



Annual Financial Report

Elk River Municipal Utilities

Elk River, Minnesota

For the year ended December 31, 2021



Edina Office

5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090
F 952.835.3261

Mankato Office

100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727
F 507.388.9139

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Elk River Municipal Utilities
Elk River, Minnesota
Table of Contents
For the Year Ended December 31, 2021

	<u>Page No.</u>
Introductory Section	
Public Utilities Commission and Administration	7
Financial Section	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
Financial Statements	
Statement of Net Position	22
Statement of Revenues, Expenses and Changes in Net Position	25
Statement of Cash Flows	26
Notes to the Financial Statements	29
Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	50
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	50
Notes to the Required Supplementary Information - General Employees Retirement Fund	51
Supplementary Information	
Schedule of Operating Revenues and Expenses Electric Fund	54
Summary of Operations and Unaudited Statistics	56
Water Fund Summary of Operations and Unaudited Statistics	58
Other Report	
Independent Auditor's Report on Minnesota Legal Compliance	63

THIS PAGE IS LEFT
BLANK INTENTIONALLY

INTRODUCTORY SECTION
ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Elk River Municipal Utilities
Elk River, Minnesota
Public Utilities Commission and Administration
For the Year Ended December 31, 2021

COMMISSION

Name	Title
John Dietz	Chairperson
Allan Nadeau	Vice-Chair
Mary Stewart	Commissioner
Matt Westgaard	Commissioner
Paul Bell	Commissioner

ADMINISTRATION

Name	Title
Theresa Slominski	General Manager
Melissa Karpinski	Finance Manager
Dave Ninow	Water Superintendent
Chris Sumstad	Electric Superintendent
Tom Geiser	Operations Director
Mike Tietz	Technical Services Superintendent
Tom Sagstetter	Conservation and Key Accounts Manager
Michelle Canterbury	Executive Administrative Manager
Chris Kerzman	Engineering Manager

THIS PAGE IS LEFT
BLANK INTENTIONALLY

FINANCIAL SECTION
ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

THIS PAGE IS LEFT
BLANK INTENTIONALLY

INDEPENDENT AUDITOR'S REPORT

Public Utilities Commission
Elk River Municipal Utilities
Elk River, Minnesota

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Elk River Municipal Utilities (the Utilities) of the City of Elk River, Minnesota (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utilities as of December 31, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utilities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utilities ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Utilities internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utilities ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1B, the financial statements present only the Electric and Water enterprise funds and do not purport to, and do not present fairly the financial position of the City as of December 31, 2021, the changes in its financial position, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis Page 15 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions to be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 Utilities' financial statements as a whole. The introductory section and supplemental information listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the Utilities. The supplemental information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and the supplemental information marked "unaudited" have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Abdo
Minneapolis, Minnesota
April 7, 2022



THIS PAGE IS LEFT
BLANK INTENTIONALLY

Management's Discussion and Analysis

This section of the Elk River Municipal Utilities (the Utilities) of the City of Elk River, Minnesota annual financial report presents our analysis of the Utilities' financial performance during the fiscal year that ended December 31, 2021. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Utilities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$75,101,658 (net position). Net Position increased by \$3,446,286 or 4.8 percent. The increase is mainly due to revenues in excess of expenses during the year.
- The Utilities' cash balance at the close of the current fiscal year was \$34,266,867.
- Electric usage overall was up an average of 5.1 percent. Residential usage increased 5.8 percent, Commercial usage increased 7.1 percent, and Industrial usage increased 4.5 percent.
- Water usage overall was up an average of 14.3 percent from the prior year. Residential usage increased 17.5 percent, and Commercial usage increased 10.8 percent.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Utilities report information about the Utilities using accounting methods similar to those used by the private sector. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the Utilities' assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Utilities' creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Utilities and assessing the liquidity and financial flexibility of the Utilities. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Utilities' operations over the past year and can be used to determine whether the Utilities has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the Utilities' cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

Financial Analysis of the Utilities

Our analysis of the Utilities begins on page 22 in the Financial Section. One of the most important questions asked about the Utilities' finances is "Is the Utilities as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the Utilities' activities in a way that will help answer this question. These two statements report the net position of the Utilities and changes in the net position. You can think of the Utilities' net position (the difference between assets and liabilities) as one way to measure financial health or financial position. Over time, increases or decreases in the Utilities' net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation.

Net Position. To begin our analysis, a summary of the Utilities' Statements of Net Position is presented in Table A-1. As can be seen from the Table, net position increased \$3,446,286 to \$75,101,658 in fiscal 2021 up from \$71,655,372 in fiscal 2020.

TABLE A-1
Condensed Statement of Net Position

	2021	2020	Increase (Decrease)
Assets			
Current and other	\$ 39,513,369	\$ 29,391,151	\$ 10,122,218
Capital	81,350,610	73,257,300	8,093,310
Total Assets	<u>120,863,979</u>	<u>102,648,451</u>	<u>18,215,528</u>
Total Deferred Outflows of Resources	<u>1,698,107</u>	<u>338,803</u>	<u>1,359,304</u>
Liabilities			
Current	10,894,487	8,074,704	2,819,783
Non-current	34,408,284	23,095,211	11,313,073
Total Liabilities	<u>45,302,771</u>	<u>31,169,915</u>	<u>14,132,856</u>
Total Deferred Inflows of Resources	<u>2,157,657</u>	<u>161,967</u>	<u>1,995,690</u>
Net Position			
Net investment in capital assets	54,669,744	52,228,921	2,440,823
Restricted for debt service	1,779,016	1,261,359	517,657
Unrestricted	<u>18,652,898</u>	<u>18,165,092</u>	<u>487,806</u>
Total Net Position	<u><u>\$ 75,101,658</u></u>	<u><u>\$ 71,655,372</u></u>	<u><u>\$ 3,446,286</u></u>

Water and Electric Rates. Electric - The latest increase in the Utilities' electric rates was effective January 2022. The monthly base charges are based upon the type of service. The monthly charges are \$13.75 for residential, \$30.25 for non-demand, \$75.50 for demand and \$105.00 for large industrial demand customers. In addition to the base charges the residential rate is \$.1308/kWh for June-October usage, and \$.1195/kWh for November-May usage; the non-demand rate is \$.1267/kWh for June-October, and \$.1061/kWh for November-May; the demand rate is \$.0670/kWh energy charge year round with a demand charge of \$15.75/kW June-October, and \$11.75/kW for November-May; the large industrial demand rate is \$.0663/kWh energy charge year round with a demand charge of \$15.25/kW June-October, and \$11.25/kW November-May.

Water - The latest increase in the Utilities' water rates was effective January 2022. The monthly base charge for residential customers is \$9.64 per month. In addition to the base charge, the Utilities currently charges its residential customers \$1.94 per 1,000 gallons up to 9,000 gallons, \$3.50 per 1,000 gallons between 9,000 gallons and 15,000 gallons, and \$4.00 per 1,000 gallons for usage above 15,000 gallons. Commercial customer's base charges are based upon meter size and range from \$11.56 to \$122.13. An irrigation meter is \$20.57 per month. There is also a charge per 1,000 gallons, the same tiers as the residential rates of \$1.94, \$3.50, and \$4.00, except the graduation from the lower tier to the higher tier(s) is calculated based on previous consumption.

The Utilities requires payment of all utility bills to be paid by the due date stated on the monthly bill. A ten percent penalty is assessed for payments not received by the due date. The Utilities may discontinue service of a customer not complying with the disconnect policy of the Utilities after receiving a written disconnect notice. Residential and Commercial/Industrial single phase electric customers that have their service discontinued will be charged a minimum of \$50.00 to have their service reconnected. Commercial/Industrial three phase electric customers that have their service discontinued will be charged a minimum of \$150.00 to have their service reconnected. Residential and Commercial/Industrial water customers that have their water shut-off will be charged a fee of \$100.00 to have their water turned on/reconnected. There are no reconnections after 3:30 pm and payments for reconnection/turn on are not accepted at the property site; payments must be made prior to dispatching reconnection. Customers can come into the office between the hours of 8:00 am and 4:30 pm to make the payment by cash, money order or credit card; or pay online or by phone with a credit card. The Utilities abides by the Cold Weather Rules.

Deposit Policy. Per our Deposit Policy, the Utilities collects social security numbers from new accounts and utilizes a credit risk assessment tool called "Online Utility Exchange" to determine if a deposit is necessary as a proactive measure to try and reduce uncollectible accounts. The amount of the deposit required will depend on the risk identified with the customer. For residential customers, if there is a 68 percent or higher probability of non-default and no negative history (no disconnection for non-payment or late payments two or more times within 12 months) there is no deposit required. If there is a lower than 68 percent probability of non- default, a deposit appropriate to the services supplied will be required before utility service will be extended. If the customer chooses not to provide a social security number, the deposit is automatically required. Residential deposit amounts are \$100 for apartments, \$100 for homes with water and sewer, \$150 for homes with electric only services, and \$250 for homes with all services (electric, water, and sewer).

For commercial and industrial customers, a service agreement would need to be signed. Generally, a deposit of 2 times the estimated highest monthly bill will be required, with a minimum deposit of \$250 for non-demand customers, and minimum deposit of \$1,000 for demand customers. The deposit shall be in the form of a cash deposit, or an irrevocable letter of credit. The irrevocable letter of credit will be renewed as required and failure to do so will result in a charge equal to the amount of the letter of credit applied to the monthly utility bill and held by the Utilities as a cash deposit.

Deposits will be retained until the account is closed. The deposit will be returned to the customer within 45 days of termination of service, provided that the customer has paid in full all amounts due on the account. The appropriate interest will be applied to the account per state statutes.

Statements of Revenues, Expenses and Changes in Net Position. While the Statements of Net Position shows the change in financial assets/deferred outflows and liabilities/deferred inflows, the Statements of Revenues, Expenses and Changes in Net Position, provides answers as to the nature and source of these changes. As can be seen in Table A-2, revenues in excess of expenses was the main source of the increase in net position of \$3,446,286 in fiscal 2021. A closer examination of the individual categories affecting the source of changes in net position is discussed below:

TABLE A-2
Condensed Statements of Revenues,
Expenses and Changes in Net Position

	2021	2020	Increase (Decrease)
Revenues			
Operating	\$ 43,881,604	\$ 40,597,051	\$ 3,284,553
Nonoperating	959,409	1,004,012	(44,603)
Total Revenues	<u>44,841,013</u>	<u>41,601,063</u>	<u>3,239,950</u>
Expenses			
Operating	40,770,940	36,632,689	4,138,251
Nonoperating	901,770	629,829	271,941
Total Expenses	<u>41,672,710</u>	<u>37,262,518</u>	<u>4,410,192</u>
Income Before Contributions and Operating Transfers	3,168,303	4,338,545	(1,170,242)
Capital Contributions - Developer Infrastructure and Connection Fees	1,101,868	1,072,676	29,192
Grants	3,288	-	3,288
Contribution from Customers	385,316	174,557	210,759
Transfers from Other City Funds	195,245	-	195,245
Transfers to Other City Funds	<u>(1,407,734)</u>	<u>(1,340,218)</u>	<u>(67,516)</u>
Change in Net Position	3,446,286	4,245,560	(799,274)
Net Position, January 1	<u>71,655,372</u>	<u>67,409,812</u>	<u>4,245,560</u>
Net Position, December 31	<u><u>\$ 75,101,658</u></u>	<u><u>\$ 71,655,372</u></u>	<u><u>\$ 3,446,286</u></u>

Revenues. Table A-2 shows that operating revenue increased by 8.1 percent in 2021 for the Electric and Water Departments combined.

Nonoperating revenue is comprised of transmission rebate revenue in the Electric Department, and water tower lease revenue in the Water Department. Regarding transmission rebates, in 2007 the Electric Department partnered with Midwest Municipal Transmission Group (MMTG) in order to have our transmission assets recognized in the Midwest Independent Transmission System Operator (MISO) market. In doing so, our transmission assets generate a revenue rebate, which in turn helps keep our rates down. In 2021, rebates received from our 2019 filings averaged approximately \$42,000 per month. The Water Department is receiving lease revenue from Sprint and Verizon for antennas on the water towers. In 2021 this amount was approximately \$276,000 and will continue for the duration of the multi-year contracts.

Total Expenses. In reviewing total expenses in Table A-2 you will notice that there was an increase of 11.8 percent overall, with the electric department increasing 11.3 percent, and the water department increasing 19.0 percent. Purchased Power is the biggest electric department expense, and it increased 16.2 percent.

Capital Assets and Debt Administration

Capital Assets. The Utilities' investment in capital assets for its business-type activities as of December 31, 2021 amounts to \$81,350,610 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and equipment. A table summarizing the balances by fund follows:

	2021	2020	Increase (Decrease)
Land	\$ 858,244	\$ 679,015	\$ 179,229
Intangible	23,725,578	23,469,525	256,053
Land Improvements	12,604	3,323	9,281
Buildings	2,185,398	2,457,296	(271,898)
Machinery and Equipment	1,780,778	1,774,585	6,193
Infrastructure	45,544,410	43,663,814	1,880,596
Construction in Progress	7,243,598	1,209,742	6,033,856
Total	<u>\$ 81,350,610</u>	<u>\$ 73,257,300</u>	<u>\$ 8,093,310</u>

The total increase in the Utilities' investment in capital assets for the current fiscal year was 11.0 percent.

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

- The Electric Department makes a loss of revenue payment as part of the cost of the territory acquisition increasing Intangibles.
- The Electric and Water Department purchased new transportation equipment increasing Machinery and Equipment, with the main increase due to the purchase of a new Bore Rig for the Electric Department.
- The Electric and Water Department completed some large road projects that contributed to the increase in Infrastructure.
- Construction in progress increased as projects started in the current year were not completed in 2021.

Additional information on the Utilities' capital assets can be found in Note 2B starting on page 36 of this report.

Long-term Debt. At year end, the Utilities had \$33,530,262 in long-term debt which increased from \$21,046,480 in fiscal 2020. The increase is due to bonding for the new field services building in 2021. More detailed information about the Utilities' long-term liabilities can be found in Note 2C starting on page 37 and below:

	2021	2020	Increase (Decrease)
G.O. Revenue Bonds	\$ 1,885,000	\$ 880,000	\$ 1,005,000
Revenue Bonds	29,930,000	18,985,000	10,945,000
Unamortized Premium on Bonds	1,506,138	765,740	740,398
Promissory Note	209,124	415,740	(206,616)
Total	<u>\$ 33,530,262</u>	<u>\$ 21,046,480</u>	<u>\$ 12,483,782</u>

Economic Factors and Next Year's Budgets and Rates

The increased emphasis toward renewable energy and away from coal-based energy, the challenge to reduce energy and water consumption while still maintaining the existing infrastructure and the smart grid developments are all factors that point to potential increased cost in the coming years. It is the Utilities' goal to not have to rely on increasing rates to meet those increases but continue to look for ways to increase efficiencies and reduce costs, while providing excellent customer service. Elk River Municipal Utilities' mission is to provide safe, cost-effective, reliable, quality utilities in an environmentally and financially responsible manner. We have met that mission in our customer service delivery and our successful financial results and will continue to strive to meet that mission in the future.

Contacting the Utilities Finance Manager

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Utilities' finances and to demonstrate the Utilities' accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Melissa Karpinski, Elk River Municipal Utilities, PO Box 430, Elk River, Minnesota 55330-0430 or at 13069 Orono Parkway in Elk River, MN.

FINANCIAL STATEMENTS
ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

Elk River Municipal Utilities

Elk River, Minnesota
Statement of Net Position
December 31, 2021

	Electric	Water	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 21,680,955	\$ 10,806,896	\$ 32,487,851
Receivables			
Accrued interest	19,068	4,767	23,835
Accounts, net of allowance	3,502,736	175,165	3,677,901
Special assessments	7,248	23,603	30,851
Other receivables	148,186	9,805	157,991
Due from other City funds	4,350	128,850	133,200
Inventories	893,268	21,604	914,872
Prepaid expenses	260,234	47,618	307,852
Total Current Assets	26,516,045	11,218,308	37,734,353
Capital Assets			
Land	662,567	195,677	858,244
Intangible	25,895,865	-	25,895,865
Land improvements	34,081	-	34,081
Buildings	3,335,013	1,202,223	4,537,236
Machinery and equipment	4,161,248	516,242	4,677,490
Infrastructure	55,390,664	39,617,516	95,008,180
Construction in progress	6,993,891	249,707	7,243,598
Capital Assets, Cost	96,473,329	41,781,365	138,254,694
Less Accumulated Depreciation	(35,913,939)	(20,990,145)	(56,904,084)
Total Capital Assets, Net	60,559,390	20,791,220	81,350,610
Other Assets			
Restricted cash	1,779,016	-	1,779,016
Total Assets	88,854,451	32,009,528	120,863,979
Deferred Outflows of Resources			
Deferred pension resources	1,431,143	266,964	1,698,107

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

Elk River Municipal Utilities
Elk River, Minnesota
Statement of Net Position (Continued)
December 31, 2021

	Electric	Water	Total
Current Liabilities			
Accounts payable	\$ 4,887,198	\$ 685,629	\$ 5,572,827
Salaries and benefits payable	191,572	36,738	228,310
Accrued interest payable	459,191	29,406	488,597
Due to other City funds	968,343	112,767	1,081,110
Due to other governments	172,799	3,631	176,430
Customer deposits payable	965,089	170,625	1,135,714
Unearned revenue	1,067	212,743	213,810
Compensated absences	369,891	43,674	413,565
Notes payable - current portion	209,124	-	209,124
Bonds payable - current portion	1,055,000	320,000	1,375,000
Total Current Liabilities	<u>9,279,274</u>	<u>1,615,213</u>	<u>10,894,487</u>
Non-current Liabilities			
Due to other City funds	90,720	22,680	113,400
Bonds payable, net - less current portion	30,250,891	1,695,247	31,946,138
Net pension liability	1,978,758	369,988	2,348,746
Total Non-current Liabilities	<u>32,320,369</u>	<u>2,087,915</u>	<u>34,408,284</u>
Total Liabilities	<u>41,599,643</u>	<u>3,703,128</u>	<u>45,302,771</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>1,818,303</u>	<u>339,354</u>	<u>2,157,657</u>
Net Position			
Net investment in capital assets	35,045,278	19,624,466	54,669,744
Restricted for debt service	1,779,016	-	1,779,016
Unrestricted	10,043,354	8,609,544	18,652,898
Total Net Position	<u><u>\$ 46,867,648</u></u>	<u><u>\$ 28,234,010</u></u>	<u><u>\$ 75,101,658</u></u>

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Elk River Municipal Utilities
Elk River, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 39,473,717	\$ 3,049,140	\$ 42,522,857
LFG project	1,019,097	-	1,019,097
Substation credit	4,800	-	4,800
Connection maintenance	263,330	71,520	334,850
Total Operating Revenues	<u>40,760,944</u>	<u>3,120,660</u>	<u>43,881,604</u>
Operating Expenses			
Purchased power	28,169,146	-	28,169,146
Production	1,002,631	674,815	1,677,446
Distribution	1,583,165	412,534	1,995,699
Depreciation	2,957,685	1,139,802	4,097,487
Customer accounts	562,574	73,472	636,046
General and administrative	3,350,641	844,475	4,195,116
Total Operating Expenses	<u>37,625,842</u>	<u>3,145,098</u>	<u>40,770,940</u>
Operating Income (Loss)	<u>3,135,102</u>	<u>(24,438)</u>	<u>3,110,664</u>
Nonoperating Revenues (Expenses)			
Interest income	52,514	24,677	77,191
Miscellaneous revenue	635,764	292,330	928,094
Interest expense and other	(836,474)	(65,296)	(901,770)
Gain/(Loss) on sale of capital assets	(45,214)	(662)	(45,876)
Total Nonoperating Revenues (Expenses)	<u>(193,410)</u>	<u>251,049</u>	<u>57,639</u>
Income (loss) before Contributions and Transfers	<u>2,941,692</u>	<u>226,611</u>	<u>3,168,303</u>
Capital Contributions -			
Connection Fees	-	548,948	548,948
Grants	-	3,288	3,288
Contributions from Developers	-	552,920	552,920
Contribution from Customers	385,316	-	385,316
Transfers from Other City Funds	-	195,245	195,245
Transfers to Other City Funds	(1,407,734)	-	(1,407,734)
Total Contributions and Transfers	<u>(1,022,418)</u>	<u>1,300,401</u>	<u>277,983</u>
Change in Net Position	1,919,274	1,527,012	3,446,286
Net Position, January 1	<u>44,948,374</u>	<u>26,706,998</u>	<u>71,655,372</u>
Net Position, December 31	<u><u>\$ 46,867,648</u></u>	<u><u>\$ 28,234,010</u></u>	<u><u>\$ 75,101,658</u></u>

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

Elk River Municipal Utilities
Elk River, Minnesota
Statement of Cash Flows
For the Year Ended December 31, 2021

	Electric	Water	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 38,976,603	\$ 3,063,848	\$ 42,040,451
Other operating cash receipts	648,569	478,538	1,127,107
Payments to suppliers	(30,572,031)	(1,075,716)	(31,647,747)
Payments to employees	(2,886,434)	(691,068)	(3,577,502)
Net Cash Provided by Operating Activities	<u>6,166,707</u>	<u>1,775,602</u>	<u>7,942,309</u>
Cash Flows from Noncapital Financing Activities			
Transfers to City	(1,407,734)	-	(1,407,734)
(Increase) decrease in due from other City funds	(161)	8,464	8,303
(Decrease) increase in due to other City funds	189,898	105,456	295,354
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,217,997)</u>	<u>113,920</u>	<u>(1,104,077)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(9,626,428)	(1,368,686)	(10,995,114)
Proceeds from connection fees	-	548,948	548,948
Capital grants		3,288	3,288
Principal payments on bonds	(1,145,000)	(330,000)	(1,475,000)
Proceeds of bonds issued, net of issuance costs and premium on bonds	12,409,897	1,715,935	14,125,832
Interest paid on bonds	(619,035)	(13,874)	(632,909)
Principal payments on promissory note	(206,616)	-	(206,616)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>812,818</u>	<u>555,611</u>	<u>1,368,429</u>
Cash Flows from Investing Activities			
Interest on investments	<u>46,364</u>	<u>23,140</u>	<u>69,504</u>
Net Increase in Cash and Cash Equivalents	5,807,892	2,468,273	8,276,165
Cash and Cash Equivalents, January 1	<u>17,652,079</u>	<u>8,338,623</u>	<u>25,990,702</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 23,459,971</u></u>	<u><u>\$ 10,806,896</u></u>	<u><u>\$ 34,266,867</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and temporary investments	\$ 21,680,955	\$ 10,806,896	\$ 32,487,851
Restricted cash	<u>1,779,016</u>	<u>-</u>	<u>1,779,016</u>
Total Cash and Cash Equivalents	<u><u>\$ 23,459,971</u></u>	<u><u>\$ 10,806,896</u></u>	<u><u>\$ 34,266,867</u></u>

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

Elk River Municipal Utilities
Elk River, Minnesota
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2021

	Electric	Water	Total
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 3,135,102	\$ (24,438)	\$ 3,110,664
Adjustments to reconcile operating income (loss)			
to net cash provided by operating activities			
Other revenue related to operations	635,764	292,330	928,094
Bad debt expense	6,673	-	6,673
Depreciation	2,957,685	1,139,802	4,097,487
(Increase) decrease in assets/deferred outflows:			
Accounts receivable	(1,849,727)	(79,462)	(1,929,189)
Other receivables	12,805	186,208	199,013
Special assessments receivable	(161)	2,950	2,789
Inventories	(49,359)	(13,225)	(62,584)
Prepaid expenses	(47,856)	(15,515)	(63,371)
Deferred pension resources	(1,154,142)	(223,263)	(1,377,405)
Increase (decrease) in liabilities/deferred inflows:			
Accounts payable	1,773,838	282,946	2,056,784
Salaries and benefits payable	22,144	7,838	29,982
Net other postemployment benefits liability	(208,274)	(44,526)	(252,800)
Unearned revenue	1,067	(32,925)	(31,858)
Compensated absences payable	(17,096)	2,637	(14,459)
Due to other governments	17,873	622	18,495
Customer deposits payable	64,480	52,625	117,105
Net pension liability	(812,252)	(76,549)	(888,801)
Deferred pension resources	1,678,143	317,547	1,995,690
Net Cash Provided by Operating Activities	<u>\$ 6,166,707</u>	<u>\$ 1,775,602</u>	<u>\$ 7,942,309</u>
Noncash Capital and			
Related Financing Activities			
Amortization of Bond Premium	<u>\$ 61,585</u>	<u>\$ 3,394</u>	<u>\$ 64,979</u>
Amortization of Deferred Charges on Refunding	<u>\$ 14,481</u>	<u>\$ 3,620</u>	<u>\$ 18,101</u>
Loss on Disposal of Capital Assets	<u>\$ (45,213)</u>	<u>\$ (662)</u>	<u>\$ (45,875)</u>
Book Value of Disposed Capital Assets	<u>\$ 291,647</u>	<u>\$ 20,167</u>	<u>\$ 311,814</u>
Capital Assets Purchased on Account	<u>\$ 931,011</u>	<u>\$ 292,226</u>	<u>\$ 1,223,237</u>
Contribution of Capital Assets	<u>\$ 385,316</u>	<u>\$ 748,165</u>	<u>\$ 1,133,481</u>

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies

A. Nature of the Business

The Elk River Municipal Utilities (the Utilities) is a municipal utility established by action of the City of Elk River (the City) pursuant to Minnesota statute 412.321 and consequently its Electric and Water funds are enterprise funds of the City. The Public Utilities Commission (the Commission) members are appointed by the City Council. The Commission determines all matters of policy. The Commission appoints personnel responsible for the proper administration of all affairs relating to the Utilities. The Utilities distributes electricity to the residents of Elk River and parts of Dayton, Big Lake and Otsego, Minnesota. The Utilities distributes water to the residents of Elk River, Minnesota.

The Utilities 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 Utilities are such that exclusion would cause the Utilities' 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. There are no component units.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Utilities are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistently with legal and managerial requirements.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Utilities receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Utilities must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Utilities on a reimbursement basis.

Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the following fund type:

Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the Utilities has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The Utilities reports the following major proprietary funds:

The *Electric fund* accounts for the electric distribution operations.

The *Water fund* accounts for the water distribution operations.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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 Electric and Water enterprise funds are charges to customers for sales and service. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Cash Equivalents

The Utilities' 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. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The Utilities may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares. The Utilities categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Utilities' recurring fair value measurements are listed in detail on page 35 and are valued using a matrix pricing model (Level 2 inputs).

The Utilities has the following recurring fair value measurements as of December 31, 2021:

- Negotiable certificates of deposit of \$2,862,689 are valued using a matrix pricing model (Level 2 inputs).

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.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. 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 uncollectible account balances at December 31, 2021 is as follows:

	2021
Electric	\$ 25,355
Water	250
Total	<u>\$ 25,605</u>

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Inventories and Prepaid items

Inventories of materials and supplies are recorded at average cost, using the first-in, first out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets are stated at cost. Capital assets are defined by the Utilities as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Expenditures for maintenance and repairs are charged to operations and expenditures that extend the useful life of the asset are capitalized and depreciated. When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and any gain or loss on disposition is included as non-operating revenues or expenses. Donated capital assets are recorded at acquisition value at the date of donation.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Major expenditures for improvements or capital asset projects are capitalized as projects are constructed.

The Utilities follow the policy of providing depreciation on the straight-line method over the estimated useful lives of the assets, which are as follows:

Description	Lives in Years	
	Electric	Water
Production	4 - 20	25 - 50
Transmission	30	0
Distribution	10 - 33	25 - 50
General	10 - 50	10 - 50
Machinery, Tools and Equipment	5 - 10	5 - 10
Automobiles	3 - 8	3 - 8

Deferred Outflows of Resources

In addition to assets, the statement of net 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 Utilities has one item, deferred pension resources, which qualifies for reporting in this category. Deferred pension resources result from actuarial calculation and current year pension contributions subsequent to the measurement date.

Compensated Absences

Vacation: All vacation benefits can be carried over from year to year and will be payable upon termination or retirement. Upon retirement, vacation can also be converted to cash and deposited into their Post Health Care Savings account. Unused vacation carryover is limited to the number of hours accrued during the previous year.

Sick Leave: Sick leave can be accumulated to a maximum of 960 hours from year to year. Upon termination or retirement, employees will have 50 percent of unused sick leave, up to a maximum of 960 hours, converted to cash and deposited into their Post Health Care Savings account.

The liability for vacation and sick pay is reported as a liability in the respective funds at year end.

Postemployment Benefits other than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. Elk River Utilities has switched to age-based medical premiums and no longer has an Other Post Employment Benefits liability. Since medical premiums are age-based, the premiums are equal to the expected true cost of retiree coverage. As a result, there is no implicit subsidy for these benefits. There is also no explicit subsidy, since retirees must pay the full premium to remain covered during retirement.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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 end 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.

The total pension expense for all plans recognized by the Utilities for the year ended December 31, 2021 was \$47,639. The components of pension expense are noted in the plan summaries in Note 3.

Long-term Obligations

Long-term debt is reflected as a liability in the fund issuing the obligation. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

Performance Metrics and Incentive Compensation

Through Utilities Performance Metric-based Incentive Compensation system (UPMIC) the Utilities employees will have an opportunity, as a group, to each earn a maximum of 2 percent of their total gross wage paid during the Measurement Period. The percentage of UPMIC is calculated using a Score Card. The Score Card has three categories: Safety, Reliability and Quality of Utility Services which are divided into various weighted factors. This incentive was created to help the Utilities to become more efficient and successful in meeting strategic goals and mission and deliver improved value to the Utilities customers. The liability at year end is recorded as part of accrued wages.

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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 Utilities has only one type of item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statement of net position and results from actuarial calculations.

Net Position

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

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do 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 Utilities' policy to use restricted resources first, then unrestricted resources as they are needed.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 2: Detailed Notes on All Funds

A. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Utilities' deposits and investments may not be returned or the Utilities will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Commission, the Utilities maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all Utilities deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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. The selection should be approved by the government entity.

At December 31, 2021, the Utilities' carrying amount of deposits was \$30,405,117 and the bank balance was \$30,507,441. Of the bank balance \$349,991 was covered by federal depository insurance, and the remaining balance was covered by collateral held by the pledging financial institution's agent in the Utilities' name.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 2: Detailed Notes on All Funds (continued)

Investments

The Utilities' investment balances were as follows for December 31, 2021:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments						
Broker Money Markets	N/A	less than 1 year	\$ 998,261	\$ -	\$ -	\$ -
Non-pooled Investments						
Negotiable certificates of deposits	N/A	less than 1 year	201,628	-	201,628	-
Negotiable certificates of deposits	N/A	1 - 5 years	2,176,908	-	2,176,908	-
Negotiable certificates of deposits	N/A	5 years or more	484,153	-	484,153	-
Total Non-pooled Investments			<u>2,862,689</u>	<u>-</u>	<u>2,862,689</u>	<u>-</u>
Total Investments			<u>\$ 3,860,950</u>	<u>\$ -</u>	<u>\$ 2,862,689</u>	<u>\$ -</u>

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

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

N/A Indicates not applicable.

A reconciliation of cash and temporary investments as shown in the financial statements for the Utilities follows:

	2021
Deposits	\$ 30,405,117
Investments	3,860,950
Cash on Hand	<u>800</u>
Total	<u>\$ 34,266,867</u>
Cash and Temporary Investments	
Unrestricted	\$ 32,487,851
Restricted	<u>1,779,016</u>
Total	<u>\$ 34,266,867</u>

The investments of the Utilities are subject to the following risks:

- *Credit Risk.* Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the Utilities' investment policy limit the Utilities' investments to the list on page 30 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. According to their investment policy the Utilities' portfolio maturities shall be staggered to avoid undue concentration of assets with one broker-dealer or financial institution.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 2: Detailed Notes on All Funds (Continued)

- *Concentration of Credit Risk.* Is the risk of loss attributed to the magnitude of a government's investment in a single issuer. According to their investment policy the Utilities' portfolio maturities shall be staggered to avoid undue concentration of assets in any one type of instrument. As of December 31, 2021 the Utilities has invested 5.0 percent or more of its total investment portfolio in the following issuers: Capital One National Association VA US (11.2 percent), Morgan Stanley Bank UT US (6.6 percent), New York Community Bank NY US (6.3 percent), Texas Exchange Bank TX US (6.3 percent), Institution for SV MA US (6.3 percent), BMO Harris Bank NA IL US (6.3 percent), Sallie Mae Bank UT US (6.3 percent), JPMorgan Chase Bank OH US (6.3 percent), Celtic Bank UT US (6.3 percent), and Comenity Bank DE US (5.1 percent).
- *Interest Rate Risk.* Is the risk that changes in interest rates will adversely affect the fair value of an investment. According to their investment policy the Utilities' will stagger maturities to avoid undue concentration of assets at a specific maturity sector.

B. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 679,015	\$ 179,229	\$ -	\$ 858,244
Intangible	24,971,677	924,188	-	25,895,865
Construction in progress	1,209,742	9,425,944	(3,392,088)	7,243,598
Total Capital Assets not being Depreciated	26,860,434	10,529,361	(3,392,088)	33,997,707
Capital Assets being Depreciated				
Land improvements	23,389	10,692	-	34,081
Buildings	4,729,631	32,970	(225,365)	4,537,236
Machinery and equipment	4,449,783	485,435	(257,728)	4,677,490
Infrastructure	90,214,698	4,801,759	(8,277)	95,008,180
Total Capital Assets being Depreciated	99,417,501	5,330,856	(491,370)	104,256,987
Less Accumulated Depreciation for				
Intangible	(1,502,152)	(668,135)	-	(2,170,287)
Land improvements	(20,066)	(1,411)	-	(21,477)
Buildings	(2,272,335)	(125,640)	46,137	(2,351,838)
Machinery and equipment	(2,675,198)	(382,131)	160,617	(2,896,712)
Infrastructure	(46,550,884)	(2,920,170)	7,284	(49,463,770)
Total Accumulated Depreciation	(53,020,635)	(4,097,487)	214,038	(56,904,084)
Total Capital Assets being Depreciated, Net	46,396,866	1,233,369	(277,332)	47,352,903
Business-type Activities Capital Assets, Net	<u>\$ 73,257,300</u>	<u>\$ 11,762,730</u>	<u>\$ (3,669,420)</u>	<u>\$ 81,350,610</u>

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 2: Detailed Notes on All Funds (Continued)

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

	<u>2021</u>
Business-type Activities	
Electric	\$ 2,957,685
Water	<u>1,139,802</u>
 Total Depreciation Expense - Business-type Activities	 <u><u>\$ 4,097,487</u></u>

Construction Commitment

The Utilities had the following outstanding construction commitment ad December 31, 2021:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Field Service Project - RJM Construction	<u>\$ 5,764,461</u>	<u>\$ 6,441,190</u>

C. Long-term Debt

General Obligation Revenue Bonds

The City of Elk River issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The following bonds are to be paid out of Utilities' revenues and are backed by the full faith and credit of the City.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Water Revenue Refunding Bonds of 2008	\$ 3,085,000	2.75 - 3.65 %	02/20/08	02/01/22	\$ 270,000
G.O. Water Revenue Bonds, Series 2021C	1,615,000	2.00 - 4.00	06/10/21	08/01/41	<u>1,615,000</u>
 Total G.O. Revenue Bonds					 <u><u>\$ 1,885,000</u></u>

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 2: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for the general obligation revenue bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ 320,000	\$ 57,444	\$ 377,444
2023	60,000	44,000	104,000
2024	60,000	41,600	101,600
2025	65,000	39,200	104,200
2026	70,000	36,600	106,600
2027 - 2031	380,000	139,600	519,600
2032 - 2036	440,000	75,700	515,700
2037 - 2041	490,000	29,700	519,700
Total	<u>\$ 1,885,000</u>	<u>\$ 463,844</u>	<u>\$ 2,348,844</u>

In 2021, annual principal and interest payment on the bonds required about 0.7% percent of revenues from the Electric fund. The principal and interest paid and total customer revenues for the Electric fund were \$285,600 and \$40,760,944, respectively.

In 2021, annual principal and interest payment on the bonds required about 11.0% percent of revenues from the Water fund. The principal and interest paid and total customer revenues for the Water fund were \$343,874 and \$3,120,660, respectively.

Revenue Bonds

The revenue bonds were issued to facilitate the membership buy-in with MPPA and construction of major capital facilities, and are to be repaid from future revenue pledged from the Electric fund. They will be retired from net revenues of the fund.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Electric Revenue Bonds, Series 2016A	\$ 9,755,000	2.00 - 4.00 %	07/14/16	02/01/36	\$ 8,465,000
Electric Revenue Refunding Bonds, Series 2016B	1,370,000	2.00 - 4.00	07/14/16	02/01/22	240,000
Electric Revenue Bonds, Series 2018A	10,000,000	3.50 - 5.00	09/26/18	08/01/48	9,415,000
Electric Revenue Bonds, Series 2021B	11,810,000	2.00 - 5.00	05/13/21	08/01/51	11,810,000
Total Revenue Bonds					<u>\$ 29,930,000</u>

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 2: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ 1,055,000	\$ 994,201	\$ 2,049,201
2023	915,000	885,756	1,800,756
2024	955,000	849,381	1,804,381
2025	990,000	811,306	1,801,306
2026	1,035,000	774,406	1,809,406
2027 - 2031	5,735,000	3,309,713	9,044,713
2032 - 2036	6,730,000	2,303,025	9,033,025
2037 - 2041	4,110,000	1,511,706	5,621,706
2042 - 2046	4,705,000	906,525	5,611,525
2047 - 2051	3,700,000	238,632	3,938,632
Total	<u>\$ 29,930,000</u>	<u>\$ 12,584,651</u>	<u>\$ 42,514,651</u>

In 2021, annual principal and interest payment on the bonds required about 3.6% percent of revenues from the Electric fund. Principal and interest paid and total customer revenues for the Electric fund were \$1,478,435 and \$40,760,944, respectively.

Promissory Note

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Landfill					
Generator Note	\$ 3,521,000	- %	03/19/02	12/01/22	<u>\$ 209,124</u>

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 2: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for the generator note are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$ 209,124</u>	<u>\$ -</u>	<u>\$ 209,124</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities					
Bonds Payable					
General obligation					
revenue bonds	\$ 880,000	\$ 1,615,000	\$ (610,000)	\$ 1,885,000	\$ 320,000
Revenue bonds	18,985,000	11,810,000	(865,000)	29,930,000	1,055,000
Unamortized premium					
on bonds	765,740	814,014	(73,616)	1,506,138	-
Total Bonds Payable, Net	<u>20,630,740</u>	<u>14,239,014</u>	<u>(1,548,616)</u>	<u>33,321,138</u>	<u>1,375,000</u>
Notes Payable	415,740	-	(206,616)	209,124	209,124
Compensated					
Absences Payable	<u>428,024</u>	<u>426,952</u>	<u>(441,411)</u>	<u>413,565</u>	<u>413,565</u>
Business-type Activity					
Long-term					
Liabilities	<u>\$ 21,474,504</u>	<u>\$ 14,665,966</u>	<u>\$ (2,196,643)</u>	<u>\$ 33,943,827</u>	<u>\$ 1,997,689</u>

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 2: Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables and Transfers

Interfunds

The composition of interfund balances at year end is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
Electric	City	\$ 4,350	December billings
Water	City	128,850	TIF 22 Water Access Charge
Total Receivable From City		<u>\$ 133,200</u>	
City	Electric	\$ 99,871	Shared costs
City	Electric	4,071	Supplies and Fuel
City	Electric	800	Bond disclosure services
City	Electric	114,684	December transfer of revenue
City	Electric	268,993	4th quarter franchise fees
City	Electric	193,582	Billed sewer on behalf of City
City	Electric	148,828	Billed garbage on behalf of City
City	Electric	49,384	Billed stormwater on behalf of City
City	Electric	84,480	Current portion of 2020B due to City
City	Electric	90,720	Noncurrent portion of 2020B due to City
City	Electric	3,650	Interest accrued of 2020B due to City
Total Electric Fund Payable to City		<u>1,059,063</u>	
City	Water	24,968	Shared costs
City	Water	3,982	Supplies and Fuel
City	Water	722	Bond disclosure services
City	Water	61,062	Water main future wellhouse
City	Water	21,120	Current portion of 2020B due to City
City	Water	22,680	Noncurrent portion of 2020B due to City
City	Water	913	Interest accrued of 2020B due to City
Total Water Fund Payable to City		<u>135,447</u>	
Total Payable to City		<u>\$ 1,194,510</u>	

Transfers

During the year ended December 31, 2021 the Utilities made the following transfers:

- The transfer out of the Electric fund was the annual transfer of 4 percent of 2021 Elk River revenues to City funds. The Electric fund transferred \$1,407,734 in 2021.
- The City transferred \$195,245 to the Water fund as contributed capital for the Water Main as part of the 2021 Street Improvements.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

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.

General Employee Plan 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 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. 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. 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.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the Utilities was required to contribute 7.50 percent for Coordinated Plan members. The Utilities' contributions to the General Employees Fund for the years ending December 31, 2021, 2020 and 2019 were \$312,376, \$289,644, and \$285,668, respectively. The Utilities' contributions were equal to the required contributions for each year as set by state statute.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Defined Benefit Pension Plans - Statewide (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the Utilities reported a liability of \$2,348,746 for its proportionate share of the General Employees Fund's net pension liability. The Utilities' net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer 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 Utilities totaled \$71,625. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportionate share of the net pension liability was based on the Utilities' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The Utilities' proportionate share was 0.0550 percent which was an increase of 0.0010 percent from its proportion measured as of June 30, 2020.

Utilities' Proportionate Share of the Net Pension Liability	\$ 2,348,746
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the Utilities	<u>71,625</u>
Total	<u><u>\$ 2,420,371</u></u>

For the year ended December 31, 2021, the Utilities recognized pension expense of \$41,860 for its proportionate share of the General Employees Plan's pension expense. In addition, the Utilities recognized an additional \$5,779 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2021, the Utilities reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Economic Experience	\$ 13,643	\$ 71,727
Changes in Actuarial Assumptions	1,434,096	50,410
Net Difference between Projected and Actual Earnings on Plan Investments	-	2,035,520
Changes in Proportion	92,017	-
Contributions paid to PERA subsequent to the Measurement Date	<u>158,351</u>	<u>-</u>
Total	<u><u>\$ 1,698,107</u></u>	<u><u>\$ 2,157,657</u></u>

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Defined Benefit Pension Plans - Statewide (Continued)

The \$158,351 reported as deferred outflows of resources related to pensions resulting from the Utilities' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (52,768)
2023	9,420
2024	(19,744)
2025	(554,809)

E. Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method.

The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Defined Benefit Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

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	33.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	25.0	0.75
International Equity	<u>16.5</u>	5.30
Total	<u><u>100.0 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. 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 position of the General Employees Fund were 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.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Defined Benefit Pension Plans - Statewide (Continued)

G. Pension Liability Sensitivity

The following presents the Utilities' 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 Utilities' 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:

	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 4,790,244	\$2,348,746	\$ 345,349

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 4: Other Information

A. Territorial Acquisition Agreement

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 5 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.

The Utilities acquired designated service area 1 in 2015 for \$877,807, service area 2 in 2016 for \$663,586, service areas 3 and 4 in 2017 for \$276,776, service areas 5 and 6 in 2018 for \$298,736 and service areas 7 and 8 in 2019 for \$78,457. The loss of revenue payments made were \$411,157 in 2017, \$570,725 in 2018, \$751,860 in 2019, \$834,185 in 2020, \$857,538 in 2021 and \$924,187 in 2022. All amounts paid are included in property and equipment, and loss of revenue payments are included in intangible assets.

B. Risk Management

The Utilities 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 Utilities carries commercial insurance. The Utilities 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 Utilities 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 Utilities' coverage in any of the past three fiscal years.

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

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Other Information (Continued)

C. Commitments

The Utilities entered into an agreement in 2007 with Central Minnesota Municipal Power Agency (CMMMPA) to acquire an interest in the CAPX Initiative Brookings Project, a power transmission line in Minnesota. The project is a 250-mile, 345 kV AC transmission line with a rating of 2,300 MW, between Brookings, South Dakota, and the Southeast Twin Cities. In 2011 there was increased opportunity for investment, and subsequent agreements provide the Utilities with an ownership share of \$5.6 million or 18.89 percent. Revenues have been less than originally projected due to the decrease in Rate of Return (ROE) issued by FERC. The original ROE 12.38% has been reduced to 10.52%. The current return of 10.52% on this investment through CMMMPA is designed to provide approximately \$80K annually over the 40-year project life. With majority of the distribution once the bonds are paid off. The projected under recovery in 2021 is estimated to be \$59K. 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 2021 (approximately \$59K) would be included in the revenue requirements in 2023. The transmission payments for 2021 were \$24,048, all of which was a receivable at December 31, 2021.

Note 5: COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the Utilities cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the Utilities' financial condition, liquidity, and future results of its revenue collections is uncertain.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

Elk River Municipal Utilities
Elk River, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2021

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	Utilities Proportion of the Net Pension Liability	Utilities Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Utilities (b)	Total (a+b)	Utilities Covered Payroll (c)	Utilities Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.0550 %	\$ 2,348,746	\$ 71,625	\$ 2,420,371	\$ 3,957,147	59.4 %	87.0 %
06/30/20	0.0540	3,237,547	99,718	3,337,265	3,848,179	84.1	79.0
06/30/19	0.0520	2,874,964	89,329	2,964,293	3,680,233	78.1	80.2
06/30/18	0.0520	2,884,747	94,615	2,979,362	3,494,641	82.5	79.5
06/30/17	0.0540	3,447,324	43,337	3,490,661	3,478,022	99.1	75.9
06/30/16	0.0508	4,124,708	53,908	4,178,616	3,151,720	130.9	68.9
06/30/15	0.0478	2,477,244	-	2,477,244	2,811,834	88.1	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Utilities Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/21	\$ 312,376	\$ 312,376	\$ -	\$ 4,165,013	7.5 %
12/31/20	289,644	289,644	-	3,861,920	7.5
12/31/19	285,668	285,668	-	3,808,909	7.5
12/31/18	265,424	265,424	-	3,538,988	7.5
12/31/17	257,780	257,780	-	3,437,072	7.5
12/31/16	244,012	244,012	-	3,253,493	7.5
12/31/15	230,074	230,074	-	3,067,659	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Elk River Municipal Utilities
Elk River, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Elk River Municipal Utilities
Elk River, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - General Employee Retirement Fund - Continued

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - 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.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 - There were no changes in plan provisions since the previous valuation.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

SUPPLEMENTARY INFORMATION

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

Elk River Municipal Utilities
Elk River, Minnesota
Supplementary Information
Schedule of Operating Revenues and Expenses
For the Year Ended December 31, 2021

	Electric	Water	Total
Operating Revenues			
Charges for services			
Elk River	\$ 35,295,219	\$ 3,049,140	\$ 38,344,359
Otsego	2,977,624	-	2,977,624
Big Lake	192,642	-	192,642
Dayton	234,686	-	234,686
Other	773,546	-	773,546
LFG Project	1,019,097	-	1,019,097
Substation credit	4,800	-	4,800
Connection maintenance	263,330	71,520	334,850
Total Operating Revenues	<u>40,760,944</u>	<u>3,120,660</u>	<u>43,881,604</u>
Operating Expenses			
Purchased power	<u>28,169,146</u>	<u>-</u>	<u>28,169,146</u>
Production			
Supervision and labor	108,275	57,005	165,280
Natural gas	31,186	-	31,186
Supplies and power for pumping	46,275	313,693	359,968
Landfill gas expense	742,722	-	742,722
Maintenance of structures	11,633	173,376	185,009
Maintenance of equipment	37,825	130,741	168,566
Maintenance of plant	24,715	-	24,715
Total production	<u>1,002,631</u>	<u>674,815</u>	<u>1,677,446</u>
Transmission and distribution			
Supervision and labor	25,935	6,138	32,073
Maintenance of overhead lines	441,970	-	441,970
Maintenance of underground lines	326,844	-	326,844
Maintenance of station equipment	110,577	-	110,577
Transportation	221,527	10,198	231,725
Maintenance of customer service	10,006	59,187	69,193
Maintenance of customer meters	110,677	323,836	434,513
Miscellaneous	335,629	13,175	348,804
Total transmission and distribution	<u>1,583,165</u>	<u>412,534</u>	<u>1,995,699</u>
Services to City	<u>224,814</u>	<u>1,259</u>	<u>226,073</u>
Depreciation and amortization	<u>2,957,685</u>	<u>1,139,802</u>	<u>4,097,487</u>
Customer accounts expense			
Meter reading	44,749	2,326	47,075
Billing and collection	286,338	69,887	356,225
Bad debts	6,673	-	6,673
Total customer accounts expense	<u>337,760</u>	<u>72,213</u>	<u>409,973</u>

Elk River Municipal Utilities
Elk River, Minnesota
Supplementary Information
Schedule of Operating Revenues and Expenses (Continued)
For the Year Ended December 31, 2021

	Electric	Water	Total
Operating Expenses (Continued)			
General and administrative			
Salaries	\$ 794,649	\$ 226,227	\$ 1,020,876
Employee pensions and benefits	1,466,098	385,382	1,851,480
Dues	202,047	97,402	299,449
Office supplies and billing expense	74,005	23,717	97,722
Office utilities and maintenance	31,956	7,989	39,945
Consulting fees	27,704	20,813	48,517
Legal and audit	39,815	9,320	49,135
Environmental compliance	32,270	953	33,223
Conservation improvement project	358,582	9,832	368,414
Insurance	152,429	22,129	174,558
Telephone	31,254	7,366	38,620
Advertising	13,861	3,791	17,652
Education and meetings	118,020	24,356	142,376
Miscellaneous	7,951	5,198	13,149
Total general and administrative	<u>3,350,641</u>	<u>844,475</u>	<u>4,195,116</u>
Total Operating Expenses	<u>37,625,842</u>	<u>3,145,098</u>	<u>40,770,940</u>
Operating Income (Loss)	<u>3,135,102</u>	<u>(24,438)</u>	<u>3,110,664</u>
Nonoperating Revenues (Expenses)			
Interest income	52,514	24,677	77,191
Miscellaneous revenue	635,764	292,330	928,094
Interest expense and other	(836,474)	(65,296)	(901,770)
Gain/(loss) on sale of capital assets	(45,214)	(662)	(45,876)
Total Nonoperating Revenues	<u>(193,410)</u>	<u>251,049</u>	<u>57,639</u>
Income before Contributions and Transfers	<u>2,941,692</u>	<u>226,611</u>	<u>3,168,303</u>
Capital Contributions -			
Connection Fees	-	548,948	548,948
Grants	-	3,288	3,288
Contributions from Developers	-	552,920	552,920
Contributions from Customers	385,316	-	385,316
Transfers from Other City Funds	-	195,245	195,245
Transfers to Other City Funds	(1,407,734)	-	(1,407,734)
Total Contributions and Transfers	<u>(1,022,418)</u>	<u>1,300,401</u>	<u>277,983</u>
Change in Net Position	1,919,274	1,527,012	3,446,286
Net Position, January 1	<u>44,948,374</u>	<u>26,706,998</u>	<u>71,655,372</u>
Net Position, December 31	<u>\$ 46,867,648</u>	<u>\$ 28,234,010</u>	<u>\$ 75,101,658</u>

Elk River Municipal Utilities
Elk River, Minnesota
Electric Fund
Summary of Operations and Unaudited Statistics
For the Years Ended December 31, 2012 through December 31, 2021

Summary of Operations

	2012	2013	2014	2015
Operating Revenues				
Sales of electricity	\$ 30,070,045	\$ 30,978,790	\$ 31,514,246	\$ 32,704,279
Other operating revenues (expenses)	188,645	(132,411)	(147,561)	(152,557)
Total Operating Revenues	<u>30,258,690</u>	<u>30,846,379</u>	<u>31,366,685</u>	<u>32,551,722</u>
Operating Expenses				
Purchased power	20,499,773	21,254,950	21,994,652	22,034,307
Distribution	1,909,845	1,970,341	2,161,352	2,330,969
Services to the City	481,907	498,146	530,340	520,727
Depreciation	2,099,594	2,029,496	1,914,062	1,922,359
Other operating expenses	2,359,193	2,374,959	2,791,717	3,087,792
Total Operating Expenses	<u>27,350,312</u>	<u>28,127,892</u>	<u>29,392,123</u>	<u>29,896,154</u>
Operating Income	2,908,378	2,718,487	1,974,562	2,655,568
Capital Contributions	-	-	-	-
Transfers to Other City Funds	(816,864)	(781,162)	(797,835)	(824,743)
Special Item	-	-	-	-
Nonoperating Revenues	<u>28,531</u>	<u>(30,658)</u>	<u>152,375</u>	<u>267,243</u>
Net Income	<u>\$ 2,120,045</u>	<u>\$ 1,906,667</u>	<u>\$ 1,329,102</u>	<u>\$ 2,098,068</u>
Percent of Change				
Sales of electricity	7.800%	3.022%	1.728%	3.776%
Purchased power	4.564%	3.684%	3.480%	0.180%
Percent of Revenues				
Purchased power	67.748%	68.906%	70.121%	67.690%

Unaudited Statistics

Miscellaneous

	2012	2013	2014	2015
kWh's purchased	287,553,108	290,025,919	288,320,724	294,441,957
kWh's sold	273,455,846	273,945,354	274,546,059	282,265,268
Line loss	<u>14,097,262</u>	<u>16,080,565</u>	<u>13,774,665</u>	<u>12,176,689</u>
Percent of line loss	4.902%	5.545%	4.778%	4.136%
Revenues Per kWh Sold	\$ 0.1100	\$ 0.1131	\$ 0.1148	\$ 0.1159
Cost Per kWh Purchased	\$ 0.0713	\$ 0.0733	\$ 0.0763	\$ 0.0748
Number of Customers	9,285	9,358	9,449	10,499
Total Contribution/Transfers to City	\$ 816,864	\$ 781,162	\$ 797,835	\$ 824,743

2016	2017	2018	2019	2020	2021
\$ 34,569,098	\$ 36,458,061	\$ 39,039,573	\$ 37,640,985	\$ 37,714,965	\$ 39,719,268
(104,702)	(337,237)	(259,668)	453,648	207,542	1,041,676
<u>34,464,396</u>	<u>36,120,824</u>	<u>38,779,905</u>	<u>38,094,633</u>	<u>37,922,507</u>	<u>40,760,944</u>
23,991,069	25,402,576	26,710,514	24,851,301	24,240,440	28,169,146
2,041,810	2,385,263	2,660,231	2,546,634	2,458,699	2,585,796
230,312	202,421	215,296	210,791	229,086	224,814
2,005,093	2,046,935	2,297,349	2,856,258	2,896,839	2,957,685
3,558,315	3,357,276	3,318,016	4,090,102	4,133,940	3,688,401
<u>31,826,599</u>	<u>33,394,471</u>	<u>35,201,406</u>	<u>34,555,086</u>	<u>33,959,004</u>	<u>37,625,842</u>
2,637,797	2,726,353	3,578,499	3,539,547	3,963,503	3,135,102
-	209,051	352,104	125,764	174,557	385,316
(1,089,287)	(1,113,264)	(1,188,664)	(1,157,445)	(1,340,218)	(1,407,734)
330,923	-	-	-	-	-
8,991	145,034	218,586	82,440	98,427	(193,410)
<u>\$ 1,888,424</u>	<u>\$ 1,967,174</u>	<u>\$ 2,960,525</u>	<u>\$ 2,590,306</u>	<u>\$ 2,896,269</u>	<u>\$ 1,919,274</u>
5.702%	5.464%	7.081%	-3.582%	0.197%	5.314%
8.881%	5.883%	5.149%	-6.961%	-2.458%	16.207%
69.611%	70.327%	68.877%	65.236%	63.921%	69.108%
2016	2017	2018	2019	2020	2021
311,990,595	320,349,631	339,917,944	336,570,637	337,016,741	347,974,385
301,838,731	313,952,561	331,124,011	325,981,176	324,469,638	341,047,710
<u>10,151,864</u>	<u>6,397,070</u>	<u>8,793,933</u>	<u>10,589,461</u>	<u>12,547,103</u>	<u>6,926,675</u>
3.254%	1.997%	2.587%	3.146%	3.723%	1.991%
\$ 0.1145	\$ 0.1161	\$ 0.1179	\$ 0.1155	\$ 0.1162	\$ 0.1165
\$ 0.0769	\$ 0.0793	\$ 0.0786	\$ 0.0738	\$ 0.0719	\$ 0.0810
10,816	11,448	11,983	12,244	12,365	12,789
\$ 1,089,287	\$ 1,113,264	\$ 1,188,664	\$ 1,157,445	\$ 1,340,218	\$ 1,407,734

Elk River Municipal Utilities
Elk River, Minnesota
Water Fund
Summary of Operations and Unaudited Statistics
For the Years Ended December 31, 2012 through December 31, 2021

Summary of Operations

	2012	2013	2014	2015
Operating Revenues				
Sales of water	\$ 2,265,142	\$ 2,278,124	\$ 2,148,327	\$ 2,202,537
Operating Expenses				
Operating expenses less depreciation	1,130,965	1,210,797	1,267,019	1,277,466
Services to City	-	-	-	5,719
Depreciation	1,028,593	1,032,442	1,083,770	1,131,110
Total Operating Expenses	<u>2,159,558</u>	<u>2,243,239</u>	<u>2,350,789</u>	<u>2,414,295</u>
Total Operating Income (Loss)	<u>\$ 105,584</u>	<u>\$ 34,885</u>	<u>\$ (202,462)</u>	<u>\$ (211,758)</u>
Percent of Change				
Sales of water	23.59%	0.57%	(5.70%)	2.52%

Unaudited Statistics
Miscellaneous

	2012	2013	2014	2015
Water Pumped (Gallons)	847,283,200	785,377,000	782,110,000	799,974,000
Water Sold (Gallons)	727,912,000	709,760,000	672,760,000	676,842,000
Percent of Line Loss	14.09%	9.63%	13.98%	15.39%
Revenues Per 1,000 Gallons Pumped	\$ 2.67	\$ 2.90	\$ 2.75	\$ 2.75
Revenues Per 1,000 Gallons Sold	\$ 3.11	\$ 3.21	\$ 3.19	\$ 3.25
Number of Customers	4,542	4,613	4,676	4,672

Water Supplier Services

	2012	2013	2014	2015
Flushing Hydrants	46,400,000	45,000,000	47,000,000	45,000,000
Back Washing	30,000,000	8,000,000	3,922,000	4,000,000
Fire Department Use	16,500,000	5,000,000	5,000,000	5,000,000
New Water Main Disinfectant and Flushing	9,000,000	5,000,000	5,000,000	5,000,000
Flushing Seasonal Well	3,600,000	-	-	-
Meter Inaccuracy	6,500,000	3,000,000	3,000,000	-
Street and Sewer Maintenance	-	617,000	1,000,000	473,400
Water Tower Paint and Clean/Maintenance	-	2,000,000	1,000,000	3,700,000
Well Maintenance	-	-	-	700,000
Water Line and Irrigation Leaks	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>	<u>-</u>
Water Supplier Services	<u>119,000,000</u>	<u>75,617,000</u>	<u>72,922,000</u>	<u>63,873,400</u>

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>\$ 2,173,521</u>	<u>\$ 2,326,245</u>	<u>\$ 2,515,821</u>	<u>\$ 2,303,670</u>	<u>\$ 2,674,544</u>	<u>\$ 3,120,660</u>
1,325,831	1,614,095	1,430,539	1,521,719	1,540,043	2,004,037
-	-	-	1,583	463	1,259
<u>1,148,310</u>	<u>1,191,894</u>	<u>1,193,745</u>	<u>1,147,149</u>	<u>1,133,179</u>	<u>1,139,802</u>
<u>2,474,141</u>	<u>2,805,989</u>	<u>2,624,284</u>	<u>2,670,451</u>	<u>2,673,685</u>	<u>3,145,098</u>
<u><u>\$ (300,620)</u></u>	<u><u>\$ (479,744)</u></u>	<u><u>\$ (108,463)</u></u>	<u><u>\$ (366,781)</u></u>	<u><u>\$ 859</u></u>	<u><u>\$ (24,438)</u></u>
(1.32%)	7.03%	8.15%	(8.43%)	16.10%	16.68%

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
801,603,000	788,182,000	822,546,000	778,595,000	872,733,000	977,238,000
666,656,000	686,032,000	737,689,000	664,924,000	756,383,000	863,076,000
16.83%	12.96%	10.32%	14.60%	13.33%	11.68%
\$ 2.71	\$ 2.95	\$ 3.06	\$ 2.96	\$ 3.06	\$ 3.19
\$ 3.26	\$ 3.39	\$ 3.41	\$ 3.46	\$ 3.54	\$ 3.62
4,903	5,011	5,140	5,256	5,320	5,430

<u>Gallons</u>					
<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
46,816,000	47,470,500	47,894,000	48,240,500	53,779,500	19,850,600
4,430,000	4,125,542	3,823,903	3,850,801	6,441,523	5,967,131
5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
-	-	-	-	-	-
-	-	-	-	-	-
1,800,000	1,550,000	1,550,000	1,550,000	1,550,000	1,550,000
4,000,000	4,000,000	4,000,000	4,000,000	5,000,000	4,000,000
7,358,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
-	-	-	-	-	-
<u><u>74,404,000</u></u>	<u><u>74,146,042</u></u>	<u><u>74,267,903</u></u>	<u><u>74,641,301</u></u>	<u><u>83,771,023</u></u>	<u><u>48,367,731</u></u>

THIS PAGE IS LEFT
BLANK INTENTIONALLY

OTHER REPORT
ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

THIS PAGE IS LEFT
BLANK INTENTIONALLY

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Public Utilities Commission
Elk River Municipal Utilities
Elk River, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Elk River Municipal Utilities (the Utilities) of the City of Elk River, Minnesota (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements which collectively comprises the Utilities basic financial statements, and have issued our report thereon dated April 7, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the Utilities failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Utilities' noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the Public Utilities Commission, and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



Abdo
Minneapolis, Minnesota
April 7, 2022