



Comprehensive Annual Financial Report

For the Year Ended
December 31, 2019



CITY OF ELK RIVER, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2019

PREPARED BY THE FINANCE DEPARTMENT

**MEMBER OF GOVERNMENTAL FINANCE OFFICERS
ASSOCIATION OF THE UNITED STATES AND CANADA**

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INTRODUCTORY SECTION

May 26, 2020

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, 2019, 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 CliftonLarsonAllen, LLP was selected to perform the City's audit and their unmodified opinion has been included in this report. The independent auditors' report is included in the financial section of this report.

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

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Elk River's MD&A immediately follows the independent auditors' 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 25,330. 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 safety inspections, planning and zoning, economic development, environmental services, parks and recreation, library, street maintenance, snow removal, infrastructure maintenance and repair, and others. The City also provides municipal water, sewer, storm water, garbage, and electric services and operates two off-sale liquor stores.

The annual budget serves as the foundation for the City of Elk River's financial planning and control. Budget requests are submitted by all departments to the Finance Department each May. The Finance Department compiles these requests into a proposed budget. The Finance Department and City administrator review the information and present a draft budget to the Council in July for consideration. Following Council discussion and public input, the final tax levy and budget are approved in December. The City's Financial Management Policies allow department heads to make administrative budget amendments (excluding personal service and capital outlay) throughout the year as long as the total department budget does not change and the amendment is approved by the City administrator and finance director. The Council approves additional budget amendments in December of each year. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund this comparison is presented on page 27 as part of the basic financial statements for the governmental funds. For other governmental funds with appropriated annual budgets this comparison is presented in the governmental fund subsection of this report.

Local Economy

The local economy has continued to grow as indicated by the building permits, with a construction value of \$70,313,037, being issued in 2019. New constructions accounts for \$59,164,918 and additions/remodels make up the \$11,148,119 balance. In 2019, the city issued 118 new housing permits compared to 153 in 2018. The reduction in residential housing permits is due in large part to the availability of platted residential lots. Single family homes accounted for 117 of the new housing permits. The average value new home is about \$251,000 compared to \$245,000 in 2018. In addition, there was a housing permit for a multi-family apartment building. There has been continued interest in both affordable and market rate multi-family housing projects.

Many of Elk River's largest employers reported stable or steady growth of employment levels between 2018 and 2019. This is largely due to a thriving manufacturing base and a successful, fast growing business community within the region. The commercial/industrial sector has experienced modest growth, expansion and reinvestment as well with several facility expansions in 2019. The outlook in this region looks promising with commercial industrial activity and the recent single-family residential development projects.

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 five-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 a comprehensive set of Financial Management Policies that provide the basic framework for the overall fiscal management of the City. 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, 2019 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.

Major Initiatives

Through the state's Corridors of Commerce program, Highway 169, which runs north-south through Elk River, was selected for \$157 million state transportation funding. The project will redesign and reconstruct three miles of Highway 169 to a new freeway by removing five stop lights through Elk River. During 2019, the '169 Redefine' project team consisting of MnDOT, the City of Elk River and Sherburne County began evaluating preliminary design concepts and hosted public information meetings with interested residents, business owners, and commuters. In early 2020, a construction management contractor and final design team will be hired for executing the three-year construction project that will begin by fall 2022. When complete, the estimated \$157 million project will increase capacity, improve overall traffic flow, and improve accessibility and safety.

During the 2019 state legislative session, the city worked closely with leaders at the state Legislature to get the proper approvals for the local option sales tax that was supported by city voters in 2018. The local option sales tax was implemented in October and will be used to finance \$35,000,000 of community recreational improvements known as the Active Elk River projects. As part of the Active Elk River projects, the city broke ground on a new multipurpose recreation facility. The 150,000 square foot facility will provide year-round ice, a synthetic turf field house, community event/banquet rooms, and dedicated senior citizen programming space. Also underway were improvements to Lion John Weicht Park which include two lighted ballfields, modern restrooms, and a picnic/concession pavilion.

Implementation of the second of three phases of the Wayfinding Master Plan continued in 2019. Entrance monuments for city gateways were installed, along with directional signs, and informational kiosks. The wayfinding program ensures consistency and continuity for all city signage throughout the city.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Elk River for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018. This was the 30th 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, 2019. It was the 11th 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 period of growth and market changes.

Respectfully submitted,



Lori Ziemer
Finance Director

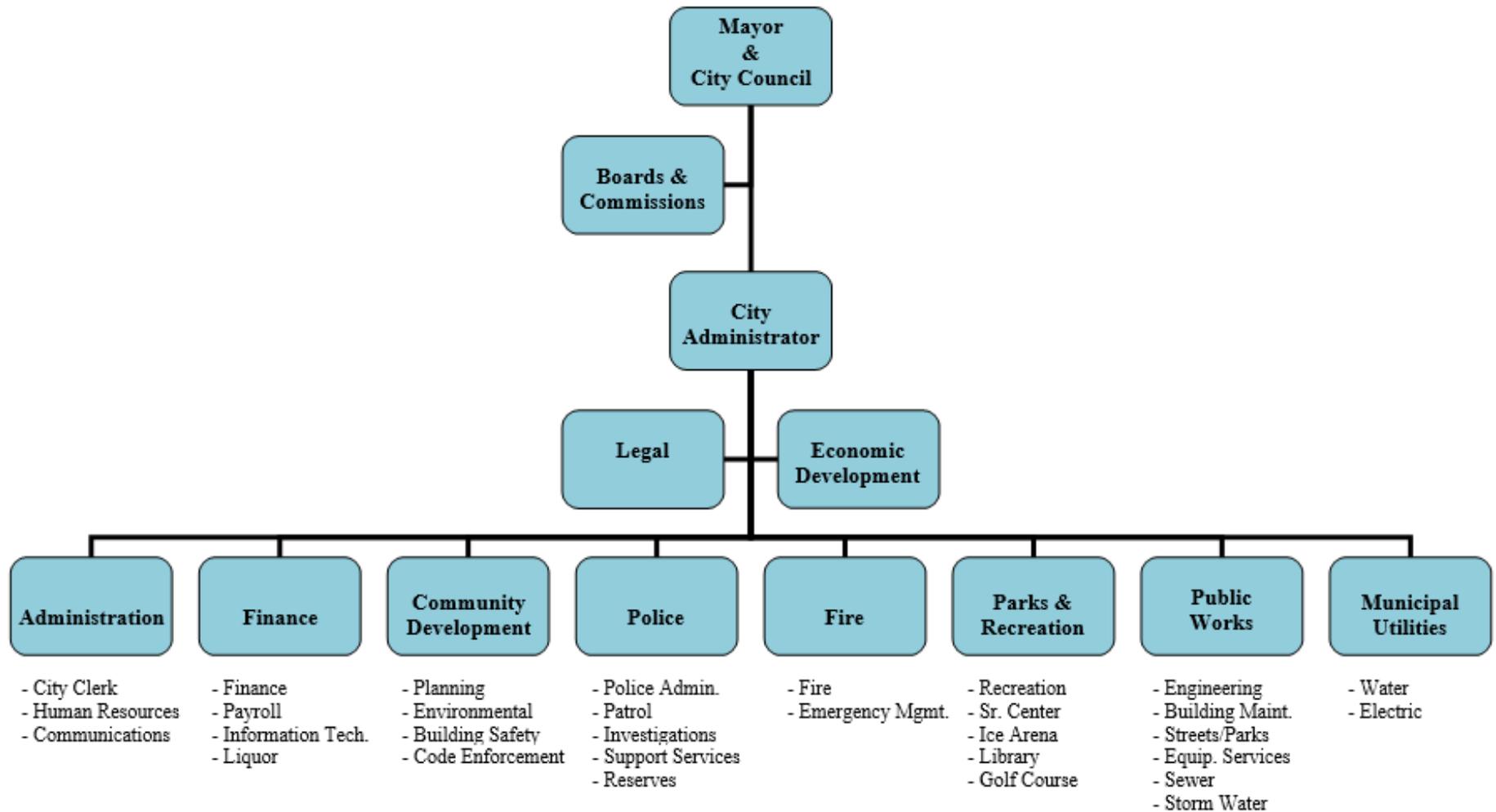
**CITY OF ELK RIVER
ELECTED AND APPOINTED OFFICIALS
YEAR ENDED DECEMBER 31, 2019**

CITY COUNCIL		<u>Term Expires December 31,</u>
John Dietz	Mayor	2022
Garrett Christianson	Council Member	2022
Nate Ovall	Council Member	2020
Matthew Westgaard	Council Member	2020
Jennifer Wagner	Council Member	2022

APPOINTED PERSONNEL

Calvin Portner	City Administrator
Lori Ziemer	Finance Director
Ron Nierenhausen	Police Chief
Mark Dickinson	Fire Chief
Michael Hecker	Parks and Recreation Director
Justin Femrite	Public Works Director/Chief Engineer
Suzanne Fischer	Community Operations and Development Director

**CITY OF ELK RIVER
ORGANIZATIONAL CHART
YEAR ENDED DECEMBER 31, 2019**



CITY OF ELK RIVER
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING
DECEMBER 31, 2019



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Elk River
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and the 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, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric and Water proprietary funds, which represent 64% of the assets and deferred outflows, 60% of the net position, and 76% of the revenues of the proprietary funds and business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the proprietary funds and business-type activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditors' Responsibility (Continued)

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

Opinions

In our opinion, based on our audit and the report of other auditors, 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 of Elk River as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During fiscal year ended December 31, 2019, the City of Elk River adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, activity which was previously reported as the Developer Fee Escrow agency fund is now being reported as a capital projects fund and activity which was previously reported as the FSA Plans agency fund is now being reported as part of the General Fund, though there was no impact on beginning fund balance or net position. Our auditors' opinion was not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of proportionate share of net pension liability, schedules of City's pension contributions, schedule of changes in the net pension liability and related ratios - fire relief, schedule of city contributions - fire relief, and the schedule of changes in the total OPEB liability and related ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Honorable Mayor and the City Council
City of Elk River, Minnesota

Other Matters (Continued)

Other Information (Continued)

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

The introductory and statistical sections 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2020, on our consideration of the City of Elk River's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of City of Elk River's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Elk River's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 26, 2020

**CITY OF ELK RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

As management of the City of Elk River (the City), 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, 2019. 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 1-4 of this report.

Financial Highlights

The assets and deferred outflows of resources of the City of Elk River exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$215,099,199 (net position). Of this amount, \$47,686,085 (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 \$5,410,886, including an increase of \$2,840,254 in governmental activities, primarily attributable to general revenue grants and contributions and investment earnings, and an increase in business-type activities of \$2,570,632, which is primarily attributable to revenues in excess of expenses of \$2.6 million in the Electric fund due to a decrease in purchased power expenses.

As of the close of the current fiscal year, the City of Elk River's governmental funds reported combined ending fund balances of \$57,018,186.

	General	Special Revenue	Debt Service	Capital Projects	Total
Nonspendable	\$ 187,305	\$ 61,785	\$ -	\$ 232	\$ 249,322
Restricted	-	1,400,965	2,206,522	24,941,193	28,548,680
Committed	-	5,928,741	-	4,253,959	10,182,700
Assigned	-	1,570,549	-	11,607,028	13,177,577
Unassigned	7,684,153	-	-	(2,824,246)	4,859,907
Total Net Position	<u>\$ 7,871,458</u>	<u>\$ 8,962,040</u>	<u>\$ 2,206,522</u>	<u>\$ 37,978,166</u>	<u>\$ 57,018,186</u>

The City of Elk River's total long-term liabilities increased \$32,700,436 during the current fiscal year, from \$52,447,374 to \$85,147,810. This was primarily due to the issuance of the 2019A G.O. Sales Tax Revenue Bonds in governmental activities in the amount of \$32,715,000, issued to finance the acquisition and betterment of certain recreational facility improvements, park improvements, trail improvements, and the dredging of Lake Orono.

	Beginning Balance	Additions	Reductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Bonds Payable	\$ 17,632,016	\$ 35,949,515	\$ (1,390,418)	\$ 52,191,113
Compensated Absences	1,579,967	645,048	(617,411)	1,607,604
Total	<u>\$ 19,211,983</u>	<u>\$ 36,594,563</u>	<u>\$ (2,007,829)</u>	<u>\$ 53,798,717</u>
BUSINESS-TYPE ACTIVITIES				
Bonds Payable	\$ 31,910,336	\$ -	\$ (1,672,300)	\$ 30,238,036
Notes Payable	820,608	-	(200,916)	619,692
Compensated Absences	504,447	234,099	(247,181)	491,365
Total	<u>\$ 33,235,391</u>	<u>\$ 234,099</u>	<u>\$ (2,120,397)</u>	<u>\$ 31,349,093</u>

**CITY OF ELK RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

The government-wide financial statements can be found starting on pages 22-23 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.

**CITY OF ELK RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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, Active ER Projects, and Pavement Management funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

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

- The basic governmental fund financial statements can be found starting on page 24 of this report.

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

The basic proprietary fund financial statements can be found starting on page 29 of this report.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 37 of this report.

**CITY OF ELK RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Elk River's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 83 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found starting on page 95 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Elk River, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$215,099,199 at the close of the most recent fiscal year.

By far, the largest portion of the City of Elk River's net position (76%) 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.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 65,755,084	\$ 35,189,365	\$ 39,855,455	\$ 35,963,873	\$ 105,610,539	\$ 71,153,238
Capital Assets	105,835,140	94,574,550	115,158,305	117,800,871	220,993,445	212,375,421
Total Assets	171,590,224	129,763,915	155,013,760	153,764,744	326,603,984	283,528,659
Deferred Outflows of Resources	4,757,778	6,294,084	411,293	828,823	5,169,071	7,122,907
Noncurrent Liabilities Outstanding	59,536,643	27,502,045	33,202,304	37,166,952	92,738,947	64,668,997
Other Liabilities	8,743,380	1,758,155	8,157,881	5,689,316	16,901,261	7,447,471
Total Liabilities	68,280,023	29,260,200	41,360,185	42,856,268	109,640,208	72,116,468
Deferred Inflows of Resources	6,214,166	7,784,239	819,482	1,062,545	7,033,648	8,846,784
Net Position:						
Net Investment in Capital Assets	78,288,782	77,092,055	84,327,032	85,104,737	162,615,814	162,196,792
Restricted	3,741,368	4,236,048	1,261,359	1,261,359	5,002,727	5,497,407
Unrestricted	19,823,663	17,685,456	27,656,995	24,308,658	47,480,658	41,994,114
Total Net Position	\$ 101,853,813	\$ 99,013,559	\$ 113,245,386	\$ 110,674,754	\$ 215,099,199	\$ 209,688,313

An additional portion of the City of Elk River's net position (2.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$47,686,085) may be used to meet the City of Elk River's ongoing obligations to citizens and creditors.

**CITY OF ELK RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

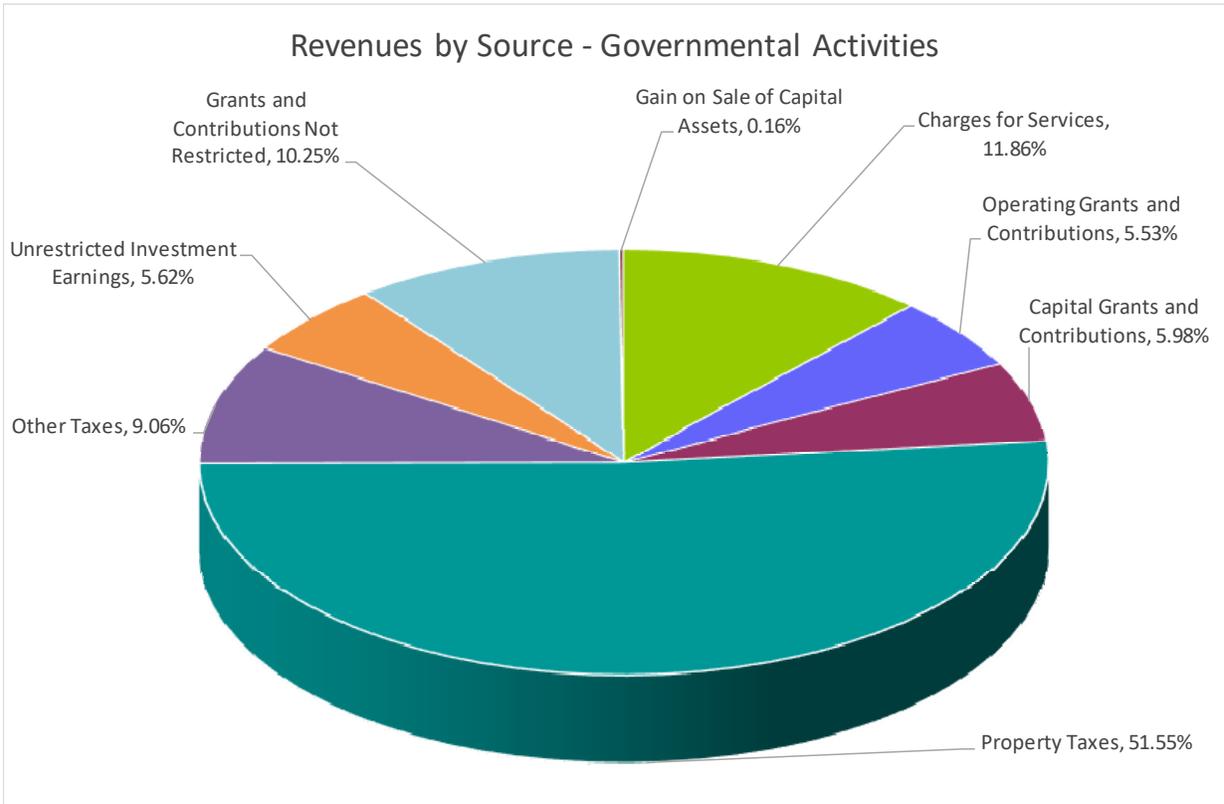
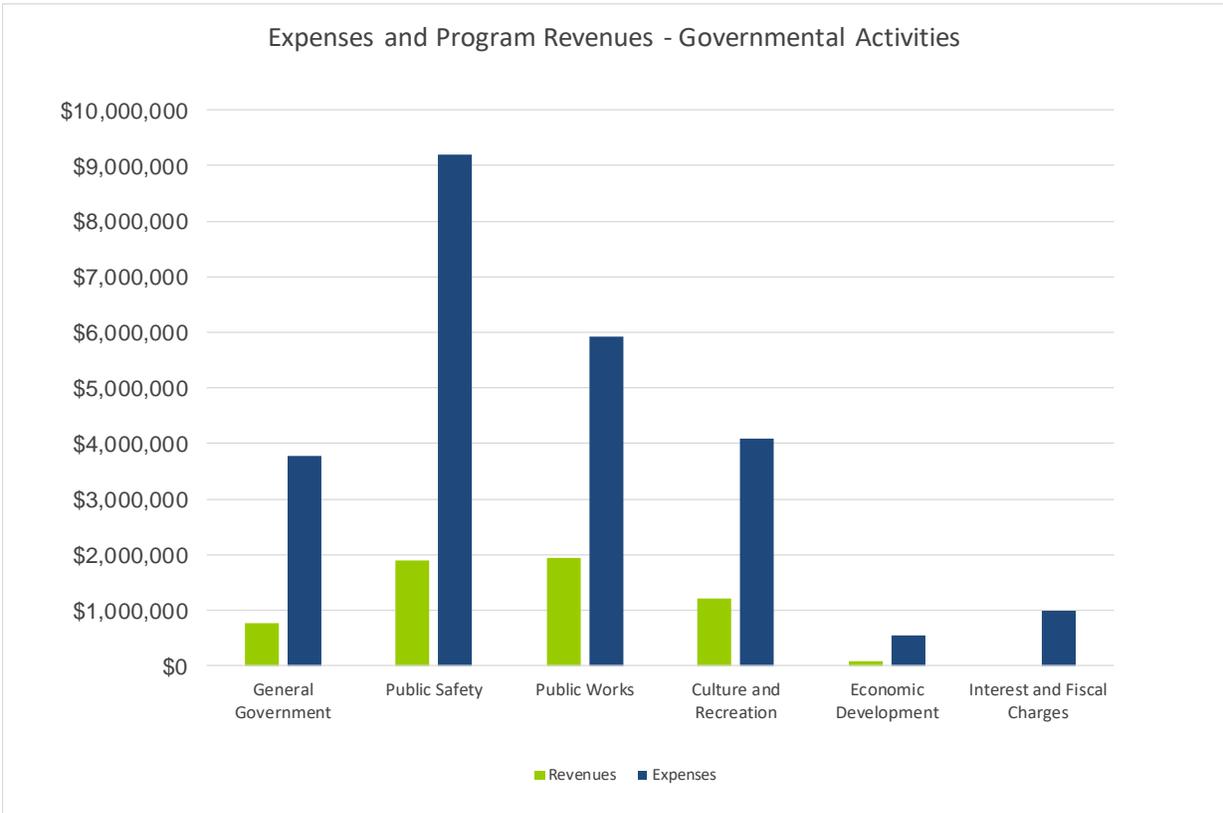
At the end of the current fiscal year, the City of Elk River is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Charges for Services	\$ 2,995,949	\$ 3,143,111	\$ 53,372,888	\$ 53,452,010	\$ 56,368,837	\$ 56,595,121
Operating Grants and Contributions	1,396,313	1,381,151	1,200	-	1,397,513	1,381,151
Capital Grants and Contributions	1,509,650	1,721,638	1,277,596	2,295,004	2,787,246	4,016,642
General Revenues:						
Property Taxes	13,022,991	12,192,911	-	-	13,022,991	12,192,911
Other Taxes	2,288,998	1,591,663	-	-	2,288,998	1,591,663
Unrestricted Investment Earnings	1,420,677	430,642	704,099	467,294	2,124,776	897,936
Grants and Contributions Not Restricted	2,588,461	1,754,373	-	-	2,588,461	1,754,373
Gain on Sale of Capital Assets	41,698	-	8,280	2,462	49,978	2,462
Total Revenues	<u>25,264,737</u>	<u>22,215,489</u>	<u>55,364,063</u>	<u>56,216,770</u>	<u>80,628,800</u>	<u>78,432,259</u>
EXPENSES						
General Government	3,786,257	3,981,134	-	-	3,786,257	3,981,134
Public Safety	9,188,562	7,398,041	-	-	9,188,562	7,398,041
Public Works	5,920,022	5,619,836	-	-	5,920,022	5,619,836
Culture and Recreation	4,094,690	4,474,619	-	-	4,094,690	4,474,619
Economic Development	540,497	969,443	-	-	540,497	969,443
Interest on Long-Term Debt	979,755	486,630	-	-	979,755	486,630
Municipal Liquor	-	-	6,772,414	6,233,700	6,772,414	6,233,700
Sewer	-	-	3,550,622	3,504,489	3,550,622	3,504,489
Garbage	-	-	1,456,482	1,588,956	1,456,482	1,588,956
Storm Water	-	-	1,024,928	634,073	1,024,928	634,073
Electric	-	-	35,200,295	35,680,220	35,200,295	35,680,220
Water	-	-	2,703,390	2,666,149	2,703,390	2,666,149
Total Expenses	<u>24,509,783</u>	<u>22,929,703</u>	<u>50,708,131</u>	<u>50,307,587</u>	<u>75,217,914</u>	<u>73,237,290</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	754,954	(714,214)	4,655,932	5,909,183	5,410,886	5,194,969
Transfers and Contributions	<u>2,085,300</u>	<u>2,063,638</u>	<u>(2,085,300)</u>	<u>(2,063,638)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	2,840,254	1,349,424	2,570,632	3,845,545	5,410,886	5,194,969
Net Position - Beginning of Year	<u>99,013,559</u>	<u>97,664,135</u>	<u>110,674,754</u>	<u>106,829,209</u>	<u>209,688,313</u>	<u>204,493,344</u>
NET POSITION - END OF YEAR	<u>\$ 101,853,813</u>	<u>\$ 99,013,559</u>	<u>\$ 113,245,386</u>	<u>\$ 110,674,754</u>	<u>\$ 215,099,199</u>	<u>\$ 209,688,313</u>

Governmental activities. Governmental activities account for 47% of the City of Elk River's net position. Governmental activities increased the City's net position by \$2,840,254. Key elements of the relevant changes are as follows:

- \$697,335 increase in other taxes related to the implementation of a local sales tax in 2019 to fund park and recreation improvements.
- \$830,080 increase in property taxes related to the increase in the tax levy.
- \$990,035 increase in unrestricted investment earning due to 2019 being a better investing year than 2018 for the types of investment held by the City.
- \$834,088 increase in grants and contributions not restricted related to increased landfill fees resulting from the closure of the garbage burning facility.

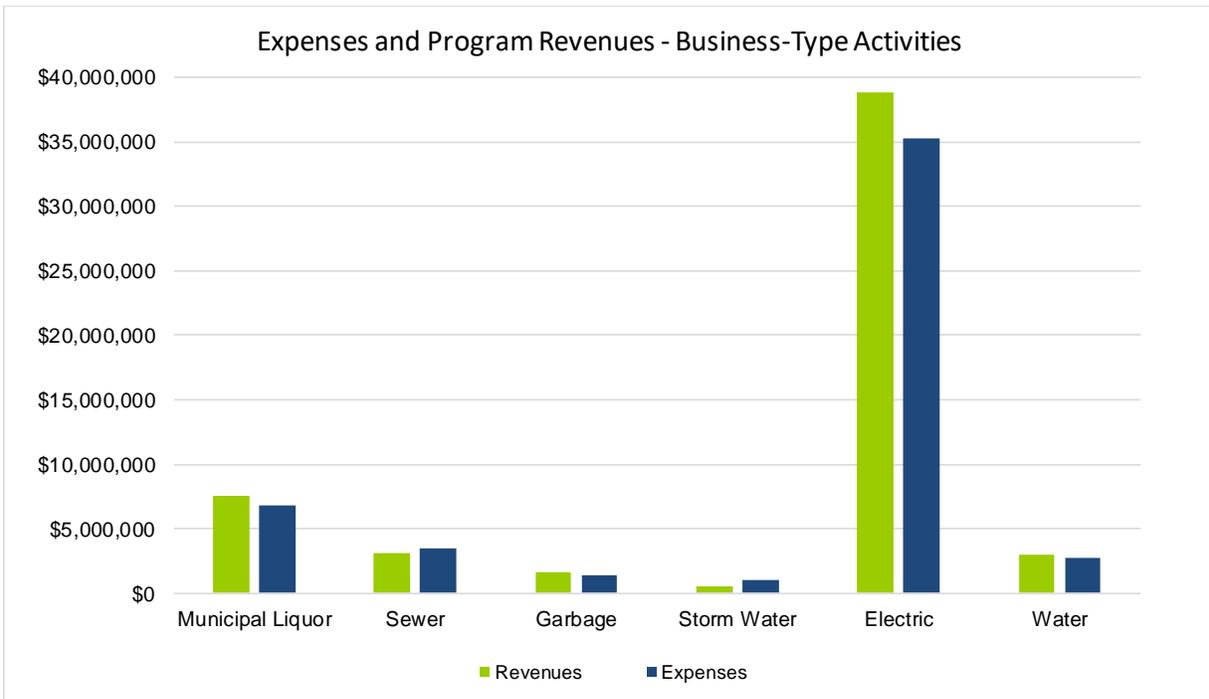
**CITY OF ELK RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**



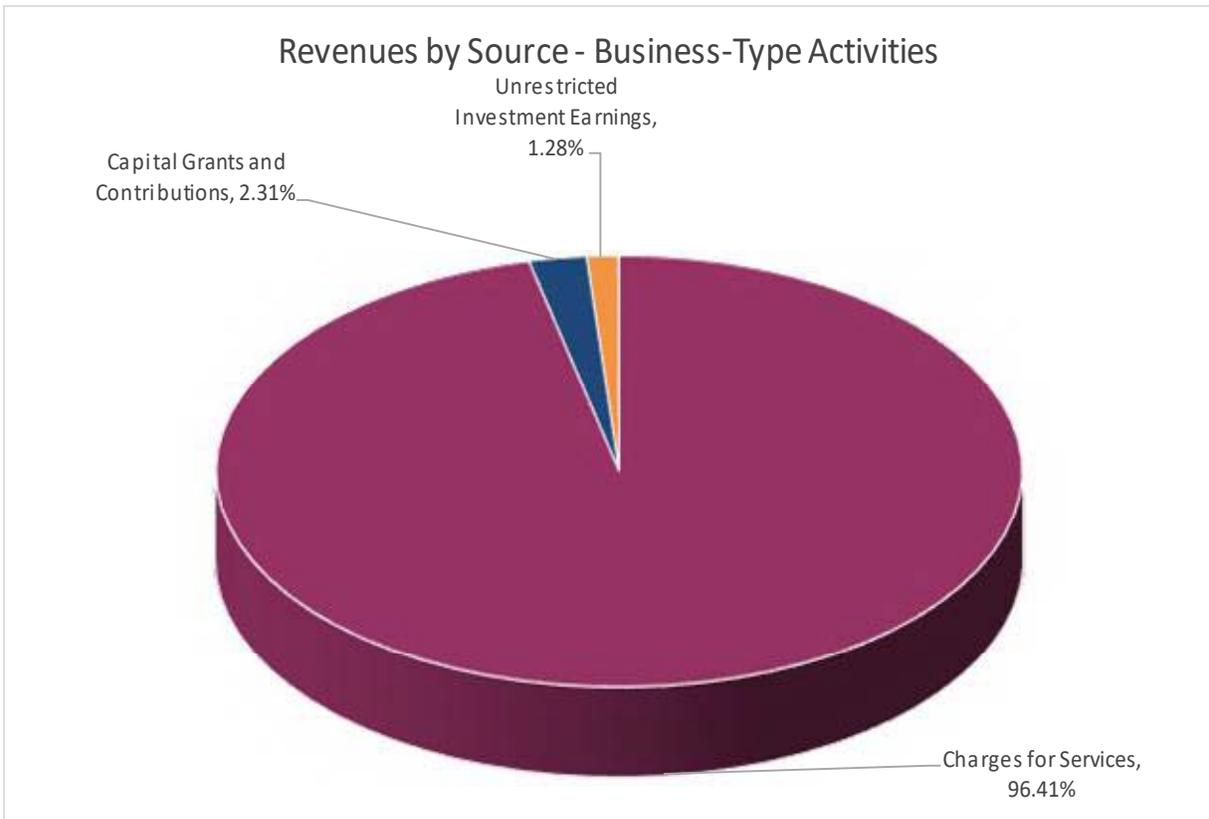
**CITY OF ELK RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Business-type activities. Business-type activities increased the City of Elk River's net position by \$2,570,632 in 2019 as compared to an increase in net position of \$3,845,545 in 2018. Key elements of this decrease in net income are as follows:

- Capital grants and contributions decreased \$1,017,408 due to utility connection fees related to building activity in 2019.
- Investment earnings increased \$236,805 due to 2019 being a better investing year than 2018 for the types of investment held by the City.
- Liquor fund operating expenses increased \$538,714 due to inventory purchases related to increased liquor sales.
- Garbage fund operating expenses decreased \$132,474 due to a reduction in waste disposal fees.
- Stormwater fund operating expenses increased \$390,855 due to storm water pond maintenance projects conducted every other year.
- Electric fund operating expenses decreased \$479,925 due to purchased power expenses decreased 7%.



**CITY OF ELK RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**



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 \$57,018,186. Approximately 9% of this total amount (\$4,859,907) constitutes unassigned fund balance. The remainder of fund balance (\$52,158,279) is not available for new spending because it is either 1) nonspendable (\$249,322), 2) restricted (\$28,548,680), 3) committed (\$10,182,700) or 4) assigned (\$13,177,577) for other purposes.

The General fund is the chief operating fund of the City of Elk River. The total fund balance of the General fund increased \$210,041 during the current year, resulting primarily from budgeted transfers in.

The Active ER Projects fund increased \$24,554,769 due to the issuance of the 2019A G.O. Sales Tax Revenue Bonds in the amount of \$32,715,000, issued to finance the acquisition and betterment of certain recreational facility improvements, park improvements, trail improvements, and the dredging of Lake Orono, which was partially offset by expenditures incurred on the related projects.

The Pavement Management fund decreased \$535,789 due to current year expenditures exceeding the collection of franchise fees and intergovernmental revenues.

**CITY OF ELK RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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 – \$4,732,801, Sewer – \$5,261,879, Garbage – \$348,539, Storm Water – \$691,640, Electric – \$9,617,103, and Water – \$7,005,033. The Sewer fund net position decreased \$360,871 due to budgeted transfers for administrative expenses and pension related adjustments and the Storm Water fund net position decreased \$489,401 due mainly to storm water maintenance projects completed every other year. All other proprietary funds had increases in net position.

General Fund Budgetary Highlights

There was no difference between the original budget and the final budget for the General fund. Key factors are as follows:

- Total revenue collections were 101% of budget. Intergovernmental revenues were \$46,988 over budget, investment earnings were \$123,481 over budget, refund and reimbursements were \$94,635 over budget, and miscellaneous revenues were \$49,439 over budget. These were partially offset by charges for services ending the year \$56,403 under budget.
- Expenditures were under budget by \$398,697. Public safety expenditures were \$296,120 under budget mainly due to employee wages and benefits under budget as a result of personnel vacancies. Public works expenditure were \$56,158 under budget primarily due to savings related to contractual services for street maintenance and utilities expenditures ending the year lower than budgeted.

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, 2019, amounts to \$220,993,445 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure. The total increase in the City of Elk River's investment in capital assets for the current year was \$8,618,024 or 4%.

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

- \$11.7 million in additions to construction in progress related to the multi-purpose facility.
- \$907,000 in additions to construction in progress for the YAC 2019 project.
- \$349,000 in public safety equipment.
- \$577,000 in public works equipment.
- Completion of the \$2.3 million 2019 street project.
- Depreciation expense totaling \$11,393,320.

**CITY OF ELK RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 40,946,181	\$ 40,927,633	\$ 1,843,977	\$ 1,843,977	\$ 42,790,158	\$ 42,771,610
Construction in Progress	12,883,985	-	1,011,708	467,470	13,895,693	467,470
Intangible Assets	-	-	24,114,139	23,279,955	24,114,139	23,279,955
Buildings	44,997,927	45,048,097	27,372,648	27,345,582	72,370,575	72,393,679
Other Improvements	6,557,771	6,557,771	-	-	6,557,771	6,557,771
Infrastructure	71,116,985	70,437,858	130,506,501	129,022,079	201,623,486	199,459,937
Equipment	14,298,469	13,849,140	11,625,356	11,338,300	25,923,825	25,187,440
Total Capital Assets	190,801,318	176,820,499	196,474,329	193,297,363	387,275,647	370,117,862
Less: Accumulated Depreciation	(84,966,178)	(82,245,949)	(81,316,024)	(75,496,492)	(166,282,202)	(157,742,441)
Total Capital Assets, Net	\$ 105,835,140	\$ 94,574,550	\$ 115,158,305	\$ 117,800,871	\$ 220,993,445	\$ 212,375,421

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$97,558,123, an increase of \$32,889,126 from 2018. General obligation improvement bonds (\$15,965,000) were issued to finance the construction of a library, a recreation facility, a public safety/city hall facility, a public works facility, and improvement projects within the City. General obligation revenue bonds (\$42,310,000) were used to finance certain recreational facility improvements, park improvements, trail improvements, dredging of Lake Orono, and sewer and water systems. Revenue bonds (\$19,825,000) were used to finance electric system improvements.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 15,965,000	\$ 17,280,000	\$ -	\$ -	\$ 15,965,000	\$ 17,280,000
General Obligation Revenue Bonds	32,715,000	-	9,595,000	10,355,000	42,310,000	10,355,000
Revenue Bonds	-	-	19,825,000	20,685,000	19,825,000	20,685,000
Issuance Premium	3,511,113	352,016	818,036	870,336	4,329,149	1,222,352
Total Bonds Payable, Net	52,191,113	17,632,016	30,238,036	31,910,336	82,429,149	49,542,352
Notes Payable	-	-	619,692	820,608	619,692	820,608
Compensated Absences	1,607,604	1,579,967	491,365	504,447	2,098,969	2,084,414
Net Pension Liability	7,541,740	7,477,029	3,816,162	3,727,513	11,357,902	11,204,542
Other Postemployment Benefits	740,405	813,033	312,006	204,048	1,052,411	1,017,081
Total Outstanding Debt	\$ 62,080,862	\$ 27,502,045	\$ 35,477,261	\$ 37,166,952	\$ 97,558,123	\$ 64,668,997

Additional long-term debt in the amount of \$619,692 is for notes payable, \$2,098,969 is for compensated absences, \$11,357,902 is for the City's net pension liability, and \$1,052,411 is for the City's total other postemployment benefits liability.

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 \$71,232,177. \$11,548,268 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 7 starting on page 54 of this report.

**CITY OF ELK RIVER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Economic Factors and Next Year's Budget

The City of Elk River estimates that the demand for City services will continue at stable growth levels due to the economic environment and the outlook of recent building activity. This was taken into consideration in preparation of the City's 2020 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
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government			Component Unit HRA
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Investments	\$ 58,653,196	\$ 33,543,264	\$ 92,196,460	\$ 831,014
Restricted Cash and Investments	-	1,261,359	1,261,359	-
Receivables:				
Accrued Interest	155,703	60,000	215,703	9,745
Taxes	866,807	-	866,807	-
Special Assessments	306,891	-	306,891	-
Other Accounts Receivable	547,818	2,835,347	3,383,165	3,258
Notes Receivable, Net	1,798,366	-	1,798,366	620,681
Due from Other Governments	2,543,860	-	2,543,860	-
Due from Primary Government	-	-	-	196,105
Due from Component Unit	17,020	-	17,020	-
Internal Balances	235,674	(235,674)	-	-
Prepaid Items	249,322	177,243	426,565	-
Inventories	-	2,213,916	2,213,916	-
Land Held for Resale	175,000	-	175,000	234,900
Pension Asset	205,427	-	205,427	-
Capital Assets:				
Nondepreciable:				
Land	40,946,181	1,843,977	42,790,158	257,100
Construction in Progress	12,883,985	1,011,708	13,895,693	-
Depreciable:				
Buildings and Building Improvements	44,997,927	27,372,648	72,370,575	-
Improvements Other than Buildings	6,557,771	-	6,557,771	174,290
Infrastructure	71,116,985	-	71,116,985	-
Distribution/Collection Systems	-	130,506,501	130,506,501	-
Intangible Assets	-	24,114,139	24,114,139	-
Equipment and Furniture	14,298,469	11,625,356	25,923,825	-
Total Capital Assets	190,801,318	196,474,329	387,275,647	431,390
Less: Accumulated Depreciation	(84,966,178)	(81,316,024)	(166,282,202)	(82,302)
Total Capital Assets, Net	105,835,140	115,158,305	220,993,445	349,088
Total Assets	171,590,224	155,013,760	326,603,984	2,244,791
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pensions	4,598,580	378,990	4,977,570	5,533
Deferred Outflows - OPEB	45,942	5,848	51,790	-
Deferred Charge on Debt Refunding	113,256	26,455	139,711	-
Total Deferred Outflows of Resources	4,757,778	411,293	5,169,071	5,533
LIABILITIES				
Accounts and Contracts Payable	4,525,709	3,900,539	8,426,248	20,258
Accrued Salaries Payable	297,567	199,863	497,430	2,187
Due to Other Governments	44,126	242,564	286,690	-
Due to Primary Government	-	-	-	17,020
Due to Component Unit	196,105	-	196,105	-
Customer Deposits Payable	-	1,035,524	1,035,524	-
Unearned Revenue	645,014	107,373	752,387	-
Accrued Interest Payable	490,640	397,061	887,701	-
Compensated Absences - Due Within One Year	644,219	446,005	1,090,224	-
Notes Payable - Due Within One Year	-	203,952	203,952	-
Bonds Payable - Due Within One Year	1,900,000	1,625,000	3,525,000	-
Noncurrent Liabilities:				
Other Postemployment Benefits	740,405	312,006	1,052,411	-
Net Pension Liability	7,541,740	3,816,162	11,357,902	55,520
Compensated Absences - Due in More Than One Year	963,385	45,360	1,008,745	-
Notes Payable - Due in More Than One Year	-	415,740	415,740	-
Bonds Payable - Due in More Than One Year	50,291,113	28,613,036	78,904,149	-
Total Liabilities	68,280,023	41,360,185	109,640,208	94,985
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pensions	6,126,484	808,322	6,934,806	11,759
Deferred Inflows - OPEB	87,682	11,160	98,842	-
Total Deferred Inflows of Resources	6,214,166	819,482	7,033,648	11,759
NET POSITION				
Net Investment in Capital Assets	78,288,782	84,327,032	162,615,814	349,088
Restricted for:				
Debt Service	1,722,960	1,261,359	2,984,319	-
Parks and Recreation Improvements	409,694	-	409,694	-
Landfill Mitigation	47,334	-	47,334	-
Economic Development	1,321,585	-	1,321,585	-
Law Enforcement	34,368	-	34,368	-
Net Pension Asset	205,427	-	205,427	-
Housing and Redevelopment	-	-	-	1,794,492
Unrestricted	19,823,663	27,656,995	47,480,658	-
Total Net Position	\$ 101,853,813	\$ 113,245,386	\$ 215,099,199	\$ 2,143,580

See accompanying Notes to Basic Financial Statements.

**CITY OF ELK RIVER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	HRA
Primary Government:								
Governmental Activities:								
General Government	\$ 3,786,257	\$ 765,646	\$ -	\$ -	\$ (3,020,611)	\$ -	\$ (3,020,611)	\$ -
Public Safety	9,188,562	1,267,920	625,796	-	(7,294,846)	-	(7,294,846)	-
Public Works	5,920,022	94,832	444,667	1,410,049	(3,970,474)	-	(3,970,474)	-
Culture and Recreation	4,094,690	810,476	297,780	99,601	(2,886,833)	-	(2,886,833)	-
Economic Development	540,497	57,075	28,070	-	(455,352)	-	(455,352)	-
Interest and Fiscal Charges	979,755	-	-	-	(979,755)	-	(979,755)	-
Total Governmental Activities	24,509,783	2,995,949	1,396,313	1,509,650	(18,607,871)	-	(18,607,871)	-
Business-Type Activities:								
Municipal Liquor	6,772,414	7,617,790	-	-	-	845,376	845,376	-
Sewer	3,550,622	2,383,196	-	713,170	-	(454,256)	(454,256)	-
Garbage	1,456,482	1,645,115	1,200	-	-	189,833	189,833	-
Storm Water	1,024,928	510,889	-	-	-	(514,039)	(514,039)	-
Electric	35,200,295	38,663,268	-	135,764	-	3,598,737	3,598,737	-
Water	2,703,390	2,552,630	-	428,662	-	277,902	277,902	-
Total Business-Type Activities	50,708,131	53,372,888	1,200	1,277,596	-	3,943,553	3,943,553	-
Total Primary Government	\$ 75,217,914	\$ 56,368,837	\$ 1,397,513	\$ 2,787,246	(18,607,871)	3,943,553	(14,664,318)	-
Component Unit:								
Housing and Redevelopment Authority	\$ 346,904	\$ 624	\$ 163	\$ -	-	-	-	(346,117)
General Revenues:								
Property Taxes					13,022,991	-	13,022,991	315,608
Other Taxes					2,288,998	-	2,288,998	-
Grants and Contributions Not Restricted					2,588,461	-	2,588,461	-
Unrestricted Investment Earnings					1,420,677	704,099	2,124,776	11,608
Gain on Sale of Capital Assets					41,698	8,280	49,978	-
Transfers and Contributions					2,085,300	(2,085,300)	-	-
Total General Revenues and Transfers					21,448,125	(1,372,921)	20,075,204	327,216
Change in Net Position					2,840,254	2,570,632	5,410,886	(18,901)
Net Position - Beginning of Year					99,013,559	110,674,754	209,688,313	2,162,481
Net Position - End of Year					\$ 101,853,813	\$ 113,245,386	\$ 215,099,199	\$ 2,143,580

See accompanying Notes to Basic Financial Statements.

**CITY OF ELK RIVER
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

ASSETS	General Fund	Active ER Projects	Pavement Management	Other Governmental Funds	Totals
Cash and Investments	\$ 7,511,623	\$ 27,825,056	\$ 3,958,681	\$ 19,357,836	\$ 58,653,196
Receivables:					
Accrued Interest	34,773	23,270	18,545	79,115	155,703
Delinquent Taxes	344,281	-	-	522,526	866,807
Special Assessments	-	-	-	306,891	306,891
Other Accounts Receivable	17,742	-	139,928	390,148	547,818
Notes Receivable, Net	-	-	-	1,798,366	1,798,366
Due from Other Governments	84,762	-	2,430,015	29,083	2,543,860
Due from Other Funds	269,625	-	276,727	1,755,524	2,301,876
Due from Component Unit	17,020	-	-	-	17,020
Prepays	187,305	-	-	62,017	249,322
Land Held for Resale	-	-	-	175,000	175,000
Total Assets	\$ 8,467,131	\$ 27,848,326	\$ 6,823,896	\$ 24,476,506	\$ 67,615,859
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES					
Accounts and Contracts Payable	\$ 211,825	\$ 3,293,557	\$ 139,922	\$ 880,405	\$ 4,525,709
Accrued Salaries Payable	284,924	-	-	12,643	297,567
Due to Other Governments	23,488	-	-	20,638	44,126
Due to Other Funds	-	-	-	2,066,202	2,066,202
Due to Component Unit	-	-	-	196,105	196,105
Unearned Revenue	-	-	-	645,014	645,014
Total Liabilities	520,237	3,293,557	139,922	3,821,007	7,774,723
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	75,436	-	-	11,471	86,907
Unavailable Revenue - Special Assessments	-	-	-	306,028	306,028
Unavailable Revenue - Other	-	-	2,430,015	-	2,430,015
Total Deferred Inflows of Resources	75,436	-	2,430,015	317,499	2,822,950
FUND BALANCE					
Nonspendable	187,305	-	-	62,017	249,322
Restricted	-	24,554,769	-	3,993,911	28,548,680
Committed	-	-	4,253,959	5,928,741	10,182,700
Assigned	-	-	-	13,177,577	13,177,577
Unassigned	7,684,153	-	-	(2,824,246)	4,859,907
Total Fund Balance	7,871,458	24,554,769	4,253,959	20,338,000	57,018,186
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 8,467,131	\$ 27,848,326	\$ 6,823,896	\$ 24,476,506	\$ 67,615,859

See accompanying Notes to Basic Financial Statements.

**CITY OF ELK RIVER
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF
NET POSITION – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Total Fund Balances for Governmental Funds \$ 57,018,186

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 40,946,181	
Construction in Progress	12,883,985	
Buildings	44,997,927	
Other Improvements	6,557,771	
Streets and Infrastructure	71,116,985	
Equipment and Furniture	14,298,469	
Total Capital Assets	190,801,318	
Less: Accumulated Depreciation	(84,966,178)	105,835,140

Long-term assets for pensions reported in governmental activities are not financial resources and, therefore, are not reported as assets in the funds. 205,427

Some of the City's receivables (including property taxes, special assessments and other long-term receivables) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. 2,822,950

The City's net pension liability and related deferred inflows and deferred outflows are recorded only on the statement of net position. Balances at year-end are:

Net Pension Liability	(7,541,740)	
Deferred Inflows of Resources - Pensions	(6,126,484)	
Deferred Outflows of Resources - Pensions	4,598,580	(9,069,644)

The City's OPEB liability and related deferred inflows and deferred outflows are recorded only on the statement of net position. Balances at year-end are:

OPEB Liability	(740,405)	
Deferred Inflows of Resources - OPEB	(87,682)	
Deferred Outflows of Resources - OPEB	45,942	(782,145)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long term - are reported in the statement of net position.

Bonds Payable	(48,680,000)	
Unamortized Premiums	(3,511,113)	
Deferred Charge on Refunding	113,256	
Accrued Interest Payable	(490,640)	
Compensated Absence Payable	(1,607,604)	(54,176,101)

Total Net Position of Governmental Activities \$ 101,853,813

CITY OF ELK RIVER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	General Fund	Active ER Projects	Pavement Management	Other Governmental Funds	Totals
REVENUE					
Property Taxes	\$ 11,171,848	\$ -	\$ -	\$ 1,840,129	\$ 13,011,977
Sales Tax Revenue	-	-	-	652,665	652,665
Other Taxes	158,232	-	1,478,101	-	1,636,333
Special Assessments	-	-	-	58,416	58,416
Licenses and Permits	822,899	-	-	-	822,899
Intergovernmental Revenue	618,488	-	389,407	388,811	1,396,706
Charges for Services	944,297	-	-	778,794	1,723,091
Fines and Forfeitures	134,493	-	-	32,294	166,787
Other Revenue:					
Landfill Expansion Fee	-	-	-	2,081,124	2,081,124
Investment Earnings	223,481	189,286	229,428	778,482	1,420,677
Refunds and Reimbursements	224,635	-	-	52,588	277,223
Contributions	25,000	-	-	685,534	710,534
Miscellaneous Revenue	55,939	-	-	77,681	133,620
Total Revenue	<u>14,379,312</u>	<u>189,286</u>	<u>2,096,936</u>	<u>7,426,518</u>	<u>24,092,052</u>
EXPENDITURES					
Current:					
General Government	3,857,489	-	-	147,428	4,004,917
Public Safety	7,422,080	-	-	198,917	7,620,997
Public Works	2,103,742	-	-	113,908	2,217,650
Culture and Recreation	2,107,192	-	-	861,655	2,968,847
Economic Development	-	-	-	540,763	540,763
Capital Outlay:					
General Government	-	-	-	58,735	58,735
Public Safety	-	-	-	365,811	365,811
Public Works	-	-	2,632,725	917,004	3,549,729
Culture and Recreation	-	11,341,197	-	1,316,481	12,657,678
Debt Service:					
Principal Retirement	-	-	-	1,315,000	1,315,000
Interest and Fiscal Charges	-	242,835	-	470,188	713,023
Total Expenditures	<u>15,490,503</u>	<u>11,584,032</u>	<u>2,632,725</u>	<u>6,305,890</u>	<u>36,013,150</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(1,111,191)	(11,394,746)	(535,789)	1,120,628	(11,921,098)
OTHER FINANCE SOURCES (USES)					
Transfers In	1,891,045	-	-	1,397,893	3,288,938
Transfers Out	(569,813)	-	-	(633,825)	(1,203,638)
Issuance of Bonds Payable	-	32,715,000	-	-	32,715,000
Premium on Bonds Payable	-	3,234,515	-	-	3,234,515
Proceeds from Sale of Capital Assets	-	-	-	127,190	127,190
Total Other Finance Sources	<u>1,321,232</u>	<u>35,949,515</u>	<u>-</u>	<u>891,258</u>	<u>38,162,005</u>
NET CHANGE IN FUND BALANCES	210,041	24,554,769	(535,789)	2,011,886	26,240,907
FUND BALANCES					
Beginning of Year	<u>7,661,417</u>	<u>-</u>	<u>4,789,748</u>	<u>18,326,114</u>	<u>30,777,279</u>
End of Year	<u>\$ 7,871,458</u>	<u>\$ 24,554,769</u>	<u>\$ 4,253,959</u>	<u>\$ 20,338,000</u>	<u>\$ 57,018,186</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF ELK RIVER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES –
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances-Total Governmental Funds \$ 26,240,907

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

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

Capital Outlays	\$ 16,510,773	
Gain on Disposal of Capital Assets	41,698	
Proceeds from the Sale of Capital Assets	(127,190)	
Depreciation Expense	<u>(5,164,691)</u>	11,260,590

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of Principal on Long-Term Debt	1,315,000	
Proceeds from Issuance of Bonds	(32,715,000)	
Premium on Bonds Issued	(3,234,515)	
Amortization of Bond Premium	75,418	
Amortization of Deferred Charge on Refunding	(36,265)	
Change in Accrued Interest Payable	<u>(305,885)</u>	(34,901,247)

Delinquent and certain other property taxes, special assessments, and intergovernmental receivables will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources and excluded from revenues in the governmental funds.

Deferred Inflows of Resources - December 31, 2018	1,691,963	
Deferred Inflows of Resources - December 31, 2019	<u>2,822,950</u>	1,130,987

In the statement of activities, compensated absences and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

(32,817)

Pension expenditures in the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

(858,166)

Change in Net Position of Governmental Activities \$ 2,840,254

See accompanying Notes to Basic Financial Statements.

CITY OF ELK RIVER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND – BUDGET TO ACTUAL (GAAP BASIS)
YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUE				
Taxes:				
Property Taxes	\$ 11,187,400	\$ 11,187,400	\$ 11,171,848	\$ (15,552)
Other Taxes	150,000	150,000	158,232	8,232
Licenses and Permits	857,000	857,000	822,899	(34,101)
Intergovernmental Revenue	571,500	571,500	618,488	46,988
Charges for Services	1,000,700	1,000,700	944,297	(56,403)
Fines and Forfeits	154,500	154,500	134,493	(20,007)
Other Revenue:				
Investment Earnings	100,000	100,000	223,481	123,481
Refunds and Reimbursements	130,000	130,000	224,635	94,635
Contributions	23,000	23,000	25,000	2,000
Miscellaneous Revenue	6,500	6,500	55,939	49,439
Total Revenue	<u>14,180,600</u>	<u>14,180,600</u>	<u>14,379,312</u>	<u>198,712</u>
EXPENDITURES				
General Government	4,019,050	3,878,100	3,857,489	(20,611)
Public Safety	7,616,250	7,718,200	7,422,080	(296,120)
Public Works	2,133,400	2,159,900	2,103,742	(56,158)
Culture and Recreation	2,120,500	2,133,000	2,107,192	(25,808)
Total Expenditures	<u>15,889,200</u>	<u>15,889,200</u>	<u>15,490,503</u>	<u>(398,697)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES				
	(1,708,600)	(1,708,600)	(1,111,191)	597,409
OTHER FINANCE SOURCES (USES)				
Transfers In	2,040,600	2,040,600	1,891,045	(149,555)
Transfers Out	(332,000)	(332,000)	(569,813)	(237,813)
Total Other Finance Sources (Uses)	<u>1,708,600</u>	<u>1,708,600</u>	<u>1,321,232</u>	<u>(387,368)</u>
NET CHANGE IN FUND BALANCES				
	<u>\$ -</u>	<u>\$ -</u>	210,041	<u>\$ 210,041</u>
FUND BALANCES				
Beginning of Year			<u>7,661,417</u>	
End of Year			<u>\$ 7,871,458</u>	

See accompanying Notes to Basic Financial Statements.

CITY OF ELK RIVER
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Municipal Liquor	Sewer	Garbage	Storm Water	Electric
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 4,649,254	\$ 5,245,861	\$ 343,379	\$ 730,463	\$ 14,881,922
Cash and Investments Held by Trustee	-	-	-	-	1,261,359
Receivables:					
Accounts Receivable (Net)	-	291,665	3,266	432	2,390,982
Accrued Interest	21,780	24,575	1,609	3,422	6,891
Due from Other Funds	-	352,205	138,531	43,013	3,007
Inventory	1,222,310	-	-	-	981,962
Prepaid Items	-	-	-	-	154,832
Total Current Assets	<u>5,893,344</u>	<u>5,914,306</u>	<u>486,785</u>	<u>777,330</u>	<u>19,680,955</u>
NONCURRENT ASSETS					
Capital Assets:					
Nondepreciable	753,961	411,095	-	-	1,196,620
Depreciable	3,050,084	52,868,180	-	18,187,777	82,024,495
Total	<u>3,804,045</u>	<u>53,279,275</u>	<u>-</u>	<u>18,187,777</u>	<u>83,221,115</u>
Less: Accumulated Depreciation	<u>(2,230,214)</u>	<u>(20,857,239)</u>	<u>-</u>	<u>(9,022,929)</u>	<u>(30,444,533)</u>
Net Capital Assets	<u>1,573,831</u>	<u>32,422,036</u>	<u>-</u>	<u>9,164,848</u>	<u>52,776,582</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	50,587	35,417	1,739	6,052	244,246
OPEB Related	2,924	2,506	-	418	-
Deferred Charge on Debt Refunding	-	-	-	-	21,164
Total Deferred Outflows of Resources	<u>53,511</u>	<u>37,923</u>	<u>1,739</u>	<u>6,470</u>	<u>265,410</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 7,520,686</u>	<u>\$ 38,374,265</u>	<u>\$ 488,524</u>	<u>\$ 9,948,648</u>	<u>\$ 72,722,947</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
CURRENT LIABILITIES					
Accounts and Contracts Payable	\$ 387,943	\$ 60,566	\$ 116,590	\$ 543	\$ 3,205,838
Accrued Salaries Payable	22,096	14,330	686	2,370	138,648
Due to Other Governments	80,920	-	-	-	159,286
Due to Other Funds	-	538	1,563	906	862,318
Unearned Revenue	3,421	-	-	-	3,000
Accrued Interest Payable	-	101,502	-	-	282,496
Customer Deposits Payable	-	-	-	-	884,299
Compensated Absences Payable	28,149	20,601	-	2,527	358,161
Notes Payable	-	-	-	-	203,952
Bonds Payable	-	430,000	-	-	924,000
Total Current Liabilities	<u>522,529</u>	<u>627,537</u>	<u>118,839</u>	<u>6,346</u>	<u>7,021,998</u>
NONCURRENT LIABILITIES					
Compensated Absences Payable	23,691	16,976	-	4,693	-
Other Postemployment Benefits	47,117	40,386	-	6,731	174,950
Net Pension Liability	507,623	355,395	17,450	60,730	2,456,809
Notes Payable	-	-	-	-	415,740
Bonds Payable	-	7,930,000	-	-	20,080,411
Total Noncurrent Liabilities	<u>578,431</u>	<u>8,342,757</u>	<u>17,450</u>	<u>72,154</u>	<u>23,127,910</u>
Total Liabilities	<u>1,100,960</u>	<u>8,970,294</u>	<u>136,289</u>	<u>78,500</u>	<u>30,149,908</u>
DEFERRED INFLOWS OF RESOURCES					
Pension Related	107,514	75,273	3,696	12,863	520,934
OPEB Related	5,580	4,783	-	797	-
Total Deferred Inflows of Resources	<u>113,094</u>	<u>80,056</u>	<u>3,696</u>	<u>13,660</u>	<u>520,934</u>
NET POSITION					
Net Investment in Capital Assets	1,573,831	24,062,036	-	9,164,848	31,173,643
Restricted	-	-	-	-	1,261,359
Unrestricted	4,732,801	5,261,879	348,539	691,640	9,617,103
Total Net Position	<u>6,306,632</u>	<u>29,323,915</u>	<u>348,539</u>	<u>9,856,488</u>	<u>42,052,105</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 7,520,686</u>	<u>\$ 38,374,265</u>	<u>\$ 488,524</u>	<u>\$ 9,948,648</u>	<u>\$ 72,722,947</u>

See accompanying Notes to Basic Financial Statements.

Water	Total
\$ 7,692,385	\$ 33,543,264
-	1,261,359
149,002	2,835,347
1,723	60,000
128,850	665,606
9,644	2,213,916
22,411	177,243
<u>8,004,015</u>	<u>40,756,735</u>
494,009	2,855,685
<u>37,488,108</u>	<u>193,618,644</u>
37,982,117	196,474,329
(18,761,109)	(81,316,024)
<u>19,221,008</u>	<u>115,158,305</u>
40,949	378,990
-	5,848
5,291	26,455
<u>46,240</u>	<u>411,293</u>
<u>\$ 27,271,263</u>	<u>\$ 156,326,333</u>
\$ 129,059	\$ 3,900,539
21,733	199,863
2,358	242,564
35,955	901,280
100,952	107,373
13,063	397,061
151,225	1,035,524
36,567	446,005
-	203,952
271,000	1,625,000
<u>761,912</u>	<u>9,059,161</u>
-	45,360
42,822	312,006
418,155	3,816,162
-	415,740
<u>602,625</u>	<u>28,613,036</u>
<u>1,063,602</u>	<u>33,202,304</u>
1,825,514	42,261,465
88,042	808,322
-	11,160
<u>88,042</u>	<u>819,482</u>
18,352,674	84,327,032
-	1,261,359
7,005,033	27,656,995
<u>25,357,707</u>	<u>113,245,386</u>
<u>\$ 27,271,263</u>	<u>\$ 156,326,333</u>

CITY OF ELK RIVER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Municipal Liquor	Sewer	Garbage	Storm Water	Electric
SALES AND COST OF SALES					
Sales	\$ 7,614,986	\$ -	\$ -	\$ -	\$ -
Cost of Sales	(5,399,897)	-	-	-	-
Gross Profit	<u>2,215,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING REVENUE					
User Charges	-	2,188,671	1,643,598	510,598	37,640,985
Delinquent Collections	-	1,079	1,517	291	254,553
Other	2,804	193,446	-	-	199,095
Total Operating Revenue	<u>2,804</u>	<u>2,383,196</u>	<u>1,645,115</u>	<u>510,889</u>	<u>38,094,633</u>
OPERATING EXPENSES					
Personnel Services	899,750	637,909	29,377	101,695	3,199,774
Supplies	41,527	213,686	19,152	1,523	131,546
Purchased Power	-	-	-	-	24,851,301
Other Service Charges	307,954	809,763	1,407,953	464,233	3,516,207
Depreciation	123,286	1,644,459	-	457,477	2,856,258
Total Operating Expenses	<u>1,372,517</u>	<u>3,305,817</u>	<u>1,456,482</u>	<u>1,024,928</u>	<u>34,555,086</u>
OPERATING INCOME (LOSS)	845,376	(922,621)	188,633	(514,039)	3,539,547
NONOPERATING REVENUE (EXPENSES)					
Connection and Other Fees	-	713,170	-	-	-
Investment Earnings	221,617	235,105	10,628	39,638	159,014
Interest Expense	-	(244,805)	-	-	(643,159)
Intergovernmental Grants	-	-	1,200	-	-
Gain (Loss) on Disposal of Capital Asset	-	8,280	-	-	(2,050)
Miscellaneous Revenue	-	-	-	-	568,635
Total Nonoperating Revenue (Expenses)	<u>221,617</u>	<u>711,750</u>	<u>11,828</u>	<u>39,638</u>	<u>82,440</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,066,993	(210,871)	200,461	(474,401)	3,621,987
Capital Grants and Contributions	-	-	-	-	135,764
Transfers Out	(714,855)	(150,000)	(48,000)	(15,000)	(1,157,445)
Total Contributions and Transfers	<u>(714,855)</u>	<u>(150,000)</u>	<u>(48,000)</u>	<u>(15,000)</u>	<u>(1,021,681)</u>
CHANGE IN NET POSITION	352,138	(360,871)	152,461	(489,401)	2,600,306
NET POSITION					
Beginning of Year	<u>5,954,494</u>	<u>29,684,786</u>	<u>196,078</u>	<u>10,345,889</u>	<u>39,451,799</u>
End of Year	<u>\$ 6,306,632</u>	<u>\$ 29,323,915</u>	<u>\$ 348,539</u>	<u>\$ 9,856,488</u>	<u>\$ 42,052,105</u>

See accompanying Notes to Basic Financial Statements.

<u>Water</u>	<u>Totals</u>
\$ -	\$ 7,614,986
-	(5,399,897)
-	2,215,089
2,235,222	44,219,074
17,865	275,305
50,583	445,928
2,303,670	44,940,307
682,215	5,550,720
279,751	687,185
-	24,851,301
561,336	7,067,446
1,147,149	6,228,629
2,670,451	44,385,281
(366,781)	2,770,115
-	713,170
38,097	704,099
(32,939)	(920,903)
-	1,200
-	6,230
248,960	817,595
254,118	1,321,391
(112,663)	4,091,506
428,662	564,426
-	(2,085,300)
428,662	(1,520,874)
315,999	2,570,632
25,041,708	110,674,754
\$ 25,357,707	\$ 113,245,386

CITY OF ELK RIVER
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Municipal Liquor	Sewer	Garbage	Storm Water
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Customers	\$ 7,618,227	\$ 2,455,025	\$ 1,638,122	\$ 508,876
Cash Paid to Suppliers	(5,747,059)	(997,567)	(1,432,616)	(502,979)
Cash Paid to Employees	(838,427)	(599,400)	(26,403)	(91,337)
Other Receipts	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>1,032,741</u>	<u>858,058</u>	<u>179,103</u>	<u>(85,440)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection Fees Received	-	713,170	-	-
Principal Payments on Bonds	-	(420,000)	-	-
Interest Payments on Bonds	-	(248,305)	-	-
Principal Payments on Promissory Note	-	-	-	-
Acquisition of Capital Assets	(38,883)	(130,855)	-	-
Proceeds from Sale of Capital Assets	-	8,280	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(38,883)</u>	<u>(77,710)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Investments	219,776	231,636	9,770	39,017
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Other Revenue	-	-	1,200	-
Transfers Out	(714,855)	(150,000)	(48,000)	(15,000)
Repayment Received on Advances to Other Funds	-	-	-	-
Receipts from Borrowings from Othe Funds	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(714,855)</u>	<u>(150,000)</u>	<u>(46,800)</u>	<u>(15,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	498,779	861,984	142,073	(61,423)
Cash and Cash Equivalents - Beginning of the Year	<u>4,150,475</u>	<u>4,383,877</u>	<u>201,306</u>	<u>791,886</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u><u>\$ 4,649,254</u></u>	<u><u>\$ 5,245,861</u></u>	<u><u>\$ 343,379</u></u>	<u><u>\$ 730,463</u></u>

See accompanying Notes to Basic Financial Statements.

Electric	Water	Total
\$ 37,495,498	\$ 2,379,526	\$ 52,095,274
(29,007,568)	(853,238)	(38,541,027)
(2,618,202)	(629,176)	(4,802,945)
515,237	246,901	762,138
<u>6,384,965</u>	<u>1,144,013</u>	<u>9,513,440</u>
-	428,662	1,141,832
(940,000)	(260,000)	(1,620,000)
(640,370)	(35,830)	(924,505)
(200,916)	-	(200,916)
(2,824,703)	(352,031)	(3,346,472)
15,000	-	23,280
<u>(4,590,989)</u>	<u>(219,199)</u>	<u>(4,926,781)</u>
153,140	36,624	689,963
-	-	1,200
(1,157,445)	-	(2,085,300)
5,990	439	6,429
68,173	12,357	80,530
<u>(1,083,282)</u>	<u>12,796</u>	<u>(1,997,141)</u>
863,834	974,234	3,279,481
<u>15,279,447</u>	<u>6,718,151</u>	<u>31,525,142</u>
<u>\$ 16,143,281</u>	<u>\$ 7,692,385</u>	<u>\$ 34,804,623</u>

CITY OF ELK RIVER
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

	Municipal Liquor	Sewer	Garbage	Storm Water
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 845,376	\$ (922,621)	\$ 188,633	\$ (514,039)
Adjustments to Operating Income (Loss):				
Other Revenue Related to Operations	-	-	-	-
Noncash Expenses Included in Net Income:				
Depreciation	123,286	1,644,459	-	457,477
Change in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:				
(Increase) Decrease in:				
Accounts Receivable	-	71,829	1,499	138
Prepaid Items	-	-	-	-
Inventory	(30,052)	-	-	-
Due from Other Funds	-	(6,862)	(8,492)	(2,151)
Deferred Outflows Related to Pensions	37,031	29,959	1,230	4,507
Deferred Outflows Related to OPEB	(87)	451	-	(232)
Increase (Decrease) in:				
Accounts Payable	21,433	32,729	(5,549)	(28,861)
Accrued Salaries Payable	5,545	1,705	139	478
Due to Other Funds	-	15	38	(8,362)
Due to Other Governments	10,938	-	-	-
Deposits Payable	-	-	-	-
Unearned Revenue	437	-	-	-
Compensated Absences Payable	(20,496)	5,259	-	1,378
Other Postemployment Benefits	(4,621)	(3,961)	-	(660)
Net Pension Liability	64,187	24,525	2,426	7,294
Deferred Inflows Related to Pensions	(20,236)	(19,429)	(821)	(2,407)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,032,741</u>	<u>\$ 858,058</u>	<u>\$ 179,103</u>	<u>\$ (85,440)</u>

See accompanying Notes to Basic Financial Statements.

<u>Electric</u>	<u>Water</u>	<u>Total</u>
\$ 3,539,547	\$ (366,781)	\$ 2,770,115
580,463	248,960	829,423
2,856,258	1,147,149	6,228,629
(593,372)	28,964	(490,942)
19,453	2,221	21,674
(177,027)	5,471	(201,608)
-	-	(17,505)
279,368	56,948	409,043
-	-	132
(66,123)	42,461	(3,910)
21,898	450	30,215
-	-	(8,309)
9,479	(505)	19,912
(62,161)	40,950	(21,211)
3,000	3,883	7,320
15,955	(15,178)	(13,082)
92,537	24,663	107,958
26,450	(36,233)	88,649
(160,760)	(39,410)	(243,063)
<u>\$ 6,384,965</u>	<u>\$ 1,144,013</u>	<u>\$ 9,513,440</u>

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Elk River, Minnesota (the City) operates under the “Optional Plan A” form of government as defined in Minnesota Statutes. Under this plan, the City Council, composed of an elected mayor and four elected Council Members. The Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The financial statements and the accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, 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 five 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, Minnesota, 55330.

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

Blended Component Unit

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

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Discretely Presented Component Unit

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

C. Government-Wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

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 and special assessments are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide Financial Statements (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City's enterprise funds and other functions are not eliminated, as that would distort the direct costs and program revenues reported in those functions. The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense can be specifically identified by function (see Note 5). Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities.

D. Fund Financial Statement Presentation

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – governmental, and proprietary– 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 *Active ER Projects fund* is used to account for the accumulation of resources and bonds proceeds issued to fund expenditures for the City of Elk River's related capital projects.

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

The government reports the following major enterprise funds:

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

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

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

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

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

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

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Financial Statement Presentation (Continued)

Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. 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. The operating expenses for the 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.

E. Budgetary Information

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

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

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

F. 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 generally reported at fair value. The Minnesota Municipal Money Market (4M) Fund is an external investment pool regulated by Minnesota Statutes that is not registered with the Securities and Exchange Commission (SEC). The City's investment in this fund is measured based on the amortized cost method that approximates fair value.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments (Continued)

Cash and investments held by trustee reflect balances held in segregated accounts for specific purposes. Interest earned on these investments is allocated directly to those accounts.

G. 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, 2019 is as follows:

Electric	\$ 25,355
Water	250
Total	<u>\$ 25,605</u>

H. Property Taxes

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

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

I. Special Assessments

Special assessments receivable include the following components:

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

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Special Assessments (Continued)

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, 2019, the total delinquent special assessment receivable balance was \$23,610.

J. Notes Receivable

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

K. Inventories and Prepaid Items

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

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

L. Property Held for Resale

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

M. 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.

N. Capital Assets

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

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Capital Assets (Continued)

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.

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

<u>Asset</u>	
Buildings and Improvements	10 to 40 Years
Other Park Improvements	10 to 20 Years
Machinery and Equipment	3 to 20 Years
Public Domain Infrastructure	15 to 50 Years
System Infrastructure	4 to 50 Years

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. A deferred charge on refunding is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred pension and OPEB resources are reported only in the statements of net position. These items result from actuarial calculations and current year pension and OPEB contributions made subsequent to the measurement date.

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

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Outflows/Inflows of Resources (Continued)

resources, are reported only in the statements of net position and results from actuarial calculations involving net differences between projected and actuarial earnings on plan investments, changes in proportions, changes in assumptions, and differences between expected and actual experience.

P. Pensions

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

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

Q. 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, 2019, the balance reported in the governmental fund financial statements consists of \$645,014 from unearned park dedication credits.

R. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, if material, are amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed as incurred.

In the governmental fund financial statements, long-term debt and other long-term obligations are not reported as liabilities. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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 240 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% 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.

T. Postemployment Benefits

The City of Elk River and its discretely presented component unit provide a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense were measured actuarially in accordance with GASB Statement No. 75, based on entry age normal cost method.

U. 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.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Fund Balance (Continued)

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

Unassigned – is the residual classification for the General fund and also reflects negative residual amounts in other funds. The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City Council has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 40-45% of budgeted operating expenditures for cash-flow timing needs.

V. Net Position

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

Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

Restricted net position - Consists 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.

Unrestricted net position - All other net position balances that does not meet the definition of "restricted" or "net investment in capital assets".

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

X. Interfund Receivables and Payables

Activity between funds that is representative of lending or borrowing arrangements is reported as either "due to/from other funds" (current portion) or "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Balance

The following funds had deficit fund balances at December 31, 2019:

	<u>Fund</u>	<u>Fund Balance</u>
Capital Projects Funds:		
Park Dedication		\$ (208,560)
TIF Districts		(2,229,030)

NOTE 3 DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

	<u>Primary Government</u>	<u>Component Unit - HRA</u>	<u>Total Primary Gov and CU</u>
Statement of Net Position:			
Cash and Investments	\$ 92,196,460	\$ -	\$ 92,196,460
Restricted Cash and Investments	1,261,359	-	1,261,359
Cash and Investments - Discrete CU	-	831,014	831,014
Total	<u>\$ 93,457,819</u>	<u>\$ 831,014</u>	<u>\$ 94,288,833</u>

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit. The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may be lost. Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Deposits (Continued)

The City (including Elk River Municipal Utilities) has an investment policy in place to address custodial credit risk for deposits, stating all deposits and investments must be in compliance with Minnesota Statutes 118A, with collateralization levels of 110% of the market value of the principal and accrued interest.

At year-end, the carrying amount of the City's deposits was \$21,407,619 while the balance on the bank records was \$21,479,992. At December 31, 2019, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the City's agent in the City's name.

At year-end, the carrying amount of deposits for the HRA, a discretely presented component unit, was \$831,014 and the bank balance was \$831,014. At December 31, 2019, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the City's agent in the City's name.

C. Investments

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

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

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

The City has the following investments at year-end:

<u>Investments Measured at Fair Value</u>	<u>Primary Government Fair Value</u>
Negotiable Certificates of Deposit	\$ 12,561,268
Federal Home Loan Bank	1,327,779
Federal National Mortgage Association	1,501,680
Federal Farm Credit Bank Bond	500,375
Municipal Bonds	19,205,047
Total Investments Measured at Fair Value	\$ 35,096,149
<u>Investments Measured at Amortized Cost</u>	<u>Amortized Cost</u>
UBS Select Prime Institutional Money Market	\$ 31,921,263
Minnesota Municipal Money Market (4M Fund)	4,999,942
Other Money Market Funds	32,846
Total Investments Measured at Amortized Cost	\$ 36,954,051

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policy uses diversification of maturity dates as a means of managing exposure to fair value by stating that no more than 30% of the City’s investments may extend beyond a five-year maturity.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City’s investments in certain types of investments. The City’s investment policy does not further limit the ratings of their investments.

A schedule of the maturities and ratings of the City’s investments as of December 31, 2019 is as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Maturity Duration in Years</u>				<u>Rating</u>
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>More Than 5</u>	<u>No Maturity</u>	
Negotiable Certificates of Deposit	\$ 12,561,268	\$ 3,640,493	\$ 7,939,175	\$ 981,600	\$ -	Not Rated
Federal Home Loan Bank	1,327,779	-	-	1,327,779	-	AA+/Aaa
Federal National Mortgage Association	1,501,680	501,500	1,000,180	-	-	AA+/Aaa
Federal Farm Credit Bank Bond	500,375	-	500,375	-	-	AA+/Aaa
Municipal Bonds	19,205,047	1,537,004	15,525,359	2,142,684	-	AA- to AAA
UBS Select Prime Institutional Money Market	31,921,263	24,376,676	-	-	7,544,587	Not Rated
Minnesota Municipal Money Market (4M Fund)	4,999,942	-	-	-	4,999,942	Not Rated
Other Money Market Funds	32,846	32,846	-	-	-	Not Rated
Total Investments	\$ 72,050,200	\$ 30,088,519	\$ 24,965,089	\$ 4,452,063	\$ 12,544,529	

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Custodial Credit Risk – For an investment, the custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities. As of December 31, 2019 all investments were insured or registered, or securities were held by the City or its agent in the City’s name.

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investment (considered 5% or more) in the securities of a single issuer and no more than 50% of the City’s total investment portfolio may be invested in certificates of deposit or commercial paper.

At December 31, 2019, the following is a list of investments which individually comprise more than 5% of the City’s total investments:

		Percent of Total Value
Minnesota Municipal Money Market (4M Fund)	<u>\$ 4,999,942</u>	6.94%

Fair Value Measurements

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard which defines fair value, establishes framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quotes and prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Fair Value Measurements (Continued)

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Negotiable Certificates of Deposit	\$ -	\$ 12,561,268	\$ -	\$ 12,561,268
Federal Home Loan Bank	-	1,327,779	-	1,327,779
Federal National Mortgage Association	-	1,501,680	-	1,501,680
Federal Farm Credit Bank Bond	-	500,375	-	500,375
Municipal Bonds	-	19,205,047	-	19,205,047
Total Investments Measured at Fair Value	\$ -	\$ 35,096,149	\$ -	35,096,149
Investments Measured at Amortized Cost				36,954,051
Total Investments				\$ 72,050,200

NOTE 4 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 10 years. Under the terms of the grant agreement, the City retains the grant repayments. Notes receivable of \$375,378 in the Revolving Loan fund and \$414,034 in the State DEED fund are outstanding at December 31, 2019.

In 2015, the City issued a \$1,288,589 long-term note receivable related to the sale of property to a developer under an abatement agreement. The note shall be payable in semiannual installments as tax abatement revenues are received, commencing on August 1, 2017, and maturing February 1, 2037. A note receivable of \$1,008,954 in the Development Fund is outstanding at December 31, 2019.

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 1%. Notes receivable of \$400,000 in the HRA is outstanding at December 31, 2019.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 NOTES RECEIVABLE (CONTINUED)

In 2015, the HRA issued loans to applicants under the rehabilitation loan program. The terms of each loan vary and are payable over five to 15 years with rates from 1.25% to 3.25%. Notes receivable of \$220,681 in the HRA are outstanding at December 31, 2019.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

PRIMARY GOVERNMENT	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 40,927,633	\$ 18,548	\$ -	\$ 40,946,181
Construction in Progress	-	12,883,985	-	12,883,985
Total Capital Assets, Not Being Depreciated	40,927,633	12,902,533	-	53,830,166
Capital Assets, Being Depreciated:				
Buildings	45,048,097	42,054	(92,224)	44,997,927
Other Improvements	6,557,771	-	-	6,557,771
Equipment	13,849,140	993,972	(544,643)	14,298,469
Infrastructure	70,437,858	2,572,214	(1,893,087)	71,116,985
Total Capital Assets, Being Depreciated	135,892,866	3,608,240	(2,529,954)	136,971,152
Accumulated Depreciation for:				
Buildings	(22,034,934)	(1,380,197)	92,224	(23,322,907)
Other Improvements	(4,248,020)	(244,331)	-	(4,492,351)
Equipment	(9,365,326)	(843,224)	513,382	(9,695,168)
Infrastructure	(46,597,669)	(2,696,939)	1,838,856	(47,455,752)
Total Accumulated Depreciation	(82,245,949)	(5,164,691)	2,444,462	(84,966,178)
Total Capital Assets, Being Depreciated, Net	53,646,917	(1,556,451)	(85,492)	52,004,974
Governmental Activities Capital Assets, Net	<u>\$ 94,574,550</u>	<u>\$ 11,346,082</u>	<u>\$ (85,492)</u>	<u>\$ 105,835,140</u>
PRIMARY GOVERNMENT	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,843,977	\$ -	\$ -	\$ 1,843,977
Construction in Progress	467,470	2,058,365	(1,514,127)	1,011,708
Total Capital Assets, Not Being Depreciated	2,311,447	2,058,365	(1,514,127)	2,855,685
Capital Assets, Being Depreciated:				
Buildings and Improvements	27,345,582	27,066	-	27,372,648
Equipment	11,338,300	545,547	(258,491)	11,625,356
Intangible Assets	23,279,955	834,184	-	24,114,139
Collection and Distribution	129,022,079	1,686,064	(201,642)	130,506,501
Total Capital Assets, Being Depreciated	190,985,916	3,092,861	(460,133)	193,618,644
Accumulated Depreciation for:				
Buildings and Improvements	(9,323,328)	(904,807)	-	(10,228,135)
Equipment	(3,614,497)	(716,531)	221,919	(4,109,109)
Intangible Assets	(165,883)	(668,134)	-	(834,017)
Collection and Distribution	(62,392,784)	(3,939,157)	187,178	(66,144,763)
Total Accumulated Depreciation	(75,496,492)	(6,228,629)	409,097	(81,316,024)
Total Capital Assets, Being Depreciated, Net	115,489,424	(3,135,768)	(51,036)	112,302,620
Business-Type Activities Capital Assets, Net	<u>\$ 117,800,871</u>	<u>\$ (1,077,403)</u>	<u>\$ (1,565,163)</u>	<u>\$ 115,158,305</u>

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 CAPITAL ASSETS (CONTINUED)

COMPONENT UNIT	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 257,100	\$ -	\$ -	\$ 257,100
Capital Assets, Being Depreciated:				
Other Improvements	174,290	-	-	174,290
Accumulated Depreciation for:				
Other Improvements	(70,683)	(11,619)	-	(82,302)
Total Capital Assets, Being Depreciated, Net	<u>103,607</u>	<u>(11,619)</u>	<u>-</u>	<u>91,988</u>
Component Unit Capital Assets, Net	<u>\$ 360,707</u>	<u>\$ (11,619)</u>	<u>\$ -</u>	<u>\$ 349,088</u>

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

Governmental Activities:	
General Government	\$ 154,687
Public Safety	640,384
Public Works	3,326,685
Culture and Recreation	1,042,935
Total Depreciation Expense, Governmental Activities	<u>\$ 5,164,691</u>
Business-Type Activities:	
Electric	\$ 2,856,258
Water	1,147,149
Sewer	1,644,459
Storm Water	457,477
Liquor	123,286
Total Depreciation Expense, Business-Type Activities	<u>\$ 6,228,629</u>
Component Unit:	
Housing and Redevelopment Authority	<u>\$ 11,619</u>

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2019 is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
General	Nonmajor Governmental Funds	\$ 11,674
General	Electric	221,996
General	Water	35,955
Pavement Management	Electric	276,727
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,753,878
Nonmajor Governmental Funds	Electric	1,646
Sewer	Nonmajor Governmental Funds	171,800
Sewer	Electric	180,405
Garbage	Electric	138,531
Storm Water	Electric	43,013
Electric	Sewer	538
Electric	Garbage	1,563
Electric	Storm Water	906
Water	Nonmajor Governmental Funds	128,850
		<u>\$ 2,967,482</u>

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

Due To/From Component Unit

<u>Receivable Entity</u>	<u>Payable Entity</u>	Amount
Primary Government - General Fund	Component Unit - HRA	\$ 17,020
Component Unit - HRA	Nonmajor Governmental Funds	196,105
		<u>\$ 213,125</u>

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 \$196,105 payable to the HRA will be paid with the collection of tax increment revenue and will not be repaid within one year.

Interfund Transfers

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$ 1,891,045	\$ 569,813
Nonmajor Governmental Funds	1,397,893	633,825
Total	<u>\$ 3,288,938</u>	<u>\$ 1,203,638</u>

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Interfund Transfers (Continued)

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Proprietary Funds:		
Municipal Liquor	\$ -	\$ 714,855
Sewer	-	150,000
Garbage	-	48,000
Storm Water	-	15,000
Electric	-	1,157,445
Total	<u>\$ -</u>	<u>\$ 2,085,300</u>

Interfund transfers are used 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.

NOTE 7 LONG-TERM DEBT

A. Components of Long-Term Debt

The City had the following long-term liabilities outstanding at December 31, 2019:

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance - End of Year</u>
PRIMARY GOVERNMENT					
Governmental Activities:					
General Obligation Bonds Payable:					
G.O. Capital Improvement Bonds 2010A	04/21/10	02/01/23	\$ 6,105,000	2.00-4.00%	\$ 2,140,000
G.O. Capital Improvement Bonds 2012A	03/15/12	02/01/33	6,975,000	1.00-2.50%	5,160,000
EDA G.O. Refunding Bonds 2013A	02/12/13	02/01/33	9,685,000	2.00-3.00%	8,665,000
G.O. Sales Tax Revenue Bonds, Series 2019A	09/19/19	12/01/44	32,715,000	2.50-5.00%	<u>32,715,000</u>
Total General Obligation Bonds					48,680,000
Unamortized Bond Premiums					3,511,113
Compensated Absences					1,607,604
Total Governmental Activities					<u>\$ 53,798,717</u>

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

	Issue Date	Final Maturity Date	Original Issue	Interest Rate	Balance - End of Year
Business-Type Activities:					
General Obligation Revenue Bonds:					
G.O. Water Revenue Refunding					
Bonds 2008A	02/20/08	02/01/22	\$ 3,085,000	2.75-3.65%	\$ 780,000
G.O. Capital Improvement Bonds 2010A	04/21/10	08/01/23	1,265,000	2.00-4.00%	455,000
G.O. Sewer Revenue Bonds 2014B	08/21/14	02/01/35	2,620,000	2.00-3.00%	8,360,000
Total General Obligation Revenue Bonds					<u>9,595,000</u>
Revenue Bonds					
Electric Revenue Bonds, Series 2016A	07/14/16	02/01/36	9,755,000	2.00-4.00%	9,345,000
Electric Revenue Refunding Bonds 2016B	07/14/16	02/01/22	1,370,000	2.00-4.00%	705,000
Electric Revenue Bonds, Series 2018A	09/26/18	08/01/48	10,000,000	3.50-5.00%	9,775,000
Total Revenue Bonds					<u>19,825,000</u>
Total Bonds					29,420,000
Unamortized Bond Premiums					818,036
Notes Payable					619,692
Compensated Absences					491,365
Total Business-Type Activities					<u>\$ 31,349,093</u>

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

The general obligation bonds were used to construct a recreation facility, a public safety facility, and a public works facility. The recreation facility is leased to the YMCA, which has pledged to pay one-third of the bonds outstanding. The bonds are general obligations of the City and are backed by its full faith and credit.

In 2019, the City issued \$32,715,000 G.O. Sales Tax Revenue Bonds, Series 2019A. The bonds are general obligations of the City for which it pledges its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge a sales and use tax of 0.50% for repayment of the Bonds. The bonds bear coupon rates ranging from 2.5% to 5.0% and will be used to finance the acquisition and betterment of certain recreational facility improvements, park improvements, trail improvements, and dredging of Lake Orono.

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 28% and 13% of revenues from the Sewer and Water funds, respectively.

The revenue bonds were issued to finance the acquisition and construction of major capital facilities and are to be repaid from future revenues pledged from the Electric fund. Annual principal and interest payment on the bonds required about 4% of revenues from the Electric fund.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Debt (Continued)

Revenues Pledged:

Landfill Generator Note: 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.

The City's outstanding note from direct borrowings related to governmental activities contain provisions that in an event of default, the note may be come due in full immediately.

B. Changes in Long-Term Debt

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities:					
General Obligation Bonds	\$ 17,280,000	\$ -	\$ (1,315,000)	\$ 15,965,000	\$ 1,350,000
General Obligation Sales Tax					
Revenue Bonds	-	32,715,000	-	32,715,000	550,000
Unamortized Bond Premiums	352,016	3,234,515	(75,418)	3,511,113	-
Total Bonds Payable	17,632,016	35,949,515	(1,390,418)	52,191,113	1,900,000
Compensated Absences	1,579,967	645,048	(617,411)	1,607,604	644,219
Total Governmental Activities	19,211,983	36,594,563	(2,007,829)	53,798,717	2,544,219
Business-Type Activities:					
General Obligation Revenue Bonds	10,355,000	-	(760,000)	9,595,000	785,000
Revenue Bonds	20,685,000	-	(860,000)	19,825,000	840,000
Unamortized Bond Premiums	870,336	-	(52,300)	818,036	-
Total Bonds Payable	31,910,336	-	(1,672,300)	30,238,036	1,625,000
Note from Direct Borrowing - Generator Note	820,608	-	(200,916)	619,692	203,952
Compensated Absences	504,447	234,099	(247,181)	491,365	446,005
Total Business-Type Activities	33,235,391	234,099	(2,120,397)	31,349,093	2,274,957
Total Primary Government	\$ 52,447,374	\$ 36,828,662	\$ (4,128,226)	\$ 85,147,810	\$ 4,819,176

C. Future Minimum Debt Payments

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

Year Ending December 31,	Primary Government - Governmental Activities			
	G.O. Bonds		G.O. Sales Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 1,350,000	\$ 388,863	\$ 550,000	\$ 1,367,205
2021	1,390,000	351,163	805,000	1,111,837
2022	1,430,000	312,262	845,000	1,071,588
2023	1,470,000	272,162	890,000	1,029,337
2024	925,000	242,563	935,000	984,838
2025-2029	4,940,000	906,488	5,440,000	4,171,187
2030-2034	4,460,000	252,319	6,680,000	2,915,038
2035-2039	-	-	7,755,000	1,838,244
2040-2044	-	-	8,815,000	782,400
Total	\$ 15,965,000	\$ 2,725,820	\$ 32,715,000	\$ 15,271,674

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 LONG-TERM DEBT (CONTINUED)

C. Future Minimum Debt Payments (Continued)

Year Ending December 31.	Primary Government - Business-Type Activities					
	G.O. Revenue Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 785,000	\$ 278,803	\$ 840,000	\$ 652,431	\$ 203,952	\$ -
2021	810,000	256,875	865,000	621,431	206,616	-
2022	835,000	233,933	900,000	589,081	209,124	-
2023	580,000	214,016	680,000	560,531	-	-
2024	465,000	200,018	705,000	535,906	-	-
2025-2029	2,520,000	801,013	3,905,000	2,320,556	-	-
2030-2034	2,945,000	371,337	4,515,000	1,711,981	-	-
2035-2039	655,000	11,463	3,160,000	1,016,081	-	-
2040-2044	-	-	2,200,000	611,656	-	-
2045-2049	-	-	2,055,000	189,589	-	-
Total	<u>\$ 9,595,000</u>	<u>\$ 2,367,458</u>	<u>\$ 19,825,000</u>	<u>\$ 8,809,243</u>	<u>\$ 619,692</u>	<u>\$ -</u>

NOTE 8 FUND BALANCES

At December 31, 2019, a summary of the governmental fund balance classifications is as follows:

	General Fund	Active ER Projects	Pavement Management	Other Governmental Funds	Total
Nonspendable					
Prepaid Items	\$ 187,305	\$ -	\$ -	\$ 62,017	\$ 249,322
Restricted for:					
Debt Service	\$ -	\$ -	\$ -	\$ 2,206,522	\$ 2,206,522
Park and Recreation Improvements	-	24,554,769	-	386,424	24,941,193
Landfill Mitigation	-	-	-	47,334	47,334
Economic Development	-	-	-	1,319,263	1,319,263
Law Enforcement	-	-	-	34,368	34,368
Total Restricted	<u>\$ -</u>	<u>\$ 24,554,769</u>	<u>\$ -</u>	<u>\$ 3,993,911</u>	<u>\$ 28,548,680</u>
Committed for:					
Library Operations	\$ -	\$ -	\$ -	\$ 420,691	\$ 420,691
Ice Arena	-	-	-	584,881	584,881
Economic Development	-	-	-	4,876,393	4,876,393
Insurance Reserve	-	-	-	46,776	46,776
Street Improvements	-	-	4,253,959	-	4,253,959
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,253,959</u>	<u>\$ 5,928,741</u>	<u>\$ 10,182,700</u>
Assigned for:					
Landfill Mitigation	\$ -	\$ -	\$ -	\$ 947,217	\$ 947,217
Law Enforcement	-	-	-	3,687	3,687
Economic Development	-	-	-	619,645	619,645
Capital Equipment	-	-	-	1,582,971	1,582,971
Building Construction/Improvements	-	-	-	2,695,583	2,695,583
Street Improvements	-	-	-	787,544	787,544
Other Improvement Projects	-	-	-	6,398,880	6,398,880
Park Improvements	-	-	-	142,050	142,050
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,177,577</u>	<u>\$ 13,177,577</u>

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

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

1. General Employees Retirement Fund (GERF)

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

2. Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits Provided

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

1. GERF Benefits

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

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

B. Benefits Provided (Continued)

1. GERF Benefits (Continued)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50.0% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. PEPFF Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50.0% after five years up to 100.0% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50.0% after 10 years up to 100.0% after 20 years of credited service. The annuity accrual rate is 3.0% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1.0%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50% for Coordinated Plan members. The City and HRA contributions to the General Employees Fund for the year ended December 31, 2019, were \$753,933 and \$5,040, respectively. Both the City and HRA contributions were equal to the required contributions as set by state statute.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

C. Contributions (Continued)

2. PEPFF Contributions

Police and Fire member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$631,494. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2019, the City and HRA reported liabilities of \$7,977,792 and \$55,520, respectively, for their proportionate shares of the GERF's net pension liability. The City and HRA net pension liabilities reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund during PERA's fiscal year ending June 30, 2019. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City and HRA totaled \$247,930 and \$1,725, respectively. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City and HRA proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the City and HRA's combined proportion share was 0.1453%, which was the same as its combined proportion measured as of June 30, 2018.

<u>Description</u>	<u>Amount</u>
City's Proportionate Share of the GERF Net Pension Liability	\$ 7,977,792
HRA's Proportionate Share of the GERF Net Pension Liability	55,520
State's Proportionate Share of the GERF Net Pension Liability Associated with the City and HRA	<u>249,655</u>
Total	<u><u>\$ 8,282,967</u></u>

For the year ended December 31, 2019, the City and HRA recognized pension expense of \$997,895 and \$6,381, respectively, for their proportionate shares of the GERF's pension expense. In addition, the City and HRA recognized an additional \$18,568 and \$129, respectively, as pension expense (and grant revenue) for their proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund during the City's fiscal year ended December 31, 2019.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs (Continued)

1. GERS Pension Costs (Continued)

At December 31, 2019, the City reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 231,839	\$ 1,403
Changes in Actuarial Assumptions	4,266	638,392
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	823,096
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	162,714	226,862
City Contributions Subsequent to the Measurement Date	394,900	-
Total	<u>\$ 793,719</u>	<u>\$ 1,689,753</u>

A total of \$394,900 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (407,197)
2021	(750,741)
2022	(145,860)
2023	12,864

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

At December 31, 2019, the HRA reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 1,538	\$ -
Changes in Actuarial Assumptions	-	4,363
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	5,626
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	1,241	1,770
HRA Contributions Subsequent to the Measurement Date	2,754	-
Total	<u>\$ 5,533</u>	<u>\$ 11,759</u>

A total of \$2,754 reported as deferred outflows of resources related to pensions resulting from HRA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (2,907)
2021	(5,201)
2022	(960)
2023	88

2. PEPFF Pension Costs

At December 31, 2019, the City reported a liability of \$3,380,110 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.3175% which was an increase of 0.0130% to its proportion measured as of June 30, 2018. The City also recognized \$42,862 for the year ended December 31,

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs (Continued)

2. PEPFF Pension Costs (Continued)

2019 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota’s on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$802,612 for its proportionate share of the Police and Fire Plan’s pension expense.

At December 31, 2019, the City reported its proportionate share of the PEPFF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 143,516	\$ 514,489
Changes in Actuarial Assumptions	2,804,954	3,794,824
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	703,997
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	478,419	116,281
City Contributions Subsequent to the Measurement Date	312,468	-
Total	<u>\$ 3,739,357</u>	<u>\$ 5,129,591</u>

A total of \$312,468 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (82,109)
2021	(344,552)
2022	(1,314,793)
2023	4,837
2024	33,915

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs (Continued)

3. Total Pension Expense

For year ended December 31, 2019, the City and HRA recognized total pension expenses of \$2,641,823 and \$6,510, respectively, for their proportionate shares of the pension expense for all of the plans in which they participate.

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

E. Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.5 %	5.10 %
International Equity	17.5	5.90
Fixed Income	20.0	0.75
Private Markets	25.0	5.90
Cash Equivalents	2.0	-
Total	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

GERF PENSION LIABILITY	One Percent Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	One Percent Increase in Discount Rate (8.50%)
<u>Description</u>			
City's Proportionate Share of the GERF Net Pension Liability	<u>\$ 13,115,086</u>	<u>\$ 7,977,792</u>	<u>\$ 3,735,963</u>
HRA's Proportionate Share of the GERF Net Pension Liability	<u>\$ 91,245</u>	<u>\$ 55,520</u>	<u>\$ 25,992</u>

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

G. Pension Liability Sensitivity (Continued)

PEPFF PENSION LIABILITY	One Percent Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	One Percent Increase in Discount Rate (8.50%)
<u>Description</u>			
City's Proportionate Share of the PEPFF Net Pension Liability	<u>\$ 7,388,289</u>	<u>\$ 3,380,110</u>	<u>\$ 65</u>

H. Pension Plan Fiduciary Net Position

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

NOTE 10 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% of salary which is matched by the elected official's employer.

Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (0.25%) of the assets in each member's account annually.

Total contributions made by the City of Elk River during fiscal year 2019 were:

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

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION

A. Plan Description

All members of the Elk River Fire Department (the Department) are covered by a defined benefit plan administered by the Elk River Fire Department Relief Association (the Association). As of December 31, 2018, the plan covered 43 active fire fighters and 6 vested terminated firefighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, Chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

B. Benefits Provided

Twenty-Year Service Pension

Each member who is at least 50 years of age; has retired from the Fire Department of the City of Elk River; has served at least 20 years of active service with such department before retirement; and, has been a member of the Association in good standing for at least five years prior to such retirement; shall be entitled to a lump sum service pension in the amount of \$7,120 for each year of service.

Less Than Twenty-Year Service Pension

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

C. Contributions

Minnesota Statutes, Chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary City contributions (if applicable). The state of Minnesota contributed \$189,502 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2019, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2019 was \$-0- but the City voluntarily contributed \$30,000.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

D. Pension Costs

At December 31, 2019, the City reported a net pension asset of \$205,427 for the plan. The net pension liability (asset) was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by an actuary applying an actuarial formula to specific census data certified by the Department as of December 31, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$822,748.

At December 31, 2019, the City reported deferred outflows of resources, including its contributions subsequent to the measurement date, related to pension from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Actuarial Assumptions	\$ 186,060	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	228,434	-
Differences Between Expected and Actual Economic Experience	-	115,462
City Contributions Subsequent to the Measurement Date	30,000	-
Total	<u>\$ 444,494</u>	<u>\$ 115,462</u>

Deferred outflows of resources totaling \$30,000 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Expense Amount</u>
2020	\$ 113,003
2021	49,438
2022	61,169
2023	101,380
2024	(11,372)
Thereafter	(14,586)

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions

The total pension liability at December 31, 2018 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility

Age 50 or After 20 Years of Service

If both age 50, and minimum 10 year of service but not 20 years, pension reduced 4% for each year less than 20 years.

Discount Rate	5.25 %
Expected Long-term Investment Return	5.25 %
20-Year Municipal Bond Yield	3.71 %
Projected Salary Increases	N/A
Includes Inflation at	2.50 %
Cost-of-Living Adjustment	None
Age of Service Retirement	50

The demographic assumption of mortality is based on the rates use in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation as described below.

Healthy Pre-retirement: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2017, from a base year of 2006.

Healthy Post-retirement: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2017, from a base year of 2006. Male rates are adjusted by a factor of 0.96.

Disabled: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2017, from a base year of 2006. Male rates are adjusted by a factor of 0.96.

The 5.25% long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Allocation at Measurement Date</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	43.00 %	4.95 %
International Equity	9.00	5.24
Fixed Income	26.00	1.99
Real Estate and Alternatives	4.00	4.19
Cash and Equivalents	18.00	0.58
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 5.25%. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

<u>Description</u>	<u>One Percent Decrease in Discount Rate (4.25%)</u>	<u>Current Discount Rate (5.25%)</u>	<u>One Percent Increase in Discount Rate (6.25%)</u>
Defined Benefit Plan	<u>\$ (127,291)</u>	<u>\$ (205,427)</u>	<u>\$ (281,626)</u>

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

H. Pension Plan Fiduciary Net Position

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

Information about the changes in the plan's net pension liability (asset) is as follows:

	2019
Total Pension Liability	
Service Cost	\$ 107,610
Interest	146,432
Assumption Changes	39,541
Plan Changes	645,281
Differences Between Expected and Actual	
Experience	(14,808)
Gain or Loss	-
Benefit Payments	(334,581)
Other Changes	-
Net Change in Total Pension Liability	589,475
Total Pension Liability - Beginning	2,606,316
Total Pension Liability - Ending (a)	\$ 3,195,791
 Fiduciary Net Position	
Municipal Contributions	\$ 30,000
State Contributions	189,502
Net Investment Income	62,812
Net Gain or Loss on Investments	(287,692)
Benefit Payments	(334,581)
Administrative Expenses	(11,861)
Other Changes	-
Net Change in Fiduciary Net Position	(351,820)
Fiduciary Net Position - Beginning	3,753,038
Fiduciary Net Position - Ending (b)	\$ 3,401,218
 Association's Net Position Liability/ (Asset) - Ending (a) - (b)	\$ (205,427)

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

The City provides other postemployment health insurance benefits for retired employees through two defined benefit plans: Municipal Retirees Health Plan (MRHP), a single-employer plan, and Utilities Retirees Health Plan (URHP), a multiemployer 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 the URHP do not issue publicly available financial reports.

At December 31, 2019, the following employees were covered by the benefit terms:

	Municipal Retiree Health Plan	Utility Retiree Health Plan
Active Plan Members	124	39
Active Plan Members Waiving Coverage	29	9
Inactive Members or Beneficiaries Receiving Benefits	11	-
Inactive Members Waiving Benefits	-	-
Total Plan Members	164	48

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.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

C. Total OPEB Liability

The City's (MRHP) total OPEB liability was measured as of January 1, 2019, and the Utilities total OPEB liability was measured as of December 31, 2019.

The total OPEB liability in the January 1, 2019 actuarial valuations of the City and the Utilities were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	<u>City of Elk River</u>	<u>Elk River Municipal Utilities</u>
<u>Valuation Date:</u>	January 1, 2019	January 1, 2019
<u>Measurement Date:</u>	January 1, 2019	December 31, 2019
<u>Methods and Assumptions Used to Determine the Contribution Rates:</u>		
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Amortization Period	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Inflation	2.50%	2.50%
Healthcare cost trend rate	6.50% as of January 1, 2019 grading to 5.00% over 6 years.	6.40% for 2019, grading to 4.00% in 2076 and later years .
Salary increases	3.00%	Salary scale updated to the rates used in the July 1, 2018 PERA of Minnesota Retirement Plan actuarial valuation to reflect recently-published tables.
Discount rate	3.80%	3.71%
Mortality	RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)	RP-2014 Mortality Tables with projected mortality improvements based on scale MP-2017, and other adjustments.

The discount rates used to measure the total OPEB liability of the City and Utilities were 3.80% and 3.71%, respectively. The actuarial assumption used in the January 1, 2019 valuations were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

No assets were placed in a trust for the payment of OPEB.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

D. Changes in the Total OPEB Liability

	Municipal Retiree Health Plan	Utility Retiree Health Plan
Balance - December 31, 2018	\$ 916,510	\$ 100,572
Changes for the Year:		
Service Cost	44,470	12,750
Interest	31,024	3,751
Differences Between Expected and Actual Experience	(87,455)	(3,832)
Contributions - Employer	-	-
Net Investment Income	-	-
Benefit Payments	(42,048)	-
Changes in Assumptions	<u>(27,862)</u>	<u>104,531</u>
Net Changes	<u>(81,871)</u>	<u>117,200</u>
Balance - December 31, 2019	<u>\$ 834,639</u>	<u>\$ 217,772</u>

The following changes in assumptions and plan provisions occurred between the current and prior valuations:

City - MRHP

- The discount rate was changed from 3.30% to 3.80%.
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for Police and Fire Personnel were updated.

Utility - URHP

- The discount rate was changed from 3.31% to 3.71%.
- Mortality, withdrawal and salary scale updated to the rates used in the July 1, 2018 PERA of Minnesota Retirement Plan actuarial valuation to reflect recently published tables.
- Medical per capital claims costs were updated to reflect recent experience.
- The assumed retirement age was updated from 60 to 57 to reflect recent experience.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- Health care trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

E. Sensitivity of Total OPEB Liability

The following presents the total OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	One Percent Decrease (2.80%)	Discount Rate (3.80%)	One Percent Increase (4.80%)
City Total Opeb Liability (Asset)	<u>\$ 895,616</u>	<u>\$ 834,639</u>	<u>\$ 777,882</u>
	One Percent Decrease (2.71%)	Discount Rate (3.71%)	One Percent Increase (4.71%)
Utility Total OPEB Liability (Asset)	<u>\$ 237,862</u>	<u>\$ 217,772</u>	<u>\$ 199,558</u>

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	One Percent Decrease (5.50%) Decreasing to 4.00%)	Healthcare Cost Trend Rates (6.50%) Decreasing to 5.00%)	One Percent Increase (7.50%) Decreasing to 6.00%)
City Total OPEB Liability (Asset)	<u>\$ 758,823</u>	<u>\$ 834,639</u>	<u>\$ 922,753</u>
	One Percent Decrease (5.40%) Decreasing to 3.00%)	Healthcare Cost Trend Rates (6.40%) Decreasing to 4.00%)	One Percent Increase (7.40%) Decreasing to 5.00%)
Utility Total OPEB Liability (Asset)	<u>\$ 194,867</u>	<u>\$ 217,772</u>	<u>\$ 244,554</u>

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the City and Utilities recognized total OPEB expense of \$176,219. At December 31, 2019, the Utilities did not report any deferred outflow of resources and deferred inflows of resources related to OPEB. At December 31, 2019, the City reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

	City of Elk River	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ -	\$ 23,881
Gain or Loss	-	74,961
Contributions Subsequent Measurement Date	51,790	-
Total	\$ 51,790	\$ 98,842

A total of \$51,790 reported as deferred outflows or resources related to OPEB resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in OPEB expense as follows:

Year Ending December 31,	OPEB Expense Amount
2020	\$ (16,475)
2021	(16,475)
2022	(16,475)
2023	(16,475)
2024	(16,474)
Thereafter	(16,468)
Total	\$ (98,842)

NOTE 13 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.

CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 13 OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

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

B. Contingent Liabilities

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

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

C. Territorial Acquisition Agreement

In 1991, the Utilities entered into a 20-year agreement to transfer ownership of electric plant and electric service to customers in certain areas receiving electric service from Anoka Electric Cooperative, Inc. (AEC). In 2010 the Utility completed the final purchase under this agreement.

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

In addition, the Utilities will compensate AEC for the loss of revenue from the future sale of electricity to electric customers in the areas acquired from AEC for a period of 10 years from the date of sale of each individual area.

The Utilities paid \$-0- in 2019 for loss of revenues under this agreement. All amounts paid are included in property and equipment.

In 2015, the Utilities entered into an agreement to transfer ownership of electric plant and electric service to customers in eight designated areas receiving service from Connexus Energy. Specific payment terms have been negotiated for five years, and if any of the eight areas are not acquired within this timeframe, the payment terms may be renegotiated. In 2019, the Utilities acquired the final service areas.

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

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 13 OTHER INFORMATION (CONTINUED)

C. Territorial Acquisition Agreement (Continued)

The Utilities acquired designated service area one in 2015 for \$877,807, service area two in 2016 for \$663,586, service areas three and four in 2017 for \$276,776, service areas five and six in 2018 for \$298,736 and service areas seven and eight in 2019 for \$78,457. The loss of revenue payments made were \$411,157 in 2017, \$570,725 in 2018, \$751,860 in 2019, and \$834,185 in 2020. All amounts paid are included in property and equipment, and loss of revenue payments are included in intangible assets.

D. Conduit Debt Obligations

From time-to-time, the City has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial, multi-family and educational facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payment received from the benefited entity. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2019, there were two series of revenue bonds outstanding, with an aggregate principal payable amount of \$5,045,000.

E. Commitments

The Utilities entered into an agreement in 2007 with Central Minnesota Municipal Power Agency (CMMPA) to acquire an interest in the CAPX Initiative Brookings Project, a power transmission line in Minnesota. The project is a 250-mile, 345 kV AC transmission line with a rating of 2,300 MW, between Brookings, South Dakota, and the Southeast Twin Cities. In 2011 there was increased opportunity for investment, and subsequent agreements provide the Utilities with an ownership share of \$5.6 million or 18.89%. The return on this investment through CMMPA is designed to provide approximately \$124,000 annually over the 40-year project life. To ensure bond payment obligations, cash distributions for 2019 were curtailed. In 2018, the principal bond payment increased approximately by \$700K. This increase remains in effect through 2020. In 2021, the bond payment drops nearly \$1M. A contributing factor in participant cash distributions in 2019 is under recovery. The projected under recovery in 2019 is estimated to be \$203K. The bond obligations are satisfied first, distribution to participants is directly affected by under recovery. The under recovery is rolled forward under the true up. However, the under recovery in 2019 (approximately \$203K) would be included in the revenue requirements in 2021. The transmission payments for 2019 were \$46,021, all of which was a receivable at December 31, 2019.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 13 OTHER INFORMATION (CONTINUED)

F. Joint Ventures

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

G. Segment Information

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

NOTE 14 TAX ABATEMENTS

The City of Elk River has established a tax abatement program pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815. As part of the City's program the City enters into agreements through the use of tax increment financing districts under Minnesota Statutes Section 469.174 to 469.179 (the Tax Increment Act). Under these statutes the City annually abates taxes collected above the district's base tax capacity which is established during adoption of the tax increment district. These agreements are established to foster economic development and redevelopment through creating jobs, removing blight and providing affordable housing.

For fiscal year ending December 31, 2019, the City has two agreements established under Minnesota Statutes Section 469.174 to 469.179 which resulted in property taxes totaling \$250,266 being abated. Individual abatement payments which constituted more than 1% of the City's 2019 tax levy include:

- A pay-as-you-go note resulting in an abatement amount of \$142,544, for a financial institution.
- A pay-as-you-go note resulting in an abatement amount of \$107,722 for an industrial developer.

As part of the City's tax abatement program, the City also enters into agreements with local businesses in the form of business subsidy agreements established under Minnesota Statutes Section 116J.993 through 116J.995. These agreements must meet a public purpose which may include, but may not be limited to, increasing the tax base.

**CITY OF ELK RIVER
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 14 TAX ABATEMENTS (CONTINUED)

In 2019 the City of Elk River had eight business subsidy agreements in place which resulted in property taxes totaling \$160,265 being abated. Individual agreements which result in taxes abated in excess of 1% of the City's total tax levy would be disclosed individually. There were no such payments made in 2019 in excess of this amount.

NOTE 15 SUBSEQUENT EVENT

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness, shortages of personnel. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ELK RIVER
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND
RELATED RATIOS – MUNICIPAL RETIREES HEALTH PLAN
DECEMBER 31, 2019**

	2019	2018
Total OPEB Liability:		
Service Cost	\$ 44,470	\$ 58,939
Interest	31,024	30,051
Changes in Benefit Terms	-	-
Changes in Assumptions	(27,862)	-
Differences Between Expected and Actual Experience	(87,455)	-
Benefit Payments	(42,048)	(47,958)
Net Change in Total OPEB Liability	(81,871)	41,032
Total OPEB Liability - Beginning	916,510	875,478
Total OPEB Liability - Ending	\$ 834,639	\$ 916,510
Total OPEB Liability	\$ 834,639	\$ 916,510
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%
Covered Employee Payroll	\$ 9,076,855	\$ 8,658,239
City's Total OPEB Liability as a Percentage of the Covered Employee Payroll	9.20%	10.59%

Note: The City implemented GASB Statement No. 75 in fiscal year 2018. The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 and is intended to show a ten-year trend. Additional years will be reported as they become available.

Valuation Date: January 1, 2019

Measurement Date: January 1, 2019

Methods and Assumptions Used to Determine the Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Amortization Period	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Inflation:	2.50%
Healthcare cost trend rate	6.50% as of January 1, 2019 grading to 5.00% over 6 years.
Salary increases	3.00%
Discount rate	3.80%
Mortality	RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel)

- No assets were placed in a trust for the payment of OPEB.

**CITY OF ELK RIVER
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND
RELATED RATIOS – MUNICIPAL RETIREES HEALTH PLAN (CONTINUED)
DECEMBER 31, 2019**

Changes in Benefits and Assumptions

2019:

Changes in Benefit Terms:

- There were no significant changes in benefit terms.

Changes in Assumptions

- The discount rate was changed from 3.30% to 3.80%.
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for Police and Fire Personnel were updated.

2018:

Changes in Benefit Terms:

- There were no significant changes in benefit terms.

Changes in Assumptions

- The discount rate was changed from 3.50% to 3.30%.

**CITY OF ELK RIVER
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND
RELATED RATIOS – UTILITIES RETIREES HEALTH PLAN
DECEMBER 31, 2019**

	2019	2018
Total OPEB Liability:		
Service Cost	\$ 12,750	\$ 11,084
Interest	3,751	3,526
Changes in Assumptions	104,531	4,509
Differences Between Expected and Actual Experience	(3,832)	-
Net Change in Total OPEB Liability	117,200	19,119
Total OPEB Liability - Beginning	100,572	81,453
Total OPEB Liability - Ending	\$ 217,772	\$ 100,572
Total OPEB Liability	\$ 217,772	\$ 100,572
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%
Covered Employee Payroll	\$ 3,547,495	\$ 3,584,096
City's Total OPEB Liability as a Percentage of the Covered Employee Payroll	6.14%	2.81%

Note: The Utilities implemented GASB Statement No. 75 in fiscal year 2018. The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 and is intended to show a ten-year trend. Additional years will be reported as they become available.

Valuation Date: January 1, 2019
Measurement Date: December 31, 2019

Methods and Assumptions Used to Determine the Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Amortization Period	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Inflation:	2.50%
Healthcare cost trend rate	6.40% as of January 1, 2019, gradually decreasing over several decades to an ultimate rate of 4.00% in 2076 and later years.
Salary increases and Mortality	Mortality, withdrawal and salary scale updated to the rates used in the July 1, 2018 PERA of Minnesota Retirement Plan actuarial valuation to reflect recently-published tables.
Discount rate	3.71%

- No assets were placed in a trust for the payment of OPEB.

**CITY OF ELK RIVER
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND
RELATED RATIOS – UTILITIES RETIREES HEALTH PLAN (CONTINUED)
DECEMBER 31, 2019**

Changes in Benefits and Assumptions

2019:

Changes in Benefit Terms:

- There were no significant changes in benefit terms.

Changes in Assumptions

- The discount rate was changed from 3.31% to 3.71%.
- Mortality, withdrawal and salary scale updated to the rates used in the July 1, 2018 PERA of Minnesota Retirement Plan actuarial valuation to reflect recently-published tables.
- Medical per capital claims costs were updated to reflect recent experience.
- The assumed retirement age was updated from 60 to 57 to reflect recent experience.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- Health care trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

2018:

Changes in Benefit Terms:

- There were no significant changes in benefit terms.

Changes in Assumptions

- The discount rate was changed from 3.81% to 3.31%.

**CITY OF ELK RIVER
PERA SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
DECEMBER 31, 2019**

Primary Government:

**GERF Schedule of the City's Proportionate Share of the Net Pension Liability
Last Six Fiscal Years***

	Measurement Date					
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
City's Proportion of the Net Pension Liability	0.1443%	0.1444%	0.1515%	0.1435%	0.1438%	15.8700%
City's Proportionate Share of the Net Pension Liability	\$ 7,977,792	\$ 8,060,648	\$ 9,611,075	\$ 11,651,488	\$ 7,452,462	\$ 7,454,930
State's Proportionate Share of the Net Pension Liability Associated with the City	247,930	261,004	120,624	152,173	-	-
Total Net Pension Liability Associated with the City	8,225,722	8,321,652	9,731,699	11,803,661	7,452,462	7,454,930
City's Covered Payroll	\$ 10,216,960	\$ 9,702,980	\$ 9,695,118	\$ 8,902,000	\$ 8,712,032	\$ 8,332,262
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	78.08%	83.07%	99.13%	130.89%	85.54%	89.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	79.50%	75.90%	68.90%	78.20%	78.70%

* The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

**PEPFF Schedule of the City's Proportionate Share of the Net Pension Liability
Last Six Fiscal Years***

	Measurement Date					
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
City's Proportion of the Net Pension Liability	0.3175%	0.3045%	0.3140%	0.3060%	0.3040%	0.2990%
City's Proportionate Share of the Net Pension Liability	\$ 3,380,110	\$ 3,245,656	\$ 4,239,374	\$ 12,280,312	\$ 3,454,151	\$ 3,229,323
State's Proportionate Share of the Net Pension Liability Associated with the City	-	-	43,337	53,870	-	-
Total Net Pension Liability Associated with the City	3,380,110	3,245,656	4,282,711	12,334,182	3,454,151	3,229,323
City's Covered Payroll	\$ 3,352,444	\$ 3,220,233	\$ 3,211,726	\$ 2,952,673	\$ 2,788,952	\$ 2,440,932
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	100.83%	100.79%	132.00%	415.90%	123.85%	132.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.30%	88.80%	85.40%	63.90%	86.60%	87.10%

* The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

**CITY OF ELK RIVER
PERA SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (CONTINUED)
DECEMBER 31, 2019**

Component Unit:
GERF Schedule of the HRA's Proportionate Share of the Net Pension Liability
Last Six Fiscal Years*

	Measurement Date					
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
HRA's Proportion of the Net Pension Liability	0.0010%	0.0009%	0.0010%	0.0009%	0.0009%	0.0010%
HRA's Proportionate Share of the Net Pension Liability	\$ 55,520	\$ 51,835	\$ 60,586	\$ 73,404	\$ 46,951	\$ 46,966
State's Proportionate Share of the Net Pension Liability Associated with the HRA	1,725	1,698	1,170	959	-	-
Total Net Pension Liability Associated with the HRA	57,245	53,533	61,756	74,363	46,951	46,966
HRA's Covered Payroll	\$ 66,193	\$ 62,892	\$ 61,433	\$ 56,083	\$ 54,886	\$ 52,493
HRA's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	83.88%	82.42%	98.62%	130.88%	85.54%	89.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	79.50%	75.90%	68.90%	78.20%	78.70%

* The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

**CITY OF ELK RIVER
NOTES TO PERA SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2019**

NOTES TO PERA SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

The following changes in plan provisions and actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Police and Fire Fund

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

**CITY OF ELK RIVER
NOTES TO PERA SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2019**

The following changes in plan provisions and actuarial assumptions occurred in 2017:

General Employees Fund

- The State's special funding contribution increased from \$6 million to \$16 million.
- The Combined Service Annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA loads are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.

**CITY OF ELK RIVER
NOTES TO PERA SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2019**

- The assumed postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The Single Discount Rate was changed from 5.60% per annum to 7.50% per annum.

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**CITY OF ELK RIVER
PERA SCHEDULE OF CITY CONTRIBUTIONS
DECEMBER 31, 2019**

**Primary Government:
GERF Schedule of City Contributions
Last Six Fiscal Years**

	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 753,933	\$ 736,804	\$ 706,711	\$ 690,811	\$ 668,633	\$ 615,331
Contributions in Relation to the Statutorily Required Contribution	(753,933)	(736,804)	(706,711)	(690,811)	(668,633)	(615,331)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 10,052,440	\$ 9,824,053	\$ 9,422,813	\$ 9,210,813	\$ 8,915,107	\$ 8,487,324
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%

* The Amounts Presented for Each Fiscal Year were Determined as of 12/31.

**PEPFF Schedule of City Contributions
Last Six Fiscal Years***

	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 631,494	\$ 533,296	\$ 508,774	\$ 495,478	\$ 478,192	\$ 418,280
Contributions in Relation to the Statutorily Required Contribution	(631,494)	(533,296)	(508,774)	(495,478)	(478,192)	(418,280)
Contribution Deficiency (Excess)	<u>\$ -</u>					
City's Covered Payroll	\$ 3,725,628	\$ 3,291,951	\$ 3,140,580	\$ 3,058,506	\$ 2,951,802	\$ 2,581,975
Contributions as a Percentage of Covered Payroll	16.95%	16.20%	16.20%	16.20%	16.20%	16.20%

* The Amounts Presented for Each Fiscal Year were Determined as of 12/31.

**Component Unit:
GERF Schedule of HRA Contributions
Last Six Fiscal Years**

	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 5,040	\$ 4,810	\$ 4,494	\$ 4,352	\$ 4,212	\$ 3,877
Contributions in Relation to the Statutorily Required Contribution	(5,040)	(4,810)	(4,494)	(4,352)	(4,212)	(3,877)
Contribution Deficiency (Excess)	<u>\$ -</u>					
HRA's Covered Payroll	\$ 67,200	\$ 64,133	\$ 59,920	\$ 58,027	\$ 56,160	\$ 53,476
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%

* The Amounts Presented for Each Fiscal Year were Determined as of 12/31.

CITY OF ELK RIVER
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2019

	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 107,610	\$ 101,600	\$ 107,095	\$ 99,459	\$ 93,312
Interest	146,432	146,894	142,222	127,413	126,522
Differences Between Expected and Actual Experience	(14,808)	-	(147,992)	-	-
Changes of Assumptions	39,541	11,196	-	297,706	-
Changes of Benefit Terms	645,281	-	55,532	-	62,318
Benefit Payments, Including Member Contribution Refunds	(334,581)	-	(147,015)	(423,760)	-
Other Changes	-	-	-	-	-
Net Change in Total Pension Liability	589,475	259,690	9,842	100,818	282,152
Total Pension Liability - Beginning	2,606,316	2,346,626	2,336,784	2,235,966	1,953,814
Total Pension Liability - Ending (a)	3,195,791	2,606,316	2,346,626	2,336,784	2,235,966
Plan Fiduciary Net Position					
Municipal Contributions	30,000	30,000	30,000	30,000	30,000
State Contributions	189,502	182,297	179,192	177,826	164,825
Net Investment Income	(224,880)	457,331	229,424	(143,580)	124,109
Benefit Payments	(334,581)	-	(147,015)	(423,760)	-
Administrative Expenses	(11,963)	(12,907)	(12,884)	(13,663)	(8,634)
Net Change in Fiduciary Net Position	(351,922)	656,721	278,717	(373,177)	310,300
Fiduciary Net Position - Beginning	3,753,140	3,096,419	2,817,702	3,190,879	2,880,579
Fiduciary Net Position - Ending (b)	3,401,218	3,753,140	3,096,419	2,817,702	3,190,879
Association's Ending Net Pension Liability/(Asset) (a-b)	\$ (205,427)	\$ (1,146,824)	\$ (749,793)	\$ (480,918)	\$ (954,913)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (b/a)	106.43%	144.00%	131.95%	120.58%	142.71%
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

*Ten Years of Data Will Eventually Be Presented When Available

**CITY OF ELK RIVER
SCHEDULE OF CITY CONTRIBUTIONS – ELK RIVER FIRE RELIEF – LAST SEVEN YEARS
DECEMBER 31, 2019**

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/2019	\$ 198,424	\$ 228,424	\$ (30,000)
12/31/2018	189,502	219,502	(30,000)
12/31/2017	182,297	212,297	(30,000)
12/31/2016	179,192	209,192	(30,000)
12/31/2015	174,826	204,826	(30,000)
12/31/2014	164,825	194,825	(30,000)
12/31/2013	167,103	197,103	(30,000)

*Ten Years of Data Will Eventually Be Presented When Available

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

**CITY OF ELK RIVER
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

ASSETS	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Cash and Investments	\$ 5,117,665	\$ 1,705,549	\$ 12,534,622	\$ 19,357,836
Receivables:				
Accrued Interest	18,260	5,262	55,593	79,115
Delinquent Taxes	17,368	503,389	1,769	522,526
Special Assessments	-	-	306,891	306,891
Other Accounts Receivable	77,445	-	312,703	390,148
Notes Receivable, Net	1,798,366	-	-	1,798,366
Due from Other Governments	14	-	29,069	29,083
Due from Other Funds	1,755,524	-	-	1,755,524
Prepaid Items	61,785	-	232	62,017
Land Held for Resale	175,000	-	-	175,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 9,021,427</u>	<u>\$ 2,214,200</u>	<u>\$ 13,240,879</u>	<u>\$ 24,476,506</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts and Contracts Payable	\$ 29,452	\$ 600	\$ 850,353	\$ 880,405
Accrued Salaries Payable	12,643	-	-	12,643
Due to Other Governments	1,680	-	18,958	20,638
Due to Other Funds	11,675	-	2,054,527	2,066,202
Unearned Revenue	-	-	645,014	645,014
Total Liabilities	<u>55,450</u>	<u>600</u>	<u>3,764,957</u>	<u>3,821,007</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	3,937	7,078	456	11,471
Unavailable Revenue - Special Assessments	-	-	306,028	306,028
Total Deferred Inflows of Resources	<u>3,937</u>	<u>7,078</u>	<u>306,484</u>	<u>317,499</u>
FUND BALANCE				
Nonspendable	61,785	-	232	62,017
Restricted	1,400,965	2,206,522	386,424	3,993,911
Committed	5,928,741	-	-	5,928,741
Assigned	1,570,549	-	11,607,028	13,177,577
Unassigned	-	-	(2,824,246)	(2,824,246)
Total Fund Balance	<u>8,962,040</u>	<u>2,206,522</u>	<u>9,169,438</u>	<u>20,338,000</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 9,021,427</u>	<u>\$ 2,214,200</u>	<u>\$ 13,240,879</u>	<u>\$ 24,476,506</u>

CITY OF ELK RIVER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	Special Revenue	Debt Service	Capital Projects	Totals
REVENUE				
Property Taxes	\$ 556,980	\$ 978,266	\$ 304,883	\$ 1,840,129
Sales Tax Revenue	-	652,665	-	652,665
Special Assessments	-	-	58,416	58,416
Intergovernmental Revenue	25,816	-	362,995	388,811
Charges for Services	659,213	-	119,581	778,794
Fines and Forfeits	32,294	-	-	32,294
Other Revenue:				
Landfill Expansion Fee	-	-	2,081,124	2,081,124
Investment Earnings	192,421	18,202	567,859	778,482
Refunds and Reimbursements	52,588	-	-	52,588
Contributions	2,927	241,796	440,811	685,534
Miscellaneous Revenue	37,224	-	40,457	77,681
Total Revenue	<u>1,559,463</u>	<u>1,890,929</u>	<u>3,976,126</u>	<u>7,426,518</u>
EXPENDITURES				
Current:				
General Government	86,737	-	60,691	147,428
Public Safety	18,668	-	180,249	198,917
Public Works	51,052	-	62,856	113,908
Culture and Recreation	782,132	-	79,523	861,655
Economic Development	371,093	-	169,670	540,763
Capital Outlay:				
General Government	-	-	58,735	58,735
Public Safety	-	-	365,811	365,811
Public Works	-	-	917,004	917,004
Culture and Recreation	19,767	-	1,296,714	1,316,481
Debt Service:				
Principal Retirement	-	1,315,000	-	1,315,000
Interest and Fiscal Charges	-	427,862	42,326	470,188
Total Expenditures	<u>1,329,449</u>	<u>1,742,862</u>	<u>3,233,579</u>	<u>6,305,890</u>
EXCESS OF REVENUE OVER EXPENDITURES	230,014	148,067	742,547	1,120,628
OTHER FINANCE SOURCES (USES)				
Transfers In	28,000	585,225	784,668	1,397,893
Transfers Out	(48,600)	-	(585,225)	(633,825)
Proceeds from Sale of Capital Assets	-	-	127,190	127,190
Total Other Finance Sources (Uses)	<u>(20,600)</u>	<u>585,225</u>	<u>326,633</u>	<u>891,258</u>
NET CHANGE IN FUND BALANCES	209,414	733,292	1,069,180	2,011,886
FUND BALANCES				
Beginning of Year	<u>8,752,626</u>	<u>1,473,230</u>	<u>8,100,258</u>	<u>18,326,114</u>
End of Year	<u>\$ 8,962,040</u>	<u>\$ 2,206,522</u>	<u>\$ 9,169,438</u>	<u>\$ 20,338,000</u>

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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



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**CITY OF ELK RIVER
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2019**

ASSETS	<u>Library</u>	<u>Ice Arena</u>	<u>Pinewood Golf Course</u>	<u>Landfill</u>	<u>Revolving Loan</u>
Cash and Investments	\$ 418,735	\$ 536,814	\$ -	\$ 987,114	\$ 872,115
Receivables					
Accrued Interest	1,957	2,503	-	4,624	4,086
Delinquent Taxes	2,056	-	-	-	-
Other Accounts Receivable	-	70,616	-	5,480	-
Notes Receivable, Net	-	-	-	-	375,378
Due from Other Governments	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Prepaid Items	-	-	-	-	-
Land Held for Resale	-	-	-	-	-
	<u>\$ 422,748</u>	<u>\$ 609,933</u>	<u>\$ -</u>	<u>\$ 997,218</u>	<u>\$ 1,251,579</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES					
Accounts and Contracts Payable	\$ 1,586	\$ 14,010	\$ -	\$ 2,667	\$ 2,000
Accrued Salaries Payable	-	9,362	-	-	-
Due to Other Governments	-	1,680	-	-	-
Due to Other Funds	-	-	-	-	-
	<u>1,586</u>	<u>25,052</u>	<u>-</u>	<u>2,667</u>	<u>2,000</u>
 DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Taxes	471	-	-	-	-
 FUND BALANCE					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	47,334	-
Committed	420,691	584,881	-	-	1,249,579
Assigned	-	-	-	947,217	-
Total Fund Balance	<u>420,691</u>	<u>584,881</u>	<u>-</u>	<u>994,551</u>	<u>1,249,579</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 422,748</u>	<u>\$ 609,933</u>	<u>\$ -</u>	<u>\$ 997,218</u>	<u>\$ 1,251,579</u>

<u>State DEED</u>	<u>Development Fund</u>	<u>Insurance Reserve</u>	<u>Drug Forfeiture</u>	<u>EDA</u>	<u>Totals</u>
\$ 104,850	\$ 856,123	\$ 45,534	\$ 37,939	\$ 1,258,441	\$ 5,117,665
491	4,011	411	177	-	18,260
-	4,992	-	-	10,320	17,368
-	-	1,349	-	-	77,445
414,034	1,008,954	-	-	-	1,798,366
-	-	-	14	-	14
-	1,753,878	-	-	1,646	1,755,524
-	-	61,785	-	-	61,785
-	-	-	-	175,000	175,000
<u>\$ 519,375</u>	<u>\$ 3,627,958</u>	<u>\$ 109,079</u>	<u>\$ 38,130</u>	<u>\$ 1,445,407</u>	<u>\$ 9,021,427</u>
\$ -	\$ -	\$ 518	\$ 75	\$ 8,596	\$ 29,452
-	-	-	-	3,281	12,643
-	-	-	-	-	1,680
-	-	-	-	11,675	11,675
-	-	518	75	23,552	55,450
-	1,144	-	-	2,322	3,937
-	-	61,785	-	-	61,785
519,375	-	-	34,368	799,888	1,400,965
-	3,626,814	46,776	-	-	5,928,741
-	-	-	3,687	619,645	1,570,549
<u>519,375</u>	<u>3,626,814</u>	<u>108,561</u>	<u>38,055</u>	<u>1,419,533</u>	<u>8,962,040</u>
<u>\$ 519,375</u>	<u>\$ 3,627,958</u>	<u>\$ 109,079</u>	<u>\$ 38,130</u>	<u>\$ 1,445,407</u>	<u>\$ 9,021,427</u>

CITY OF ELK RIVER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2019

	Library	Ice Arena	Pinewood Golf Course	Landfill	Revolving Loan
REVENUE					
Property Taxes	\$ 65,789	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	-	21,490	-
Charges for Services	-	627,514	-	26,199	2,000
Fines and Forfeits	-	-	-	-	-
Other Revenue:					
Investment Earnings	8,225	12,583	-	51,057	43,332
Refunds and Reimbursements	-	-	-	-	-
Contributions	-	2,927	-	-	-
Miscellaneous Revenue	-	17,894	-	-	8,649
Total Revenue	<u>74,014</u>	<u>660,918</u>	<u>-</u>	<u>98,746</u>	<u>53,981</u>
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	51,052	-
Culture and Recreation	102,463	679,282	387	-	-
Economic Development	-	-	-	-	2,323
Capital Outlay:					
Culture and Recreation	9,333	10,434	-	-	-
Total Expenditures	<u>111,796</u>	<u>689,716</u>	<u>387</u>	<u>51,052</u>	<u>2,323</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(37,782)	(28,798)	(387)	47,694	51,658
OTHER FINANCE SOURCES (USES)					
Transfers In	28,000	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Finance Sources (Uses)	<u>28,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(9,782)	(28,798)	(387)	47,694	51,658
FUND BALANCES					
Beginning of Year	<u>430,473</u>	<u>613,679</u>	<u>387</u>	<u>946,857</u>	<u>1,197,921</u>
End of Year	<u>\$ 420,691</u>	<u>\$ 584,881</u>	<u>\$ -</u>	<u>\$ 994,551</u>	<u>\$ 1,249,579</u>

<u>State DEED</u>	<u>Development Fund</u>	<u>Insurance Reserve</u>	<u>Drug Forfeiture</u>	<u>EDA</u>	<u>Totals</u>
\$ -	\$ 159,610	\$ -	\$ -	\$ 331,581	\$ 556,980
-	-	4,155	-	171	25,816
-	-	-	-	3,500	659,213
-	-	-	32,294	-	32,294
3,220	52,893	3,793	806	16,512	192,421
-	28,070	24,518	-	-	52,588
-	-	-	-	-	2,927
10,681	-	-	-	-	37,224
<u>13,901</u>	<u>240,573</u>	<u>32,466</u>	<u>33,100</u>	<u>351,764</u>	<u>1,559,463</u>
-	-	86,737	-	-	86,737
-	-	-	18,668	-	18,668
-	-	-	-	-	51,052
-	-	-	-	-	782,132
-	119,234	-	-	249,536	371,093
-	-	-	-	-	19,767
<u>-</u>	<u>119,234</u>	<u>86,737</u>	<u>18,668</u>	<u>249,536</u>	<u>1,329,449</u>
13,901	121,339	(54,271)	14,432	102,228	230,014
-	-	-	-	-	28,000
-	(10,600)	-	-	(38,000)	(48,600)
-	(10,600)	-	-	(38,000)	(20,600)
13,901	110,739	(54,271)	14,432	64,228	209,414
<u>505,474</u>	<u>3,516,075</u>	<u>162,832</u>	<u>23,623</u>	<u>1,355,305</u>	<u>8,752,626</u>
<u>\$ 519,375</u>	<u>\$ 3,626,814</u>	<u>\$ 108,561</u>	<u>\$ 38,055</u>	<u>\$ 1,419,533</u>	<u>\$ 8,962,040</u>

CITY OF ELK RIVER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – LIBRARY SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUE				
Property Taxes	\$ 66,000	\$ 66,000	\$ 65,789	\$ (211)
Investment Earnings	7,500	7,500	8,225	725
Total Revenue	<u>73,500</u>	<u>73,500</u>	<u>74,014</u>	<u>514</u>
EXPENDITURES				
Current:				
Culture and Recreation:	101,500	101,500	102,463	963
Capital Outlay:				
Culture and Recreation:	<u>14,500</u>	<u>14,500</u>	<u>9,333</u>	<u>(5,167)</u>
Total Expenditures	<u>116,000</u>	<u>116,000</u>	<u>111,796</u>	<u>(4,204)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(42,500)	(42,500)	(37,782)	4,718
OTHER FINANCE SOURCES				
Transfers In	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (14,500)</u>	<u>\$ (14,500)</u>	(9,782)	<u>\$ 4,718</u>
FUND BALANCES				
Beginning of Year			<u>430,473</u>	
End of Year			<u>\$ 420,691</u>	

CITY OF ELK RIVER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – ICE ARENA SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUE				
Charges for Services	\$ 806,300	\$ 806,300	\$ 627,514	\$ (178,786)
Investment Earnings	8,000	8,000	12,583	4,583
Contributions	6,100	6,100	2,927	(3,173)
Miscellaneous Revenue	21,300	21,300	17,894	(3,406)
Total Revenue	<u>841,700</u>	<u>841,700</u>	<u>660,918</u>	<u>(180,782)</u>
EXPENDITURES				
Current:				
Culture and Recreation:	773,950	773,950	679,282	(94,668)
Capital Outlay:				
Culture and Recreation:	<u>10,000</u>	<u>10,000</u>	<u>10,434</u>	<u>434</u>
Total Expenditures	<u>783,950</u>	<u>783,950</u>	<u>689,716</u>	<u>(94,234)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 57,750</u>	<u>\$ 57,750</u>	(28,798)	<u>\$ (86,548)</u>
FUND BALANCES				
Beginning of Year			<u>613,679</u>	
End of Year			<u>\$ 584,881</u>	

CITY OF ELK RIVER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL ECONOMIC DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUE				
Property Taxes	\$ 325,100	\$ 325,100	\$ 331,581	\$ 6,481
Intergovernmental Revenue	-	-	171	171
Charges for Services	3,500	3,500	3,500	
Investment Earnings	4,000	4,000	16,512	12,512
Total Revenue	<u>332,600</u>	<u>332,600</u>	<u>351,764</u>	<u>19,164</u>
EXPENDITURES				
Current:				
Economic Development	<u>294,600</u>	<u>294,600</u>	<u>249,536</u>	<u>(45,064)</u>
EXCESS OF REVENUE OVER EXPENDITURES	38,000	38,000	102,228	64,228
OTHER FINANCE SOURCES (USES)				
Transfers Out	<u>(38,000)</u>	<u>(38,000)</u>	<u>(38,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	64,228	<u>\$ 64,228</u>
FUND BALANCES				
Beginning of Year			<u>1,355,305</u>	
End of Year			<u>\$ 1,419,533</u>	

NONMAJOR DEBT SERVICE FUNDS

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.

Sales Tax Bonds – This fund is used to account for the accumulation of resources and payment of principal and interest on long-term general obligation sales tax revenue debt used to finance the acquisition and betterment of certain recreational facility improvements, park improvements, trail improvements, and dredging of Lake Orono.

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

**CITY OF ELK RIVER
COMBINING BALANCE SHEET – NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2019**

ASSETS	<u>Government Building Bonds</u>	<u>Sales Tax Bonds</u>	<u>YMCA Bonds</u>	<u>Totals</u>
Cash and Investments	\$ 948,279	\$ 177,150	\$ 580,120	\$ 1,705,549
Receivables:				
Accrued Interest	4,434	828	-	5,262
Delinquent Taxes	<u>14,363</u>	<u>474,665</u>	<u>14,361</u>	<u>503,389</u>
Total Assets	<u>\$ 967,076</u>	<u>\$ 652,643</u>	<u>\$ 594,481</u>	<u>\$ 2,214,200</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts and Contracts Payable	\$ 600	\$ -	\$ -	\$ 600
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	3,074	-	4,004	7,078
FUND BALANCE				
Restricted	<u>963,402</u>	<u>652,643</u>	<u>590,477</u>	<u>2,206,522</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 967,076</u>	<u>\$ 652,643</u>	<u>\$ 594,481</u>	<u>\$ 2,214,200</u>

CITY OF ELK RIVER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2019

	Government Building Bonds	Sales Tax Bonds	YMCA Bonds	Totals
REVENUE				
Property Taxes	\$ 468,335	\$ -	\$ 509,931	\$ 978,266
Sales Tax Revenue	-	652,665	-	652,665
Other Revenue:				
Investment Earnings	11,655	828	5,719	18,202
Contributions	-	-	241,796	241,796
Total Revenue	<u>479,990</u>	<u>653,493</u>	<u>757,446</u>	<u>1,890,929</u>
EXPENDITURES				
Debt Service:				
Principal Retirement	800,000	-	515,000	1,315,000
Interest and Fiscal Charges	216,624	850	210,388	427,862
Total Expenditures	<u>1,016,624</u>	<u>850</u>	<u>725,388</u>	<u>1,742,862</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(536,634)	652,643	32,058	148,067
OTHER FINANCE SOURCES				
Transfers In	<u>585,225</u>	-	-	<u>585,225</u>
NET CHANGE IN FUND BALANCES	48,591	652,643	32,058	733,292
FUND BALANCES				
Beginning of Year	<u>914,811</u>	-	<u>558,419</u>	<u>1,473,230</u>
End of Year	<u>\$ 963,402</u>	<u>\$ 652,643</u>	<u>\$ 590,477</u>	<u>\$ 2,206,522</u>

NONMAJOR CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

Developer Deposits – This fund is used to account for resources received from developers for the payment of expenses incurred by the City for private development projects.

TIF Districts – This fund is used to account for administrative and development costs associated with the various tax increment financing projects.



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**CITY OF ELK RIVER
COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2019**

	Park Dedication	Capital Outlay Reserve	Government Buildings	GRE Reserve
ASSETS				
Cash and Investments	\$ 434,423	\$ 1,226,432	\$ 2,455,331	\$ 2,070,031
Receivables:				
Accrued Interest	2,031	5,744	11,502	9,697
Delinquent Taxes	-	-	1,604	-
Special Assessments	-	620	-	-
Other Accounts Receivable	-	-	277,623	-
Due from Other Governments	-	29,069	-	-
Prepaid Items	-	-	-	-
	\$ 436,454	\$ 1,261,865	\$ 2,746,060	\$ 2,079,728
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts and Contracts Payable	\$ -	\$ 47,461	\$ 50,186	\$ -
Due to Other Governments	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Component Unit	-	-	-	-
Unearned Revenue	645,014	-	-	-
Total Liabilities	645,014	47,461	50,186	-
 DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	-	-	291	-
Unavailable Revenue - Special Assessments	-	620	-	-
Total Deferred Inflows of Resources	-	620	291	-
 FUND BALANCE				
Nonspendable	-	-	-	-
Restricted	386,424	-	-	-
Assigned	-	1,213,784	2,695,583	2,079,728
Unassigned	(594,984)	-	-	-
Total Fund Balance	(208,560)	1,213,784	2,695,583	2,079,728
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 436,454	\$ 1,261,865	\$ 2,746,060	\$ 2,079,728

<u>Street Improvements</u>	<u>Improvement Projects</u>	<u>Equipment Replacement</u>	<u>Park Improvements</u>	<u>Developer Deposits</u>	<u>TIF Districts</u>	<u>Totals</u>
\$ 782,926	\$ 4,299,012	\$ 440,301	\$ 141,389	\$ 679,297	\$ 5,480	\$ 12,534,622
3,756	20,139	2,063	661	-	-	55,593
165	-	-	-	-	-	1,769
118,374	187,897	-	-	-	-	306,891
18,958	-	-	-	-	16,122	312,703
-	-	-	-	-	-	29,069
-	-	-	-	232	-	232
<u>\$ 924,179</u>	<u>\$ 4,507,048</u>	<u>\$ 442,364</u>	<u>\$ 142,050</u>	<u>\$ 679,529</u>	<u>\$ 21,602</u>	<u>\$ 13,240,879</u>
\$ -	\$ -	\$ 73,177	\$ -	\$ 679,529	\$ -	\$ 850,353
18,958	-	-	-	-	-	18,958
-	-	-	-	-	2,054,527	2,054,527
-	-	-	-	-	196,105	196,105
-	-	-	-	-	-	645,014
18,958	-	73,177	-	679,529	2,250,632	3,764,957
165	-	-	-	-	-	456
117,512	187,896	-	-	-	-	306,028
117,677	187,896	-	-	-	-	306,484
-	-	-	-	232	-	232
-	-	-	-	-	-	386,424
787,544	4,319,152	369,187	142,050	-	-	11,607,028
-	-	-	-	(232)	(2,229,030)	(2,824,246)
787,544	4,319,152	369,187	142,050	-	(2,229,030)	9,169,438
<u>\$ 924,179</u>	<u>\$ 4,507,048</u>	<u>\$ 442,364</u>	<u>\$ 142,050</u>	<u>\$ 679,529</u>	<u>\$ 21,602</u>	<u>\$ 13,240,879</u>

CITY OF ELK RIVER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR CAPITAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	<u>Park Dedication</u>	<u>Capital Outlay Reserve</u>	<u>Government Buildings</u>	<u>GRE Reserve</u>
REVENUE				
Property Taxes	\$ -	\$ -	\$ 54,537	\$ -
Special Assessments	-	219	-	-
Intergovernmental Revenue	-	33,770	-	-
Charges for Services	99,601	19,980	-	-
Other Revenue:				
Landfill Expansion Fee	-	-	2,081,124	-
Investment Earnings	8,080	48,277	115,412	109,499
Contributions	-	181,094	-	231,660
Miscellaneous Revenue	-	330	-	-
Total Revenue	<u>107,681</u>	<u>283,670</u>	<u>2,251,073</u>	<u>341,159</u>
EXPENDITURES				
Current:				
General Government	-	18,637	42,054	-
Public Safety	-	109,041	71,208	-
Public Works	-	33,767	-	29,089
Culture and Recreation	-	-	1,854	-
Economic Development	-	-	-	-
Capital Outlay:				
General Government	-	54,723	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	324,004
Culture and Recreation	-	-	1,251,552	-
Debt Service:				
Interest and Fiscal Charges	<u>31,906</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>31,906</u>	<u>216,168</u>	<u>1,366,668</u>	<u>353,093</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	75,775	67,502	884,405	(11,934)
OTHER FINANCE SOURCES (USES)				
Transfers In	-	237,813	-	-
Transfers Out	-	-	(585,225)	-
Proceeds from Sale of Capital Assets	-	-	-	-
Total Other Finance Sources (Uses)	<u>-</u>	<u>237,813</u>	<u>(585,225)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	75,775	305,315	299,180	(11,934)
FUND BALANCES				
Beginning of Year	<u>(284,335)</u>	<u>908,469</u>	<u>2,396,403</u>	<u>2,091,662</u>
End of Year	<u>\$ (208,560)</u>	<u>\$ 1,213,784</u>	<u>\$ 2,695,583</u>	<u>\$ 2,079,728</u>

<u>Street Improvements</u>	<u>Improvement Projects</u>	<u>Equipment Replacement</u>	<u>Park Improvement</u>	<u>Developer Deposits</u>	<u>TIF Districts</u>	<u>Totals</u>
\$ 57	\$ -	\$ 23	\$ -	\$ -	\$ 250,266	\$ 304,883
57,032	1,165	-	-	-	-	58,416
-	-	329,225	-	-	-	362,995
-	-	-	-	-	-	119,581
-	-	-	-	-	-	2,081,124
37,928	216,005	30,195	2,463	-	-	567,859
-	-	-	28,057	-	-	440,811
7,700	-	182	-	-	32,245	40,457
<u>102,717</u>	<u>217,170</u>	<u>359,625</u>	<u>30,520</u>	<u>-</u>	<u>282,511</u>	<u>3,976,126</u>
-	-	-	-	-	-	60,691
-	-	-	-	-	-	180,249
-	-	-	-	-	-	62,856
-	-	-	77,669	-	-	79,523
-	-	-	-	-	169,670	169,670
-	-	4,012	-	-	-	58,735
-	-	365,811	-	-	-	365,811
32,819	-	560,181	-	-	-	917,004
-	-	-	45,162	-	-	1,296,714
-	-	-	-	-	10,420	42,326
<u>32,819</u>	<u>-</u>	<u>930,004</u>	<u>122,831</u>	<u>-</u>	<u>180,090</u>	<u>3,233,579</u>
69,898	217,170	(570,379)	(92,311)	-	102,421	742,547
-	-	332,000	214,855	-	-	784,668
-	-	-	-	-	-	(585,225)
-	-	127,190	-	-	-	127,190
<u>-</u>	<u>-</u>	<u>459,190</u>	<u>214,855</u>	<u>-</u>	<u>-</u>	<u>326,633</u>
69,898	217,170	(111,189)	122,544	-	102,421	1,069,180
<u>717,646</u>	<u>4,101,982</u>	<u>480,376</u>	<u>19,506</u>	<u>-</u>	<u>(2,331,451)</u>	<u>8,100,258</u>
<u>\$ 787,544</u>	<u>\$ 4,319,152</u>	<u>\$ 369,187</u>	<u>\$ 142,050</u>	<u>\$ -</u>	<u>\$ (2,229,030)</u>	<u>\$ 9,169,438</u>

COMPONENT UNIT FINANCIAL STATEMENTS

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

Governmental Fund

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

**CITY OF ELK RIVER
HOUSING AND REDEVELOPMENT AUTHORITY
BALANCE SHEET – GOVERNMENTAL FUND
DECEMBER 31, 2019**

	<u>Housing and Redevelopment Authority</u>
ASSETS	
Cash and Investments	\$ 831,014
Receivables:	
Taxes	9,745
Notes	620,681
Other Accounts Receivable	3,258
Due from Primary Government	196,105
Land Held for Redevelopment	234,900
	<u>234,900</u>
Total Assets	<u>\$ 1,895,703</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 20,258
Accrued Salaries Payable	2,187
Due to Primary Government	17,020
Total Liabilities	<u>39,465</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Taxes	2,141
FUND BALANCE	
Nonspendable	620,681
Restricted for Housing and Redevelopment	1,233,416
Total Fund Balance	<u>1,854,097</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,895,703</u>

**CITY OF ELK RIVER
HOUSING AND REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total Fund Balance - Housing and Redevelopment Authority \$ 1,854,097

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 257,100	
Other Improvements	174,290	
Total Capital Assets	431,390	
Less: Accumulated Depreciation	(82,302)	349,088

Some of the receivables (including property taxes and other long-term receivables) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. 2,141

The net pension liability and related deferred inflows and deferred outflows are recorded only on the statement of net position. Balances at year-end are:

Net Pension Liability	(55,520)	
Deferred Inflows of Resources - Pensions	(11,759)	
Deferred Outflows of Resources - Pensions	5,533	(61,746)

Total Net Position - Housing and Redevelopment Authority \$ 2,143,580

**CITY OF ELK RIVER
HOUSING AND REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCES – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2019**

	<u>Housing and Redevelopment Authority</u>
REVENUE	
Property Taxes	\$ 315,352
Intergovernmental Revenue	163
Charges for Services	624
Other Revenue:	
Investment Earnings	11,608
Total Revenue	<u>327,747</u>
EXPENDITURES	
Current:	
Economic Development	174,217
Capital Outlay:	
Economic Development	156,501
Total Expenditures	<u>330,718</u>
NET CHANGE IN FUND BALANCES	<u>(2,971)</u>
FUND BALANCES	
Beginning of Year	<u>1,857,068</u>
End of Year	<u><u>\$ 1,854,097</u></u>

**CITY OF ELK RIVER
HOUSING AND REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Housing and Redevelopment Authority \$ (2,971)

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

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

Depreciation Expense (11,619)

Delinquent and certain other property taxes receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources and excluded from revenues in the governmental funds.

Unavailable Revenue - Property Taxes 256

Pension expenditures in the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

(4,567)

Change in Net Position - Housing and Redevelopment Authority \$ (18,901)



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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	119
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	124
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources; electric sales and property taxes.</i>	
Debt Capacity	131
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	139
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	141
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

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
NET POSITION BY COMPONENT – LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
Net Investment in Capital Assets	\$ 84,629,091	\$ 84,741,957	\$ 84,060,768	\$ 84,353,785	\$ 84,921,650	\$ 75,030,579	\$ 78,119,790	\$ 78,958,608	\$ 77,092,055	\$ 78,288,782
Restricted	7,341,554	6,283,346	6,391,182	5,256,724	4,192,856	3,675,588	11,990,647	2,925,562	4,236,048	3,741,368
Unrestricted	26,702,252	29,282,251	27,448,688	24,069,710	24,902,387	20,170,751	6,584,209	15,779,965	17,685,456	19,823,663
Total Governmental Activities Net Position	\$ 118,672,897	\$ 120,307,554	\$ 117,900,638	\$ 113,680,219	\$ 114,016,893	\$ 98,876,918	\$ 96,694,646	\$ 97,664,135	\$ 99,013,559	\$ 101,853,813
Business-Type Activities:										
Net Investment in Capital Assets	\$ 60,972,838	\$ 60,525,218	\$ 60,268,219	\$ 62,035,437	\$ 63,392,972	\$ 76,747,269	\$ 82,230,963	\$ 83,919,324	\$ 85,104,737	\$ 84,327,032
Restricted	724,500	724,500	724,500	647,000	490,500	490,500	997,660	997,660	1,261,359	1,261,359
Unrestricted	19,907,416	19,421,085	22,376,508	22,957,506	24,718,391	24,504,299	21,466,617	21,912,125	24,308,658	27,656,995
Total Business-Type Activities Net Position	\$ 81,604,754	\$ 80,670,803	\$ 83,369,227	\$ 85,639,943	\$ 88,601,863	\$ 101,742,068	\$ 104,695,240	\$ 106,829,109	\$ 110,674,754	\$ 113,245,386
Primary Government:										
Net Investment in Capital Assets	\$ 145,601,929	\$ 145,267,175	\$ 144,328,987	\$ 146,389,222	\$ 148,314,622	\$ 151,777,848	\$ 160,350,753	\$ 162,877,932	\$ 162,196,792	\$ 162,615,814
Restricted	8,066,054	7,007,846	7,115,682	5,903,724	4,683,356	4,166,088	12,988,307	3,923,222	5,497,407	5,002,727
Unrestricted	46,609,668	48,703,336	49,825,196	47,027,216	49,620,778	44,675,050	28,050,826	37,692,090	41,994,114	47,480,658
Total Primary Government Net Position	\$ 200,277,651	\$ 200,978,357	\$ 201,269,865	\$ 199,320,162	\$ 202,618,756	\$ 200,618,986	\$ 201,389,886	\$ 204,493,244	\$ 209,688,313	\$ 215,099,199

**CITY OF ELK RIVER
CHANGES IN NET POSITION – LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental Activities:										
General Government	\$ 3,028,102	\$ 3,495,458	\$ 2,994,342	\$ 3,344,317	\$ 3,554,136	\$ 3,619,293	\$ 3,996,316	\$ 3,932,100	\$ 3,981,134	\$ 3,786,257
Public Safety	6,011,477	6,238,611	6,187,246	6,173,244	6,615,593	6,720,283	9,231,492	7,670,839	7,398,041	9,188,562
Public Works	5,447,282	5,720,759	6,037,000	6,535,616	6,860,673	5,351,630	5,539,045	6,803,504	5,619,836	5,920,022
Culture and Recreation	3,702,671	3,851,181	4,013,098	3,914,000	4,088,992	3,970,704	4,014,737	4,157,960	4,474,619	4,094,690
Economic Development	1,438,742	1,451,109	1,059,058	2,088,064	1,091,125	959,414	954,723	1,221,761	969,443	540,497
Interest and Fiscal Charges	1,138,414	1,045,905	1,163,352	1,288,020	1,075,408	1,084,902	996,933	549,303	486,630	979,755
Total Governmental Activities Expenses	20,766,688	21,803,023	21,454,096	23,343,261	23,285,927	21,706,226	24,733,246	24,335,467	22,929,703	24,509,783
Business-Type Activities:										
Municipal Liquor	5,267,041	5,366,557	5,622,305	5,706,760	5,776,873	5,945,126	6,063,922	6,030,973	6,233,700	6,772,414
Garbage	1,331,514	1,304,238	1,276,887	1,251,420	1,303,943	1,382,890	1,475,027	1,521,803	1,588,956	3,550,622
Sewer	1,962,431	2,130,287	2,239,914	2,320,743	2,156,329	2,318,709	2,473,139	3,377,828	3,504,489	1,456,482
Stormwater	-	-	-	-	-	736,411	645,596	774,805	634,073	1,024,928
Water	2,089,889	2,108,499	2,264,814	2,332,680	2,459,319	2,478,904	2,532,653	2,856,343	2,666,149	35,200,295
Electric	25,452,567	26,726,349	27,586,573	28,422,759	29,597,247	30,012,830	32,190,114	33,688,690	35,680,220	2,703,390
Total Business-Type Activities Expenses	36,103,442	37,635,930	38,990,493	40,034,362	41,293,711	42,874,870	45,380,451	48,250,442	50,307,587	50,708,131
Total Primary Government Expenses	\$ 56,870,130	\$ 59,438,953	\$ 60,444,589	\$ 63,377,623	\$ 64,579,638	\$ 64,581,096	\$ 70,113,697	\$ 72,585,909	\$ 73,237,290	\$ 75,217,914
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General Government	\$ 301,509	\$ 425,954	\$ 369,794	\$ 338,469	\$ 385,238	\$ 439,826	\$ 678,679	\$ 756,586	\$ 648,183	\$ 765,646
Public Safety	722,073	787,884	789,728	961,072	1,063,725	1,194,458	1,041,141	1,471,063	1,219,783	1,267,920
Public Works	61,605	79,073	82,173	206,606	233,593	174,452	199,034	177,802	111,740	94,832
Culture and Recreation	1,089,058	1,102,630	1,128,070	1,075,576	906,291	925,591	931,674	1,051,312	1,071,902	810,476
Economic Development	125,759	70,976	8,244	274,833	77,430	92,716	32,961	87,842	91,503	57,075
Operating Grants and Contributions	763,551	954,831	1,018,519	954,164	1,049,744	1,033,338	1,692,517	1,319,377	1,381,151	1,396,313
Capital Grants and Contributions	1,318,660	1,750,824	1,007,794	807,208	4,020,851	3,574,036	1,333,057	3,187,830	1,721,638	1,509,650
Total Governmental Activities Program Revenues	4,382,215	5,172,172	4,404,322	4,617,928	7,736,872	7,434,417	5,909,063	8,051,812	6,245,900	5,901,912
Business-Type Activities:										
Charges for Services:										
Municipal Liquor	5,953,626	6,145,692	6,525,234	6,756,581	6,825,342	6,974,336	7,009,574	6,951,988	7,203,155	7,617,790
Garbage	1,282,013	1,310,014	1,302,920	1,285,138	1,304,750	1,321,301	1,342,900	1,352,728	1,553,498	2,383,196
Sewer	1,483,120	1,491,460	1,533,851	1,613,276	1,734,141	1,818,476	1,921,190	2,116,900	2,301,428	1,645,115
Storm Water	-	-	-	-	-	355,454	477,377	509,365	485,484	510,889
Water	1,961,760	1,917,384	2,343,881	2,381,651	2,290,824	2,379,835	2,370,221	2,553,651	2,757,237	2,552,630
Electric	26,840,983	28,657,698	30,403,469	31,029,299	31,596,217	32,831,209	34,746,098	36,465,382	39,151,208	38,663,268
Operating Grants and Contributions	103,324	38,550	23,440	-	-	-	-	-	-	1,200
Capital Grants and Contributions	397,989	482,319	490,916	924,641	935,909	2,708,564	1,758,131	2,196,626	2,295,004	1,277,596
Total Business-Type Activities Program Revenues	38,022,815	40,043,117	42,623,711	43,990,586	44,687,183	48,389,175	49,625,491	52,146,640	55,747,014	54,651,684
Total Primary Government Program Revenues	\$ 42,405,030	\$ 45,215,289	\$ 47,028,033	\$ 48,608,514	\$ 52,424,055	\$ 55,823,592	\$ 55,534,554	\$ 60,198,452	\$ 61,992,914	\$ 60,553,596

**CITY OF ELK RIVER
CHANGES IN NET POSITION – LAST TEN FISCAL YEARS (CONTINUED)
(ACCRUAL BASIS OF ACCOUNTING)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Revenue (Expense):										
Governmental Activities	\$ (16,384,473)	\$ (16,630,851)	\$ (17,049,774)	\$ (18,725,333)	\$ (15,549,055)	\$ (14,271,809)	\$ (18,824,183)	\$ (16,283,655)	\$ (16,683,803)	\$ (18,607,871)
Business-Type Activities	1,919,373	2,407,187	3,633,218	3,956,224	3,393,472	5,514,305	4,245,040	3,896,198	5,439,427	3,943,553
Total Primary Government Net Expense	<u>\$ (14,465,100)</u>	<u>\$ (14,223,664)</u>	<u>\$ (13,416,556)</u>	<u>\$ (14,769,109)</u>	<u>\$ (12,155,583)</u>	<u>\$ (8,757,504)</u>	<u>\$ (14,579,143)</u>	<u>\$ (12,387,457)</u>	<u>\$ (11,244,376)</u>	<u>\$ (14,664,318)</u>
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes	\$ 12,325,851	\$ 12,346,305	\$ 11,684,445	\$ 10,830,218	\$ 10,509,231	\$ 10,931,945	\$ 11,136,310	\$ 11,645,328	\$ 12,192,911	\$ 13,022,991
Other Taxes	193,466	83,748	125,623	829,112	1,441,259	1,513,621	1,552,499	1,543,086	1,591,663	2,288,998
Unrestricted Grants and Contributions	2,000,923	1,702,334	1,307,662	1,436,135	1,749,886	1,642,098	1,820,248	1,720,932	1,754,373	2,588,461
Investment Earnings	359,733	499,034	319,654	(663,762)	1,137,024	512,193	311,469	498,235	430,642	1,420,677
Miscellaneous	61,308	23,233	49,470	629,177	29,593	2,796,041	29,695	116,012	-	-
Capital Contribution	(303,051)	-	(348,259)	(121,172)	(313,287)	(11,188,695)	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	41,698
Transfers	958,389	3,610,854	1,504,263	1,565,206	1,332,023	297,362	1,791,690	1,971,250	2,063,638	2,085,300
Total Governmental Activities	<u>15,596,619</u>	<u>18,265,508</u>	<u>14,642,858</u>	<u>14,504,914</u>	<u>15,885,729</u>	<u>6,504,565</u>	<u>16,641,911</u>	<u>17,494,843</u>	<u>18,033,227</u>	<u>21,448,125</u>
Business-Type Activities:										
Investment Earnings	220,602	269,716	219,950	(243,047)	557,659	259,494	167,849	231,599	467,294	704,099
Miscellaneous	-	-	1,260	1,572	29,525	8,899	331,973	17,500	2,462	-
Capital Contribution	303,051	-	348,259	121,172	313,287	11,188,695	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	8,280
Transfers	(958,389)	(3,610,854)	(1,504,263)	(1,565,206)	(1,332,023)	(297,362)	(1,791,690)	(1,971,250)	(2,063,638)	(2,085,300)
Total Business-Type Activities	<u>(434,736)</u>	<u>(3,341,138)</u>	<u>(934,794)</u>	<u>(1,685,509)</u>	<u>(431,552)</u>	<u>11,159,726</u>	<u>(1,291,868)</u>	<u>(1,722,151)</u>	<u>(1,593,882)</u>	<u>(1,372,921)</u>
Total Primary Government	<u>\$ 15,161,883</u>	<u>\$ 14,924,370</u>	<u>\$ 13,708,064</u>	<u>\$ 12,819,405</u>	<u>\$ 15,454,177</u>	<u>\$ 17,664,291</u>	<u>\$ 15,350,043</u>	<u>\$ 15,772,692</u>	<u>\$ 16,439,345</u>	<u>\$ 20,075,204</u>
Change in Net Position:										
Governmental Activities	\$ (787,854)	\$ 1,634,657	\$ (2,406,916)	\$ (4,220,419)	\$ 336,674	\$ (7,767,244)	\$ (2,182,272)	\$ 1,211,188	\$ 1,349,424	\$ 2,840,254
Business-Type Activities	1,484,637	(933,951)	2,698,424	2,270,715	2,961,920	16,674,031	2,953,172	2,174,047	3,845,545	2,570,632
Total Primary Government	<u>\$ 696,783</u>	<u>\$ 700,706</u>	<u>\$ 291,508</u>	<u>\$ (1,949,704)</u>	<u>\$ 3,298,594</u>	<u>\$ 8,906,787</u>	<u>\$ 770,900</u>	<u>\$ 3,385,235</u>	<u>\$ 5,194,969</u>	<u>\$ 5,410,886</u>

**CITY OF ELK RIVER
FUND BALANCES, GOVERNMENTAL FUNDS – LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
Nonspendable	\$ -	\$ -	\$ 20,201	\$ 14,628	\$ 22,725	\$ 23,676	\$ 20,964	\$ 88,038	\$ 124,064	\$ 187,305
Restricted	-	20,390	-	-	-	7,000	-	-	-	-
Committed	91,502	156,323	208,486	247,937	317,929	376,943	-	-	-	-
Assigned	727,443	859,508	200,000	-	-	-	266,832	356,174	237,813	-
Unassigned	5,187,520	5,261,391	5,776,627	5,791,725	5,822,948	6,157,179	6,470,281	6,853,298	7,299,540	7,684,153
Total General Fund	<u>\$ 6,006,465</u>	<u>\$ 6,297,612</u>	<u>\$ 6,205,314</u>	<u>\$ 6,054,290</u>	<u>\$ 6,163,602</u>	<u>\$ 6,564,798</u>	<u>\$ 6,758,077</u>	<u>\$ 7,297,510</u>	<u>\$ 7,661,417</u>	<u>\$ 7,871,458</u>
All Other Governmental Funds:										
Nonspendable	\$ 93,080	\$ 57,870	\$ 101,812	\$ 99,703	\$ 101,910	\$ 103,295	\$ 108,176	\$ -	\$ 114,976	\$ 62,017
Restricted	6,936,113	5,942,368	7,608,842	14,800,868	13,925,683	13,202,500	12,245,679	3,104,196	3,150,743	28,548,680
Committed	2,506,814	2,712,645	2,456,185	4,393,689	5,829,001	8,099,951	9,250,014	10,354,648	12,068,614	10,182,700
Assigned	16,984,061	19,736,795	19,219,810	15,455,671	15,883,279	15,579,524	12,632,948	10,984,072	10,716,044	13,177,577
Unassigned	(1,011,820)	(1,059,647)	(1,384,984)	(2,324,550)	(2,527,613)	(2,438,049)	(2,660,264)	(2,627,513)	(2,934,515)	(2,824,246)
Total All Other Governmental Funds	<u>\$ 25,508,248</u>	<u>\$ 27,390,031</u>	<u>\$ 28,001,665</u>	<u>\$ 32,425,381</u>	<u>\$ 33,212,260</u>	<u>\$ 34,547,221</u>	<u>\$ 31,576,553</u>	<u>\$ 21,815,403</u>	<u>\$ 23,115,862</u>	<u>\$ 49,146,728</u>

Source: City's financial records.

CITY OF ELK RIVER
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS – LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Property Taxes	\$ 12,355,953	\$ 12,461,403	\$ 11,720,311	\$ 10,930,129	\$ 10,640,251	\$ 10,953,633	\$ 11,171,496	\$ 11,642,778	\$ 12,214,702	\$ 13,011,977
Sales Tax Revenue	-	-	-	-	-	-	-	-	-	652,665
Other Taxes	193,466	83,748	125,623	829,112	1,441,259	1,513,621	1,552,499	1,543,086	1,591,663	1,636,333
Licenses and Permits	402,076	432,875	408,232	513,779	559,286	639,791	655,607	1,007,543	790,831	822,899
Intergovernmental	1,135,060	1,678,555	1,436,613	1,161,458	838,573	3,913,721	1,681,666	3,928,374	1,405,931	1,396,706
Charges for Services	1,727,276	1,573,367	1,659,986	1,926,906	2,091,107	1,761,958	1,851,408	2,226,936	2,182,917	1,723,091
Fines and Forfeits	161,074	149,102	137,819	163,481	160,298	169,459	167,526	205,456	157,492	166,787
Special Assessments	999,633	989,101	845,112	764,006	881,271	315,259	456,666	241,304	379,054	58,416
Investment Earnings	359,731	499,034	319,654	(663,763)	1,146,462	512,193	311,469	498,235	430,642	1,420,677
Miscellaneous	2,587,771	2,568,159	1,980,207	2,193,571	2,358,709	2,169,789	1,455,555	2,313,388	2,212,818	3,202,501
Total Revenues	19,922,040	20,435,344	18,633,557	17,818,679	20,117,216	21,949,424	19,303,892	23,607,100	21,366,050	24,092,052
Expenditures:										
General Government	2,629,731	3,157,307	2,615,582	2,956,500	3,181,547	3,365,570	3,601,468	3,524,634	3,733,746	4,004,917
Public Safety	5,266,803	5,291,617	5,352,249	5,497,493	5,909,653	6,203,211	6,859,139	6,791,738	7,325,724	7,620,997
Public Works	2,291,196	2,752,469	2,931,726	2,800,012	2,974,219	2,318,123	1,861,251	1,974,095	1,875,645	2,217,650
Culture and Recreation	2,569,464	2,663,806	2,839,466	2,652,817	2,881,985	2,816,411	2,872,281	2,937,333	3,438,103	2,968,847
Economic Development	1,512,138	1,479,140	1,087,467	1,656,922	1,095,535	954,673	949,205	1,122,261	964,926	540,763
Capital Outlay	1,879,604	2,874,212	10,264,274	5,243,189	2,277,477	5,251,352	2,682,358	7,165,286	2,431,103	16,631,953
Debt Service:										
Principal	2,411,062	2,618,146	2,127,000	2,194,000	1,535,000	1,505,000	5,100,000	10,675,000	1,575,000	1,315,000
Interest and Fiscal Charges	1,182,993	1,059,804	1,065,354	1,283,367	1,105,114	1,113,963	1,148,535	725,732	507,661	713,023
Total Expenditures	19,742,991	21,896,501	28,283,118	24,284,300	20,960,530	23,528,303	25,074,237	34,916,079	21,851,908	36,013,150
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	179,049	(1,461,157)	(9,649,561)	(6,465,621)	(843,314)	(1,578,879)	(5,770,345)	(11,308,979)	(485,858)	(11,921,098)
Other Financing Sources (Uses):										
Bonds Issued	6,184,243	-	8,500,000	9,685,000	-	-	-	-	-	32,715,000
Premiums on Bonds Issued	255,238	-	115,164	341,700	-	-	-	-	-	3,234,515
Payment to Refunded Bond Escrow	(6,303,897)	-	-	-	-	-	-	-	-	-
Sales of Capital Assets	61,308	23,233	49,470	686,407	44,827	3,017,674	80,587	116,012	86,586	127,190
Transfers In	2,682,562	5,978,905	4,792,943	6,457,233	4,837,016	4,703,787	6,524,537	4,275,797	3,354,035	3,288,938
Transfers Out	(1,724,173)	(2,368,051)	(3,288,680)	(4,892,027)	(3,504,993)	(4,406,425)	(4,832,400)	(2,304,547)	(1,290,397)	(1,203,638)
Total Other Financing Sources (Uses)	1,155,281	3,634,087	10,168,897	12,278,313	1,376,850	3,315,036	1,772,724	2,087,262	2,150,224	38,162,005
Net Change in Fund Balances	\$ 1,334,330	\$ 2,172,930	\$ 519,336	\$ 5,812,692	\$ 533,536	\$ 1,736,157	\$ (3,997,621)	\$ (9,221,717)	\$ 1,664,366	\$ 26,240,907
Debt Service as a Percentage of										
Noncapital Expenditures	19.8%	19.6%	17.1%	16.9%	14.1%	14.3%	27.4%	38.4%	10.4%	10.4%

**CITY OF ELK RIVER
ELECTRIC SALES – LAST TEN FISCAL YEARS**

Fiscal Year	Number of Customers	KWh's Sold	Total Billings
2010	9,207	250,711,834	\$ 26,060,301
2011	9,227	261,235,297	27,894,341
2012	9,285	273,455,846	30,070,045
2013	9,358	273,945,354	30,983,220
2014	9,449	274,546,059	31,517,888
2015	10,499	282,265,268	32,704,279
2016	10,816	305,337,641	34,569,098
2017	11,448	313,952,561	36,458,061
2018	11,983	331,124,011	39,039,573
2019	12,244	325,981,176	37,640,985

Source: Elk River Municipal Utilities

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

<u>Customer</u>	2019			2010		
	Total kWh Sold	Total Billings	Percentage of Total Billings	Total kWh Sold	Total Billings	Percentage of Total Billings
Customer 1	56,625,600	\$ 4,734,037	12.58%	38,393,885	\$ 2,823,341	10.83%
Customer 2	27,244,800	2,319,316	6.16%	14,136,120	1,145,194	4.39%
Customer 3	8,649,000	865,147	2.30%	-	-	0.00%
Customer 4	4,644,000	416,094	1.11%	5,410,305	421,062	1.62%
Customer 5	4,573,200	450,306	1.20%	5,044,880	401,420	1.54%
Customer 6	4,275,240	376,146	1.00%	4,853,927	369,113	1.42%
Customer 7	3,463,500	335,067	0.89%	5,144,548	428,556	1.64%
Customer 8	2,814,750	264,574	0.70%	3,085,596	238,997	0.92%
Customer 9	2,723,000	254,729	0.68%	3,657,650	302,447	1.16%
Customer 10	2,485,760	228,619	0.61%	3,356,640	290,005	1.11%
TOTAL	117,498,850	\$ 10,244,036	27.22%	83,083,551	\$ 6,420,135	24.64%

Source: Elk River Municipal Utilities

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

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Tax capacity				
Real property	\$ 25,611,065	\$ 24,736,999	\$ 21,946,865	\$ 19,969,977
Personal property	310,180	350,946	344,032	353,390
Total tax capacity	<u>25,921,245</u>	<u>25,087,945</u>	<u>22,290,897</u>	<u>20,323,367</u>
Tax increment	<u>(888,285)</u>	<u>(784,101)</u>	<u>(698,130)</u>	<u>(122,648)</u>
 Taxable net tax capacity	 <u>\$ 25,032,960</u>	 <u>\$ 24,303,844</u>	 <u>\$ 21,592,767</u>	 <u>\$ 20,200,719</u>
 Total tax capacity rate	 <u>44.560%</u>	 <u>45.723%</u>	 <u>47.588%</u>	 <u>50.373%</u>
 Taxable market value				
Real property	\$ 2,121,774,900	\$ 2,035,543,052	\$ 1,775,334,600	\$ 1,599,513,500
Personal property	15,764,700	17,758,600	17,412,900	18,055,900
Taxable market value	<u>\$ 2,137,539,600</u>	<u>\$ 2,053,301,652</u>	<u>\$ 1,792,747,500</u>	<u>\$ 1,617,569,400</u>
 Estimated actual market value of taxable property	 <u>\$ 2,191,955,185</u>	 <u>\$ 2,403,906,238</u>	 <u>\$ 1,907,992,306</u>	 <u>\$ 1,758,428,600</u>
 Taxable market value as a percentage of estimated actual market value	 97.52%	 85.42%	 93.96%	 91.99%

Source: Sherburne County Assessor

Note: Property in the county is reassessed annually. The county assessor's market value of property is approximately 94 percent of actual value for all types of real and personal property.

2014	2015	2016	2017	2018	2019
\$ 20,047,632	\$ 21,060,822	\$ 21,850,219	\$ 22,672,085	\$ 23,858,008	\$ 25,796,978
367,641	366,113	385,056	381,355	384,540	408,699
20,415,273	21,426,935	22,235,275	23,053,440	24,242,548	26,205,677
(116,513)	(198,997)	(204,017)	(184,717)	(196,166)	(199,061)
<u>\$ 20,298,760</u>	<u>\$ 21,227,938</u>	<u>\$ 22,031,258</u>	<u>\$ 22,868,723</u>	<u>\$ 24,046,382</u>	<u>\$ 26,006,616</u>
<u>48.544%</u>	<u>47.190%</u>	<u>46.170%</u>	<u>46.193%</u>	<u>46.011%</u>	<u>45.907%</u>
\$ 1,622,624,100	\$ 1,735,898,300	\$ 1,826,858,800	\$ 1,909,814,070	\$ 2,026,119,675	\$ 2,219,031,172
18,736,600	18,585,200	19,469,900	19,234,400	19,393,900	20,605,300
<u>\$ 1,641,360,700</u>	<u>\$ 1,754,483,500</u>	<u>\$ 1,846,328,700</u>	<u>\$ 1,929,048,470</u>	<u>\$ 2,045,513,575</u>	<u>\$ 2,239,636,472</u>
<u>\$ 1,796,401,800</u>	<u>\$ 1,900,894,800</u>	<u>\$ 1,978,763,900</u>	<u>\$ 2,060,082,600</u>	<u>\$ 2,178,621,000</u>	<u>\$ 2,374,405,900</u>
91.37%	92.30%	93.31%	93.64%	93.89%	94.32%

**CITY OF ELK RIVER
PROPERTY TAX RATES – DIRECT AND OVERLAPPING
GOVERNMENTS – LAST TEN FISCAL YEARS**

Fiscal Year	City of Elk River			Overlapping Rates				Total Direct & Overlapping Rates
	Operating	Debt Service	Total	County	School District		Special Districts	
					Operating	Referendum Mkt. Value		
2010	40.940	3.620	44.560	44.519	40.050	0.183	4.703	134.015
2011	42.449	3.274	45.723	46.342	43.489	0.188	4.956	140.698
2012	44.925	2.663	47.588	52.014	45.548	0.187	5.296	150.633
2013	47.222	3.151	50.373	54.420	50.058	0.190	5.260	160.301
2014	46.740	1.804	48.544	54.861	51.286	0.156	4.987	159.834
2015	45.433	1.757	47.190	51.979	42.483	0.209	4.779	146.640
2016	44.507	1.663	46.170	50.478	39.268	0.215	4.778	140.909
2017	44.584	1.609	46.193	50.460	36.659	0.219	4.509	138.040
2018	44.474	1.537	46.011	49.356	36.137	0.218	4.269	135.991
2019	44.099	1.808	45.907	47.928	32.865	0.216	2.496	129.412

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
PRINCIPAL TAXPAYERS – CURRENT YEAR AND NINE YEARS AGO**

<u>Taxpayer</u>	2019			2010		
	<u>Net Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Net Tax Capacity</u>	<u>Net Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Net Tax Capacity</u>
Great River Energy	\$ 850,795	1	3.27%	\$ 887,734	1	3.55%
JPM Capital Corporation	364,100	2	1.40%	530,664	2	2.12
Target Corp.	252,326	3	0.97%	405,240	3	1.62
BRE Retail Residual Owner, LLC	235,078	4	0.90%	-	-	-
Minnegasco	222,964	5	0.86%	-	-	-
Walmart Stores	199,136	6	0.77%	295,786	5	1.18
Broadstone STI Minnesota, LLC	135,018	7	0.52%	-	-	-
Menards, Inc	132,604	8	0.51%	191,466	7	0.76
Home Depot	110,342	9	0.42%	145,284	10	0.58
Meritex Elk River, LLC	106,244	10	0.41%	-	-	-
Resource Recovery Technology	-	-	-	312,078	4	1.25
Bradley Operating LP	-	-	-	193,916	6	0.77
Minn West Bank	-	-	-	162,560	8	0.65
Phoenix Enterprises	-	-	-	160,847	9	0.64
TOTAL	<u>\$ 2,608,607</u>		<u>10.03%</u>	<u>\$ 3,285,575</u>		<u>13.12%</u>

Source: Sherburne County Assessor



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

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Year's Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 11,164,258	\$ 10,920,348	97.82	\$ 238,576	\$ 11,158,924	99.95
2011	11,164,581	11,052,081	98.99	101,247	11,153,328	99.90
2012	10,701,225	10,592,493	98.98	99,530	10,692,023	99.91
2013	10,685,603	10,574,080	98.96	66,399	10,640,479	99.58
2014	10,315,213	10,300,688	99.86	12,499	10,313,187	99.98
2015	10,541,719	10,511,527	99.71	26,986	10,538,513	99.97
2016	10,862,662	10,843,359	99.82	7,238	10,850,597	99.89
2017	11,415,935	11,362,631	99.53	30,436	11,393,067	99.80
2018	11,930,908	11,899,143	99.73	26,884	11,926,027	99.96
2019	12,748,909	12,706,731	99.67	-	12,706,731	99.67

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

Fiscal Year	Governmental Activities				Governmental Activities	
	General Obligation	General Obligation Revenue	Special Assessment	Tax Increment	Certificates of Indebtedness	Other
2010	\$ 22,002,000	\$ 540,000	\$ 3,460,000	\$ 375,000	\$ 87,400	\$ 1,499,746
2011	20,897,939	-	2,955,000	305,000	-	1,410,000
2012	26,579,666	-	4,035,306	-	-	1,410,000
2013	35,223,141	-	1,633,459	-	-	1,410,000
2014	34,023,916	-	1,246,612	-	-	1,410,000
2015	32,789,690	-	924,765	-	-	1,410,000
2016	29,365,466	-	607,918	-	-	-
2017	18,951,241	-	296,071	-	-	-
2018	17,632,016	-	-	-	-	-
2019	16,277,791	35,913,322	-	-	-	-

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 for personal income and population data.

Business-Type Activities					
General Obligation Revenue	Revenue Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income¹	Per Capita¹
\$ 6,180,000	\$ 6,940,000	\$ 2,345,318	\$ 43,429,464	6.32%	\$ 1,890
5,520,656	6,310,000	2,162,882	39,561,477	5.81%	1,713
4,791,567	5,085,000	1,975,812	43,877,351	6.30%	1,890
4,027,478	4,340,000	1,789,224	48,423,302	7.00%	2,072
12,868,388	3,634,845	1,599,876	54,783,637	7.14%	2,316
12,564,299	3,020,935	1,408,368	52,118,057	6.69%	2,183
11,858,552	12,462,779	1,214,076	55,508,791	6.81%	2,294
11,132,723	11,781,983	1,018,860	43,180,878	5.19%	1,758
10,381,894	21,528,442	820,608	50,362,960	5.89%	2,023
9,233,625	21,004,411	619,692	83,048,841	9.45%	3,279

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

Fiscal Year	General Bonded Debt ¹	Less Amounts Restricted for Debt Service	Less Cash with Fiscal Agent	Net Bonded Debt	Percentage of Net Bonded Debt to Tax Capacity ²	Net Bonded Debt per Capita ³
2010	\$ 18,040,733	\$ 3,787,324	\$ -	\$ 14,253,409	56.94%	\$ 620
2011	17,120,000	3,234,939	-	13,885,061	57.13%	601
2012	23,286,667	3,044,599	-	20,242,068	93.74%	875
2013	32,141,667	2,329,723	9,712,875	20,099,069	99.50%	860
2014	31,001,667	1,599,852	9,580,144	19,821,671	97.65%	838
2015	28,986,667	1,154,728	9,423,440	18,408,499	86.72%	771
2016	25,728,333	1,556,232	9,284,303	14,887,798	67.58%	611
2017	15,331,667	1,608,880	-	13,722,787	60.01%	559
2018	14,220,000	1,473,230	-	12,746,770	53.01%	512
2019	13,076,667	1,553,877	-	11,522,790	44.31%	455

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 for property value data.

³ Population data can be found in the Schedule of Demographic and Economic Statistics.

**CITY OF ELK RIVER
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2019**

	Outstanding Debt	Percent of Debt Applicable to City ¹	City's Share of Debt
Direct Debt:			
City of Elk River ²	\$ 52,191,113	100.00%	\$ 52,191,113
Overlapping Debt:			
Sherburne County	43,200,000	25.84%	11,163,056
School District #728	207,155,000	30.10%	62,353,655
Total overlapping debt	250,355,000		73,516,711
Total direct and overlapping debt	\$ 302,546,113		\$ 125,707,824

Debt Ratios:

Ratio of debt per capita (25,330 population)	\$4,963
Ratios of debt to taxable market value of \$2,239,636,472	5.61%

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
LEGAL DEBT MARGIN INFORMATION – LAST TEN FISCAL YEARS**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 64,126,188	\$ 61,599,050	\$ 58,316,472	\$ 52,752,858
Bonds	18,040,733	17,120,000	23,286,667	32,141,667
Reserves	<u>1,164,060</u>	<u>1,030,418</u>	<u>1,202,093</u>	<u>10,819,006</u>
Total net debt applicable to limit	<u>16,876,673</u>	<u>16,089,582</u>	<u>22,084,574</u>	<u>21,322,661</u>
Legal debt margin	<u>\$ 47,249,515</u>	<u>\$ 45,509,468</u>	<u>\$ 36,231,898</u>	<u>\$ 31,430,197</u>
Total net debt applicable to the limit as a percentage of debt limit	26.32%	26.12%	37.87%	40.42%

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 \$9,180,000 GO EDA Refunding Bonds, Series 2013A are subject to the debt limit. The remaining 1/3 will be paid by the YMCA.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 53,892,054	\$ 57,026,844	\$ 59,362,917	\$ 61,802,478	\$ 65,358,630	\$ 71,232,177
30,071,667	28,986,667	25,706,667	15,331,667	14,220,000	13,076,667
10,743,409	10,673,852	10,560,614	1,377,746	1,457,117	1,528,399
<u>19,328,258</u>	<u>18,312,815</u>	<u>15,146,053</u>	<u>13,953,921</u>	<u>12,762,883</u>	<u>11,548,268</u>
<u>\$ 34,563,796</u>	<u>\$ 38,714,029</u>	<u>\$ 44,216,864</u>	<u>\$ 47,848,557</u>	<u>\$ 52,595,747</u>	<u>\$ 59,683,909</u>
35.86%	32.11%	25.51%	22.58%	19.53%	16.21%

Legal Debt Margin Calculation for Fiscal Year 2019

Estimated taxable market value	<u>\$ 2,374,405,900</u>
Debt limit (3% of market value)	<u>\$ 71,232,177</u>
Debt applicable to limit:	
G.O. capital improvement bonds	7,300,000
G.O. EDA bonds ¹	5,776,667
Less: Cash and investments in related debt service funds	<u>(1,528,399)</u>
Total net debt applicable to limit	<u>11,548,268</u>
Legal debt margin	<u>\$ 59,683,909</u>

**CITY OF ELK RIVER
PLEDGED-REVENUE COVERAGE – LAST TEN FISCAL YEARS**

Fiscal Year	Revenue Bonds ¹						Coverage
	Gross Revenue ²	Operating Expenses ³	Net Revenue Available	Debt Service			
				Principal	Interest		
2010	\$ 31,869,940	\$ 25,849,033	\$ 6,020,907	\$ 3,785,000	\$ 564,105	1.38	
2011	33,672,393	27,326,836	6,345,557	1,335,000	458,888	3.54	
2012	35,944,367	28,444,321	7,500,046	1,950,000	410,320	3.18	
2013	34,737,779	28,629,356	6,108,423	1,505,000	341,419	3.31	
2014	35,249,153	29,806,010	5,443,143	3,940,000	282,209	1.29	
2015	36,586,235	30,281,264	6,286,971	900,000	464,938	4.61	
2016	38,559,107	32,376,907	6,182,200	2,860,000	183,634	2.03	
2017	40,563,969	34,509,407	6,054,562	1,355,000	673,662	2.98	
2018	43,542,520	35,946,427	7,596,093	1,390,000	627,528	3.77	
2019	42,779,016	34,245,577	8,533,439	1,620,000	924,005	3.35	

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

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

Special Assessment Bonds

Special Assessment Collections	Debt Service		Coverage
	Principal	Interest	
\$ 368,936	\$ 510,000	\$ 148,276	0.56
327,975	505,000	124,185	0.52
287,759	505,000	122,209	0.46
202,457	850,000 ⁴	87,268	0.22
182,191	375,000	29,000	0.45
162,519	310,000	21,550	0.49
135,447	305,000	15,400	0.42
106,349	300,000	8,900	0.34
-	295,000	2,950	0.00
-	-	-	0.00

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

Fiscal Year	Population¹	Personal Income (in thousands)	Per Capita Income²	Median Age³	School Enrollment⁴	Unemployment Rate⁵
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	23,147	696,794	30,103	34	13,255	6.4%
2013	23,370	691,962	29,609	35	13,367	5.5%
2014	23,730	767,666	32,350	36	13,627	4.1%
2015	23,987	782,528	32,623	35	13,751	4.0%
2016	24,368	815,597	33,470	36	14,077	3.4%
2017	24,567	832,784	33,899	36	14,294	4.0%
2018	24,891	854,433	34,327	36	14,448	3.8%
2019	25,330	878,470	34,681	36	14,623	3.9%

Data Sources:

¹ State Demographer

² Bureau of Economic Analysis

³ US Census Bureau

⁴ School District

⁵ Minnesota Department of Employment and Economic Development

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

<u>Employer</u>	<u>2019</u>			<u>2010</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Independent School District 728 ¹	2,005	1	16.19%	1,547	1	14.36%
Sherburne County	675	2	5.45%	615	2	5.71%
Guardian Angels of Elk River	386	3	3.12%	323	4	3.00%
Walmart	354	4	2.86%	487	3	4.52%
Great River Energy	210	5	1.70%	216	5	2.00%
Sportech, Inc.	185	6	1.49%	-	-	-
Menards	173	7	1.40%	153	8	1.42%
Tescom Corporation	170	8	1.37%	171	7	1.59%
City of Elk River	148	9	1.19%	203	6	1.88%
First National Financial Services	142	10	1.15%	-	-	-
Coborn's	-	-	-	134	9	1.24%
Elk River Ford	-	-	-	118	10	1.10%
Total	4,448		35.92%	3,967		36.82%
Total Employment ²	12,385			10,774		

¹ Total District

² Minnesota Department of Employment and Economic Development

**CITY OF ELK RIVER
FULL-TIME EQUIVALENT BY FUNCTION – LAST TEN FISCAL YEARS**

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	24.8	24.8	25.8	26.9	28.3	29.3	29.3	29.3	30.3	29.3
Public safety:										
Police										
Officers	31.0	30.0	31.0	31.0	31.0	32.0	32.0	32.0	34.0	34.0
Civilians	8.0	8.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Fire										
Fire administration	3.7	3.7	1.7	1.7	2.7	3.0	3.0	3.0	3.0	5.0
Paid on-call volunteers	38.0	40.0	40.0	40.0	40.0	44.0	44.0	44.0	45.0	45.0
Other public safety	7.6	7.6	8.4	8.6	9.0	9.0	9.0	9.0	9.0	7.0
Public works	14.0	14.5	15.5	15.0	15.0	15.0	15.0	15.0	15.0	16.0
Culture and recreation	19.4	19.4	18.5	18.5	18.5	17.5	17.5	17.8	18.3	18.6
Economic development	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Municipal liquor	14.0	12.5	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.5
Sewer	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Storm Water	-	-	-	-	-	1.0	1.0	1.0	1.0	1.0
Water	5.0	5.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Electric	29.0	29.0	30.0	31.0	31.0	34.0	34.0	34.0	34.0	36.0
Total	202.5	202.5	207.9	210.7	213.5	222.8	222.8	223.1	227.6	230.4

Source: City of Elk River Finance Department

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Planning										
Land use applications	43	54	56	71	85	118	138	122	103	102
Police										
Police calls	21,751	20,707	20,451	20,676	21,585	21,930	24,728	26,329	27,061	26,209
Traffic citations	2,638	2,125	1,840	1,925	1,930	2,778	2,818	3,294	2,309	2,575
Fire										
Fire calls	443	469	355	446	411	436	442	473	483	497
Building/environmental										
Permits issued	2,105	1,841	1,683	1,866	1,956	1,722	1,804	2,245	2,316	2,466
Valuation of permits (thousands of dollars)	\$ 22,312	\$ 20,719	\$ 25,585	\$38,440	\$47,037	\$ 57,965	\$51,368	\$106,983	\$66,048	\$70,313
Public works										
Street sweeping (hours)	1,063	1,494	1,811	1,652	1,888	1,824	1,520	1,314	991	1,000
Snowplowing (hours)	3,425	2,964	1,675	4,263	5,872	3,018	3,368	3,812	5,122	4,200
Equipment repair (hours)	5,378	5,711	5,051	5,125	5,210	3,575	3,688	4,196	5,140	5,100
Culture and recreation										
Recreation participants	26,061	26,934	26,803	27,065	27,330	27,348	27,452	27,608	27,637	33,522
Ice arena usage (hours)	4,624	4,740	4,752	4,736	4,568	5,469	4,583	4,518	4,459	4,234
Sewer										
Average daily treatment flow (thousands of gallons)	1,200	1,245	1,200	1,203	1,200	1,200	1,300	1,300	1,300	1,300
Water										
Number of customers	4,511	4,515	4,542	4,613	4,676	4,672	4,903	5,011	5,140	5,256
Average daily consumption (thousands of gallons)	1,718	1,786	2,321	2,152	2,143	2,192	2,196	2,159	2,254	2,133
Electric										
Number of customers	9,207	9,227	9,285	9,358	9,449	10,499	10,816	11,448	11,983	12,244
Average daily consumption (thousands of KWh's)	687	716	749	795	790	773	837	878	931	922

Sources: Various city departments

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

Function	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	12	12	12	12	12	13	13	13	14	14
Fire Stations	2	2	2	2	2	2	2	2	2	2
Public works										
Streets (miles)	151	151	151	151	151	151	155	155	155	155
Culture and recreation										
Parks	44	44	45	45	46	46	46	46	46	40 ¹
Parks acreage	964	964	988	988	1,392	1,392	1,392	1,392	1,392	1,392
Sewer										
Sanitary sewers (miles)	79	80	80	80	80	80	80	80	80	80
Lift stations	21	21	21	21	21	21	21	21	21	21
Maximum daily treatment capacity (thousands of gallons)	2,200	2,200	2,200	2,200	2,200	2,200	4,500	4,500	4,500	4,500
Water										
Maximum daily capacity (thousands of gallons)	8,100	8,100	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Electric										
Generating facilities	6	6	6	6	6	6	6	6	6	6

Sources: Various city departments

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

¹ Several smaller parks were consolidated into Woodland Trails Regional Park