

# Annual Financial Report

## City of Excelsior

Excelsior, Minnesota

For the Year Ended  
December 31, 2020

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 Annual Financial Report  
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INTRODUCTORY SECTION

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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City of Excelsior, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2020

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Todd Carlson	Mayor	12/31/22
Jennifer Caron	Council Member	12/31/22
Lou Dierking	Council Member	12/31/24
Dale Kurschner	Council Member	12/31/22
Ann Hersman	Council Member	12/31/24

**APPOINTED**

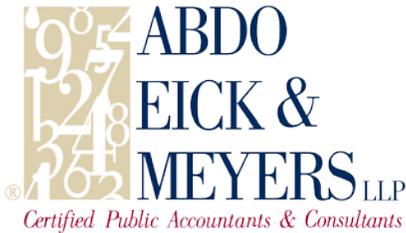
Kristi Luger	City Manager
Marian Potter	Finance Director
Nalisha Williams	City Clerk
Tim Amundsen	Public Works Superintendent
Emily Becker	City Planner

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FINANCIAL SECTION  
CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## Other Matters

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis Page 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions, 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**

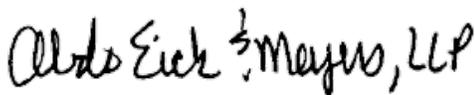
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and other financial information are presented for purposes 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 June 23, 2021, 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  
June 23, 2021

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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, 2020.

### **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 \$17,794,255 (net position). Of this amount, \$7,382,131 (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 \$1,100,211. The increase was supported primarily by charges for services for both the governmental and enterprise funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,176,845, a decrease of \$138,558 in comparison with the prior year. Approximately 19.3 percent of this total amount, \$1,191,454, 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 \$1,192,748, or 50.3 percent of total General fund 2021 budgeted expenditures.
- The City's total debt increased \$2,483,972 or 20.4 percent during the current fiscal year. The increase was due to the new issuance of the 2020A General Obligation Bonds in the amount of \$2,775,000 at a premium of \$252,704 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**

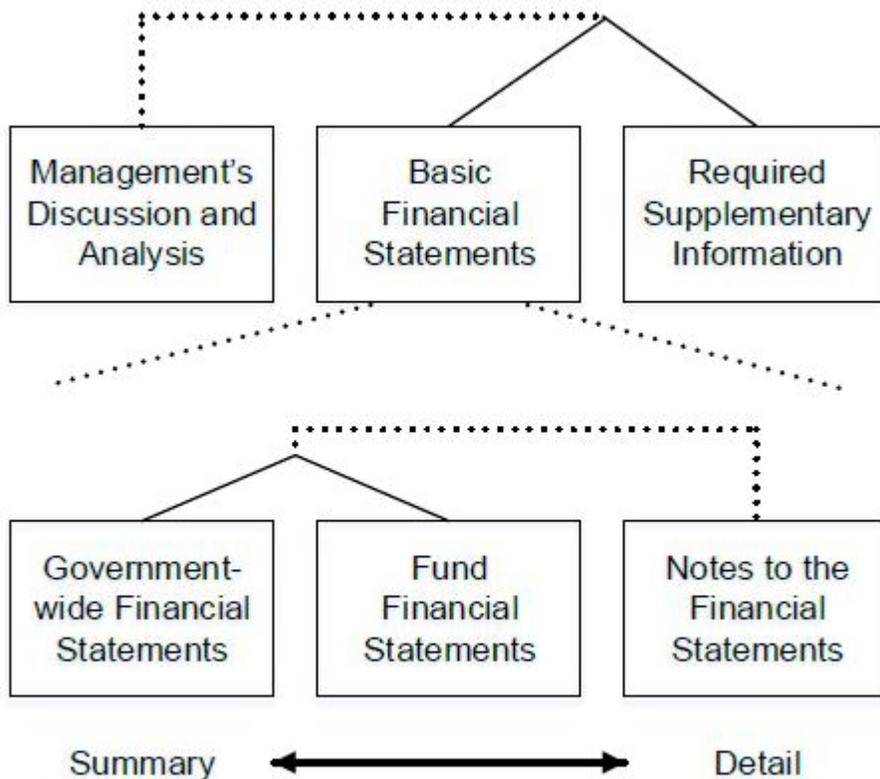


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statements of Cash Flows</li> </ul>
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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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 numerous 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, Common Sales Tax and the Capital Improvement funds are considered to be major funds. Data from the other 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 \$17,794,255 at the close of the most recent fiscal year.

A portion of the City's net position (48.7 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		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 7,619,707	\$ 7,674,027	\$ (54,320)	\$ 3,501,485	\$ 4,522,983	\$ (1,021,498)
Capital assets	10,729,098	8,406,116	2,322,982	12,206,151	9,865,036	2,341,115
Total Assets	<u>18,348,805</u>	<u>16,080,143</u>	<u>2,268,662</u>	<u>15,707,636</u>	<u>14,388,019</u>	<u>1,319,617</u>
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	65,744	25,695	40,049	62,934	24,332	38,602
<b>Liabilities</b>						
Noncurrent liabilities						
outstanding	6,698,696	5,234,137	1,464,559	8,709,691	7,521,702	1,187,989
Other liabilities	710,983	727,241	(16,258)	229,483	210,290	19,193
Total Liabilities	<u>7,409,679</u>	<u>5,961,378</u>	<u>1,448,301</u>	<u>8,939,174</u>	<u>7,731,992</u>	<u>1,207,182</u>
<b>Deferred Inflows of Resources</b>						
Deferred pension resources	21,464	67,168	(45,704)	20,547	63,607	(43,060)
<b>Net Position</b>						
Net investment in capital assets	4,585,066	4,648,171	(63,105)	4,080,996	3,991,335	89,661
Restricted	1,746,062	955,809	790,253	-	-	-
Unrestricted	4,652,278	4,473,312	178,966	2,729,853	2,625,417	104,436
Total Net Position	<u>\$10,983,406</u>	<u>\$10,077,292</u>	<u>\$ 906,114</u>	<u>\$ 6,810,849</u>	<u>\$ 6,616,752</u>	<u>\$ 194,097</u>

Additionally, \$1,746,062 is restricted for debt service, tax increment district expenditure, Excelsior Commons Park improvements and park improvement expenditures. The remaining balance of *unrestricted net position* (\$7,382,131) 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 \$1,100,211 during the current fiscal year. Both the governmental activities and the business type activities increased the net position by \$906,114 and \$194,097, respectively.

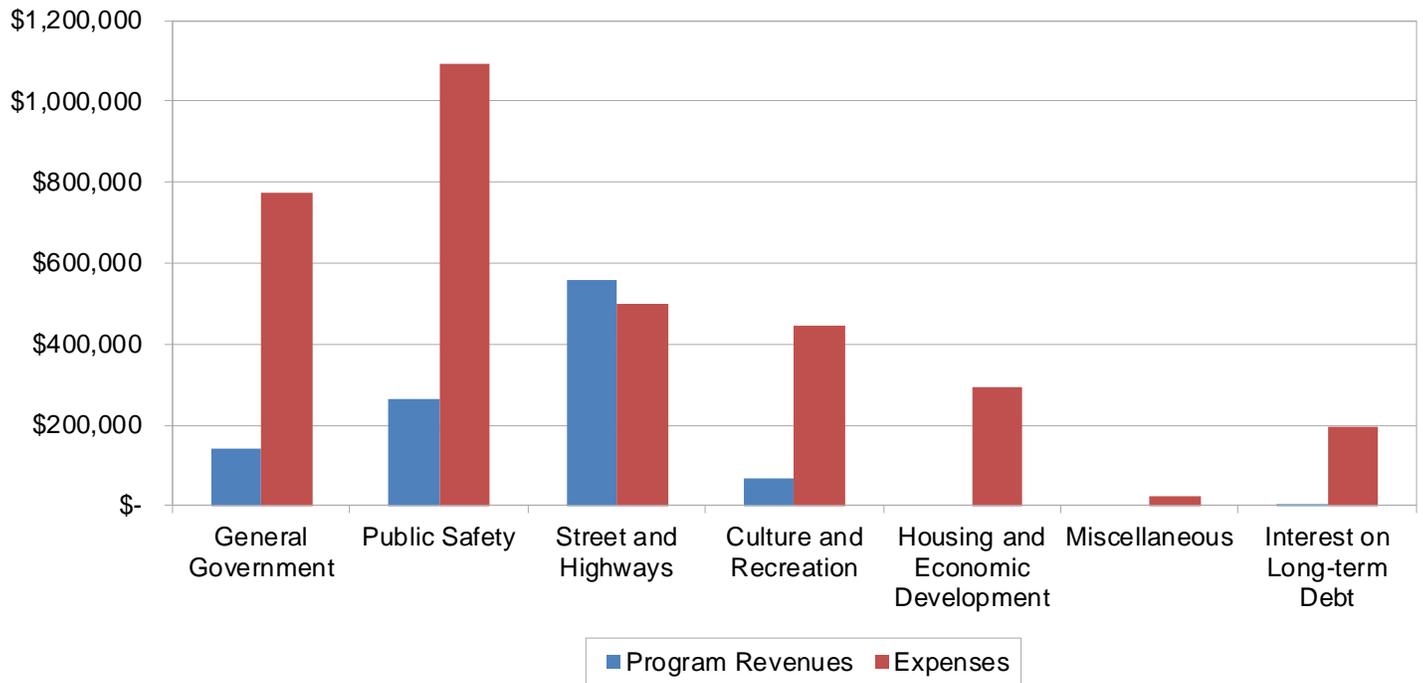
**Governmental Activities.** Governmental activities increased the City's net position by \$906,114. Key elements of this increase are as follows:

### City of Excelsior's Changes in Net Position

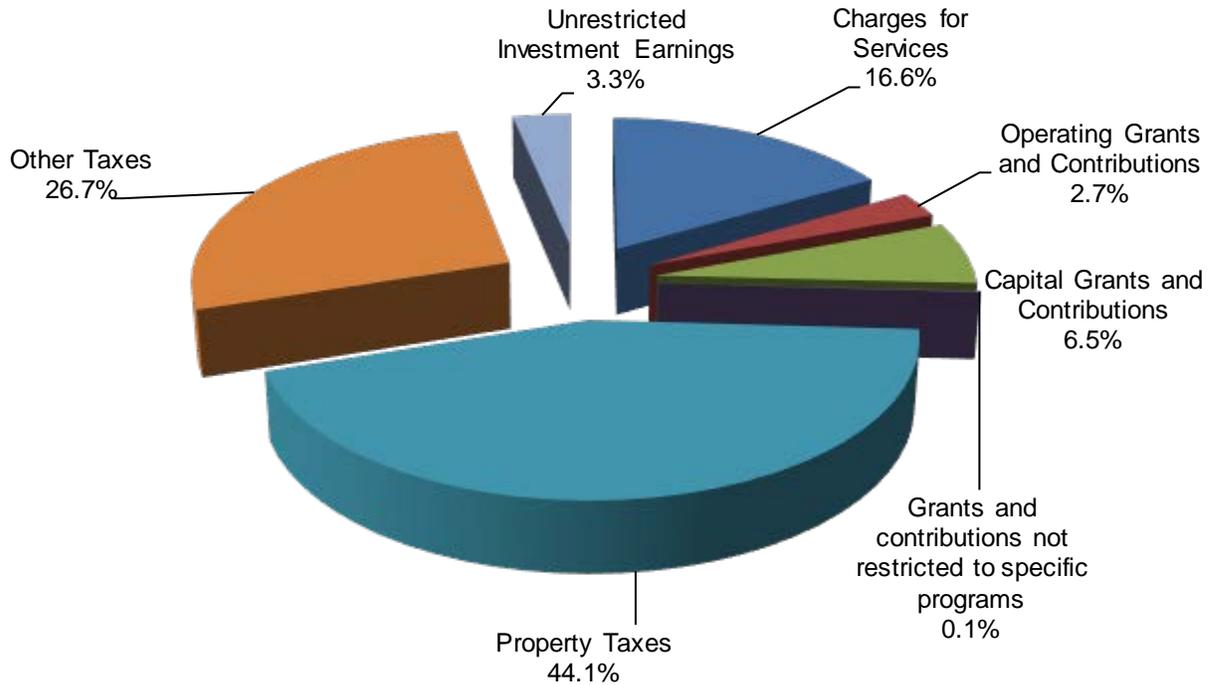
	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 666,638	\$ 1,098,656	\$ (432,018)	\$ 2,095,210	\$ 2,125,627	\$ (30,417)
Operating grants and contributions	109,010	10,000	99,010	74,052	-	74,052
Capital grants and contributions	262,838	79,601	183,237	29,257	115,917	(86,660)
<b>General Revenues</b>						
Property taxes	1,778,262	1,565,908	212,354	-	-	-
Other taxes	1,077,777	271,685	806,092	-	-	-
Grants and contributions not restricted to specific programs	3,492	3,727	(235)	868	590	278
Unrestricted investment earnings	131,476	150,244	(18,768)	78,367	83,982	(5,615)
Miscellaneous	-	-	-	-	-	-
<b>Total Revenues</b>	<b>4,029,493</b>	<b>3,179,821</b>	<b>849,672</b>	<b>2,277,754</b>	<b>2,326,116</b>	<b>(48,362)</b>
<b>Expenses</b>						
General government	774,288	702,455	71,833	-	-	-
Public safety	1,090,720	1,052,190	38,530	-	-	-
Streets and highways	498,815	534,858	(36,043)	-	-	-
Culture and recreation	446,446	377,915	68,531	-	-	-
Housing and economic development	294,490	117,202	177,288	-	-	-
Miscellaneous	22,099	21,472	627	-	-	-
Interest on long-term debt	196,521	143,602	52,919	-	-	-
Water utility	-	-	-	686,975	581,274	105,701
Sewer utility	-	-	-	600,316	572,305	28,011
Solid waste	-	-	-	195,468	186,401	9,067
Surface water	-	-	-	154,793	143,052	11,741
Street lighting	-	-	-	56,000	56,847	(847)
Commercial docks	-	-	-	190,105	184,325	5,780
<b>Total Expenses</b>	<b>3,323,379</b>	<b>2,949,694</b>	<b>373,685</b>	<b>1,883,657</b>	<b>1,724,204</b>	<b>159,453</b>
<b>Increase in Net Position</b>						
Before Transfers	706,114	230,127	475,987	394,097	601,912	(207,815)
Transfers	200,000	231,329	(31,329)	(200,000)	(231,329)	31,329
<b>Change in Net Position</b>	<b>906,114</b>	<b>461,456</b>	<b>444,658</b>	<b>194,097</b>	<b>370,583</b>	<b>(176,486)</b>
<b>Net Position, January 1</b>	<b>10,077,292</b>	<b>9,615,836</b>	<b>461,456</b>	<b>6,616,752</b>	<b>6,246,169</b>	<b>370,583</b>
<b>Net Position, December 31</b>	<b>\$ 10,983,406</b>	<b>\$ 10,077,292</b>	<b>\$ 906,114</b>	<b>\$ 6,810,849</b>	<b>\$ 6,616,752</b>	<b>\$ 194,097</b>

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

### Expenses and Program Revenues - Governmental Activities

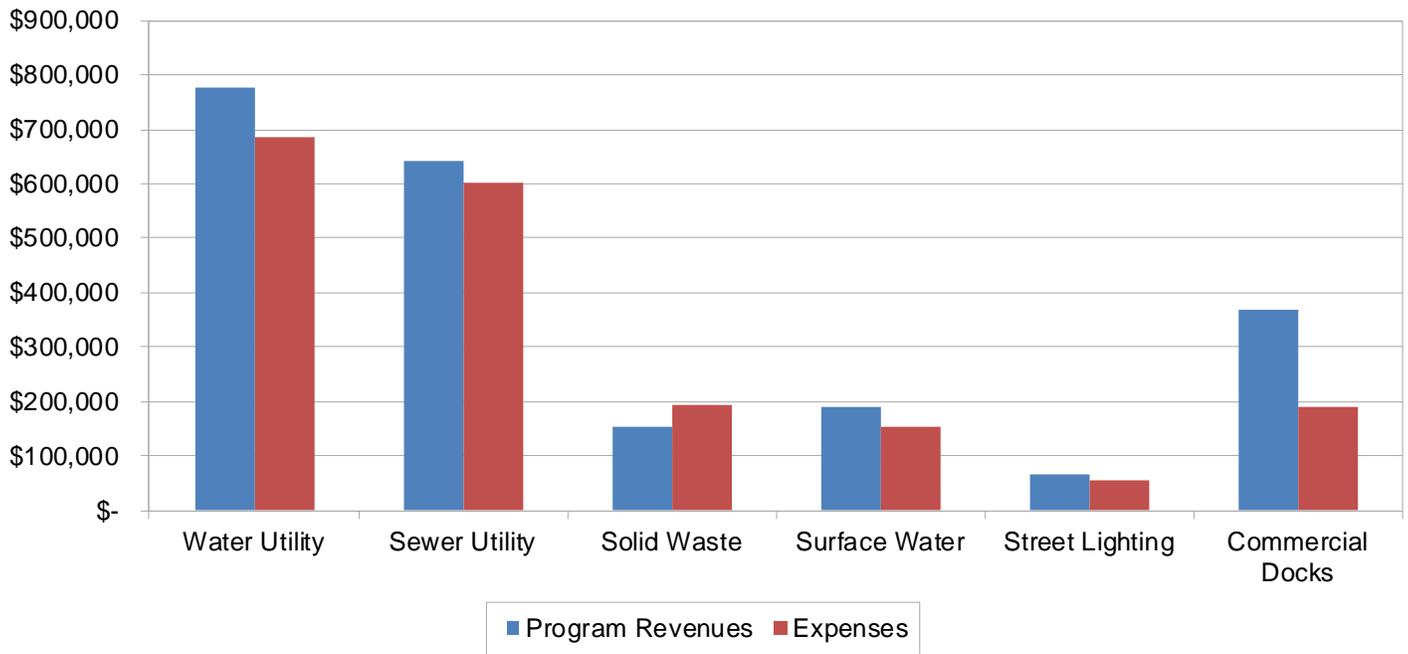


### Revenues by Source - Governmental Activities

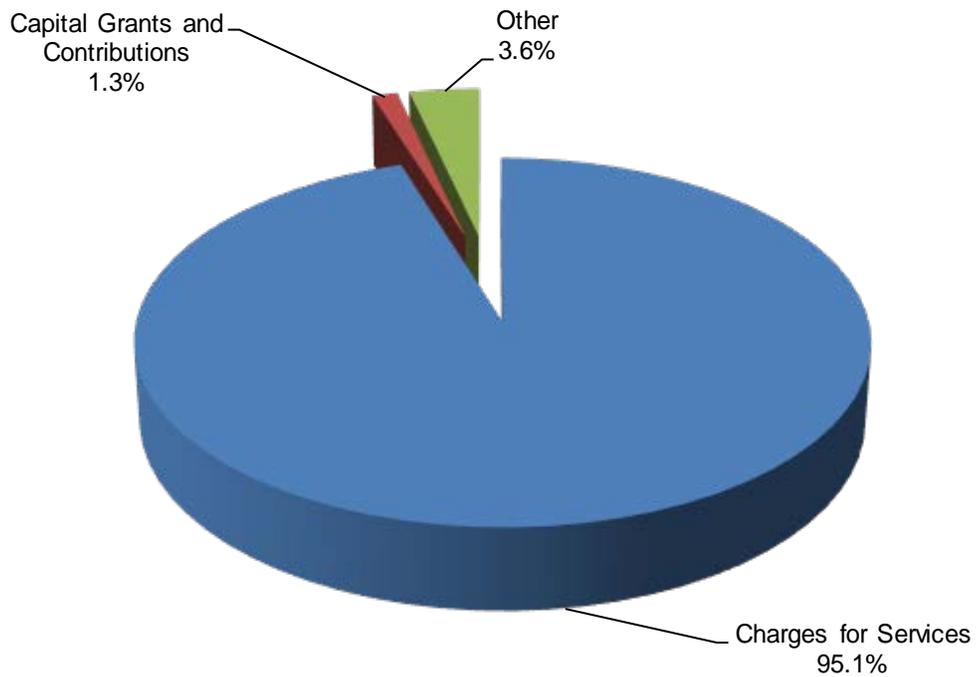


**Business-type Activities.** Business-type activities increased the City's net position by \$194,097. Key elements of this increase are as follows:

### 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 decreased \$95,031. The fund balance decrease is mainly due to revenues coming in under budget. A large part of this is due to charges for services which came in under budget by \$51,052 due to services being closed due to COVID-19.

The Capital Improvement fund balance decreased \$678,420. The fund balance decreased mainly due to capital projects being completed during the year.

The Common Sales Tax fund balance increased \$700,330. The fund balance increased mainly due to the first full year of the sales tax.

**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 \$2,729,853. 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 2020 resulted in a decrease in fund balance in the amount of \$95,031.

Overall, revenues were under the budgeted amount by \$95,624. This was due in large part to charges for services being under budget by \$51,052 primarily in the culture and recreation and public works departments. Licenses and permits were under budget by \$72,710.

Expenditures were under budget by \$593. This was due in large part to general government expenditures being over budget by \$6,644. The main cause of the variance was due to culture and recreation expenditures being under budget by \$25,954, primarily relating to personal services reductions due to Covid-19.

## 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, 2020, amounts to \$22,935,249 (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 \$4,664,097, or 25.5 percent during the year.

Major capital asset activity during the current year included:

- The City updated SCADA equipment for \$15,995.
- The 2019 Street and Utility Project was completed with total expenses of \$5,469,477.
- The 2020 Street and Utility Project was completed with total expenses of \$3,147,655.

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		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Land	\$ 1,111,042	\$ 1,111,042	\$ -	\$ 50,000	\$ 50,000	\$ -
Construction in Progress	62,222	1,665,530	(1,603,308)	-	1,767,761	(1,767,761)
Buildings	91,066	104,899	(13,833)	-	-	-
Improvement other than Building	8,370,236	4,294,643	4,075,593	-	-	-
Machinery and Equipment	351,684	411,148	(59,464)	515,931	568,237	(52,306)
Infrastructure	742,848	818,854	(76,006)	11,640,220	7,479,038	4,161,182
<b>Total</b>	<b>\$10,729,098</b>	<b>\$ 8,406,116</b>	<b>\$ 2,322,982</b>	<b>\$12,206,151</b>	<b>\$ 9,865,036</b>	<b>\$ 2,341,115</b>

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$14,679,512. 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		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
G.O. Revenue Bonds	\$ -	\$ -	\$ -	\$ 777,000	\$ 867,000	\$ (90,000)
G.O. Improvement Bonds	5,965,550	4,699,069	1,266,481	7,159,450	6,060,931	1,098,519
Bond Premium	359,990	247,856	112,134	417,522	320,684	96,838
<b>Total</b>	<b><u>\$ 6,325,540</u></b>	<b><u>\$ 4,946,925</u></b>	<b><u>\$ 1,378,615</u></b>	<b><u>\$ 8,353,972</u></b>	<b><u>\$ 7,248,615</u></b>	<b><u>\$ 1,105,357</u></b>

The City's total debt increased \$2,483,972 (81.4 percent) during the current fiscal year. The increase was due to the issuance of a new bond.

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 2021 budget includes a 13.2 percent, or \$234,108, levy increase.

#### **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, 2020

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City of Excelsior, Minnesota  
Statement of Net Position  
December 31, 2020

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash temporary investments	\$ 5,358,741	\$ 1,529,028	\$ 6,887,769
Restricted cash and cash temporary investments	1,331,894	1,390,840	2,722,734
<b>Receivables</b>			
Interest	37,347	-	37,347
Accounts	17,650	560,432	578,082
Delinquent taxes	101,259	-	101,259
Special assessments	730,770	5,224	735,994
Due from other governments	42,046	-	42,046
Prepaid items	-	15,961	15,961
Land and construction in progress	1,173,264	50,000	1,223,264
Depreciable infrastructure, buildings, property and equipment, net	9,555,834	12,156,151	21,711,985
<b>Total Assets</b>	<b>18,348,805</b>	<b>15,707,636</b>	<b>34,056,441</b>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	65,744	62,934	128,678
<b>Liabilities</b>			
Accounts payable	522,474	103,813	626,287
Accrued salaries payable	11,739	9,293	21,032
Accrued interest payable	80,544	100,656	181,200
Due to other governments	7,656	15,721	23,377
Unearned revenue	88,570	-	88,570
<b>Noncurrent liabilities</b>			
Due within one year			
Compensated absences payable	11,047	10,080	21,127
Bonds payable	228,518	397,482	626,000
Due in more than one year			
Compensated absences payable	22,093	20,158	42,251
Net pension liability	340,016	325,481	665,497
Bonds payable, net	6,097,022	7,956,490	14,053,512
<b>Total Liabilities</b>	<b>7,409,679</b>	<b>8,939,174</b>	<b>16,348,853</b>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	21,464	20,547	42,011
<b>Net Position</b>			
Net investment in capital assets	4,585,066	4,080,996	8,666,062
<b>Restricted for</b>			
Debt service	683,002	-	683,002
Tax increment financing district	19,343	-	19,343
Excelsior Commons improvements	757,297	-	757,297
Park improvements	286,420	-	286,420
Unrestricted	4,652,278	2,729,853	7,382,131
<b>Total Net Position</b>	<b>\$ 10,983,406</b>	<b>\$ 6,810,849</b>	<b>\$ 17,794,255</b>

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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 774,288	\$ 85,461	\$ 56,089	\$ -
Public safety	1,090,720	265,526	-	-
Public works	498,815	248,522	52,921	257,647
Culture and recreation	446,446	67,129	-	-
Housing and economic development	294,490	-	-	-
Miscellaneous	22,099	-	-	-
Interest on long-term debt	196,521	-	-	5,191
Total Governmental Activities	<u>3,323,379</u>	<u>666,638</u>	<u>109,010</u>	<u>262,838</u>
<b>Business-type Activities</b>				
Water utility	686,975	757,773	-	18,591
Sewer utility	600,316	636,166	-	6,938
Solid waste	195,468	155,055	-	-
Surface water	154,793	187,194	-	3,728
Street lighting	56,000	65,871	-	-
Commercial docks	190,105	293,151	74,052	-
Total Business-type Activities	<u>1,883,657</u>	<u>2,095,210</u>	<u>74,052</u>	<u>29,257</u>
Total	<u>\$ 5,207,036</u>	<u>\$ 2,761,848</u>	<u>\$ 183,062</u>	<u>\$ 292,095</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
\$ (632,738)	\$ -	\$ (632,738)
(825,194)	-	(825,194)
60,275	-	60,275
(379,317)	-	(379,317)
(294,490)	-	(294,490)
(22,099)	-	(22,099)
(191,330)	-	(191,330)
<u>(2,284,893)</u>	<u>-</u>	<u>(2,284,893)</u>
-	89,389	89,389
-	42,788	42,788
-	(40,413)	(40,413)
-	36,129	36,129
-	9,871	9,871
-	177,098	177,098
<u>-</u>	<u>314,862</u>	<u>314,862</u>
<u>(2,284,893)</u>	<u>314,862</u>	<u>(1,970,031)</u>
1,436,543	-	1,436,543
341,719	-	341,719
306,038	-	306,038
701,342	-	701,342
70,397	-	70,397
3,492	868	4,360
131,476	78,367	209,843
200,000	(200,000)	-
<u>3,191,007</u>	<u>(120,765)</u>	<u>3,070,242</u>
906,114	194,097	1,100,211
<u>10,077,292</u>	<u>6,616,752</u>	<u>16,694,044</u>
<u>\$ 10,983,406</u>	<u>\$ 6,810,849</u>	<u>\$ 17,794,255</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, 2020

City of Excelsior, Minnesota  
Balance Sheet  
Governmental Funds  
December 31, 2020

	General	Capital Projects Capital Improvement	<b>220</b> Commons Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and temporary investments	\$ 1,336,940	\$ 1,988,168	\$ 718,738	\$ 1,314,895	\$ 5,358,741
Restricted cash and temporary investments	-	1,331,894		-	1,331,894
Receivables					
Interest	37,347	-	-	-	37,347
Accounts	17,650	-	-	-	17,650
Delinquent taxes	101,259	-	-	-	101,259
Special assessments	-	354,580	-	376,190	730,770
Due from other funds	9,556	-	-	-	9,556
Due from other governments	3,487	-	38,559	-	42,046
<b>Total Assets</b>	<b><u>\$ 1,506,239</u></b>	<b><u>\$ 3,674,642</u></b>	<b><u>\$ 757,297</u></b>	<b><u>\$ 1,691,085</u></b>	<b><u>\$ 7,629,263</u></b>
<b>Liabilities</b>					
Accounts payable	\$ 50,633	\$ 121,899	\$ -	\$ 349,942	\$ 522,474
Accrued salaries payable	11,461	-	-	278	11,739
Due to other funds	-	-	-	9,556	9,556
Due to other governments	7,656	-	-	-	7,656
Unearned revenue	88,570	-	-	-	88,570
<b>Total Liabilities</b>	<b><u>158,320</u></b>	<b><u>121,899</u></b>	<b><u>-</u></b>	<b><u>359,776</u></b>	<b><u>639,995</u></b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - special assessments	-	354,351	-	376,037	730,388
Unavailable revenue - property taxes	82,035	-	-	-	82,035
<b>Total Deferred Inflows of Resources</b>	<b><u>82,035</u></b>	<b><u>354,351</u></b>	<b><u>-</u></b>	<b><u>376,037</u></b>	<b><u>812,423</u></b>
<b>Fund Balances</b>					
<b>Restricted for</b>					
Debt service	-	-	-	387,509	387,509
Tax increment financing district	-	-	-	19,343	19,343
Excelsior Commons improvements	-	-	757,297	-	757,297
Park improvements	-	-	-	286,420	286,420
Public improvements	-	181,508	-	-	181,508
<b>Committed for</b>					
Self insurance	9,759	-	-	-	9,759
Compensated absences	63,377	-	-	-	63,377
Parking lot maintenance	-	-	-	9,985	9,985
<b>Assigned for</b>					
Capital improvements	-	2,854,129	-	-	2,854,129
Park improvements	-	-	-	253,309	253,309
Parking improvements	-	162,755	-	-	162,755
Unassigned	1,192,748	-	-	(1,294)	1,191,454
<b>Total Fund Balances</b>	<b><u>1,265,884</u></b>	<b><u>3,198,392</u></b>	<b><u>757,297</u></b>	<b><u>955,272</u></b>	<b><u>6,176,845</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 1,506,239</u></b>	<b><u>\$ 3,674,642</u></b>	<b><u>\$ 757,297</u></b>	<b><u>\$ 1,691,085</u></b>	<b><u>\$ 7,629,263</u></b>

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, 2020

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

Total Fund Balances - Governmental	\$ 6,176,845
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	13,867,761
Less: accumulated depreciation	(3,138,663)
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	(33,140)
Bond principal payable	(5,965,550)
Plus premium on bonds issued	(359,990)
Net pension liability	(340,016)
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	82,035
Special assessments receivable	730,388
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	65,744
Deferred inflows of pension resources	(21,464)
Governmental funds do not report a liability for accrued interest until due and payable.	(80,544)
Total Net Position - Governmental Activities	\$ 10,983,406

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, 2020

	General	Capital Projects Capital Improvement	220 Commons Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 1,394,212	\$ 93,000	\$ 701,342	\$ 647,757	\$ 2,836,311
Licenses and permits	191,215	-	-	-	191,215
Intergovernmental	58,672	32,000	-	24,685	115,357
Charges for services	333,948	49,553	-	795	384,296
Fines and forfeitures	64,043	-	-	-	64,043
Special assessments	158	29,885	-	114,256	144,299
Interest on investments	27,329	72,140	7,604	24,403	131,476
Miscellaneous	19,622	3,413	-	8,233	31,268
Total Revenues	<u>2,089,199</u>	<u>279,991</u>	<u>708,946</u>	<u>820,129</u>	<u>3,898,265</u>
<b>Expenditures</b>					
Current					
General government	656,563	-	-	-	656,563
Public safety	1,090,720	-	-	-	1,090,720
Public works	255,380	-	-	27,696	283,076
Culture and recreation	233,122	-	-	-	233,122
Miscellaneous	22,642	-	-	-	22,642
Capital outlay					
General government	25,347	81,637	-	-	106,984
Public works	456	2,607,864	-	-	2,608,320
Culture and recreation	-	-	8,616	144,207	152,823
Housing and economic development	-	-	-	294,490	294,490
Debt service					
Principal	-	-	-	178,518	178,518
Interest and other	-	-	-	140,655	140,655
Bond issuance costs	-	45,155	-	-	45,155
Total Expenditures	<u>2,284,230</u>	<u>2,734,656</u>	<u>8,616</u>	<u>785,566</u>	<u>5,813,068</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(195,031)</u>	<u>(2,454,665)</u>	<u>700,330</u>	<u>34,563</u>	<u>(1,914,803)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	100,000	200,000	-	100,000	400,000
Bonds issued	-	1,445,000	-	-	1,445,000
Premiums on bonds issued	-	131,245	-	-	131,245
Transfers out	-	-	-	(200,000)	(200,000)
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>1,776,245</u>	<u>-</u>	<u>(100,000)</u>	<u>1,776,245</u>
Net Change in Fund Balances	(95,031)	(678,420)	700,330	(65,437)	(138,558)
Fund Balances, January 1	<u>1,360,915</u>	<u>3,876,812</u>	<u>56,967</u>	<u>1,020,709</u>	<u>6,315,403</u>
Fund Balances, December 31	<u>\$ 1,265,884</u>	<u>\$ 3,198,392</u>	<u>\$ 757,297</u>	<u>\$ 955,272</u>	<u>\$ 6,176,845</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, 2020

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

Net Change in Fund Balances - Governmental Funds \$ (138,558)

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.

Capital outlays	2,581,237
Depreciation expense	(258,255)

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.

Principal payments	178,518
Debt issued or incurred	(1,445,000)
Premium on bonds issued	(131,245)
Amortization of bond premium	19,111

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.

(29,822)

Long-term pension activity is not reported in governmental funds.

Pension expense	14,596
Pension revenue from State contributions	909

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.

Compensated absences	(15,696)
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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.

Property taxes	19,728
Special assessments	110,591

Change in Net Position - Governmental Activities	\$ 906,114
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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, 2020

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,404,678	\$ 1,404,678	\$ 1,394,212	\$ (10,466)
Licenses and permits	263,925	263,925	191,215	(72,710)
Intergovernmental	3,095	3,095	58,672	55,577
Charges for services	385,000	385,000	333,948	(51,052)
Fines and forfeitures	79,575	79,575	64,043	(15,532)
Special assessments	-	-	158	158
Interest on investments	10,000	10,000	27,329	17,329
Miscellaneous	38,550	38,550	19,622	(18,928)
Total Revenues	<u>2,184,823</u>	<u>2,184,823</u>	<u>2,089,199</u>	<u>(95,624)</u>
Expenditures				
Current				
General government	649,919	649,919	656,563	(6,644)
Public safety	1,081,949	1,081,949	1,090,720	(8,771)
Public works	236,545	236,545	255,380	(18,835)
Culture and recreation	259,076	259,076	233,122	25,954
Miscellaneous	26,034	26,034	22,642	3,392
Capital outlay	31,300	31,300	25,803	5,497
Total Expenditures	<u>2,284,823</u>	<u>2,284,823</u>	<u>2,284,230</u>	<u>593</u>
Excess of Revenues Over Expenditures	(100,000)	(100,000)	(195,031)	(95,031)
Other Financing Source				
Transfers in	100,000	100,000	100,000	-
Net Change in Fund Balances	-	-	(95,031)	(95,031)
Fund Balances, January 1	<u>1,360,915</u>	<u>1,360,915</u>	<u>1,360,915</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,360,915</u>	<u>\$ 1,360,915</u>	<u>\$ 1,265,884</u>	<u>\$ (95,031)</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, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Assets			
Current Assets			
Cash and temporary investments	\$ 438,705	\$ 750,675	\$ 191,320
Restricted cash and temporary investments	544,177	568,504	-
Receivables			
Accounts	235,610	249,233	2,019
Special assessments	4,612	612	-
Prepaid items	344	15,617	-
Total Current Assets	<u>1,223,448</u>	<u>1,584,641</u>	<u>193,339</u>
Capital Assets, at Cost	8,453,774	5,189,170	646,481
Less Accumulated Depreciation	<u>(2,167,919)</u>	<u>(1,070,214)</u>	<u>(457,814)</u>
Net Capital Assets	<u>6,285,855</u>	<u>4,118,956</u>	<u>188,667</u>
Total Noncurrent Assets	<u>6,285,855</u>	<u>4,118,956</u>	<u>188,667</u>
Total Assets	<u>7,509,303</u>	<u>5,703,597</u>	<u>382,006</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>17,743</u>	<u>19,177</u>	<u>11,332</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
\$ 84,242	\$ 64,086	\$ 1,529,028
278,159	-	1,390,840
-	73,570	560,432
-	-	5,224
-	-	15,961
<u>362,401</u>	<u>137,656</u>	<u>3,501,485</u>
1,756,480	33,303	16,079,208
(156,496)	(20,614)	(3,873,057)
<u>1,599,984</u>	<u>12,689</u>	<u>12,206,151</u>
<u>1,599,984</u>	<u>12,689</u>	<u>12,206,151</u>
<u>1,962,385</u>	<u>150,345</u>	<u>15,707,636</u>
<u>8,993</u>	<u>5,689</u>	<u>62,934</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, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Liabilities			
Current Liabilities			
Accounts payable	\$ 45,496	\$ 29,791	\$ 1,797
Accrued salaries payable	3,063	3,250	1,146
Compensated absences payable	2,466	3,925	1,534
Accrued interest payable	51,721	31,380	-
Due to other governments	4,337	-	-
Bonds payable, current portion	264,807	80,998	-
Total Current Liabilities	<u>371,890</u>	<u>149,344</u>	<u>4,477</u>
Noncurrent Liabilities			
Compensated absences payable	4,933	7,850	3,067
Bonds payable, net of current portion	4,233,964	2,417,036	-
Net pension liability	91,765	99,180	58,606
Total Noncurrent Liabilities	<u>4,330,662</u>	<u>2,524,066</u>	<u>61,673</u>
Total Liabilities	<u>4,702,552</u>	<u>2,673,410</u>	<u>66,150</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>5,793</u>	<u>6,261</u>	<u>3,700</u>
Net Position			
Net investment in capital assets	1,868,072	1,703,225	188,667
Unrestricted	<u>950,629</u>	<u>1,339,878</u>	<u>134,821</u>
Total Net Position	<u>\$ 2,818,701</u>	<u>\$ 3,043,103</u>	<u>\$ 323,488</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>
\$ 14,898	\$ 11,831	\$ 103,813
1,137	697	9,293
1,354	801	10,080
17,555	-	100,656
-	11,384	15,721
51,677	-	397,482
<u>86,621</u>	<u>24,713</u>	<u>637,045</u>
2,708	1,600	20,158
1,305,490	-	7,956,490
46,511	29,419	325,481
<u>1,354,709</u>	<u>31,019</u>	<u>8,302,129</u>
<u>1,441,330</u>	<u>55,732</u>	<u>8,939,174</u>
<u>2,936</u>	<u>1,857</u>	<u>20,547</u>
308,343	12,689	4,080,996
218,769	85,756	2,729,853
<u>\$ 527,112</u>	<u>\$ 98,445</u>	<u>\$ 6,810,849</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  
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Operating Revenues			
Charges for services	\$ 756,347	\$ 636,166	\$ 293,151
Operating Expenses			
Personnel services	150,103	164,908	92,517
Supplies	45,258	7,185	927
Other services and charges	192,220	248,622	73,640
Depreciation	181,858	107,707	23,021
Total Operating Expenses	<u>569,439</u>	<u>528,422</u>	<u>190,105</u>
Operating Income (Loss)	<u>186,908</u>	<u>107,744</u>	<u>103,046</u>
Nonoperating Revenues (Expenses)			
Interest on investments	26,207	35,623	4,230
Intergovernmental	-	-	74,052
Interest expense and other	(105,128)	(57,804)	-
Bond issuance costs	(12,408)	(14,090)	-
Other income	1,671	265	124
Total Nonoperating Revenues (Expenses)	<u>(89,658)</u>	<u>(36,006)</u>	<u>78,406</u>
Income (Loss) Before Contributions and Transfers	97,250	71,738	181,452
Transfers Out	-	-	(200,000)
Capital Contributions	18,591	6,938	-
Change in Net Position	115,841	78,676	(18,548)
Net Position, January 1	<u>2,702,860</u>	<u>2,964,427</u>	<u>342,036</u>
Net Position, December 31	<u>\$ 2,818,701</u>	<u>\$ 3,043,103</u>	<u>\$ 323,488</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>\$ 187,194</u>	<u>\$ 220,926</u>	<u>\$ 2,093,784</u>
74,182	43,550	525,260
349	810	54,529
16,764	204,810	736,056
24,820	2,298	339,704
<u>116,115</u>	<u>251,468</u>	<u>1,655,549</u>
<u>71,079</u>	<u>(30,542)</u>	<u>438,235</u>
10,546	1,761	78,367
(32,811)	-	74,052
(5,867)	-	(195,743)
56	-	(32,365)
<u>56</u>	<u>178</u>	<u>2,294</u>
<u>(28,076)</u>	<u>1,939</u>	<u>(73,395)</u>
43,003	(28,603)	364,840
-	-	(200,000)
3,728	-	29,257
<u>46,731</u>	<u>(28,603)</u>	<u>194,097</u>
<u>480,381</u>	<u>127,048</u>	<u>6,616,752</u>
<u>\$ 527,112</u>	<u>\$ 98,445</u>	<u>\$ 6,810,849</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  
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 731,231	\$ 533,235	\$ 285,372
Payments to suppliers	(229,326)	(252,696)	(71,473)
Payments to employees	(151,424)	(163,786)	(98,126)
Net Cash Provided (Used) by Operating Activities	<u>350,481</u>	<u>116,753</u>	<u>115,773</u>
Cash Flows from Noncapital Financing Activities			
Intergovernmental	-	-	74,052
Transfers to other funds	-	-	(200,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>(125,948)</u>
Cash Flows from Capital Financing Activities			
Connection fees	16,515	5,515	-
Intergovernmental	2,076	1,423	-
Acquisition of capital assets	(1,041,639)	(1,101,186)	-
Bond proceeds	533,356	580,095	-
Interest paid on bonds	(107,752)	(53,588)	-
Principal paid on bonds	(230,203)	(54,997)	-
Net Cash Provided by Capital Financing Activities	<u>(827,647)</u>	<u>(622,738)</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest received on investments	<u>26,207</u>	<u>35,623</u>	<u>4,230</u>
Net Decrease in Cash and Cash Equivalents	(450,959)	(470,362)	(5,945)
Cash and Cash Equivalents, January 1	<u>1,433,841</u>	<u>1,789,541</u>	<u>197,265</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 982,882</u></u>	<u><u>\$ 1,319,179</u></u>	<u><u>\$ 191,320</u></u>
Reconciliation to the Proprietary Funds Statement of Net Position			
Cash and temporary investments	\$ 438,705	\$ 750,675	\$ 191,320
Restricted cash and temporary investments	<u>544,177</u>	<u>568,504</u>	<u>-</u>
Total Cash and Cash Equivalents	<u><u>\$ 982,882</u></u>	<u><u>\$ 1,319,179</u></u>	<u><u>\$ 191,320</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
\$ 187,250	\$ 216,331	\$ 1,953,419
(12,585)	(198,649)	(764,729)
(76,738)	(46,349)	(536,423)
<u>97,927</u>	<u>(28,667)</u>	<u>652,267</u>
-	-	74,052
-	-	(200,000)
-	-	(125,948)
-	-	22,030
3,728	-	7,227
(546,845)	-	(2,689,670)
305,645	-	1,419,096
(30,572)	-	(191,912)
(36,283)	-	(321,483)
<u>(304,327)</u>	<u>-</u>	<u>(1,754,712)</u>
<u>10,546</u>	<u>1,761</u>	<u>78,367</u>
(195,854)	(26,906)	(1,150,026)
<u>558,255</u>	<u>90,992</u>	<u>4,069,894</u>
<u>\$ 362,401</u>	<u>\$ 64,086</u>	<u>\$ 2,919,868</u>
\$ 84,242	\$ 64,086	\$ 1,529,028
278,159	-	1,390,840
<u>\$ 362,401</u>	<u>\$ 64,086</u>	<u>\$ 2,919,868</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  
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 186,908	\$ 107,744	\$ 103,046
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Other income (loss) related to operations	1,671	265	124
Depreciation	181,859	107,707	23,021
(Increase) decrease in assets/deferred outflows			
Receivables			
Accounts	(52,220)	(103,318)	(2,019)
Special assessments	25,433	122	-
Prepaid items	2,374	2,341	2,355
Deferred pension resources	(11,048)	(12,047)	(6,704)
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	4,679	835	739
Accrued salaries payable	(3,319)	(3,558)	(2,437)
Compensated absences payable	3,286	4,779	1,917
Due to other governments	1,098	(65)	-
Net pension liability	21,469	24,325	10,014
Other postemployment benefits payable	-	-	-
Deferred pension resources	(11,709)	(12,377)	(8,399)
Unearned revenue	-	-	(5,884)
	<u>\$ 350,481</u>	<u>\$ 116,753</u>	<u>\$ 115,773</u>
Net Cash Provided by Operating Activities			
Schedule of Noncash Capital and Financing Activities			
Amortization of bond premium	<u>\$ 12,073</u>	<u>\$ 8,203</u>	<u>\$ -</u>
Capital assets acquired on account	<u>\$ 26,508</u>	<u>\$ 27,082</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
\$ 71,079	\$ (30,542)	\$ 438,235
56	178	2,294
24,820	2,298	339,705
-	(4,773)	(162,330)
-	-	25,555
327	850	8,247
(5,459)	(3,344)	(38,602)
4,201	(4,564)	5,890
(1,722)	(1,097)	(12,133)
1,517	1,118	12,617
-	10,685	11,718
9,410	4,797	70,015
-	-	-
(6,302)	(4,273)	(43,060)
-	-	(5,884)
<u>\$ 97,927</u>	<u>\$ (28,667)</u>	<u>\$ 652,267</u>
<u>\$ 4,345</u>	<u>\$ -</u>	<u>\$ 24,621</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,590</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 *Commons Sales Tax fund* accounts for the special revenue sales tax for the Excelsior Commons Improvements.

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.

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.

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

**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, 2020:

- U.S. Government securities of \$249,747 are valued using quoted market prices (Level 1 inputs)
- Brokered Certificates of Deposit and local government bonds of \$5,402,214 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 \$2,722,734 to be drawn from restricted cash accounts to reimburse the City and pay for remaining 2019 and 2020 project costs.

### ***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 2020. 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, 2020

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

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

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

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

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

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

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

**Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**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	\$ 37,625

***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, 2020

**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 30<sup>th</sup>, 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. Deficit Fund Balances**

The following fund had a fund balance deficit at December 31, 2020:

<u>Fund</u>	<u>Amount</u>
Nonmajor TIF 1-2 Project	\$ 1,294

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, 2020

**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 \$1,058,651 and the bank balance was \$2,239,382. Of the bank balance, \$399,599 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, 2020, 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	\$2,899,691			
Non-pooled Investments						
Local Government Bonds	AAA	1 to 5 years	115,951	\$ -	\$ 115,951	\$ -
U.S. Government Securities	AAA	more than 5 years	249,747	249,747	-	-
Brokered Certificates of Deposit	N/A	less than 1 year	2,217,354	-	2,217,354	-
Brokered Certificates of Deposit	N/A	1 to 5 years	2,579,137	-	2,579,137	-
Brokered Certificates of Deposit	N/A	more than 5 years	489,772	-	489,772	-
<b>Total Investments</b>			<b>\$8,551,652</b>	<b>\$ 249,747</b>	<b>\$5,402,214</b>	<b>\$ -</b>

(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, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

Carrying Amount of Deposits	\$ 1,058,651
Investments	8,551,652
Cash on Hand	<u>200</u>
 Total	 <u><u>\$ 9,610,503</u></u>
 Statement of Net Position	
Cash and Temporary Investments	\$ 6,887,769
Restricted Cash and Temporary Investments	<u>2,722,734</u>
 Total	 <u><u>\$ 9,610,503</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, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 1,111,042	\$ -	\$ -	\$ 1,111,042
Construction in progress	1,665,530	2,581,237	(4,184,545)	62,222
Total Capital Assets not Being Depreciated	<u>2,776,572</u>	<u>2,581,237</u>	<u>(4,184,545)</u>	<u>1,173,264</u>
Capital Assets Being Depreciated				
Buildings	748,150	-	-	748,150
Improvements other than buildings	5,123,919	4,184,545	-	9,308,464
Machinery and equipment	1,102,021	-	-	1,102,021
Infrastructure	1,535,862	-	-	1,535,862
Total Capital Assets Being Depreciated	<u>8,509,952</u>	<u>4,184,545</u>	<u>-</u>	<u>12,694,497</u>
Less Accumulated Depreciation for				
Buildings	(643,251)	(13,833)	-	(657,084)
Improvements other than buildings	(829,276)	(108,952)	-	(938,228)
Machinery and equipment	(690,873)	(59,464)	-	(750,337)
Infrastructure	(717,008)	(76,006)	-	(793,014)
Total Accumulated Depreciation	<u>(2,880,408)</u>	<u>(258,255)</u>	<u>-</u>	<u>(3,138,663)</u>
Total Capital Assets Being Depreciated, Net	<u>5,629,544</u>	<u>3,926,290</u>	<u>-</u>	<u>9,555,834</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,406,116</u>	<u>\$ 6,507,527</u>	<u>\$ (4,184,545)</u>	<u>\$ 10,729,098</u>

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

<b>Governmental Activities</b>	
General government	\$ 12,207
Public works	200,104
Culture and recreation	45,944
Total Depreciation Expense - Governmental Activities	<u>\$ 258,255</u>

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	<u>1,767,761</u>	<u>2,664,823</u>	<u>(4,432,584)</u>	<u>-</u>
Total Capital Assets not Being Depreciated	<u>1,817,761</u>	<u>2,664,823</u>	<u>(4,432,584)</u>	<u>50,000</u>
Capital Assets Being Depreciated				
Buildings	8,203	-	-	8,203
Machinery and equipment	1,177,231	15,996	-	1,193,227
Infrastructure	<u>10,395,194</u>	<u>4,432,584</u>	<u>-</u>	<u>14,827,778</u>
Total Capital Assets Being Depreciated	<u>11,580,628</u>	<u>4,448,580</u>	<u>-</u>	<u>16,029,208</u>
Less Accumulated Depreciation for				
Buildings	(8,203)	-	-	(8,203)
Machinery and equipment	(608,994)	(68,302)	-	(677,296)
Infrastructure	<u>(2,916,156)</u>	<u>(271,402)</u>	<u>-</u>	<u>(3,187,558)</u>
Total Accumulated Depreciation	<u>(3,533,353)</u>	<u>(339,704)</u>	<u>-</u>	<u>(3,873,057)</u>
Total Capital Assets Being Depreciated, Net	<u>8,047,275</u>	<u>4,108,876</u>	<u>-</u>	<u>12,156,151</u>
Business-type Activities Capital Assets, Net	<u>\$ 9,865,036</u>	<u>\$ 6,773,699</u>	<u>\$ (4,432,584)</u>	<u>\$ 12,206,151</u>

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

<b>Business-type Activities</b>	
Water utility	\$ 181,858
Sewer utility	107,707
Commercial docks	23,021
Surface water management	24,820
Other proprietary funds	<u>2,298</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 339,704</u>

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**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, 2020 is as follows:

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

The composition of interfund transfers as of December 31, 2020 is as follows:

Fund	Transfer in				Total
	General	Capital Improvement	Other governmental	Water	
Transfer Out					
Other governmental	\$ -	\$ 200,000	\$ -	\$ -	\$ 200,000
Commercial Docks	100,000	-	100,000	-	200,000
<b>Total</b>	<b>\$ 100,000</b>	<b>\$ 200,000</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ 400,000</b>

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 to fund future capital projects.

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**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	\$ 1,245,000
Taxable G.O. Improvement Bonds, Series 2017A	3,970,000	2.5 - 3.0	06/14/17	02/01/33	3,535,000
G.O. Street Reconstruction Bonds, Series 2019A	5,570,000	2.0 - 5.0	09/18/19	02/01/40	5,570,000
G.O. Street Reconstruction Bonds, Series 2020A	2,775,000	2.0 - 5.0	07/16/20	02/01/41	<u>2,775,000</u>
 Total G.O. Revenue Bonds					 <u><u>\$ 13,125,000</u></u>

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

Year Ending December 31,	<b>General Obligation Bonds</b> Governmental Activities			<b>General Obligation Bonds</b> Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 228,518	\$ 182,966	\$ 411,484	\$ 301,482	\$ 217,014	\$ 518,496
2022	326,110	170,365	496,475	398,890	202,098	600,988
2023	346,296	156,709	503,005	418,704	186,047	604,751
2024	353,888	142,361	496,249	426,112	169,326	595,438
2025	374,072	127,167	501,239	445,928	151,813	597,741
2026 - 2030	1,576,666	434,123	2,010,789	2,013,334	520,758	2,534,092
2031 - 2035	1,445,000	213,750	1,658,750	1,765,000	237,478	2,002,478
2036 - 2040	1,225,000	77,162	1,302,162	1,305,000	81,416	1,386,416
2041	90,000	900	90,900	85,000	850	85,850
 Total	 <u><u>\$ 5,965,550</u></u>	 <u><u>\$ 1,505,503</u></u>	 <u><u>\$ 7,471,053</u></u>	 <u><u>\$ 7,159,450</u></u>	 <u><u>\$ 1,766,800</u></u>	 <u><u>\$ 8,926,250</u></u>

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**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	\$ 170,000
MPFA - 2014A Water Revenue Bonds	920,313	1.00	06/02/14	08/20/34	<u>607,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 777,000</u></u>

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

Year Ending December 31,	<b>General Obligation Revenue Bonds</b>		
	Business-type Activities		
	Principal	Interest	Total
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	42,000	4,410	46,410
2026 - 2030	217,000	15,640	232,640
2031 - 2034	<u>182,000</u>	<u>5,481</u>	<u>187,481</u>
Total	<u><u>\$ 777,000</u></u>	<u><u>\$ 58,623</u></u>	<u><u>\$ 835,623</u></u>

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**Note 3: Detailed Notes on All Funds (Continued)**

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds payable					
General obligation					
improvement bonds	\$ 4,699,069	\$ 1,445,000	\$ (178,519)	\$ 5,965,550	\$ 228,518
Bond premium	247,856	131,245	(19,111)	359,990	-
Compensated absences payable	17,444	35,658	(19,962)	33,140	11,047
	<u>17,444</u>	<u>35,658</u>	<u>(19,962)</u>	<u>33,140</u>	<u>11,047</u>
Governmental Activity Long-term Liabilities	<u>\$ 4,964,369</u>	<u>\$ 1,611,903</u>	<u>\$ (217,592)</u>	<u>\$ 6,358,680</u>	<u>\$ 239,565</u>
<b>Business-type Activities</b>					
Bonds payable					
General obligation					
revenue bonds	\$ 867,000	\$ -	\$ (90,000)	\$ 777,000	\$ 96,000
General obligation					
improvement bonds	6,060,931	1,330,000	(231,481)	7,159,450	301,482
Bond premium	320,684	121,461	(24,623)	417,522	-
Compensated absences payable	17,621	36,020	(23,403)	30,238	10,080
	<u>17,621</u>	<u>36,020</u>	<u>(23,403)</u>	<u>30,238</u>	<u>10,080</u>
Business-type Activity Long-term Liabilities	<u>\$ 7,266,236</u>	<u>\$ 1,487,481</u>	<u>\$ (369,507)</u>	<u>\$ 8,384,210</u>	<u>\$ 407,562</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

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

**B. Benefits Provided**

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

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

### General Employee Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

### **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 2020 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, 2020, 2019 and 2018 were \$64,238, \$54,253 and \$50,273, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

### **D. Pension Costs**

### General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$665,496 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. 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 \$20,446. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0111 percent which was an increase of 0.0016 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the City recognized pension expense of \$35,846 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$1,779 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2020

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

At December 31, 2020, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 6,903	\$ 2,714
Changes in Actuarial Assumptions	831	23,631
Net Difference Between Projected and Actual Earnings on Plan Investments	15,106	-
Changes in Proportion	74,448	15,665
Contributions Paid to PERA Subsequent to the Measurement Date	31,389	-
Total	\$ 128,677	\$ 42,010

The \$31,389 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (16,858)
2022	18,732
2023	37,326
2024	16,078

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2020 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 disability rates 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, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

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

The following changes in actuarial assumptions and plan provisions occurred in 2020:

##### General Employees Fund

##### Changes in Actuarial Assumptions

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

##### Changes in Plan Provisions

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

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2020

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	35.50 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	20.00	0.75
International Stocks	17.50	5.30
Cash	2.00	-
Total	100.00 %	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2020 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	\$ 1,066,559	\$ 665,496	\$ 334,651

**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](http://www.mnpera.org).

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2020

**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, 2019.

**South Lake Minnetonka Police Department**  
Statement of Net Assets  
December 31, 2019 and 2018

	2019	2018
Assets	\$ 4,788,210	\$ 4,882,633
Deferred Outflows of Resources	1,370,788	1,859,530
Total Assets and Deferred Outflows of Resources	\$ 6,158,998	\$ 6,742,163
Liabilities	\$ 3,314,234	\$ 3,606,937
Deferred Inflows of Resources	2,006,609	2,628,706
Net Position	838,155	506,520
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 6,158,998	\$ 6,742,163

**South Lake Minnetonka Police Department**  
Summary Statement of Activities  
For the Years Ended December 31, 2019 and 2018

	2019	2018
Revenues	\$ 3,280,972	\$ 3,181,040
Expenses	2,987,194	2,772,032
Net Revenues	293,778	409,008
General Revenues	37,857	11,991
Change in Net Position	331,635	420,999
Net Position, January 1	506,520	85,521
Net Position, December 31	\$ 838,155	\$ 506,520

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 2020 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, 2020

**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, 2020:

Excelsior Fire District  
Statement of Net Assets  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets	\$ 9,734,232	\$ 9,064,373
Deferred Outflows of Resources	309,060	634,476
Liabilities	2,053,776	2,671,159
Deferred Inflows of Resources	941,296	541,855
Net Position	<u>\$ 7,048,220</u>	<u>\$ 6,485,835</u>

Excelsior Fire District  
Summary Statement of Activities  
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Charges for Services	\$ 1,882,871	\$ 1,842,545
Operating Grants and Contributions	1,190	1,403
Capital Grants and Contributions	-	129,856
Expenses	(1,368,442)	(1,507,954)
Net Revenues	515,619	465,850
General Revenues	46,766	12,009
Change in Net Position	562,385	477,859
Net Position, January 1 as Restated	6,485,835	-
Net Position, December 31	<u>\$ 7,048,220</u>	<u>\$ 477,859</u>

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 2020 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: Subsequent Event**

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

City of Excelsior, Minnesota  
Required Supplementary Information  
December 31, 2020

**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
06/30/20	0.0111 %	\$ 665,496	\$ 20,446	\$ 685,942	\$ 819,414	83.7 %	79.0 %
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)
12/31/2020	\$ 64,238	\$ 64,238	\$ -	\$ 856,513	7.50 %
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, 2020

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

Changes in Actuarial Assumptions

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

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

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

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

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

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

City of Excelsior, Minnesota  
Required Supplementary Information (Continued)  
December 31, 2020

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

Changes in Plan Provisions

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

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

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

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

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.

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

City of Excelsior, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2020

	<u>Special Revenue</u>			
	<b>205</b>			Total
	Parking Lot Maintenance	Capital Projects	Debt Service	Nonmajor Funds
<b>Assets</b>				
Cash and temporary investments	\$ 61,464	\$ 866,075	\$ 387,356	\$ 1,314,895
Receivables				
Special assessments	-	-	376,190	376,190
	<u>\$ 61,464</u>	<u>\$ 866,075</u>	<u>\$ 763,546</u>	<u>\$ 1,691,085</u>
<b>Liabilities</b>				
Accounts payable	\$ 17,205	\$ 332,737	\$ -	\$ 349,942
Accrued salaries payable	278	-	-	278
Due to other funds	-	9,556	-	9,556
Total Liabilities	<u>17,483</u>	<u>342,293</u>	<u>-</u>	<u>359,776</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	-	376,037	376,037
<b>Fund Balances</b>				
Restricted for				
Debt service	-	-	387,509	387,509
Tax increment financing district	-	19,343	-	19,343
Excelsior Commons improvements	-	-	-	-
Park improvements	-	286,420	-	286,420
Committed for				
Parking lot maintenance	9,985	-	-	9,985
Assigned for				
Park improvements	33,996	219,313	-	253,309
Unassigned	-	(1,294)	-	(1,294)
Total Fund Balances	<u>43,981</u>	<u>523,782</u>	<u>387,509</u>	<u>955,272</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>				
	<u>\$ 61,464</u>	<u>\$ 866,075</u>	<u>\$ 763,546</u>	<u>\$ 1,691,085</u>

City of Excelsior, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances  
 For the Year Ended December 31, 2020

	<u>Special Revenue</u>			Total Nonmajor Funds
	<b>205</b>			
	<u>Parking Lot Maintenance</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
Revenues				
Taxes	\$ -	\$ 306,038	\$ 341,719	\$ 647,757
Intergovernmental	19,494	-	5,191	24,685
Charges for services	795	-	-	795
Special assessments	632	-	113,624	114,256
Interest on investments	4,694	13,654	6,055	24,403
Miscellaneous				
Contributions and donations	-	8,233	-	8,233
Total Revenues	<u>25,615</u>	<u>327,925</u>	<u>466,589</u>	<u>820,129</u>
Expenditures				
Current				
Public works	27,696	-	-	27,696
Capital outlay				
Culture and recreation	-	144,207	-	144,207
Housing and economic development	-	294,490	-	294,490
Debt service				
Principal	-	-	178,518	178,518
Interest and other	-	-	140,655	140,655
Total Expenditures	<u>27,696</u>	<u>438,697</u>	<u>319,173</u>	<u>785,566</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,081)</u>	<u>(110,772)</u>	<u>147,416</u>	<u>34,563</u>
Other Financing Sources (Uses)				
Transfers in	-	100,000	-	100,000
Transfers out	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Net Change in Fund Balances	(202,081)	(10,772)	147,416	(65,437)
Fund Balances, January 1	<u>246,062</u>	<u>534,554</u>	<u>240,093</u>	<u>1,020,709</u>
Fund Balances, December 31	<u>\$ 43,981</u>	<u>\$ 523,782</u>	<u>\$ 387,509</u>	<u>\$ 955,272</u>

City of Excelsior, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 December 31, 2020

	Park Improvement	TIF 1-1 Project	TIF 1-2 Project
<b>Assets</b>			
Cash and temporary investments	\$ 524,948	\$ 59,764	\$ 8,262
<b>Liabilities</b>			
Accounts payable	\$ 19,215	\$ 46,569	\$ -
Due to other funds	-	-	9,556
Total Liabilities	19,215	46,569	9,556
<b>Fund Balances</b>			
Restricted for			
Tax increment financing district	-	13,195	-
Park improvements	286,420	-	-
Assigned for			
Park improvements	219,313	-	-
Unassigned	-	-	(1,294)
Total Fund Balances	505,733	13,195	(1,294)
Total Liabilities and Fund Balances	\$ 524,948	\$ 59,764	\$ 8,262

TIF 2-1 Project	Escrows	Total
<u>\$ 104,560</u>	<u>\$ 168,541</u>	<u>\$ 866,075</u>
\$ 98,412	\$ 168,541	\$ 332,737
-	-	9,556
<u>98,412</u>	<u>168,541</u>	<u>342,293</u>
6,148	-	19,343
-	-	286,420
-	-	219,313
-	-	(1,294)
<u>6,148</u>	<u>-</u>	<u>523,782</u>
<u>\$ 104,560</u>	<u>\$ 168,541</u>	<u>\$ 866,075</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, 2020

	<u>Park Improvement</u>	<u>TIF 1-1 Project</u>	<u>TIF 1-2 Project</u>
Revenues			
Taxes	\$ -	\$ 93,906	\$ 9,222
Interest on investments	11,115	1,352	87
Miscellaneous			
Contributions and donations	8,233	-	-
Total Revenues	<u>19,348</u>	<u>95,258</u>	<u>9,309</u>
Expenditures			
Capital outlay			
Culture and recreation	144,207	-	-
Housing and economic development	-	96,667	500
Total Expenditures	<u>144,207</u>	<u>96,667</u>	<u>500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(124,859)	(1,409)	8,809
Other Financing Sources			
Transfers in	<u>100,000</u>	-	-
Net Change in Fund Balances	(24,859)	(1,409)	8,809
Fund Balances, January 1	<u>530,592</u>	<u>14,604</u>	<u>(10,103)</u>
Fund Balances, December 31	<u><u>\$ 505,733</u></u>	<u><u>\$ 13,195</u></u>	<u><u>\$ (1,294)</u></u>

TIF 2-1 Project	Escrows	Total
\$ 202,910	\$ -	\$ 306,038
1,100	-	13,654
-	-	8,233
<u>204,010</u>	<u>-</u>	<u>327,925</u>
-	-	144,207
<u>197,323</u>	<u>-</u>	<u>294,490</u>
<u>197,323</u>	<u>-</u>	<u>438,697</u>
6,687	-	(110,772)
<u>-</u>	<u>-</u>	<u>100,000</u>
6,687	-	(10,772)
<u>(539)</u>	<u>-</u>	<u>534,554</u>
<u>\$ 6,148</u>	<u>\$ -</u>	<u>\$ 523,782</u>

City of Excelsior, Minnesota  
 Nonmajor Debt Service Funds  
 Combining Balance Sheet  
 December 31, 2020

	G.O. Bonds 2010A	G.O. Bonds 2017A	G.O. Bonds 2019A	Total
Assets				
Cash and temporary investments	\$ 46,030	\$ 192,892	\$ 148,434	\$ 387,356
Receivables				
Special assessments	26,227	349,963	-	376,190
Total Assets	\$ 72,257	\$ 542,855	\$ 148,434	\$ 763,546
Deferred Inflows of Resources				
Unavailable revenue - special assessments	\$ 26,183	\$ 349,854	\$ -	\$ 376,037
Fund Balances				
Restricted for				
Debt service	46,074	193,001	148,434	387,509
Total Deferred Inflows of Resources and Fund Balances	\$ 72,257	\$ 542,855	\$ 148,434	\$ 763,546

City of Excelsior, Minnesota  
 Nonmajor Debt Service Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances  
 For the Year Ended December 31, 2020

	G.O. Bonds 2010A	G.O. Bonds 2017A	Debt Service G.O. Bonds 2019A	Total
Revenues				
Taxes	\$ 100,000	\$ 78,767	\$ 162,952	\$ 341,719
Intergovernmental	5,191	-	-	5,191
Special assessments	7,686	50,977	54,961	113,624
Interest on investments	1,077	3,890	1,088	6,055
Total Revenues	<u>113,954</u>	<u>133,634</u>	<u>219,001</u>	<u>466,589</u>
Expenditures				
Debt service				
Principal	98,518	80,000	-	178,518
Interest and other	30,904	39,184	70,567	140,655
Total Expenditures	<u>129,422</u>	<u>119,184</u>	<u>70,567</u>	<u>319,173</u>
Net Change in Fund Balances	(15,468)	14,450	148,434	147,416
Fund Balances, January 1	<u>61,542</u>	<u>178,551</u>	<u>-</u>	<u>240,093</u>
Fund Balances, December 31	<u>\$ 46,074</u>	<u>\$ 193,001</u>	<u>\$ 148,434</u>	<u>\$ 387,509</u>

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City of Excelsior, Minnesota  
 Nonmajor Proprietary Funds  
 Combining Statement of Net Position  
 December 31, 2020

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and temporary investments	\$ 34,862	\$ 29,224	\$ 64,086
Accounts receivable	51,965	21,605	73,570
Total Current Assets	<u>86,827</u>	<u>50,829</u>	<u>137,656</u>
Capital Assets, at Cost	12,665	20,638	33,303
Less Accumulated Depreciation	<u>(12,665)</u>	<u>(7,949)</u>	<u>(20,614)</u>
Net Capital Assets	<u>-</u>	<u>12,689</u>	<u>12,689</u>
Total Assets	<u>86,827</u>	<u>63,518</u>	<u>150,345</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>4,073</u>	<u>1,616</u>	<u>5,689</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	11,426	405	11,831
Due to other governments	11,384	-	11,384
Accrued salaries payable	506	191	697
Compensated absences payable	598	203	801
Total Current Liabilities	<u>23,914</u>	<u>799</u>	<u>24,713</u>
<b>Noncurrent Liabilities</b>			
Compensated absences payable	1,195	405	1,600
Net pension liability	21,063	8,356	29,419
Total Noncurrent Liabilities	<u>22,258</u>	<u>8,761</u>	<u>31,019</u>
Total Liabilities	<u>46,172</u>	<u>9,560</u>	<u>55,732</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>1,330</u>	<u>527</u>	<u>1,857</u>
<b>Net Position</b>			
Invested in capital assets	-	12,689	12,689
Unrestricted	<u>43,398</u>	<u>42,358</u>	<u>85,756</u>
Total Net Position	<u>\$ 43,398</u>	<u>\$ 55,047</u>	<u>\$ 98,445</u>

City of Excelsior, Minnesota  
 Nonmajor Proprietary Funds  
 Combining Statement of Revenues, Expenses and  
 Changes in Net Position  
 For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Operating Revenues			
Charges for services	\$ 155,055	\$ 65,871	\$ 220,926
Operating Expenses			
Personnel services	30,639	12,911	43,550
Supplies	-	810	810
Other services and charges	164,829	39,981	204,810
Depreciation	-	2,298	2,298
Total Operating Expenses	<u>195,468</u>	<u>56,000</u>	<u>251,468</u>
Operating Income (Loss)	<u>(40,413)</u>	<u>9,871</u>	<u>(30,542)</u>
Nonoperating Revenues			
Interest on investments	1,121	640	1,761
Other income	22	156	178
Total Nonoperating Revenues	<u>1,143</u>	<u>796</u>	<u>1,939</u>
Change in Net Position	(39,270)	10,667	(28,603)
Net Position, January 1	<u>82,668</u>	<u>44,380</u>	<u>127,048</u>
Net Position, December 31	<u><u>\$ 43,398</u></u>	<u><u>\$ 55,047</u></u>	<u><u>\$ 98,445</u></u>

City of Excelsior, Minnesota  
Nonmajor Proprietary Funds  
Combining Statement of Cash Flows  
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 153,203	\$ 63,128	\$ 216,331
Payments to suppliers	(155,309)	(43,340)	(198,649)
Payments to employees	(33,029)	(13,320)	(46,349)
Net Cash Provided (Used) by Operating Activities	(35,135)	6,468	(28,667)
Cash Flows from Investing Activities			
Interest received on investments	1,121	640	1,761
Net Increase (Decrease) in Cash and Cash Equivalents	(34,014)	7,108	(26,906)
Cash and Cash Equivalents, January 1	68,876	22,116	90,992
Cash and Cash Equivalents, December 31	<u>\$ 34,862</u>	<u>\$ 29,224</u>	<u>\$ 64,086</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (40,413)	\$ 9,871	\$ (30,542)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Other income related to operations	22	156	178
Depreciation	-	2,298	2,298
(Increase) decrease in assets/deferred outflows			
Receivables			
Accounts	(1,874)	(2,899)	(4,773)
Prepaid items	654	196	850
Deferred pension resources	(2,363)	(981)	(3,344)
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	(1,819)	(2,745)	(4,564)
Accrued salaries payable	(782)	(315)	(1,097)
Compensated absences payable	782	336	1,118
Due to other governments	10,685	-	10,685
Net pension liability	3,112	1,685	4,797
Other postemployment benefits payable	-	-	-
Deferred pension resources	(3,139)	(1,134)	(4,273)
Net Cash Provided (Used) by Operating Activities	<u>\$ (35,135)</u>	<u>\$ 6,468</u>	<u>\$ (28,667)</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, 2020  
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020			Variance with Final Budget	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property	\$ 1,333,928	\$ 1,333,928	\$ 1,323,815	\$ (10,113)	\$ 1,376,012
Franchise	70,750	70,750	70,397	(353)	70,176
Total taxes	<u>1,404,678</u>	<u>1,404,678</u>	<u>1,394,212</u>	<u>(10,466)</u>	<u>1,446,188</u>
Licenses and permits					
Business	129,675	129,675	93,764	(35,911)	128,232
Nonbusiness	134,250	134,250	97,451	(36,799)	220,825
Total licenses and permits	<u>263,925</u>	<u>263,925</u>	<u>191,215</u>	<u>(72,710)</u>	<u>349,057</u>
Intergovernmental					
Federal					
Other	-	-	46,912	46,912	-
State					
Other	3,095	3,095	-	(3,095)	3,095
County					
Highway aid	-	-	2,583	2,583	-
Other	-	-	9,177	9,177	10,000
Total intergovernmental	<u>3,095</u>	<u>3,095</u>	<u>58,672</u>	<u>55,577</u>	<u>13,095</u>
Charges for services					
General government	84,600	84,600	86,379	1,779	132,865
Public works	255,000	255,000	245,299	(9,701)	321,619
Culture and recreation	43,400	43,400	2,270	(41,130)	60,519
Other charges	2,000	2,000	-	(2,000)	2,237
Total charges for services	<u>385,000</u>	<u>385,000</u>	<u>333,948</u>	<u>(51,052)</u>	<u>517,240</u>
Fines and forfeitures	<u>79,575</u>	<u>79,575</u>	<u>64,043</u>	<u>(15,532)</u>	<u>84,825</u>
Special assessments	<u>-</u>	<u>-</u>	<u>158</u>	<u>158</u>	<u>224</u>
Interest on investments	<u>10,000</u>	<u>10,000</u>	<u>27,329</u>	<u>17,329</u>	<u>39,255</u>
Miscellaneous					
Other	5,000	5,000	11,940	6,940	16,188
Refunds and reimbursements	33,550	33,550	7,682	(25,868)	33,825
Total miscellaneous	<u>38,550</u>	<u>38,550</u>	<u>19,622</u>	<u>(18,928)</u>	<u>50,013</u>
Total Revenues	<u>2,184,823</u>	<u>2,184,823</u>	<u>2,089,199</u>	<u>(95,624)</u>	<u>2,499,897</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, 2020  
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020			Variance with Final Budget	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Legislative					
Personal services	\$ 14,210	\$ 14,210	\$ 12,651	\$ 1,559	\$ 13,780
Supplies	300	300	146	154	-
Other services and charges	7,725	7,725	26,265	(18,540)	13,535
Total legislative	<u>22,235</u>	<u>22,235</u>	<u>39,062</u>	<u>(16,827)</u>	<u>27,315</u>
City manager / clerk					
Personal services	120,403	120,403	125,355	(4,952)	112,862
Other services and charges	5,920	5,920	4,098	1,822	5,338
Total city manager / clerk	<u>126,323</u>	<u>126,323</u>	<u>129,453</u>	<u>(3,130)</u>	<u>118,200</u>
Elections and voter registration					
Personal services	4,500	4,500	3,766	734	-
Supplies	2,000	2,000	2,044	(44)	175
Other services and charges	3,775	3,775	1,177	2,598	694
Total elections and voter registration	<u>10,275</u>	<u>10,275</u>	<u>6,987</u>	<u>3,288</u>	<u>869</u>
Finance					
Personal services	63,271	63,271	46,905	16,366	44,880
Other services and charges	1,850	1,850	358	1,492	4,076
Total finance	<u>65,121</u>	<u>65,121</u>	<u>47,263</u>	<u>17,858</u>	<u>48,956</u>
Planning and zoning					
Personal services	86,752	86,752	83,867	2,885	79,095
Supplies	-	-	188	(188)	172
Other services and charges	32,450	32,450	1,898	30,552	14,295
Total planning and zoning	<u>119,202</u>	<u>119,202</u>	<u>85,953</u>	<u>33,249</u>	<u>93,562</u>
Administration					
Supplies	5,975	5,975	8,987	(3,012)	5,531
Other services and charges	299,488	299,488	321,713	(22,225)	342,128
Total administration	<u>305,463</u>	<u>305,463</u>	<u>330,700</u>	<u>(25,237)</u>	<u>347,659</u>
Heritage preservation					
Other services and charges	1,300	1,300	17,145	(15,845)	10,782
Total general government	<u>649,919</u>	<u>649,919</u>	<u>656,563</u>	<u>(6,644)</u>	<u>647,343</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, 2020  
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020			Variance with Final Budget	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police protection					
Other services and charges	\$ 794,147	\$ 794,147	\$ 795,696	\$ (1,549)	\$ 788,376
Fire protection					
Other services and charges	232,802	232,802	232,900	(98)	223,101
Protective inspection					
Other services and charges	55,000	55,000	62,124	(7,124)	40,713
Total public safety	1,081,949	1,081,949	1,090,720	(8,771)	1,052,190
Public works					
Engineering					
Other services and charges	16,000	16,000	29,568	(13,568)	24,527
Streets					
Personal services	136,690	136,690	123,788	12,902	125,092
Supplies	45,000	45,000	64,953	(19,953)	47,260
Other services and charges	38,855	38,855	37,071	1,784	41,847
Total streets	220,545	220,545	225,812	(5,267)	214,199
Total public works	236,545	236,545	255,380	(18,835)	238,726
Culture and recreation					
Parks					
Personal services	155,676	155,676	160,486	(4,810)	158,397
Supplies	26,100	26,100	27,902	(1,802)	30,453
Other services and charges	77,300	77,300	44,734	32,566	75,814
Total culture and recreation	259,076	259,076	233,122	25,954	264,664
Miscellaneous					
Cemetery					
Personal services	23,434	23,434	20,360	3,074	20,969
Supplies	1,600	1,600	2,282	(682)	1,767
Other services and charges	1,000	1,000	-	1,000	-
Total miscellaneous	26,034	26,034	22,642	3,392	22,736
Total current	2,253,523	2,253,523	2,258,427	(4,904)	2,225,659

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, 2020  
 (With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 31,300	\$ 31,300	\$ 25,347	\$ 5,953	\$ 24,784
Public works	-	-	456	(456)	-
Culture and recreation	-	-	-	-	11,542
Total capital outlay	<u>31,300</u>	<u>31,300</u>	<u>25,803</u>	<u>5,497</u>	<u>36,326</u>
Total Expenditures	<u>2,284,823</u>	<u>2,284,823</u>	<u>2,284,230</u>	<u>593</u>	<u>2,261,985</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>(195,031)</u>	<u>(95,031)</u>	<u>237,912</u>
Other Financing Sources (Uses)					
Transfers in	100,000	100,000	100,000	-	165,579
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(287,634)</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(122,055)</u>
Net Change in Fund Balances	-	-	(95,031)	(95,031)	115,857
Fund Balances, January 1	<u>1,360,915</u>	<u>1,360,915</u>	<u>1,360,915</u>	<u>-</u>	<u>1,245,058</u>
Fund Balances, December 31	<u>\$ 1,360,915</u>	<u>\$ 1,360,915</u>	<u>\$ 1,265,884</u>	<u>\$ (95,031)</u>	<u>\$ 1,360,915</u>

City of Excelsior, Minnesota  
 Summary Financial Report  
 Revenues and Expenditures For General Operations  
 Governmental Funds  
 For the Years Ended December 31, 2020 and 2019

	Total		Percent Increase (Decrease)
	2020	2019	
<b>Revenues</b>			
Taxes	\$ 2,836,311	\$ 1,823,734	55.52 %
Special assessments	144,299	134,976	6.91
Licenses and permits	191,215	349,057	(45.22)
Intergovernmental	115,357	33,419	245.18
Charges for services	384,296	576,606	(33.35)
Fines and forfeitures	64,043	84,825	(24.50)
Interest on investments	131,476	150,244	(12.49)
Miscellaneous	31,268	88,518	(64.68)
	<u>\$ 3,898,265</u>	<u>\$ 3,241,379</u>	
Total Revenues			20.27 %
Per Capita	\$ 1,519	\$ 1,397	8.78 %
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 656,563	\$ 647,343	1.42 %
Public safety	1,090,720	1,052,190	3.66
Public works	283,076	262,938	7.66
Culture and recreation	233,122	287,109	(18.80)
Miscellaneous	22,642	22,736	(0.41)
<b>Capital outlay</b>			
General government	106,984	59,063	81.14
Public works	2,608,320	1,854,988	40.61
Culture and recreation	152,823	54,174	182.10
Housing and economic development	294,490	117,202	151.27
<b>Debt service</b>			
Principal payments	178,518	175,925	1.47
Interest and other charges	140,655	75,743	85.70
Bond issuance costs	45,155	56,014	(19.39)
	<u>\$ 5,813,068</u>	<u>\$ 4,665,425</u>	
Total Expenditures			24.60 %
Per Capita	\$ 2,265	\$ 2,010	12.70 %
Total Long-term Indebtedness	\$ 6,325,540	\$ 4,946,925	27.87 %
Per Capita	2,465	2,131	15.66
General Fund Balance - December 31	\$ 1,265,884	\$ 1,360,915	(6.98) %
Per Capita	493	586	(15.86)

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 Kristi Luger, City Manager at (952) 653-3672.

OTHER FINANCIAL INFORMATION (UNAUDITED)

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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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
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	8,728	1,427,372	99.50
2018	1,477,591	1,450,938	98.20	18,491	1,469,429	99.45
2019	1,566,239	1,536,702	98.11	16,058	1,552,761	99.14
2020	1,774,091	1,729,667	97.50	-	1,729,667	97.50

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
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	1,450	102,101	94.21
2020	104,863	102,960	98.19	-	102,960	98.19

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Tax Capacity				
Personal property	\$ 40,320	\$ 43,948	\$ 45,194	\$ 45,568
Real estate	<u>4,185,056</u>	<u>4,067,384</u>	<u>3,949,333</u>	<u>4,048,069</u>
Total	4,225,376	4,111,332	3,994,527	4,093,637
Contribution to fiscal disparities pool	(574,768)	(489,211)	(491,004)	(515,487)
Increment	(90,628)	(89,863)	(77,600)	(77,602)
Distribution from fiscal disparities pool	<u>219,176</u>	<u>184,321</u>	<u>153,910</u>	<u>149,422</u>
Total Tax Capacity	<u>\$ 3,779,156</u>	<u>\$ 3,716,579</u>	<u>\$ 3,579,833</u>	<u>\$ 3,649,970</u>
Tax Levies				
Revenue	<u>\$ 1,317,399</u>	<u>\$ 1,317,399</u>	<u>\$ 1,317,339</u>	<u>\$ 1,351,808</u>
Tax Capacity Rates				
Revenue	<u>34.860 %</u>	<u>35.447 %</u>	<u>36.799 %</u>	<u>37.036 %</u>

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 47,211	\$ 47,883	\$ 48,974	\$ 66,794	\$ 68,406	\$ 69,666
<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>	<u>7,058,674</u>
4,677,689	5,168,880	5,563,659	6,096,255	6,478,840	7,128,340
(510,901)	(581,167)	(634,148)	(694,186)	(753,414)	(756,885)
(89,957)	(89,957)	(106,294)	(114,042)	(122,192)	(312,274)
<u>149,955</u>	<u>140,973</u>	<u>150,058</u>	<u>148,757</u>	<u>171,383</u>	<u>176,024</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>\$ 6,235,205</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>\$ 1,774,091</u>
<u>32.623 %</u>	<u>30.319 %</u>	<u>28.845 %</u>	<u>27.178 %</u>	<u>27.123 %</u>	<u>28.453 %</u>

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OTHER REQUIRED REPORTS

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

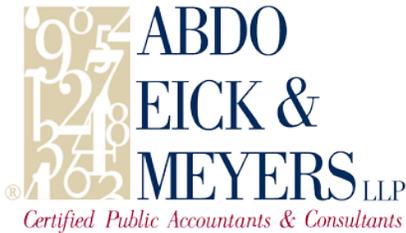
Honorable Mayor and City Council  
City of Excelsior, Minnesota

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2021.

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  
June 23, 2021



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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2021.

**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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying Schedule of Findings and responses as item 2020-003 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2020-001 and 2020-002 to be significant deficiencies.

## Compliance and Other Matters

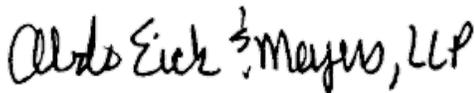
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

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

## Purpose of this Report

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



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
June 23, 2021

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City of Excelsior, Minnesota  
Schedule of Findings and Responses  
For the Year Ended December 31, 2020

<u>Finding</u>	<u>Description</u>
<b>2020- 001</b>	<b>Limited Segregation of Duties</b>
<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.

City of Excelsior, Minnesota  
Schedule of Findings and Responses (Continued)  
For the Year Ended December 31, 2020

<u>Finding</u>	<u>Description</u>
<b>2020-002</b>	<b>Preparation of Financial Statements</b>
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements, we recommend the City agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	The finding will be reviewed in future years with a new finance director in place.

City of Excelsior, Minnesota  
Schedule of Findings and Responses (Continued)  
For the Year Ended December 31, 2020

<u>Finding</u>	<u>Description</u>
<b>2020-003</b>	<b>Material Audit Adjustments</b>
<i>Condition:</i>	During our audit, adjustments were needed to correct year end balances, including:  <ul style="list-style-type: none"><li>1) Additional accounts payable related to pay as you go tax increment payments due.</li><li>2) Allocate bond payments and tax revenue between funds.</li><li>3) Correct coding of capital outlay costs between funds.</li></ul>
<i>Criteria:</i>	The financial statements are the responsibility of the City's management; therefore, the City must be able to prevent or detect a material misstatement in the financial statements including footnote disclosures.
<i>Cause:</i>	The City has not prepared a year-end trial balance reflecting all necessary accounting entries.
<i>Effect:</i>	This indicates that a misstatement may occur and not be detected by the City's system of internal control over financial reporting. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entries were necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	The City will continue to monitor transactions and adjustments will be made in the future.