

Annual Financial Report

City of Excelsior

Excelsior, Minnesota

For the Year Ended
December 31, 2019

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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, 2019

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City of Excelsior, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2019

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Todd Carlson	Mayor	12/31/20
Jennifer Caron	Council Member	12/31/22
Lou Dierking	Council Member	12/31/20
Dale Kurschner	Council Member	12/31/22
Greg Miller	Council Member	12/31/20

APPOINTED

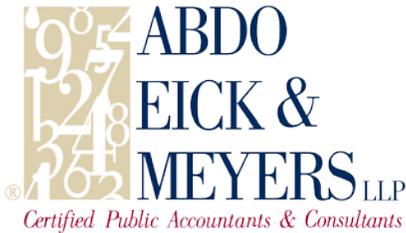
Kristi Luger	City Manager
Kelly Horn	Finance Director
Lynette Peterson	City Clerk
Tim Amundsen	Public Works Superintendent
Emily Becker	City Planner

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FINANCIAL SECTION
CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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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, 2019, 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, 2019, 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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Change in Accounting Standards

As described in Note 8 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 84, Fiduciary Activities, for the year ended December 31, 2019. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis Page 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions, and the related note disclosures, starting on page 78 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

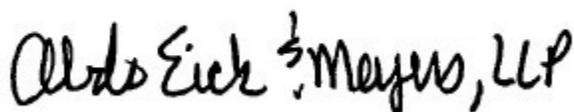
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and other financial information are presented for purposes 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 and schedules 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 4, 2020, 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 4, 2020

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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, 2019.

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 \$16,694,044 (net position). Of this amount, \$7,098,729 (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 \$832,039. 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 \$6,315,403, an increase of \$1,583,151 in comparison with the prior year. Approximately 20.0 percent of this total amount, \$1,260,976, is unassigned 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 \$1,271,618, or 55.7 percent of total General fund 2020 budgeted expenditures.
- The City's total debt increased \$5,473,853 or 81.4 percent during the current fiscal year. The increase was due to the new issuance of the 2019A Street Reconstruction Bond in the amount of \$5,570,000 at a premium of \$411,037 less 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

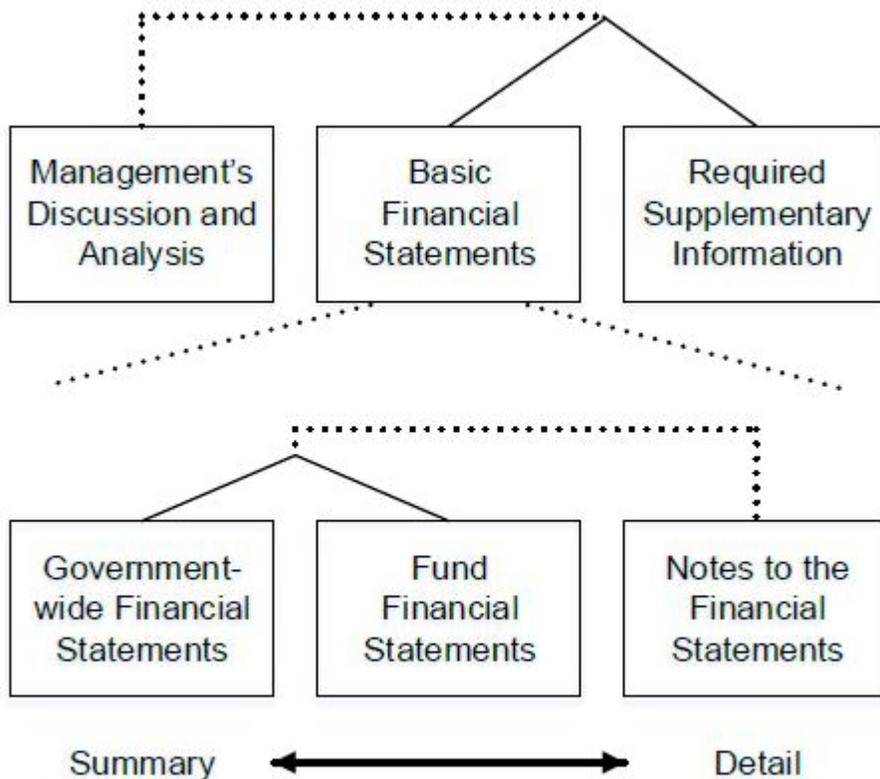


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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 11 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 nine 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.

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 82 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 \$16,694,044 at the close of the most recent fiscal year.

A portion of the City's net position (51.8 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Assets						
Current and other assets	\$ 7,674,027	\$ 5,900,859	\$ 1,773,168	\$ 4,522,983	\$ 3,051,245	\$ 1,471,738
Capital assets	8,406,116	6,893,419	1,512,697	9,865,036	8,081,884	1,783,152
Total Assets	16,080,143	12,794,278	3,285,865	14,388,019	11,133,129	3,254,890
Deferred Outflows of Resources						
Deferred pension resources	25,695	59,408	(33,713)	24,332	31,788	(7,456)
Liabilities						
Noncurrent liabilities						
outstanding	5,234,137	2,698,636	2,535,501	7,521,702	4,616,168	2,905,534
Other liabilities	727,241	456,405	270,836	210,290	238,103	(27,813)
Total Liabilities	5,961,378	3,155,041	2,806,337	7,731,992	4,854,271	2,877,721
Deferred Inflows of Resources						
Deferred pension resources	67,168	82,809	(15,641)	63,607	64,477	(870)
Net Position						
Net investment in capital assets	4,648,171	4,539,653	108,518	3,991,335	3,781,143	210,192
Restricted	955,809	783,899	171,910	-	-	-
Unrestricted	4,473,312	4,292,284	181,028	2,625,417	2,465,026	160,391
Total Net Position	\$10,077,292	\$ 9,615,836	\$ 461,456	\$ 6,616,752	\$ 6,246,169	\$ 370,583

Additionally, \$955,809 is restricted for debt service, tax increment district expenditure, Excelsior Commons Park improvements, park improvement expenditures and public improvements. The remaining balance of *unrestricted net position* (\$7,098,729) 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 \$832,039 during the current fiscal year. Both the governmental activities and the business type activities increased the net position, by \$461,456 and \$370,583, respectively.

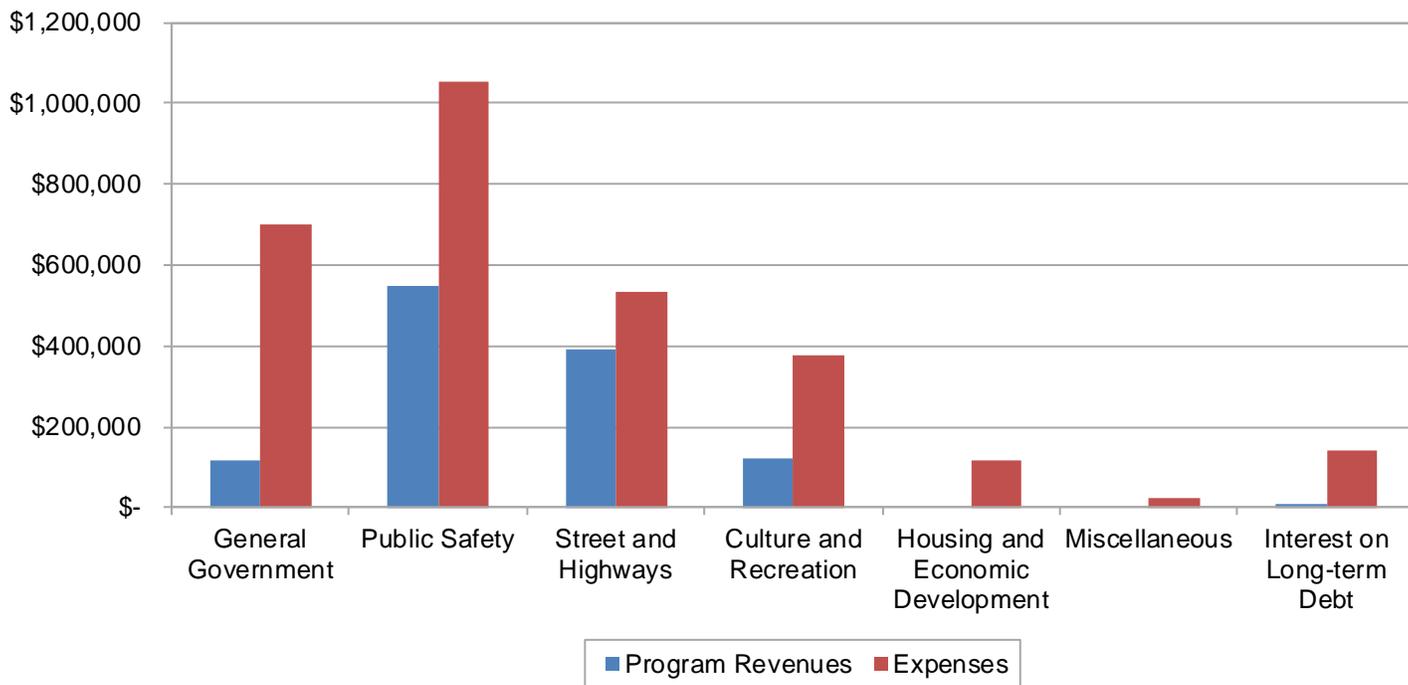
Governmental Activities. Governmental activities increased the City's net position by \$461,456. Key elements of this increase are as follows:

City of Excelsior's Changes in Net Position

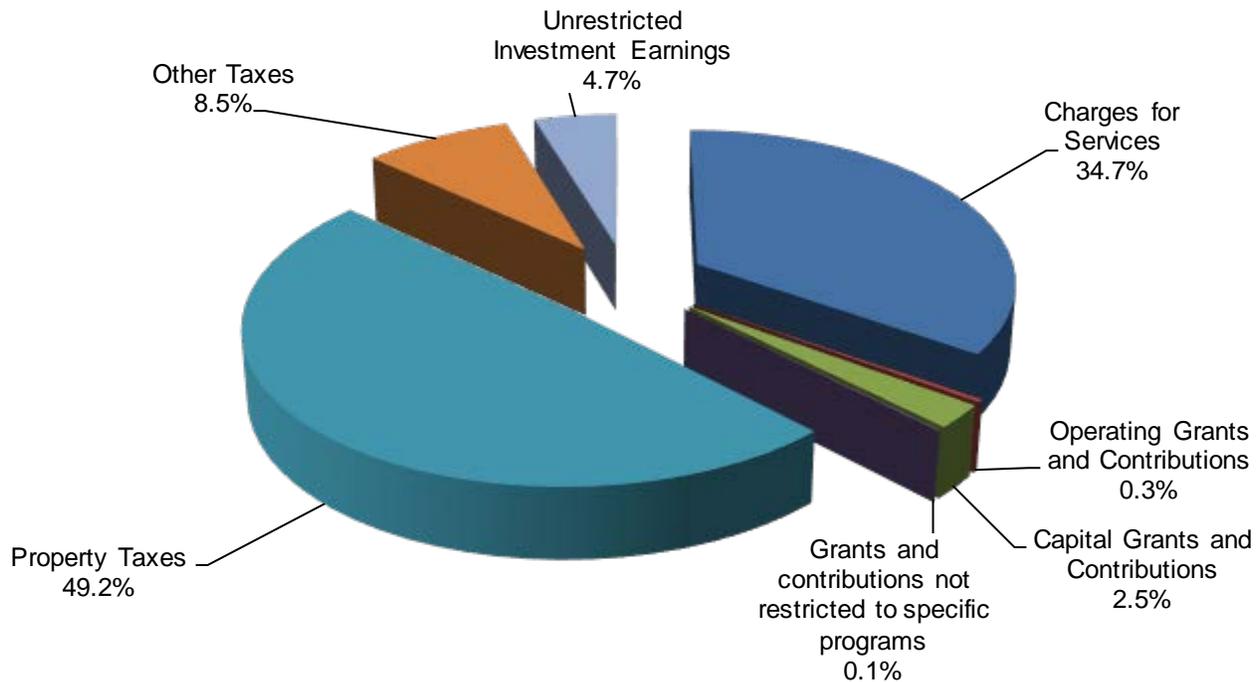
	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,098,656	\$ 849,043	\$ 249,613	\$ 2,125,627	\$ 1,835,660	\$ 289,967
Operating grants and contributions	10,000	-	10,000	-	-	-
Capital grants and contributions	79,601	498,719	(419,118)	115,917	16,280	99,637
General Revenues						
Property taxes	1,565,908	1,477,743	88,165	-	-	-
Other taxes	271,685	192,074	79,611	-	-	-
Grants and contributions not restricted to specific programs	3,727	5,333	(1,606)	590	1,952	(1,362)
Unrestricted investment earnings	150,244	23,984	126,260	83,982	19,908	64,074
Miscellaneous	-	30,779	(30,779)	-	-	-
Total Revenues	<u>3,179,821</u>	<u>3,077,675</u>	<u>102,146</u>	<u>2,326,116</u>	<u>1,873,800</u>	<u>452,316</u>
Expenses						
General government	702,455	564,267	138,188	-	-	-
Public safety	1,052,190	1,058,343	(6,153)	-	-	-
Streets and highways	534,858	510,587	24,271	-	-	-
Culture and recreation	377,915	294,442	83,473	-	-	-
Housing and economic development	117,202	113,646	3,556	-	-	-
Miscellaneous	21,472	22,107	(635)	-	-	-
Interest on long-term debt	143,602	77,223	66,379	-	-	-
Water utility	-	-	-	581,274	483,018	98,256
Sewer utility	-	-	-	572,305	431,872	140,433
Solid waste	-	-	-	186,401	150,973	35,428
Surface water	-	-	-	143,052	115,262	27,790
Street lighting	-	-	-	56,847	49,840	7,007
Commercial docks	-	-	-	184,325	192,365	(8,040)
Total Expenses	<u>2,949,694</u>	<u>2,640,615</u>	<u>309,079</u>	<u>1,724,204</u>	<u>1,423,330</u>	<u>300,874</u>
Increase in Net Position						
Before Transfers	230,127	437,060	(206,933)	601,912	450,470	151,442
Transfers	<u>231,329</u>	<u>280,000</u>	<u>(48,671)</u>	<u>(231,329)</u>	<u>(280,000)</u>	<u>48,671</u>
Change in Net Position	461,456	717,060	(255,604)	370,583	170,470	200,113
Net Position, January 1	9,615,836	8,801,302	814,534	6,246,169	6,080,833	165,336
Prior Period Restatement	<u>-</u>	<u>97,474</u>	<u>(97,474)</u>	<u>-</u>	<u>(5,134)</u>	<u>5,134</u>
Net Position, December 31	<u>\$ 10,077,292</u>	<u>\$ 9,615,836</u>	<u>\$ 461,456</u>	<u>\$ 6,616,752</u>	<u>\$ 6,246,169</u>	<u>\$ 370,583</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

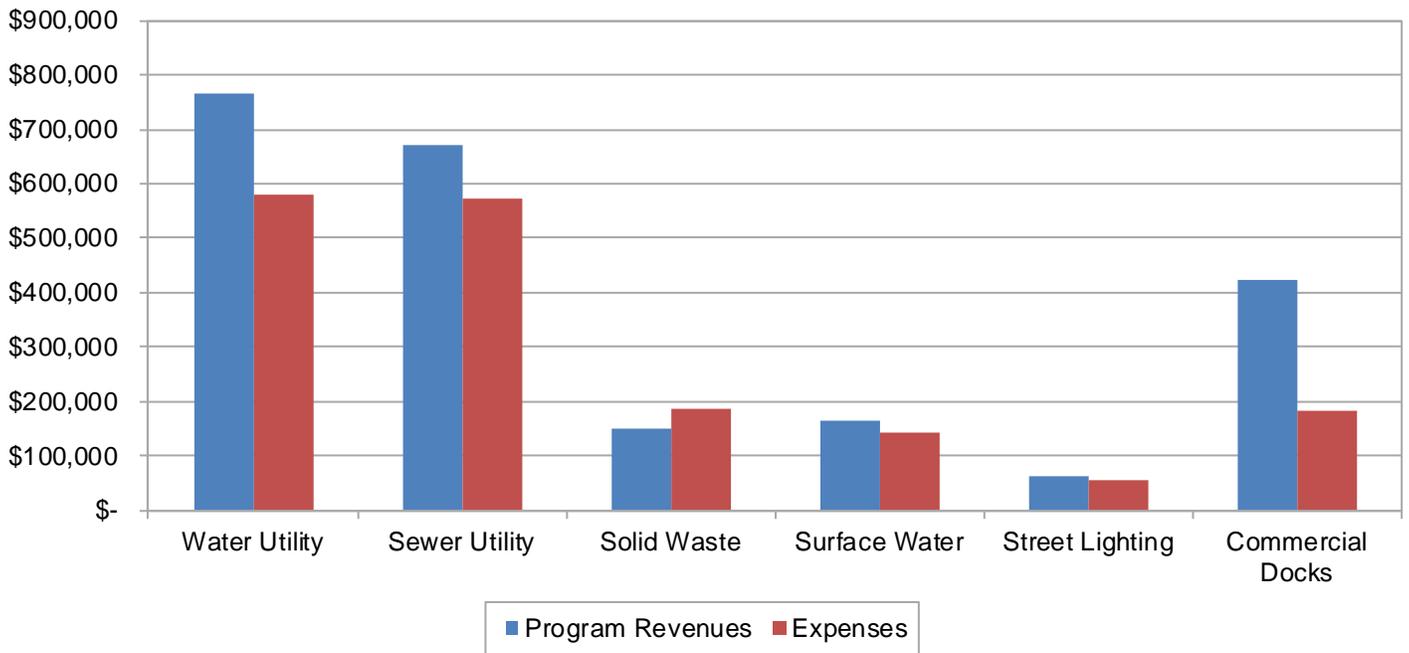


Revenues by Source - Governmental Activities

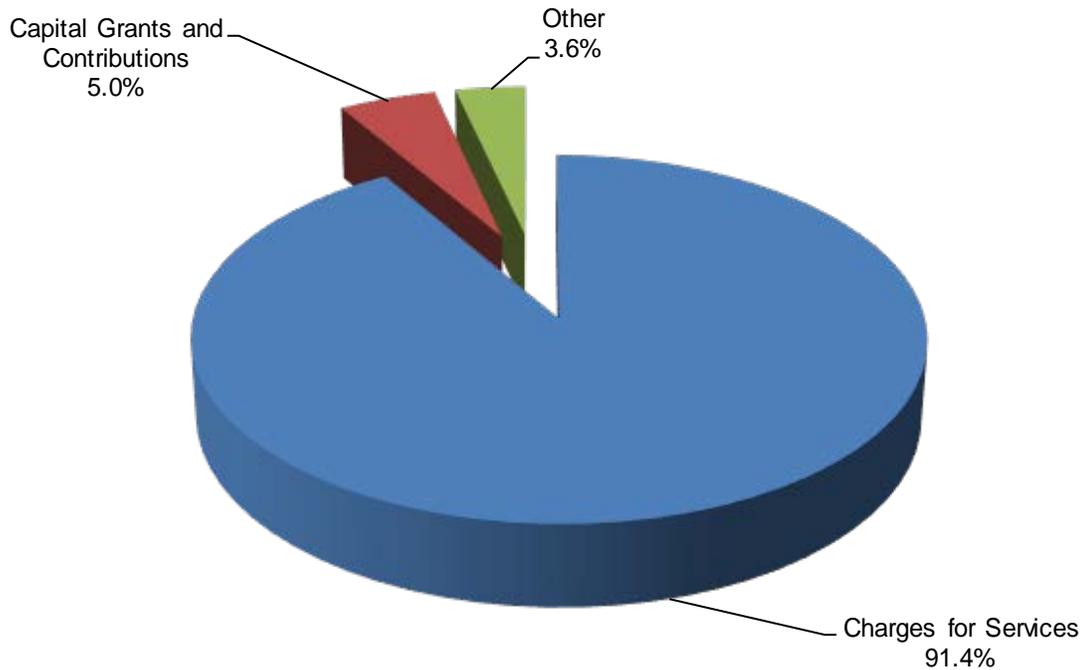


Business-type Activities. Business-type activities increased the City's net position by \$370,583. Key elements of this increase are as follows:

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.

The General Fund balance increased \$115,857. The fund balance increase is mainly due to revenues exceeding expenditures. A large part of this is due to charges for services which came in over budget by \$134,240 due to parking meter revenue exceeding budget and plan check fees exceeding budget.

The Capital Improvement fund balance increased \$1,236,061. The fund balance increased mainly due to unspent bond proceeds and transfers in.

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 \$2,625,417. 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 2019 resulted in an increase in fund balance in the amount of \$115,857. This was mainly due to revenues exceeding budget.

Overall, revenues were over the budgeted amount by \$268,152. This was due in large part to charges for services being over budget by \$134,240 primarily in the general government and public works departments. Licenses and permits were over budget by \$87,982, primarily relating to building permits.

Expenditures were over budget by \$64,045. This was due in large part to general government expenditures being over budget by \$29,187. The main cause of the variance was due to administration service expenditures. Another reason was due to culture and recreation expenditures being over budget by \$23,191, primarily relating to personal services.

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, 2019, amounts to \$18,271,152 (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 \$3,295,849, or 22.0 percent during the year.

Major capital asset activity during the current year included:

- The City purchased one third ownership of a vector truck for \$119,205.
- The 2017 Street and Utilities Project was completed and added as an addition for \$4,037,322.
- The 2019 Street and Utility Project increased Construction in Progress by \$3,202,236.
- The 2020 Street and Utility Project was started and increased Construction in Progress by \$134,665.
- The City purchased a Falcon Asphalt Recycler and a Hot Box trailer for \$34,875.
- The City started and completed the 2019 Storm Sewer Lining Project for \$37,553.
- The City purchased a 2018 Kawasaki mower for \$13,537.

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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 1,111,042	\$ 1,111,042	\$ -	\$ 49,999	\$ 50,000	\$ (1)
Construction in Progress	1,665,530	1,447,829	217,701	1,767,761	2,422,142	(654,381)
Buildings	104,899	119,639	(14,740)	1	-	1
Improvement other than Building	4,294,643	2,929,985	1,364,658	-	-	-
Machinery and Equipment	411,148	426,927	(15,779)	568,237	523,500	44,737
Infrastructure	818,854	857,997	(39,143)	7,479,038	5,086,242	2,392,796
Total	\$ 8,406,116	\$ 6,893,419	\$ 1,512,697	\$ 9,865,036	\$ 8,081,884	\$ 1,783,152

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$12,195,540. 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
G.O. Revenue Bonds	\$ -	\$ -	\$ -	\$ 867,000	\$ 957,000	\$ (90,000)
G.O. Improvement Bonds	4,699,069	2,289,994	2,409,075	6,060,931	3,300,006	2,760,925
Bond Premium	247,856	63,772	184,084	320,684	110,915	209,769
Total	<u>\$ 4,946,925</u>	<u>\$ 2,353,766</u>	<u>\$ 2,593,159</u>	<u>\$ 7,248,615</u>	<u>\$ 4,367,921</u>	<u>\$ 2,880,694</u>

The City's total debt increased \$5,473,853 (81.4 percent) during the current fiscal year. The increase 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 2020 for taxes payable 2021. Property values overall are increasing about 11.7 percent within the City, with the largest increases occurring in apartment properties.
- The 2020 budget includes a 13.27 percent, or \$207,852, levy increase. This increase was planned to accommodate the future debt levy associated with financing the 2020 Street and Utility Improvement Project which will occur in the Lafayette and West Lake Street neighborhood. Other 2020 projects include the replacement of the 1978 Lift Station at Excelsior Boulevard, the automation and updating of the Iron Filters at the Water Plant.
- Utility Rates for 2020 were increased over 2019, these increases will ensure the City is able to meet the future debt servicing requirements related to the 2019 and 2020 Street and Utility Improvement Projects and for the operating and capital expense demands 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, 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, 2019

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City of Excelsior, Minnesota
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash temporary investments	\$ 5,010,454	\$ 1,943,788	\$ 6,954,242
Restricted cash and cash temporary investments	1,811,127	2,126,106	3,937,233
Receivables			
Interest	38,310	-	38,310
Accounts	27,634	398,102	425,736
Delinquent taxes	82,933	-	82,933
Special assessments	621,733	30,779	652,512
Due from other governments	79,989	-	79,989
Prepaid items	1,847	24,208	26,055
Land and construction in progress	2,776,572	1,817,761	4,594,333
Depreciable infrastructure, buildings, property and equipment, net	5,629,544	8,047,275	13,676,819
Total Assets	16,080,143	14,388,019	30,468,162
Deferred Outflows of Resources			
Deferred pension resources	25,695	24,332	50,027
Liabilities			
Accounts payable	515,639	106,774	622,413
Accrued salaries payable	15,820	21,426	37,246
Accrued interest payable	50,721	72,203	122,924
Due to other governments	29,621	4,003	33,624
Unearned revenue	115,440	5,884	121,324
Noncurrent liabilities			
Due within one year			
Compensated absences payable	5,814	5,873	11,687
Bonds payable	178,518	321,482	500,000
Due in more than one year			
Compensated absences payable	11,630	11,748	23,378
Net pension liability	269,768	255,466	525,234
Bonds payable, net	4,768,407	6,927,133	11,695,540
Total Liabilities	5,961,378	7,731,992	13,693,370
Deferred Inflows of Resources			
Deferred pension resources	67,168	63,607	130,775
Net Position			
Net investment in capital assets	4,648,171	3,991,335	8,639,506
Restricted for			
Debt service	605,479	-	605,479
Tax increment financing district	14,604	-	14,604
Excelsior Commons improvements	56,968	-	56,968
Park improvements	278,758	-	278,758
Unrestricted	4,473,312	2,625,417	7,098,729
Total Net Position	\$ 10,077,292	\$ 6,616,752	\$ 16,694,044

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 702,455	\$ 105,074	\$ 10,000	\$ -
Public safety	1,052,190	548,130	-	-
Public works	534,858	324,023	-	68,717
Culture and recreation	377,915	121,429	-	-
Housing and economic development	117,202	-	-	-
Miscellaneous	21,472	-	-	-
Interest on long-term debt	143,602	-	-	10,884
Total Governmental Activities	<u>2,949,694</u>	<u>1,098,656</u>	<u>10,000</u>	<u>79,601</u>
Business-type Activities				
Water utility	581,274	747,837	-	18,354
Sewer utility	572,305	574,583	-	94,793
Solid waste	186,401	151,611	-	-
Surface water	143,052	161,921	-	2,770
Street lighting	56,847	64,382	-	-
Commercial docks	184,325	425,293	-	-
Total Business-type Activities	<u>1,724,204</u>	<u>2,125,627</u>	<u>-</u>	<u>115,917</u>
Total	<u>\$ 4,673,898</u>	<u>\$ 3,224,283</u>	<u>\$ 10,000</u>	<u>\$ 195,518</u>

General Revenues

Taxes

Property taxes levied for general purposes

Property taxes levied for debt service

Tax increments

Sales and use tax

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

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
\$ (587,381)	\$ -	\$ (587,381)
(504,060)	-	(504,060)
(142,118)	-	(142,118)
(256,486)	-	(256,486)
(117,202)	-	(117,202)
(21,472)	-	(21,472)
(132,718)	-	(132,718)
<u>(1,761,437)</u>	<u>-</u>	<u>(1,761,437)</u>
-	184,917	184,917
-	97,071	97,071
-	(34,790)	(34,790)
-	21,639	21,639
-	7,535	7,535
-	240,968	240,968
<u>-</u>	<u>517,340</u>	<u>517,340</u>
<u>(1,761,437)</u>	<u>517,340</u>	<u>(1,244,097)</u>
1,389,871	-	1,389,871
176,037	-	176,037
122,160	-	122,160
79,349	-	79,349
70,176	-	70,176
3,727	590	4,317
150,244	83,982	234,226
231,329	(231,329)	-
<u>2,222,893</u>	<u>(146,757)</u>	<u>2,076,136</u>
461,456	370,583	832,039
<u>9,615,836</u>	<u>6,246,169</u>	<u>15,862,005</u>
<u>\$ 10,077,292</u>	<u>\$ 6,616,752</u>	<u>\$ 16,694,044</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, 2019

City of Excelsior, Minnesota
Balance Sheet
Governmental Funds
December 31, 2019

	General	Capital Projects Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 1,481,641	\$ 2,247,724	\$ 1,281,089	\$ 5,010,454
Restricted cash and temporary investments	-	1,811,127	-	1,811,127
Receivables				
Interest	38,310	-	-	38,310
Accounts	19,690	7,400	544	27,634
Delinquent taxes	77,414	-	5,519	82,933
Special assessments	-	203,431	418,302	621,733
Due from other funds	9,556	-	-	9,556
Due from other governments	5,640	-	74,349	79,989
Prepaid items	1,847	-	-	1,847
Total Assets	<u>\$ 1,634,098</u>	<u>\$ 4,269,682</u>	<u>\$ 1,779,803</u>	<u>\$ 7,683,583</u>
Liabilities				
Accounts payable	\$ 75,053	\$ 189,782	\$ 250,804	\$ 515,639
Accrued salaries payable	15,034	-	786	15,820
Due to other funds	-	-	9,556	9,556
Due to other governments	5,349	-	24,272	29,621
Unearned revenue	115,440	-	-	115,440
Total Liabilities	<u>210,876</u>	<u>189,782</u>	<u>285,418</u>	<u>686,076</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	203,088	416,709	619,797
Unavailable revenue - property taxes	62,307	-	-	62,307
Total Deferred Inflows of Resources	<u>62,307</u>	<u>203,088</u>	<u>416,709</u>	<u>682,104</u>
Fund Balances				
Nonspendable				
Prepaid items	1,847	-	-	1,847
Restricted for				
Debt service	-	-	240,093	240,093
Tax increment financing district	-	-	14,604	14,604
Excelsior Commons improvements	-	-	56,968	56,968
Park improvements	-	-	278,758	278,758
Public improvements	-	1,188,980	-	1,188,980
Committed for				
Self insurance	52,385	-	-	52,385
Compensated absences	35,065	-	-	35,065
Parking lot maintenance	-	-	12,837	12,837
Assigned for				
Capital improvements	-	2,521,101	-	2,521,101
Park improvements	-	-	251,834	251,834
Parking improvements	-	166,731	-	166,731
Parking lot maintenance	-	-	233,224	233,224
Unassigned	1,271,618	-	(10,642)	1,260,976
Total Fund Balances	<u>1,360,915</u>	<u>3,876,812</u>	<u>1,077,676</u>	<u>6,315,403</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,634,098</u>	<u>\$ 4,269,682</u>	<u>\$ 1,779,803</u>	<u>\$ 7,683,583</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, 2019

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

Total Fund Balances - Governmental	\$ 6,315,403
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	11,286,524
Less: accumulated depreciation	(2,880,408)
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	(17,444)
Bond principal payable	(4,699,069)
Plus premium on bonds issued	(247,856)
Net pension liability	(269,768)
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	62,307
Special assessments receivable	619,797
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	25,695
Deferred inflows of pension resources	(67,168)
Governmental funds do not report a liability for accrued interest until due and payable.	(50,721)
Total Net Position - Governmental Activities	\$ 10,077,292

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, 2019

	General	Capital Projects Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,446,188	\$ -	\$ 377,546	\$ 1,823,734
Licenses and permits	349,057	-	-	349,057
Intergovernmental	13,095	9,440	10,884	33,419
Charges for services	517,240	43,697	15,669	576,606
Fines and forfeitures	84,825	-	-	84,825
Special assessments	224	37,179	97,573	134,976
Interest on investments	39,255	86,024	24,965	150,244
Miscellaneous	50,013	29,750	8,755	88,518
Total Revenues	<u>2,499,897</u>	<u>206,090</u>	<u>535,392</u>	<u>3,241,379</u>
Expenditures				
Current				
General government	647,343	-	-	647,343
Public safety	1,052,190	-	-	1,052,190
Public works	238,726	-	24,212	262,938
Culture and recreation	264,664	-	22,445	287,109
Miscellaneous	22,736	-	-	22,736
Capital outlay				
General government	24,784	34,279	-	59,063
Public works	-	1,854,988	-	1,854,988
Culture and recreation	11,542	-	42,632	54,174
Housing and economic development	-	-	117,202	117,202
Debt service				
Principal	-	-	175,925	175,925
Interest and other	-	-	75,743	75,743
Bond issuance costs	-	56,014	-	56,014
Total Expenditures	<u>2,261,985</u>	<u>1,945,281</u>	<u>458,159</u>	<u>4,665,425</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>237,912</u>	<u>(1,739,191)</u>	<u>77,233</u>	<u>(1,424,046)</u>
Other Financing Sources (Uses)				
Transfers in	165,579	199,384	154,000	518,963
Bonds issued	-	2,585,000	-	2,585,000
Premiums on bonds issued	-	190,868	-	190,868
Transfers out	(287,634)	-	-	(287,634)
Total Other Financing Sources (Uses)	<u>(122,055)</u>	<u>2,975,252</u>	<u>154,000</u>	<u>3,007,197</u>
Net Change in Fund Balances	115,857	1,236,061	231,233	1,583,151
Fund Balances, January 1	<u>1,245,058</u>	<u>2,640,751</u>	<u>846,443</u>	<u>4,732,252</u>
Fund Balances, December 31	<u>\$ 1,360,915</u>	<u>\$ 3,876,812</u>	<u>\$ 1,077,676</u>	<u>\$ 6,315,403</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, 2019

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

Net Change in Fund Balances - Governmental Funds	\$ 1,583,151
<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	1,740,543
Depreciation expense	(227,846)
<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	175,925
Debt issued or incurred	(2,585,000)
Premium on bonds issued, net of amortization	(190,868)
Amortization of bond premium	6,784
<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>	
	(18,629)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	34,513
Pension revenue from State contributions	632
<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	(261)
Other postemployment benefits	4,702
<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	13,859
Special assessments	(76,049)
Change in Net Position - Governmental Activities	\$ 461,456

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, 2019

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,456,450	\$ 1,456,450	\$ 1,446,188	\$ (10,262)
Licenses and permits	261,075	261,075	349,057	87,982
Intergovernmental	3,095	3,095	13,095	10,000
Charges for services	383,000	383,000	517,240	134,240
Fines and forfeitures	69,575	69,575	84,825	15,250
Special assessments	-	-	224	224
Interest on investments	20,000	20,000	39,255	19,255
Miscellaneous	38,550	38,550	50,013	11,463
Total Revenues	<u>2,231,745</u>	<u>2,231,745</u>	<u>2,499,897</u>	<u>268,152</u>
Expenditures				
Current				
General government	618,156	618,156	647,343	(29,187)
Public safety	1,046,737	1,046,737	1,052,190	(5,453)
Public works	233,328	233,328	238,726	(5,398)
Culture and recreation	241,473	241,473	264,664	(23,191)
Miscellaneous	24,460	24,460	22,736	1,724
Capital outlay	33,786	33,786	36,326	(2,540)
Total Expenditures	<u>2,197,940</u>	<u>2,197,940</u>	<u>2,261,985</u>	<u>(64,045)</u>
Excess of Revenues Over Expenditures	<u>33,805</u>	<u>33,805</u>	<u>237,912</u>	<u>204,107</u>
Other Financing Sources (Uses)				
Transfers in	165,579	165,579	165,579	-
Transfers out	(199,384)	(199,384)	(287,634)	(88,250)
Total Other Financing Sources (Uses)	<u>(33,805)</u>	<u>(33,805)</u>	<u>(122,055)</u>	<u>(88,250)</u>
Net Change in Fund Balances	-	-	115,857	115,857
Fund Balances, January 1	<u>1,245,058</u>	<u>1,245,058</u>	<u>1,245,058</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,245,058</u>	<u>\$ 1,245,058</u>	<u>\$ 1,360,915</u>	<u>\$ 115,857</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, 2019

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Assets			
Current Assets			
Cash and temporary investments	\$ 607,022	\$ 962,722	\$ 197,265
Restricted cash and temporary investments	826,819	826,819	-
Receivables			
Accounts	183,390	145,915	-
Special assessments	30,045	-	-
Prepaid items	2,718	17,958	2,355
Total Current Assets	<u>1,649,994</u>	<u>1,953,414</u>	<u>199,620</u>
Noncurrent Assets			
Special assessments receivable	<u>-</u>	<u>734</u>	<u>-</u>
Capital Assets, at Cost	7,412,799	4,088,662	646,481
Less Accumulated Depreciation	<u>(1,986,060)</u>	<u>(962,507)</u>	<u>(434,793)</u>
Net Capital Assets	<u>5,426,739</u>	<u>3,126,155</u>	<u>211,688</u>
Total Noncurrent Assets	<u>5,426,739</u>	<u>3,126,889</u>	<u>211,688</u>
Total Assets	<u>7,076,733</u>	<u>5,080,303</u>	<u>411,308</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>6,695</u>	<u>7,130</u>	<u>4,628</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
\$ 85,787	\$ 90,992	\$ 1,943,788
472,468	-	2,126,106
-	68,797	398,102
-	-	30,045
327	850	24,208
<u>558,582</u>	<u>160,639</u>	<u>4,522,249</u>
-	-	734
1,217,143	33,303	13,398,388
(131,676)	(18,316)	(3,533,352)
<u>1,085,467</u>	<u>14,987</u>	<u>9,865,036</u>
<u>1,085,467</u>	<u>14,987</u>	<u>9,865,770</u>
<u>1,644,049</u>	<u>175,626</u>	<u>14,388,019</u>
<u>3,534</u>	<u>2,345</u>	<u>24,332</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, 2019

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Liabilities			
Current Liabilities			
Accounts payable	\$ 41,481	\$ 29,634	\$ 1,058
Accrued salaries payable	6,382	6,808	3,583
Compensated absences payable	1,371	2,332	895
Accrued interest payable	42,270	18,961	-
Due to other governments	3,239	65	-
Unearned revenue	-	-	5,884
Bonds payable, current portion	230,207	54,998	-
Total Current Liabilities	<u>324,950</u>	<u>112,798</u>	<u>11,420</u>
Noncurrent Liabilities			
Compensated absences payable	2,742	4,664	1,789
Bonds payable, net of current portion	3,965,078	1,912,051	-
Net pension liability	70,296	74,855	48,592
Total Noncurrent Liabilities	<u>4,038,116</u>	<u>1,991,570</u>	<u>50,381</u>
Total Liabilities	<u>4,363,066</u>	<u>2,104,368</u>	<u>61,801</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>17,502</u>	<u>18,638</u>	<u>12,099</u>
Net Position			
Net investment in capital assets	1,762,590	1,701,300	211,688
Unrestricted	<u>940,270</u>	<u>1,263,127</u>	<u>130,348</u>
Total Net Position	<u>\$ 2,702,860</u>	<u>\$ 2,964,427</u>	<u>\$ 342,036</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
\$ 18,206	\$ 16,395	\$ 106,774
2,859	1,794	21,426
848	427	5,873
10,972	-	72,203
-	699	4,003
-	-	5,884
36,277	-	321,482
<u>69,162</u>	<u>19,315</u>	<u>537,645</u>
1,697	856	11,748
1,050,004	-	6,927,133
37,101	24,622	255,466
<u>1,088,802</u>	<u>25,478</u>	<u>7,194,347</u>
<u>1,157,964</u>	<u>44,793</u>	<u>7,731,992</u>
9,238	6,130	63,607
300,770	14,987	3,991,335
179,611	112,061	2,625,417
<u>\$ 480,381</u>	<u>\$ 127,048</u>	<u>\$ 6,616,752</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, 2019

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Operating Revenues			
Charges for services	\$ 747,977	\$ 574,583	\$ 425,293
Operating Expenses			
Personnel services	139,989	158,188	98,684
Supplies	52,951	11,437	2,408
Other services and charges	142,426	253,089	57,672
Maintenance	-	-	1,280
Depreciation	137,513	84,723	24,281
Total Operating Expenses	<u>472,879</u>	<u>507,437</u>	<u>184,325</u>
Operating Income (Loss)	<u>275,098</u>	<u>67,146</u>	<u>240,968</u>
Nonoperating Revenues (Expenses)			
Interest on investments	28,486	36,806	5,790
Interest expense and other	(83,367)	(30,001)	-
Bond issuance costs	(25,028)	(25,560)	-
Loss on disposal of capital assets	-	(9,307)	-
Other income	21	171	114
Total Nonoperating Revenues (Expenses)	<u>(79,888)</u>	<u>(27,891)</u>	<u>5,904</u>
Income (Loss) Before Contributions and Transfers	195,210	39,255	246,872
Transfers In	109,250	-	-
Transfers Out	-	-	(340,579)
Capital Contributions	<u>18,354</u>	<u>94,793</u>	<u>-</u>
Change in Net Position	322,814	134,048	(93,707)
Net Position, January 1	<u>2,380,046</u>	<u>2,830,379</u>	<u>435,743</u>
Net Position, December 31	<u>\$ 2,702,860</u>	<u>\$ 2,964,427</u>	<u>\$ 342,036</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>\$ 161,921</u>	<u>\$ 215,993</u>	<u>\$ 2,125,767</u>
63,714	60,197	520,772
1,002	374	68,172
26,483	180,378	660,048
-	-	1,280
19,995	2,299	268,811
<u>111,194</u>	<u>243,248</u>	<u>1,519,083</u>
<u>50,727</u>	<u>(27,255)</u>	<u>606,684</u>
10,507	2,393	83,982
(17,768)	-	(131,136)
(14,090)	-	(64,678)
-	-	(9,307)
<u>87</u>	<u>57</u>	<u>450</u>
<u>(21,264)</u>	<u>2,450</u>	<u>(120,689)</u>
29,463	(24,805)	485,995
-	-	109,250
-	-	(340,579)
<u>2,770</u>	<u>-</u>	<u>115,917</u>
32,233	(24,805)	370,583
<u>448,148</u>	<u>151,853</u>	<u>6,246,169</u>
<u>\$ 480,381</u>	<u>\$ 127,048</u>	<u>\$ 6,616,752</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, 2019

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 693,098	\$ 574,796	\$ 426,154
Payments to suppliers	(225,913)	(268,728)	(62,482)
Payments to employees	(130,493)	(142,608)	(96,227)
Net Cash Provided (Used) by Operating Activities	<u>336,692</u>	<u>163,460</u>	<u>267,445</u>
Cash Flows from Noncapital Financing Activities			
Transfer from other funds	109,250	-	-
Transfers to other funds	-	-	(340,579)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>109,250</u>	<u>-</u>	<u>(340,579)</u>
Cash Flows from Capital Financing Activities			
Connection fees	14,000	7,000	-
Intergovernmental	4,354	87,793	-
Acquisition of capital assets	(826,794)	(824,769)	-
Bond proceeds	1,215,142	1,241,016	-
Interest paid on bonds	(83,157)	(23,740)	-
Principal paid on bonds	(225,570)	(53,288)	-
Net Cash Provided by Capital Financing Activities	<u>97,975</u>	<u>434,012</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest received on investments	<u>28,486</u>	<u>36,806</u>	<u>5,790</u>
Net Increase (Decrease) in Cash and Cash Equivalents	572,403	634,278	(67,344)
Cash and Cash Equivalents, January 1	<u>861,438</u>	<u>1,155,263</u>	<u>264,609</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 1,433,841</u></u>	<u><u>\$ 1,789,541</u></u>	<u><u>\$ 197,265</u></u>
Reconciliation to the Proprietary Funds Statement of Net Position			
Cash and temporary investments	\$ 607,022	\$ 962,722	\$ 197,265
Restricted cash and temporary investments	<u>826,819</u>	<u>826,819</u>	<u>-</u>
Total Cash and Cash Equivalents	<u><u>\$ 1,433,841</u></u>	<u><u>\$ 1,789,541</u></u>	<u><u>\$ 197,265</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
\$ 162,008	\$ 213,772	\$ 2,069,828
(27,206)	(177,514)	(761,843)
(71,057)	(43,408)	(483,793)
<u>63,745</u>	<u>(7,150)</u>	<u>824,192</u>
-	-	109,250
-	-	<u>(340,579)</u>
-	-	<u>(231,329)</u>
-	-	21,000
2,770	-	94,917
(433,349)	-	(2,084,912)
684,334	-	3,140,492
(14,149)	-	(121,046)
(35,217)	-	<u>(314,075)</u>
<u>204,389</u>	<u>-</u>	<u>736,376</u>
<u>10,507</u>	<u>2,393</u>	<u>83,982</u>
278,641	(4,757)	1,413,221
<u>279,614</u>	<u>95,749</u>	<u>2,656,673</u>
<u>\$ 558,255</u>	<u>\$ 90,992</u>	<u>\$ 4,069,894</u>
\$ 85,787	\$ 90,992	\$ 1,943,788
472,468	-	2,126,106
<u>\$ 558,255</u>	<u>\$ 90,992</u>	<u>\$ 4,069,894</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, 2019

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Reconciliation of Operating Income to Net			
Cash Provided (Used) by Operating Activities			
Operating income	\$ 275,098	\$ 67,146	\$ 240,968
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Other income related to operations	21	171	114
Depreciation	137,513	84,723	24,281
(Increase) decrease in assets/deferred outflows			
Receivables			
Accounts	(36,110)	(1,136)	-
Special assessments	(18,790)	1,178	-
Prepaid items	(480)	(583)	-
Deferred pension resources	3,214	1,561	457
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	(28,933)	(3,623)	(1,122)
Accrued salaries payable	2,059	2,149	376
Compensated absences payable	75	1,581	(240)
Due to other governments	(1,123)	4	-
Net pension liability	5,734	11,219	5,093
Other postemployment benefits payable	(1,237)	(1,270)	(2,240)
Deferred pension resources	(349)	340	(989)
Unearned revenue	-	-	747
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided by Operating Activities	<u>\$ 336,692</u>	<u>\$ 163,460</u>	<u>\$ 267,445</u>
Schedule of Noncash Capital and Financing Activities			
Disposal of capital assets	<u>\$ -</u>	<u>\$ 9,307</u>	<u>\$ -</u>
Amortization of bond premium	<u>\$ 6,572</u>	<u>\$ 2,612</u>	<u>\$ -</u>
Capital assets acquired on account	<u>\$ 27,172</u>	<u>\$ 27,760</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
\$ 50,727	\$ (27,255)	\$ 606,684
87	57	450
19,995	2,299	268,811
-	(2,278)	(39,524)
-	-	(17,612)
(88)	(230)	(1,381)
6,677	(4,453)	7,456
367	3,855	(29,456)
607	362	5,553
63	(280)	1,199
-	(387)	(1,506)
(11,949)	19,144	29,241
(213)	(640)	(5,600)
(2,528)	2,656	(870)
-	-	747
<u>\$ 63,745</u>	<u>\$ (7,150)</u>	<u>\$ 824,192</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,307</u>
<u>\$ 1,217</u>	<u>\$ -</u>	<u>\$ 10,401</u>
<u>\$ 15,292</u>	<u>\$ -</u>	<u>\$ 70,224</u>

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

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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 and proprietary 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. 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.

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 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.

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.

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, 2019:

- US Government securities of \$182,232 are valued using quoted market prices (Level 1 inputs)
- Brokered Certificates of Deposit and local government bonds of \$7,969,096 are valued using a matrix pricing model (Level 2 inputs)

Restricted Cash

The City has received monies restricted for specific purposes. The balance in restricted cash represents unspent deposits of \$3,937,233 to be used for the 2019 Street Reconstruction Project.

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 2019. 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, 2019

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:

<u>Asset</u>	<u>Cost</u>
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:

<u>Assets</u>	<u>Useful Lives in Years</u>
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.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2019

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.

The total pension expense is as follows:

	Public Employees Retirement Association of Minnesota (PERA) GERP
Pension Expense	\$ 57,832

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.

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.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

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".

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.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2019

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, 2019, expenditures exceeded appropriations in the following funds:

Fund	Final Budget	Actual Amounts	Excess of Expenditures Over Appropriations
General	\$ 2,197,940	\$ 2,261,985	\$ 64,045

These excess expenditures were funded by revenues exceeding budget.

C. Deficit Fund Balances

The following fund had a fund balance deficit at December 31, 2019:

Fund	Amount
Nonmajor	
TIF 1-2 Project	\$ 10,103
TIF 2-1 Project	539

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, 2019

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 \$1,426,676 and the bank balance was \$1,517,993. Of the bank balance, \$389,217 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, 2019, 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
Pooled Investments at Amortized Cost						
Broker Money Market	N/A	less than 6 months	\$1,313,271			
Non-pooled Investments						
Local Government Bonds	AAA	1 to 5 years	111,824	\$ -	\$ 111,824	\$ -
U.S. Government Securities	AAA	more than 5 years	182,232	182,232	-	-
Brokered Certificates of Deposit	N/A	less than 1 year	4,214,591	-	4,214,591	-
Brokered Certificates of Deposit	N/A	1 to 5 years	3,396,463	-	3,396,463	-
Brokered Certificates of Deposit	N/A	more than 5 years	246,218	-	246,218	-
Total Investments			\$9,464,599	\$ 182,232	\$7,969,096	\$ -

(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, 2019

Note 3: Detailed Notes on All Funds (Continued)

Carrying Amount of Deposits	\$ 1,426,676
Investments	9,464,599
Cash on Hand	<u>200</u>
 Total	 <u><u>\$ 10,891,475</u></u>
 Statement of Net Position	
Cash and Temporary Investments	\$ 6,954,242
Restricted Cash and Temporary Investments	<u>3,937,233</u>
 Total	 <u><u>\$ 10,891,475</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, 2019

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 1,111,042	\$ -	\$ -	\$ 1,111,042
Construction in progress	1,447,829	1,692,131	(1,474,430)	1,665,530
Total Capital Assets not being Depreciated	<u>2,558,871</u>	<u>1,692,131</u>	<u>(1,474,430)</u>	<u>2,776,572</u>
Capital Assets being Depreciated				
Buildings	748,150	-	-	748,150
Improvements other than buildings	3,649,489	1,474,430	-	5,123,919
Machinery and equipment	1,053,609	48,412	-	1,102,021
Infrastructure	1,535,862	-	-	1,535,862
Total Capital Assets being Depreciated	<u>6,987,110</u>	<u>1,522,842</u>	<u>-</u>	<u>8,509,952</u>
Less Accumulated Depreciation for				
Buildings	(628,511)	(14,740)	-	(643,251)
Improvements other than buildings	(719,504)	(109,772)	-	(829,276)
Machinery and equipment	(626,682)	(64,191)	-	(690,873)
Infrastructure	(677,865)	(39,143)	-	(717,008)
Total Accumulated Depreciation	<u>(2,652,562)</u>	<u>(227,846)</u>	<u>-</u>	<u>(2,880,408)</u>
Total Capital Assets being Depreciated, Net	<u>4,334,548</u>	<u>1,294,996</u>	<u>-</u>	<u>5,629,544</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,893,419</u>	<u>\$ 2,987,127</u>	<u>\$ (1,474,430)</u>	<u>\$ 8,406,116</u>

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

Governmental Activities	
General government	\$ 12,944
Public works	167,196
Culture and recreation	<u>47,706</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 227,846</u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 49,999
Construction in progress	<u>2,422,142</u>	<u>1,908,511</u>	<u>(2,562,892)</u>	<u>1,767,761</u>
Total Capital Assets not being Depreciated	<u>2,472,142</u>	<u>1,908,511</u>	<u>(2,562,892)</u>	<u>1,817,760</u>
Capital Assets being Depreciated				
Buildings	8,202	-	-	8,203
Machinery and equipment	1,120,403	119,205	(62,377)	1,177,231
Infrastructure	<u>7,794,749</u>	<u>2,600,445</u>	<u>-</u>	<u>10,395,194</u>
Total Capital Assets being Depreciated	<u>8,923,354</u>	<u>2,719,650</u>	<u>(62,377)</u>	<u>11,580,628</u>
Less Accumulated Depreciation for				
Buildings	(8,202)	-	-	(8,202)
Machinery and equipment	(596,903)	(61,162)	49,071	(608,994)
Infrastructure	<u>(2,708,507)</u>	<u>(207,649)</u>	<u>-</u>	<u>(2,916,156)</u>
Total Accumulated Depreciation	<u>(3,313,612)</u>	<u>(268,811)</u>	<u>49,071</u>	<u>(3,533,352)</u>
Total Capital Assets being Depreciated, Net	<u>5,609,742</u>	<u>2,450,839</u>	<u>(13,306)</u>	<u>8,047,276</u>
Business-type Activities Capital Assets, Net	<u>\$ 8,081,884</u>	<u>\$ 4,359,350</u>	<u>\$ (2,576,198)</u>	<u>\$ 9,865,036</u>

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

Business-type Activities		
Water utility		\$ 137,513
Sewer utility		84,723
Commercial docks		24,281
Surface water management		19,995
Other proprietary funds		<u>2,299</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 268,811</u>

Construction Commitments

The City has active construction projects as of December 31, 2019. 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
2019 Street and Utility Project	<u>\$ 2,489,710</u>	<u>\$ 2,025,907</u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2019

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, 2019 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount	Final Maturity
General	TIF District 1-2	Cash flow	\$ 9,556	NA

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

Fund	Transfer in				Total
	General Fund	Capital Improvement Fund	Other Governmental Funds	Water	
Transfer Out					
General	\$ -	\$ 199,384	\$ 54,000	\$ 34,250	\$ 287,634
Commercial Docks	165,579	-	100,000	75,000	340,579
Total	<u>\$ 165,579</u>	<u>\$ 199,384</u>	<u>\$ 154,000</u>	<u>\$ 109,250</u>	<u>\$ 628,213</u>

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.

- The General fund transferred \$54,000 to the Nonmajor Governmental funds to fund future Commons Master Park Plan capital projects.
- The General fund transferred \$34,250 to the Water fund to provide funding for additional expenses related to the Ice Castle Event.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2019

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	\$ 1,435,000
Taxable G.O. Improvement Bonds, Series 2017A	3,970,000	2.5 - 3.0	06/14/17	02/01/33	3,755,000
G.O. Street Reconstruction Bonds, Series 2019A	5,570,000	2.0 - 5.0	09/18/19	02/01/40	<u>5,570,000</u>
 Total G.O. Revenue Bonds					<u><u>\$ 10,760,000</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
2020	\$ 178,518	\$ 138,346	\$ 316,864	\$ 231,482	\$ 175,891	\$ 407,373
2021	228,518	141,507	370,025	301,482	178,680	480,162
2022	281,110	131,465	412,575	348,890	166,298	515,188
2023	291,296	119,809	411,105	368,704	152,247	520,951
2024	298,888	107,661	406,549	376,112	137,526	513,638
2025 - 2029	1,320,739	359,199	1,679,938	1,759,261	469,364	2,228,625
2030 - 2034	1,150,000	168,800	1,318,800	1,585,000	209,888	1,794,888
2035 - 2039	785,000	64,164	849,164	900,000	73,531	973,531
2040	165,000	1,939	166,939	190,000	2,233	192,233
 Total	<u><u>\$ 4,699,069</u></u>	<u><u>\$ 1,232,890</u></u>	<u><u>\$ 5,931,959</u></u>	<u><u>\$ 6,060,931</u></u>	<u><u>\$ 1,565,658</u></u>	<u><u>\$ 7,626,589</u></u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2019

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	\$ 220,000
MPFA - 2014A Water Revenue Bonds	920,313	1.00	06/02/14	08/20/34	<u>647,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 867,000</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>
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	42,000	4,830	46,830
2025 - 2029	215,000	17,790	232,790
2030 - 2034	<u>226,000</u>	<u>7,740</u>	<u>233,740</u>
Total	<u><u>\$ 867,000</u></u>	<u><u>\$ 73,895</u></u>	<u><u>\$ 940,895</u></u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019 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	\$ 2,289,994	\$ 2,585,000	\$ (175,925)	\$ 4,699,069	\$ 178,518
Bond premium	63,772	190,868	(6,784)	247,856	-
Compensated absences payable	<u>17,183</u>	<u>35,954</u>	<u>(35,693)</u>	<u>17,444</u>	<u>5,814</u>
Governmental Activity Long-term Liabilities	<u>\$ 2,370,949</u>	<u>\$ 2,811,822</u>	<u>\$ (218,402)</u>	<u>\$ 4,964,369</u>	<u>\$ 184,332</u>
Business-type Activities					
Bonds payable					
General obligation					
revenue bonds	\$ 957,000	\$ -	\$ (90,000)	\$ 867,000	\$ 90,000
General obligation					
improvement bonds	3,300,006	2,985,000	(224,075)	6,060,931	231,482
Bond premium	110,915	220,170	(10,401)	320,684	-
Compensated absences payable	<u>16,422</u>	<u>34,366</u>	<u>(33,167)</u>	<u>17,621</u>	<u>5,873</u>
Business-type Activity Long-term Liabilities	<u>\$ 4,384,343</u>	<u>\$ 3,239,536</u>	<u>\$ (357,643)</u>	<u>\$ 7,266,236</u>	<u>\$ 327,355</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 Plan (GERP)

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

B. Benefits Provided

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

GERP Benefits

GERP 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.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2019, 2018 and 2017 were \$54,253, \$50,273, and \$49,164, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2019

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$525,234 for its proportionate share of the General Employees Fund'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 2019. 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 \$16,333. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0095 percent which was a decrease of 0.0004 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$56,609 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$1,223 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERP.

At December 31, 2019, the City reported its proportionate share of General Employees Plan'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	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 19,331	\$ 532
Changes in Actuarial Assumptions	2,089	45,207
Net Difference between Projected and Actual Earnings on Plan Investments	-	58,404
Changes in Proportion	-	26,633
Contributions Paid to PERA Subsequent to the Measurement Date	28,607	-
Total	\$ 50,027	\$ 130,775

The \$28,607 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (39,116)
2021	(53,338)
2022	(17,748)
2023	847

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2019

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

E. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for 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 General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

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

GERF

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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 Equity	35.50 %	5.10 %
International Equity	17.50	5.90
Fixed Income	20.00	0.75
Private Markets	25.00	5.90
Cash Equivalents	2.00	-
Total	100.00 %	

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2019

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 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 General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 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%)
General Employees Fund	\$ 863,456	\$ 525,234	\$ 245,964

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.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2019

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, 2018.

South Lake Minnetonka Police Department
Statement of Net Assets
December 31, 2018 and 2017

	2018	2017
Assets	\$ 4,882,633	\$ 4,954,091
Deferred Outflows of Resources	1,859,530	2,383,131
Total Assets and Deferred Outflows of Resources	\$ 6,742,163	\$ 7,337,222
Liabilities	\$ 3,606,937	\$ 4,315,173
Deferred Inflows of Resources	2,628,706	2,936,528
Net Position	506,520	85,521
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 6,742,163	\$ 7,337,222

South Lake Minnetonka Police Department
Summary Statement of Activities
For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenues	\$ 3,181,040	\$ 3,032,374
Expenses	2,772,032	2,867,866
Net Revenues	409,008	164,508
General Revenues	11,991	27,064
Change in Net Position	420,999	191,572
Net Position, January 1	85,521	(106,051)
Net Position, December 31	\$ 506,520	\$ 85,521

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 2019 totaled \$790,638. 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.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 6: Joint Powers Agreements (Continued)

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 for the most recent year of audited information, which is December 31, 2019:

Excelsior Fire District
Statement of Net Assets
December 31, 2019 and 2018

	2019	2018
Assets	\$ 9,064,373	\$ 9,855,170
Deferred Outflows of Resources	634,476	425,309
Liabilities	2,671,159	3,359,543
Deferred Inflows of Resources	541,855	912,960
Net Position	\$ 6,485,835	\$ 6,007,976

Excelsior Fire District
Summary Statement of Activities
For the Years Ended December 31, 2019 and 2018

	2019	2018
Charges for Services	\$ 1,842,545	\$ 1,769,508
Operating Grants and Contributions	1,403	980
Capital Grants and Contributions	129,856	-
Expenses	(1,507,954)	(1,311,920)
Net Revenues	465,850	458,568
General Revenues	12,009	62,720
Change in Net Position	477,859	521,288
Net Position, January 1 as Restated	6,007,976	5,486,688
Net Position, December 31	\$ 6,485,835	\$ 6,007,976

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 2019 totaled \$221,180. 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.

Note 6: Joint Powers Agreements (Continued)

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.

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 2019, the City implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 84, *Fiduciary Activities*. This change in Accounting Principle did not require a restatement of net position.

Note 9: Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the impact on the U.S. and international economies and, as such, there have been significant losses in the stock market in first quarter 2020. Plan assets may have seen unrealized market losses as of May 4, 2020. However, City management is unable to determine the long term material impact to its asset values.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Excelsior, Minnesota
Required Supplementary Information
December 31, 2019

Schedule of Employer's Share of PERA Net Pension Liability - General Employees 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
06/30/19	0.0095 %	\$ 525,234	\$ 16,333	\$ 541,567	\$ 670,076	80.8 %	80.2 %
06/30/18	0.0099	549,211	17,972	567,183	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 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)
12/31/2019	\$ 54,253	\$ 54,253	\$ -	\$ 723,374	7.50 %
12/31/2018	50,273	50,273	-	670,312	7.50
12/31/2017	49,164	49,164	-	655,520	7.50
12/31/2016	47,992	47,992	-	639,888	7.50
12/31/2015	46,043	46,043	-	613,906	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, 2019

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

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

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

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

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

Changes in Plan Provisions

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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

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

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, 2019

City of Excelsior, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2019

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Funds
Assets				
Cash and temporary investments	\$ 252,030	\$ 790,041	\$ 239,018	\$ 1,281,089
Receivables				
Accounts	-	544	-	544
Delinquent taxes	-	5,519	-	5,519
Special assessments	602	-	417,700	418,302
Due from other governments	74,349	-	-	74,349
	<u>74,349</u>	<u>-</u>	<u>-</u>	<u>74,349</u>
Total Assets	<u>\$ 326,981</u>	<u>\$ 796,104</u>	<u>\$ 656,718</u>	<u>\$ 1,779,803</u>
Liabilities				
Accounts payable	\$ 119	\$ 250,167	\$ 518	\$ 250,804
Accrued salaries payable	786	-	-	786
Due to other governments	22,445	1,827	-	24,272
Due to other funds	-	9,556	-	9,556
Total Liabilities	<u>23,350</u>	<u>261,550</u>	<u>518</u>	<u>285,418</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	602	-	416,107	416,709
Fund Balances				
Restricted for				
Debt service	-	-	240,093	240,093
Tax increment financing district	-	14,604	-	14,604
Excelsior Commons improvements	56,968	-	-	56,968
Park improvements	-	278,758	-	278,758
Committed for				
Parking lot maintenance	12,837	-	-	12,837
Assigned for				
Park improvements	-	251,834	-	251,834
Parking lot maintenance	233,224	-	-	233,224
Unassigned	-	(10,642)	-	(10,642)
Total Fund Balances	<u>303,029</u>	<u>534,554</u>	<u>240,093</u>	<u>1,077,676</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 326,981</u>	<u>\$ 796,104</u>	<u>\$ 656,718</u>	<u>\$ 1,779,803</u>

City of Excelsior, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2019

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Funds
Revenues				
Taxes	\$ 79,349	\$ 122,160	\$ 176,037	\$ 377,546
Intergovernmental	-	-	10,884	10,884
Charges for services	15,669	-	-	15,669
Special assessments	27,998	-	69,575	97,573
Interest on investments	5,939	13,151	5,875	24,965
Miscellaneous				
Contributions and donations	-	8,755	-	8,755
Total Revenues	<u>128,955</u>	<u>144,066</u>	<u>262,371</u>	<u>535,392</u>
Expenditures				
Current				
Public works	24,212	-	-	24,212
Culture and recreation	22,445	-	-	22,445
Capital outlay				
Culture and recreation	-	42,632	-	42,632
Housing and economic development	-	117,202	-	117,202
Debt service				
Principal	-	-	175,925	175,925
Interest and other	-	-	75,743	75,743
Total Expenditures	<u>46,657</u>	<u>159,834</u>	<u>251,668</u>	<u>458,159</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	82,298	(15,768)	10,703	77,233
Other Financing Sources				
Transfers in	-	154,000	-	154,000
Net Change in Fund Balances	82,298	138,232	10,703	231,233
Fund Balances, January 1	<u>220,731</u>	<u>396,322</u>	<u>229,390</u>	<u>846,443</u>
Fund Balances, December 31	<u>\$ 303,029</u>	<u>\$ 534,554</u>	<u>\$ 240,093</u>	<u>\$ 1,077,676</u>

City of Excelsior, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2019

	205	220	
	<u>Parking Lot Maintenance</u>	<u>Commons Sales Tax</u>	<u>Total</u>
Assets			
Cash and temporary investments	\$ 246,966	\$ 5,064	\$ 252,030
Receivables			
Special assessments	602	-	602
Due from other governments	-	74,349	74,349
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 247,568</u>	<u>\$ 79,413</u>	<u>\$ 326,981</u>
Liabilities			
Accounts payable	\$ 119	\$ -	\$ 119
Due to other governments	-	22,445	22,445
Accrued salaries payable	786	-	786
Total Liabilities	<u>905</u>	<u>22,445</u>	<u>23,350</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	602	-	602
	<u> </u>	<u> </u>	<u> </u>
Fund Balances			
Restricted			
Excelsior Commons improvements	-	56,968	56,968
Committed for			
Parking lot maintenance	12,837	-	12,837
Assigned for			
Parking lot maintenance	233,224	-	233,224
Total Fund Balances	<u>246,061</u>	<u>56,968</u>	<u>303,029</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 247,568</u>	<u>\$ 79,413</u>	<u>\$ 326,981</u>

City of Excelsior, Minnesota
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2019

	205	220	
	Parking Lot Maintenance	Commons Sales Tax	Total
Revenues			
Taxes	\$ -	\$ 79,349	\$ 79,349
Charges for services	15,669	-	15,669
Special assessments	27,998	-	27,998
Interest on investments	5,875	64	5,939
Total Revenues	<u>49,542</u>	<u>79,413</u>	<u>128,955</u>
Expenditures			
Current			
Public Works	24,212	-	24,212
Culture and recreation	-	22,445	22,445
Total Expenditures	<u>24,212</u>	<u>22,445</u>	<u>46,657</u>
Excess of Revenues Over Expenditures	25,330	56,968	82,298
Fund Balances, January 1	<u>220,731</u>	<u>-</u>	<u>220,731</u>
Fund Balances, December 31	<u><u>\$ 246,061</u></u>	<u><u>\$ 56,968</u></u>	<u><u>\$ 303,029</u></u>

City of Excelsior, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2019

	Park Improvement	TIF 1-1 Project	TIF 1-2 Project
Assets			
Cash and temporary investments	\$ 532,938	\$ 69,049	\$ -
Receivables			
Accounts	544	-	-
Delinquent taxes	-	5,519	-
Total Assets	<u>\$ 533,482</u>	<u>\$ 74,568</u>	<u>\$ -</u>
Liabilities			
Accounts payable	\$ 2,890	\$ 59,223	\$ -
Due to other governments	-	741	547
Due to other funds	-	-	9,556
Total Liabilities	<u>2,890</u>	<u>59,964</u>	<u>10,103</u>
Fund Balances			
Restricted for			
Tax increment financing district	-	14,604	-
Park improvements	278,758	-	-
Assigned for			
Park improvements	251,834	-	-
Unassigned	-	-	(10,103)
Total Fund Balances	<u>530,592</u>	<u>14,604</u>	<u>(10,103)</u>
Total Liabilities and Fund Balances	<u>\$ 533,482</u>	<u>\$ 74,568</u>	<u>\$ -</u>

TIF 2-1 Project	Escrows	Total
\$ -	\$ 188,054	\$ 790,041
-	-	544
-	-	5,519
<u>\$ -</u>	<u>\$ 188,054</u>	<u>\$ 796,104</u>
\$ -	\$ 188,054	\$ 250,167
539	-	1,827
-	-	9,556
<u>539</u>	<u>188,054</u>	<u>261,550</u>
-	-	14,604
-	-	278,758
-	-	251,834
<u>(539)</u>	<u>-</u>	<u>(10,642)</u>
<u>(539)</u>	<u>-</u>	<u>534,554</u>
<u><u>\$ -</u></u>	<u><u>\$ 188,054</u></u>	<u><u>\$ 796,104</u></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, 2019

	Park Improvement	TIF 1-1 Project	TIF 1-2 Project
Revenues			
Taxes	\$ -	\$ 115,316	\$ 6,844
Interest on investments	11,686	1,465	-
Miscellaneous			
Contributions and donations	8,755	-	-
Total Revenues	20,441	116,781	6,844
Expenditures			
Capital outlay			
Culture and recreation	42,632	-	-
Housing and economic development	-	114,934	1,729
Total Expenditures	42,632	114,934	1,729
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,191)	1,847	5,115
Other Financing Sources			
Transfers in	154,000	-	-
Net Change in Fund Balances	131,809	1,847	5,115
Fund Balances, January 1	398,783	12,757	(15,218)
Fund Balances, December 31	\$ 530,592	\$ 14,604	\$ (10,103)

<u>TIF 2-1 Project</u>	<u>Escrows</u>	<u>Total</u>
\$ -	\$ -	\$ 122,160
-	-	13,151
-	-	8,755
<u>-</u>	<u>-</u>	<u>144,066</u>
-	-	42,632
<u>539</u>	<u>-</u>	<u>117,202</u>
<u>539</u>	<u>-</u>	<u>159,834</u>
(539)	-	(15,768)
<u>-</u>	<u>-</u>	<u>154,000</u>
(539)	-	138,232
<u>-</u>	<u>-</u>	<u>396,322</u>
<u>\$ (539)</u>	<u>\$ -</u>	<u>\$ 534,554</u>

City of Excelsior, Minnesota
 Nonmajor Debt Service Funds
 Combining Balance Sheet
 December 31, 2019

	G.O. Bonds 2010A	G.O. Bonds 2017A	Total
Assets			
Cash and temporary investments	\$ 61,648	\$ 177,370	\$ 239,018
Receivables			
Special assessments	32,579	385,121	417,700
Total Assets	\$ 94,227	\$ 562,491	\$ 656,718
Liabilities			
Accounts payable	\$ 259	\$ 259	\$ 518
Deferred Inflows of Resources			
Unavailable revenue - special assessments	32,426	383,681	416,107
Fund Balances			
Restricted for			
Debt service	61,542	178,551	240,093
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 94,227	\$ 562,491	\$ 656,718

City of Excelsior, Minnesota
 Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2019

	G.O. Bonds 2010A	G.O. Bonds 2017A	Total
Revenues			
Taxes	\$ 100,000	\$ 76,037	\$ 176,037
Intergovernmental	10,884	-	10,884
Special assessments	10,518	59,057	69,575
Interest on investments	1,633	4,242	5,875
Total Revenues	<u>123,035</u>	<u>139,336</u>	<u>262,371</u>
Expenditures			
Debt service			
Principal	95,925	80,000	175,925
Interest and other	34,154	41,589	75,743
Total Expenditures	<u>130,079</u>	<u>121,589</u>	<u>251,668</u>
Net Change in Fund Balances	(7,044)	17,747	10,703
Fund Balances, January 1	<u>68,586</u>	<u>160,804</u>	<u>229,390</u>
Fund Balances, December 31	<u>\$ 61,542</u>	<u>\$ 178,551</u>	<u>\$ 240,093</u>

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City of Excelsior, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Net Position
 December 31, 2019

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 68,876	\$ 22,116	\$ 90,992
Accounts receivable	50,091	18,706	68,797
Prepaid items	654	196	850
Total Current Assets	<u>119,621</u>	<u>41,018</u>	<u>160,639</u>
Capital Assets, at Cost	12,665	20,638	33,303
Less Accumulated Depreciation	<u>(12,665)</u>	<u>(5,651)</u>	<u>(18,316)</u>
Net Capital Assets	<u>-</u>	<u>14,987</u>	<u>14,987</u>
Total Assets	<u>119,621</u>	<u>56,005</u>	<u>175,626</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>1,710</u>	<u>635</u>	<u>2,345</u>
Liabilities			
Current Liabilities			
Accounts payable	13,245	3,150	16,395
Due to other governments	699	-	699
Accrued salaries payable	1,288	506	1,794
Compensated absences payable	<u>336</u>	<u>91</u>	<u>427</u>
Total Current Liabilities	<u>15,568</u>	<u>3,747</u>	<u>19,315</u>
Noncurrent Liabilities			
Compensated absences payable	675	181	856
Net pension liability	<u>17,951</u>	<u>6,671</u>	<u>24,622</u>
Total Noncurrent Liabilities	<u>18,626</u>	<u>6,852</u>	<u>25,478</u>
Total Liabilities	<u>34,194</u>	<u>10,599</u>	<u>44,793</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>4,469</u>	<u>1,661</u>	<u>6,130</u>
Net Position			
Invested in capital assets	-	14,987	14,987
Unrestricted	<u>82,668</u>	<u>29,393</u>	<u>112,061</u>
Total Net Position	<u>\$ 82,668</u>	<u>\$ 44,380</u>	<u>\$ 127,048</u>

City of Excelsior, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Revenues, Expenses and
 Changes in Net Position
 December 31, 2019

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Operating Revenues			
Charges for services	\$ 151,611	\$ 64,382	\$ 215,993
Operating Expenses			
Personnel services	42,868	17,329	60,197
Supplies	-	374	374
Other services and charges	143,533	36,845	180,378
Depreciation	-	2,299	2,299
Total Operating Expenses	<u>186,401</u>	<u>56,847</u>	<u>243,248</u>
Operating Income (Loss)	<u>(34,790)</u>	<u>7,535</u>	<u>(27,255)</u>
Nonoperating Revenues			
Interest on investments	2,028	365	2,393
Other income	42	15	57
Total Nonoperating Revenues	<u>2,070</u>	<u>380</u>	<u>2,450</u>
Change in Net Position	(32,720)	7,915	(24,805)
Net Position, January 1	<u>115,388</u>	<u>36,465</u>	<u>151,853</u>
Net Position, December 31	<u><u>\$ 82,668</u></u>	<u><u>\$ 44,380</u></u>	<u><u>\$ 127,048</u></u>

City of Excelsior, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
December 31, 2019

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 149,998	\$ 63,774	\$ 213,772
Payments to suppliers	(140,471)	(37,043)	(177,514)
Payments to employees	(31,377)	(12,031)	(43,408)
Net Cash Provided (Used) by Operating Activities	(21,850)	14,700	(7,150)
Cash Flows from Investing Activities			
Interest received on investments	2,028	365	2,393
Net Increase (Decrease) in Cash and Cash Equivalents	(19,822)	15,065	(4,757)
Cash and Cash Equivalents, January 1	88,698	7,051	95,749
Cash and Cash Equivalents, December 31	<u>\$ 68,876</u>	<u>\$ 22,116</u>	<u>\$ 90,992</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (34,790)	\$ 7,535	\$ (27,255)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Other income related to operations	42	15	57
Depreciation	-	2,299	2,299
(Increase) decrease in assets/deferred outflows			
Receivables			
Accounts	(1,655)	(623)	(2,278)
Prepaid items	(177)	(53)	(230)
Deferred pension resources	(2,616)	(1,837)	(4,453)
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	3,626	229	3,855
Accrued salaries payable	244	118	362
Compensated absences payable	(25)	(255)	(280)
Due to other governments	(387)	-	(387)
Net pension liability	12,511	6,633	19,144
Other postemployment benefits payable	(427)	(213)	(640)
Deferred pension resources	1,804	852	2,656
Net Cash Provided (Used) by Operating Activities	<u>\$ (21,850)</u>	<u>\$ 14,700</u>	<u>\$ (7,150)</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property	\$ 1,386,700	\$ 1,386,700	\$ 1,376,012	\$ (10,688)	\$ 1,276,883
Franchise	69,750	69,750	70,176	426	70,225
Total taxes	<u>1,456,450</u>	<u>1,456,450</u>	<u>1,446,188</u>	<u>(10,262)</u>	<u>1,347,108</u>
Licenses and permits					
Business	128,575	128,575	128,232	(343)	110,552
Nonbusiness	132,500	132,500	220,825	88,325	131,433
Total licenses and permits	<u>261,075</u>	<u>261,075</u>	<u>349,057</u>	<u>87,982</u>	<u>241,985</u>
Intergovernmental					
State					
Other	3,095	3,095	3,095	-	3,095
County					
Other	-	-	10,000	10,000	-
Total intergovernmental	<u>3,095</u>	<u>3,095</u>	<u>13,095</u>	<u>10,000</u>	<u>3,095</u>
Charges for services					
General government	78,600	78,600	132,865	54,265	89,160
Public works	265,000	265,000	321,619	56,619	240,327
Culture and recreation	37,400	37,400	60,519	23,119	53,379
Other charges	2,000	2,000	2,237	237	7,107
Total charges for services	<u>383,000</u>	<u>383,000</u>	<u>517,240</u>	<u>134,240</u>	<u>389,973</u>
Fines and forfeitures	69,575	69,575	84,825	15,250	83,752
Special assessments	-	-	224	224	153
Interest on investments	20,000	20,000	39,255	19,255	8,241
Miscellaneous					
Other	5,000	5,000	16,188	11,188	961
Refunds and reimbursements	33,550	33,550	33,825	275	3,407
Total miscellaneous	<u>38,550</u>	<u>38,550</u>	<u>50,013</u>	<u>11,463</u>	<u>4,368</u>
Total Revenues	<u>2,231,745</u>	<u>2,231,745</u>	<u>2,499,897</u>	<u>268,152</u>	<u>2,078,675</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Legislative					
Personal services	\$ 14,210	\$ 14,210	\$ 13,780	\$ 430	\$ 14,209
Supplies	-	-	-	-	115
Other services and charges	13,225	13,225	13,535	(310)	7,588
Total legislative	<u>27,435</u>	<u>27,435</u>	<u>27,315</u>	<u>120</u>	<u>21,912</u>
City manager / clerk					
Personal services	109,990	109,990	112,862	(2,872)	106,063
Other services and charges	5,870	5,870	5,338	532	5,269
Total City manager / clerk	<u>115,860</u>	<u>115,860</u>	<u>118,200</u>	<u>(2,340)</u>	<u>111,332</u>
Elections and voter registration					
Personal services	-	-	-	-	2,759
Supplies	200	200	175	25	1,950
Other services and charges	1,100	1,100	694	406	2,111
Total elections and voter registration	<u>1,300</u>	<u>1,300</u>	<u>869</u>	<u>431</u>	<u>6,820</u>
Finance					
Personal services	48,914	48,914	44,880	4,034	34,269
Other services and charges	1,500	1,500	4,076	(2,576)	1,038
Total finance	<u>50,414</u>	<u>50,414</u>	<u>48,956</u>	<u>1,458</u>	<u>35,307</u>
Planning and zoning					
Personal services	83,192	83,192	79,095	4,097	50,885
Supplies	-	-	172	(172)	-
Other services and charges	37,450	37,450	14,295	23,155	33,696
Total planning and zoning	<u>120,642</u>	<u>120,642</u>	<u>93,562</u>	<u>27,080</u>	<u>84,581</u>
Administration					
Supplies	5,875	5,875	5,531	344	5,315
Other services and charges	295,445	295,445	342,128	(46,683)	306,986
Total administration	<u>301,320</u>	<u>301,320</u>	<u>347,659</u>	<u>(46,339)</u>	<u>312,301</u>
Heritage preservation					
Other services and charges	1,185	1,185	10,782	(9,597)	1,129
Total General Government	<u>618,156</u>	<u>618,156</u>	<u>647,343</u>	<u>(29,187)</u>	<u>573,382</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			2018	
	Budgeted Amounts		Actual	Variance with	
	Original	Final	Amounts	Final Budget	
Expenditures (Continued)				Actual	
Current (continued)				Amounts	
Public safety					
Police protection					
Other services and charges	\$ 783,637	\$ 783,637	\$ 788,376	\$ (4,739)	\$ 757,333
Fire protection					
Other services and charges	223,100	223,100	223,101	(1)	208,681
Protective inspection					
Other services and charges	40,000	40,000	40,713	(713)	92,329
Total Public Safety	1,046,737	1,046,737	1,052,190	(5,453)	1,058,343
Public works					
Engineering					
Other services and charges	13,000	13,000	24,527	(11,527)	15,439
Streets					
Personal services	126,718	126,718	125,092	1,626	115,414
Supplies	44,300	44,300	47,260	(2,960)	39,233
Other services and charges	49,310	49,310	41,847	7,463	43,015
Total streets	220,328	220,328	214,199	6,129	197,662
Total Public Works	233,328	233,328	238,726	(5,398)	213,101
Culture and recreation					
Parks					
Personal services	144,623	144,623	158,397	(13,774)	153,921
Supplies	25,900	25,900	30,453	(4,553)	19,672
Other services and charges	70,950	70,950	75,814	(4,864)	65,861
Total Culture and Recreation	241,473	241,473	264,664	(23,191)	239,454
Miscellaneous					
Cemetery					
Personal services	22,060	22,060	20,969	1,091	20,991
Supplies	1,400	1,400	1,767	(367)	1,151
Other services and charges	1,000	1,000	-	1,000	170
Total miscellaneous	24,460	24,460	22,736	1,724	22,312
Total Current Expenditures	2,164,154	2,164,154	2,225,659	(61,505)	2,106,592

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, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 18,500	\$ 18,500	\$ 24,784	\$ (6,284)	\$ 23,827
Public works	-	-	-	-	44,241
Culture and recreation	15,286	15,286	11,542	3,744	-
Total capital outlay	<u>33,786</u>	<u>33,786</u>	<u>36,326</u>	<u>(2,540)</u>	<u>68,068</u>
Total Expenditures	<u>2,197,940</u>	<u>2,197,940</u>	<u>2,261,985</u>	<u>(64,045)</u>	<u>2,174,660</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>33,805</u>	<u>33,805</u>	<u>237,912</u>	<u>204,107</u>	<u>(95,985)</u>
Other Financing Sources (Uses)					
Transfers in	165,579	165,579	165,579	-	80,000
Sale of capital assets	-	-	-	-	30,779
Transfers out	<u>(199,384)</u>	<u>(199,384)</u>	<u>(287,634)</u>	<u>(88,250)</u>	<u>(375,377)</u>
Total Other Financing Sources (Uses)	<u>(33,805)</u>	<u>(33,805)</u>	<u>(122,055)</u>	<u>(88,250)</u>	<u>(264,598)</u>
Net Change in Fund Balances	-	-	115,857	115,857	(360,583)
Fund Balances, January 1	<u>1,245,058</u>	<u>1,245,058</u>	<u>1,245,058</u>	<u>-</u>	<u>1,605,641</u>
Fund Balances, December 31	<u>\$ 1,245,058</u>	<u>\$ 1,245,058</u>	<u>\$ 1,360,915</u>	<u>\$ 115,857</u>	<u>\$ 1,245,058</u>

City of Excelsior, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2019 and 2018

	Total		Percent Increase (Decrease)
	2019	2018	
Revenues			
Taxes	\$ 1,823,734	\$ 1,647,514	10.70 %
Special assessments	134,976	113,856	18.55
Licenses and permits	349,057	241,985	44.25
Intergovernmental	33,419	37,276	(10.35)
Charges for services	576,606	481,706	19.70
Fines and forfeitures	84,825	83,752	1.28
Interest on investments	150,244	23,984	526.43
Miscellaneous	88,518	45,435	94.82
	<u>\$ 3,241,379</u>	<u>\$ 2,675,508</u>	21.15 %
Total Revenues			
Per Capita	\$ 1,397	\$ 1,202	16.14 %
Expenditures			
Current			
General government	\$ 647,343	\$ 573,382	12.90 %
Public safety	1,052,190	1,058,343	(0.58)
Public works	262,938	237,872	10.54
Culture and recreation	287,109	239,454	19.90
Miscellaneous	22,736	22,312	1.90
Capital outlay			
General government	59,063	50,979	15.86
Public works	1,854,988	670,505	176.66
Culture and recreation	54,174	6,750	702.58
Housing and economic development	117,202	113,646	3.13
Debt service			
Principal payments	175,925	93,333	88.49
Interest and other charges	75,743	87,383	(13.32)
Bond issuance costs	56,014	-	N/A
	<u>\$ 4,665,425</u>	<u>\$ 3,153,959</u>	47.92 %
Total Expenditures			
Per Capita	\$ 2,010	\$ 1,418	41.80 %
Total Long-term Indebtedness	\$ 4,946,925	\$ 2,353,766	110.17 %
Per Capita	2,131	1,058	101.48
General Fund Balance - December 31	\$ 1,360,915	\$ 1,245,058	9.31 %
Per Capita	586	560	4.78

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.

OTHER FINANCIAL INFORMATION (UNAUDITED)

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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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
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	10,292	1,345,868	99.56
2015	1,378,895	1,369,120	99.29	9,266	1,378,386	99.96
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	14,212	1,465,150	99.16
2019	1,566,239	1,536,702	98.11	-	1,536,702	98.11

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
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
2019	108,375	100,651	92.87	-	100,651	92.87

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Tax Capacity				
Personal property	\$ 38,524	\$ 40,320	\$ 43,948	\$ 45,194
Real estate	<u>4,675,727</u>	<u>4,185,056</u>	<u>4,067,384</u>	<u>3,949,333</u>
Total	4,714,251	4,225,376	4,111,332	3,994,527
Contribution to fiscal disparities pool	(608,282)	(574,768)	(489,211)	(491,004)
Increment	(93,430)	(90,628)	(89,863)	(77,600)
Distribution from fiscal disparities pool	<u>223,253</u>	<u>219,176</u>	<u>184,321</u>	<u>153,910</u>
Total Tax Capacity	<u>\$ 4,235,792</u>	<u>\$ 3,779,156</u>	<u>\$ 3,716,579</u>	<u>\$ 3,579,833</u>
Tax Levies				
Revenue	<u>\$ 1,317,399</u>	<u>\$ 1,317,399</u>	<u>\$ 1,317,399</u>	<u>\$ 1,317,339</u>
Tax Capacity Rates				
Revenue	<u>31.102 %</u>	<u>34.860 %</u>	<u>35.447 %</u>	<u>36.799 %</u>

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 45,568	\$ 47,211	\$ 47,883	\$ 48,974	\$ 66,794	\$ 68,406
<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>	<u>6,410,434</u>
4,093,637	4,677,689	5,168,880	5,563,659	6,096,255	6,478,840
(515,487)	(510,901)	(581,167)	(634,148)	(694,186)	(753,414)
(77,602)	(89,957)	(89,957)	(106,294)	(114,042)	(122,192)
<u>149,422</u>	<u>149,955</u>	<u>140,973</u>	<u>150,058</u>	<u>148,757</u>	<u>171,383</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>\$ 5,774,617</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>\$ 1,566,239</u>
<u>37.036 %</u>	<u>32.623 %</u>	<u>30.319 %</u>	<u>28.845 %</u>	<u>27.178 %</u>	<u>27.123 %</u>

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OTHER REQUIRED REPORTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

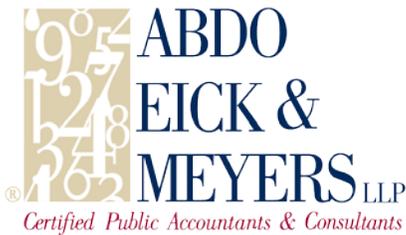
Honorable Mayor and City Council
City of Excelsior, Minnesota

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, 2019, 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 4, 2020.

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 4, 2020



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, 2019, 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 4, 2020.

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 2019-001 which we consider to be a significant deficiency.

Compliance and Other Matters

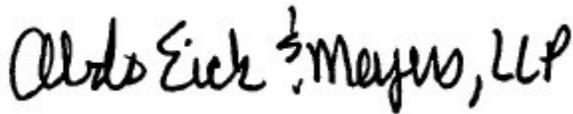
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 it.

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 4, 2020

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City of Excelsior, Minnesota
Schedule of Finding and Response
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
2019- 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.