Comprehensive Annual Financial Report

For the Year Ended December 31, 2012

City of Elk River Minnesota

CITY OF ELK RIVER, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2012

PREPARED BY THE FINANCE DEPARTMENT

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

City of Elk River

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INTRODUCTORY SECTION

City of Elk River

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June 3, 2013

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, 2012, 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 unqualified 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 23,220. Population at full build out is estimated to be 35,000. 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 $19,888,860 being issued in 2012. This is a 141 percent increase from 2011. New additions and remodels accounted for $11,310,994 of new value, and an additional $6,588,264 in residential construction with miscellaneous permits making up the balance. The number of new housing units increased from 11 in 2011 to 36 in 2012. The average value of new homes decreased to $183,007. Single family homes accounted for all 36 of the new housing units in 2012.

Many of Elk River's largest employers reported stable or growing employment levels between 2012 and 2013. This is largely due to the diversified economic base. Many larger Elk River employers are experiencing modest growth, and several expansions and at least one new construction project is expected in 2013. The companies experiencing the most employment growth were in the industrial sector.

Several Elk River companies made significant new investments including Sportech who purchased an additional 50,000 square feet of warehouse space, and P.S. Dance Studio who purchased a vacant building. A Brooklyn Park based development company purchased the former Bluffs building in downtown Elk River and converted the condos to luxury apartments. All 63 residential units were full in a matter of months.

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, 2012, 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. Replacement of Market Value Homestead Credits (MVHC) with the Market Value Exclusion (MVE) program and Local Government Aids (LGA) programs 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 2013 budget. The City does not expect in the short-term to see LGA and MVHC amounts restored to previously years levels.

Major Initiatives
In 2012, the city completed final design and construction of the Natures Edge Business Center. The project, involved extending municipal streets and utilities to serve a new 28-acre business park. The City also completed a project to connect 90% of our government buildings with a fiber optic network. This network will save money, improve operations, and create opportunities for further collaboration with other governmental organizations. 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 Stated 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, 2011. This was the 23rd 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, 2012. It was the 4th 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

City of Elk River

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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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

City of Elk River

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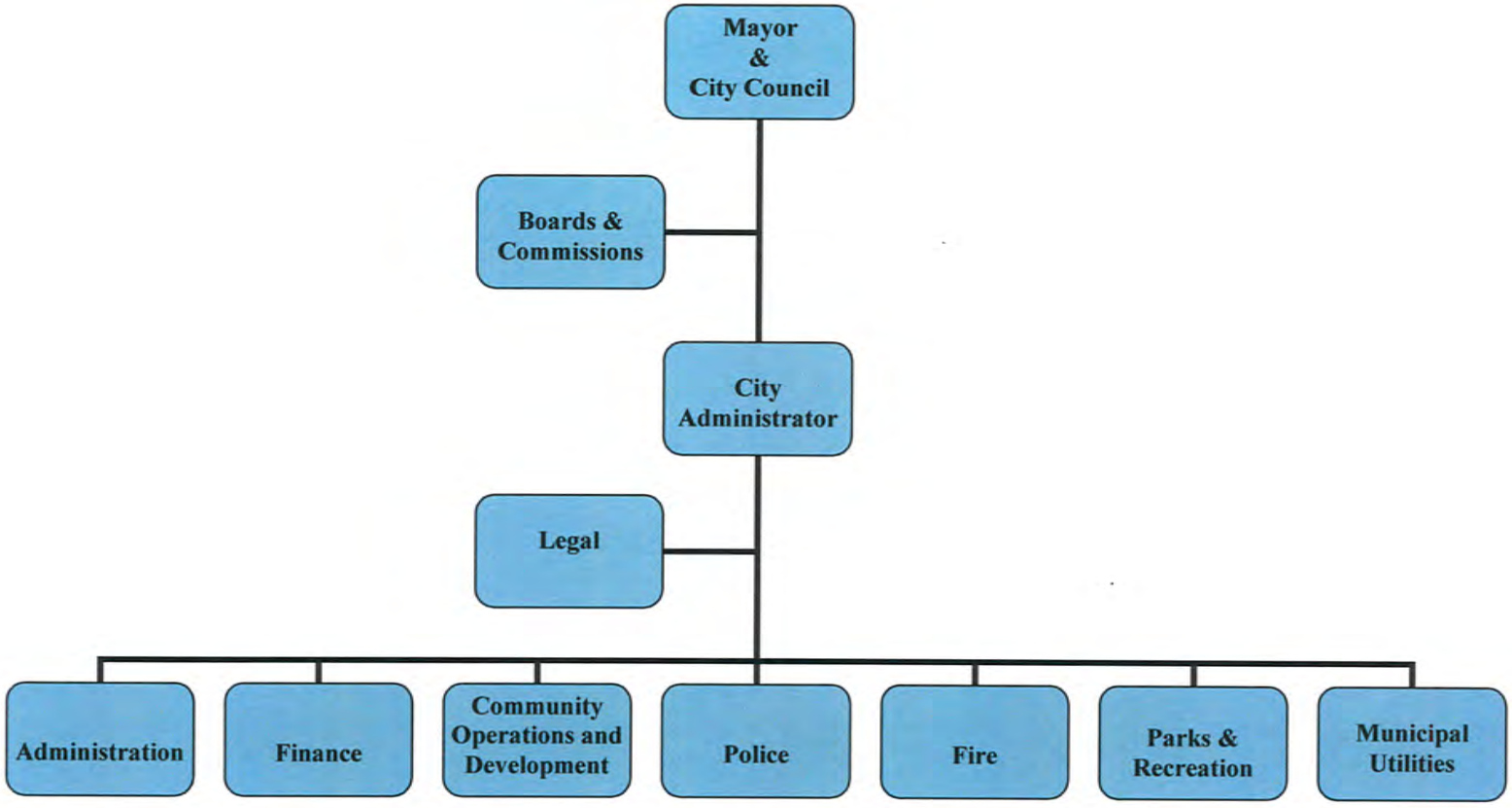
CITY OF ELK RIVER
ORGANIZATIONAL CHART



- City Clerk
- Human Resources
- Cable TV

- Finance
- Payroll
- Information Tech.
- Building Maint.
- Liquor

- Planning
- Environmental
- Economic Develop.
- Engineering
- Streets
- Equip. Services
- Sewer

- Police Admin.
- Patrol
- Investigations
- Support Services
- Reserves

- Fire
- Emergency Mgmt.
- Building Safety.
- Code Enforcement

- Recreation
- Park Maintenance
- Sr. Center
- Ice Arena
- Golf Course
- Library

- Electric
- Water

CITY OF ELK RIVER, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
YEAR ENDED DECEMBER 31, 2012

CITY COUNCIL		Term Expires December 31,
John Dietz	Mayor	2014
Nicholas Zerwas	Council member	2014
Jerry Gumphrey	Council member	2012
Paul Motin	Council member	2014
Matthew Westgaard	Council member	2012

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

FINANCIAL SECTION

City of Elk River

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

5201 Eden Avenue
Suite 250
Edina, MN 55436

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, 2012, 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 2011 financial statements and, in our report dated May 16, 2012 we express unqualified 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.

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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, 2012, 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

Change in Accounting Standards

As described in the Note 4J to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities,* for the year ended December 31, 2012. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

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 64 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.

Supplementary Information in Relation to the Financial Statements as a Whole

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. 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 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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

May 17, 2013
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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, 2012. 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 $201,269,866 (net position). Of this amount, $49,741,432 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by $291,508.

As of the close of the current fiscal year, the City of Elk River's governmental funds reported combined ending fund balances of $34,206,979.

	General	Special Revenue	Debt Service	Capital Projects	Total
Nonspendable	$ 20,201	$ 101,812	$ -	$ -	$ 122,013
Restricted	-	3,728,299	3,431,878	448,665	7,608,842
Committed	208,486	2,456,185	-	-	2,664,671
Assigned	200,000	892,492	-	18,327,318	19,419,810
Unassigned	5,776,627	-	-	(1,384,984)	4,391,643
	$ 6,205,314	$ 7,178,788	$ 3,431,878	$ 17,390,999	$ 34,206,979

The City of Elk River's total long-term liabilities increased $4,512,499 during the current fiscal year, from $41,454.400 to $45,966,899.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Bonds payable	$ 24,157,939	$ 8,615,164	$ (2,158,131)	$ 30,614,972
Contracts for deeds	1,410,000	-	-	1,410,000
Compensated absences	1,278,871	636,195	(519,740)	1,395,326
Net OPEB obligation	156,323	87,865	(35,702)	208,486
Total governmental activities	27,003,133	9,339,224	(2,713,573)	33,628,784
Business-type activities:				
Bonds payable	11,830,656	-	(1,954,089)	9,876,567
Notes payable	2,162,882	-	(187,070)	1,975,812
Compensated absences	403,657	198,785	(184,125)	418,317
Net OPEB obligation	54,072	15,415	(2,068)	67,419
Total business-type activities	14,451,267	214,200	(2,327,352)	12,338,115
Total City long-term liabilities	$ 41,454,400	$ 9,553,424	$ (5,040,925)	$ 45,966,899

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, Improvement Projects and Government Buildings 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 - 63 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 64 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 65 - 86 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 $201,269,866 at the close of the most recent fiscal year.

By far, the largest portion of the City of Elk River's net position (72 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Elk River uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Elk River's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Elk River Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$40,048,326	$39,740,140	$26,864,729	$24,114,008	$66,913,055	$63,854,148
Capital assets	114,193,629	109,601,520	72,120,598	74,426,752	186,314,227	184,028,272
Total assets	154,241,955	149,341,660	98,985,327	98,540,760	253,227,282	247,882,420
Total deferred outflows of resources	367,111	403,376	83,765	92,004	450,876	495,380
Long-term liabilities outstanding	33,628,784	27,003,133	12,338,115	14,451,267	45,966,899	41,454,400
Other liabilities	3,079,644	2,434,349	3,361,749	3,510,693	6,441,393	5,945,042
Total liabilities	36,708,428	29,437,482	15,699,864	17,961,960	52,408,292	47,399,442
Net investment in capital assets	84,060,768	84,741,957	60,351,984	60,543,619	144,412,752	145,285,576
Restricted	6,391,182	6,283,346	724,500	724,500	7,115,682	7,007,846
Unrestricted	27,448,688	29,282,251	22,292,744	19,402,685	49,741,432	48,684,936
Total net position	$117,900,638	$120,307,554	$83,369,228	$80,670,804	$201,269,866	$200,978,358

An additional portion of the City of Elk River's net position (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($49,741,432) 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.

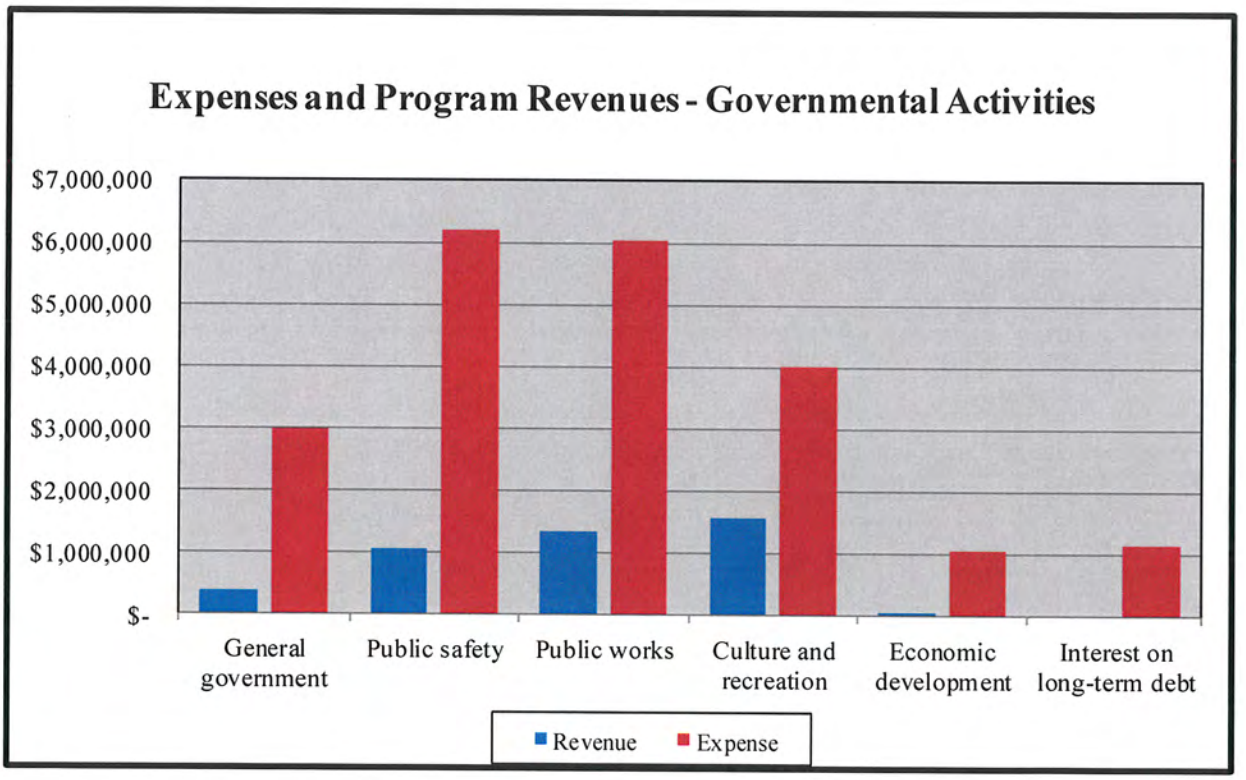
Governmental activities. Governmental activities account for 59% of the City of Elk River's net position. Governmental activities decreased the City's net position by $2,406,916.

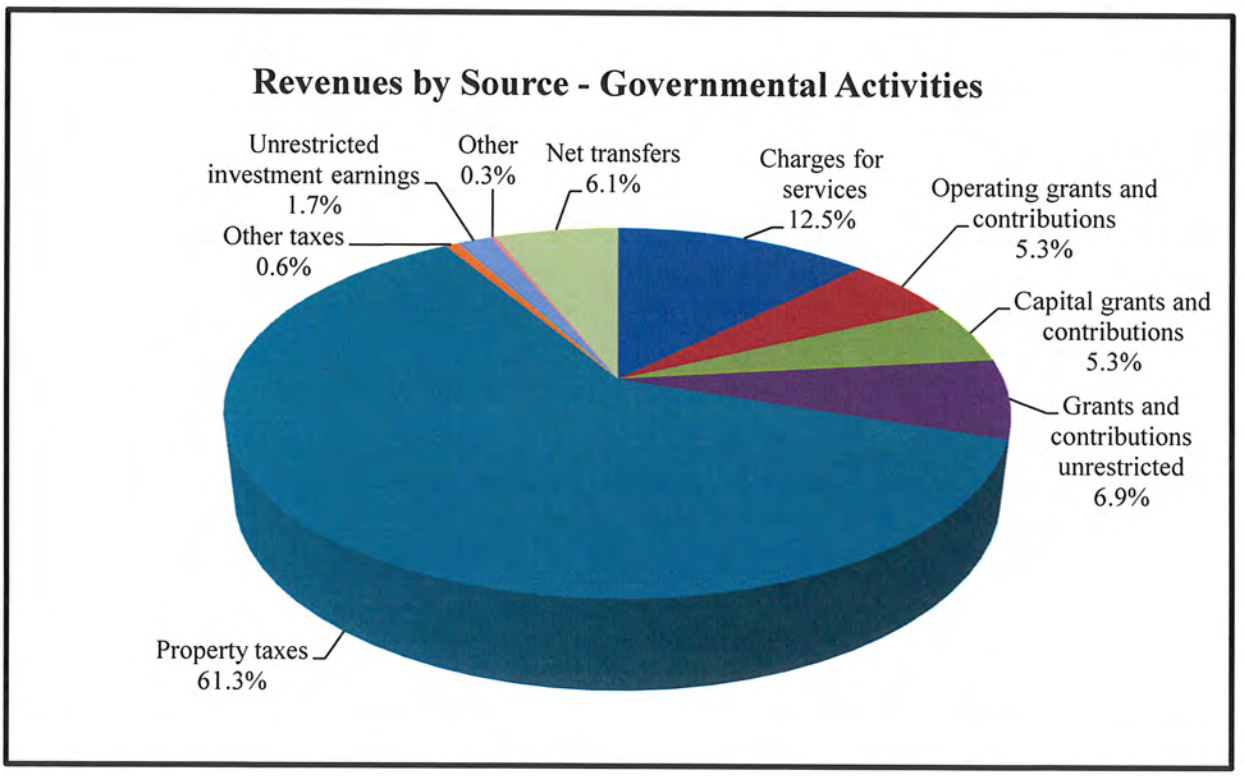
Key elements of the relevant changes are as follows:

City of Elk River Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 2,378,009	$ 2,466,517	$ 42,109,355	$ 39,522,248	$ 44,487,364	$ 41,988,765
Operating grants and contributions	1,018,519	954,831	23,440	38,550	1,041,959	993,381
Capital grants and contributions	1,007,794	1,750,824	490,916	482,319	1,498,710	2,233,143
General revenues:						
Property taxes	11,684,445	12,346,305	-	-	11,684,445	12,346,305
Other taxes	125,623	83,748	-	-	125,623	83,748
Grants and contributions not restricted to specific programs	1,307,662	1,702,334	-	-	1,307,662	1,702,334
Unrestricted investment earnings	319,654	499,034	219,950	269,716	539,604	768,750
Gain on disposal of capital assets	49,470	23,233	1,260	-	50,730	23,233
Total revenues	17,891,176	19,826,826	42,844,921	40,312,833	60,736,097	60,139,659
Expenses:						
General government	2,994,342	3,495,458	-	-	2,994,342	3,495,458
Public safety	6,187,246	6,238,611	-	-	6,187,246	6,238,611
Public works	6,037,000	5,720,759	-	-	6,037,000	5,720,759
Culture and recreation	4,013,098	3,851,181	-	-	4,013,098	3,851,181
Economic development	1,059,058	1,451,109	-	-	1,059,058	1,451,109
Interest on long-term debt	1,163,352	1,045,905	-	-	1,163,352	1,045,905
Municipal liquor	-	-	5,622,305	5,366,557	5,622,305	5,366,557
Garbage	-	-	1,276,887	1,304,238	1,276,887	1,304,238
Sewer	-	-	2,239,914	2,130,287	2,239,914	2,130,287
Water	-	-	2,264,814	2,108,498	2,264,814	2,108,498
Electric	-	-	27,586,573	26,726,349	27,586,573	26,726,349
Total expenses	21,454,096	21,803,023	38,990,493	37,635,929	60,444,589	59,438,952
Increase (decrease) in net position before transfers	(3,562,920)	(1,976,197)	3,854,428	2,676,904	291,508	700,707
Transfer of capital assets	(348,259)	-	348,259	-	-	-
Transfers	1,504,263	3,610,854	(1,504,263)	(3,610,854)	-	-
Change in net position	(2,406,916)	1,634,657	2,698,424	(933,950)	291,508	700,707
Net position - beginning, restated	120,307,554	118,672,897	80,670,804	81,604,754	200,978,358	200,277,651
Net position - ending	$ 117,900,638	$ 120,307,554	$ 83,369,228	$ 80,670,804	$ 201,269,866	$ 200,978,358

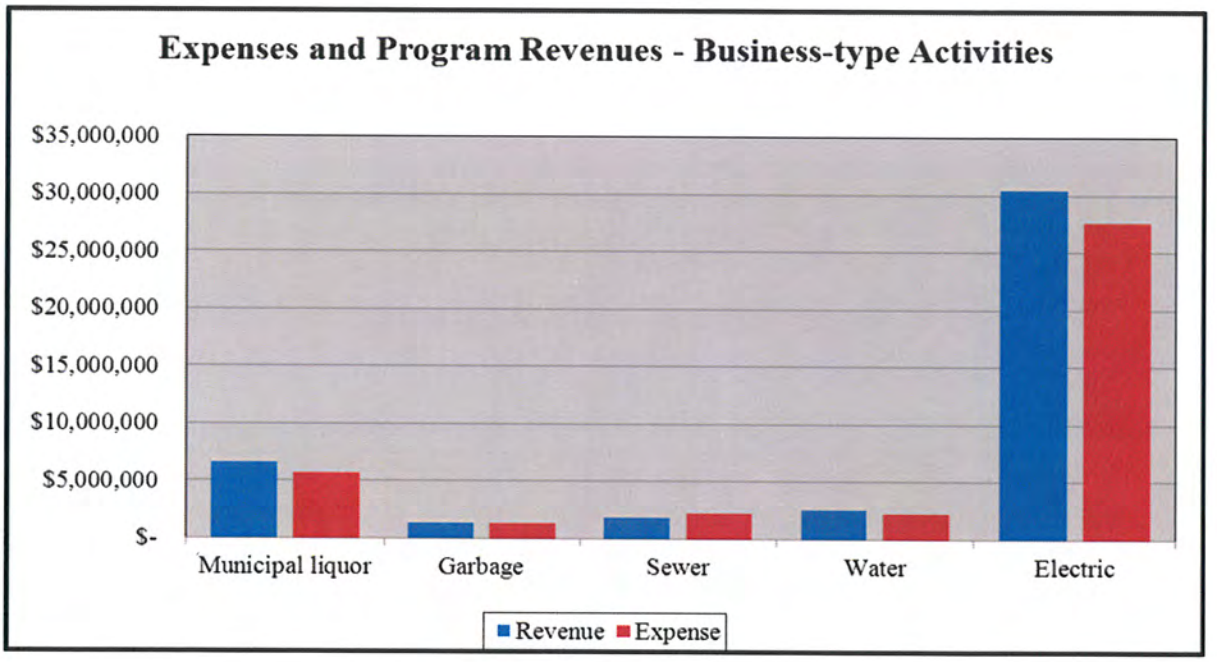
- Special assessments levied in 2012 were about $693,625 lower than in 2011 due to the lack of new development activity in recent years.
- The property tax levy for 2012 was reduced by over $425,644due to increased transfers and refunded debt service savings.
- Landfill expansion fee revenues decreased $225,007 due to an increase of municipal waste being diverted from the landfill to recycling facilities.
- The decrease in general government expenses were attributed largely to legal fees of $329,000 incurred in 2011 for the settlement of a land use claim.
- Economic development expenses decreased $406,381 in 2012 due to final payment of development commitments and decertification of two tax increment financing districts.

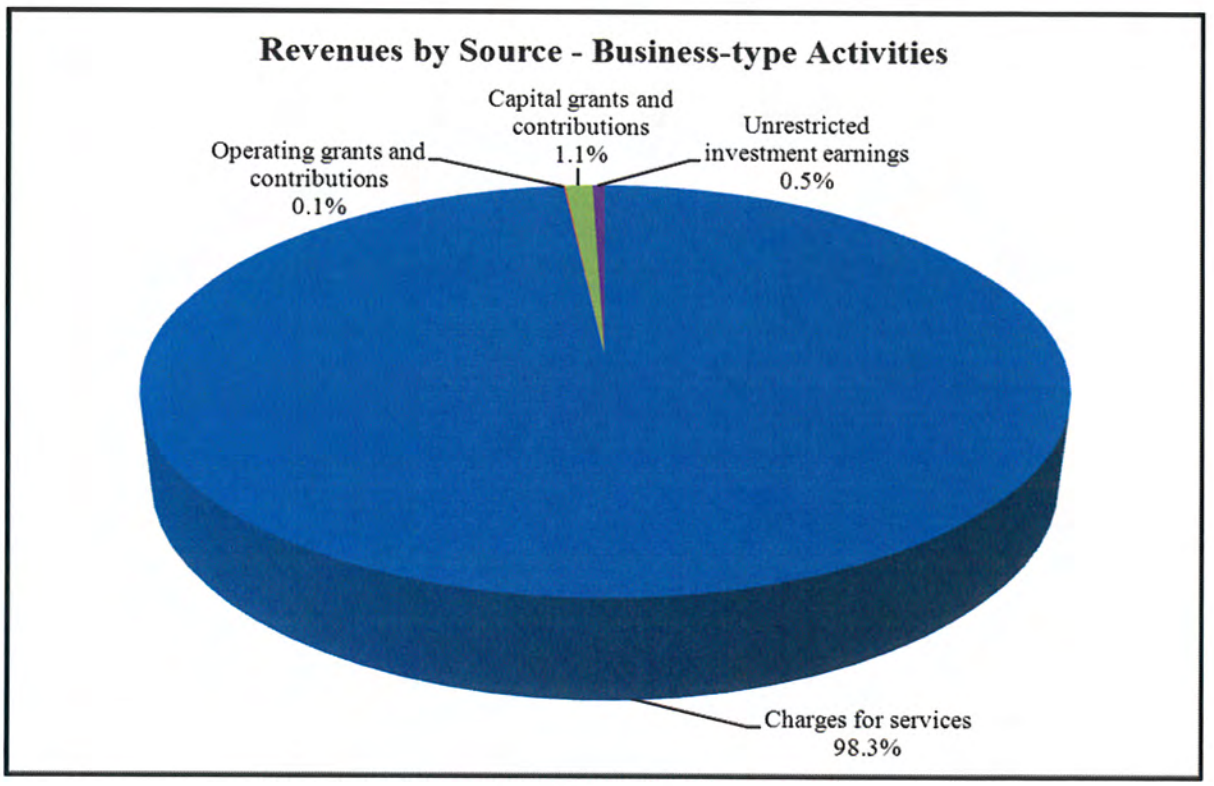

Expenses and Program Revenues - Governmental Activities
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$-
General government
Public safety
Public works
Culture and recreation
Economic development
Interest on long-term debt
Revenue
Expense


Revenues by Source - Governmental Activities
Unrestricted investment earnings 1.7%
Other 0.3%
Net transfers 6.1%
Charges for services 12.5%
Operating grants and contributions 5.3%
Other taxes 0.6%
Capital grants and contributions 5.3%
Grants and contributions unrestricted 6.9%
Property taxes 61.3%

Business-type activities. Business-type activities increased the City of Elk River's net position by $2,698,424. Key elements of this increase are as follows:

- Charges for services for business-type activities increased $2,587,107due to increased liquor sales, an increase in electric usage in the commercial/industrial sector and increased water usage resulting from the hot dry summer. The electric utility accounts for 72% of the total charges for services.
- The increase in operating expenses is largely due to the increase in purchased power for the electric utility of $741,189 or 4.5% over 2011.
- Transfers out decreased due to the municipal liquor fund providing $2,750,000 for the public works facility project in 2011.





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 $34,206,979. Approximately 13% of this total amount ($4,391,643) constitutes unassigned fund balance. The remainder of fund balance ($29,815,336) is not available for new spending because it is either 1) nonspendable ($122,013) , 2) restricted ($7,608,842), 3) committed ($2,664,671) or 4) assigned ($19,419,810) 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 $92,298 during the current year, resulting primarily from the intended use of fund balance and less than anticipated expenditures.

The Improvement Projects fund decreased $120,093 due mainly to the transfer out to the street improvements fund.

The Government Buildings fund decreased $981,622 due to the construction of a public works facility.

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 - $2,120,545, Garbage - $618,673, Sewer - $5,419,009, Water - $3,344,499, and Electric - $10,790,018. The Sewer fund net position decreased $314,584 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 $131,200. The expenditure budgets were amended to reflect the decrease in expenditures related to personnel adjustments. Key factors are as follows:

- Total revenue collections were 100% of budget. Property tax collections were $42,058 over budget due to delinquent collections and other taxes were $55,623 over due to increased gravel tax collections.
- Charges for services were down due to a lack of chargeable engineering projects and interest income was down due to market rate conditions.
- Expenditures were under budget by almost $582,000 due mainly to several vacant positions, savings realized through the state fuel contract and sound fiscal control by city departments.
- Transfers out were over budget due to an unbudgeted transfer to the capital outlay reserve fund for capital equipment.

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, 2012, amounts to $186,314,227 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure. The total increase in the City of Elk River's investment in capital assets for the current year was 1 percent (a 4 percent increase for governmental activities and a 3 percent decrease for business-type activities).

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

- $261,000 in public safety vehicles, $314,500 in public works equipment. $172,500 in parks equipment
- Infrastructure improvements for Nature's Edge Business Park totaled $1,177,000.
- Added $7,898,422 of construction costs for the public works facility expansion.
- Park property was purchased for $99,669 and $69,800 of vacant municipal liquor property was transferred to public works for street right-of-way.
- $270,000 installation of fiber optic infrastructure to connect the city's network system.
- System improvements for water and electric totaled almost $1,500,000.

City of Elk River Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 37,864,101	$ 37,694,632	$ 1,486,693	$ 1,516,631	$ 39,350,794	$ 39,211,263
Construction in progress	8,861,930	2,180,426	285,001	205,726	9,146,931	2,386,152
Buildings	23,780,074	25,151,074	11,167,594	11,642,403	34,947,668	36,793,477
Other improvements	2,062,487	2,307,354	-	-	2,062,487	2,307,354
Equipment	3,530,374	3,537,075	1,336,055	1,309,392	4,866,429	4,846,467
Infrastructure	38,094,663	38,730,959	57,845,255	59,752,600	95,939,918	98,483,559
Total	$ 114,193,629	$ 109,601,520	$ 72,120,598	$ 74,426,752	$ 186,314,227	$ 184,028,272

Additional information on the City's capital assets can be found in Note 3C on pages 47 - 48 of this report.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of $45,966,899, an increase of $4,512,499 from 2011. General obligation improvement bonds ($26,334,000) were issued to finance the construction of a library, a recreation facility, a public safety/city hall facility, a public works facility and a street corridor project. General obligation revenue bonds ($4,750,000) were used to finance sewer and water systems. Revenue bonds ($5,085,000) were used to finance the construction of a liquor store and electric system improvements. Special assessment bonds ($3,975,000) financed improvement projects within the City and are assessed to the benefiting properties. Tax increment bonds financed the City's economic development program.

City of Elk River Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Bonds payable:						
G.O. bonds	$ 26,334,000	$ 20,676,000	$ -	$ -	$ 26,334,000	$ 20,676,000
G.O. revenue bonds	-	-	4,750,000	5,475,000	4,750,000	5,475,000
Revenue bonds	-	-	5,085,000	6,310,000	5,085,000	6,310,000
Special assessment bonds	3,975,000	2,955,000	-	-	3,975,000	2,955,000
Tax increment bonds	-	305,000	-	-	-	305,000
Unamortized premium	305,972	221,939	41,567	45,656	347,539	267,595
Total bonds payable, net	30,614,972	24,157,939	9,876,567	11,830,656	40,491,539	35,988,595
Contracts for deeds	1,410,000	1,410,000	-	-	1,410,000	1,410,000
Notes payable	-	-	1,975,812	2,162,882	1,975,812	2,162,882
Compensated absences	1,395,326	1,278,871	418,317	403,657	1,813,643	1,682,528
Net OPEB obligation	208,486	156,323	67,419	54,072	275,905	210,395
Total	$ 33,628,784	$ 27,003,133	$ 12,338,115	$ 14,451,267	$ 45,966,899	$ 41,454,400

Additional long-term debt in the amount of $1,410,000 is for a contract for deed, $1,975,812 is for notes payable, $1,813,643 is for compensated absences, and $275,905 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 $58,316,472. $22,084,574 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 50 - 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 recent building activity. This was taken into consideration in preparation of the City's 2013 budget. The property tax levy is set annually and is adjusted as necessary to fund the cost of providing services to our citizens and customers. Charges for services are evaluated each year and adjusted if warranted. The City expects to keep the tax levy consistent in upcoming years.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Elk River

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CITY OF ELK RIVER, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit - HRA
ASSETS				
Cash and investments	$ 34,235,512	$ 21,335,715	$ 55,571,227	$ 862,972
Restricted cash and investments	-	724,500	724,500	-
Cash with fiscal agent	1,553,188	-	1,553,188	-
Receivables (net):				
Interest	96,336	33,239	129,575	-
Taxes	499,568	-	499,568	13,267
Accounts	453,608	2,531,008	2,984,616	-
Special assessments	2,665,342	-	2,665,342	-
Notes	334,969	-	334,969	400,000
Due from other governments	127,123	-	127,123	-
Due from primary government	-	-	-	235,648
Internal balances	(39,333)	39,333	-	-
Inventories	-	1,978,523	1,978,523	-
Prepaid items	122,013	222,411	344,424	-
Capital assets:				
Nondepreciable	46,726,031	1,771,694	48,497,725	257,100
Depreciable (net)	67,467,598	70,348,904	137,816,502	173,322
Total assets	154,241,955	98,985,327	253,227,282	1,942,309
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	367,111	83,765	450,876	-
LIABILITIES				
Accounts payable	1,491,240	2,820,830	4,312,070	831
Salaries payable	306,229	127,923	434,152	2,207
Due to other governments	1,464	222,158	223,622	-
Due to component unit	235,648	-	235,648	-
Accrued interest payable	523,894	149,494	673,388	-
Unearned revenue	521,169	41,344	562,513	-
Non-current liabilities:				
Due within one year	5,409,990	1,666,201	7,076,191	-
Due in more than one year	28,218,794	10,671,914	38,890,708	-
Total liabilities	36,708,428	15,699,864	52,408,292	3,038
NET POSITION				
Net investment in capital assets	84,060,768	60,351,984	144,412,752	430,422
Restricted for:				
Debt service	3,044,599	724,500	3,769,099	-
Landfill mitigation	763,939	-	763,939	-
Economic development	2,536,506	-	2,536,506	-
Insurance benefits	22,850	-	22,850	-
Law enforcement	23,288	-	23,288	-
Housing and redevelopment	-	-	-	1,508,849
Unrestricted	27,448,688	22,292,744	49,741,432	-
Total net position	$ 117,900,638	$ 83,369,228	$ 201,269,866	$ 1,939,271

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, 2012

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	$ 2,994,342	$ 369,794	$ -	$ -
Public safety	6,187,246	789,728	256,269	-
Public works	6,037,000	82,173	341,174	921,281
Culture and recreation	4,013,098	1,128,070	369,850	86,513
Economic development	1,059,058	8,244	51,226	-
Interest on long-term debt	1,163,352	-	-	-
Total governmental activities	21,454,096	2,378,009	1,018,519	1,007,794
Business-type Activities:				
Municipal liquor	5,622,305	6,525,234	-	-
Garbage	1,276,887	1,302,920	23,440	-
Sewer	2,239,914	1,533,851	-	316,309
Water	2,264,814	2,343,881	-	174,607
Electric	27,586,573	30,403,469	-	-
Total business-type activities	38,990,493	42,109,355	23,440	490,916
Total primary government	$ 60,444,589	$ 44,487,364	$ 1,041,959	$ 1,498,710
Component Unit:				
Housing and Redevelopment Authority	$ 154,818	$ 1,302	$ -	$ -

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, restated

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit - HRA
$ (2,624,548)	$ -	$ (2,624,548)	$ -
(5,141,249)	-	(5,141,249)	-
(4,692,372)	-	(4,692,372)	-
(2,428,665)	-	(2,428,665)	-
(999,588)	-	(999,588)	-
(1,163,352)	-	(1,163,352)	-
(17,049,774)	-	(17,049,774)	-
-	902,929	902,929	-
-	49,473	49,473	-
-	(389,754)	(389,754)	-
-	253,674	253,674	-
-	2,816,896	2,816,896	-
-	3,633,218	3,633,218	-
(17,049,774)	3,633,218	(13,416,556)	-
-	-	-	(153,516)
10,031,907	-	10,031,907	292,318
822,334	-	822,334	-
830,204	-	830,204	-
125,623	-	125,623	-
1,307,662	-	1,307,662	115
319,654	219,950	539,604	4,501
49,470	1,260	50,730	-
(348,259)	348,259	-	-
1,504,263	(1,504,263)	-	-
14,642,858	(934,794)	13,708,064	296,934
(2,406,916)	2,698,424	291,508	143,418
120,307,554	80,670,804	200,978,358	1,795,853
$ 117,900,638	$ 83,369,228	$ 201,269,866	$ 1,939,271

CITY OF ELK RIVER, MINNESOTA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2012

	General Fund	Improvement Projects	Government Buildings	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 6,554,601	$ 4,626,825	$ 5,045,469	$ 18,008,617	$ 34,235,512
Cash with fiscal agent	-	-	-	1,553,188	1,553,188
Receivables:					
Interest	22,510	13,273	14,496	46,057	96,336
Taxes	418,830	2,652	-	78,086	499,568
Accounts	12,801	-	117,009	323,798	453,608
Special assessments	-	1,112,712	-	1,552,630	2,665,342
Notes	-	-	-	334,969	334,969
Due from other governments	46,920	-	-	80,203	127,123
Due from other funds	78,174	-	-	1,078,214	1,156,388
Due from component unit	5,317	-	-	-	5,317
Prepaid items	20,201	-	-	101,812	122,013
Total assets	$ 7,159,354	$ 5,755,462	$ 5,176,974	$ 23,157,574	$ 41,249,364
LIABILITIES					
Accounts payable	$ 326,436	$ -	$ 650,609	$ 514,195	$ 1,491,240
Salaries payable	286,660	473	-	19,096	306,229
Due to other governments	-	-		1,464	1,464
Due to other funds	-	350,839	-	844,882	1,195,721
Due to component unit	-	-	-	240,965	240,965
Unearned revenue	14,040	-	-	507,129	521,169
Total liabilities	627,136	351,312	650,609	2,127,731	3,756,788
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	326,904	2,049	-	62,786	391,739
Unavailable revenue - special assessments	-	1,094,805	-	1,545,679	2,640,484
Unavailable revenue - notes	-	-	-	253,374	253,374
Total deferred inflows of resources	326,904	1,096,854	-	1,861,839	3,285,597
FUND BALANCES					
Nonspendable	20,201	-	-	101,812	122,013
Restricted	-	-	-	7,608,842	7,608,842
Committed	208,486	-	-	2,456,185	2,664,671
Assigned	200,000	4,307,296	4,526,365	10,386,149	19,419,810
Unassigned	5,776,627	-	-	(1,384,984)	4,391,643
Total fund balances	6,205,314	4,307,296	4,526,365	19,168,004	34,206,979
Total liabilities, deferred inflows of resources, and fund balances	$ 7,159,354	$ 5,755,462	$ 5,176,974	$ 23,157,574	$ 41,249,364

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, 2012

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ 34,206,979
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	$175,834,852	
Less accumulated depreciation	(61,641,223)	114,193,629
2. Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.		3,285,597
3. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable	(30,309,000)	
Deferred charge on refunding	367,111	
Issuance premium	(305,972)	
Contracts for deeds	(1,410,000)	
Accrued interest payable	(523,894)	
Compensated absences	(1,395,326)	
Net OPEB obligation	(208,486)	(33,785,567)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$117,900,638

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, 2012

	General Fund	Improvement Projects	Government Buildings	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property taxes	$ 9,184,258	$ 50,154	$ -	$ 2,485,899	$ 11,720,311
Other taxes	125,623	-	-	-	125,623
Licenses and permits	408,232	-	-	-	408,232
Intergovernmental revenue	542,790	-	-	893,823	1,436,613
Charges for services	636,300	-	-	1,023,686	1,659,986
Fines and forfeits	121,047	-	-	16,772	137,819
Special assessments	-	241,515	-	603,597	845,112
Interest income	56,346	45,338	51,006	166,964	319,654
Miscellaneous:					
Landfill expansion fee	-	-	671,897	-	671,897
Refunds and reimbursements	60,217	-	-	136,951	197,168
Contributions	22,632	-	-	978,318	1,000,950
Other	4,960	-	19,689	85,543	110,192
Total revenues	11,162,405	337,007	742,592	6,391,553	18,633,557
EXPENDITURES					
Current:					
General government	2,490,127	-	28,921	96,534	2,615,582
Public safety	5,304,063	-	23,566	24,620	5,352,249
Public works	2,039,644	144,889	287,535	459,658	2,931,726
Culture and recreation	1,739,797	-	9,253	1,090,416	2,839,466
Economic development	-	-	-	1,087,467	1,087,467
Debt service:					
Principal	-	-	-	2,127,000	2,127,000
Interest and service charges	-	-	-	996,454	996,454
Bond issuance costs	-	-	42,520	26,380	68,900
Capital outlay:					
General government	15,292	-	-	371,722	387,014
Public safety	66,871	-	-	260,741	327,612
Public works	18,623	-	7,733,792	1,485,312	9,237,727
Culture and recreation	-	-	-	311,921	311,921
Total expenditures	11,674,417	144,889	8,125,587	8,338,225	28,283,118
Excess (deficiency) of revenues over expenditures	(512,012)	192,118	(7,382,995)	(1,946,672)	(9,649,561)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,024,500	40,000	-	3,728,443	4,792,943
Transfers out	(604,786)	(352,211)	(619,040)	(1,712,643)	(3,288,680)
General obligation bonds issued	-	-	6,975,000	-	6,975,000
Refunding bonds issued	-	-	-	1,525,000	1,525,000
Premium on debt issued	-	-	45,413	69,751	115,164
Sale of capital assets	-	-	-	49,470	49,470
Total other financing sources (uses)	419,714	(312,211)	6,401,373	3,660,021	10,168,897
Net change in fund balances	(92,298)	(120,093)	(981,622)	1,713,349	519,336
Fund balances - January 1	6,297,612	4,427,389	5,507,987	17,454,655	33,687,643
Fund balances - December 31	$ 6,205,314	$ 4,307,296	$ 4,526,365	$ 19,168,004	$ 34,206,979

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, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 519,336
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 capital outlays exceeded depreciation expense in the current period.		
Capital outlay	$10,047,515	
Depreciation expense	(5,522,913)	4,524,602
2. The net effect of various miscellaneous transactions involving capital assets including transfers and disposals, which increase net position.		
Transfers of capital assets	69,800	
Disposals	(585,873)	
Depreciation on disposals	583,580	67,507
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	(35,866)	
Special assessments	(704,866)	
Notes	(22,849)	(763,581)
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	(8,500,000)	
Repayment of principal of long-term debt	2,127,000	
Bond premium	(115,164)	(6,488,164)
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	(92,864)	
Amortization of issuance premium	31,131	
Amortization of deferred charge from refunding	(36,265)	
Compensated absences	(116,455)	
Net OPEB obligation	(52,163)	(266,616)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (2,406,916)

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

City of Elk River

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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, 2012

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Property taxes	$ 9,142,200	$ 9,142,200	$ 9,184,258	$ 42,058
Other taxes	70,000	70,000	125,623	55,623
Licenses and permits	412,650	412,650	408,232	(4,418)
Intergovernmental revenue	542,450	542,450	542,790	340
Charges for services	665,350	665,350	636,300	(29,050)
Fines and forfeits	132,500	132,500	121,047	(11,453)
Interest income	100,000	100,000	56,346	(43,654)
Miscellaneous revenue:				
Refunds and reimbursements	66,500	66,500	60,217	(6,283)
Contributions	25,650	25,650	22,632	(3,018)
Other	8,000	8,000	4,960	(3,040)
Total revenues	11,165,300	11,165,300	11,162,405	(2,895)
EXPENDITURES				
Current:				
General government	2,830,100	2,640,050	2,490,127	149,923
Public safety	5,615,000	5,615,000	5,304,063	310,937
Public works	2,058,650	2,093,500	2,039,644	53,856
Culture and recreation	1,761,700	1,785,700	1,739,797	45,903
Capital outlay:				
General government	15,600	15,600	15,292	308
Public safety	69,000	69,000	66,871	2,129
Public works	20,000	20,000	18,623	1,377
Culture and recreation	17,500	17,500	-	17,500
Total expenditures	12,387,550	12,256,350	11,674,417	581,933
Deficiency of revenues over expenditures	(1,222,250)	(1,091,050)	(512,012)	579,038
OTHER FINANCING SOURCES (USES)				
Transfers in	1,146,600	1,146,600	1,024,500	(122,100)
Transfers out	(290,500)	(290,500)	(604,786)	(314,286)
Total other financing sources (uses)	856,100	856,100	419,714	(436,386)
Net change in fund balance	(366,150)	(234,950)	(92,298)	142,652
Fund balance - January 1	6,297,612	6,297,612	6,297,612	-
Fund balance - December 31	$ 5,931,462	$ 6,062,662	$ 6,205,314	$ 142,652

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, 2012 AND 2011

	Municipal Liquor		Garbage	
	Current Year	Restated Prior Year	Current Year	Prior Year
ASSETS				
Current assets:				
Cash and investments	$ 1,555,676	$ 1,797,477	$ 591,503	$ 540,516
Restricted cash and investments	-	-	-	-
Receivables (net):				
Interest	4,635	10,274	1,637	2,959
Accounts	-	-	14,281	13,001
Due from other governments	-	-	-	-
Due from other funds	-	-	104,952	107,723
Inventories	1,032,803	1,001,736	-	-
Prepaid items	-	-	-	-
Total current assets	2,593,114	2,809,487	712,373	664,199
Noncurrent assets:				
Capital assets:				
Nondepreciable	753,961	823,761	-	-
Depreciable	3,084,328	3,051,787	-	-
Accumulated depreciation	(1,472,028)	(1,347,678)	-	-
Total noncurrent assets	2,366,261	2,527,870	-	-
Total assets	4,959,375	5,337,357	712,373	664,199
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	-	-	-
LIABILITIES				
Current liabilities:				
Accounts payable	268,789	305,609	92,912	95,660
Salaries payable	22,217	19,489	788	949
Due to other governments	66,933	62,867	-	-
Due to other funds	-	-	-	-
Unearned revenue	1,987	1,836	-	-
Accrued interest	-	13,688	-	-
Compensated absences payable - current	44,498	38,328	-	-
Notes payable - current	-	-	-	-
Bonds payable - current	-	160,000	-	-
Total current liabilities	404,424	601,817	93,700	96,609
Noncurrent liabilities:				
Compensated absences payable	54,815	48,851	-	-
Net other postemployment benefits obligation	13,330	8,830	-	-
Notes payable	-	-	-	-
Bonds payable	-	570,000	-	-
Total noncurrent liabilities	68,145	627,681	-	-
Total liabilities	472,569	1,229,498	93,700	96,609
NET POSITION				
Net investment in capital assets	2,366,261	1,797,870	-	-
Restricted for debt service	-	-	-	-
Unrestricted	2,120,545	2,309,989	618,673	567,590
Total net position	$ 4,486,806	$ 4,107,859	$ 618,673	$ 567,590

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

Sewer		Water		Electric		
Current Year	Restated Prior Year	Current Year	Restated Prior Year	Current Year	Restated Prior Year	Total Current Year
$ 5,287,842	$ 5,007,654	$ 3,254,530	$ 2,619,574	$ 10,646,164	$ 8,380,396	$ 21,335,715
-	-	-	-	724,500	724,500	724,500
15,359	28,633	2,322	1,187	9,286	4,749	33,239
44,854	10,783	152,945	127,101	2,318,928	2,503,609	2,531,008
-	-	-	-	-	1,627	-
303,851	296,806	87,211	142,471	-	-	496,014
-	-	16,920	25,909	928,800	997,125	1,978,523
-	-	34,572	18,685	187,839	122,066	222,411
5,651,906	5,343,876	3,548,500	2,934,927	14,815,517	12,734,072	27,321,410
411,095	411,095	92,242	86,427	514,396	401,074	1,771,694
37,200,800	36,880,768	33,539,230	33,214,128	53,494,906	52,384,131	127,319,264
(15,638,513)	(14,644,218)	(11,976,338)	(10,949,382)	(27,883,481)	(25,885,141)	(56,970,360)
21,973,382	22,647,645	21,655,134	22,351,173	26,125,821	26,900,064	72,120,598
27,625,288	27,991,521	25,203,634	25,286,100	40,941,338	39,634,136	99,442,008
-	-	16,754	18,402	67,011	73,603	83,765
172,734	55,509	39,519	91,373	2,246,876	2,376,698	2,820,830
15,121	15,453	8,065	6,463	81,732	74,499	127,923
-	-	-	918	155,225	193,408	222,158
-	-	-	-	456,681	372,554	456,681
-	-	31,095	29,900	8,262	-	41,344
11,693	14,172	43,005	49,071	94,796	103,131	149,494
9,792	10,991	44,229	41,881	101,094	92,925	199,613
-	-	-	-	186,588	183,444	186,588
175,000	170,000	517,000	491,000	588,000	559,000	1,280,000
384,340	266,125	682,913	710,606	3,919,254	3,955,659	5,484,631
9,828	8,938	38,088	39,624	115,973	122,119	218,704
13,729	9,483	-	-	40,360	35,759	67,419
-	-	-	-	1,789,224	1,979,438	1,789,224
560,000	735,000	2,626,313	3,144,131	5,410,254	6,001,525	8,596,567
583,557	753,421	2,664,401	3,183,755	7,355,811	8,138,841	10,671,914
967,897	1,019,546	3,347,314	3,894,361	11,275,065	12,094,500	16,156,545
21,238,382	21,742,645	18,528,575	18,734,444	18,218,766	18,250,260	60,351,984
-	-	-	-	724,500	724,500	724,500
5,419,009	5,229,330	3,344,499	2,675,697	10,790,018	8,638,479	22,292,744
$ 26,657,391	$ 26,971,975	$ 21,873,074	$ 21,410,141	$ 29,733,284	$ 27,613,239	$ 83,369,228

CITY OF ELK RIVER, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Municipal Liquor		Garbage	
	Current Year	Restated Prior Year	Current Year	Prior Year
Sales and cost of sales:				
Sales	$ 6,516,386	$ 6,139,096	$ -	$ -
Cost of sales	(4,638,550)	(4,385,452)	-	-
Gross profit	1,877,836	1,753,644	-	-
Operating revenues:				
User charges	-	-	1,279,607	1,287,667
Delinquency collections	-	-	11,540	10,839
Other	8,848	6,596	35,213	46,168
Total operating revenues	8,848	6,596	1,326,360	1,344,674
Operating expenses:				
Personal services	607,500	589,576	54,678	33,791
Supplies	16,887	24,291	4,262	32,311
Purchased power	-	-	-	-
Other service charges	221,593	210,695	1,217,947	1,238,136
Depreciation	124,350	123,130	-	-
Total operating expenses	970,330	947,692	1,276,887	1,304,238
Operating income (loss)	916,354	812,548	49,473	40,436
Nonoperating revenues (expenses):				
Interest income	14,485	45,444	5,730	8,005
Miscellaneous revenue	-	-	-	-
Interest expense	(13,425)	(33,413)	-	-
Gain (loss) on disposal of capital assets	-	-	-	-
Capital asset transfer	(69,800)	-	-	-
Total nonoperating revenues (expenses)	(68,740)	12,031	5,730	8,005
Income before contributions and transfers	847,614	824,579	55,203	48,441
Contributions - connection fees	-	-	-	-
Capital contributions	-	-	-	-
Transfers in	-	-	-	18,330
Transfers out	(468,667)	(3,115,592)	(4,120)	-
Change in net position	378,947	(2,291,013)	51,083	66,771
Net position - beginning, restated	4,107,859	6,398,872	567,590	500,819
Net position - ending	$ 4,486,806	$ 4,107,859	$ 618,673	$ 567,590

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

Sewer		Water		Electric		
Current Year	Restated Prior Year	Current Year	Restated Prior Year	Current Year	Restated Prior Year	Total Current Year
$ -	$ -	$ -	$ -	$ -	$ -	$ 6,516,386
-	-	-	-	-	-	(4,638,550)
-	-	-	-	-	-	1,877,836
1,527,337	1,487,669	2,219,145	1,796,086	30,365,645	28,150,773	35,391,734
2,389	2,066	20,610	18,845	238,314	257,040	272,853
4,125	5,615	25,387	17,886	(345,269)	176,173	(271,696)
1,533,851	1,495,350	2,265,142	1,832,817	30,258,690	28,583,986	35,392,891
477,598	457,612	392,768	371,663	1,707,401	1,692,020	3,239,945
115,607	121,117	273,183	243,125	135,161	132,149	545,100
-	-	-	-	20,499,773	19,758,584	20,499,773
623,453	523,650	465,014	393,774	2,908,383	2,808,580	5,436,390
994,295	993,043	1,028,593	980,197	2,099,594	2,041,717	4,246,832
2,210,953	2,095,422	2,159,558	1,988,759	27,350,312	26,433,050	33,968,040
(677,102)	(600,072)	105,584	(155,942)	2,908,378	2,150,936	3,302,687
51,112	73,733	30,870	28,551	117,753	113,983	219,950
-	-	78,739	84,567	144,779	73,712	223,518
(28,961)	(34,865)	(105,256)	(119,740)	(236,261)	(256,141)	(383,903)
-	-	(1,000)	-	2,260	(37,158)	1,260
-	-	-	-	-	-	(69,800)
22,151	38,868	3,353	(6,622)	28,531	(105,604)	(8,975)
(654,951)	(561,204)	108,937	(162,564)	2,936,909	2,045,332	3,293,712
316,309	286,466	174,607	195,853	-	-	490,916
199,214	-	218,845	-	-	-	418,059
-	-	-	312,823	-	-	-
(175,156)	(90,000)	(39,456)	(25,000)	(816,864)	(711,415)	(1,504,263)
(314,584)	(364,738)	462,933	321,112	2,120,045	1,333,917	2,698,424
26,971,975	27,336,713	21,410,141	21,089,029	27,613,239	26,279,322	80,670,804
$ 26,657,391	$ 26,971,975	$ 21,873,074	$ 21,410,141	$ 29,733,284	$ 27,613,239	$ 83,369,228

CITY OF ELK RIVER, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Municipal Liquor		Garbage	
	Current Year	Prior Year	Current Year	Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 6,516,537	$ 6,138,965	$ 1,292,638	$ 1,315,462
Other operating cash receipts	8,848	6,596	35,213	46,168
Payments to suppliers	(4,940,851)	(4,652,919)	(1,224,957)	(1,280,782)
Payments to employees	(588,138)	(572,352)	(54,839)	(33,668)
Net cash provided by operating activities	996,396	920,290	48,055	47,180
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	18,330
Transfers to other funds	(468,667)	(3,115,592)	(4,120)	-
Decrease (increase) in due from other funds	-	-	-	-
Increase (decrease) in due to other funds	-	-	-	-
Net cash provided (used) by noncapital financing activities	(468,667)	(3,115,592)	(4,120)	18,330
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(32,541)	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Contributions from developers and residents	-	-	-	-
Principal paid on capital debt	(730,000)	(150,000)	-	-
Interest paid on capital debt	(27,113)	(36,225)	-	-
Principal paid on promissory note	-	-	-	-
Net cash used by capital and related financing activities	(789,654)	(186,225)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	20,124	56,778	7,052	7,336
Net increase (decrease) in cash and cash equivalents	(241,801)	(2,324,749)	50,987	72,846
Cash and cash equivalents, January 1	1,797,477	4,122,226	540,516	467,670
Cash and cash equivalents, December 31	$ 1,555,676	$ 1,797,477	$ 591,503	$ 540,516
Reconciliation of cash and cash equivalents to the statement of net position:				
Cash and investments	$ 1,555,676	$ 1,797,477	$ 591,503	$ 540,516
Restricted cash and investments	-	-	-	-
Total cash and cash equivalents	$ 1,555,676	$ 1,797,477	$ 591,503	$ 540,516

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
$ 1,488,609	$ 1,487,336	$ 2,231,224	$ 1,826,255	$ 30,481,587	$ 28,519,094	$ 42,010,595
4,125	5,615	87,822	88,153	125,965	121,385	261,973
(621,835)	(651,578)	(836,986)	(611,490)	(23,771,526)	(22,728,996)	(31,396,155)
(473,992)	(452,167)	(351,049)	(335,002)	(1,460,301)	(1,515,439)	(2,928,319)
396,907	389,206	1,131,011	967,916	5,375,725	4,396,044	7,948,094
-	-	-	312,823	-	-	-
(175,157)	(90,000)	(39,456)	(25,000)	(816,864)	(711,415)	(1,504,264)
-	-	55,260	(13,621)	-	-	55,260
-	-	-	(13,350)	84,127	(103)	84,127
(175,157)	(90,000)	15,804	260,852	(732,737)	(711,518)	(1,364,877)
(120,818)	-	(114,709)	(1,024,229)	(1,517,549)	(1,010,116)	(1,785,617)
-	-	-	-	14,458	-	14,458
316,309	286,466	174,607	195,853	-	-	490,916
(170,000)	(160,000)	(491,000)	(477,000)	(559,000)	(548,000)	(1,950,000)
(31,440)	(37,115)	(110,492)	(124,603)	(241,275)	(260,945)	(410,320)
-	-	-	-	(187,070)	(182,436)	(187,070)
(5,949)	89,351	(541,594)	(1,429,979)	(2,490,436)	(2,001,497)	(3,827,633)
64,387	68,953	29,735	27,643	113,216	110,350	234,514
280,188	457,510	634,956	(173,568)	2,265,768	1,793,379	2,990,098
5,007,654	4,550,144	2,619,574	2,793,142	9,104,896	7,311,517	19,070,117
$ 5,287,842	$ 5,007,654	$ 3,254,530	$ 2,619,574	$ 11,370,664	$ 9,104,896	$ 22,060,215
$ 5,287,842	$ 5,007,654	$ 3,254,530	$ 2,619,574	$ 10,646,164	$ 8,380,396	$ 21,335,715
-	-	-	-	724,500	724,500	724,500
$ 5,287,842	$ 5,007,654	$ 3,254,530	$ 2,619,574	$ 11,370,664	$ 9,104,896	$ 22,060,215

CITY OF ELK RIVER, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Municipal Liquor		Garbage	
	Current Year	Prior Year	Current Year	Prior Year
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 916,354	$ 812,548	$ 49,473	$ 40,436
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Other revenue related to operations	-	-	-	-
Depreciation expense	124,350	123,130	-	-
(Increase) decrease in assets:				
Accounts receivable	-	-	(1,280)	(973)
Due from other funds	-	-	2,771	(1,383)
Due from other goverments	-	-	-	19,312
Inventories	(31,067)	(102,269)	-	-
Prepaid items	-	4,678	-	-
Increase (decrease) in:				
Accounts payable	(36,820)	2,243	(2,748)	(10,335)
Salaries payable	2,728	1,390	(161)	123
Due to other governments	4,066	62,867	-	-
Unearned revenue	151	(131)	-	-
OPEB liability	4,500	4,704	-	-
Compensated absences payable	12,134	11,130	-	-
Net cash provided by operating activities	$ 996,396	$ 920,290	$ 48,055	$ 47,180
Noncash capital and related financing activities:				
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
$ (677,102)	$ (600,072)	$ 105,584	$ (155,942)	$ 2,908,378	$ 2,150,936	$ 3,302,687
-	-	78,739	84,567	144,779	73,712	223,518
994,295	993,043	1,028,593	980,197	2,099,594	2,041,717	4,246,832
(34,071)	4,733	(25,844)	(13,408)	184,681	(47,878)	123,486
(7,045)	(7,132)	-	-	-	-	(4,274)
-	-	-	-	1,627	-	1,627
-	-	8,989	12,839	68,325	20,967	46,247
-	-	(15,887)	(263)	(65,773)	18,050	(81,660)
117,225	(6,811)	(51,854)	45,701	50,178	58,492	75,981
(332)	2,094	1,602	2,168	7,233	2,844	11,070
-	-	(918)	916	(38,183)	71,130	(35,035)
-	-	1,195	10,733	8,262	-	9,608
4,246	4,532	-	-	4,601	5,663	13,347
(309)	(1,181)	812	408	2,023	411	14,660
$ 396,907	$ 389,206	$ 1,131,011	$ 967,916	$ 5,375,725	$ 4,396,044	$ 7,948,094
$ -	$ -	$ 818	$ 819	$ 3,271	$ 3,275	$ 4,089
-	-	1,648	1,650	6,592	6,600	8,240
199,214	-	218,845	-	-	-	348,259
-	-	-	-	-	180,000	-
-	-	1,000	-	12,198	58,285	13,198

CITY OF ELK RIVER, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DEVELOPER ESCROW AGENCY FUND
DECEMBER 31, 2012

	Agency Fund
ASSETS	
Cash	$ 51,752
Accounts receivable	1,381
Total assets	$ 53,133
LIABILITIES	
Refundable deposits payable	$ 53,133

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

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. 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 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 separate legal entity created for the purpose of providing redevelopment within the city's jurisdiction. The board consists of five council appointed members, one of which is a Council Member. The City Council has the ability to approve the HRA's budget. The HRA is presented as a governmental fund type. The HRA does not issue separate financial statements and are included in the financial section of this report.

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 *Improvement Projects capital projects fund* is used to account for the construction of various improvements within the City.

The *Government Buildings capital projects fund* is used to account for the construction and improvements of the City's facilities.

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 collection and recycling 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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of 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.

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 decreased $131,200 due mainly to personnel adjustments.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2012, expenditures exceeded appropriations in the Landfill fund by $28,086 and the Economic Development Authority fund by $26,259, which were 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.

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, 2012 and December 31, 2011 is as follows:

	2012	2011	Increase (Decrease)
Electric	$ 78,750	$ 78,750	$ -
Water	26,250	26,250	-
Total	$ 105,000	$ 105,000	$ -

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, 2012, the total delinquent special assessment receivable balance was $187,661.

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.

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.

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 $5,000 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:

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

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 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, 2012, the balance reported in the governmental fund financial statements consists of $502,671 from unearned park dedication credits and $18,498 from other unearned miscellaneous fees and contributions.

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.

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".

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.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Equity

The following funds had deficit fund balances at December 31, 2012:

Primary Government	
Capital Projects Funds	
Park Dedication	$843,369
TIF Districts	92,950

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 $12,594,260 and the bank balance was $14,070,637. The bank balance was covered by federal depository insurance totaling $750,000 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 $862,972 and the bank balance was $862,972. 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.

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, 2012 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, 2012, more than 5% of the City's investments were held in the following U.S. Agencies: Federal Home Loan Bank (22%) and Federal National Mortgage Association (14%).

- 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.

As of December 31, 2012, 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
Pooled investments:			
Minnesota Municipal Money Market Fund	N/A	Less than 6 months	$ 6,056,108
Broker Money Markets	N/A	Less than 6 months	7,673,757
Total pooled investments			13,729,865
Non-pooled investments:			
U.S. Government Securities	AAA	1 to 5 years	1,040,059
	AAA	More than 5 years	16,556,728
Total U.S. Government Securities			17,596,787
U.S. Treasury Securities	AAA	Less than 6 months	1,553,188
Municipal Securities	AA	1 to 5 years	250,870
	AA	More than 5 years	502,400
	AAA	1 to 5 years	248,250
	AAA	More than 5 years	1,982,239
Total Municipal Securities			2,983,759

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Negotiable CD's	N/A	Less than 6 months	2,991,285
		6 to 12 months	889,341
		1 to 5 years	4,536,363
		More than 5 years	480,593
Total negotiable CD's			8,897,582
Total non-pooled investments			31,031,316
Total investments			44,761,181
Deposits			13,134,761
Cash on hand			4,725
Total cash and investments			$ 57,900,667

(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.

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

	Primary Government	Component Unit - HRA
Statement of Net Position		
Cash and investments	$ 55,571,227	$ 862,972
Restricted cash and investments	724,500	-
Cash with fiscal agent	1,553,188	-
Statement of Fiduciary Net Assets		
Cash and investments	51,752	-
Total	$ 57,900,667	$ 862,972

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 $253,374 in the Revolving Loan fund and $81,595 in the TIF Districts fund are outstanding at December 31, 2012.

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.

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, 2012 was as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 37,694,632	$ 169,469	$ -	$ 37,864,101
Construction in progress	2,180,426	7,898,422	(1,216,918)	8,861,930
Total capital assets not being depreciated	39,875,058	8,067,891	(1,216,918)	46,726,031
Capital assets being depreciated:				
Buildings	36,268,984	-	-	36,268,984
Other improvements	4,720,657	59,229	-	4,779,886
Equipment	10,310,169	839,049	(431,920)	10,717,298
Infrastructure	75,128,542	2,368,064	(153,953)	77,342,653
Total capital assets being depreciated	126,428,352	3,266,342	(585,873)	129,108,821
Less accumulated depreciation for:				
Buildings	11,117,910	1,371,000	-	12,488,910
Other improvements	2,413,303	304,096	-	2,717,399
Equipment	6,773,094	843,457	(429,627)	7,186,924
Infrastructure	36,397,583	3,004,360	(153,953)	39,247,990
Total accumulated depreciation	56,701,890	5,522,913	(583,580)	61,641,223
Total capital assets being depreciated, net	69,726,462	(2,256,571)	(2,293)	67,467,598
Governmental activities capital assets, net	$ 109,601,520	$ 5,811,320	$ (1,219,211)	$ 114,193,629
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,516,631	$ 39,862	$ (69,800)	$ 1,486,693
Construction in progress	205,726	1,399,943	(1,320,668)	285,001
Total capital assets not being depreciated	1,722,357	1,439,805	(1,390,468)	1,771,694
Capital assets being depreciated:				
Buildings	19,342,790	175,397	(10,456)	19,507,731
Equipment	5,130,389	324,209	(105,633)	5,348,965
Collection and distribution	101,057,635	1,404,933	-	102,462,568
Total capital assets being depreciated	125,530,814	1,904,539	(116,089)	127,319,264
Less accumulated depreciation for:				
Buildings	7,700,387	639,750	-	8,340,137
Equipment	3,820,997	294,804	(102,891)	4,012,910
Collection and distribution	41,305,035	3,312,278	-	44,617,313
Total accumulated depreciation	52,826,419	4,246,832	(102,891)	56,970,360
Total capital assets being depreciated, net	72,704,395	(2,342,293)	(13,198)	70,348,904
Business-type activities capital assets, net	$ 74,426,752	$ (902,488)	$ (1,403,666)	$ 72,120,598

Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED

Capital asset activity for the HRA component unit for the year ended December 31, 2012 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	-	968
Total capital assets being depreciated, net	-	173,322	-	173,322
Component unit capital assets, net	$ 257,100	$ 173,322	$ -	$ 430,422

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

Governmental activities:	
General government	$ 307,706
Public safety	656,279
Public works	3,360,588
Culture and recreation	1,198,340
Total depreciation expense - governmental activities	$ 5,522,913
Business-type activities:	
Municipal liquor	$ 124,350
Sewer	994,295
Water	1,028,593
Electric	2,099,594
Total depreciation expense - business-type activities	$ 4,246,832

Construction commitments

At December 31, 2012, the City had a construction project contract in progress. The commitment related to the remaining contract balance is summarized as follows:

Project	Spent to date	Remaining Commitment
Public Works Facility Expansion	$ 8,150,429	$ 580,276

Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2012 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Electric	$ 67,531
General	Nonmajor governmental funds	10,643
Garbage	Electric	104,952
Sewer	Electric	132,051
Sewer	Nonmajor governmental funds	171,800
Water	Nonmajor governmental funds	87,211
Nonmajor governmental funds	Improvement Projects	350,839
Nonmajor governmental funds	Electric	152,147
Nonmajor governmental funds	Nonmajor governmental funds	575,228
Total		$ 1,652,402

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

Due to/from component unit:

Receivable Entity	Payable Entity	Amount
Primary government - General Fund	Component unit - HRA	$ 5,317
Component unit - HRA	Primary government - TIF Districts	240,965

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 $240,965 payable to the HRA will be paid with the collection of tax increment revenue and will not be repaid within one year.

Interfund transfers:

	Transfer In	Transfer Out
Governmental funds:		
Major funds -		
General	$ 1,024,500	$ 604,786
Improvement projects	40,000	352,211
Government buildings	-	619,040
Nonmajor funds	3,728,443	1,712,643
Total governmental funds	4,792,943	3,288,680
Proprietary funds:		
Municipal liquor	-	468,667
Garbage	-	4,120
Sewer	-	175,156
Water	-	39,456
Electric	-	816,864
Total proprietary funds	-	1,504,263
Total	$ 4,792,943	$ 4,792,943

Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED

Interfund transfers are used to allocate financial resources to the funds that receive benefit from services provided by another fund, to provide additional capital funding, or to move revenues from the fund with collection authorization to debt service funds as principal and interest payments come due. In addition, interfund transfers are occasionally authorized to allow redistribution of resources between funds for the most efficient use of funds. In 2012, the Economic Development Authority fund transferred $450,000 and the Improvement Projects fund transferred $350,839 to the Street Improvements fund to provide financing for the Nature's Edge Business Park infrastructure improvements.

E. Long-term Debt

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

PRIMARY GOVERNMENT	Issue Date	Maturity Date	Interest Rate	Authorized and Issued	Payable 12/31/12
GOVERNMENTAL ACTIVITIES:					
General Obligation Bonds:					
2006C G.O. Capital Improvement Bonds	12/14/2006	2/1/2027	3.80-4.05%	$ 3,220,000	$ 2,665,000
2007D EDA G.O. Bonds	11/8/2007	2/1/2033	3.80-4.30%	10,000,000	10,000,000
2008A EDA G.O. Bonds	2/20/2008	2/1/2015	3.38%	2,000,000	945,000
State-Aid Road Bonds	7/7/2008	8/20/2013	1.31%	2,431,500	499,000
2010A G.O. Capital Improvement Bonds	4/21/2010	2/1/2023	2.00-4.00%	6,105,000	5,250,000
2012A G.O. Capital Improvement Bonds	3/15/2012	2/1/2033	1.00-2.50%	6,975,000	6,975,000
Total general obligation bonds				30,731,500	26,334,000
Special Assessment Bonds:					
2003A G.O. Improvement Bonds	12/9/2003	2/1/2014	2.00-4.00%	1,255,000	150,000
2005A G.O. Improvement Bonds	6/14/2005	2/1/2016	2.75-3.70%	1,070,000	450,000
2007C G.O. Improvement Bonds	6/26/2007	2/1/2013	4.00%	3,090,000	1,850,000
2012B G.O. Improvement Refunding Bonds	3/15/2012	2/1/2018	2.00%	1,525,000	1,525,000
Total special assessment bonds				6,940,000	3,975,000
Total bonded indebtedness				37,671,500	30,309,000
Contracts for deeds	4/12/2008	4/6/2013	5.00-6.00%	1,800,000	1,410,000
Compensated absences payable				-	1,395,326
Net OPEB obligation				-	208,486
Total governmental activities indebtedness				$ 39,471,500	$ 33,322,812

Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED

PRIMARY GOVERNMENT	Issue Date	Maturity Date	Interest Rate	Authorized and Issued	Payable 12/31/12
BUSINESS-TYPE ACTIVITIES:					
General Obligation Revenue Bonds:					
2003B G.O. Water Revenue Bonds	12/9/2003	2/1/2014	2.00-3.70%	1,995,000	$ 465,000
2005B G.O. Sewer Revenue Refunding Bonds	6/14/2005	2/1/2016	3.00-4.00%	1,660,000	735,000
2008A G.O.Water Revenue Refunding Bonds	2/20/2008	2/1/2022	2.50-3.65%	3,085,000	2,450,000
2010A G.O. Capital Improvement Bonds	4/21/2010	8/1/2023	2.00-4.00%	1,265,000	1,100,000
Total general obligation revenue bonds				8,005,000	4,750,000
Revenue Bonds:					
2004A Electric Revenue Bonds	8/1/2004	2/1/2015	3.00-4.25%	940,000	330,000
2006A Electric Revenue Bonds	3/2/2006	8/1/2021	3.15-4.00%	3,595,000	2,405,000
2007A Electric Revenue Bonds	3/28/2007	2/1/2022	4.00%	2,875,000	2,350,000
Total revenue bonds				7,410,000	5,085,000
Total bonded indebtedness				15,415,000	9,835,000
Promissory note	3/19/2002	12/31/2022	-%	3,521,000	1,975,812
Compensated absences payable				-	418,317
Net OPEB obligation				-	67,419
Total business-type activities indebtedness				$ 18,936,000	$ 12,296,548
Total City indebtedness				$ 58,407,500	$ 45,619,360

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
2013	$ 1,344,000	$ 915,673	$ 2,050,000	$ 85,680	$ 1,410,000	$ 84,600
2014	1,160,000	828,942	485,000	38,870	-	-
2015	1,195,000	801,408	425,000	27,425	-	-
2016	1,275,000	769,521	420,000	17,078	-	-
2017	1,305,000	731,389	300,000	8,900	-	-
2018 - 2022	7,240,000	2,941,924	295,000	2,950	-	-
2023 - 2027	6,175,000	1,717,402	-	-	-	-
2028 - 2032	5,425,000	731,384	-	-	-	-
2033	1,215,000	22,297	-	-	-	-
Total	$ 26,334,000	$ 9,459,940	$ 3,975,000	$ 180,903	1,410,000	84,600

Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED

	Primary Government - Business-Type Activities					
	G.O. Revenue Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 760,000	$ 148,658	$ 520,000	$ 192,358	$ 186,588	$ -
2014	775,000	124,350	545,000	172,220	189,353	-
2015	485,000	104,224	570,000	150,924	191,511	-
2016	500,000	88,233	470,000	131,160	194,297	-
2017	320,000	74,849	490,000	113,053	195,212	-
2018 - 2022	1,785,000	193,933	2,490,000	254,780	1,018,851	-
2023	125,000	2,500	-	-	-	-
Total	$ 4,750,000	$ 736,747	$ 5,085,000	$ 1,014,495	$ 1,975,812	$ -

Long-term liability activity for the year ended December 31, 2012 was as follows:

PRIMARY GOVERNMENT	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Bonds payable:					
General obligation bonds	$ 20,676,000	$ 6,975,000	$ (1,317,000)	$ 26,334,000	$ 1,344,000
Special assessment bonds	2,955,000	1,525,000	(505,000)	3,975,000	2,050,000
Tax increment bonds	305,000	-	(305,000)	-	-
Issuance premium	221,939	115,164	(31,131)	305,972	-
Total bonds payable	24,157,939	8,615,164	(2,158,131)	30,614,972	3,394,000
Contracts for deeds	1,410,000	-	-	1,410,000	1,410,000
Compensated absences	1,278,871	636,195	(519,740)	1,395,326	605,990
Net OPEB obligation	156,323	87,865	(35,702)	208,486	-
Governmental activity long-term liabilites	27,003,133	9,339,224	(2,713,573)	33,628,784	5,409,990
BUSINESS-TYPE ACTIVITIES:					
Bonds payable					
G.O. revenue bonds	5,475,000	-	(725,000)	4,750,000	760,000
Revenue bonds	6,310,000	-	(1,225,000)	5,085,000	520,000
Issuance premium	45,656	-	(4,089)	41,567	-
Total bonds payable	11,830,656	-	(1,954,089)	9,876,567	1,280,000
Notes payable	2,162,882	-	(187,070)	1,975,812	186,588
Compensated absences	403,657	198,785	(184,125)	418,317	199,613
Net OPEB obligation	54,072	15,415	(2,068)	67,419	-
Business-type activity long-term liabilities	14,451,267	214,200	(2,327,352)	12,338,115	1,666,201
Total primary government long-term liabilities	$ 41,454,400	$ 9,553,424	$ (5,040,925)	$ 45,966,899	$ 7,076,191

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 $10,945,000 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.

The tax increment bonds were used to finance land acquisition and other public costs to facilitate development within the tax increment district. The bonds are payable from tax increment revenues generated by existing and new development within the district. 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 13 and 27 percent of revenues from the Sewer and Water funds, respectively. For 2012, principal and interest paid and total customer revenues for the Sewer fund were $201,440 and $1,533,851, respectively. For 2012, principal and interest paid and total customer revenues for the Water fund were $601,492 and $2,265,142, respectively.

The revenue bonds were issued to finance the acquisition and construction of major capital facilities. They are repaid from future revenues pledged from the Municipal Liquor and Electric fund. Annual principal and interest payment on the bonds required about 40 and 3 percent of revenues from the Municipal Liquor and Electric funds, respectively. For 2012, principal and interest paid and total customer revenues for the Municipal Liquor fund were $757,113 and $1,886,684, respectively. For 2012, principal and interest paid and total customer revenues for the Electric fund were $800,275 and $30,258,690, 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 March 15, 2012, the City issued $1,525,000 General Obligation Improvement Refunding Bonds, Series 2012B. The 2012B bonds were issued to redeem the 2014 through 2018 maturities of the $3,090,000 General Obligation Improvement Bonds, Series 2007C. The bonds were issued in advance of the call date and placed in an escrow account which will be used to pay interest on the Series 2012B bonds through February 1, 2013 and to pay the callable principal on the Series 2007C bonds on February 1, 2013. The City will continue to pay principal and interest on the Series 2007C bonds until the call date. The new refunding bonds have an average coupon rate of 2 percent and will mature on February 1, 2018. The net cash flow savings is calculated at $113,565.

Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED

F. Fund Balance Classification

At December 31, 2012, a summary of the governmental fund balance classifications are as follows:

	General Fund	Improvement Projects	Government Buildings	Other Governmental Funds	Total
Nonspendable:					
Prepaid items	$ 20,201	$ -	$ -	$ 101,812	$ 122,013
Restricted for:					
Debt service	$ -	$ -	$ -	$ 4,274,442	$ 4,274,442
Landfill mitigation	-	-	-	763,939	763,939
Economic development	-	-	-	2,524,323	2,524,323
Insurance benefits	-	-	-	22,850	22,850
Law enforcement	-	-	-	23,288	23,288
Total restricted	$ -	$ -	$ -	$ 7,608,842	$ 7,608,842
Committed to:					
Library operations	$ -	$ -	$ -	$ 454,571	$ 454,571
Ice arena	-	-	-	169,970	169,970
Senior citizen programs	-	-	-	11,270	11,270
Economic development	-	-	-	1,572,471	1,572,471
Insurance reserve	-	-	-	247,903	247,903
OPEB obligation	208,486	-	-	-	208,486
Total committed	$ 208,486	$ -	$ -	$ 2,456,185	$ 2,664,671
Assigned to:					
2013 budget	$ 200,000	$ -	$ -	$ -	$ 200,000
Landfill mitigation	-	-	-	697,428	697,428
Law enforcement	-	-	-	376	376
Debt service	-	-	-	28,150	28,150
Economic development	-	-	-	166,538	166,538
Capital equipment	-	-	-	2,503,027	2,503,027
Building construction/improvements	-	-	4,526,365	-	4,526,365
Street improvements	-	-	-	5,091,471	5,091,471
Other improvement projects	-	4,307,296	-	1,673,347	5,980,643
Park improvements	-	-	-	225,812	225,812
Total assigned	$ 200,000	$ 4,307,296	$ 4,526,365	$ 10,386,149	$ 19,419,810

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.

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 $3,948 and $8,114 in 2012 and 2011, 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.

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

Note 4: OTHER INFORMATION – CONTINUED

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, 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 2012. PEPFF members were required to contribute 9.6% of their annual covered salary in 2012. In 2012, 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, 2012, 2011 and 2010 were $553,395, $528,696 and $501,726, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2012, 2011 and 2010 were $369,421, $355,670 and $357,977, 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.

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

Note 4: OTHER INFORMATION – CONTINUED

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 2012 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
$1,405	$1,405	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 $118,465 made by the State of Minnesota for the Fire Relief Association.

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	$148,465
Contributions Made:	
City	$30,000
State Aid	$118,465
Actuarial Valuation Date	12/31/12
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, 2012 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
12/31/10	$ 131,255	100%	-
12/31/11	157,022	100%	-
12/31/12	148,465	100%	-

c. Funded Status and Funding Progress

As of December 31, 2012, the actuarial accrued liability was $2,551,430, of which $95,119 was unfunded. 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
12/31/12	$ 2,456,311	$ 2,551,430	$ (95,119)	96.3%

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:

	Municipal Retiree Health Plan	Utility Retiree Health Plan
Annual required contribution (ARC)	$ 100,739	$ 6,527
Interest on net OPEB obligation	6,985	1,430
Adjustment to ARC	(10,005)	(3,356)
Annual OPEB cost	97,719	4,601
Contributions made	(36,810)	-
Increase in net OPEB obligation	60,909	4,601
Net OPEB obligation - beginning of year	174,636	35,759
Net OPEB obligation - end of year	$ 235,545	$ 40,360

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:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net Pension Obligation
MRHP:				
12/31/2010	$ 2,734	$ 2,851	104%	$ 100,579
12/31/2011	99,058	25,001	25%	174,636
12/31/2012	97,719	36,810	38%	235,545
URHP:				
12/31/2010	$ 9,853	$ -	- %	$ 30,096
12/31/2011	5,663	-	- %	35,759
12/31/2012	4,601	-	- %	40,360

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:

	Municipal Retiree Health Plan	Utility Retiree Health Plan
Actuarial accrued liability (a)	$ 908,610	$ 42,681
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a-b)	**$ 908,610**	**$ 42,681**
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.

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, 2012 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, 2012 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.

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, 2012, there were seven series of revenue bonds outstanding, with an aggregate principal payable amount of $23,950,191.

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. The process has begun to renegotiate the existing contract, or contract with another supplier.

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. The interim financing of the CAPX-Brookings project was closed February 2012 and the principal amount of this note was paid off with permanent financing.

I. Change in Accounting Principle

During fiscal year 2012, the City implemented several new accounting pronouncements issued by the Government Accounting Standards Board (GASB), including Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* and Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2012 financial statements. Changes related to these standards are reflected in the financial statements and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2010 balance to the December 31, 2012 financial statements:

	Net Position December 31, 2010 as Previously Reported	(1) Restatement	Net Position January 1, 2011 as Restated
Governmental activities	$ 118,726,162	$ (53,265)	$ 118,672,897
Business-type activities	81,834,516	(229,762)	81,604,754
Proprietary funds			
Municipal Liquor	6,400,560	(1,688)	6,398,872
Garbage	500,819	-	500,819
Sewer	27,350,053	(13,340)	27,336,713
Water	21,188,987	(99,959)	21,089,028
Electric	26,394,097	(114,775)	26,279,322
Total business-type activities	$ 81,834,516	$ (229,762)	$ 81,604,754

(1) Write-off of unamortized bond issuance cost balances at December 31, 2010.

Note 4: OTHER INFORMATION – CONTINUED

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2011 balance to the December 31, 2012 financial statements:

	Net Position December 31, 2011 as Previously Reported	(1) Restatement	Net Position January 1, 2012 as Restated
Governmental activities	$ 120,356,425	$ (48,871)	$ 120,307,554
Business-type activities	80,873,307	(202,503)	80,670,804
Proprietary funds			
Municipal Liquor	4,109,133	(1,274)	4,107,859
Garbage	567,590	-	567,590
Sewer	26,982,691	(10,716)	26,971,975
Water	21,497,788	(87,647)	21,410,141
Electric	27,716,105	(102,866)	27,613,239
Total business-type activities	$ 80,873,307	$ (202,503)	$ 80,670,804

(1) Write-off of unamortized bond issuance cost balances at December 31, 2011.

J. Subsequent Events

On February 12, 2013, the City issued $9,685,000 General Obligation Refunding Bonds,. The $9,685,000 General Obligation Refunding Bonds were issued to redeem the 2018 through 2033 maturities of the $10,000,000 General Obligation Bonds, Series 2007. The bonds were issued in advance of the call date and placed in an escrow account which will be used to pay interest on the Series 2013A Bonds through February 1, 2017; and to pay the callable principal on the Series 2007 Bonds on February 1, 2017. The City will continue to pay principal and interest on the Series 2007 Bonds until the call date. The new refunding bonds have an average coupon rate of 2.3 percent and will mature on February 1, 2033. The net cash flow savings is calculated at $1,001,112.

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
12/31/10	$ 2,190,827	$ 2,398,067	$ (207,240)	91.4%	$ 5,091
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

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%

City of Elk River

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NonMajor Governmental Funds

Special Revenue

Special revenue funds are used to account for the proceeds of 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, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	$ 6,926,116	$ 1,867,745	$ 9,214,756	$ 18,008,617
Cash with fiscal agent	-	1,553,188	-	1,553,188
Receivables:				
Interest	16,441	4,202	25,414	46,057
Taxes	35,691	39,936	2,459	78,086
Accounts	323,280	-	518	323,798
Special assessments	-	727,509	825,121	1,552,630
Notes	253,374	-	81,595	334,969
Due from other governments	11	-	80,192	80,203
Due from other funds	109,616	-	968,598	1,078,214
Prepaid items	101,812	-	-	101,812
Total assets	$ 7,766,341	$ 4,192,580	$ 11,198,653	$ 23,157,574
LIABILITIES				
Accounts payable	$ 83,781	$ 4,000	$ 426,414	$ 514,195
Salaries payable	19,096	-	-	19,096
Due to other governments	-	-	1,464	1,464
Due to other funds	198,299	-	646,583	844,882
Due to component unit	-	-	240,965	240,965
Unearned revenue	4,458	-	502,671	507,129
Total liabilities	305,634	4,000	1,818,097	2,127,731
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	28,545	32,391	1,850	62,786
Unavailable revenue - special assessments	-	724,311	821,368	1,545,679
Unavailable revenue - notes	253,374	-	-	253,374
Total deferred inflows of resources	281,919	756,702	823,218	1,861,839
FUND BALANCES				
Nonspendable	101,812	-	-	101,812
Restricted	3,728,299	3,431,878	448,665	7,608,842
Committed	2,456,185	-	-	2,456,185
Assigned	892,492	-	9,493,657	10,386,149
Unassigned	-	-	(1,384,984)	(1,384,984)
Total fund balances	7,178,788	3,431,878	8,557,338	19,168,004
Total liabilities, deferred inflows of resources, and fund balances	$ 7,766,341	$ 4,192,580	$ 11,198,653	$ 23,157,574

CITY OF ELK RIVER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	$ 808,421	$ 828,602	$ 848,876	$ 2,485,899
Intergovernmental revenue	18,127	501,767	373,929	893,823
Charges for services	967,246	-	56,440	1,023,686
Fines and forfeits	16,772	-	-	16,772
Special assessments	-	287,759	315,838	603,597
Interest income	65,036	7,787	94,141	166,964
Miscellaneous revenue:				
Refunds and reimbursements	136,951	-	-	136,951
Contributions	30,798	245,729	701,791	978,318
Other	67,401	-	18,142	85,543
Total revenues	2,110,752	1,871,644	2,409,157	6,391,553
EXPENDITURES				
Current:				
General government	56,644	-	39,890	96,534
Public safety	7,305	-	17,315	24,620
Public works	84,286	-	375,372	459,658
Culture and recreation	934,276	-	156,140	1,090,416
Economic development	703,734	-	383,733	1,087,467
Debt service:				
Principal	-	2,127,000	-	2,127,000
Interest and service charges	-	897,070	99,384	996,454
Bond issuance costs	-	26,380	-	26,380
Capital outlay:				
General government	-	-	371,722	371,722
Public safety	-	-	260,741	260,741
Public works	-	-	1,485,312	1,485,312
Culture and recreation	17,786	-	294,135	311,921
Total expenditures	1,804,031	3,050,450	3,483,744	8,338,225
Excess (deficiency) of revenues over expenditures	306,721	(1,178,806)	(1,074,587)	(1,946,672)
OTHER FINANCING SOURCES (USES)				
Transfers in	448,068	1,180,234	2,100,141	3,728,443
Transfers out	(1,312,649)	-	(399,994)	(1,712,643)
Refunding bonds issued	-	1,525,000	-	1,525,000
Premium on debt issued	-	69,751	-	69,751
Sale of capital assets	-	-	49,470	49,470
Total other financing sources (uses)	(864,581)	2,774,985	1,749,617	3,660,021
Net change in fund balances	(557,860)	1,596,179	675,030	1,713,349
Fund balances - January 1	7,736,648	1,835,699	7,882,308	17,454,655
Fund balances - December 31	$ 7,178,788	$ 3,431,878	$ 8,557,338	$ 19,168,004

City of Elk River

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NONMAJOR SPECIAL REVENUE FUNDS

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

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

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.

Emergency/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, 2012

	Library	Ice Arena	Pinewood Golf Course	Senior Citizen Account	Landfill	Revolving Loan
ASSETS						
Cash and investments	$ 454,568	$ -	$ 14,957	$ 12,250	$ 1,459,200	$ 924,517
Receivables:						
Interest	1,304	-	-	35	4,246	2,652
Taxes	2,827	-	-	-	-	-
Accounts	-	227,765	-	-	3,170	50,000
Notes	-	-	-	-	-	253,374
Due from other governments	-	-	-	-	-	-
Due from other funds	-	2,240	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	$ 458,699	$ 230,005	$ 14,957	$ 12,285	$ 1,466,616	$ 1,230,543
LIABILITIES						
Accounts payable	$ 1,822	$ 42,202	$ 8,864	$ 1,015	$ 4,461	$ 17,474
Salaries payable	-	12,250	2,747	-	788	-
Due to other funds	80	4,471	-	-	-	-
Unearned revenue	-	1,112	3,346	-	-	-
Total liabilities	1,902	60,035	14,957	1,015	5,249	17,474
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - taxes	2,226	-	-	-	-	-
Unavailable revenue - notes	-	-	-	-	-	253,374
Total deferred inflows of resources	2,226	-	-	-	-	253,374
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	763,939	-
Committed	454,571	169,970	-	11,270	-	959,695
Assigned	-	-	-	-	697,428	-
Total fund balances	454,571	169,970	-	11,270	1,461,367	959,695
Total liabilities, deferred inflows of resources, and fund balances	$ 458,699	$ 230,005	$ 14,957	$ 12,285	$ 1,466,616	$ 1,230,543

Federal DEED	State DEED	Development Fund	Emergency/ Insurance Reserve	Drug Forfeiture Reserve	YMCA Grant	Economic Development Authority	Total Nonmajor Special Revenue Funds
$ 704,596	$ 400,913	$ 644,058	$ 217,500	$ 23,880	$ 868,223	$ 1,201,454	$ 6,926,116
2,021	1,150	1,848	625	69	2,491	-	16,441
-	-	17,714	-	-	-	15,150	35,691
-	-	42,345	-	-	-	-	323,280
-	-	-	-	-	-	-	253,374
-	-	-	-	11	-	-	11
-	-	51,226	56,150	-	-	-	109,616
-	-	-	101,812	-	-	-	101,812
$ 706,617	$ 402,063	$ 757,191	$ 376,087	$ 23,960	$ 870,714	$ 1,216,604	$ 7,766,341
$ -	$ -	$ -	$ 3,522	$ 296	$ -	$ 4,125	$ 83,781
-	-	-	-	-	-	3,311	19,096
-	-	130,279	-	-	-	63,469	198,299
-	-	-	-	-	-	-	4,458
-	-	130,279	3,522	296	-	70,905	305,634
-	-	14,136	-	-	-	12,183	28,545
-	-	-	-	-	-	-	253,374
-	-	14,136	-	-	-	12,183	281,919
-	-	-	101,812	-	-	-	101,812
706,617	402,063	-	22,850	23,288	842,564	966,978	3,728,299
-	-	612,776	247,903	-	-	-	2,456,185
-	-	-	-	376	28,150	166,538	892,492
706,617	402,063	612,776	372,565	23,664	870,714	1,133,516	7,178,788
$ 706,617	$ 402,063	$ 757,191	$ 376,087	$ 23,960	$ 870,714	$ 1,216,604	$ 7,766,341

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, 2012

	Library	Ice Arena	Pinewood Golf Course	Senior Citizen Account	Landfill	Revolving Loan
REVENUES						
Property taxes	$ 62,496	$ -	$ -	$ -	$ -	$ -
Intergovernmental revenue	-	-	-	-	18,000	-
Charges for services	-	760,248	186,173	12,466	-	350
Fines and forfeits	-	-	-	-	-	-
Interest income	4,365	248	-	128	15,220	12,580
Miscellaneous revenue:						
Refunds and reimbursements	-	-	-	-	-	-
Contributions	22,223	7,732	-	843	-	-
Other	-	17,927	-	-	-	49,474
Total revenues	89,084	786,155	186,173	13,437	33,220	62,404
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	84,286	-
Culture and recreation	76,696	612,154	232,751	12,675	-	-
Economic development	-	-	-	-	-	28,272
Capital outlay:						
Culture and recreation	-	17,786	-	-	-	-
Total expenditures	76,696	629,940	232,751	12,675	84,286	28,272
Excess (deficiency) of revenues over expenditures	12,388	156,215	(46,578)	762	(51,066)	34,132
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	46,578	-	-	-
Transfers out	-	-	-	-	(55,880)	(401,490)
Total other financing sources (uses)	-	-	46,578	-	(55,880)	(401,490)
Net change in fund balances	12,388	156,215	-	762	(106,946)	(367,358)
Fund balances - January 1	442,183	13,755	-	10,508	1,568,313	1,327,053
Fund balances - December 31	$ 454,571	$ 169,970	$ -	$ 11,270	$ 1,461,367	$ 959,695

Federal DEED	State DEED	Development Fund	Emergency/ Insurance Reserve	Drug Forfeiture Reserve	YMCA Grant	Economic Development Authority	Total Nonmajor Special Revenue Funds
$ -	$ -	$ 423,050	$ -	$ -	$ -	$ 322,875	$ 808,421
-	-	-	-	-	-	127	18,127
4,469	-	-	-	-	-	3,540	967,246
-	-	-	-	16,772	-	-	16,772
5,854	573	9,274	2,526	154	9,885	4,229	65,036
-	-	51,226	85,725	-	-	-	136,951
-	-	-	-	-	-	-	30,798
-	-	-	-	-	-	-	67,401
10,323	573	483,550	88,251	16,926	9,885	330,771	2,110,752
-	-	-	56,644	-	-	-	56,644
-	-	-	-	7,305	-	-	7,305
-	-	-	-	-	-	-	84,286
-	-	-	-	-	-	-	934,276
-	-	399,403	-	-	-	276,059	703,734
-	-	-	-	-	-	-	17,786
-	-	399,403	56,644	7,305	-	276,059	1,804,031
10,323	573	84,147	31,607	9,621	9,885	54,712	306,721
-	401,490	-	-	-	-	-	448,068
-	-	(130,279)	-	-	(250,000)	(475,000)	(1,312,649)
-	401,490	(130,279)	-	-	(250,000)	(475,000)	(864,581)
10,323	402,063	(46,132)	31,607	9,621	(240,115)	(420,288)	(557,860)
696,294	-	658,908	340,958	14,043	1,110,829	1,553,804	7,736,648
$ 706,617	$ 402,063	$ 612,776	$ 372,565	$ 23,664	$ 870,714	$ 1,133,516	$ 7,178,788

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, 2012

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
General property taxes	$ 63,100	$ 63,100	$ 62,496	$ (604)
Interest income	6,900	6,900	4,365	(2,535)
Miscellaneous revenue:				
Contributions	27,000	27,000	22,223	(4,777)
Total revenues	97,000	97,000	89,084	(7,916)
EXPENDITURES				
Culture and recreation:				
Current	97,000	97,000	76,696	20,304
Net change in fund balance	$ -	$ -	12,388	$ 12,388
Fund balance - January 1			442,183	
Fund balance - December 31			$ 454,571	

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, 2012

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 717,500	$ 717,500	$ 760,248	$ 42,748
Interest income	-	-	248	248
Miscellaneous revenue:				
Vending machines	14,000	14,000	13,879	(121)
Contributions	-	-	7,732	7,732
Other	2,900	2,900	4,048	1,148
Total revenues	734,400	734,400	786,155	51,755
EXPENDITURES				
Culture and recreation:				
Current	623,950	623,950	612,154	11,796
Capital outlay	20,500	20,500	17,786	2,714
Total expenditures	644,450	644,450	629,940	14,510
Net change in fund balance	$ 89,950	$ 89,950	156,215	$ 66,265
Fund balance - January 1			13,755	
Fund balance - December 31			$ 169,970	

CITY OF ELK RIVER, MINNESOTA
SPECIAL REVENUE FUND - PINEWOOD GOLF COURSE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 196,000	$ 196,000	$ 186,173	$ (9,827)
EXPENDITURES				
Culture and recreation:				
Current	236,500	236,500	232,751	3,749
Deficiency of revenues over expenditures	(40,500)	(40,500)	(46,578)	(6,078)
OTHER FINANCING SOURCES				
Transfers in	40,500	40,500	46,578	6,078
Net change in fund balance	$ -	$ -	-	$ -
Fund balance - January 1			-	
Fund balance - December 31			$ -	

CITY OF ELK RIVER, MINNESOTA
SPECIAL REVENUE FUND - LANDFILL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental revenue	$ -	$ -	$ 18,000	$ 18,000
Interest income	13,500	13,500	15,220	1,720
Total revenues	13,500	13,500	33,220	19,720
EXPENDITURES				
Public works:				
Current	56,200	56,200	84,286	(28,086)
Deficiency of revenues over expenditures	(42,700)	(42,700)	(51,066)	(8,366)
OTHER FINANCING USES				
Transfers out	(72,000)	(72,000)	(55,880)	16,120
Net change in fund balance	$ (114,700)	$ (114,700)	(106,946)	$ 7,754
Fund balance - January 1			1,568,313	
Fund balance - December 31			$ 1,461,367	

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, 2012

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	$ 349,900	$ 349,900	$ 322,875	$ (27,025)
Intergovernmental revenue	-	-	127	127
Charges for services	3,500	3,500	3,540	40
Interest income	9,000	9,000	4,229	(4,771)
Total revenues	362,400	362,400	330,771	(31,629)
EXPENDITURES				
Current:				
Economic development	249,800	249,800	276,059	(26,259)
Excess of revenues over expenditures	112,600	112,600	54,712	(57,888)
OTHER FINANCING USES				
Transfers out	(25,000)	(25,000)	(475,000)	(450,000)
Net change in fund balance	$ 87,600	$ 87,600	(420,288)	$ (507,888)
Fund balance - January 1			1,553,804	
Fund balance - December 31			$ 1,133,516	

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.

Tax Increment Financing Bonds - This fund is used to account for the accumulation of resources and payment of principal and interest to finance administrative and development costs within the various TIF districts.

YMCA Bonds – This fund is used to account for the accumulation of resources and payment of principal and interest to finance the construction of a recreation facility which is leased to the YMCA.

CITY OF ELK RIVER, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2012

	Improvement Bonds	Government Building Bonds	MPFA Loan	TIF Bonds	YMCA Bonds	Total Nonmajor Debt Service Funds
ASSETS						
Cash and investments	$ 662,381	$ 802,165	$ 3,271	$ -	$ 399,928	$ 1,867,745
Cash with fiscal agent	1,553,188	-	-	-	-	1,553,188
Receivables:						
Interest	1,901	2,301	-	-	-	4,202
Taxes	8,981	19,742	-	-	11,213	39,936
Special assessments	727,509	-	-	-	-	727,509
Total assets	$ 2,953,960	$ 824,208	$ 3,271	$ -	$ 411,141	$ 4,192,580
LIABILITY						
Accounts payable	$ -	$ -	$ -	$ -	$ 4,000	$ 4,000
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - taxes	7,120	16,496	-	-	8,775	32,391
Unavailable revenue - special assessments	724,311	-	-	-	-	724,311
Total deferred inflows of resources	731,431	16,496	-	-	8,775	756,702
FUND BALANCES						
Restricted	2,222,529	807,712	3,271	-	398,366	3,431,878
Total liability, deferred inflows of resources, and fund balances	$ 2,953,960	$ 824,208	$ 3,271	$ -	$ 411,141	$ 4,192,580

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, 2012

	Improvement Bonds	Government Building Bonds	MPFA Loan	TIF Bonds	YMCA Bonds	Total Nonmajor Debt Service Funds
REVENUES						
Property taxes	$ 204,809	$ 367,791	$ -	$ -	$ 256,002	$ 828,602
Intergovernmental revenue	-	-	501,767	-	-	501,767
Special assessments	287,759	-	-	-	-	287,759
Interest income	3,264	4,482	-	-	41	7,787
Miscellaneous revenue:						
Contributions	-	-	-	-	245,729	245,729
Total revenues	495,832	372,273	501,767	-	501,772	1,871,644
EXPENDITURES						
Debt service:						
Principal	505,000	535,000	492,000	305,000	290,000	2,127,000
Interest and service charges	122,209	296,126	12,992	13,194	452,549	897,070
Bond issuance costs	26,380	-	-	-	-	26,380
Total expenditures	653,589	831,126	504,992	318,194	742,549	3,050,450
Deficiency of revenues over expenditures	(157,757)	(458,853)	(3,225)	(318,194)	(240,777)	(1,178,806)
OTHER FINANCING SOURCES						
Transfers in	-	612,040	-	318,194	250,000	1,180,234
Refunding bonds issued	1,525,000	-	-	-	-	1,525,000
Premium on debt issued	69,751	-	-	-	-	69,751
Total other financing sources	1,594,751	612,040	-	318,194	250,000	2,774,985
Net change in fund balances	1,436,994	153,187	(3,225)	-	9,223	1,596,179
Fund balances - January 1	785,535	654,525	6,496	-	389,143	1,835,699
Fund balances - December 31	$ 2,222,529	$ 807,712	$ 3,271	$ -	$ 398,366	$ 3,431,878

City of Elk River

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NONMAJOR CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

Tax Increment Financing Districts - This fund is used to account for administrative and development costs associated with the various tax increment financing projects.

CITY OF ELK RIVER, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2012

	Capital Reserve	Equipment Replacement	Park Dedication	Park Improvements
ASSETS				
Cash and investments	$ 1,807,392	$ 887,338	$ 5,235	$ 122,303
Receivables:				
Interest	4,162	2,545	-	351
Taxes	-	1,718	-	-
Accounts	518	-	-	-
Special assessments	26,052	-	-	-
Notes	-	-	-	-
Due from other governments	41,192	-	-	-
Due from other funds	79,139	57,938	-	103,969
Total assets	$ 1,958,455	$ 949,539	$ 5,235	$ 226,623
LIABILITIES				
Accounts payable	$ 358,546	$ 19,144	$ -	$ 811
Due to other governments	-	-	-	-
Due to other funds	-	-	345,933	-
Due to component unit	-	-	-	-
Unearned revenue	-	-	502,671	-
Total liabilities	358,546	19,144	848,604	811
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	-	1,263	-	-
Unavailable revenue - special assessments	26,014	-	-	-
Total deferred inflows of resources	26,014	1,263	-	-
FUND BALANCES				
Restricted	-	-	-	-
Assigned	1,573,895	929,132	-	225,812
Unassigned	-	-	(843,369)	-
Total fund balances	1,573,895	929,132	(843,369)	225,812
Total liabilities, deferred inflows of resources, and fund balances	$ 1,958,455	$ 949,539	$ 5,235	$ 226,623

GRE Reserve	Street Improvements	TIF Districts	Total Nonmajor Capital Projects Funds
$ 1,383,930	$ 4,639,840	$ 368,718	$ 9,214,756
3,983	13,315	1,058	25,414
-	741	-	2,459
-	-	-	518
-	799,069	-	825,121
-	-	81,595	81,595
39,000	-	-	80,192
246,434	481,118	-	968,598
$ 1,673,347	$ 5,934,083	$ 451,371	$ 11,198,653
$ -	$ 46,671	$ 1,242	$ 426,414
-	-	1,464	1,464
-	-	300,650	646,583
-	-	240,965	240,965
-	-	-	502,671
-	46,671	544,321	1,818,097
-	587	-	1,850
-	795,354	-	821,368
-	795,941	-	823,218
-	-	448,665	448,665
1,673,347	5,091,471	-	9,493,657
-	-	(541,615)	(1,384,984)
1,673,347	5,091,471	(92,950)	8,557,338
$ 1,673,347	$ 5,934,083	$ 451,371	$ 11,198,653

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, 2012

	Capital Reserve	Equipment Replacement	Park Dedication	Park Improvements
REVENUES				
Property taxes	$ -	$ 1,774	$ -	$ -
Intergovernmental revenue	41,192	-	-	-
Charges for services	-	-	47,513	7,395
Special assessments	14,469	-	-	-
Interest income	14,218	8,561	22	1,170
Miscellaneous revenue:				
Contributions	105,838	-	-	70,691
Other	14,718	2,555	-	-
Total revenues	190,435	12,890	47,535	79,256
EXPENDITURES				
Current:				
General government	39,890	-	-	-
Public safety	17,315	-	-	-
Public works	79,017	-	-	-
Culture and recreation	6,237	-	-	149,903
Economic development	-	-	-	-
Debt service:				
Interest and service charges	-	-	99,384	-
Capital outlay:				
General government	331,288	40,434	-	-
Public safety	-	260,741	-	-
Public works	-	299,164	-	-
Culture and recreation	49,116	145,350	-	-
Total expenditures	522,863	745,689	99,384	149,903
Excess (deficiency) of revenues over expenditures	(332,428)	(732,799)	(51,849)	(70,647)
OTHER FINANCING SOURCES (USES)				
Transfers in	514,660	503,553	42,300	108,510
Transfers out	-	-	-	-
Sale of capital assets	-	49,470	-	-
Total other financing sources (uses)	514,660	553,023	42,300	108,510
Net change in fund balances	182,232	(179,776)	(9,549)	37,863
Fund balances - January 1	1,391,663	1,108,908	(833,820)	187,949
Fund balances - December 31	$ 1,573,895	$ 929,132	$ (843,369)	$ 225,812

GRE Reserve	Street Improvements	TIF Districts	Total Nonmajor Capital Projects Funds
$ -	$ 16,898	$ 830,204	$ 848,876
39,000	293,737	-	373,929
-	-	1,532	56,440
-	301,369	-	315,838
13,443	53,659	3,068	94,141
525,262	-	-	701,791
856	13	-	18,142
578,561	665,676	834,804	2,409,157
-	-	-	39,890
-	-	-	17,315
-	296,355	-	375,372
-	-	-	156,140
-	-	383,733	383,733
-	-	-	99,384
-	-	-	371,722
-	-	-	260,741
-	1,186,148	-	1,485,312
99,669	-	-	294,135
99,669	1,482,503	383,733	3,483,744
478,892	(816,827)	451,071	(1,074,587)
-	931,118	-	2,100,141
(81,800)	-	(318,194)	(399,994)
-	-	-	49,470
(81,800)	931,118	(318,194)	1,749,617
397,092	114,291	132,877	675,030
1,276,255	4,977,180	(225,827)	7,882,308
$ 1,673,347	$ 5,091,471	$ (92,950)	$ 8,557,338

City of Elk River

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AGENCY FUNDS

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

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

CITY OF ELK RIVER, MINNESOTA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
DEVELOPER ESCROW AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash	$ 62,856	$ 30,073	$ 41,177	$ 51,752
Accounts receivable	2,171	4,682	5,472	1,381
Total assets	$ 65,027	$ 34,755	$ 46,649	$ 53,133
LIABILITIES				
Refundable deposits payable	$ 65,027	$ 30,287	$ 42,181	$ 53,133

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, 2012

ASSETS	
Cash and investments	$ 862,972
Receivables:	
Taxes	13,267
Notes	400,000
Due from primary government	240,965
Total assets	$ 1,517,204
LIABILITIES	
Accounts payable	$ 831
Salaries payable	2,207
Due to primary government	5,317
Total liabilities	8,355
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - taxes	10,572
FUND BALANCES	
Nonspendable	400,000
Restricted	1,098,277
Total fund balances	1,498,277
Total liabilities, deferred inflows of resources and fund balances	$ 1,517,204

HOUSING AND REDEVELOPMENT AUTHORITY
OF ELK RIVER, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ 1,498,277
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	(968)	430,422
2. Unavailable revenue in governmental funds is susceptible to full accrual on the government-wide statements.		10,572
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 1,939,271

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, 2012

REVENUES	
Property taxes	$ 293,155
Intergovernmental revenue	115
Interest income	4,501
Miscellaneous revenue	1,302
Total revenues	299,073
EXPENDITURES	
Economic development:	
Current	153,325
Capital outlay	174,815
Total expenditures	328,140
Net change in fund balance	(29,067)
Fund balance - January 1	1,527,344
Fund balance - December 31	$ 1,498,277

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, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ (29,067)
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 capital outlays exceeded depreciation in the current period.		
Capital outlay	174,290	
Depreciation expense	(968)	173,322
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		(837)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 143,418

City of Elk River

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STATISTICAL SECTION
(UNAUDITED)

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

Contents **Page**

Financial Trends 87

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity 97

These schedules contain information to help the reader assess the city's most significant local revenue sources; electric sales and property taxes.

Debt Capacity 104

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.

Demographic and Economic Information 112

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.

Operating Information 114

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.

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			
	2003	2004	2005	2006
Governmental activities				
Net investment in capital assets	$ 57,293,997	$ 68,351,167	$ 73,150,041	$ 82,663,610
Restricted	8,383,884	10,963,518	12,410,832	4,802,808
Unrestricted	22,441,594	19,452,247	21,267,772	27,998,543
Total governmental activities net position	$ 88,119,475	$ 98,766,932	$ 106,828,645	$ 115,464,961
Business-type activities				
Net investment in capital assets	$ 46,341,983	$ 52,377,687	$ 54,577,074	$ 59,410,729
Restricted	1,947,067	2,197,066	2,256,419	445,900
Unrestricted	11,065,736	10,332,005	11,810,416	13,839,859
Total business-type activities net position	$ 59,354,786	$ 64,906,758	$ 68,643,909	$ 73,696,488
Primary government				
Net investment in capital assets	$ 103,635,980	$ 120,728,854	$ 127,727,115	$ 142,074,339
Restricted	10,330,951	13,160,584	14,667,251	5,248,708
Unrestricted	33,507,330	29,784,252	33,078,188	41,838,402
Total primary government net position	$ 147,474,261	$ 163,673,690	$ 175,472,554	$ 189,161,449

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ 85,293,459	$ 85,390,968	$ 86,149,417	$ 84,629,091	$ 84,741,957	$ 84,060,768
6,189,063	5,569,773	4,723,030	7,341,554	6,283,346	6,391,182
25,641,836	27,628,733	28,588,304	26,702,252	29,282,251	27,448,688
$ 117,124,358	$ 118,589,474	$ 119,460,751	$ 118,672,897	$ 120,307,554	$ 117,900,638
$ 59,942,345	$ 60,750,900	$ 59,601,861	$ 60,972,838	$ 60,525,218	$ 60,268,219
733,400	724,500	724,500	724,500	724,500	724,500
17,028,349	17,696,135	19,793,756	19,907,416	19,421,085	22,376,508
$ 77,704,094	$ 79,171,535	$ 80,120,117	$ 81,604,754	$ 80,670,803	$ 83,369,227
$ 145,235,804	$ 146,141,868	$ 145,751,278	$ 145,601,929	$ 145,267,175	$ 144,328,987
6,922,463	6,294,273	5,447,530	8,066,054	7,007,846	7,115,682
42,670,185	45,324,868	48,382,060	46,609,668	48,703,336	49,825,196
$ 194,828,452	$ 197,761,009	$ 199,580,868	$ 200,277,651	$ 200,978,357	$ 201,269,865

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	$ 3,290,711	$ 2,440,200	$ 2,503,826	$ 2,560,213
Public safety	4,229,109	4,988,424	5,255,974	5,606,438
Public works	3,737,678	4,277,071	4,281,725	6,169,030
Culture and recreation	1,747,322	2,058,882	2,535,955	2,859,058
Economic development	549,149	912,698	938,164	631,437
Interest on long-term debt	1,050,823	936,515	881,001	764,725
Total governmental activities expenses	14,604,792	15,613,790	16,396,645	18,590,901
Business-type activities:				
Municipal Liquor	3,621,087	3,760,156	4,348,673	5,202,087
Garbage	884,532	953,432	1,047,479	1,094,788
Sewer	1,406,713	1,457,386	1,633,276	1,721,522
Water	1,713,217	1,783,081	2,091,723	2,104,827
Electric	11,929,596	13,362,081	14,877,986	16,588,510
Total business-type activities expenses	19,555,145	21,316,136	23,999,137	26,711,734
Total primary government expenses	$ 34,159,937	$ 36,929,926	$ 40,395,782	$ 45,302,635
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 194,246	$ 308,781	$ 288,032	$ 246,541
Public safety	1,897,883	1,956,967	2,050,437	2,403,601
Public works	148,904	226,907	280,583	617,099
Culture and recreation	729,932	812,401	877,789	1,065,218
Economic development	71,379	96,396	379,002	178,217
Operating grants and contributions	487,560	427,513	480,649	387,584
Capital grants and contributions	6,064,491	11,879,536	7,573,752	8,117,032
Total governmental activities program revenues	9,594,395	15,708,501	11,930,244	13,015,292
Business-type activities:				
Charges for services:				
Municipal Liquor	4,156,276	4,345,702	4,806,061	5,906,768
Garbage	820,278	973,176	1,055,753	1,106,268
Sewer	1,808,817	2,365,262	1,261,853	1,352,647
Water	1,807,334	2,095,018	1,365,136	1,770,819
Electric	13,774,777	14,765,479	15,955,440	17,143,485
Operating grants and contributions	10,530	8,615	9,255	504,168
Capital grants and contributions	1,053,994	3,028,454	3,654,383	4,297,666
Total business-type activities program revenues	23,432,006	27,581,706	28,107,881	32,081,821
Total primary government program revenues	$ 33,026,401	$ 43,290,207	$ 40,038,125	$ 45,097,113
Net (expense)/revenue				
Governmental activities	$ (5,010,397)	$ 94,711	$ (4,466,401)	$ (5,575,609)
Business-type activities	3,876,861	6,265,570	4,108,744	5,370,087
Total primary government net (expense)/revenue	$ (1,133,536)	$ 6,360,281	$ (357,657)	$ (205,522)

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ 2,732,697	$ 3,286,350	$ 2,777,568	$ 3,028,102	$ 3,495,458	$ 2,994,342
5,924,093	6,715,607	6,106,181	6,011,477	6,238,611	6,187,246
6,527,565	5,875,992	5,397,058	5,447,282	5,720,759	6,037,000
3,598,695	3,549,637	3,767,312	3,702,671	3,851,181	4,013,098
1,001,829	1,893,707	1,569,432	1,438,742	1,451,109	1,059,058
952,082	1,315,275	1,252,493	1,138,414	1,045,905	1,163,352
20,736,961	22,636,568	20,870,044	20,766,688	21,803,023	21,454,096
5,301,597	5,464,819	5,374,453	5,267,041	5,366,557	5,622,305
1,114,133	1,166,709	1,256,177	1,331,514	1,304,238	1,276,887
1,786,266	1,849,031	1,781,804	1,962,431	2,130,287	2,239,914
2,413,942	2,506,510	2,334,388	2,089,889	2,108,499	2,264,814
18,718,636	22,036,471	23,258,383	25,452,567	26,726,349	27,586,573
29,334,574	33,023,540	34,005,205	36,103,442	37,635,930	38,990,493
$ 50,071,535	$ 55,660,108	$ 54,875,249	$ 56,870,130	$ 59,438,953	$ 60,444,589
$ 283,003	$ 371,911	$ 334,100	$ 301,509	$ 425,954	$ 369,794
1,533,699	962,275	634,242	722,073	787,884	789,728
76,117	159,664	47,860	61,605	79,073	82,173
1,083,081	1,084,067	1,074,266	1,089,058	1,102,630	1,128,070
92,486	65,999	60,335	125,759	70,976	8,244
362,313	977,411	758,958	763,551	954,831	1,018,519
4,174,427	4,302,760	2,599,593	1,318,660	1,750,824	1,007,794
7,605,126	7,924,087	5,509,354	4,382,215	5,172,172	4,404,322
6,043,088	6,213,657	6,094,058	5,953,626	6,145,692	6,525,234
1,139,763	1,160,774	1,194,937	1,282,013	1,310,014	1,302,920
1,454,219	1,511,165	1,504,785	1,483,120	1,491,460	1,533,851
2,144,622	2,139,046	2,218,816	1,961,760	1,917,384	2,343,881
19,895,323	22,941,903	24,258,120	26,840,983	28,657,698	30,403,469
295,081	149,327	92,957	103,324	38,550	23,440
1,996,636	888,925	267,233	397,989	482,319	490,916
32,968,732	35,004,797	35,630,906	38,022,815	40,043,117	42,623,711
$ 40,573,858	$ 42,928,884	$ 41,140,260	$ 42,405,030	$ 45,215,289	$ 47,028,033
$(13,131,835)	$(14,712,481)	$(15,360,690)	$(16,384,473)	$ (16,630,851)	$ (17,049,774)
3,634,158	1,981,257	1,625,701	1,919,373	2,407,187	3,633,218
$ (9,497,677)	$(12,731,224)	$(13,734,989)	$(14,465,100)	$ (14,223,664)	$ (13,416,556)

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	$ 5,830,468	$ 6,425,933	$ 7,569,131	$ 8,754,923
Tax increment	682,855	734,115	768,397	790,882
Other taxes	-	-	-	-
Unrestricted grants and contributions	2,237,750	2,141,152	2,427,605	2,577,700
Investment earnings	304,237	375,550	758,612	1,151,144
Miscellaneous	-	9,180	326,853	28,450
Transfers of capital assets	-	-	-	-
Transfers	639,924	866,816	677,516	908,826
Total governmental activities	9,695,234	10,552,746	12,528,114	14,211,925
Business-type activities:				
Investment earnings	155,802	153,218	305,923	589,210
Miscellaneous	-	-	-	2,108
Transfers of capital assets	-	-	-	-
Transfers	(639,924)	(866,816)	(677,516)	(908,826)
Total business-type activities	(484,122)	(713,598)	(371,593)	(317,508)
Total primary government	$ 9,211,112	$ 9,839,148	$ 12,156,521	$ 13,894,417
Change in Net Position				
Governmental activities	$ 4,684,837	$ 10,647,457	$ 8,061,713	$ 8,636,316
Business-type activities	3,392,739	5,551,972	3,737,151	5,052,579
Total primary government	$ 8,077,576	$ 16,199,429	$ 11,798,864	$ 13,688,895

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ 9,744,930	$ 11,095,407	$ 11,440,991	$ 11,254,752	$ 11,398,819	$ 10,854,241
894,595	1,041,300	1,080,142	1,071,099	947,486	830,204
-	-	156,894	193,466	83,748	125,623
2,395,665	1,775,536	1,940,274	2,000,923	1,702,334	1,307,662
1,465,401	1,215,053	548,651	359,733	499,034	319,654
23,213	-	20,013	61,308	23,233	49,470
(511,412)	-	-	(303,051)	-	(348,259)
778,840	1,050,301	1,045,002	958,389	3,610,854	1,504,263
14,791,232	16,177,597	16,231,967	15,596,619	18,265,508	14,642,858
640,876	534,485	367,883	220,602	269,716	219,950
-	2,000	-	-	-	1,260
511,412	-	-	303,051	-	348,259
(778,840)	(1,050,301)	(1,045,002)	(958,389)	(3,610,854)	(1,504,263)
373,448	(513,816)	(677,119)	(434,736)	(3,341,138)	(934,794)
$ 15,164,680	$ 15,663,781	$ 15,554,848	$ 15,161,883	$ 14,924,370	$ 13,708,064
$ 1,659,397	$ 1,465,116	$ 871,277	$ (787,854)	$ 1,634,657	$ (2,406,916)
4,007,606	1,467,441	948,582	1,484,637	(933,951)	2,698,424
$ 5,667,003	$ 2,932,557	$ 1,819,859	$ 696,783	$ 700,706	$ 291,508

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

	Fiscal Year			
	2003	**2004**	**2005**	**2006**
General fund				
Reserved	$ 348,026	$ 115,746	$ 210,298	$ -
Unreserved	3,384,023	3,851,634	4,391,083	4,816,386
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General fund	$ 3,732,049	$ 3,967,380	$ 4,601,381	$ 4,816,386
All other governmental funds				
Reserved	$ 12,598,358	$ 11,570,003	$ 11,475,837	$ 9,979,026
Unreserved, reported in:				
Special revenue funds	3,742,244	4,597,195	5,453,061	5,070,764
Capital projects funds	4,585,550	5,401,112	8,382,625	8,091,573
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	$ 20,926,152	$ 21,568,310	$ 25,311,523	$ 23,141,363

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					
2007	2008	2009	2010	2011	2012
$ 5,938	$ -	$ -	$ -	$ -	$ -
5,346,066	5,190,662	5,699,575	-	-	-
-	-	-	-	-	20,201
-	-	-	-	20,390	-
-	-	-	91,502	156,323	208,486
-	-	-	727,443	859,508	200,000
-	-	-	5,187,520	5,261,391	5,776,627
$ 5,352,004	$ 5,190,662	$ 5,699,575	$ 6,006,465	$ 6,297,612	$ 6,205,314
$ 14,453,663	$ 6,953,630	$ 6,535,205	$ -	$ -	$ -
3,849,815	7,751,286	7,844,537	-	-	-
9,179,236	9,574,268	10,101,066	-	-	-
-	-	-	93,080	57,870	101,812
-	-	-	6,936,113	5,942,368	7,608,842
-	-	-	2,506,814	2,712,645	2,456,185
-	-	-	16,984,061	19,736,795	19,219,810
-	-	-	(1,011,820)	(1,059,647)	(1,384,984)
$ 27,482,714	$ 24,279,184	$ 24,480,808	$ 25,508,248	$ 27,390,031	$ 28,001,665

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Property taxes	$ 6,507,578	$ 7,118,568	$ 8,283,983	$ 9,529,773
Other taxes	-	-	-	-
Licenses and permits	1,143,612	1,249,844	1,240,336	1,207,368
Intergovernmental revenue	2,141,277	1,544,485	1,979,405	4,142,937
Charges for services	2,042,391	2,381,670	2,571,767	2,485,464
Fines and forfeits	190,911	164,800	190,062	175,155
Special assessments	2,433,939	2,375,902	3,414,090	1,566,880
Interest	304,237	375,548	758,612	1,151,144
Miscellaneous	2,159,373	1,799,736	2,004,286	2,555,842
Total revenues	16,923,318	17,010,553	20,442,541	22,814,563
Expenditures				
General government	2,265,779	2,161,356	2,204,626	2,251,111
Public safety	4,145,996	4,163,345	4,649,010	4,941,706
Public works	1,814,818	1,850,281	2,192,336	2,538,658
Culture and recreation	1,635,806	1,655,298	2,088,505	2,605,861
Economic development	649,463	703,591	785,584	627,467
Capital outlay	8,389,740	2,997,696	4,191,817	10,729,882
Debt service				
Principal	2,355,800	2,494,483	2,174,266	7,051,836
Interest and service charges	1,102,548	965,984	881,305	909,904
Total expenditures	22,359,950	16,992,034	19,167,449	31,656,425
Excess (deficiency) of revenues over (under) expenditures	(5,436,632)	18,519	1,275,092	(8,841,862)
Other financing sources (uses)				
Transfers in	4,654,396	4,666,581	2,888,975	5,923,474
Transfers out	(4,003,800)	(3,799,765)	(2,211,459)	(5,014,648)
Proceeds of long-term debt	1,612,100	331,000	1,715,000	3,657,000
Payment to refunded bond escrow agent	-	-	-	-
Premium on long-term debt issued	-	-	-	-
Discount on long-term debt issued	(5,566)	-	(8,560)	(29,252)
Capital leases issued	-	-	-	2,332,694
Sale of capital assets	34,562	9,180	718,166	17,439
Total other financing sources (uses)	2,291,692	1,206,996	3,102,122	6,886,707
Net change in fund balances	$ (3,144,940)	$ 1,225,515	$ 4,377,214	$ (1,955,155)
Debt service as a percentage of noncapital expenditures[1]	25.3%	24.1%	21.0%	37.1%

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ 10,571,695	$ 12,037,076	$ 12,329,194	$ 12,355,953	$ 12,461,403	$ 11,720,311
-	-	156,894	193,466	83,748	125,623
987,708	460,108	322,338	402,076	432,875	408,232
2,973,505	4,134,779	3,117,997	1,135,060	1,678,555	1,436,613
1,786,094	1,849,307	1,465,898	1,727,276	1,573,367	1,659,986
156,407	150,086	141,629	161,074	149,102	137,819
1,909,595	1,712,551	1,464,348	999,633	989,101	845,112
1,465,401	1,215,053	548,651	359,731	499,034	319,654
1,545,181	1,628,567	1,853,966	2,587,771	2,568,159	1,980,207
21,395,586	23,187,527	21,400,915	19,922,040	20,435,344	18,633,557
2,450,722	2,480,208	2,458,879	2,629,731	3,157,307	2,615,582
5,109,371	5,565,474	5,377,208	5,266,803	5,291,617	5,352,249
4,170,119	3,246,436	2,656,097	2,291,196	2,752,469	2,931,726
3,386,681	2,890,683	2,666,146	2,569,464	2,663,806	2,839,466
573,446	2,216,617	1,589,464	1,512,138	1,479,140	1,087,467
12,803,023	10,381,359	4,627,322	1,879,604	2,874,212	10,264,274
1,767,617	2,022,616	3,162,117	2,411,062	2,618,146	2,127,000
902,415	1,198,174	1,289,087	1,182,993	1,059,804	1,065,354
31,163,394	30,001,567	23,826,320	19,742,991	21,896,501	28,283,118
(9,767,808)	(6,814,040)	(2,425,405)	179,049	(1,461,157)	(9,649,561)
4,785,257	3,868,359	2,887,624	2,682,562	5,978,905	4,792,943
(4,006,417)	(2,818,058)	(1,842,622)	(1,724,173)	(2,368,051)	(3,288,680)
13,390,500	2,277,946	2,074,311	6,184,243	-	8,500,000
-	-	-	(6,303,897)	-	-
-	36,542	-	255,238	-	115,164
(50,477)	-	-	-	-	-
325,000	-	-	-	-	-
200,914	84,379	16,629	61,308	23,233	49,470
14,644,777	3,449,168	3,135,942	1,155,281	3,634,087	10,168,897
$ 4,876,969	$ (3,364,872)	$ 710,537	$ 1,334,330	$ 2,172,930	$ 519,336
15.1%	16.9%	23.7%	20.1%	19.6%	17.5%

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

Fiscal Year	Number of Customers	KWh's Sold	Total Billings
2003	7,376	161,852,054	$ 11,679,055
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	19,999,652
2009	9,170	232,772,722	21,776,837
2010	9,207	250,711,834	24,368,348
2011	9,227	261,235,297	26,064,248
2012	9,285	273,455,846	28,344,845

Source: Elk River Municipal Utilities

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

	2012			2003		
Customer	Total KWh Sold	Total Billings	Percentage of Total Billings	Total KWh Sold	Total Billings	Percentage of Total Billings
Data Center 2	53,001,600	$ 4,187,988	14.78%	-	$ -	-
Data Center 1	19,051,200	1,636,213	5.77%	-	-	-
Walmart	5,496,000	458,759	1.62%	2,749,200	104,454	0.89%
Faribault Foods	5,292,000	454,374	1.60%	3,650,800	138,752	1.19%
E & O Tool	5,335,600	449,358	1.59%	3,939,220	149,745	1.28%
Jerry's Enterprises	5,063,400	414,856	1.46%	9,066,841	185,120	1.59%
Menards	3,629,000	322,837	1.14%	2,929,680	111,297	0.95%
Target	3,574,500	313,422	1.11%	-	-	-
Sherburne Co. Govt. Center	3,096,960	273,280	0.96%	4,554,880	173,273	1.48%
Coborns	2,958,000	247,109	0.87%	3,612,000	137,130	1.17%
All Tool	-	-	-	2,463,120	93,634	0.80%
Home Depot	-	-	-	2,358,480	89,662	0.77%
TOTAL	106,498,260	$ 8,758,196	30.90%	35,324,221	$ 1,183,067	10.12%

Source: Elk River Municipal Utilities

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

	2003	2004	2005	2006
Tax capacity				
Real property	$ 13,734,734	$ 15,387,792	$ 17,838,528	$ 20,514,092
Personal property	258,501	215,581	237,262	246,741
Total tax capacity	13,993,235	15,603,373	18,075,790	20,760,833
Tax increment	(588,732)	(608,609)	(654,325)	(675,049)
Taxable net tax capacity	$ 13,404,503	$ 14,994,764	$ 17,421,465	$ 20,085,784
Total tax capacity rate	44.614%	43.782%	43.763%	43.929%
Taxable market value				
Real property	$ 1,141,917,000	$ 1,299,691,938	$ 1,528,254,150	$ 1,773,917,600
Personal property	13,112,800	10,934,000	12,020,800	12,494,300
Taxable market value	$ 1,155,029,800	$ 1,310,625,938	$ 1,540,274,950	$ 1,786,411,900
Estimated actual market value of taxable property	$ 1,382,785,926	$ 1,567,581,017	$ 1,805,774,228	$ 2,109,366,764
Taxable market value as a percentage of estimated actual market value	83.53%	83.61%	85.30%	84.69%

Source: Sherburne County Assessor
Note: Property in the county is reassessed annually. The county assessor's market value of property is approximately 104 percent of actual value for all types of real and personal property.

2007	2008	2009	2010	2011	2012
$ 23,166,911	$ 25,790,055	$ 26,550,210	$ 25,611,065	$ 24,736,999	$ 21,946,865
281,606	279,154	302,166	310,180	350,946	344,032
23,448,517	26,069,209	26,852,376	25,921,245	25,087,945	22,290,897
(786,795)	(744,597)	(899,835)	(888,285)	(784,101)	(698,130)
$ 22,661,722	$ 25,324,612	$ 25,952,541	$ 25,032,960	$ 24,303,844	$ 21,592,767
43.056%	42.494%	43.280%	44.560%	45.723%	47.588%
$ 1,998,598,900	$ 2,186,595,580	$ 2,235,538,000	$ 2,121,774,900	$ 2,035,543,052	$ 1,926,469,500
14,318,500	14,221,560	15,363,900	15,764,700	17,758,600	17,412,900
$ 2,012,917,400	$ 2,200,817,140	$ 2,250,901,900	$ 2,137,539,600	$ 2,053,301,652	$ 1,943,882,400
$ 2,262,479,345	$ 2,457,361,368	$ 2,429,563,505	$ 2,191,955,185	$ 2,403,906,238	$ 1,862,705,099
88.97%	89.56%	92.65%	97.52%	85.42%	104.36%

CITY OF ELK RIVER, MINNESOTA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING[1] GOVERNMENTS
LAST TEN FISCAL YEARS

	City of Elk River			Overlapping Rates				Total
					School District			Direct &
Fiscal Year	Operating	Debt Service	Total	County	Operating	Referendum Mkt. Value	Special Districts	Overlapping Rates
2003	37.223	7.391	44.614	46.277	41.352	0.076	2.696	135.015
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

Source: Sherburne County Auditor/Treasurer

[1] 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

	2012			2003		
Taxpayer	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity
Great River Energy	$ 1,235,908	1	5.72%	$ 512,354	1	3.66%
JPM Capital Corporation	509,102	2	2.36	-	-	-
Target Corp.	388,730	3	1.80	103,308	9	0.74
BRE Retail Residual Owner, LLC	294,070	4	1.36	-	-	-
Walmart Stores	282,622	5	1.31	163,494	3	1.17
Menards, Inc	183,200	6	0.85	123,548	5	0.88
Phoenix Enterprises	151,877	7	0.70	-	-	-
Home Depot	138,982	8	0.64	121,734	7	0.87
7040 Lakeland Partners LLC	137,310	9	0.64	-	-	-
Minnegasco Property	133,976	10	0.62	122,508	6	0.88
Resource Recovery Technology	-	-	-	263,296	2	1.88
Bradley Operating LP	-	-	-	155,229	4	1.11
B & G Realty, Inc	-	-	-	107,104	8	0.77
Medical Facilities	-	-	-	100,050	10	0.72
TOTAL	$ 3,455,777		16.00%	$ 1,772,625		12.68%

Source: Sherburne County Assessor

City of Elk River

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

Fiscal Year	Total Tax Levy[1]	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
2003	$ 5,594,944	$ 5,513,105	98.54	$ 65,396	$ 5,578,501	99.71
2004	6,160,102	6,051,358	98.23	100,561	6,151,919	99.87
2005	7,224,669	7,078,832	97.98	138,414	7,217,246	99.90
2006	8,429,836	8,249,039	97.86	172,116	8,421,155	99.90
2007	9,354,375	9,133,690	97.64	209,360	9,343,050	99.88
2008	10,360,068	10,075,018	97.25	259,798	10,334,816	99.76
2009	10,845,709	10,466,823	96.51	324,545	10,791,368	99.50
2010	10,755,202	10,403,335	96.73	232,974	10,636,309	98.89
2011	10,697,398	10,450,388	97.69	79,850	10,530,238	98.44
2012	10,271,754	10,023,373	97.58	-	10,023,373	97.58

[1] Total tax levy for years 2003-2010 does not include Market Value Homestead Credit received from the State.

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

	Governmental Activities					
Fiscal Year	General Obligation	General Obligation Revenue	Lease Revenue	Special Assessment	Permanent Improvement Revolving	Tax Increment
2003	$ -	$ 2,045,000	$ 9,765,000	$ 7,520,000	$ 1,305,000	$ 1,352,500
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	-	-

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
[1] See the Schedule of Demographic and Economic Statistics on page 112 for personal income and population data.

Governmental Activities		Business-Type Activities						
Certificates of Indebtedness	Other	General Obligation Revenue	Revenue Bonds	Certificates of Indebtedness	Notes Payable	Total Primary Government	Percentage of Personal Income[1]	Per Capita[1]
$ 612,950	$ 47,976	$ 10,100,000	$ 2,330,000	$ 500,000	$ 2,775,424	$ 38,353,850	7.84%	$ 2,045
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	na	1,890

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

Fiscal Year	General Bonded Debt[1]	Less Amount in Debt Service Funds	Net Bonded Debt	Percentage of Net Bonded Debt to Tax Capacity[2]	Net Bonded Debt per Capita[3]
2003	$ 8,612,950	$ 704,885	$ 7,908,065	56.51%	$ 421.58
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	860,393	10,613,941	52.84%	470.68
2007	17,792,017	861,726	16,930,291	74.71%	730.16
2008	18,391,033	1,318,186	17,072,847	67.42%	714.70
2009	17,471,716	1,418,700	16,053,016	61.86%	679.26
2010	18,040,733	1,164,060	16,876,673	65.03%	734.60
2011	17,120,000	1,030,418	16,089,582	66.20%	696.49
2012	23,286,667	1,202,093	22,084,574	102.28%	951.10

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

[1] Only includes debt supported by tax levy.

[2] See the Schedule of Tax Capacity, Market Value and Estimated Actual Value of Taxable Property on page 99-100 for property value data.

[3] Population data can be found in the Schedule of Demographic and Economic Statistics on page 112.

CITY OF ELK RIVER, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2012

	Outstanding Debt	Percent of Debt Applicable to City[1]	City's Share of Debt
Direct Debt:			
City of Elk River[2]	$ 32,024,972	100.00%	$ 32,024,972
Overlapping Debt:			
Sherburne County	19,110,000	26.84	5,129,984
School District #728	166,240,000	32.63	54,235,966
Total overlapping debt	185,350,000		59,365,950
Total direct and overlapping debt	$ 217,374,972		$ 91,390,922

Debt Ratios:	
Ratio of debt per capita (23,220 population)	$3,936
Ratios of debt to taxable market value of $1,943,882,400	4.91%

Source: Sherburne County and School District #728

[1] 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.

[2] 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

	2003	2004	2005	2006
Debt limit	$ 23,100,596	$ 26,212,519	$ 30,805,499	$ 35,728,238
Bonds	10,307,950	10,060,967	10,040,201	13,124,334
Reserves	837,754	925,148	950,793	1,003,315
Total net debt applicable to limit	9,470,196	9,135,819	9,089,408	12,121,019
Legal debt margin	$ 13,630,400	$ 17,076,700	$ 21,716,091	$ 23,607,219
Total net debt applicable to the limit as a percentage of debt limit	41.00%	34.85%	29.51%	33.93%

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.

[1] Only 2/3 of the $10,000,000 GO EDA Bonds, Series 2007 and the $945,000 GO EDA Bonds, Series 2008A are subject to the debt limit. The Remaining 1/3 will be paid by the YMCA.

2007	2008	2009	2010	2011	2012
$ 40,258,348	$ 66,024,514	$ 67,527,057	$ 64,126,188	$ 61,599,050	$ 58,316,472
17,792,017	18,391,033	17,471,716	18,040,733	17,120,000	23,286,667
861,726	1,318,186	1,418,700	1,164,060	1,030,418	1,202,093
16,930,291	17,072,847	16,053,016	16,876,673	16,089,582	22,084,574
$ 23,328,057	$ 48,951,667	$ 51,474,041	$ 47,249,515	$ 45,509,468	$ 36,231,898
42.05%	25.86%	23.77%	26.32%	26.12%	37.87%

Legal Debt Margin Calculation for Fiscal Year 2012

Estimated taxable market value	$ 1,943,882,400
Debt limit (3% of market value)	$ 58,316,472
Debt applicable to limit:	
G.O. capital improvement bonds	15,990,000
G.O. EDA bonds[1]	7,296,667
Less: Cash and investments in related debt service funds	(1,202,093)
Total net debt applicable to limit	22,084,574
Legal debt margin	$ 36,231,898

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

	Revenue Bonds [1]					
			Net	Debt Service		
Fiscal Year	Gross Revenue [2]	Operating Expenses [3]	Revenue Available	Principal	Interest	Coverage
2003	$ 16,432,764	$ 12,708,022	$ 3,724,742	$ 615,000	$ 486,296	3.38
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

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements.
[1] Includes Liquor, Sewer, Water and Electric revenue bonds
[2] Gross revenue excludes interest income, connection fees and miscellaneous revenues
[3] Expenses exclude depreciation, interest on bonds and miscellaneous expenses

Special Assessment Bonds			
Special Assessment Collections	Debt Service		
	Principal	Interest	Coverage
$ 1,705,463	$ 1,185,000	$ 321,911	1.13
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

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

Fiscal Year	Population[1]	Personal Income (in thousands)	Per Capita Income[2]	Median Age[3]	School Enrollment[4]	Unemployment Rate[5]
2003	18,758	489,284	26,084	32	11,257	5.8%
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 [3]	687,129	29,909	33	13,036	8.1%
2011	23,101	681,179	29,487	34	13,117	7.3%
2012	23,220 *	na	na	34	13,255	6.4%

Data Sources:

[1] State Demographer, * City of Elk River estimate

[2] Bureau of Economic Analysis

[3] US Census Bureau

[4] School District

[5] Minnesota Department of Employment and Economic Development

na - not available

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

	2012			2003		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Independent School District 728 [1]	1,573	1	13.93%	1,000	1	9.74%
Sherburne County	578	2	5.12%	492	2	4.79%
Walmart	380	3	3.37%	366	3	3.56%
Guardian Angels of Elk River	317	4	2.81%	330	5	3.21%
Great River Energy	223	5	1.98%	331	4	3.22%
City of Elk River	214	6	1.90%	242	6	2.36%
Tescom Corporation	174	7	1.54%	186	8	1.81%
Menards	150	8	1.33%	170	10	1.65%
Cornerstone Auto Resource	147	9	1.30%	-	-	-
E & O Tool & Plastics, Inc	141	10	1.25%	-	-	-
Cub Foods	-	-	-	200	7	1.95%
Target	-	-	-	180	9	1.75%
Total	3,897		34.53%	3,497		34.04%
Total Employment [2]	11,290			10,272		

[1] Total District

2 Minnesota Department of Employment and Economic Development

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	16.5	21.5	25.0	25.0	24.3	23.8	23.3	23.3	23.3	24.3
Public safety										
Police										
Officers	27.0	28.0	29.0	29.0	30.0	31.0	31.0	31.0	30.0	31.0
Civilians	7.0	8.0	8.0	9.0	9.0	9.0	8.0	8.0	8.0	8.0
Fire										
Fire administration	2.0	2.0	3.0	3.0	3.5	3.5	3.5	3.7	3.7	1.7
Paid on-call volunteers	35.0	35.0	38.0	39.0	39.0	39.0	39.0	38.0	40.0	40.0
Building	9.0	10.0	9.5	9.5	9.5	8.5	5.6	5.6	5.6	7.4
Environmental		1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0
Public works	16.5	12.5 [1]	13.5	13.5	15.0	15.0	13.1	14.0	14.5	15.5
Culture and recreation	9.3	13.8 [1]	16.8	20.8	20.8	21.4	20.9	20.9	20.9	20.0
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	8.0	11.5	11.0	11.5	12.0	14.0	12.5	13.0
Sewer	4.0	4.0	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0
Water	4.0	5.0	5.0	5.0	6.0	5.0	5.0	5.0	5.0	8.0
Electric	26.0	29.0	29.0	29.0	30.0	29.0	28.5	29.0	29.0	30.0
Total	166.3	179.8	193.8	203.3	208.1	206.7	199.9	202.5	202.5	207.9

Source: City of Elk River Finance Department

[1] The Streets/Parks department was split in 2004 to the Street Maintenance and Park Maintenance departments.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
Planning										
Land use applications	123	147	142	104	85	88	64	43	54	56
Police										
Police calls	18,250	18,129	19,431	18,494	19,277	21,997	22,231	21,751	20,707	20,451
Arrests	888	916	990	955	682	969	940	957	866	847
Fire										
Fire calls	426	450	486	451	436	453	364	443	469	355
Building/environmental										
Permits issued	4,476	4,068	3,845	4,388	2,382	2,021	1,369	2,105	1,841	1,683
Valuation of permits (thousands of dollars)	$97,101	$120,729	$147,413	$ 95,844	$ 67,309	$ 41,006	$ 14,265	$ 22,312	$ 20,719	$ 25,585
Public works										
Street sweeping (hours)	1,096	1,312	1,144	1,192	627	1,085	1,287	1,063	1,494	1,811
Snowplowing (hours)	2,808	2,610	2,640	1,648	4,380	2,737	2,305	3,425	2,964	1,675
Equipment repair (hours)	5,448	5,600	5,700	5,660	6,440	5,038	6,482	5,378	5,711	5,051
Culture and recreation										
Recreation participants	7,557	10,232	10,537	10,633	14,104	20,631	29,124	26,061	26,934	26,803
Ice arena usage (hours)	3,683	3,784	4,187	4,266	4,193	4,386	4,684	4,624	4,740	4,752
Golf rounds	-	-	-	10,000	10,971	11,533	11,079	10,707	9,150	11,480
Sewer										
Average daily treatment flow (thousands of gallons)	1,082	1,114	1,180	1,163	1,190	1,230	1,300	1,200	1,245	1,200
Water										
Number of customers	3,513	3,824	4,074	4,317	4,413	4,508	4,467	4,511	4,515	4,542
Average daily consumption (thousands of gallons)	1,936	1,784	1,934	2,226	2,394	1,992	1,941	1,718	1,786	2,321
Electric										
Number of customers	7,376	7,907	8,306	8,562	8,945	9,203	9,170	9,207	9,227	9,285
Average daily consumption (thousands of KWh's)	443	454	500	534	579	614	638	687	716	749

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	10	10	11	11	11	12	12	12	12	
Fire Stations	2	2	2	2	2	2	2	2	2	2
Public works										
Streets (miles)	138	145	150	151	151	151	151	151	151	151
Culture and recreation										
Parks	39	40	40	44	44	44	44	44	44	45
Parks acreage	872	883	898	927	964	964	964	964	964	988
Sewer										
Sanitary sewers (miles)	63	67	70	73	75	78	79	79	80	80
Lift stations	19	19	20	21	21	21	21	21	21	21
Maximum daily treatment capacity (thousands of gallons)	1,600	1,600	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	6,696	6,900	8,100	8,100	8,100	8,100	8,100	8,100	10,000
Electric										
Generating facilities	5	5	5	6	6	6	6	6	6	6

Sources: Various city departments
Note: No capital asset indicators are available for the general government function.