125,759	70,976	8,244	274,833
977,411	758,958	763,551	954,831	1,018,519	954,164
4,302,760	2,599,593	1,318,660	1,750,824	1,007,794	807,208
<u>7,924,087</u>	<u>5,509,354</u>	<u>4,382,215</u>	<u>5,172,172</u>	<u>4,404,322</u>	<u>4,617,928</u>
6,213,657	6,094,058	5,953,626	6,145,692	6,525,234	6,756,581
1,160,774	1,194,937	1,282,013	1,310,014	1,302,920	1,285,138
1,511,165	1,504,785	1,483,120	1,491,460	1,533,851	1,613,276
2,139,046	2,218,816	1,961,760	1,917,384	2,343,881	2,381,651
22,941,903	24,258,120	26,840,983	28,657,698	30,403,469	31,029,299
149,327	92,957	103,324	38,550	23,440	-
888,925	267,233	397,989	482,319	490,916	924,641
<u>35,004,797</u>	<u>35,630,906</u>	<u>38,022,815</u>	<u>40,043,117</u>	<u>42,623,711</u>	<u>43,990,586</u>
<u>\$ 42,928,884</u>	<u>\$ 41,140,260</u>	<u>\$ 42,405,030</u>	<u>\$ 45,215,289</u>	<u>\$ 47,028,033</u>	<u>\$ 48,608,514</u>
\$(14,712,481)	\$(15,360,690)	\$(16,384,473)	\$(16,630,851)	\$(17,049,774)	\$(18,725,333)
1,981,257	1,625,701	1,919,373	2,407,187	3,633,218	3,956,224
<u>\$(12,731,224)</u>	<u>\$(13,734,989)</u>	<u>\$(14,465,100)</u>	<u>\$(14,223,664)</u>	<u>\$(13,416,556)</u>	<u>\$(14,769,109)</u>

	Fiscal Year			
	2004	2005	2006	2007
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Property taxes	\$ 6,425,933	\$ 7,569,131	\$ 8,754,923	\$ 9,744,930
Tax increment	734,115	768,397	790,882	894,595
Other taxes	-	-	-	-
Unrestricted grants and contributions	2,141,152	2,427,605	2,577,700	2,395,665
Investment earnings	375,550	758,612	1,151,144	1,465,401
Miscellaneous	9,180	326,853	28,450	23,213
Transfers of capital assets	-	-	-	(511,412)
Transfers	866,816	677,516	908,826	778,840
Total governmental activities	<u>10,552,746</u>	<u>12,528,114</u>	<u>14,211,925</u>	<u>14,791,232</u>
Business-type activities:				
Investment earnings	153,218	305,923	589,210	640,876
Miscellaneous	-	-	2,108	-
Transfers of capital assets	-	-	-	511,412
Transfers	(866,816)	(677,516)	(908,826)	(778,840)
Total business-type activities	<u>(713,598)</u>	<u>(371,593)</u>	<u>(317,508)</u>	<u>373,448</u>
Total primary government	<u>\$ 9,839,148</u>	<u>\$ 12,156,521</u>	<u>\$ 13,894,417</u>	<u>\$ 15,164,680</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 10,647,457	\$ 8,061,713	\$ 8,636,316	\$ 1,659,397
Business-type activities	5,551,972	3,737,151	5,052,579	4,007,606
Total primary government	<u>\$ 16,199,429</u>	<u>\$ 11,798,864</u>	<u>\$ 13,688,895</u>	<u>\$ 5,667,003</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					
2008	2009	2010	2011	2012	2013
\$ 11,095,407	\$ 11,440,991	\$ 11,254,752	\$ 11,398,819	\$ 10,854,241	\$ 10,742,370
1,041,300	1,080,142	1,071,099	947,486	830,204	87,848
-	156,894	193,466	83,748	125,623	829,112
1,775,536	1,940,274	2,000,923	1,702,334	1,307,662	1,436,135
1,215,053	548,651	359,733	499,034	319,654	(663,762)
-	20,013	61,308	23,233	49,470	629,177
-	-	(303,051)	-	(348,259)	(121,172)
1,050,301	1,045,002	958,389	3,610,854	1,504,263	1,565,206
<u>16,177,597</u>	<u>16,231,967</u>	<u>15,596,619</u>	<u>18,265,508</u>	<u>14,642,858</u>	<u>14,504,914</u>
534,485	367,883	220,602	269,716	219,950	(243,047)
2,000	-	-	-	1,260	1,572
-	-	303,051	-	348,259	121,172
(1,050,301)	(1,045,002)	(958,389)	(3,610,854)	(1,504,263)	(1,565,206)
<u>(513,816)</u>	<u>(677,119)</u>	<u>(434,736)</u>	<u>(3,341,138)</u>	<u>(934,794)</u>	<u>(1,685,509)</u>
<u>\$ 15,663,781</u>	<u>\$ 15,554,848</u>	<u>\$ 15,161,883</u>	<u>\$ 14,924,370</u>	<u>\$ 13,708,064</u>	<u>\$ 12,819,405</u>
\$ 1,465,116	\$ 871,277	\$ (787,854)	\$ 1,634,657	\$ (2,406,916)	\$ (4,220,419)
1,467,441	948,582	1,484,637	(933,951)	2,698,424	2,270,715
<u>\$ 2,932,557</u>	<u>\$ 1,819,859</u>	<u>\$ 696,783</u>	<u>\$ 700,706</u>	<u>\$ 291,508</u>	<u>\$ (1,949,704)</u>

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

	Fiscal Year			
	2004	2005	2006	2007
General fund				
Reserved	\$ 115,746	\$ 210,298	\$ -	\$ 5,938
Unreserved	3,851,634	4,391,083	4,816,386	5,346,066
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General fund	<u>\$ 3,967,380</u>	<u>\$ 4,601,381</u>	<u>\$ 4,816,386</u>	<u>\$ 5,352,004</u>
All other governmental funds				
Reserved	\$ 11,570,003	\$ 11,475,837	\$ 9,979,026	\$ 14,453,663
Unreserved, reported in:				
Special revenue funds	4,597,195	5,453,061	5,070,764	3,849,815
Capital projects funds	5,401,112	8,382,625	8,091,573	9,179,236
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 21,568,310</u>	<u>\$ 25,311,523</u>	<u>\$ 23,141,363</u>	<u>\$ 27,482,714</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					
2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,190,662	5,699,575	-	-	20,201	14,628
-	-	-	20,390	-	-
-	-	91,502	156,323	208,486	247,937
-	-	727,443	859,508	200,000	-
-	-	5,187,520	5,261,391	5,776,627	5,791,725
<u>\$ 5,190,662</u>	<u>\$ 5,699,575</u>	<u>\$ 6,006,465</u>	<u>\$ 6,297,612</u>	<u>\$ 6,205,314</u>	<u>\$ 6,054,290</u>
\$ 6,953,630	\$ 6,535,205	\$ -	\$ -	\$ -	\$ -
7,751,286	7,844,537	-	-	-	-
9,574,268	10,101,066	-	-	-	-
-	-	93,080	57,870	101,812	99,703
-	-	6,936,113	5,942,368	7,608,842	14,800,868
-	-	2,506,814	2,712,645	2,456,185	4,393,689
-	-	16,984,061	19,736,795	19,219,810	15,455,671
-	-	(1,011,820)	(1,059,647)	(1,384,984)	(2,324,550)
<u>\$ 24,279,184</u>	<u>\$ 24,480,808</u>	<u>\$ 25,508,248</u>	<u>\$ 27,390,031</u>	<u>\$ 28,001,665</u>	<u>\$ 32,425,381</u>

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

	Fiscal Year			
	2004	2005	2006	2007
<b>Revenues</b>				
Property taxes	\$ 7,118,568	\$ 8,283,983	\$ 9,529,773	\$ 10,571,695
Other taxes	-	-	-	-
Licenses and permits	1,249,844	1,240,336	1,207,368	987,708
Intergovernmental revenue	1,544,485	1,979,405	4,142,937	2,973,505
Charges for services	2,381,670	2,571,767	2,485,464	1,786,094
Fines and forfeits	164,800	190,062	175,155	156,407
Special assessments	2,375,902	3,414,090	1,566,880	1,909,595
Interest	375,548	758,612	1,151,144	1,465,401
Miscellaneous	1,799,736	2,004,286	2,555,842	1,545,181
<b>Total revenues</b>	<u>17,010,553</u>	<u>20,442,541</u>	<u>22,814,563</u>	<u>21,395,586</u>
<b>Expenditures</b>				
General government	2,161,356	2,204,626	2,251,111	2,450,722
Public safety	4,163,345	4,649,010	4,941,706	5,109,371
Public works	1,850,281	2,192,336	2,538,658	4,170,119
Culture and recreation	1,655,298	2,088,505	2,605,861	3,386,681
Economic development	703,591	785,584	627,467	573,446
Capital outlay	2,997,696	4,191,817	10,729,882	12,803,023
Debt service				
Principal	2,494,483	2,174,266	7,051,836	1,767,617
Interest and service charges	965,984	881,305	909,904	902,415
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<u>16,992,034</u>	<u>19,167,449</u>	<u>31,656,425</u>	<u>31,163,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,519</u>	<u>1,275,092</u>	<u>(8,841,862)</u>	<u>(9,767,808)</u>
<b>Other financing sources (uses)</b>				
Transfers in	4,666,581	2,888,975	5,923,474	4,785,257
Transfers out	(3,799,765)	(2,211,459)	(5,014,648)	(4,006,417)
Proceeds of long-term debt	331,000	1,715,000	3,657,000	13,390,500
Premium on long-term debt issued	-	-	-	-
Discount on long-term debt issued	-	(8,560)	(29,252)	(50,477)
Payment to refunded bond escrow agent	-	-	-	-
Principal paid on refunded bonds	-	-	-	-
Capital leases issued	-	-	2,332,694	325,000
Sale of capital assets	9,180	718,166	17,439	200,914
<b>Total other financing sources (uses)</b>	<u>1,206,996</u>	<u>3,102,122</u>	<u>6,886,707</u>	<u>14,644,777</u>
<b>Net change in fund balances</b>	<u>\$ 1,225,515</u>	<u>\$ 4,377,214</u>	<u>\$ (1,955,155)</u>	<u>\$ 4,876,969</u>
Debt service as a percentage of noncapital expenditures <sup>1</sup>	24.1%	21.0%	37.1%	15.1%

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 12,037,076	\$ 12,329,194	\$ 12,355,953	\$ 12,461,403	\$ 11,720,311	\$ 10,930,129
-	156,894	193,466	83,748	125,623	829,112
460,108	322,338	402,076	432,875	408,232	513,779
4,134,779	3,117,997	1,135,060	1,678,555	1,436,613	1,161,458
1,849,307	1,465,898	1,727,276	1,573,367	1,659,986	1,926,906
150,086	141,629	161,074	149,102	137,819	163,481
1,712,551	1,464,348	999,633	989,101	845,112	764,006
1,215,053	548,651	359,731	499,034	319,654	(663,763)
1,628,567	1,853,966	2,587,771	2,568,159	1,980,207	2,193,571
<u>23,187,527</u>	<u>21,400,915</u>	<u>19,922,040</u>	<u>20,435,344</u>	<u>18,633,557</u>	<u>17,818,679</u>
2,480,208	2,458,879	2,629,731	3,157,307	2,615,582	2,956,500
5,565,474	5,377,208	5,266,803	5,291,617	5,352,249	5,497,493
3,246,436	2,656,097	2,291,196	2,752,469	2,931,726	2,800,012
2,890,683	2,666,146	2,569,464	2,663,806	2,839,466	2,652,817
2,216,617	1,589,464	1,512,138	1,479,140	1,087,467	1,656,922
10,381,359	4,627,322	1,879,604	2,874,212	10,264,274	5,243,189
2,022,616	3,162,117	2,411,062	2,618,146	2,127,000	2,194,000
1,198,174	1,289,087	1,126,789	1,059,804	996,454	1,129,572
-	-	56,204	-	68,900	153,795
<u>30,001,567</u>	<u>23,826,320</u>	<u>19,742,991</u>	<u>21,896,501</u>	<u>28,283,118</u>	<u>24,284,300</u>
<u>(6,814,040)</u>	<u>(2,425,405)</u>	<u>179,049</u>	<u>(1,461,157)</u>	<u>(9,649,561)</u>	<u>(6,465,621)</u>
3,868,359	2,887,624	2,682,562	5,978,905	4,792,943	6,457,233
(2,818,058)	(1,842,622)	(1,724,173)	(2,368,051)	(3,288,680)	(4,892,027)
2,277,946	2,074,311	6,184,243	-	8,500,000	9,685,000
36,542	-	255,238	-	115,164	341,700
-	-	-	-	-	-
-	-	(6,303,897)	-	-	-
-	-	-	-	-	(1,540,000)
-	-	-	-	-	-
84,379	16,629	61,308	23,233	49,470	686,407
<u>3,449,168</u>	<u>3,135,942</u>	<u>1,155,281</u>	<u>3,634,087</u>	<u>10,168,897</u>	<u>10,738,313</u>
<u>\$ (3,364,872)</u>	<u>\$ 710,537</u>	<u>\$ 1,334,330</u>	<u>\$ 2,172,930</u>	<u>\$ 519,336</u>	<u>\$ 4,272,692</u>
16.9%	23.7%	19.8%	19.6%	17.1%	16.9%

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

<u>Fiscal Year</u>	<u>Number of Customers</u>	<u>KWh's Sold</u>	<u>Total Billings</u>
2004	7,907	165,595,414	\$ 12,736,439
2005	8,306	182,515,644	14,219,289
2006	8,562	194,975,530	15,494,068
2007	8,945	211,298,886	17,704,210
2008	9,203	224,226,048	22,303,994
2009	9,170	232,772,722	23,591,485
2010	9,207	250,711,834	26,060,301
2011	9,227	261,235,297	27,894,341
2012	9,285	273,455,846	30,070,045
2013	9,358	273,945,354	30,983,220

Source: Elk River Municipal Utilities

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

Customer	2013			2004		
	Total KWh Sold	Total Billings	Percentage of Total Billings	Total KWh Sold	Total Billings	Percentage of Total Billings
Customer 1	54,417,600	\$ 4,386,691	14.16%	-	\$ -	-
Customer 2	21,369,600	1,873,674	6.05%	-	-	-
Customer 3	4,848,800	425,035	1.37%	4,660,800	275,240	2.16%
Customer 4	4,562,000	424,033	1.37%	4,897,200	360,177	2.83%
Customer 5	4,923,720	412,933	1.33%	4,968,480	264,266	2.07%
Customer 6	5,130,750	400,201	1.29%	2,760,480	166,246	1.31%
Customer 7	3,370,400	307,514	0.99%	2,918,270	130,307	1.02%
Customer 8	3,421,000	302,768	0.98%	-	-	-
Customer 9	2,898,400	248,216	0.80%	3,497,400	245,271	1.93%
Customer 10	2,348,700	236,566	0.76%	4,683,520	320,474	2.52%
Customer 11	-	-	-	3,073,400	257,698	2.02%
Customer 12	-	-	-	2,334,720	153,787	1.21%
<b>TOTAL</b>	<b>107,290,970</b>	<b>\$ 9,017,631</b>	<b>29.10%</b>	<b>33,794,270</b>	<b>\$ 2,173,466</b>	<b>17.07%</b>

Source: Elk River Municipal Utilities

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Tax capacity				
Real property	\$ 15,387,792	\$ 17,838,528	\$ 20,514,092	\$ 23,166,911
Personal property	215,581	237,262	246,741	281,606
Total tax capacity	<u>15,603,373</u>	<u>18,075,790</u>	<u>20,760,833</u>	<u>23,448,517</u>
Tax increment	<u>(608,609)</u>	<u>(654,325)</u>	<u>(675,049)</u>	<u>(786,795)</u>
Taxable net tax capacity	<u>\$ 14,994,764</u>	<u>\$ 17,421,465</u>	<u>\$ 20,085,784</u>	<u>\$ 22,661,722</u>
Total tax capacity rate	<u>43.782%</u>	<u>43.763%</u>	<u>43.929%</u>	<u>43.056%</u>
Taxable market value				
Real property	\$ 1,299,691,938	\$ 1,528,254,150	\$ 1,773,917,600	\$ 1,998,598,900
Personal property	10,934,000	12,020,800	12,494,300	14,318,500
Taxable market value	<u>\$ 1,310,625,938</u>	<u>\$ 1,540,274,950</u>	<u>\$ 1,786,411,900</u>	<u>\$ 2,012,917,400</u>
Estimated actual market value of taxable property	<u>\$ 1,567,581,017</u>	<u>\$ 1,805,774,228</u>	<u>\$ 2,109,366,764</u>	<u>\$ 2,262,479,345</u>
Taxable market value as a percentage of estimated actual market value	83.61%	85.30%	84.69%	88.97%

Source: Sherburne County Assessor

Note: Property in the county is reassessed annually. The county assessor's market value of property is approximately 92 percent of actual value for all types of real and personal property.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 25,790,055	\$ 26,550,210	\$ 25,611,065	\$ 24,736,999	\$ 21,946,865	\$ 19,969,977
279,154	302,166	310,180	350,946	344,032	353,390
26,069,209	26,852,376	25,921,245	25,087,945	22,290,897	20,323,367
(744,597)	(899,835)	(888,285)	(784,101)	(698,130)	(122,648)
<u>\$ 25,324,612</u>	<u>\$ 25,952,541</u>	<u>\$ 25,032,960</u>	<u>\$ 24,303,844</u>	<u>\$ 21,592,767</u>	<u>\$ 20,200,719</u>
<u>42.494%</u>	<u>43.280%</u>	<u>44.560%</u>	<u>45.723%</u>	<u>47.588%</u>	<u>50.373%</u>
\$ 2,186,595,580	\$ 2,235,538,000	\$ 2,121,774,900	\$ 2,035,543,052	\$ 1,775,334,600	\$ 1,599,513,500
14,221,560	15,363,900	15,764,700	17,758,600	17,412,900	18,055,900
<u>\$ 2,200,817,140</u>	<u>\$ 2,250,901,900</u>	<u>\$ 2,137,539,600</u>	<u>\$ 2,053,301,652</u>	<u>\$ 1,792,747,500</u>	<u>\$ 1,617,569,400</u>
<u>\$ 2,457,361,368</u>	<u>\$ 2,429,563,505</u>	<u>\$ 2,191,955,185</u>	<u>\$ 2,403,906,238</u>	<u>\$ 1,907,992,306</u>	<u>\$ 1,758,428,600</u>
89.56%	92.65%	97.52%	85.42%	93.96%	91.99%

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

Fiscal Year	City of Elk River			County	Overlapping Rates School District			Total Direct & Overlapping Rates
	Operating	Debt Service	Total		Operating	Referendum Mkt. Value	Special Districts	
2004	35.861	7.921	43.782	44.405	30.853	0.154	3.574	122.768
2005	36.713	7.050	43.763	42.028	32.848	0.148	5.349	124.136
2006	37.179	6.750	43.929	41.555	35.950	0.155	4.056	125.645
2007	37.743	5.313	43.056	40.720	33.208	0.144	3.905	121.033
2008	37.249	5.245	42.494	40.675	32.344	0.161	3.988	119.662
2009	38.319	4.961	43.280	41.999	36.215	0.164	4.040	125.698
2010	40.940	3.620	44.560	44.519	40.050	0.183	4.703	134.015
2011	42.449	3.274	45.723	46.342	43.489	0.188	4.956	140.698
2012	44.925	2.663	47.588	52.014	45.548	0.187	5.296	150.633
2013	47.222	3.151	50.373	54.420	50.058	0.190	5.260	160.301

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>	2013			2004		
	<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	\$ 1,212,644	1	6.00%	\$ 564,062	1	3.62%
JPM Capital Corporation	392,850	2	1.94	-	-	-
BRE Retail Residual Owner, LLC	287,846	3	1.42	-	-	-
Walmart Stores	281,032	4	1.39	163,494	4	1.05
Target Corp.	270,230	5	1.34	103,308	8	0.66
Menards, Inc	181,902	6	0.90	123,548	5	0.79
Phoenix Enterprises	146,693	7	0.73	-	-	-
Minnegasco Property	138,902	8	0.69	81,752	10	0.52
Home Depot	138,090	9	0.68	121,734	6	0.78
7040 Lakeland Partners LLC	120,742	10	0.60	-	-	-
Resource Recovery Technology	-	-	-	263,296	2	1.69
Bradley Operating LP	-	-	-	255,424	3	1.64
B & G Realty, Inc	-	-	-	107,104	7	0.69
Medical Facilities	-	-	-	100,050	9	0.64
<b>TOTAL</b>	<b>\$ 3,170,931</b>		<b>16.00%</b>	<b>\$ 1,883,772</b>		<b>12.08%</b>

Source: Sherburne County Assessor



**This page has been left blank intentionally**

**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
2004	\$ 6,375,630	\$ 6,270,432	98.35	\$ 104,201	\$ 6,374,633	99.98
2005	7,482,681	7,338,126	98.07	143,484	7,481,610	99.99
2006	8,730,932	8,551,757	97.95	178,432	8,730,189	99.99
2007	9,694,925	9,475,220	97.73	217,355	9,692,575	99.98
2008	11,033,630	10,750,281	97.43	281,726	11,032,007	99.99
2009	11,433,704	11,074,590	96.86	351,404	11,425,994	99.93
2010	11,164,258	10,920,348	97.82	218,748	11,139,096	99.77
2011	11,164,679	11,052,081	98.99	64,726	11,116,807	99.57
2012	10,705,377	10,592,493	98.95	39,719	10,632,212	99.32
2013	10,707,154	10,574,080	98.76	-	10,574,080	98.76

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>					
	<b>General Obligation</b>	<b>General Obligation Revenue</b>	<b>Lease Revenue</b>	<b>Special Assessment</b>	<b>Permanent Improvement Revolving</b>	<b>Tax Increment</b>
2004	\$ -	\$ 1,850,000	\$ 9,285,000	\$ 6,460,000	\$ 1,020,000	\$ 1,116,000
2005	-	1,645,000	8,785,000	6,605,000	935,000	972,500
2006	3,220,000	1,430,000	8,265,000	2,130,000	-	827,500
2007	13,220,000	1,200,000	7,730,000	4,825,000	-	675,000
2008	15,412,946	955,000	7,170,000	4,480,000	-	505,000
2009	16,677,757	700,000	6,175,000	3,970,000	-	440,000
2010	22,002,000	540,000	-	3,460,000	-	375,000
2011	20,897,939	-	-	2,955,000	-	305,000
2012	26,579,666	-	-	4,035,306	-	-
2013	35,223,141	-	-	1,633,459	-	-

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.  
<sup>1</sup> See the Schedule of Demographic and Economic Statistics for personal income and population data.

<u>Governmental Activities</u>		<u>Business-Type Activities</u>				<u>Total Primary Government</u>	<u>Percentage of Personal Income<sup>1</sup></u>	<u>Per Capita<sup>1</sup></u>
<u>Certificates of Indebtedness</u>	<u>Other</u>	<u>General Obligation Revenue</u>	<u>Revenue Bonds</u>	<u>Certificates of Indebtedness</u>	<u>Notes Payable</u>			
\$ 705,967	\$ -	\$ 7,990,000	\$ 3,060,000	\$ 375,000	\$ 2,663,145	\$ 34,525,112	6.27%	\$ 1,706
1,035,201	-	9,160,000	3,725,000	250,000	2,538,226	35,650,927	6.00%	1,654
1,134,334	1,908,725	7,015,000	7,185,000	125,000	3,066,820	36,307,379	5.74%	1,610
1,090,350	2,123,092	6,465,000	9,690,000	-	2,879,054	49,897,496	7.29%	2,152
756,033	1,839,792	8,630,000	9,280,000	-	2,701,994	51,730,765	6.97%	2,166
421,716	1,646,492	8,070,000	8,840,000	-	2,524,646	49,465,611	7.14%	2,093
87,400	1,499,746	6,180,000	6,940,000	-	2,345,318	43,429,464	6.32%	1,890
-	1,410,000	5,520,656	6,310,000	-	2,162,882	39,561,477	5.81%	1,713
-	1,410,000	4,791,567	5,085,000	-	1,975,812	43,877,351	6.30%	1,890
-	1,410,000	4,027,478	4,340,000	-	1,789,224	48,423,302	na	2,081

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

Fiscal Year	General Bonded Debt <sup>1</sup>	Less Amounts Restricted for Debt Service	Net Bonded Debt	Percentage of Net Bonded Debt to Tax Capacity <sup>2</sup>	Net Bonded Debt per Capita <sup>3</sup>
2004	\$ 8,420,967	\$ 791,375	\$ 7,629,592	48.90%	\$ 376.96
2005	8,455,201	813,832	7,641,369	43.86%	354.62
2006	11,474,334	2,842,412	8,631,922	42.98%	382.79
2007	17,792,017	4,253,142	13,538,875	59.74%	583.90
2008	18,391,033	3,712,036	14,678,997	57.96%	614.49
2009	17,471,716	3,027,915	14,443,801	55.65%	611.17
2010	18,040,733	3,787,324	14,253,409	54.92%	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	100.20%	871.75
2013	22,456,667 <sup>4</sup>	2,329,723	20,126,944	99.63%	864.82

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

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

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

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

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

**CITY OF ELK RIVER, MINNESOTA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
DECEMBER 31, 2013**

	<u>Outstanding Debt</u>	<u>Percent of Debt Applicable to City<sup>1</sup></u>	<u>City's Share of Debt</u>
Direct Debt:			
City of Elk River <sup>2</sup>	<u>\$ 38,266,600</u>	100.00%	<u>\$ 38,266,600</u>
Overlapping Debt:			
Sherburne County	18,782,321	26.30	4,939,750
School District #728	<u>210,690,000</u>	34.10	<u>71,845,290</u>
Total overlapping debt	<u>229,472,321</u>		<u>76,785,040</u>
Total direct and overlapping debt	<u><u>\$ 267,738,921</u></u>		<u><u>\$ 115,051,640</u></u>

Debt Ratios:

Ratio of debt per capita (23,273 population)	\$4,944
Ratios of debt to taxable market value of \$1,617,569,400	7.11%

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$ 26,212,519	\$ 30,805,499	\$ 35,728,238	\$ 40,258,348
Bonds	10,060,967	10,040,201	13,124,334	17,792,017
Reserves	<u>925,148</u>	<u>950,793</u>	<u>1,003,315</u>	<u>861,726</u>
Total net debt applicable to limit	<u>9,135,819</u>	<u>9,089,408</u>	<u>12,121,019</u>	<u>16,930,291</u>
Legal debt margin	<u>\$ 17,076,700</u>	<u>\$ 21,716,091</u>	<u>\$ 23,607,219</u>	<u>\$ 23,328,057</u>
Total net debt applicable to the limit as a percentage of debt limit	34.85%	29.51%	33.93%	42.05%

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

<sup>1</sup> Only 2/3 of the \$10,000,000 GO EDA Bonds, Series 2007 and the \$645,000 GO EDA Bonds, Series 2008A are subject to the debt limit. The Remaining 1/3 will be paid by the YMCA.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 66,024,514	\$ 67,527,057	\$ 64,126,188	\$ 61,599,050	\$ 58,316,472	\$ 48,527,082
18,391,033	17,471,716	18,040,733	17,120,000	23,286,667	32,141,667
1,318,186	1,418,700	1,164,060	1,030,418	1,202,093	10,819,006
<u>17,072,847</u>	<u>16,053,016</u>	<u>16,876,673</u>	<u>16,089,582</u>	<u>22,084,574</u>	<u>21,322,661</u>
<u>\$ 48,951,667</u>	<u>\$ 51,474,041</u>	<u>\$ 47,249,515</u>	<u>\$ 45,509,468</u>	<u>\$ 36,231,898</u>	<u>\$ 27,204,421</u>
25.86%	23.77%	26.32%	26.12%	37.87%	43.94%

**Legal Debt Margin Calculation for Fiscal Year 2013**

Estimated taxable market value	<u>\$ 1,617,569,400</u>
Debt limit (3% of market value)	<u>\$ 48,527,082</u>
Debt applicable to limit:	
G.O. capital improvement bonds	15,360,000
G.O. EDA bonds <sup>1</sup>	16,781,667
Less: Cash and investments in related debt service funds	<u>(10,819,006)</u>
Total net debt applicable to limit	<u>21,322,661</u>
Legal debt margin	<u>\$ 27,204,421</u>

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

Fiscal Year	Revenue Bonds <sup>1</sup>					Coverage
	Gross Revenue <sup>2</sup>	Operating Expenses <sup>3</sup>	Net Revenue Available	Debt Service		
				Principal	Interest	
2004	\$ 17,656,784	\$ 13,760,051	\$ 3,896,733	\$ 2,445,000	\$ 513,878	1.32
2005	19,791,626	15,615,453	4,176,173	1,150,000	485,777	2.55
2006	21,940,299	16,970,625	4,969,674	2,405,000	573,345	1.67
2007	25,212,616	19,212,200	6,000,416	1,045,000	595,642	3.66
2008	28,380,372	22,562,437	5,817,935	1,330,000	669,406	2.91
2009	29,665,332	23,654,659	6,010,673	1,000,000	681,124	3.58
2010	31,869,940	25,849,033	6,020,907	3,785,000	564,105	1.38
2011	33,672,393	27,326,836	6,345,557	1,335,000	458,888	3.54
2012	35,944,367	28,444,321	7,500,046	1,950,000	410,320	3.18
2013	34,737,779	28,629,356	6,108,423	1,505,000	341,419	3.31

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

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

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

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

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

Special Assessment Bonds

Special Assessment Collections	Debt Service		Coverage
	Principal	Interest	
\$ 1,901,427	\$ 1,060,000	\$ 297,840	1.40
1,123,407	925,000	264,999	0.94
999,232	4,475,000	198,650	0.21
231,839	395,000	64,339	0.50
611,290	345,000	192,553	1.14
421,724	510,000	168,335	0.62
368,936	510,000	148,276	0.56
327,975	505,000	124,185	0.52
287,759	505,000	122,209	0.46
202,457	850,000	87,268	0.22

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

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Income<sup>2</sup></b>	<b>Median Age<sup>3</sup></b>	<b>School Enrollment<sup>4</sup></b>	<b>Unemployment Rate<sup>5</sup></b>
2004	20,240	\$ 550,852	\$ 27,216	32	11,749	5.0%
2005	21,548	593,906	27,562	32	12,259	4.7%
2006	22,550	632,911	28,067	32	12,735	4.4%
2007	23,187	684,689	29,529	32	13,058	5.6%
2008	23,888	742,439	31,080	33	13,031	8.2%
2009	23,633	692,376	29,297	33	13,073	9.0%
2010	22,974 <sup>3</sup>	687,129	29,909	33	13,036	8.1%
2011	23,101	681,179	29,487	34	13,117	7.3%
2012	23,147	696,794	30,103	34	13,255	6.4%
2013	23,273 <sup>3</sup>	na	na	35	13,367	5.5%

Data Sources:

<sup>1</sup> State Demographer

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

<sup>3</sup> US Census Bureau

<sup>4</sup> School District

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

na - not available

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

<u>Employer</u>	<u>2013</u>			<u>2004</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Independent School District 728 <sup>1</sup>	1,387	1	11.42%	1,000	1	9.59%
Sherburne County	632	2	5.20%	504	2	4.84%
Guardian Angels of Elk River	374	3	3.08%	368	4	3.53%
Walmart	350	4	2.88%	362	5	3.47%
City of Elk River	210	5	1.73%	180	8	1.73%
Great River Energy	207	6	1.70%	398	3	3.82%
Sportech, Inc.	185	7	1.52%	-	-	-
Menards	170	8	1.40%	179	9	1.72%
Tescom Corporation	161	9	1.33%	213	6	2.04%
Cornerstone Auto Resource	138	10	1.14%	-	-	-
Cub Foods	-	-	-	200	7	1.92%
Coborn's	-	-	-	161	10	1.54%
<b>Total</b>	<u>3,814</u>		<u>31.40%</u>	<u>3,565</u>		<u>34.20%</u>
<b>Total Employment <sup>2</sup></b>	<u>12,150</u>			<u>10,423</u>		

<sup>1</sup> Total District

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

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	22.5	26.0	26.5	25.8	25.3	24.8	24.8	24.8	25.8	26.9
Public safety:										
Police										
Officers	28.0	29.0	29.0	30.0	31.0	31.0	31.0	30.0	31.0	31.0
Civilians	8.0	8.0	9.0	9.0	9.0	8.0	8.0	8.0	8.0	9.0
Fire										
Fire administration	2.0	3.0	3.0	3.5	3.5	3.5	3.7	3.7	1.7	1.7
Paid on-call volunteers	35.0	38.0	39.0	39.0	39.0	39.0	38.0	40.0	40.0	40.0
Other public safety	11.0	11.5	11.5	11.5	10.5	7.6	7.6	7.6	8.4	8.6
Public works	12.5	13.5	13.5	15.0	15.0	13.1	14.0	14.5	15.5	15.0
Culture and recreation	12.8	15.8	19.3	19.3	19.9	19.4	19.4	19.4	18.5	18.5
Economic development	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Municipal liquor	8.0	8.0	11.5	11.0	11.5	12.0	14.0	12.5	13.0	13.0
Sewer	4.0	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Water	5.0	5.0	5.0	6.0	5.0	5.0	5.0	5.0	8.0	8.0
Electric	29.0	29.0	29.0	30.0	29.0	28.5	29.0	29.0	30.0	31.0
Total	<u>179.8</u>	<u>193.8</u>	<u>203.3</u>	<u>208.1</u>	<u>206.7</u>	<u>199.9</u>	<u>202.5</u>	<u>202.5</u>	<u>207.9</u>	<u>210.7</u>

Source: City of Elk River Finance Department

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Planning</b>										
Land use applications	147	142	104	85	88	64	43	54	56	71
<b>Police</b>										
Police calls	18,129	19,431	18,494	19,277	21,997	22,231	21,751	20,707	20,451	20,676
Arrests	916	990	955	682	969	940	957	866	847	694
<b>Fire</b>										
Fire calls	450	486	451	436	453	364	443	469	355	446
<b>Building/environmental</b>										
Permits issued	4,068	3,845	4,388	2,382	2,021	1,369	2,105	1,841	1,683	1,866
Valuation of permits (thousands of dollars)	\$120,729	\$147,413	\$ 95,844	\$ 67,309	\$ 41,006	\$ 14,265	\$ 22,312	\$ 20,719	\$ 25,585	\$38,440
<b>Public works</b>										
Street sweeping (hours)	1,312	1,144	1,192	627	1,085	1,287	1,063	1,494	1,811	1,652
Snowplowing (hours)	2,610	2,640	1,648	4,380	2,737	2,305	3,425	2,964	1,675	4,263
Equipment repair (hours)	5,600	5,700	5,660	6,440	5,038	6,482	5,378	5,711	5,051	5,125
<b>Culture and recreation</b>										
Recreation participants	10,232	10,537	10,633	14,104	20,631	26,124	26,061	26,934	26,803	27,065
Ice arena usage (hours)	3,784	4,187	4,266	4,193	4,386	4,684	4,624	4,740	4,752	4,736
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)	1,114	1,180	1,163	1,190	1,230	1,300	1,200	1,245	1,200	1,203
<b>Water</b>										
Number of customers	3,824	4,074	4,317	4,413	4,508	4,467	4,511	4,515	4,542	4,613
Average daily consumption (thousands of gallons)	1,784	1,934	2,226	2,394	1,992	1,941	1,718	1,786	2,321	2,152
<b>Electric</b>										
Number of customers	7,907	8,306	8,562	8,945	9,203	9,170	9,207	9,227	9,285	9,358
Average daily consumption (thousands of KWh's)	454	500	534	579	614	638	687	716	749	795

Sources: Various city departments  
Note: The golf course was purchased in 2006.

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	10	11	11	11	12	12	12	12	12	12
Fire Stations	2	2	2	2	2	2	2	2	2	2
Public works										
Streets (miles)	145	150	151	151	151	151	151	151	151	151
Culture and recreation										
Parks	40	40	44	44	44	44	44	44	45	45
Parks acreage	883	898	927	964	964	964	964	964	988	988
Sewer										
Sanitary sewers (miles)	67	70	73	75	78	79	79	80	80	80
Lift stations	19	20	21	21	21	21	21	21	21	21
Maximum daily treatment capacity (thousands of gallons)	1,600	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Water										
Maximum daily capacity (thousands of gallons)	6,696	6,900	8,100	8,100	8,100	8,100	8,100	8,100	10,000	10,000
Electric										
Generating facilities	5	5	6	6	6	6	6	6	6	6

Sources: Various city departments

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