

ANNUAL FINANCIAL REPORT

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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Elk River Municipal Utilities
Elk River, Minnesota
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INTRODUCTORY SECTION
ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
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Elk River Municipal Utilities
Elk River, Minnesota
Public Utilities Commission and Administration
For the Year Ended December 31, 2024

COMMISSION

Name	Title
John Dietz	Chairperson
Mary Stewart	Vice-Chair
Matt Westgaard	Commissioner
Paul Bell	Commissioner
Nick Zerwas	Commissioner

ADMINISTRATION

Name	Title
Mark Hanson	General Manager
Melissa Karpinski	Finance Manager
Tom Geiser	Operations Director
Chris Sumstad	Electric Superintendent
Dave Ninow	Water Superintendent
Mike Tietz	Technical Services Superintendent
Sara Youngs	Administrations Director
Tony Mauren	Governance & Communications Manager

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FINANCIAL SECTION
ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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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, 2024, 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, 2024, 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 Utilities as of December 31, 2024, 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.

Change in Accounting Principle

The Utilities has adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 101, Compensated Absences, for the year ended December 31, 2024. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. 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.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utilities' basic financial statements. The schedule of operating revenues and expenses is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating revenues and expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, summary of operations and unaudited statistics but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



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Minneapolis, Minnesota
April 1, 2025



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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, 2024. 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 \$84,854,552 (net position). Net Position increased by \$3,153,304 or 3.9 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 \$24,755,146.
- Electric usage overall was down an average of 3.9 percent from the prior year. Residential usage decreased 4.0 percent, Commercial usage decreased 3.0 percent, and Industrial usage decreased 4.0 percent.
- Water usage overall was down an average of 16.3 percent from the prior year. Residential usage decreased 19.8 percent, and Commercial usage decreased 12.6 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 cash came 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 in fiscal 2024 from fiscal 2023.

Table A-1
Condensed Statement of Net Position

	2024	2023	Increase (Decrease)
Assets			
Current and other	\$ 29,660,285	\$ 31,866,563	\$ (2,206,278)
Capital and other non-current	101,204,766	96,673,875	4,530,891
Total Assets	<u>130,865,051</u>	<u>128,540,438</u>	<u>2,324,613</u>
Total Deferred Outflows of Resources	<u>383,601</u>	<u>816,369</u>	<u>(432,768)</u>
Liabilities			
Current	9,760,324	8,837,628	922,696
Non-current	30,737,715	33,043,134	(2,305,419)
Total Liabilities	<u>40,498,039</u>	<u>41,880,762</u>	<u>(1,382,723)</u>
Total Deferred Inflows of Resources	<u>5,896,061</u>	<u>5,774,797</u>	<u>121,264</u>
Net Position			
Net investment in capital assets	66,966,175	61,103,248	5,862,927
Restricted for debt service	1,779,016	1,779,016	-
Unrestricted	<u>16,109,361</u>	<u>18,818,984</u>	<u>(2,709,623)</u>
Total Net Position	<u><u>\$ 84,854,552</u></u>	<u><u>\$ 81,701,248</u></u>	<u><u>\$ 3,153,304</u></u>
Net Position as a Percent of Total			
Net investment in capital assets	78.9 %	74.8 %	
Restricted	2.1	2.2	
Unrestricted	<u>19.0</u>	<u>23.0</u>	
	<u><u>100.0 %</u></u>	<u><u>100.0 %</u></u>	

Electric and Water Rates. Electric - The Utilities' electric rates had a zero-rate increase effective January 2025. The monthly base charges are based upon the type of service. The monthly charges are \$15.00 for residential, \$32.00 for non-demand, \$77.00 for demand and \$115.00 for large industrial demand customers. In addition to the base charges the residential rate is \$.1373/kWh for June-October usage, and \$.1255/kWh for November-May usage; the non-demand rate is \$.1330/kWh for June-October, and \$.1114/kWh for November-May; the demand rate is \$.0704/kWh energy charge year round with a demand charge of \$16.75/kW June-October, and \$11.75/kW for November-May; the large industrial demand rate is \$.0696/kWh energy charge year round with a demand charge of \$16.25/kW June-October, and \$11.25/kW November-May.

Water - The latest increase in the Utilities' water rates was effective January 2025. The monthly base charge for residential customers is \$10.23 per month. In addition to the base charge, the Utilities currently charges its residential customers \$2.04 per 1,000 gallons up to 9,000 gallons, \$3.64 per 1,000 gallons between 9,000 gallons and 15,000 gallons, and \$4.20 per 1,000 gallons for usage above 15,000 gallons. Commercial customer base charges are based upon meter size and range from \$12.27 to \$129.60. An irrigation meter is \$21.83 per month. There is also a charge per 1,000 gallons, the same tiers as the residential rates of \$2.04, \$3.64, and \$4.20, 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 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 above 90 percent 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 90 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 show the change in financial assets/deferred outflows and liabilities/deferred inflows, the Statements of Revenues, Expenses and Changes in Net Position, provide answers as to the nature and source of these changes. As can be seen in Table A-2, revenues in excess of expenses were the main source of the increase in net position in fiscal 2024. 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

	2024	2023	Increase (Decrease)
Revenues			
Operating	\$ 46,082,215	\$ 47,834,738	\$ (1,752,523)
Nonoperating	1,776,015	1,625,170	150,845
Total Revenues	<u>47,858,230</u>	<u>49,459,908</u>	<u>(1,601,678)</u>
Expenses			
Operating	43,560,442	45,253,729	(1,693,287)
Nonoperating	807,697	847,654	(39,957)
Total Expenses	<u>44,368,139</u>	<u>46,101,383</u>	<u>(1,733,244)</u>
Income Before Contributions and Operating Transfers	3,490,091	3,358,525	131,566
Capital Contributions - Developer Infrastructure and Connection Fees	477,998	253,341	224,657
Contribution from Customers	712,844	489,452	223,392
Transfers from Other City Funds	-	1,348,943	(1,348,943)
Transfers to Other City Funds	<u>(1,527,629)</u>	<u>(1,620,378)</u>	<u>92,749</u>
Change in Net Position	3,153,304	3,829,883	(676,579)
Net Position, January 1	<u>81,701,248</u>	<u>77,871,365</u>	<u>3,829,883</u>
Net Position, December 31	<u><u>\$ 84,854,552</u></u>	<u><u>\$ 81,701,248</u></u>	<u><u>\$ 3,153,304</u></u>

Revenues. Table A-2 shows that operating revenue decreased by 3.7 percent in 2024 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 2024, rebates received from our 2022 filings averaged approximately \$52,104 per month. The Water Department is receiving lease revenue from Sprint and Verizon for antennas on the water towers. In 2024 this amount was approximately \$398,737 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 a decrease overall, with the electric department decreasing and the water department increasing from the prior year. Purchased Power is the biggest electric department expense, and it decreased 8.5 percent.

Capital Assets and Debt Administration

Capital Assets. The Utilities' investment in capital assets for its business-type activities as of December 31, 2024 is shown below (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment. A table summarizing the balances by fund follows:

	2024	2023	Increase (Decrease)
Land	\$ 898,584	\$ 898,584	\$ -
Intangible	24,540,931	24,262,932	277,999
Land Improvements	8,079	9,307	(1,228)
Buildings	15,236,051	14,957,145	278,906
Machinery and Equipment	2,343,954	2,609,644	(265,690)
Infrastructure	53,368,273	46,892,112	6,476,161
Construction in Progress	325,998	2,310,731	(1,984,733)
Total	<u>\$ 96,721,870</u>	<u>\$ 91,940,455</u>	<u>\$ 4,781,415</u>
Percent increase (decrease)			5.2%

The Utilities' investment in capital assets for the current fiscal year increased in total.

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.
- Completion of the new field services facility was built for both the Electric and Water Department which makes up the majority of the increase in Buildings.
- The Electric and Water Departments completed a portion of an Advanced Metering Infrastructure project that contributed to the increase in Infrastructure.

Additional information on the Utilities' capital assets can be found in Note 2C starting on page 38 of this report.

Long-term Debt. At year end, the Utilities had \$29,755,695 in long-term debt which decreased from fiscal 2023. More detailed information about the Utilities' long-term liabilities can be found in Note 2D starting on page 39 and below:

	2024	2023	Increase (Decrease)
G.O. Revenue Bonds	\$ 1,445,000	\$ 1,505,000	\$ (60,000)
Revenue Bonds	27,005,000	27,960,000	(955,000)
Unamortized Premium on Bonds	1,305,695	1,372,207	(66,512)
Total	<u>\$ 29,755,695</u>	<u>\$ 30,837,207</u>	<u>\$ (1,081,512)</u>
Percent increase (decrease)			(3.5%)

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 efficiency 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, 2024

Elk River Municipal Utilities
Elk River, Minnesota
Statement of Net Position (Continued on the Following Page)
December 31, 2024

	Electric	Water	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 13,014,941	\$ 9,961,189	\$ 22,976,130
Receivables			
Accrued interest	3,634	40,402	44,036
Accounts, net of allowance	2,009,904	133,264	2,143,168
Special assessments	7,317	24,331	31,648
Leases	-	250,524	250,524
Other	140,250	137,945	278,195
Due from other City funds	3,570	150,760	154,330
Inventories	1,637,839	56,846	1,694,685
Prepaid expenses	252,217	56,336	308,553
Total Current Assets	<u>17,069,672</u>	<u>10,811,597</u>	<u>27,881,269</u>
Non-current Assets			
Lease receivable	-	4,482,896	4,482,896
Capital Assets			
Land	697,870	200,714	898,584
Intangible	28,715,624	-	28,715,624
Land improvements	34,081	-	34,081
Buildings	15,645,663	3,279,913	18,925,576
Machinery and equipment	5,286,801	683,346	5,970,147
Infrastructure	61,322,374	45,397,485	106,719,859
Construction in progress	323,516	2,482	325,998
Capital Assets, Cost	112,025,929	49,563,940	161,589,869
Less Accumulated Depreciation	<u>(40,957,293)</u>	<u>(23,910,706)</u>	<u>(64,867,999)</u>
Total Capital Assets, Net	<u>71,068,636</u>	<u>25,653,234</u>	<u>96,721,870</u>
Total Non-current Assets	<u>71,068,636</u>	<u>30,136,130</u>	<u>101,204,766</u>
Other Assets			
Restricted cash	<u>1,779,016</u>	<u>-</u>	<u>1,779,016</u>
Total Assets	<u>89,917,324</u>	<u>40,947,727</u>	<u>130,865,051</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>322,181</u>	<u>61,420</u>	<u>383,601</u>

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, 2024

	Electric	Water	Total
Current Liabilities			
Accounts payable	\$ 3,735,783	\$ 277,044	\$ 4,012,827
Salaries and benefits payable	315,039	62,002	377,041
Accrued interest payable	341,232	16,333	357,565
Due to other City funds	1,144,737	243,473	1,388,210
Due to other governments	184,382	8,621	193,003
Customer deposits payable	1,132,673	121,073	1,253,746
Unearned revenue	4,305	151,263	155,568
Compensated absences	863,148	104,216	967,364
Bonds payable - current portion	990,000	65,000	1,055,000
Total Current Liabilities	8,711,299	1,049,025	9,760,324
Non-current Liabilities			
Bonds payable, net - less current portion	27,210,400	1,490,295	28,700,695
Net pension liability	1,708,036	328,984	2,037,020
Total Non-current Liabilities	28,918,436	1,819,279	30,737,715
Total Liabilities	37,629,735	2,868,304	40,498,039
Deferred Inflows of Resources			
Deferred pension resources	1,206,975	231,840	1,438,815
Deferred lease resources	-	4,457,246	4,457,246
Total Deferred Inflows of Resources	1,206,975	4,689,086	5,896,061
Net Position			
Net investment in capital assets	42,868,236	24,097,939	66,966,175
Restricted for debt service	1,779,016	-	1,779,016
Unrestricted	6,755,543	9,353,818	16,109,361
Total Net Position	\$ 51,402,795	\$ 33,451,757	\$ 84,854,552

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

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Elk River Municipal Utilities
Elk River, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2024

	Electric	Water	Total
Operating Revenues			
Charges for services	\$ 42,557,925	\$ 2,803,602	\$ 45,361,527
Substation credit	4,800	-	4,800
Connection maintenance	317,234	72,409	389,643
Customer penalties	295,143	31,102	326,245
Total Operating Revenues	<u>43,175,102</u>	<u>2,907,113</u>	<u>46,082,215</u>
Operating Expenses			
Purchased power	28,590,698	-	28,590,698
Production	266,783	780,844	1,047,627
Distribution	2,437,569	462,083	2,899,652
Depreciation	3,317,829	1,223,033	4,540,862
Customer accounts	659,755	96,615	756,370
General and administrative	4,718,264	1,006,969	5,725,233
Total Operating Expenses	<u>39,990,898</u>	<u>3,569,544</u>	<u>43,560,442</u>
Operating Income (Loss)	<u>3,184,204</u>	<u>(662,431)</u>	<u>2,521,773</u>
Nonoperating Revenues (Expenses)			
Interest income (loss)	338,157	104,286	442,443
Miscellaneous revenue	925,800	429,016	1,354,816
Interest expense and other	(773,748)	(33,949)	(807,697)
Gain/(Loss) on sale of capital assets	(16,154)	(5,090)	(21,244)
Total Nonoperating Revenues (Expenses)	<u>474,055</u>	<u>494,263</u>	<u>968,318</u>
Income (Loss) before Contributions and Transfers	<u>3,658,259</u>	<u>(168,168)</u>	<u>3,490,091</u>
Capital Contributions -			
Connection Fees	-	477,998	477,998
Contribution from Customers	690,934	21,910	712,844
Transfers to Other City Funds	(1,527,629)	-	(1,527,629)
Total Contributions and Transfers	<u>(836,695)</u>	<u>499,908</u>	<u>(336,787)</u>
Change in Net Position	2,821,564	331,740	3,153,304
Net Position, January 1	<u>48,581,231</u>	<u>33,120,017</u>	<u>81,701,248</u>
Net Position, December 31	<u>\$ 51,402,795</u>	<u>\$ 33,451,757</u>	<u>\$ 84,854,552</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 on the Following Page)
For the Year Ended December 31, 2024

	Electric	Water	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 43,214,708	\$ 2,903,410	\$ 46,118,118
Other operating cash receipts	425,678	141,645	567,323
Payments to suppliers	(33,345,078)	(1,414,839)	(34,759,917)
Payments to employees	(3,342,719)	(808,326)	(4,151,045)
Net Cash Provided by Operating Activities	<u>6,952,589</u>	<u>821,890</u>	<u>7,774,479</u>
Cash Flows from Noncapital Financing Activities			
Transfers to City	(1,527,629)	-	(1,527,629)
(Increase) decrease in due from other City funds	(129)	66,463	66,334
(Decrease) increase in due to other City funds	215,816	210,013	425,829
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,311,942)</u>	<u>276,476</u>	<u>(1,035,466)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(6,063,793)	(2,498,840)	(8,562,633)
Proceeds from connection fees	-	477,998	477,998
Proceeds on sale of capital assets	9,755	-	9,755
Principal payments on bonds	(955,000)	(60,000)	(1,015,000)
Interest paid on bonds	(849,381)	(41,600)	(890,981)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,858,419)</u>	<u>(2,122,442)</u>	<u>(9,980,861)</u>
Cash Flows from Investing Activities			
Interest on investments	<u>336,478</u>	<u>105,764</u>	<u>442,242</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,881,294)	(918,312)	(2,799,606)
Cash and Cash Equivalents, January 1	<u>16,675,251</u>	<u>10,879,501</u>	<u>27,554,752</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 14,793,957</u></u>	<u><u>\$ 9,961,189</u></u>	<u><u>\$ 24,755,146</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and temporary investments	\$ 13,014,941	\$ 9,961,189	\$ 22,976,130
Restricted cash	<u>1,779,016</u>	<u>-</u>	<u>1,779,016</u>
Total Cash and Cash Equivalents	<u><u>\$ 14,793,957</u></u>	<u><u>\$ 9,961,189</u></u>	<u><u>\$ 24,755,146</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, 2024

	Electric	Water	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income	\$ 3,184,204	\$ (662,431)	\$ 2,521,773
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Other revenue related to operations	925,800	429,016	1,354,816
Bad debt expense	15,203	20	15,223
Depreciation	3,317,829	1,223,033	4,540,862
(Increase) decrease in assets/deferred outflows:			
Accounts receivable	42,394	(16,540)	25,854
Other receivables	155,825	(134,106)	21,719
Special assessments receivable	(2,788)	12,837	10,049
Lease receivable	-	235,035	235,035
Inventories	(589,329)	(39,744)	(629,073)
Prepaid expenses	(66,618)	(21,125)	(87,743)
Deferred pension resources	367,877	64,891	432,768
Increase (decrease) in liabilities/deferred inflows:			
Accounts payable	(170,367)	74,093	(96,274)
Salaries and benefits payable	71,804	17,582	89,386
Unearned revenue	(138,683)	9,286	(129,397)
Compensated absences payable	392,871	52,381	445,252
Due to other governments	23,968	5,849	29,817
Customer deposits payable	64,878	(7,823)	57,055
Net pension liability	(1,012,441)	(171,466)	(1,183,907)
Deferred pension resources	370,162	78,533	448,695
Deferred lease resources	-	(327,431)	(327,431)
Net Cash Provided by Operating Activities	<u>\$ 6,952,589</u>	<u>\$ 821,890</u>	<u>\$ 7,774,479</u>
Noncash Capital and Related Financing Activities			
Amortization of Bond Premium	<u>\$ 59,862</u>	<u>\$ 6,650</u>	<u>\$ 66,512</u>
Gain (Loss) on Disposal of Capital Assets	<u>\$ (16,154)</u>	<u>\$ (5,090)</u>	<u>\$ (21,244)</u>
Book Value of Disposed Capital Assets	<u>\$ 25,909</u>	<u>\$ 5,090</u>	<u>\$ 30,999</u>
Capital Assets Purchased on Account	<u>\$ 1,031,371</u>	<u>\$ -</u>	<u>\$ 1,031,371</u>
Contribution of Capital Assets	<u>\$ 690,934</u>	<u>\$ 21,910</u>	<u>\$ 712,844</u>

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

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Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

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 distribute electricity to the residents and businesses of Elk River and parts of Dayton, Big Lake Township and Otsego, Minnesota. The Utilities distributes water to the residents and businesses 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 an 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.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 36 and are valued using a matrix pricing model (Level 2 inputs).

The Utilities has the following recurring fair value measurements as of December 31, 2024:

- Negotiable certificates of deposit of \$3,603,115 are valued using a matrix pricing model (Level 2 inputs).
- Asset backed securities of \$2,486,378 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, 2024 is as follows:

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

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Lease Receivable

The Utilities' lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Utilities may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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.

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 carry 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 Employment Health Care Savings Plan account. Unused vacation carryover is limited to the number of hours accrued during the previous year.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Sick Leave: Sick leave can accumulate to a maximum of 960 hours from year to year. Upon termination employees will have 50 percent of unused sick leave, up to a maximum of 960 hours, converted to cash and deposited into their Post Employment Health Care Savings Plan account. Upon retirement employees will have 50-100 percent of unused sick leave, up to a maximum of 960 hours, converted to cash and deposited into their Post Employment Health Care Savings Plan 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.

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, 2024 was \$140,028. The components of pension expense are noted in the plan summaries in Note 4.

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 the Utilities Performance Metric-based Incentive Compensation system (UPMIC) the Utilities employees will have an opportunity, as a group, to each earn a maximum of 3 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.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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 two types of items which qualify for reporting in this category. The items, deferred pension resources and deferred lease resources, are reported in the statement of net position and results from actuarial calculations and future lease receipts.

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 acquired 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 positions 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.

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.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 2: Detailed Notes on All Funds (Continued)

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, 2024, the Utilities' carrying amount of deposits, bank balance, FDIC coverage and pledged collateral are shown in the chart below.

Carrying amount of deposits	<u>\$ 13,578,803</u>
Bank Balance	\$ 13,459,228
Covered by FDIC	<u>(379,784)</u>
Collateralized with securities pledged in the Utilities' name	<u>\$ 13,079,444</u>

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 2: Detailed Notes on All Funds (Continued)

Investments

The Utilities' investment balances were as follows for December 31, 2024:

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	\$ 5,086,050	\$ -	\$ -	\$ -
Non-pooled Investments						
Negotiable certificates of deposits	N/A	less than 1 year	954,262	-	954,262	-
Negotiable certificates of deposits	N/A	1 - 5 years	2,648,853	-	2,648,853	-
Asset backed securities	N/A	1 - 5 years	2,247,693	-	2,247,693	-
Asset backed securities	N/A	more than 5 years	238,685	-	238,685	-
Total Non-pooled Investments			6,089,493	-	6,089,493	-
Total Investments			\$ 11,175,543	\$ -	\$ 6,089,493	\$ -

(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:

	2024
Deposits	\$ 13,578,803
Investments	11,175,543
Cash on Hand	800
Total	<u>\$ 24,755,146</u>
Cash and Temporary Investments	
Unrestricted	\$ 22,976,130
Restricted	1,779,016
Total	<u>\$ 24,755,146</u>

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 2: Detailed Notes on All Funds (Continued)

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.
- *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, 2024 the Utilities has no individual issuers invested in 5.0 percent or more of its total investment portfolio.
- *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. Lease Receivable

The Utilities has multiple leases with Sprint and Verizon that allows them to place antennas on water towers. The lease payments increase yearly. As of December 31, 2024, the Utilities' lease and interest receivable balance was \$4,772,914. The lease receivable is partially offset with deferred inflow of lease resources.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Lease Receivable Balance at Year End	Interest Receivable at Year End	Balance at Year End
Sprint Lease on Johnson St.	\$ 741,068	1.41 %	06/01/10	05/31/35	\$ 611,347	\$ 5,046	\$ 616,393
Sprint Lease on Gary St.	694,752	1.41	06/01/10	05/31/35	573,138	4,731	577,869
Sprint Lease on Auburn St.	694,752	1.41	06/01/10	05/31/35	573,138	4,731	577,869
Verizon Lease on Johnson St.	837,781	1.60	09/01/14	08/31/39	743,869	3,950	747,819
Verizon Lease on Gary St.	837,781	1.59	09/01/14	08/31/39	743,869	3,950	747,819
Verizon Lease on Auburn St.	909,094	1.70	01/01/17	12/31/42	824,663	14,129	838,792
Verizon Lease on Freeport St.	724,310	1.78	10/01/20	09/30/45	663,396	2,957	666,353
Total Lease Receivable							<u>\$ 4,772,914</u>

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 2: Detailed Notes on All Funds (Continued)

Future lease receivable payments are as follows:

Year Ending December 31,	Principal	Interest	Total
2025	\$ 250,524	\$ 74,806	\$ 325,330
2026	266,714	70,966	337,680
2027	283,634	66,879	350,513
2028	301,313	62,531	363,844
2029	319,783	57,912	377,695
2030 - 2034	1,906,000	209,896	2,115,896
2035 - 2039	1,038,579	81,316	1,119,895
2040 - 2044	366,873	15,954	382,827
Total	<u>\$ 4,733,420</u>	<u>\$ 640,260</u>	<u>\$ 5,373,680</u>

C. Capital Assets

Capital asset activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 898,584	\$ -	\$ -	\$ 898,584
Intangible	6,223,278	946,134	-	7,169,412
Construction in progress	2,310,731	6,746,325	(8,731,058)	325,998
Total Capital Assets not being Depreciated	<u>9,432,593</u>	<u>7,692,459</u>	<u>(8,731,058)</u>	<u>8,393,994</u>
Capital Assets being Depreciated				
Intangible	21,546,212	-	-	21,546,212
Land improvements	34,081	-	-	34,081
Buildings	18,042,022	883,554	-	18,925,576
Machinery and equipment	5,799,379	197,631	(26,863)	5,970,147
Infrastructure	98,101,085	9,310,690	(691,916)	106,719,859
Total Capital Assets being Depreciated	<u>143,522,779</u>	<u>10,391,875</u>	<u>(718,779)</u>	<u>153,195,875</u>
Less Accumulated Depreciation for				
Intangible	(3,506,558)	(668,135)	-	(4,174,693)
Land improvements	(24,774)	(1,228)	-	(26,002)
Buildings	(3,084,877)	(604,648)	-	(3,689,525)
Machinery and equipment	(3,189,735)	(463,321)	26,863	(3,626,193)
Infrastructure	(51,208,973)	(2,803,530)	660,917	(53,351,586)
Total Accumulated Depreciation	<u>(61,014,917)</u>	<u>(4,540,862)</u>	<u>687,780</u>	<u>(64,867,999)</u>
Total Capital Assets being Depreciated, Net	<u>82,507,862</u>	<u>5,851,013</u>	<u>(30,999)</u>	<u>88,327,876</u>
Business-type Activities Capital Assets, Net	<u>\$ 91,940,455</u>	<u>\$ 13,543,472</u>	<u>\$ (8,762,057)</u>	<u>\$ 96,721,870</u>

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 2: Detailed Notes on All Funds (Continued)

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

	2024
Business-type Activities	
Electric	\$ 3,317,829
Water	<u>1,223,033</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 4,540,862</u></u>

D. 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.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Bonds, Series 2021C	1,615,000	2.00 - 4.00 %	06/10/21	08/01/41	<u><u>\$ 1,445,000</u></u>

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

Year Ending December 31,	Principal	Interest	Total
2025	\$ 65,000	\$ 39,200	\$ 104,200
2026	70,000	36,600	106,600
2027	70,000	33,800	103,800
2028	75,000	31,000	106,000
2029	75,000	28,000	103,000
2030 - 2034	420,000	97,500	517,500
2035 - 2039	470,000	48,700	518,700
2040 - 2041	<u>200,000</u>	<u>6,000</u>	<u>206,000</u>
Total	<u><u>\$ 1,445,000</u></u>	<u><u>\$ 320,800</u></u>	<u><u>\$ 1,765,800</u></u>

In 2024, annual principal and interest payment on the bonds required about 3.5 percent of revenues from the Water fund. The principal and interest paid and total customer revenues for the Water fund were \$101,600 and \$2,907,113, respectively.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 2: Detailed Notes on All Funds (Continued)

Revenue Bonds

The revenue bonds were issued to facilitate the membership buy-in with MMPA 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	\$ 7,020,000
Electric Revenue Bonds, Series 2018A	10,000,000	3.50 - 5.00	09/26/18	08/01/48	8,815,000
Electric Revenue Bonds, Series 2021B	11,810,000	2.00 - 5.00	05/13/21	08/01/51	11,170,000
Total Revenue Bonds					<u>\$ 27,005,000</u>

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

Year Ending December 31,	Principal	Interest	Total
2025	\$ 990,000	\$ 811,306	\$ 1,801,306
2026	1,035,000	774,406	1,809,406
2027	1,075,000	738,256	1,813,256
2028	1,105,000	700,606	1,805,606
2029	1,140,000	663,606	1,803,606
2030 - 2034	6,330,000	2,707,856	9,037,856
2035 - 2039	5,210,000	1,778,056	6,988,056
2040 - 2044	4,460,000	1,159,756	5,619,756
2045 - 2049	4,570,000	484,563	5,054,563
2050 - 2051	1,090,000	36,900	1,126,900
Total	<u>\$ 27,005,000</u>	<u>\$ 9,855,311</u>	<u>\$ 36,860,311</u>

In 2024, annual principal and interest payment on the bonds required about 4.2 percent of revenues from the Electric fund. The principal and interest paid and total customer revenues for the Electric fund were \$1,804,381 and \$43,175,102, respectively.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 2: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable					
General obligation					
revenue bonds	\$ 1,505,000	\$ -	\$ (60,000)	\$ 1,445,000	\$ 65,000
Revenue bonds	27,960,000	-	(955,000)	27,005,000	990,000
Unamortized premium					
on bonds	1,372,207	-	(66,512)	1,305,695	-
Total Bonds Payable, Net	30,837,207	-	(1,081,512)	29,755,695	1,055,000
Compensated					
Absences Payable	522,112	981,478	(536,226)	967,364	967,364
Business-type Activity					
Long-term					
Liabilities	<u>\$ 31,359,319</u>	<u>\$ 981,478</u>	<u>\$ (1,617,738)</u>	<u>\$ 30,723,059</u>	<u>\$ 2,022,364</u>

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 2: Detailed Notes on All Funds (Continued)

E. 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	\$ 3,570	December billing services
Total Electric Fund Receivable From City		<u>3,570</u>	
Water	City	21,910	City share of hydrant project
Water	City	128,850	TIF 22 Water Access Charge
Total Water Fund Receivable From City		<u>150,760</u>	
Total Receivable From City		<u>\$ 154,330</u>	
City	Electric	\$ 259,809	4th quarter franchise fees
City	Electric	232,326	Billed sewer on behalf of City
City	Electric	164,444	Billed garbage on behalf of City
City	Electric	102,355	December transfer of revenue
City	Electric	56,712	Billed stormwater on behalf of City
City	Electric	201,862	Fiber project share
City	Electric	116,179	Shared costs
City	Electric	5,478	Parts and labor
City	Electric	3,976	Fuel
City	Electric	1,320	Continuing disclosures
City	Electric	276	Supplies
Total Electric Fund Payable to City		<u>1,144,737</u>	
City	Water	147,949	Fiber project share
City	Water	93,287	Shared costs
City	Water	1,118	Fuel
City	Water	679	Parts and labor
City	Water	440	Continuing disclosures
Total Water Fund Payable to City		<u>243,473</u>	
Total Payable to City		<u>\$ 1,388,210</u>	

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 2: Detailed Notes on All Funds (Continued)

Transfers

During the year ended December 31, 2024, the Utilities made the following transfers:

	Transfer to Other City Funds
Electric	<u>\$ 1,527,629</u>

- The transfer out of the Electric fund was the annual transfer of 4 percent of 2024 Elk River revenues to City funds.

Note 3: Other Information

A. Territorial Acquisition Agreement

In 2015, the Utilities entered into an agreement to transfer ownership of electric plants 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, \$924,187 in 2022, \$940,467 in 2023, \$933,159 in 2024, and \$946,133 in 2025. All amounts paid are included in property and equipment, and loss of revenue payments are included in intangible assets.

B. Risk Management

The Utilities are 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 obtain 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, 2024

Note 3: Other Information (Continued)

C. Commitments

The Utilities entered into an agreement in 2007 with Central Minnesota Municipal Power Agency (CMMPA) to acquire an interest in the CAPX Initiative Brookings Project, a power transmission line in Minnesota. The project is a 250-mile, 345 kV AC transmission line with a rating of 2,300 MW, between Brookings, South Dakota, and the Southeast Twin Cities. In 2011 there was increased opportunity for investment, and subsequent agreements provide the Utilities with an ownership share of \$5.6 million or 18.89 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 10.48%. The current return of 10.48% on this investment through CMMPA 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 2024 is estimated to be \$146K. 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 2024 (approximately \$146K) would be included in the revenue requirements in 2026. The transmission payments for 2024 were \$0.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 4: 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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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. The 2024 annual increase was 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 prorated increase.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the Utilities was required to contribute 7.50 percent for General Plan members. The Utilities' contributions to the General Employees Fund for the years ending December 31, 2024, 2023 and 2022, were \$349,758, \$339,650 and \$333,178, respectively. The Utilities' contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the Utilities reported a liability of \$2,037,020 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 \$52,673.

Utilities' Proportionate Share of the Net Pension Liability	\$ 2,037,020
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the Utilities	<u>52,673</u>
Total	<u><u>\$ 2,089,693</u></u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities's proportion of the net pension liability was based on the Utilities's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The Utilities's proportionate share was 0.0551 percent at the end of the measurement period and 0.0576 percent for the beginning of the period.

For the year ended December 31, 2024, the Utilities recognized pension expense of \$47,314 for its proportionate share of the General Employees Plan's pension expense. In addition, the Utilities recognized an additional negative \$1,011 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The Utilities recognized \$93,722 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

At December 31, 2024, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 194,277	\$ -
Changes in actuarial assumptions	10,289	796,520
Net difference between projected and actual investment earnings on pension plan investments	-	572,406
Changes in proportion	11,880	69,889
Employer contributions paid to PERA subsequent to the measurement date	167,155	-
Total	<u>\$ 383,601</u>	<u>\$ 1,438,815</u>

The \$167,155 reported as deferred outflows of resources related to pensions resulting from the Utilities' employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (666,852)
2026	(146,780)
2027	(252,612)
2028	(156,125)

E. Long-term Expected Return on Investment

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:

Asset Class	Target Allocation	Long-term Expected Return on Investment
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	<u>100.0 %</u>	

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Elk River Municipal Utilities
Elk River, Minnesota
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 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 Plans 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.

H. Pension Liability Sensitivity

The following presents the Utilities's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the 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 (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	\$ 4,449,179	\$ 2,037,020	\$ 52,799

I. 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.

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REQUIRED SUPPLEMENTARY INFORMATION

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

Elk River Municipal Utilities
Elk River, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2024

Schedule of Employer's Share of Public Employees Retirement Association 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
06/30/24	0.0551 %	\$ 2,037,020	\$ 52,673	\$ 2,089,693	\$ 4,663,185	43.7 %	86.7 %
06/30/23	0.0576	3,220,927	88,808	3,309,735	4,581,529	70.3	83.1
06/30/22	0.0570	4,514,419	132,415	4,646,834	4,272,380	105.7	76.7
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

Schedule of Employer's Public Employees Retirement Association 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)
12/31/24	\$ 349,758	\$ 349,758	\$ -	\$ 4,663,435	7.5 %
12/31/23	339,650	339,650	-	4,528,667	7.5
12/31/22	333,178	333,178	-	4,442,376	7.5
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

Elk River Municipal Utilities
Elk River, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023 - The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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.

Elk River Municipal Utilities
Elk River, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Notes to the Required Supplementary Information - General Employees Fund (Continued)

Changes in Actuarial Assumptions (Continued)

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.

Changes in Plan Provisions

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 - An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024, was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

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; the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

SUPPLEMENTARY INFORMATION

ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

Elk River Municipal Utilities
Elk River, Minnesota
Supplementary Information
Schedule of Operating Revenues and Expenses (Continued on the Following Page)
For the Year Ended December 31, 2024

	Electric	Water	Total
Operating Revenues			
Charges for services			
Elk River	\$ 38,264,528	\$ 2,803,602	\$ 41,068,130
Otsego	3,837,845	-	3,837,845
Big Lake	203,394	-	203,394
Dayton	252,158	-	252,158
Substation credit	4,800	-	4,800
Connection maintenance	317,234	72,409	389,643
Customer penalties	295,143	31,102	326,245
Total Operating Revenues	<u>43,175,102</u>	<u>2,907,113</u>	<u>46,082,215</u>
Operating Expenses			
Purchased power	<u>28,590,698</u>	<u>-</u>	<u>28,590,698</u>
Production			
Supervision and labor	137,836	69,969	207,805
Natural gas	22,086	-	22,086
Supplies and power for pumping	68,430	317,570	386,000
Maintenance of structures	13,914	118,775	132,689
Maintenance of equipment	4,177	274,530	278,707
Maintenance of plant	20,340	-	20,340
Total production	<u>266,783</u>	<u>780,844</u>	<u>1,047,627</u>
Transmission and distribution			
Supervision and labor	31,045	7,618	38,663
Maintenance of overhead lines	725,590	-	725,590
Maintenance of underground lines	446,663	-	446,663
Maintenance of station equipment	207,866	-	207,866
Transportation	303,892	18,311	322,203
Maintenance of customer service	7,587	73,567	81,154
Maintenance of customer meters	112,094	335,375	447,469
Miscellaneous	602,832	27,212	630,044
Total transmission and distribution	<u>2,437,569</u>	<u>462,083</u>	<u>2,899,652</u>
Services to City	<u>229,359</u>	<u>-</u>	<u>229,359</u>
Depreciation and amortization	<u>3,317,829</u>	<u>1,223,033</u>	<u>4,540,862</u>
Customer accounts expense			
Meter reading	47,698	5,550	53,248
Billing and collection	367,495	91,045	458,540
Bad debts	15,203	20	15,223
Total customer accounts expense	<u>430,396</u>	<u>96,615</u>	<u>527,011</u>

Elk River Municipal Utilities
Elk River, Minnesota
Supplementary Information
Schedule of Operating Revenues and Expenses (Continued)
For the Year Ended December 31, 2024

	Electric	Water	Total
Operating Expenses (Continued)			
General and administrative			
Salaries	\$ 885,001	\$ 258,534	\$ 1,143,535
Employee pensions and benefits	2,479,110	514,126	2,993,236
Dues	123,647	78,201	201,848
Office supplies and billing expense	95,726	23,419	119,145
Office utilities and maintenance	34,319	8,579	42,898
Consulting fees	40,307	16,317	56,624
Legal and audit	54,242	10,974	65,216
Environmental compliance	31,461	684	32,145
Conservation improvement project	539,992	2,207	542,199
Insurance	183,582	40,123	223,705
Telephone	30,987	7,024	38,011
Advertising	14,071	3,633	17,704
Education and meetings	199,542	42,421	241,963
Miscellaneous	6,277	727	7,004
Total general and administrative	<u>4,718,264</u>	<u>1,006,969</u>	<u>5,725,233</u>
Total Operating Expenses	<u>39,990,898</u>	<u>3,569,544</u>	<u>43,560,442</u>
Operating Income (Loss)	<u>3,184,204</u>	<u>(662,431)</u>	<u>2,521,773</u>
Nonoperating Revenues (Expenses)			
Interest income (loss)	338,157	104,286	442,443
Miscellaneous revenue	925,800	429,016	1,354,816
Interest expense and other	(773,748)	(33,949)	(807,697)
Gain/(loss) on sale of capital assets	(16,154)	(5,090)	(21,244)
Total Nonoperating Revenues	<u>474,055</u>	<u>494,263</u>	<u>968,318</u>
Income before Contributions and Transfers	<u>3,658,259</u>	<u>(168,168)</u>	<u>3,490,091</u>
Capital Contributions			
Connection fees	-	477,998	477,998
Contributions from customers	690,934	21,910	712,844
Transfers to Other City Funds	(1,527,629)	-	(1,527,629)
Total Contributions and Transfers	<u>(836,695)</u>	<u>499,908</u>	<u>(336,787)</u>
Change in Net Position	2,821,564	331,740	3,153,304
Net Position, January 1	<u>48,581,231</u>	<u>33,120,017</u>	<u>81,701,248</u>
Net Position, December 31	<u><u>\$ 51,402,795</u></u>	<u><u>\$ 33,451,757</u></u>	<u><u>\$ 84,854,552</u></u>

Elk River Municipal Utilities
Elk River, Minnesota
Electric Fund
Summary of Operations and Unaudited Statistics
For the Years Ended December 31, 2015 through December 31, 2024

Summary of Operations

	2015	2016	2017	2018
Operating Revenues				
Sales of electricity	\$ 32,704,279	\$ 34,569,098	\$ 36,458,061	\$ 39,039,573
Other operating revenues (expenses)	(152,557)	(104,702)	(337,237)	(259,668)
Total Operating Revenues	<u>32,551,722</u>	<u>34,464,396</u>	<u>36,120,824</u>	<u>38,779,905</u>
Operating Expenses				
Purchased power	22,034,307	23,991,069	25,402,576	26,710,514
Distribution	2,330,969	2,041,810	2,385,263	2,660,231
Services to the City	520,727	230,312	202,421	215,296
Depreciation	1,922,359	2,005,093	2,046,935	2,297,349
Other operating expenses	3,087,792	3,558,315	3,357,276	3,318,016
Total Operating Expenses	<u>29,896,154</u>	<u>31,826,599</u>	<u>33,394,471</u>	<u>35,201,406</u>
Operating Income	2,655,568	2,637,797	2,726,353	3,578,499
Capital Contributions	-	-	209,051	352,104
Transfers to Other City Funds	(824,743)	(1,089,287)	(1,113,264)	(1,188,664)
Special Item	-	330,923	-	-
Nonoperating Revenues	<u>267,243</u>	<u>8,991</u>	<u>145,034</u>	<u>218,586</u>
Net Income	<u>\$ 2,098,068</u>	<u>\$ 1,888,424</u>	<u>\$ 1,967,174</u>	<u>\$ 2,960,525</u>
Percent of Change				
Sales of electricity	3.776%	5.702%	5.464%	7.081%
Purchased power	0.180%	8.881%	5.883%	5.149%
Percent of Revenues				
Purchased power	67.690%	69.611%	70.327%	68.877%

Unaudited Statistics
Miscellaneous

	2015	2016	2017	2018
kWh's purchased	294,441,957	311,990,595	320,349,631	339,917,944
kWh's sold	<u>282,265,268</u>	<u>301,838,731</u>	<u>313,952,561</u>	<u>331,124,011</u>
Line loss	12,176,689	10,151,864	6,397,070	8,793,933
Percent of line loss	4.136%	3.254%	1.997%	2.587%
Revenues Per kWh Sold	\$ 0.1159	\$ 0.1145	\$ 0.1161	\$ 0.1179
Cost Per kWh Purchased	\$ 0.0748	\$ 0.0769	\$ 0.0793	\$ 0.0786
Number of Customers	10,499	10,816	11,448	11,983
Total Contribution/Transfers to City	\$ 824,743	\$ 1,089,287	\$ 1,113,264	\$ 1,188,664

2019	2020	2021	2022	2023	2024
\$ 37,640,985	\$ 37,714,965	\$ 39,719,268	\$ 42,395,048	\$ 43,986,269	\$ 42,557,925
453,648	207,542	1,041,676	1,428,008	464,470	617,177
<u>38,094,633</u>	<u>37,922,507</u>	<u>40,760,944</u>	<u>43,823,056</u>	<u>44,450,739</u>	<u>43,175,102</u>

24,851,301	24,240,440	28,169,146	31,544,604	31,232,788	28,590,698
2,546,634	2,458,699	2,585,796	2,808,964	2,539,170	2,704,352
210,791	229,086	224,814	231,861	253,564	229,359
2,856,258	2,896,839	2,957,685	3,062,751	3,177,120	3,317,829
4,090,102	4,133,940	3,688,401	4,763,425	4,855,110	5,148,660
<u>34,555,086</u>	<u>33,959,004</u>	<u>37,625,842</u>	<u>42,411,605</u>	<u>42,057,752</u>	<u>39,990,898</u>

3,539,547	3,963,503	3,135,102	1,411,451	2,392,987	3,184,204
125,764	174,557	385,316	298,935	489,452	690,934
(1,157,445)	(1,340,218)	(1,407,734)	(1,531,633)	(1,620,378)	(1,527,629)
-	-	-	-	-	-
82,440	98,427	(193,410)	(62,440)	335,209	474,055
<u>\$ 2,590,306</u>	<u>\$ 2,896,269</u>	<u>\$ 1,919,274</u>	<u>\$ 116,313</u>	<u>\$ 1,597,270</u>	<u>\$ 2,821,564</u>

-3.582%	0.197%	5.314%	6.737%	3.753%	-3.247%
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-6.961%	-2.458%	16.207%	11.983%	-0.988%	-8.459%
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65.236%	63.921%	69.108%	71.982%	70.264%	66.220%
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2019	2020	2021	2022	2023	2024
336,570,637	337,016,741	347,974,385	344,137,778	341,681,928	327,715,292
325,981,176	324,469,638	341,047,710	333,644,951	329,773,349	316,756,062
<u>10,589,461</u>	<u>12,547,103</u>	<u>6,926,675</u>	<u>10,492,827</u>	<u>11,908,579</u>	<u>10,959,230</u>

3.146%	3.723%	1.991%	3.049%	3.485%	3.344%
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\$ 0.1155	\$ 0.1162	\$ 0.1165	\$ 0.1271	\$ 0.1334	\$ 0.1344
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\$ 0.0738	\$ 0.0719	\$ 0.0810	\$ 0.0917	\$ 0.0914	\$ 0.0872
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12,244	12,365	12,789	12,955	13,232	13,466
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\$ 1,157,445	\$ 1,340,218	\$ 1,407,734	\$ 1,531,633	\$ 1,620,378	\$ 1,527,629
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Elk River Municipal Utilities
Elk River, Minnesota
Water Fund
Summary of Operations and Unaudited Statistics
For the Years Ended December 31, 2015 through December 31, 2024

Summary of Operations

	2015	2016	2017	2018
Operating Revenues				
Sales of water	\$ 2,202,537	\$ 2,173,521	\$ 2,326,245	\$ 2,515,821
Operating Expenses				
Operating expenses less depreciation	1,277,466	1,325,831	1,614,095	1,430,539
Services to City	5,719	-	-	-
Depreciation	1,131,110	1,148,310	1,191,894	1,193,745
Total Operating Expenses	<u>2,414,295</u>	<u>2,474,141</u>	<u>2,805,989</u>	<u>2,624,284</u>
Total Operating Income (Loss)	<u>\$ (211,758)</u>	<u>\$ (300,620)</u>	<u>\$ (479,744)</u>	<u>\$ (108,463)</u>
Percent of Change				
Sales of water	2.52%	(1.32%)	7.03%	8.15%

Unaudited Statistics
Miscellaneous

	2015	2016	2017	2018
Water Pumped (Gallons)	799,974,000	801,603,000	788,182,000	822,546,000
Water Sold (Gallons)	676,842,000	666,656,000	686,032,000	737,689,000
Percent of Line Loss	15.39%	16.83%	12.96%	10.32%
Revenues Per 1,000 Gallons Pumped	\$ 2.75	\$ 2.71	\$ 2.95	\$ 3.06
Revenues Per 1,000 Gallons Sold	\$ 3.25	\$ 3.26	\$ 3.39	\$ 3.41
Number of Customers	4,672	4,903	5,011	5,140

Water Supplier Services

	2015	2016	2017	2018
Flushing Hydrants	45,000,000	46,816,000	47,470,500	47,894,000
Back Washing	4,000,000	4,430,000	4,125,542	3,823,903
Fire Department Use	5,000,000	5,000,000	5,000,000	5,000,000
New Water Main Disinfectant and Flushing	5,000,000	5,000,000	5,000,000	5,000,000
Street and Sewer Maintenance	473,400	1,800,000	1,550,000	1,550,000
Water Tower Paint and Clean/Maintenance	3,700,000	4,000,000	4,000,000	4,000,000
Well Maintenance	700,000	7,358,000	7,000,000	7,000,000
Water Supplier Services (Gallons)	<u>\$ 63,873,400</u>	<u>\$ 74,404,000</u>	<u>\$ 74,146,042</u>	<u>\$ 74,267,903</u>

2019	2020	2021	2022	2023	2024
<u>\$ 2,303,670</u>	<u>\$ 2,674,544</u>	<u>\$ 3,120,660</u>	<u>\$ 2,988,835</u>	<u>\$ 3,383,999</u>	<u>\$ 2,907,113</u>
1,521,719	1,540,043	2,004,037	2,050,084	2,021,225	2,346,511
1,583	463	1,259	540	-	-
<u>1,147,149</u>	<u>1,133,179</u>	<u>1,139,802</u>	<u>1,117,357</u>	<u>1,174,752</u>	<u>1,223,033</u>
<u>2,670,451</u>	<u>2,673,685</u>	<u>3,145,098</u>	<u>3,167,981</u>	<u>3,195,977</u>	<u>3,569,544</u>
<u><u>\$ (366,781)</u></u>	<u><u>\$ 859</u></u>	<u><u>\$ (24,438)</u></u>	<u><u>\$ (179,146)</u></u>	<u><u>\$ 188,022</u></u>	<u><u>\$ (662,431)</u></u>
(8.43%)	16.10%	16.68%	(4.22%)	13.22%	(14.09%)

2019	2020	2021	2022	2023	2024
778,595,000	872,733,000	977,238,000	886,422,000	1,004,271,000	841,107,000
664,924,000	756,383,000	863,076,000	805,096,000	915,053,000	775,275,000
14.60%	13.33%	11.68%	9.17%	8.89%	7.83%
\$ 2.96	\$ 3.06	\$ 3.19	\$ 3.37	\$ 3.37	\$ 3.46
\$ 3.46	\$ 3.54	\$ 3.62	\$ 3.71	\$ 3.55	\$ 3.75
5,256	5,320	5,430	5,551	5,611	5,708

2019	2020	2021	2022	2023	2024
48,240,500	53,779,500	19,850,600	23,831,500	25,390,750	25,506,250
3,850,801	6,441,523	5,967,131	5,130,934	5,771,470	5,679,945
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	2,021,250	3,003,000	1,886,500
1,550,000	1,550,000	1,550,000	1,550,000	1,550,000	1,550,000
4,000,000	5,000,000	4,000,000	4,000,000	3,000,000	2,000,000
<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
<u><u>\$ 74,641,301</u></u>	<u><u>\$ 83,771,023</u></u>	<u><u>\$ 48,367,731</u></u>	<u><u>\$ 48,533,684</u></u>	<u><u>\$ 50,715,220</u></u>	<u><u>\$ 48,622,695</u></u>

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OTHER REPORT
ELK RIVER MUNICIPAL UTILITIES
ELK RIVER, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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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, 2024, and the related notes to the financial statements which collectively comprises the Utilities basic financial statements, and have issued our report thereon dated April 1, 2025.

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 1, 2025