

Annual Financial Report

City of Excelsior
Excelsior, Minnesota

For the Year Ended
December 31, 2018

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City of Excelsior, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Excelsior, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2018

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Gaylord	Mayor	12/31/18
John Beattie	Council Member	12/31/18
Todd Carlson	Council Member	12/31/20
Jennifer Caron	Council Member	12/31/22
Greg Miller	Council Member	12/31/20

APPOINTED

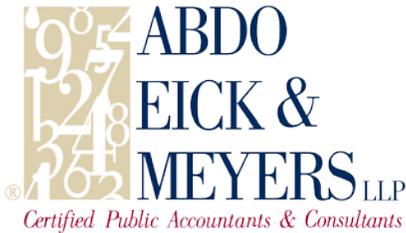
Kristi Luger	City Manager
Kelly Horn	Finance Officer
Ann Orlofsky	City Clerk
Tim Amundsen	Public Works Superintendent
Emily Becker	City Planner

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FINANCIAL SECTION
CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Excelsior, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Excelsior, Minnesota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis Page 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the City's OPEB Liability and Related Ratios, starting on page 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

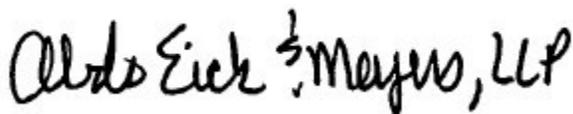
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and other financial information are presented for purposes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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 13, 2019

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Management's Discussion and Analysis

As management of the City of Excelsior, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,862,005 (net position). Of this amount, \$6,757,310 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$887,530. The increase was supported primarily by charges for services for both the governmental and enterprise funds. Another reason for the increase was support by general revenues including property taxes, franchise taxes, tax increments, and unrestricted grants and contributions.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,732,252, an increase of \$501,095 in comparison with the prior year. Approximately 23.7 percent of this total amount, \$1,123,586, is either unassigned or assigned and available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,138,804, or 47.5 percent of total General fund 2019 budgeted expenditures.
- The City's total debt decreased \$282,048 or 4.0 percent during the current fiscal year. The decrease was due to regularly scheduled debt payments.

Overview of the Financial Statements

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules which further explain and support the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about non-major governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

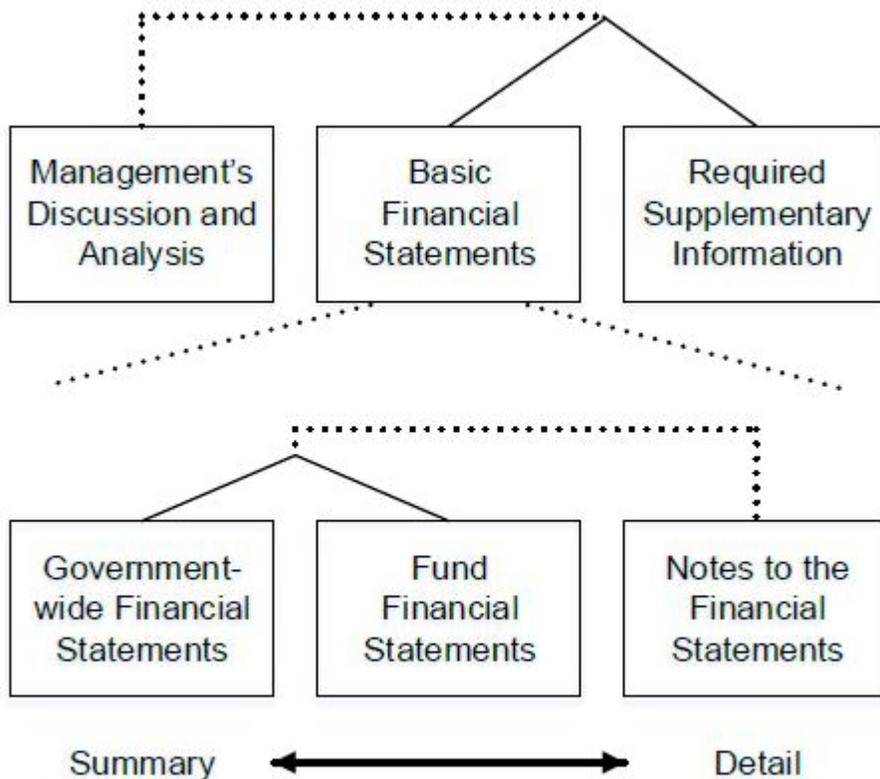


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, housing and economic development, and miscellaneous. The business-type activities of the City include water, sewer, solid waste, surface water management, street lighting and commercial docks.

The government-wide financial statements start on page 31 of this report.

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

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

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

The City maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and the Capital Improvement funds are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with their budgets.

The basic governmental fund financial statements start on page 36 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, commercial docks, surface water management, solid waste and street lighting.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the major enterprise funds. Data from the non-major enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The basic proprietary fund financial statements start on page 42 of this report.

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

The basic fiduciary fund financial statements can be found on page 52 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 53 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 84 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,862,005 at the close of the most recent fiscal year.

A portion of the City’s net position (52.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Excelsior’s Summary of Net Position

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Assets						
Current and other assets	\$ 5,900,859	\$ 5,152,645	\$ 748,214	\$ 3,051,245	\$ 4,135,293	\$ (1,084,048)
Capital assets	6,893,419	7,155,042	(261,623)	8,081,884	7,036,741	1,045,143
Total Assets	<u>12,794,278</u>	<u>12,307,687</u>	<u>486,591</u>	<u>11,133,129</u>	<u>11,172,034</u>	<u>(38,905)</u>
Deferred Outflows of Resources						
Deferred pension resources	<u>59,408</u>	<u>87,148</u>	<u>(27,740)</u>	<u>31,788</u>	<u>64,969</u>	<u>(33,181)</u>
Liabilities						
Noncurrent liabilities outstanding	2,698,636	2,922,709	(224,073)	4,616,168	4,859,057	(242,889)
Other liabilities	456,405	584,196	(127,791)	238,103	219,610	18,493
Total Liabilities	<u>3,155,041</u>	<u>3,506,905</u>	<u>(351,864)</u>	<u>4,854,271</u>	<u>5,078,667</u>	<u>(224,396)</u>
Deferred Inflows of Resources						
Deferred pension resources	<u>82,809</u>	<u>86,628</u>	<u>(3,819)</u>	<u>64,477</u>	<u>77,503</u>	<u>(13,026)</u>
Net Position						
Net investment in capital assets	4,539,653	4,703,545	(163,892)	3,781,143	3,576,539	204,604
Restricted	783,899	1,082,756	(298,857)	-	-	-
Unrestricted	<u>4,292,284</u>	<u>3,015,001</u>	<u>1,277,283</u>	<u>2,465,026</u>	<u>2,504,294</u>	<u>(39,268)</u>
Total Net Position	<u>\$ 9,615,836</u>	<u>\$ 8,801,302</u>	<u>\$ 814,534</u>	<u>\$ 6,246,169</u>	<u>\$ 6,080,833</u>	<u>\$ 165,336</u>

Additionally, \$783,899 is restricted for debt service, tax increment district expenditure and park improvement expenditures. The remaining balance of *unrestricted net position* (\$6,757,310) may be used to meet the City’s ongoing obligations to citizens and creditors.

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

The City’s net position increased \$887,530 during the current fiscal year. Both the governmental activities and the business type activities increased the net position, by \$717,060 and \$170,470, respectively.

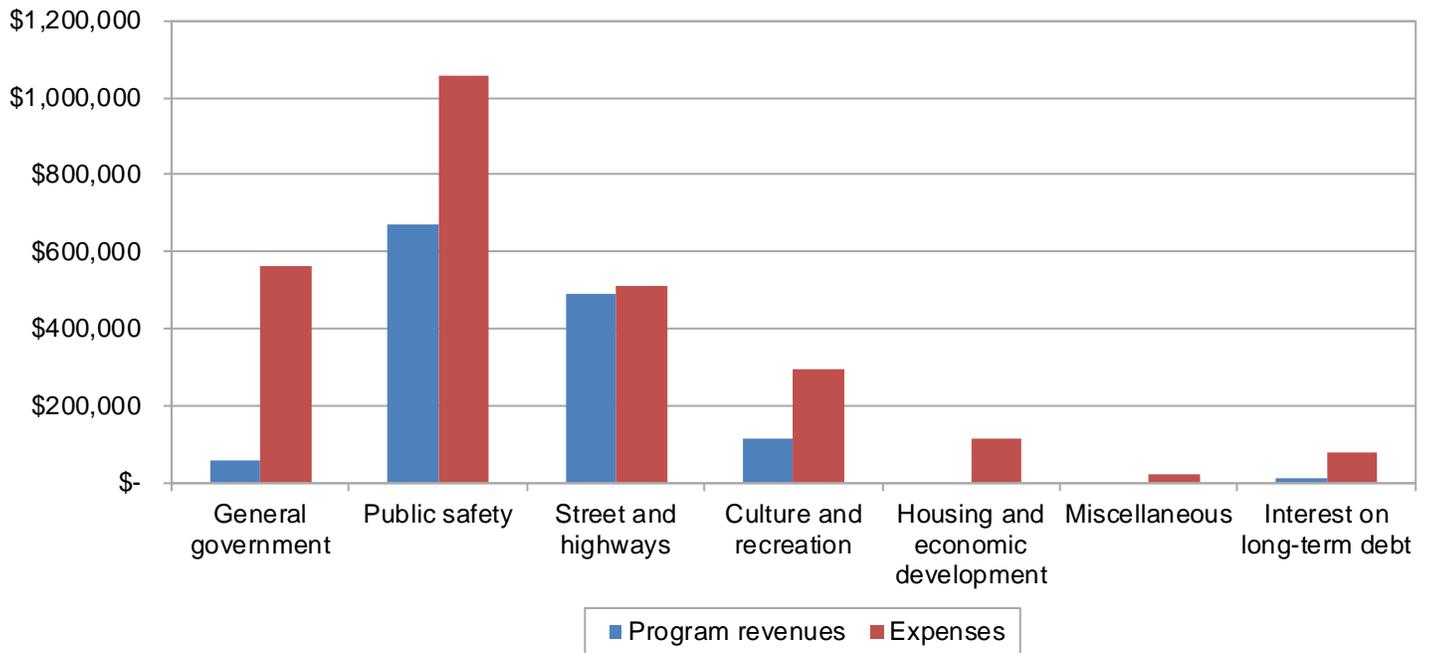
Governmental Activities. Governmental activities increased the City's net position by \$717,060. Key elements of this increase are as follows:

City of Excelsior's Changes in Net Position

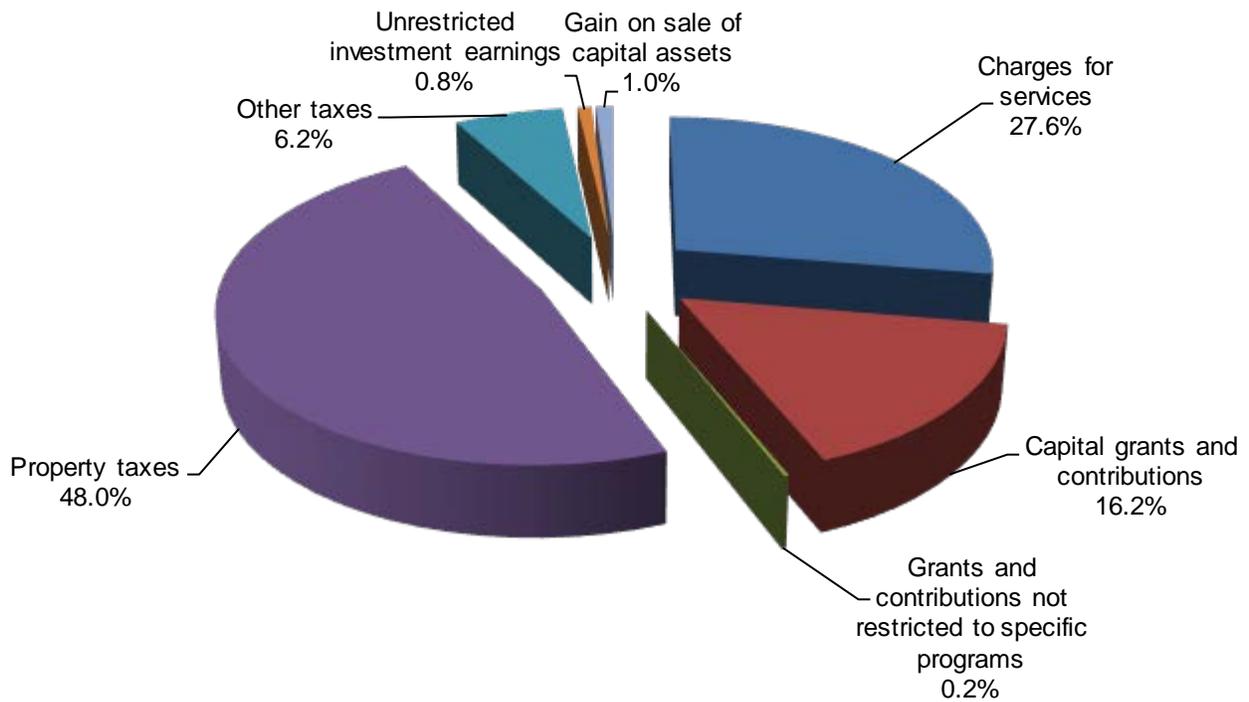
	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 849,043	\$ 1,280,335	\$ (431,292)	\$ 1,835,660	\$ 1,741,377	\$ 94,283
Capital grants and contributions	498,719	713,872	(215,153)	16,280	160,713	(144,433)
General Revenues						
Property taxes	1,477,743	1,428,171	49,572	-	-	-
Other taxes	192,074	178,659	13,415	-	-	-
Grants and contributions not restricted to specific programs	5,333	7,995	(2,662)	1,952	118	1,834
Unrestricted investment earnings	23,984	16,621	7,363	19,908	14,806	5,102
Miscellaneous	30,779	-	30,779	-	-	-
Total Revenues	<u>3,077,675</u>	<u>3,625,653</u>	<u>(547,978)</u>	<u>1,873,800</u>	<u>1,917,014</u>	<u>(43,214)</u>
Expenses						
General government	564,267	731,422	(167,155)	-	-	-
Public safety	1,058,343	967,457	90,886	-	-	-
Streets and highways	510,587	428,320	82,267	-	-	-
Culture and recreation	294,442	302,580	(8,138)	-	-	-
Housing and economic development	113,646	106,824	6,822	-	-	-
Miscellaneous	22,107	21,745	362	-	-	-
Interest on long-term debt	77,223	90,292	(13,069)	-	-	-
Water utility	-	-	-	483,018	496,403	(13,385)
Sewer utility	-	-	-	431,872	496,220	(64,348)
Solid waste	-	-	-	150,973	148,660	2,313
Surface water	-	-	-	115,262	119,076	(3,814)
Street lighting	-	-	-	49,840	50,282	(442)
Commercial docks	-	-	-	192,365	160,253	32,112
Total Expenses	<u>2,640,615</u>	<u>2,648,640</u>	<u>(8,025)</u>	<u>1,423,330</u>	<u>1,470,894</u>	<u>(47,564)</u>
Increase in Net Position						
Before Transfers	437,060	977,013	(539,953)	450,470	446,120	4,350
Transfers	<u>280,000</u>	<u>102,800</u>	<u>177,200</u>	<u>(280,000)</u>	<u>(102,800)</u>	<u>(177,200)</u>
Change in Net Position	717,060	1,079,813	(362,753)	170,470	343,320	(172,850)
Net Position, January 1	8,801,302	7,721,489	1,079,813	6,080,833	5,737,513	343,320
Prior Period Restatement (Note 8)	<u>97,474</u>	<u>-</u>	<u>97,474</u>	<u>(5,134)</u>	<u>-</u>	<u>(5,134)</u>
Net Position, December 31	<u><u>\$ 9,615,836</u></u>	<u><u>\$ 8,801,302</u></u>	<u><u>\$ 814,534</u></u>	<u><u>\$ 6,246,169</u></u>	<u><u>\$ 6,080,833</u></u>	<u><u>\$ 165,336</u></u>

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities

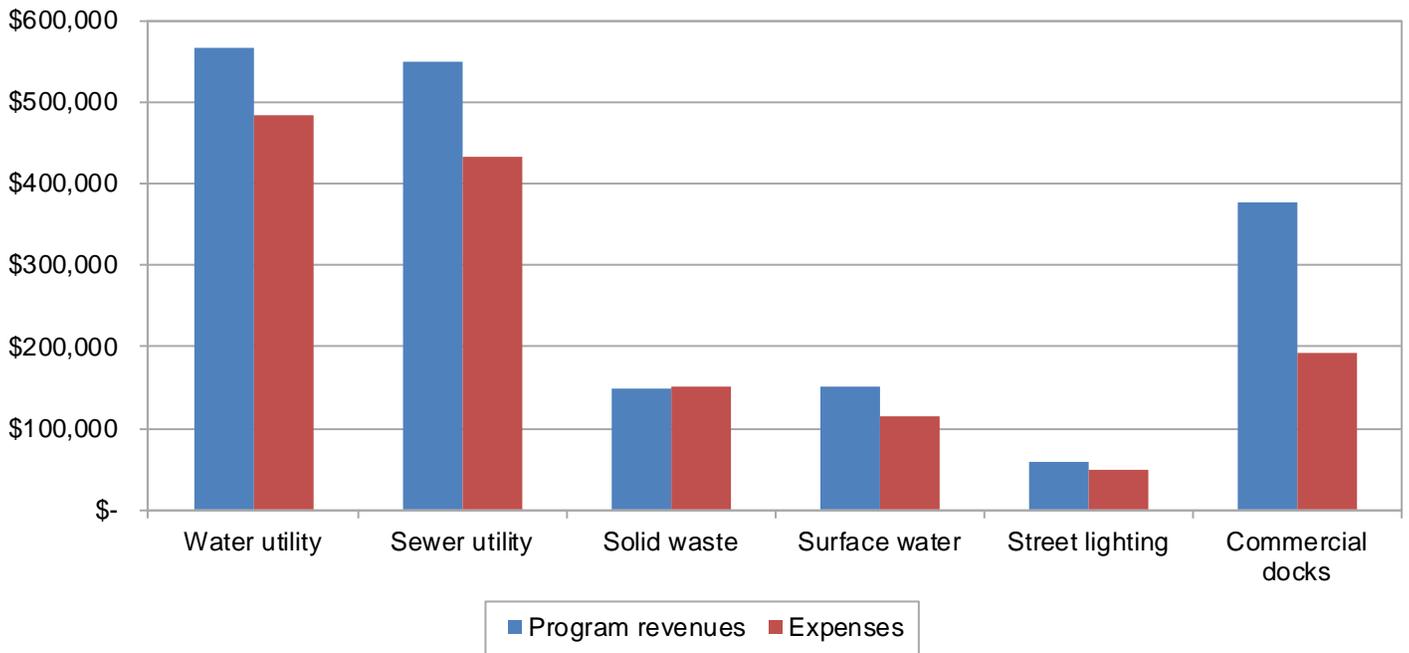


Revenues by Source - Governmental Activities

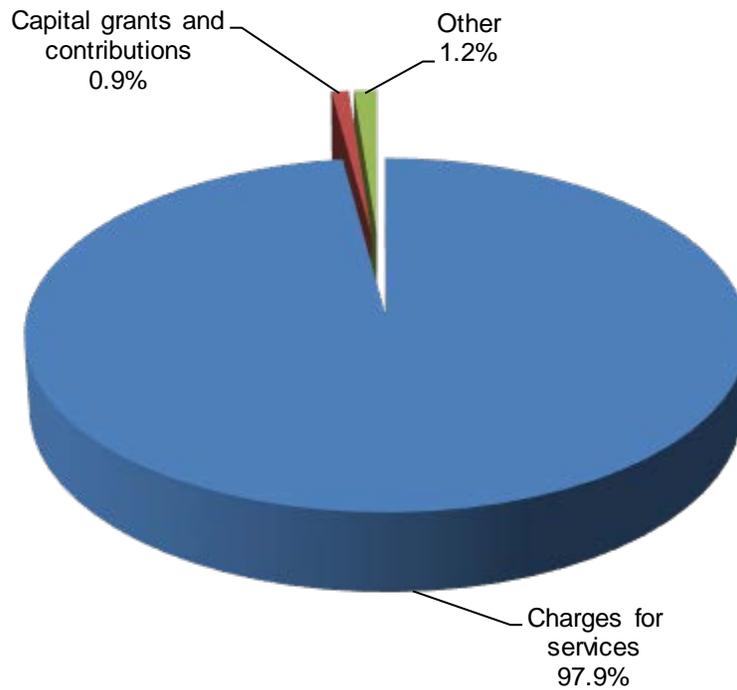


Business-type Activities. Business-type activities increased the City's net position by \$170,470. Key elements of this increase are as follows:

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Major Funds	Fund Balances December 31		Increase (Decrease)
	2017	2018	
General	\$ 1,605,641	\$ 1,245,058	\$ (360,583)
The fund balance decrease is mainly due to transfers out to the Capital Improvement fund for future projects and to Other Governmental funds.			
Capital Improvement	\$ 2,035,419	\$ 2,640,751	\$ 605,332
The fund balance increased mainly due to transfers in.			
G.O. Bonds 2017A	\$ -	\$ 160,804	\$ 160,804
The fund balance increased due to tax revenues and transfers in. The fund is used to track the debt activity relating to the 2017A bonds.			

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,465,026. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget projected no change in fund balance, but actual amounts for 2018 resulted in a decrease in fund balance in the amount of \$360,583. This was mainly due to decreased revenues and increased expenditures in the current year with a larger amount of transfers out.

Overall, revenues were under the budgeted amount by \$69,878. This was due in large part to miscellaneous revenues being under budget by \$32,182 primarily due to refunds and reimbursements and taxes being under budget by \$19,186, primarily relating to property tax revenue.

Expenditures were over budget by \$112,025. This was due in large part to public safety expenditures being over budget by \$55,892. The main cause of the variance was due to protective inspection expenditures. Another reason was due to capital outlay being over budget by \$52,768, primarily relating to the public works department.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounts to \$14,975,303 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The City's total investment in capital assets increased \$783,520, or 5.5 percent during the year.

Major capital asset activity during the current year included:

- The City purchased a 2018 Chevy Silverado and a 2019 Chevy Silverado.
- The 2017 Street and Utilities Project increased Construction in Progress by \$358,534.
- The 2019 Street and Utility Project was started and has a Construction in Progress of \$96,401.
- The City started and completed a dock expansion project, a Mill Street Water and Sewer Improvement project and the CSAH 19 and Water Street Intersection projects.

Additional information on the City's capital assets can be found in Note 3B starting on page 63 of this report.

City of Excelsior's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Land	\$ 1,111,042	\$ 1,111,042	\$ -	\$ 50,000	\$ 50,000	\$ -
Construction in Progress	1,447,829	1,916,072	(468,243)	2,422,142	1,498,964	923,178
Buildings	119,639	134,461	(14,822)	-	-	-
Improvement other than Building	2,929,985	3,039,757	(109,772)	-	-	-
Machinery and Equipment	426,927	449,032	(22,105)	523,500	508,541	14,959
Infrastructure	857,997	504,678	353,319	5,086,242	4,979,236	107,006
Total	<u>\$ 6,893,419</u>	<u>\$ 7,155,042</u>	<u>\$ (261,623)</u>	<u>\$ 8,081,884</u>	<u>\$ 7,036,741</u>	<u>\$ 1,045,143</u>

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$6,721,687. This amount consists of general obligation revenue and improvement bonds. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Excelsior's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
G.O. Revenue Bonds	\$ -	\$ -	\$ -	\$ 957,000	\$ 1,047,000	\$ (90,000)
G.O. Improvement Bonds	2,289,994	2,383,327	(93,333)	3,300,006	3,386,673	(86,667)
Bond Premium	63,772	68,170	(4,398)	110,915	118,565	(7,650)
Total	<u>\$ 2,353,766</u>	<u>\$ 2,451,497</u>	<u>\$ (97,731)</u>	<u>\$ 4,367,921</u>	<u>\$ 4,552,238</u>	<u>\$ (184,317)</u>

The City's total debt decreased \$282,048 (4.0 percent) during the current fiscal year. The decrease was due to regularly scheduled debt payments.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The City has no outstanding debt subject to the limit.

Additional information on the City's long-term debt can be found in Note 3D starting on page 66 of this report.

Economic Factors and Next Year's Budgets and Rates

- Preliminary property valuations increased again in 2019 for taxes payable 2020. Property values overall are increasing about 5.6 percent within the City, with the largest increases occurring in apartments and commercial properties.
- The 2019 budget includes a 6.0 percent levy increase. This increase was planned to accommodate the future debt levy associated with financing the 2019 Street and Utility Improvement Project which will occur in the College Lake neighborhood. Other 2019 projects include the replacement of the 1978 Lift Station at Excelsior Boulevard, the automation and updating of the Iron Filters at the Water Plant, and Water Street Trail Crossing Improvements.
- Utility Rates for 2019 were modestly increased over 2018, the increases will ensure the City is able to meet both operating and capital expense demands in order to maintain and improve the City's utility infrastructure.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kelly Horn, the Finance Director, City of Excelsior, 339 Third Street, Excelsior, Minnesota 55331.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Excelsior, Minnesota
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash temporary investments	\$ 5,063,401	\$ 2,623,083	\$ 7,686,484
Restricted cash and cash temporary investments	-	33,590	33,590
Receivables			
Interest	28,016	-	28,016
Accounts	30,899	358,578	389,477
Delinquent taxes	72,922	-	72,922
Special assessments	695,866	13,167	709,033
Due from other governments	3,862	-	3,862
Prepaid items	5,893	22,827	28,720
Land and construction in progress	2,558,873	2,472,142	5,031,015
Depreciable infrastructure, buildings, property and equipment, net	4,334,546	5,609,742	9,944,288
Total Assets	12,794,278	11,133,129	23,927,407
Deferred Outflows of Resources			
Deferred pension resources	59,408	31,788	91,196
Liabilities			
Accounts payable	309,842	159,872	469,714
Accrued salaries payable	15,004	15,873	30,877
Accrued interest payable	32,092	51,712	83,804
Due to other governments	5,407	5,509	10,916
Unearned revenue	94,060	5,137	99,197
Noncurrent liabilities			
Due within one year			
Compensated absences payable	5,727	5,473	11,200
Bonds payable	175,925	314,074	489,999
Due in more than one year			
Compensated absences payable	11,456	10,949	22,405
Net pension liability	322,985	226,225	549,210
Bonds payable, net	2,177,841	4,053,847	6,231,688
Other postemployment benefits payable	4,702	5,600	10,302
Total Liabilities	3,155,041	4,854,271	8,009,312
Deferred Inflows of Resources			
Deferred pension resources	82,809	64,477	147,286
Net Position			
Net investment in capital assets	4,539,653	3,781,143	8,320,796
Restricted for			
Debt service	500,478	-	500,478
Tax increment financing district	12,757	-	12,757
Park improvements	270,664	-	270,664
Unrestricted	4,292,284	2,465,026	6,757,310
Total Net Position	\$ 9,615,836	\$ 6,246,169	\$ 15,862,005

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

City of Excelsior, Minnesota
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 564,267	\$ 59,731	\$ -	\$ -
Public safety	1,058,343	669,945	-	-
Public works	510,587	3,720	-	486,889
Culture and recreation	294,442	115,647	-	-
Housing and economic development	113,646	-	-	-
Miscellaneous	22,107	-	-	-
Interest on long-term debt	77,223	-	-	11,830
Total Governmental Activities	<u>2,640,615</u>	<u>849,043</u>	<u>-</u>	<u>498,719</u>
Business-type Activities				
Water utility	483,018	558,133	-	7,486
Sewer utility	431,872	543,806	-	5,782
Solid waste	150,973	148,458	-	-
Surface water	115,262	148,587	-	3,012
Street lighting	49,840	59,200	-	-
Commercial docks	192,365	377,476	-	-
Total Business-type Activities	<u>1,423,330</u>	<u>1,835,660</u>	<u>-</u>	<u>16,280</u>
Total	<u>\$ 4,063,945</u>	<u>\$ 2,684,703</u>	<u>\$ -</u>	<u>\$ 514,999</u>

General Revenues

Taxes

Property taxes levied for general purposes

Property taxes levied for debt service

Tax increments

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Prior Period Restatement (Note 8)

Net Position, December 31

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

Net (Expenses) Revenues
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (504,536)	\$ -	\$ (504,536)
(388,398)	-	(388,398)
(19,978)	-	(19,978)
(178,795)	-	(178,795)
(113,646)	-	(113,646)
(22,107)	-	(22,107)
(65,393)	-	(65,393)
<u>(1,292,853)</u>	<u>-</u>	<u>(1,292,853)</u>
-	82,601	82,601
-	117,716	117,716
-	(2,515)	(2,515)
-	36,337	36,337
-	9,360	9,360
-	185,111	185,111
<u>-</u>	<u>428,610</u>	<u>428,610</u>
<u>(1,292,853)</u>	<u>428,610</u>	<u>(864,243)</u>
1,299,186	-	1,299,186
178,557	-	178,557
121,849	-	121,849
70,225	-	70,225
5,333	1,952	7,285
23,984	19,908	43,892
30,779	-	30,779
280,000	(280,000)	-
<u>2,009,913</u>	<u>(258,140)</u>	<u>1,751,773</u>
717,060	170,470	887,530
8,801,302	6,080,833	14,882,135
<u>97,474</u>	<u>(5,134)</u>	<u>92,340</u>
<u>\$ 9,615,836</u>	<u>\$ 6,246,169</u>	<u>\$ 15,862,005</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Excelsior, Minnesota
Balance Sheet
Governmental Funds
December 31, 2018

	General	Capital Projects Capital Improvement	Debt Service G.O. Bonds 2017A	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 1,402,642	\$ 2,763,488	\$ 160,804	\$ 736,467	\$ 5,063,401
Receivables					
Interest	28,016	-	-	-	28,016
Accounts	20,652	9,867	-	380	30,899
Delinquent taxes	62,298	-	-	10,624	72,922
Special assessments	-	230,839	422,787	42,240	695,866
Due from other funds	14,683	-	-	-	14,683
Due from other governments	3,862	-	-	-	3,862
Prepaid items	5,893	-	-	-	5,893
Total Assets	<u>\$ 1,538,046</u>	<u>\$ 3,004,194</u>	<u>\$ 583,591</u>	<u>\$ 789,711</u>	<u>\$ 5,915,542</u>
Liabilities					
Accounts payable	\$ 132,022	\$ 132,604	\$ -	\$ 45,216	\$ 309,842
Accrued salaries payable	14,339	-	-	665	15,004
Due to other funds	-	-	-	14,683	14,683
Due to other governments	4,119	-	-	1,288	5,407
Unearned revenue	94,060	-	-	-	94,060
Total Liabilities	<u>244,540</u>	<u>132,604</u>	<u>-</u>	<u>61,852</u>	<u>438,996</u>
Deferred Inflows of Resources					
Unavailable revenue - special assessments	-	230,839	422,787	42,220	695,846
Unavailable revenue - property taxes	48,448	-	-	-	48,448
Total Deferred Inflows of Resources	<u>48,448</u>	<u>230,839</u>	<u>422,787</u>	<u>42,220</u>	<u>744,294</u>
Fund Balances					
Nonspendable					
Prepaid items	5,893	-	-	-	5,893
Restricted for					
Debt service	-	-	160,804	68,586	229,390
Tax increment financing district	-	-	-	12,757	12,757
Park improvements	-	-	-	270,664	270,664
Committed for					
Self insurance	66,756	-	-	-	66,756
Compensated absences	33,605	-	-	-	33,605
Parking lot maintenance	-	-	-	37,049	37,049
Assigned for					
Capital improvements	-	2,503,420	-	-	2,503,420
Park improvements	-	-	-	128,119	128,119
Parking improvements	-	137,331	-	-	137,331
Parking lot maintenance	-	-	-	183,682	183,682
Unassigned	1,138,804	-	-	(15,218)	1,123,586
Total Fund Balances	<u>1,245,058</u>	<u>2,640,751</u>	<u>160,804</u>	<u>685,639</u>	<u>4,732,252</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,538,046</u>	<u>\$ 3,004,194</u>	<u>\$ 583,591</u>	<u>\$ 789,711</u>	<u>\$ 5,915,542</u>

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

City of Excelsior, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2018

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

Total Fund Balances - Governmental	\$ 4,732,252
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	9,545,981
Less: accumulated depreciation	(2,652,562)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(17,183)
Bond principal payable	(2,289,994)
Plus premium on bonds issued	(63,772)
Other postemployment benefits payable	(4,702)
Pension liability	(322,985)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.	
Delinquent taxes receivable	48,448
Special assessments receivable	695,846
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	59,408
Deferred inflows of pension resources	(82,809)
Governmental funds do not report a liability for accrued interest until due and payable.	(32,092)
Total Net Position - Governmental Activities	\$ 9,615,836

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

City of Excelsior, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Capital Projects Capital Improvement	Debt Service G.O. Bonds 2017A	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,347,108	\$ -	\$ 78,557	\$ 221,849	\$ 1,647,514
Licenses and permits	241,985	-	-	-	241,985
Intergovernmental	3,095	22,351	-	11,830	37,276
Charges for services	389,973	45,553	-	46,180	481,706
Fines and forfeitures	83,752	-	-	-	83,752
Special assessments	153	52,089	24,993	36,621	113,856
Interest on investments	8,241	11,576	430	3,737	23,984
Miscellaneous	4,368	31,035	-	10,032	45,435
Total Revenues	<u>2,078,675</u>	<u>162,604</u>	<u>103,980</u>	<u>330,249</u>	<u>2,675,508</u>
Expenditures					
Current					
General government	573,382	-	-	-	573,382
Public safety	1,058,343	-	-	-	1,058,343
Public works	213,101	-	-	24,771	237,872
Culture and recreation	239,454	-	-	-	239,454
Miscellaneous	22,312	-	-	-	22,312
Capital outlay					
General government	23,827	27,152	-	-	50,979
Public works	44,241	626,264	-	-	670,505
Culture and recreation	-	-	-	6,750	6,750
Housing and economic development	-	-	-	113,646	113,646
Debt service					
Principal	-	-	-	93,333	93,333
Interest and other	-	-	48,176	39,207	87,383
Total Expenditures	<u>2,174,660</u>	<u>653,416</u>	<u>48,176</u>	<u>277,707</u>	<u>3,153,959</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	<u>(95,985)</u>	<u>(490,812)</u>	<u>55,804</u>	<u>52,542</u>	<u>(478,451)</u>
Other Financing Sources (Uses)					
Transfers in	80,000	452,377	105,000	300,000	937,377
Capital transfer	-	668,767	-	-	668,767
Sale of capital assets	30,779	-	-	-	30,779
Transfers out	<u>(375,377)</u>	<u>(25,000)</u>	<u>-</u>	<u>(257,000)</u>	<u>(657,377)</u>
Total Other Financing Sources (Uses)	<u>(264,598)</u>	<u>1,096,144</u>	<u>105,000</u>	<u>43,000</u>	<u>979,546</u>
Net Change in Fund Balances	(360,583)	605,332	160,804	95,542	501,095
Fund Balances, January 1	<u>1,605,641</u>	<u>2,035,419</u>	<u>-</u>	<u>590,097</u>	<u>4,231,157</u>
Fund Balances, December 31	<u>\$ 1,245,058</u>	<u>\$ 2,640,751</u>	<u>\$ 160,804</u>	<u>\$ 685,639</u>	<u>\$ 4,732,252</u>

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

City of Excelsior, Minnesota
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances
 to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2018

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

Net Change in Fund Balances - Governmental Funds	\$ 501,095
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	623,667
Depreciation expense	(216,523)
Capital transfer	(668,767)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal payments	93,333
Amortization of bond premium	4,398
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	5,762
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	4,541
Pension revenue from State contributions	2,238
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Compensated absences	(1,023)
Other postemployment benefits	(811)
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	22,303
Special assessments	346,847
	717,060
Change in Net Position - Governmental Activities	\$ 717,060

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

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City of Excelsior, Minnesota
 Statements of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 General Fund
 For the Year Ended December 31, 2018

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,366,294	\$ 1,366,294	\$ 1,347,108	\$ (19,186)
Licenses and permits	254,055	254,055	241,985	(12,070)
Intergovernmental	3,095	3,095	3,095	-
Charges for services	400,484	400,484	389,973	(10,511)
Fines and forfeitures	69,575	69,575	83,752	14,177
Special assessments	-	-	153	153
Interest on investments	18,500	18,500	8,241	(10,259)
Miscellaneous	36,550	36,550	4,368	(32,182)
Total Revenues	<u>2,148,553</u>	<u>2,148,553</u>	<u>2,078,675</u>	<u>(69,878)</u>
Expenditures				
Current				
General government	580,347	580,347	573,382	6,965
Public safety	1,002,451	1,002,451	1,058,343	(55,892)
Public works	222,805	222,805	213,101	9,704
Culture and recreation	219,722	219,722	239,454	(19,732)
Miscellaneous	22,010	22,010	22,312	(302)
Capital outlay	15,300	15,300	68,068	(52,768)
Total Expenditures	<u>2,062,635</u>	<u>2,062,635</u>	<u>2,174,660</u>	<u>(112,025)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>85,918</u>	<u>85,918</u>	<u>(95,985)</u>	<u>(181,903)</u>
Other Financing Sources (Uses)				
Transfers in	99,000	99,000	80,000	(19,000)
Sale of capital assets	-	-	30,779	30,779
Transfers out	(184,918)	(184,918)	(375,377)	(190,459)
Total Other Financing Sources (Uses)	<u>(85,918)</u>	<u>(85,918)</u>	<u>(264,598)</u>	<u>(178,680)</u>
Net Change in Fund Balances	-	-	(360,583)	(360,583)
Fund Balances, January 1	<u>1,605,641</u>	<u>1,605,641</u>	<u>1,605,641</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,605,641</u>	<u>\$ 1,605,641</u>	<u>\$ 1,245,058</u>	<u>\$ (360,583)</u>

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

City of Excelsior, Minnesota
Statement of Net Position (Continued on the Following Pages)
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Assets			
Current Assets			
Cash and temporary investments	\$ 848,671	\$ 1,155,263	\$ 264,609
Restricted cash and temporary investments	12,767	-	-
Receivables			
Accounts	147,280	144,779	-
Special assessments	11,255	294	-
Prepaid items	2,238	17,375	2,355
Total Current Assets	<u>1,022,211</u>	<u>1,317,711</u>	<u>266,964</u>
Noncurrent Assets			
Special assessments receivable	<u>-</u>	<u>1,618</u>	<u>-</u>
Capital Assets, at Cost	6,626,417	3,313,284	646,481
Less Accumulated Depreciation	<u>(1,848,547)</u>	<u>(926,855)</u>	<u>(410,512)</u>
Net Capital Assets	<u>4,777,870</u>	<u>2,386,429</u>	<u>235,969</u>
Total Noncurrent Assets	<u>4,777,870</u>	<u>2,388,047</u>	<u>235,969</u>
Total Assets	<u>5,800,081</u>	<u>3,705,758</u>	<u>502,933</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>9,909</u>	<u>8,691</u>	<u>5,085</u>

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

Business-type Activities - Enterprise Funds

Surface Water Management	Other Proprietary Funds	Totals
\$ 258,791	\$ 95,749	\$ 2,623,083
20,823	-	33,590
-	66,519	358,578
-	-	11,549
239	620	22,827
<u>279,853</u>	<u>162,888</u>	<u>3,049,627</u>
-	-	1,618
776,011	33,303	11,395,496
(111,681)	(16,017)	(3,313,612)
<u>664,330</u>	<u>17,286</u>	<u>8,081,884</u>
<u>664,330</u>	<u>17,286</u>	<u>8,083,502</u>
<u>944,183</u>	<u>180,174</u>	<u>11,133,129</u>
<u>10,211</u>	<u>(2,108)</u>	<u>31,788</u>

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

City of Excelsior, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Liabilities			
Current Liabilities			
Accounts payable	\$ 110,826	\$ 24,270	\$ 2,180
Accrued salaries payable	4,323	4,659	3,207
Compensated absences payable	1,346	1,805	975
Accrued interest payable	35,488	10,088	-
Due to other governments	4,362	61	-
Unearned revenue	-	-	5,137
Bonds payable, current portion	225,570	53,287	-
Total Current Liabilities	<u>381,915</u>	<u>94,170</u>	<u>11,499</u>
Noncurrent Liabilities			
Compensated absences payable	2,692	3,610	1,949
Bonds payable, net of current portion	2,961,687	703,086	-
Net pension liability	64,562	63,636	43,499
Other postemployment benefits payable	1,237	1,270	2,240
Total Noncurrent Liabilities	<u>3,030,178</u>	<u>771,602</u>	<u>47,688</u>
Total Liabilities	<u>3,412,093</u>	<u>865,772</u>	<u>59,187</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>17,851</u>	<u>18,298</u>	<u>13,088</u>
Net Position			
Net investment in capital assets	1,616,147	1,630,056	235,969
Unrestricted	<u>763,899</u>	<u>1,200,323</u>	<u>199,774</u>
Total Net Position	<u>\$ 2,380,046</u>	<u>\$ 2,830,379</u>	<u>\$ 435,743</u>

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

Business-type Activities - Enterprise Funds

Surface Water Management	Other Proprietary Funds	Totals
\$ 10,056	\$ 12,540	\$ 159,872
2,252	1,432	15,873
827	520	5,473
6,136	-	51,712
-	1,086	5,509
-	-	5,137
35,217	-	314,074
<u>54,488</u>	<u>15,578</u>	<u>557,650</u>
1,655	1,043	10,949
389,074	-	4,053,847
49,050	5,478	226,225
213	640	5,600
<u>439,992</u>	<u>7,161</u>	<u>4,296,621</u>
<u>494,480</u>	<u>22,739</u>	<u>4,854,271</u>
<u>11,766</u>	<u>3,474</u>	<u>64,477</u>
281,685	17,286	3,781,143
166,463	134,567	2,465,026
<u>\$ 448,148</u>	<u>\$ 151,853</u>	<u>\$ 6,246,169</u>

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

City of Excelsior, Minnesota
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Operating Revenues			
Charges for services	\$ 558,133	\$ 543,806	\$ 377,476
Operating Expenses			
Personnel services	88,828	97,787	95,286
Supplies	58,910	13,935	4,778
Other services and charges	114,397	215,023	73,221
Depreciation	137,956	81,429	19,080
Total Operating Expenses	<u>400,091</u>	<u>408,174</u>	<u>192,365</u>
Operating Income	<u>158,042</u>	<u>135,632</u>	<u>185,111</u>
Nonoperating Revenues (Expenses)			
Interest on investments	8,127	7,639	2,043
Interest expense and other	(82,927)	(23,698)	-
Other income	525	558	420
Total Nonoperating Revenues (Expenses)	<u>(74,275)</u>	<u>(15,501)</u>	<u>2,463</u>
Income Before Contributions and Transfers	83,767	120,131	187,574
Transfers Out	-	-	(280,000)
Capital Contributions	<u>7,486</u>	<u>5,782</u>	<u>-</u>
Change in Net Position	91,253	125,913	(92,426)
Net Position, January 1 as restated (Note 8)	<u>2,288,793</u>	<u>2,704,466</u>	<u>528,169</u>
Net Position, December 31	<u><u>\$ 2,380,046</u></u>	<u><u>\$ 2,830,379</u></u>	<u><u>\$ 435,743</u></u>

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

Business-type Activities - Enterprise Funds

<u>Surface Water Management</u>	<u>Other Proprietary Funds</u>	<u>Totals</u>
<u>\$ 148,587</u>	<u>\$ 207,658</u>	<u>\$ 1,835,660</u>
53,922	30,588	366,411
685	264	78,572
27,695	169,611	599,947
18,659	350	257,474
<u>100,961</u>	<u>200,813</u>	<u>1,302,404</u>
<u>47,626</u>	<u>6,845</u>	<u>533,256</u>
1,542	557	19,908
(14,301)	-	(120,926)
285	164	1,952
<u>(12,474)</u>	<u>721</u>	<u>(99,066)</u>
35,152	7,566	434,190
-	-	(280,000)
3,012	-	16,280
<u>38,164</u>	<u>7,566</u>	<u>170,470</u>
<u>409,984</u>	<u>144,287</u>	<u>6,075,699</u>
<u>\$ 448,148</u>	<u>\$ 151,853</u>	<u>\$ 6,246,169</u>

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

City of Excelsior, Minnesota
Statement of Cash Flows (Continued on the Following Pages)
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 538,324	\$ 525,876	\$ 382,833
Payments to suppliers	(145,746)	(246,362)	(75,757)
Payments to employees	(109,083)	(118,602)	(90,792)
Net Cash Provided (Used) by Operating Activities	<u>283,495</u>	<u>160,912</u>	<u>216,284</u>
Cash Flows from Noncapital Financing Activities			
Receipts from advances to other funds	-	6,301	-
Payments on advances from other funds	-	-	(11,666)
Transfers to other funds	-	-	(280,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>6,301</u>	<u>(291,666)</u>
Cash Flows from Capital Financing Activities			
Connection fees	2,754	2,540	-
Intergovernmental	4,732	3,242	-
Acquisition of capital assets	(771,850)	(320,929)	(161,820)
Interest paid on bonds	(95,682)	(27,145)	-
Principal paid on bonds	(127,334)	(25,577)	-
Net Cash Used by Capital Financing Activities	<u>(987,380)</u>	<u>(367,869)</u>	<u>(161,820)</u>
Cash Flows from Investing Activities			
Interest received on investments	<u>8,127</u>	<u>7,639</u>	<u>2,043</u>
Net Decrease in Cash and Cash Equivalents	(695,758)	(193,017)	(235,159)
Cash and Cash Equivalents, January 1	<u>1,557,196</u>	<u>1,348,280</u>	<u>499,768</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 861,438</u></u>	<u><u>\$ 1,155,263</u></u>	<u><u>\$ 264,609</u></u>
Reconciliation to the Proprietary Funds Statement of Net Position			
Cash and temporary investments	\$ 848,671	\$ 1,155,263	\$ 264,609
Restricted cash and temporary investments	<u>12,767</u>	<u>-</u>	<u>-</u>
Total Cash and Cash Equivalents	<u><u>\$ 861,438</u></u>	<u><u>\$ 1,155,263</u></u>	<u><u>\$ 264,609</u></u>

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

Business-type Activities - Enterprise Funds

Surface Water Management	Other Proprietary Funds	Totals
\$ 148,872	\$ 204,922	\$ 1,800,827
(27,148)	(170,415)	(665,428)
(59,625)	(35,797)	(413,899)
<u>62,099</u>	<u>(1,290)</u>	<u>721,500</u>
-	-	6,301
-	-	(11,666)
-	-	(280,000)
<u>-</u>	<u>-</u>	<u>(285,365)</u>
-	-	5,294
3,012	-	10,986
(39,179)	(13,643)	(1,307,421)
(15,849)	-	(138,676)
(23,757)	-	(176,668)
<u>(75,773)</u>	<u>(13,643)</u>	<u>(1,606,485)</u>
<u>1,542</u>	<u>557</u>	<u>19,908</u>
(12,132)	(14,376)	(1,150,442)
<u>291,746</u>	<u>110,125</u>	<u>3,807,115</u>
<u>\$ 279,614</u>	<u>\$ 95,749</u>	<u>\$ 2,656,673</u>
\$ 258,791	\$ 95,749	\$ 2,623,083
20,823	-	33,590
<u>\$ 279,614</u>	<u>\$ 95,749</u>	<u>\$ 2,656,673</u>

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

City of Excelsior, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Reconciliation of Operating Income to Net			
Cash Provided (Used) by Operating Activities			
Operating income	\$ 158,042	\$ 135,632	\$ 185,111
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Other income related to operations	525	558	420
Depreciation	137,956	81,429	19,080
(Increase) decrease in assets/deferred outflows			
Receivables			
Accounts	(25,433)	(18,929)	-
Special assessments	5,099	441	-
Prepaid items	(1,923)	(17,375)	450
Deferred pension resources	10,584	11,295	3,732
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	26,671	(393)	1,708
Accrued salaries payable	(675)	(651)	(1,091)
Compensated absences payable	(378)	443	504
Due to other governments	2,766	61	-
Net pension liability	(24,489)	(26,223)	478
Other postemployment benefits payable	47	303	84
Deferred pension resources	(5,297)	(5,679)	871
Unearned revenue	-	-	4,937
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided by Operating Activities	<u>\$ 283,495</u>	<u>\$ 160,912</u>	<u>\$ 216,284</u>
Schedule of Noncash Capital and Financing Activities			
Amortization of bond premium	<u>\$ 5,507</u>	<u>\$ 1,530</u>	<u>\$ -</u>
Capital assets acquired on account	<u>\$ 67,584</u>	<u>\$ 18,773</u>	<u>\$ -</u>

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

Business-type Activities - Enterprise Funds

Surface Water Management	Other Proprietary Funds	Totals
\$ 47,626	\$ 6,845	\$ 533,256
285	164	1,952
18,659	350	257,474
-	(2,900)	(47,262)
-	-	5,540
161	(620)	(19,307)
4,484	3,086	33,181
1,071	(657)	28,400
(552)	(534)	(3,503)
(178)	302	693
-	737	3,564
(7,950)	(6,681)	(64,865)
8	24	466
(1,515)	(1,406)	(13,026)
-	-	4,937
<u>\$ 62,099</u>	<u>\$ (1,290)</u>	<u>\$ 721,500</u>
<u>\$ 612</u>	<u>\$ -</u>	<u>\$ 7,649</u>
<u>\$ 7,509</u>	<u>\$ -</u>	<u>\$ 93,866</u>

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

City of Excelsior, Minnesota
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2018

	<u>Agency</u>
Assets	
Cash and temporary investments	<u>\$ 99,279</u>
Liabilities	
Accounts payable	<u>\$ 99,279</u>

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Excelsior, Minnesota (the City), operates under its own Home Rule Charter. The City is governed by an elected Mayor and a four-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has no component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, *general revenues* include all taxes.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary financial statements. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. 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 City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

The City reports the following major governmental funds:

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

The *Capital Improvement fund* accounts for capital improvement expenditures.

The *G.O. Bonds 2017A Debt Service* fund accounts for the 2017A bond debt activity.

The City reports the following major proprietary funds:

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

The *Sewer fund* accounts for the activities of the City's sewage collection operations.

The *Commercial Docks fund* accounts for the operation and maintenance of City owned docks available for lease on Lake Minnetonka.

The *Surface Water Management fund* accounts for the activities of the City's surface water management system.

Additionally, the City reports the following fund types:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

The *agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting.

The City reports the following agency funds:

The *Escrow fund* is used to account for assets that the City holds for residents and developers related to certain projects going on within the City.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. 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 statement 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 City may also invest idle funds as authorized by Minnesota statutes, as follows:

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City 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 City has the following recurring fair value measurements as of December 31, 2018:

- US Government securities of \$502,455 are valued using quoted market prices (Level 1 inputs)
- Brokered Certificates of Deposit of \$3,586,952 are valued using a matrix pricing model (Level 2 inputs)

Property Taxes

The City Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the City during January, June/July, and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2018. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental fund special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (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." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an estimated useful life in excess of one year and an initial individual cost of more than the following:

Asset	Cost
Land and Land Improvements	\$ 10,000
Other Improvements	25,000
Buildings	25,000
Building Improvements	25,000
Machinery and Equipment	5,000
Vehicles	5,000
Infrastructure	100,000
Other Assets	5,000

The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the acquisition value of the item at the date of its donation.

Property, plant and equipment will be depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Land Improvements	15 to 30
Buildings and Improvements	15 to 75
System and Improvements	20 to 60
Office Furniture and Fixtures	7 to 15
Machinery and Equipment	5 to 15
Automotive Equipment	3 to 12

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 City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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 General fund is typically used to liquidate the governmental net pension liability.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is recorded for unpaid accumulated sick leave that is not vested. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund would be used to liquidate the governmental compensated absences payable.

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. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at January 1, 2017. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bond issuance costs are an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the City has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Manager.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

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

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

Net Position

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

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

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In June of each year, all departments of the City submit requests for appropriations to the City Manager so that a budget may be prepared. Before September 30th, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads, with the approval of the City Manager, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the City Council. There were no budget amendments during the year.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2018, expenditures exceeded appropriations in the following funds:

Fund	Final Budget	Actual Amounts	Excess of Expenditures Over Appropriations
General	\$ 2,062,635	\$ 2,174,660	\$ 112,025

These excess expenditures were funded by excess fund balance.

C. Deficit Fund Balances

The following fund had a fund balance deficit at December 31, 2018:

Fund	Amount
TIF 1-2 Project	\$ 15,218

The City plans to fund this deficit with future revenue from tax increment or transfers from other funds.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 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.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: 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 City.

At year end, the City’s carrying amount of deposits was \$3,644,170 and the bank balance was \$3,662,575. Of the bank balance, \$599,773 was covered by federal depository insurance. The remaining balance was covered by collateral held in the City’s name.

A reconciliation of cash and temporary investments as reported on the statement of net position for the City follows:

Investments

As of December 31, 2018, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City’s name:

Types of Investments	Credit Quality/ Rating (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Non-pooled Investments						
U.S. Government Securities	AAA	more than 3 years	\$ 502,455	\$ 502,455	\$ -	\$ -
Brokered Certificates of Deposit	N/A	less than 1 year	1,048,818	-	1,048,818	-
Brokered Certificates of Deposit	N/A	1 to 3 years	1,212,927	-	1,212,927	-
Brokered Certificates of Deposit	N/A	more than 3 years	1,325,207	-	1,325,207	-
Pooled Investments at Amortized Cost						
Broker Money Market	N/A	less than 6 months	85,576	-	-	-
Total Investments			\$4,174,983	\$ 502,455	\$3,586,952	\$ -

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

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

N/A Indicate not applicable or available.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Carrying Amount of Deposits	\$ 3,644,170
Investments	4,174,983
Cash on Hand	<u>200</u>
 Total	 <u><u>\$ 7,819,353</u></u>
 Statement of Net Position	
Cash and Temporary Investments	\$ 7,686,484
Restricted Cash and Temporary Investments	33,590
 Statement of Fiduciary Net Position	
Cash and Temporary Investments	<u>99,279</u>
 Total	 <u><u>\$ 7,819,353</u></u>

The investments of the City 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 City's investment policy limit the City's investments to the list on page 55 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. The City's investment policy does not address custodial credit risk.
- *Concentration of Credit Risk.* Is the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with the City's investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities.
- *Interest Rate Risk.* Is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than ten (10) years from the date of purchase. Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding ten (10) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. Extended maturities may be utilized to take advantage of higher yields; however, no more than fifty (50) percent of the total investments should extend beyond five (5) years and in no circumstance should any extend beyond fifteen (15) years.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Capital Transfer	Increases	Decreases	Ending Balance
Governmental Activities					
Capital Assets not being Depreciated					
Land	\$ 1,111,042	\$ -	\$ -	\$ -	\$ 1,111,042
Construction in progress	1,916,072	(668,767)	200,524	-	1,447,829
Total Capital Assets not being Depreciated	<u>3,027,114</u>	<u>(668,767)</u>	<u>200,524</u>	<u>-</u>	<u>2,558,871</u>
Capital Assets being Depreciated					
Buildings	748,150	-	-	-	748,150
Improvements other than buildings	3,649,489	-	-	-	3,649,489
Machinery and equipment	1,013,356	-	40,253	-	1,053,609
Infrastructure	1,152,972	-	382,890	-	1,535,862
Total Capital Assets being Depreciated	<u>6,563,967</u>	<u>-</u>	<u>423,143</u>	<u>-</u>	<u>6,987,110</u>
Less Accumulated Depreciation for					
Buildings	(613,689)	-	(14,822)	-	(628,511)
Improvements other than buildings	(609,732)	-	(109,772)	-	(719,504)
Machinery and equipment	(564,324)	-	(62,358)	-	(626,682)
Infrastructure	(648,294)	-	(29,571)	-	(677,865)
Total Accumulated Depreciation	<u>(2,436,039)</u>	<u>-</u>	<u>(216,523)</u>	<u>-</u>	<u>(2,652,562)</u>
Total Capital Assets being Depreciated, Net	<u>4,127,928</u>	<u>-</u>	<u>206,620</u>	<u>-</u>	<u>4,334,548</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,155,042</u>	<u>\$ (668,767)</u>	<u>\$ 407,144</u>	<u>\$ -</u>	<u>\$ 6,893,419</u>

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

Governmental Activities	
General government	\$ 13,026
Public works	154,457
Culture and recreation	49,040
Total Depreciation Expense - Governmental Activities	<u>\$ 216,523</u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Capital Transfer	Increases	Decreases	Ending Balance
Business-type Activities					
Capital Assets not being Depreciated					
Land	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Construction in progress	1,498,964	668,767	254,411	-	2,422,142
Total Capital Assets not being Depreciated	<u>1,548,964</u>	<u>668,767</u>	<u>254,411</u>	<u>-</u>	<u>2,472,142</u>
Capital Assets being Depreciated					
Buildings	8,202	-	-	-	8,202
Machinery and equipment	1,052,189	-	68,214	-	1,120,403
Infrastructure	7,483,524	-	311,225	-	7,794,749
Total Capital Assets being Depreciated	<u>8,543,915</u>	<u>-</u>	<u>379,439</u>	<u>-</u>	<u>8,923,354</u>
Less Accumulated Depreciation for					
Buildings	(8,202)	-	-	-	(8,202)
Machinery and equipment	(543,648)	-	(53,255)	-	(596,903)
Infrastructure	(2,504,288)	-	(204,219)	-	(2,708,507)
Total Accumulated Depreciation	<u>(3,056,138)</u>	<u>-</u>	<u>(257,474)</u>	<u>-</u>	<u>(3,313,612)</u>
Total Capital Assets being Depreciated, Net	<u>5,487,777</u>	<u>-</u>	<u>121,965</u>	<u>-</u>	<u>5,609,742</u>
Business-type Activities Capital Assets, Net	<u>\$ 7,036,741</u>	<u>\$ 668,767</u>	<u>\$ 376,376</u>	<u>\$ -</u>	<u>\$ 8,081,884</u>

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

Business-type Activities	
Water utility	\$ 137,956
Sewer utility	81,429
Commercial docks	19,080
Surface water management	18,659
Other proprietary funds	<u>350</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 257,474</u>

Construction Commitments

The City has active construction projects as of December 31, 2018. The projects include various street and road improvements and public facilities projects. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
2017 Street and Utility Project	<u>\$ 2,809,652</u>	<u>\$ 256,539</u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

C. Advances to and from other Funds and Transfers

The composition of advances to and from other funds as of December 31, 2018 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount	Final Maturity
General	TIF District 1-2	Cash flow	\$ 14,683	NA

The composition of interfund transfers as of December 31, 2018 is as follows:

Fund	Transfer in				Total
	General Fund	Capital Improvement Fund	G.O. Bonds 2017A	Other Governmental Funds	
Transfer Out					
General	\$ -	\$ 275,377	\$ -	\$ 100,000	\$ 375,377
Capital Improvement	-	-	25,000	-	25,000
Other governmental	-	177,000	80,000	-	257,000
Commercial Docks	80,000	-	-	200,000	280,000
Total	\$ 80,000	\$ 452,377	\$ 105,000	\$ 300,000	\$ 937,377

The City annually budgets transfers for specific purposes. Annual transfers include transfers designated as a percentage of annual revenues, transfers made to cover funds annual operations, transfers made as part of capital improvement plans, transfers are made for debt service payments and other transfers made for various reasons.

The following transfers were not budgeted but were approved by council.

- There was a \$177,000 transfer from Other Governmental funds to the Capital Improvement fund and was made to fund future projects.
- There was a transfer from the General fund to the Other Governmental funds in the amount of \$100,000. This transfer was made to fund future projects.
- The General fund transferred out \$100,000 to the Capital Improvement fund to fund future projects.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for proprietary activities.

General obligation bonds are direct obligations of the City and pledge the full faith and credit of the City.

General Obligation Special Assessment Bonds

The City issued special assessment debt to provide funds for the street improvements. This bond will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. The City is receiving a Federal Credit for a portion of the interest paid on the bond. Special assessment debt issues are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Taxable G.O. Improvement Bonds, Series 2010A	\$ 2,795,000	0.9 - 4.7 %	10/21/10	02/01/26	\$ 1,620,000
Taxable G.O. Improvement Bonds, Series 2017A	3,970,000	2.5 - 3.0	06/14/17	02/01/33	<u>3,970,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 5,590,000</u></u>

Annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31,	General Obligation Bonds Governmental Activities			General Obligation Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 175,925	\$ 74,190	\$ 250,115	\$ 224,074	\$ 102,160	\$ 326,234
2020	178,518	68,386	246,904	231,482	94,874	326,356
2021	183,518	62,167	245,685	236,482	87,123	323,605
2022	186,110	55,625	241,735	243,890	78,990	322,880
2023	196,296	48,719	245,015	253,704	70,440	324,144
2024 - 2028	819,627	138,002	957,629	1,155,374	220,546	1,375,920
2029 - 2033	<u>550,000</u>	<u>42,019</u>	<u>592,019</u>	<u>955,000</u>	<u>73,200</u>	<u>1,028,200</u>
Total	<u><u>\$ 2,289,994</u></u>	<u><u>\$ 489,108</u></u>	<u><u>\$ 2,779,102</u></u>	<u><u>\$ 3,300,006</u></u>	<u><u>\$ 727,333</u></u>	<u><u>\$ 4,027,339</u></u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Revenue Bonds

The following bonds were issued to finance improvements to the water and sewer system. They will be repaid with revenue generated from the system.

Description	Authorized	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Bonds, Series 2007A	\$ 680,000	3.85 - 4.35 %	08/15/07	02/01/23	\$ 270,000
MPFA - 2014A Water Revenue Bonds	920,313	1.00	06/02/14	08/20/34	<u>687,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 957,000</u></u>

Annual debt service requirements to maturity for general obligation revenue bonds are as follows:

<u>Year Ending December 31,</u>	General Obligation Revenue Bonds		
	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 90,000	\$ 17,373	\$ 107,373
2020	90,000	15,273	105,273
2021	96,000	12,241	108,241
2022	96,000	9,466	105,466
2023	102,000	6,555	108,555
2024 - 2028	213,000	19,920	232,920
2029 - 2033	224,000	9,520	233,520
2034	46,000	920	46,920
Total	<u><u>\$ 957,000</u></u>	<u><u>\$ 91,268</u></u>	<u><u>\$ 1,048,268</u></u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds payable					
General obligation					
improvement bonds	\$ 2,383,327	\$ -	\$ (93,333)	\$ 2,289,994	\$ 175,925
Bond premium	68,170	-	(4,398)	63,772	-
Compensated absences payable	16,160	39,722	(38,699)	17,183	5,727
Other postemployment benefits payable	101,365	-	(96,663)	4,702	-
Pension liability					
GERF	<u>353,687</u>	<u>17,326</u>	<u>(48,028)</u>	<u>322,985</u>	<u>-</u>
Governmental Activity Long-term Liabilities	<u>\$ 2,922,709</u>	<u>\$ 57,048</u>	<u>\$ (281,121)</u>	<u>\$ 2,698,636</u>	<u>\$ 181,652</u>
Business-type Activities					
Bonds payable					
General obligation					
revenue bonds	\$ 1,047,000	\$ -	\$ (90,000)	\$ 957,000	\$ 90,000
General obligation					
improvement bonds	3,386,673	-	(86,667)	3,300,006	224,074
Bond premium	118,565	-	(7,650)	110,915	-
Compensated absences payable	15,729	38,662	(37,969)	16,422	5,473
Other postemployment benefits payable	-	-	5,600	5,600	-
Pension liability					
GERF	<u>291,090</u>	<u>8,563</u>	<u>(73,428)</u>	<u>226,225</u>	<u>-</u>
Business-type Activity Long-term Liabilities	<u>\$ 4,859,057</u>	<u>\$ 47,225</u>	<u>\$ (290,114)</u>	<u>\$ 4,616,168</u>	<u>\$ 319,547</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City, are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota 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.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

C. Contributions

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

GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018. The City was required to contribute 7.50 percent for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$50,273, \$49,164, and \$47,992, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

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

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the City reported a liability of \$549,210 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2016. 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 City totaled \$17,972. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0099 percent which was a decrease of 0.0002 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized negative pension expense of \$2,398 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$4,191 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

At December 31, 2018, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

Deferred outflows of resources totaling \$24,609 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 14,528	\$ 14,422
Changes in Actuarial Assumptions	52,059	61,710
Net Difference between Projected and Actual Earnings on Plan Investments	-	57,062
Changes in Proportion	-	14,092
Contributions to GERF Subsequent to the Measurement Date	<u>24,609</u>	<u>-</u>
Total	<u>\$ 91,196</u>	<u>\$ 147,286</u>
2019		\$ 13,898
2020		(34,462)
2021		(48,684)
2022		(11,451)

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

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

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERF plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

GERF

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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 Real Rate of Return
		%
Domestic Stocks	36.00 %	5.10
International Stocks	17.00	5.30
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	25.00	5.90
Cash	2.00	-
Total	100.00 %	

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
	GERF	\$ 892,539	\$ 549,210

H. Pension Plan Fiduciary Net Position

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

Note 5: Postemployment Benefits Other than Pensions

A. Plan Description

The City provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage administered by Health Partners. Contribution requirements are established by the City, based on the contract terms with Health Partners. The required contributions are based on projected pay-as-you-go financing requirements. It is the City's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees.

At December 31, 2018, the following employees were covered by the benefit terms:

Active Plan Members

10

B. Funding Policy

Contribution requirements are also negotiated between the City and union representatives. The City contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement. For the year 2018, the City made no contributions to the Plan.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 5: Postemployment Benefits Other than Pensions (Continued)

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$10,302 was measured as of December 31, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2018. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.09%
Expected Long-Term Investment Return	N/A
20-Year Municipal Bond Yield	4.09%
Inflation Rate	2.75%
Salary Increases	3.50%
Medical Trend Rate	8.5% in 2017 decreasing 0.5% per year to an ultimate rate of 5.00%
Healthcare Claims Costs	Average group premium increased for age differences at 4.00% per year

The discount rate used to measure the total OPEB liability was 4.09 percent. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

The actuarial assumptions used in the December 31, 2018 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in Total OPEB Liability

	Total OPEB Liability (a)
	\$
Balances at December 31, 2017	9,024
Changes for the Year:	
Service cost	1,533
Interset	363
Changes in assumptions or other inputs	(618)
Net Changes	1,278
Balances at December 31, 2018	\$ 10,302

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 5: Postemployment Benefits Other than Pensions (Continued)

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09 percent) or 1-percentage-point higher (5.09 percent) than the current discount rate:

1 Percent Increase (3.09%)	Current (4.09%)	1 Percent Decrease (5.09%)
\$ 9,417	\$ 10,302	\$ 11,266

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (8.5 percent decreasing to 5.00 percent) or 1-percentage-point higher (9.50 percent increasing to 6.00 percent) than the current discount rate:

1 Percent Decrease (7.5% Decreasing to 4%)	Healthcare Cost Trend Rates (8.5% Decreasing to 5%)	1 Percent Increase (9.5% Decreasing to 6%)
\$ 8,785	\$ 10,302	\$ 12,176

F. OPEB Expense Related to OPEB

For the year ended December 31, 2018, the City recognized OPEB expense of \$1,278.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 6: Joint Powers Agreements

A. South Lake Minnetonka Police Department

The City participates in a joint powers agreement with the cities of Greenwood, Shorewood, and Tonka Bay, which establishes the South Lake Minnetonka Police Department (the Department) for the purpose of providing police protection within the four communities. The agreement creates a coordinating committee, comprised of the Mayor of each participating community, as the governing body, which meets quarterly. Each year, the coordinating committee adopts an operating budget, which is approved by all participating cities. The cost of the budget is divided between the participating cities based upon a five-year average demand for service in each city.

Any budget shortfall is made up first from department reserves, with any excess shortfall assessed to each participating community according to the formula. The most recent year of audited information is December 31, 2017.

South Lake Minnetonka Police Department
Statement of Net Assets
December 31, 2017 and 2016

	2017	2016
Assets	\$ 4,954,091	\$ 4,885,721
Deferred Outflows of Resources	2,929,694	3,653,168
Total Assets and Deferred Outflows of Resources	\$ 7,883,785	\$ 8,538,889
Liabilities	\$ 4,315,173	\$ 7,953,009
Deferred Inflows of Resources	3,483,091	691,931
Net Position	85,521	(106,051)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 7,883,785	\$ 8,538,889

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 6: Joint Powers Agreements (Continued)

South Lake Minnetonka Police Department
Summary Statement of Activities
For the Years Ended December 31, 2017 and 2016

	2017	2016
Revenues	\$ 3,032,374	\$ 2,949,600
Expenses	2,867,866	3,351,688
Net Revenues	164,508	(402,088)
General Revenues	27,064	21,321
Change in Net Position	191,572	(380,767)
Net Position, January 1	(106,051)	274,716
Net Position, December 31	\$ 85,521	\$ (106,051)

According to a formula in the agreement, the City's share of the District's budget is 28.1 percent on operation and 14.92 percent on capital. Payments to the District in 2018 totaled \$765,324. The Department issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the South Lake Police Department, 24150 Smithtown Road, Shorewood, Minnesota 55331.

B. Excelsior Fire District

In August of 2000, the City, along with the cities of Deephaven, Greenwood, Shorewood, and Tonka Bay, entered a joint powers agreement to provide fire protection and medical response service to their residents and created an entity called the Excelsior Fire District (the District). Previously, the City had operated a fire department that provided service to these cities.

Selected financial information is shown below and on the following page for the most recent year of audited information, which is December 31, 2018:

Excelsior Fire District
Statement of Net Assets
December 31, 2018 and 2017

	2018	2017
Assets	\$ 9,855,170	\$ 9,407,489
Deferred Outflows of Resources	425,309	739,512
Liabilities	3,359,543	4,046,038
Deferred Inflows of Resources	912,960	614,275
Net Position	\$ 6,007,976	\$ 5,486,688

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 6: Joint Powers Agreements (Continued)

Excelsior Fire District
Summary Statement of Activities
For the Years Ended December 31, 2018 and 2017

	2018	2017
Charges for Services	\$ 1,769,508	\$ 1,757,900
Operating Grants and Contributions	980	1,441
Expenses	(1,311,920)	(1,469,776)
Net Revenues	458,568	289,565
General Revenues	62,720	4,817
Change in Net Position	521,288	294,382
Net Position, January 1 as Restated	5,486,688	5,192,306
Net Position, December 31	\$ 6,007,976	\$ 5,486,688

According to a formula in the agreement, the City's share of the District's budget is 10.64 percent. Payments to the District in 2018 totaled \$207,621. The District issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Excelsior Fire District, 24100 Smithtown Road, Shorewood, Minnesota 55331.

C. St. Alban's Bay Lake Improvement District

In February 2015, the City, along with the city of Greenwood, entered a joint powers agreement for the Lake Improvement District to be established for the management and control of Aquatic Invasive Species in St. Alban's Bay, Lake Minnetonka. The parties have determined that each City is more economically and efficiently served by establishing the Lake Improvement District together to manage and monitor the water resource.

Note 7: Other Information

A. Risk Management

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$1,000,000. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 7: Other Information (Continued)

B. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The City has no outstanding debt subject to the limit.

C. Tax Increment Districts

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

The City has entered into "pay as you go" Tax Increment Financing notes within its TIF districts. These notes are payable only to the extent of the increment received. As a result they are a commitment within the district but they have not met the criteria to be reported as a liability on the statement of net position.

Note 8: Change in Accounting Principle

During fiscal year 2018, the City implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2018 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2017 balances to the December 31, 2018 financial statements:

Fund	Net Position January 1, 2018 as Previously Reported	Prior Period Restatement	Net Position January 1, 2018 as Restated
Governmental Activities	\$ 8,801,302	\$ 97,474	\$ 8,898,776
Business-type Activities	\$ 6,080,833	\$ (5,134)	\$ 6,075,699
Business-type Activities			
Water	\$ 2,289,983	\$ (1,190)	\$ 2,288,793
Sewer	2,705,433	(1,378)	2,704,055
Street Lighting	27,198	(205)	26,993
Commercial Docks	530,325	(2,156)	528,169
Surface Water Management	410,189	(205)	409,984
Solid Waste	117,705	-	117,705
Total Business-Type Activities	\$ 6,080,833	\$ (5,134)	\$ 6,075,699

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Excelsior, Minnesota
Required Supplementary Information
December 31, 2018

Schedule of Changes in the City's OPEB Liability and Related Ratios

	2018
Total OPEB Liability	
Service cost	\$ 1,533
Interest	363
Changes in assumptions	(618)
Net Change in Total OPEB Liability	1,278
Total OPEB Liability - Beginning	9,024
Total OPEB Liability - Ending	\$ 10,302
Covered Payroll	\$ 700,000
City's total OPEB liability as a percentage of covered employee payroll	1.47 %

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

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.0099 %	\$ 549,210	\$ 17,972	\$ 567,182	\$ 663,082	85.5 %	79.5 %
06/30/17	0.0101	644,777	8,104	652,881	650,346	100.4	75.9
06/30/16	0.0102	828,189	10,886	839,075	635,783	132.0	68.9
06/30/15	0.0103	533,799	-	533,799	607,741	87.8	78.2

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

Schedule of Employer's PERA Contributions - General Employees Retirement Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2018	\$ 50,273	\$ 50,273	\$ -	\$ 670,307	7.50 %
2017	49,164	49,164	-	655,520	7.50
2016	47,992	47,992	-	639,893	7.50
2015	46,043	46,043	-	613,907	7.50

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

City of Excelsior, Minnesota
Required Supplementary Information (Continued)
December 31, 2018

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

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

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

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

Changes in Plan Provisions

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.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Excelsior, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2018

	Special Revenue		Debt Service		Total
	Parking Lot Maintenance	Capital Projects	G.O. Bonds 2010A		Nonmajor Funds
Assets					
Cash and temporary investments	\$ 221,443	\$ 446,458	\$ 68,566		\$ 736,467
Receivables					
Accounts	-	380	-		380
Delinquent taxes	-	10,624	-		10,624
Special assessments	1,023	-	41,217		42,240
	<u>1,023</u>	<u>-</u>	<u>41,217</u>		<u>42,240</u>
Total Assets	<u>\$ 222,466</u>	<u>\$ 457,462</u>	<u>\$ 109,783</u>		<u>\$ 789,711</u>
Liabilities					
Accounts payable	\$ 47	\$ 45,169	\$ -		\$ 45,216
Accrued salaries payable	665	-	-		665
Due to other governments	-	1,288	-		1,288
Due to other funds	-	14,683	-		14,683
Total Liabilities	<u>712</u>	<u>61,140</u>	<u>-</u>		<u>61,852</u>
Deferred Inflows of Resources					
Unavailable revenue - special assessments	1,023	-	41,197		42,220
	<u>1,023</u>	<u>-</u>	<u>41,197</u>		<u>42,220</u>
Fund Balances					
Restricted for					
Debt service	-	-	68,586		68,586
Tax increment financing district	-	12,757	-		12,757
Park improvements	-	270,664	-		270,664
Committed for					
Parking lot maintenance	37,049	-	-		37,049
Assigned for					
Park improvements	-	128,119	-		128,119
Parking lot maintenance	183,682	-	-		183,682
Unassigned	-	(15,218)	-		(15,218)
Total Fund Balances	<u>220,731</u>	<u>396,322</u>	<u>68,586</u>		<u>685,639</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 222,466</u>	<u>\$ 457,462</u>	<u>\$ 109,783</u>		<u>\$ 789,711</u>

City of Excelsior, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2018

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Total</u>
	<u>Parking Lot</u>	<u>Capital</u>	<u>G.O. Bonds</u>	<u>Nonmajor</u>
	<u>Maintenance</u>	<u>Projects</u>	<u>2010A</u>	<u>Funds</u>
Revenues				
Taxes	\$ -	\$ 121,849	\$ 100,000	\$ 221,849
Intergovernmental	-	-	11,830	11,830
Charges for services	46,180	-	-	46,180
Special assessments	26,622	-	9,999	36,621
Interest on investments	1,052	2,094	591	3,737
Miscellaneous				
Contributions and donations	-	10,032	-	10,032
Total Revenues	<u>73,854</u>	<u>133,975</u>	<u>122,420</u>	<u>330,249</u>
Expenditures				
Current				
Public works	24,771	-	-	24,771
Capital outlay				
Culture and recreation	-	6,750	-	6,750
Housing and economic development	-	113,646	-	113,646
Debt service				
Principal	-	-	93,333	93,333
Interest and other	-	-	39,207	39,207
Total Expenditures	<u>24,771</u>	<u>120,396</u>	<u>132,540</u>	<u>277,707</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>49,083</u>	<u>13,579</u>	<u>(10,120)</u>	<u>52,542</u>
Other Financing Sources (Uses)				
Transfers in	-	300,000	-	300,000
Transfers out	-	(177,000)	(80,000)	(257,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>123,000</u>	<u>(80,000)</u>	<u>43,000</u>
Net Change in Fund Balances	49,083	136,579	(90,120)	95,542
Fund Balances, January 1	<u>171,648</u>	<u>259,743</u>	<u>158,706</u>	<u>590,097</u>
Fund Balances, December 31	<u>\$ 220,731</u>	<u>\$ 396,322</u>	<u>\$ 68,586</u>	<u>\$ 685,639</u>

City of Excelsior, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2018

	Park Improvement	TIF 1-1 Project	TIF 1-2 Project	Total
Assets				
Cash and temporary investments	\$ 398,793	\$ 47,665	\$ -	\$ 446,458
Receivables				
Accounts	380	-	-	380
Delinquent taxes	-	10,624	-	10,624
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 399,173</u>	<u>\$ 58,289</u>	<u>\$ -</u>	<u>\$ 457,462</u>
Liabilities				
Accounts payable	\$ 390	\$ 44,779	\$ -	\$ 45,169
Due to other governments	-	753	535	1,288
Due to other funds	-	-	14,683	14,683
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>390</u>	<u>45,532</u>	<u>15,218</u>	<u>61,140</u>
Fund Balances				
Restricted for				
Tax increment financing district	-	12,757	-	12,757
Park improvements	270,664	-	-	270,664
Assigned for				
Park improvements	128,119	-	-	128,119
Unassigned	-	-	(15,218)	(15,218)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>398,783</u>	<u>12,757</u>	<u>(15,218)</u>	<u>396,322</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 399,173</u>	<u>\$ 58,289</u>	<u>\$ -</u>	<u>\$ 457,462</u>

City of Excelsior, Minnesota
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2018

	Park Improvement	TIF 1-1 Project	TIF 1-2 Project	Total
Revenues				
Taxes	\$ -	\$ 115,294	\$ 6,555	\$ 121,849
Interest on investments	1,837	257	-	2,094
Miscellaneous				
Contributions and donations	10,032	-	-	10,032
Total Revenues	<u>11,869</u>	<u>115,551</u>	<u>6,555</u>	<u>133,975</u>
Expenditures				
Capital outlay				
Culture and recreation	6,750	-	-	6,750
Housing and economic development	-	111,911	1,735	113,646
Total Expenditures	<u>6,750</u>	<u>111,911</u>	<u>1,735</u>	<u>120,396</u>
Excess of Revenues Over Expenditures	<u>5,119</u>	<u>3,640</u>	<u>4,820</u>	<u>13,579</u>
Other Financing Sources (Uses)				
Transfers in	300,000	-	-	300,000
Transfers out	(177,000)	-	-	(177,000)
Total Other Financing Sources (Uses)	<u>123,000</u>	<u>-</u>	<u>-</u>	<u>123,000</u>
Net Change in Fund Balances	128,119	3,640	4,820	136,579
Fund Balances, January 1	<u>270,664</u>	<u>9,117</u>	<u>(20,038)</u>	<u>259,743</u>
Fund Balances, December 31	<u>\$ 398,783</u>	<u>\$ 12,757</u>	<u>\$ (15,218)</u>	<u>\$ 396,322</u>

City of Excelsior, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Net Position
 December 31, 2018

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 88,698	\$ 7,051	\$ 95,749
Accounts receivable	48,436	18,083	66,519
Prepaid items	477	143	620
Total Current Assets	<u>137,611</u>	<u>25,277</u>	<u>162,888</u>
Capital Assets, at Cost	12,665	20,638	33,303
Less Accumulated Depreciation	<u>(12,665)</u>	<u>(3,352)</u>	<u>(16,017)</u>
Net Capital Assets	<u>-</u>	<u>17,286</u>	<u>17,286</u>
Total Assets	<u>137,611</u>	<u>42,563</u>	<u>180,174</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>(906)</u>	<u>(1,202)</u>	<u>(2,108)</u>
Liabilities			
Current Liabilities			
Accounts payable	9,619	2,921	12,540
Due to other governments	1,086	-	1,086
Accrued salaries payable	1,044	388	1,432
Compensated absences payable	<u>344</u>	<u>176</u>	<u>520</u>
Total Current Liabilities	<u>12,093</u>	<u>3,485</u>	<u>15,578</u>
Noncurrent Liabilities			
Compensated absences payable	692	351	1,043
Net pension liability	5,440	38	5,478
Other postemployment benefits payable	<u>427</u>	<u>213</u>	<u>640</u>
Total Noncurrent Liabilities	<u>6,559</u>	<u>602</u>	<u>7,161</u>
Total Liabilities	<u>18,652</u>	<u>4,087</u>	<u>22,739</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>2,665</u>	<u>809</u>	<u>3,474</u>
Net Position			
Invested in capital assets	-	17,286	17,286
Unrestricted	<u>115,388</u>	<u>19,179</u>	<u>134,567</u>
Total Net Position	<u>\$ 115,388</u>	<u>\$ 36,465</u>	<u>\$ 151,853</u>

City of Excelsior, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Revenues, Expenses and
 Changes in Net Position
 December 31, 2018

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Operating Revenues			
Charges for services	\$ 148,458	\$ 59,200	\$ 207,658
Operating Expenses			
Personnel services	22,290	8,298	30,588
Supplies	-	264	264
Other services and charges	128,683	40,928	169,611
Depreciation	-	350	350
Total Operating Expenses	<u>150,973</u>	<u>49,840</u>	<u>200,813</u>
Operating Income	<u>(2,515)</u>	<u>9,360</u>	<u>6,845</u>
Nonoperating Revenues			
Interest on investments	493	64	557
Other income	116	48	164
Total Nonoperating Revenues	<u>609</u>	<u>112</u>	<u>721</u>
Change in Net Position	(1,906)	9,472	7,566
Net Position, January 1 as restated (Note 8)	<u>117,294</u>	<u>26,993</u>	<u>144,287</u>
Net Position, December 31	<u><u>\$ 115,388</u></u>	<u><u>\$ 36,465</u></u>	<u><u>\$ 151,853</u></u>

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City of Excelsior, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Cash Flows
 December 31, 2018

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 147,434	\$ 57,488	\$ 204,922
Payments to suppliers	(128,157)	(42,258)	(170,415)
Payments to employees	(25,801)	(9,996)	(35,797)
Net Cash Provided (Used) by Operating Activities	<u>(6,524)</u>	<u>5,234</u>	<u>(1,290)</u>
Cash Flows from Capital Financing Activities			
Acquisition of capital assets	-	(13,643)	(13,643)
Cash Flows from Investing Activities			
Interest received on investments	493	64	557
Net Decrease in Cash and Cash Equivalents	(6,031)	(8,345)	(14,376)
Cash and Cash Equivalents, January 1	94,729	15,396	110,125
Cash and Cash Equivalents, December 31	<u>\$ 88,698</u>	<u>\$ 7,051</u>	<u>\$ 95,749</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ (2,515)	\$ 9,360	\$ 6,845
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Other income related to operations	116	48	164
Depreciation	-	350	350
(Increase) decrease in assets/deferred outflows			
Receivables			
Accounts	(1,140)	(1,760)	(2,900)
Prepaid items	(477)	(143)	(620)
Deferred pension resources	2,146	940	3,086
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	266	(923)	(657)
Accrued salaries payable	(416)	(118)	(534)
Compensated absences payable	280	22	302
Due to other governments	737	-	737
Net pension liability	(4,579)	(2,102)	(6,681)
Other postemployment benefits payable	16	8	24
Deferred pension resources	(958)	(448)	(1,406)
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,524)</u>	<u>\$ 5,234</u>	<u>\$ (1,290)</u>

City of Excelsior, Minnesota
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Taxes					
Property	\$ 1,296,544	\$ 1,296,544	\$ 1,276,883	\$ (19,661)	\$ 1,324,632
Franchise	69,750	69,750	70,225	475	69,630
Total taxes	<u>1,366,294</u>	<u>1,366,294</u>	<u>1,347,108</u>	<u>(19,186)</u>	<u>1,394,262</u>
Licenses and permits					
Business	126,555	126,555	110,552	(16,003)	140,928
Nonbusiness	127,500	127,500	131,433	3,933	272,873
Total licenses and permits	<u>254,055</u>	<u>254,055</u>	<u>241,985</u>	<u>(12,070)</u>	<u>413,801</u>
Intergovernmental					
State					
Other	3,095	3,095	3,095	-	3,095
County					
Highway aid	-	-	-	-	4,782
Total intergovernmental	<u>3,095</u>	<u>3,095</u>	<u>3,095</u>	<u>-</u>	<u>7,877</u>
Charges for services					
General government	92,680	92,680	89,160	(3,520)	170,997
Public works	265,000	265,000	240,327	(24,673)	259,463
Culture and recreation	41,204	41,204	53,379	12,175	33,942
Other charges	1,600	1,600	7,107	5,507	1,099
Total charges for services	<u>400,484</u>	<u>400,484</u>	<u>389,973</u>	<u>(10,511)</u>	<u>465,501</u>
Fines and forfeitures	<u>69,575</u>	<u>69,575</u>	<u>83,752</u>	<u>14,177</u>	<u>95,891</u>
Special assessments	<u>-</u>	<u>-</u>	<u>153</u>	<u>153</u>	<u>-</u>
Interest on investments	<u>18,500</u>	<u>18,500</u>	<u>8,241</u>	<u>(10,259)</u>	<u>6,072</u>
Miscellaneous					
Other	3,000	3,000	961	(2,039)	3,517
Refunds and reimbursements	33,550	33,550	3,407	(30,143)	37,586
Total miscellaneous	<u>36,550</u>	<u>36,550</u>	<u>4,368</u>	<u>(32,182)</u>	<u>41,103</u>
Total Revenues	<u>2,148,553</u>	<u>2,148,553</u>	<u>2,078,675</u>	<u>(69,878)</u>	<u>2,424,507</u>

City of Excelsior, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Continued)
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Legislative					
Personal services	\$ 14,209	\$ 14,209	\$ 14,209	\$ -	\$ 14,209
Supplies	-	-	115	(115)	-
Other services and charges	7,925	7,925	7,588	337	5,930
Total legislative	<u>22,134</u>	<u>22,134</u>	<u>21,912</u>	<u>222</u>	<u>20,139</u>
City manager / clerk					
Personal services	102,769	102,769	106,063	(3,294)	101,190
Other services and charges	5,870	5,870	5,269	601	5,301
Total City manager / clerk	<u>108,639</u>	<u>108,639</u>	<u>111,332</u>	<u>(2,693)</u>	<u>106,491</u>
Elections and voter registration					
Personal services	3,500	3,500	2,759	741	-
Supplies	2,000	2,000	1,950	50	173
Other services and charges	2,300	2,300	2,111	189	694
Total elections and voter registration	<u>7,800</u>	<u>7,800</u>	<u>6,820</u>	<u>980</u>	<u>867</u>
Finance					
Personal services	37,820	37,820	34,269	3,551	39,036
Other services and charges	1,520	1,520	1,038	482	362
Total finance	<u>39,340</u>	<u>39,340</u>	<u>35,307</u>	<u>4,033</u>	<u>39,398</u>
Planning and zoning					
Personal services	60,429	60,429	50,885	9,544	61,899
Other services and charges	37,450	37,450	33,696	3,754	34,945
Total planning and zoning	<u>97,879</u>	<u>97,879</u>	<u>84,581</u>	<u>13,298</u>	<u>96,844</u>
Administration					
Supplies	5,275	5,275	5,315	(40)	6,353
Other services and charges	298,195	298,195	306,986	(8,791)	276,618
Total administration	<u>303,470</u>	<u>303,470</u>	<u>312,301</u>	<u>(8,831)</u>	<u>282,971</u>
Heritage preservation					
Other services and charges	1,085	1,085	1,129	(44)	427
Total General Government	<u>580,347</u>	<u>580,347</u>	<u>573,382</u>	<u>6,965</u>	<u>547,137</u>

City of Excelsior, Minnesota
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued)
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police protection					
Other services and charges	\$ 763,770	\$ 763,770	\$ 757,333	\$ 6,437	\$ 728,244
Fire protection					
Other services and charges	208,681	208,681	208,681	-	197,592
Protective inspection					
Other services and charges	30,000	30,000	92,329	(62,329)	41,621
Total Public Safety	1,002,451	1,002,451	1,058,343	(55,892)	967,457
Public works					
Engineering					
Other services and charges	12,500	12,500	15,439	(2,939)	17,680
Streets					
Personal services	126,055	126,055	115,414	10,641	111,532
Supplies	39,100	39,100	39,233	(133)	39,280
Other services and charges	45,150	45,150	43,015	2,135	39,598
Total streets	210,305	210,305	197,662	12,643	190,410
Total Public Works	222,805	222,805	213,101	9,704	208,090
Culture and recreation					
Parks					
Personal services	120,472	120,472	153,921	(33,449)	126,096
Supplies	24,700	24,700	19,672	5,028	31,761
Other services and charges	74,550	74,550	65,861	8,689	60,619
Total Culture and Recreation	219,722	219,722	239,454	(19,732)	218,476
Miscellaneous					
Cemetery					
Personal services	19,610	19,610	20,991	(1,381)	19,414
Supplies	1,400	1,400	1,151	249	754
Other services and charges	1,000	1,000	170	830	1,110
Total miscellaneous	22,010	22,010	22,312	(302)	21,278
Total Current Expenditures	2,047,335	2,047,335	2,106,592	(59,257)	1,962,438

City of Excelsior, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Continued)
 For the Year Ended December 31, 2018
 (With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			Variance with Final Budget	2017
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 15,300	\$ 15,300	\$ 23,827	\$ (8,527)	\$ 15,412
Public works	-	-	44,241	(44,241)	-
Total capital outlay	<u>15,300</u>	<u>15,300</u>	<u>68,068</u>	<u>(52,768)</u>	<u>15,412</u>
Total Expenditures	<u>2,062,635</u>	<u>2,062,635</u>	<u>2,174,660</u>	<u>(112,025)</u>	<u>1,977,850</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>85,918</u>	<u>85,918</u>	<u>(95,985)</u>	<u>(181,903)</u>	<u>446,657</u>
Other Financing Sources (Uses)					
Transfers in	99,000	99,000	80,000	(19,000)	102,800
Sale of capital assets	-	-	30,779	30,779	-
Transfers out	<u>(184,918)</u>	<u>(184,918)</u>	<u>(375,377)</u>	<u>(190,459)</u>	<u>(229,195)</u>
Total Other Financing Sources (Uses)	<u>(85,918)</u>	<u>(85,918)</u>	<u>(264,598)</u>	<u>(178,680)</u>	<u>(126,395)</u>
Net Change in Fund Balances	-	-	(360,583)	(360,583)	320,262
Fund Balances, January 1	<u>1,605,641</u>	<u>1,605,641</u>	<u>1,605,641</u>	<u>-</u>	<u>1,285,379</u>
Fund Balances, December 31	<u>\$ 1,605,641</u>	<u>\$ 1,605,641</u>	<u>\$ 1,245,058</u>	<u>\$ (360,583)</u>	<u>\$ 1,605,641</u>

City of Excelsior, Minnesota
 Agency Funds
 Combining Schedule of Changes in Assets and Liabilities
 For the Year Ended December 31, 2018

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31</u>
Escrow				
Assets				
Cash and temporary investments	<u>\$ 69,823</u>	<u>\$ 120,450</u>	<u>\$ 90,994</u>	<u>\$ 99,279</u>
Liability				
Accounts payable	<u>\$ 69,823</u>	<u>\$ 210,536</u>	<u>\$ 181,080</u>	<u>\$ 99,279</u>

City of Excelsior, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2018 and 2017

	Total		Percent Increase (Decrease)
	2018	2017	
Revenues			
Taxes	\$ 1,647,514	\$ 1,603,291	2.76 %
Special assessments	113,856	119,064	(4.37)
Licenses and permits	241,985	413,801	(41.52)
Intergovernmental	37,276	38,727	(3.75)
Charges for services	481,706	527,618	(8.70)
Fines and forfeitures	83,752	95,891	(12.66)
Interest on investments	23,984	16,621	44.30
Miscellaneous	45,435	876,082	(94.81)
	<u>\$ 2,675,508</u>	<u>\$ 3,691,095</u>	(27.51) %
Total Revenues	<u>\$ 2,675,508</u>	<u>\$ 3,691,095</u>	(27.51) %
Per Capita	\$ 1,202	\$ 1,569	(23.38) %
Expenditures			
Current			
General government	\$ 573,382	\$ 547,137	4.80 %
Public safety	1,058,343	967,457	9.39
Public works	237,872	228,496	4.10
Culture and recreation	239,454	218,476	9.60
Miscellaneous	22,312	21,278	4.86
Capital outlay			
General government	50,979	163,245	(68.77)
Public works	670,505	1,919,623	(65.07)
Culture and recreation	6,750	31,164	(78.34)
Housing and economic development	113,646	106,824	6.39
Debt service			
Principal payments	93,333	90,740	2.86
Interest and other charges	87,383	39,768	119.73
Bond issuance costs	-	31,550	(100.00)
	<u>\$ 3,153,959</u>	<u>\$ 4,365,758</u>	(27.76) %
Total Expenditures	<u>\$ 3,153,959</u>	<u>\$ 4,365,758</u>	(27.76) %
Per Capita	\$ 1,418	\$ 1,856	(23.63) %
Total Long-term Indebtedness	\$ 2,353,766	\$ 2,451,497	(3.99) %
Per Capita	1,058	1,042	1.49
General Fund Balance - December 31	\$ 1,245,058	\$ 1,605,641	(22.46) %
Per Capita	560	683	(18.03)

The purpose of this report is to provide a summary of financial information concerning the City of Excelsior to interested citizens. The complete financial statements may be examined at City Hall, 339 Third Street, Excelsior, MN 55331. Questions about this report should be directed to Kelly Horn, Finance Director at (952) 653-3677.

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OTHER FINANCIAL INFORMATION (UNAUDITED)

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Excelsior, Minnesota
Tax Levies and Collections
For the Past Ten Years

Fiscal Year	Total Levy	Collection of Current Year's Levy	Percentage of Levy Collected	Collection of Prior Year's Levy	Total Collections	Percentage of Total Collections to Levy
2009	\$ 1,201,408	\$ 1,171,076	97.48 %	\$ 12,350	\$ 1,183,426	98.50 %
2010	1,291,509	1,264,296	97.89	10,509	1,274,805	98.71
2011	1,317,399	1,290,735	97.98	12,924	1,303,659	98.96
2012	1,317,399	1,295,322	98.32	12,006	1,307,328	99.24
2013	1,317,339	1,309,701	99.42	3,067	1,312,768	99.65
2014	1,351,808	1,335,576	98.80	9,688	1,345,264	99.52
2015	1,378,895	1,369,120	99.29	7,583	1,376,703	99.84
2016	1,406,426	1,386,750	98.60	14,959	1,401,709	99.66
2017	1,434,540	1,418,644	98.89	4,344	1,422,988	99.19
2018	1,477,591	1,450,938	98.20	-	1,450,938	98.20

Special Assessment Levies and Collections
For the Past Ten Years

Fiscal Year	Total Levy	Collection of Current Year's Levy	Percentage of Levy Collected	Collection of Prior Year's Levy	Total Collections	Percentage of Total Collections to Levy
2009	\$ 22,928	\$ 22,260	97.09 %	\$ 668	\$ 22,928	100.00 %
2010	16,864	15,049	89.24	1,815	16,864	100.00
2011	22,368	21,980	98.27	388	22,368	100.00
2012	23,805	22,259	93.51	1,546	23,805	100.00
2013	24,282	24,043	99.02	239	24,282	100.00
2014	27,106	25,725	94.91	1,381	27,106	100.00
2015	22,650	22,305	98.48	108	22,413	98.95
2016	73,810	72,348	98.02	1,176	73,524	99.61
2017	73,674	72,274	98.10	1,090	73,364	99.58
2018	61,416	61,232	99.70	-	61,232	99.70

City of Excelsior, Minnesota
Tax Capacity, Tax Levies and Tax Capacity Rates
(Shown by Year of Tax Collectability)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Tax Capacity				
Personal property	\$ 38,760	\$ 38,524	\$ 40,320	\$ 43,948
Real estate	<u>4,799,686</u>	<u>4,675,727</u>	<u>4,185,056</u>	<u>4,067,384</u>
Total	4,838,446	4,714,251	4,225,376	4,111,332
Contribution to fiscal disparities pool	(570,522)	(608,282)	(574,768)	(489,211)
Increment	(95,078)	(93,430)	(90,628)	(89,863)
Distribution from fiscal disparities pool	<u>224,664</u>	<u>223,253</u>	<u>219,176</u>	<u>184,321</u>
Total Tax Capacity	<u>\$ 4,397,510</u>	<u>\$ 4,235,792</u>	<u>\$ 3,779,156</u>	<u>\$ 3,716,579</u>
Tax Levies				
Revenue	<u>\$ 1,291,509</u>	<u>\$ 1,317,399</u>	<u>\$ 1,317,399</u>	<u>\$ 1,317,399</u>
Tax Capacity Rates				
Revenue	<u>29.369 %</u>	<u>31.102 %</u>	<u>34.860 %</u>	<u>35.447 %</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 45,194	\$ 45,568	\$ 47,211	\$ 47,883	\$ 48,974	\$ 66,794
<u>3,949,333</u>	<u>4,048,069</u>	<u>4,630,478</u>	<u>5,120,997</u>	<u>5,514,685</u>	<u>6,029,461</u>
3,994,527	4,093,637	4,677,689	5,168,880	5,563,659	6,096,255
(491,004)	(515,487)	(510,901)	(581,167)	(634,148)	(694,186)
(77,600)	(77,602)	(89,957)	(89,957)	(106,294)	(114,042)
<u>153,910</u>	<u>149,422</u>	<u>149,955</u>	<u>140,973</u>	<u>150,058</u>	<u>148,757</u>
<u>\$ 3,579,833</u>	<u>\$ 3,649,970</u>	<u>\$ 4,226,786</u>	<u>\$ 4,638,729</u>	<u>\$ 4,973,275</u>	<u>\$ 5,436,784</u>
<u>\$ 1,317,339</u>	<u>\$ 1,351,808</u>	<u>\$ 1,378,895</u>	<u>\$ 1,406,426</u>	<u>\$ 1,434,540</u>	<u>\$ 1,477,591</u>
<u>36.799 %</u>	<u>37.036 %</u>	<u>32.623 %</u>	<u>30.319 %</u>	<u>28.845 %</u>	<u>27.178 %</u>

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OTHER REQUIRED REPORTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Excelsior, Minnesota

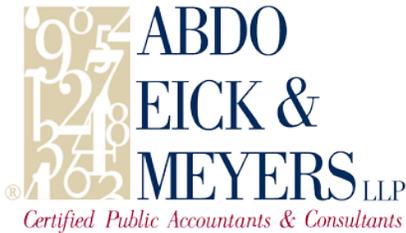
We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Excelsior, Minnesota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2019.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. 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 City's noncompliance with the above referenced provisions.

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 13, 2019



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Excelsior, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Excelsior, Minnesota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2018-001 which we consider to be a significant deficiency.

Compliance and Other Matters

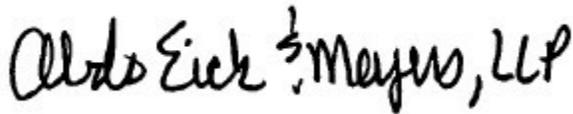
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 13, 2019

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City of Excelsior, Minnesota
Schedule of Finding and Response
For the Year Ended December 31, 2018

<u>Finding</u>	<u>Description</u>
2018- 001	Limited Segregation of Duties
<i>Condition:</i>	During our audit, we reviewed procedures over the City's major transaction cycles. During our examination of these major cycles, we noted that the utility billing, cash disbursements, payroll and cash receipts cycles had limited segregation of duties.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, recording and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	As a result of the limited number of staff, the City is not able to completely segregate all accounting functions. Currently the Finance Director has duties in more than one category, as described above, for the utility billing, cash disbursements, payroll and cash receipts cycles.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud and errors.
<i>Recommendation:</i>	While we recognize the current staff is not large enough to eliminate this deficiency, we recommend the City ensure its current controls are being followed by staff. Invoice approval is an important control step which provides better evidence of approval for the purchasing process. The city should continue to evaluate its internal controls on a regular basis.

Management Response:

The City agrees with the audit finding. Although no additional staff are proposed to be hired, the City will ensure compensating controls exist to reduce the risk of fraud or errors and will evaluate such controls on a regular basis.