



# Annual Financial Report

## City of Excelsior

Excelsior, Minnesota

For the year ended December 31, 2021



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INTRODUCTORY SECTION

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

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City of Excelsior, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2021

**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
Jennifer Palmer	Finance Director
Nalisha Williams	City Clerk
Tim Amundsen	Public Works Superintendent
Julia Paulsen Mullin	City Planner

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FINANCIAL SECTION  
CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
City of Excelsior, Minnesota

### **Report on the Financial Statements**

#### **Opinions**

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2021, 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.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### **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 76 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.



## **Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

## **Other Information**

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

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2022, 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**  
Minneapolis, Minnesota  
June 2, 2022



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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, 2021.

### **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 \$19,035,489 (net position). Of this amount, \$4,899,365 (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 \$1,241,234. 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 \$6,630,333, an increase of \$453,488 in comparison with the prior year. Approximately 19.3 percent of this total amount, \$1,277,951, 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 \$1,277,951, or 48.5 percent of total General fund 2022 budgeted expenditures.
- The City's total debt increased \$6,858,070 or 46.7 percent during the current fiscal year. The increase was due to the new issuance of the 2021A General Obligation Improvement Bond.

## 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**

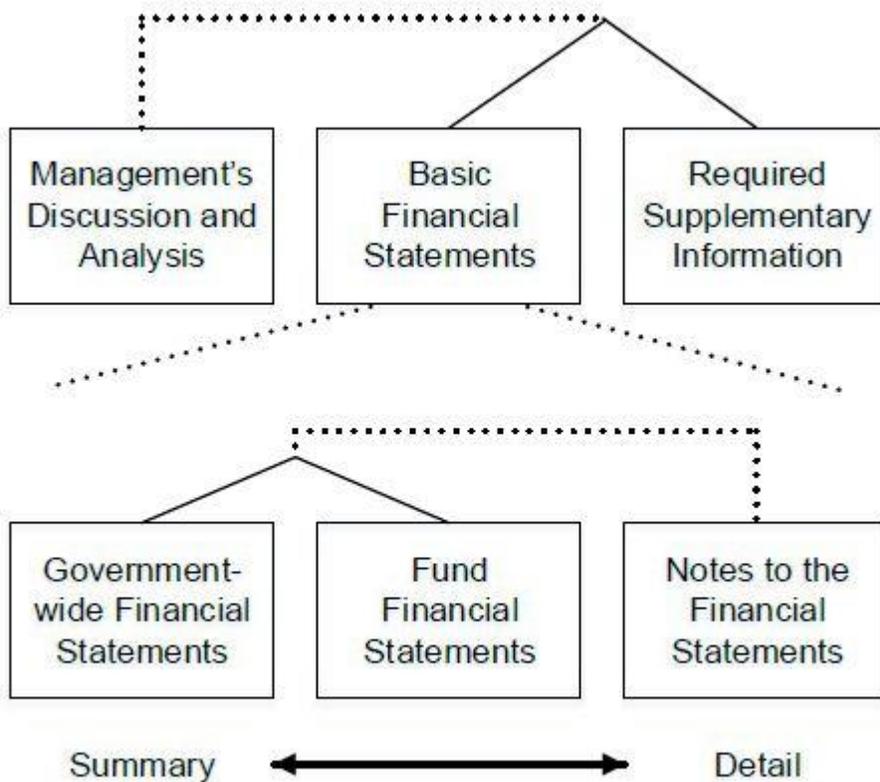


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
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 51 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 80 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 \$19,035,489 at the close of the most recent fiscal year.

A portion of the City's net position (62.6 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 8,240,704	\$ 7,619,707	\$ 620,997	\$ 5,108,507	\$ 3,501,485	\$ 1,607,022
Capital assets	15,599,031	10,729,098	4,869,933	13,402,838	12,206,151	1,196,687
Total Assets	<u>23,839,735</u>	<u>18,348,805</u>	<u>5,490,930</u>	<u>18,511,345</u>	<u>15,707,636</u>	<u>2,803,709</u>
<b>Deferred Outflows of Resources</b>						
Deferred pension resources	<u>238,521</u>	<u>65,744</u>	<u>172,777</u>	<u>210,041</u>	<u>62,934</u>	<u>147,107</u>
<b>Liabilities</b>						
Noncurrent liabilities outstanding	10,782,381	6,698,696	4,083,685	11,360,219	8,709,691	2,650,528
Other liabilities	918,308	710,983	207,325	208,591	229,483	(20,892)
Total Liabilities	<u>11,700,689</u>	<u>7,409,679</u>	<u>4,291,010</u>	<u>11,568,810</u>	<u>8,939,174</u>	<u>2,629,636</u>
<b>Deferred Inflows of Resources</b>						
Deferred pension resources	<u>263,031</u>	<u>21,464</u>	<u>241,567</u>	<u>231,623</u>	<u>20,547</u>	<u>211,076</u>
<b>Net Position</b>						
Net investment in capital assets	7,728,262	4,585,066	3,143,196	4,185,465	4,080,996	104,469
Restricted	2,222,397	1,746,062	476,335	-	-	-
Unrestricted	<u>2,163,877</u>	<u>4,652,278</u>	<u>(2,488,401)</u>	<u>2,735,488</u>	<u>2,729,853</u>	<u>5,635</u>
Total Net Position	<u>\$ 12,114,536</u>	<u>\$ 10,983,406</u>	<u>\$ 1,131,130</u>	<u>\$ 6,920,953</u>	<u>\$ 6,810,849</u>	<u>\$ 110,104</u>

Additionally, \$2,222,397 is restricted for debt service, tax increment district expenditure, Excelsior Commons Park improvements and park improvement expenditures. The remaining balance of *unrestricted net position* (\$4,899,365) 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 \$1,241,234 during the current fiscal year. Both the governmental activities and the business type activities increased the net position by \$1,131,130 and \$110,104, respectively.

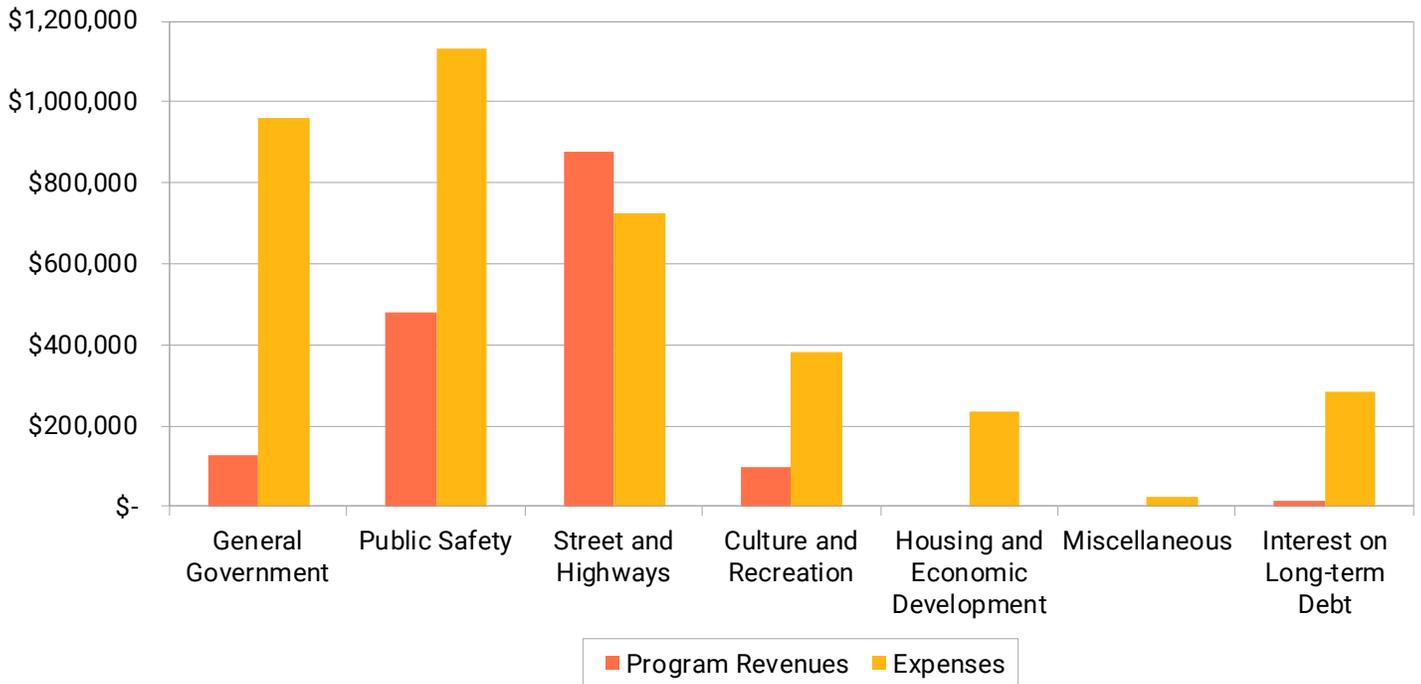
**Governmental Activities.** Governmental activities increased the City's net position by \$1,131,130. Key elements of this increase are as follows:

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

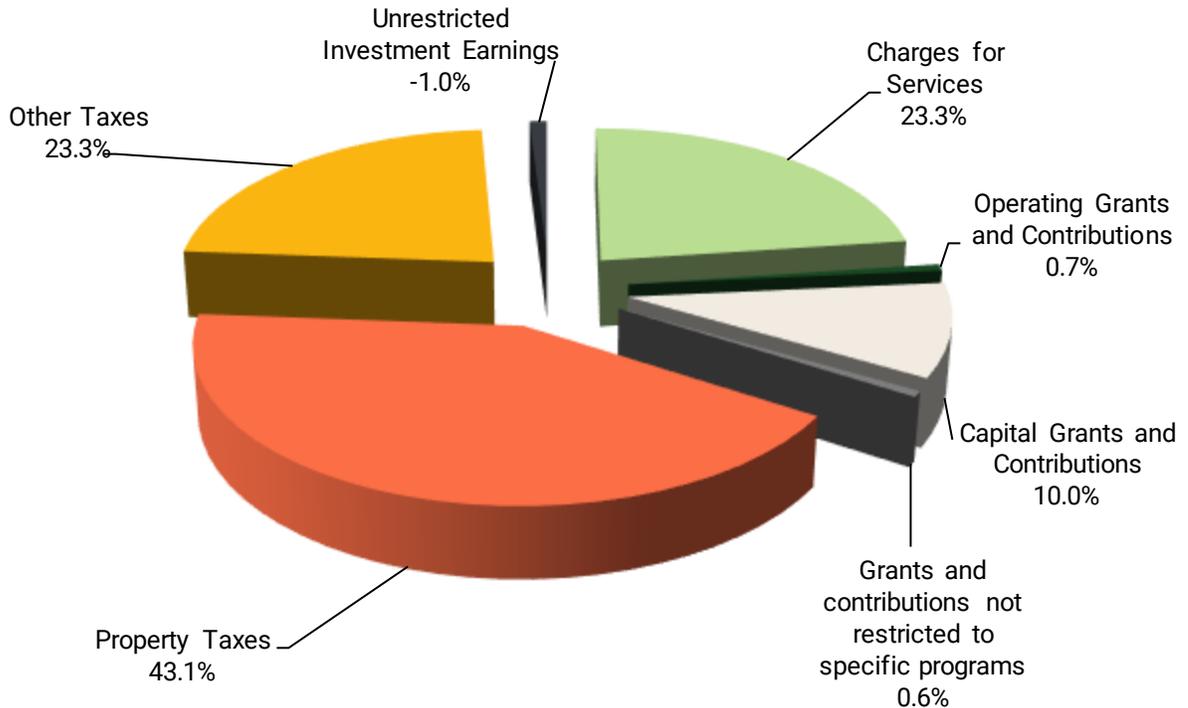
	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,091,548	\$ 666,638	\$ 424,910	\$ 2,334,454	\$ 2,095,210	\$ 239,244
Operating grants and contributions	32,381	109,010	(76,629)	-	74,052	(74,052)
Capital grants and contributions	469,816	262,838	206,978	32,354	29,257	3,097
General Revenues						
Property taxes	2,022,373	1,778,262	244,111	-	-	-
Other taxes	1,095,024	1,077,777	17,247	-	-	-
Grants and contributions not restricted to specific programs	25,832	3,492	22,340	611	868	(257)
Unrestricted investment earnings (loss)	(46,457)	131,476	(177,933)	(13,894)	78,367	(92,261)
Total Revenues	<u>4,690,517</u>	<u>4,029,493</u>	<u>661,024</u>	<u>2,353,525</u>	<u>2,277,754</u>	<u>75,771</u>
Expenses						
General government	958,319	774,288	184,031	-	-	-
Public safety	1,129,999	1,090,720	39,279	-	-	-
Streets and highways	726,025	498,815	227,210	-	-	-
Culture and recreation	379,901	446,446	(66,545)	-	-	-
Housing and economic development	233,883	294,490	(60,607)	-	-	-
Miscellaneous	22,492	22,099	393	-	-	-
Interest on long-term debt	282,594	196,521	86,073	-	-	-
Water utility	-	-	-	720,673	686,975	33,698
Sewer utility	-	-	-	707,065	600,316	106,749
Solid waste	-	-	-	181,862	195,468	(13,606)
Surface water	-	-	-	241,707	154,793	86,914
Street lighting	-	-	-	49,915	56,000	(6,085)
Commercial docks	-	-	-	168,373	190,105	(21,732)
Total Expenses	<u>3,733,213</u>	<u>3,323,379</u>	<u>409,834</u>	<u>2,069,595</u>	<u>1,883,657</u>	<u>185,938</u>
Increase in Net Position						
Before Transfers	957,304	706,114	251,190	283,930	394,097	(110,167)
Transfers	<u>173,826</u>	<u>200,000</u>	<u>(26,174)</u>	<u>(173,826)</u>	<u>(200,000)</u>	<u>26,174</u>
Change in Net Position	1,131,130	906,114	225,016	110,104	194,097	(83,993)
Net Position, January 1	<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>
Net Position, December 31	<u>\$ 12,114,536</u>	<u>\$ 10,983,406</u>	<u>\$ 1,131,130</u>	<u>\$ 6,920,953</u>	<u>\$ 6,810,849</u>	<u>\$ 110,104</u>

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

### Expenses and Program Revenues - Governmental Activities

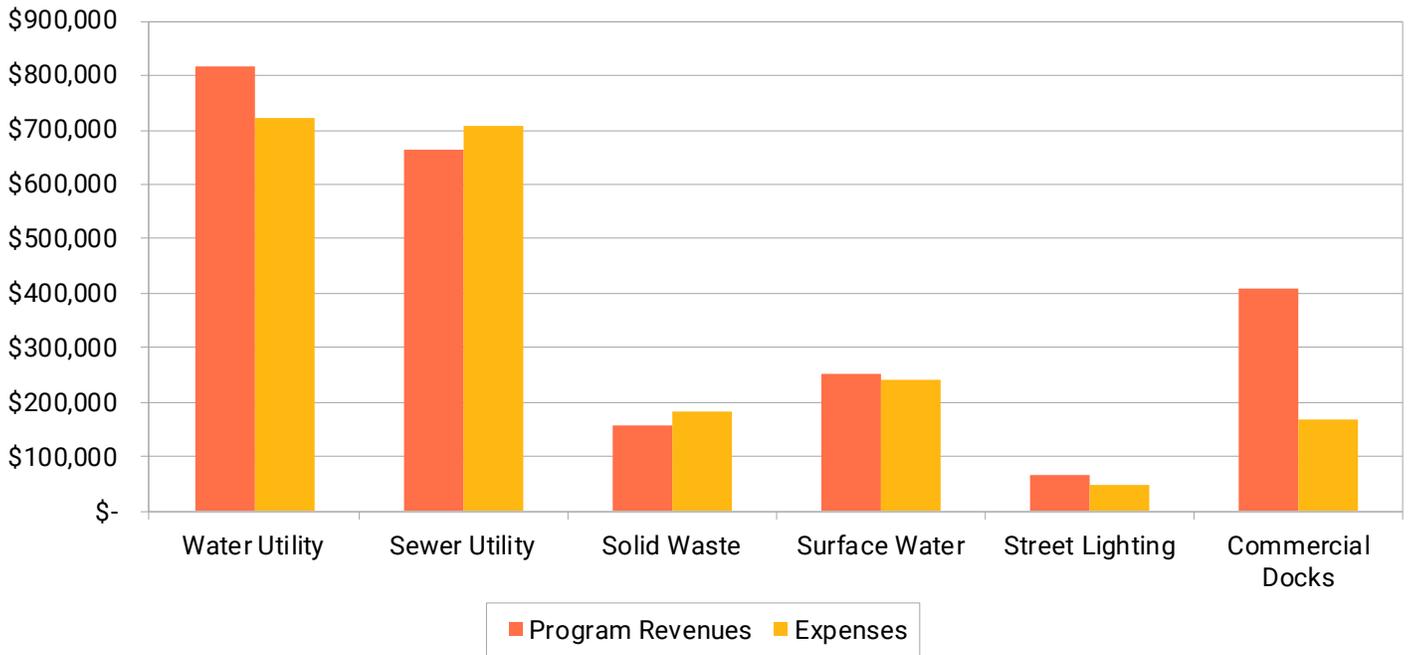


### Revenues by Source - Governmental Activities

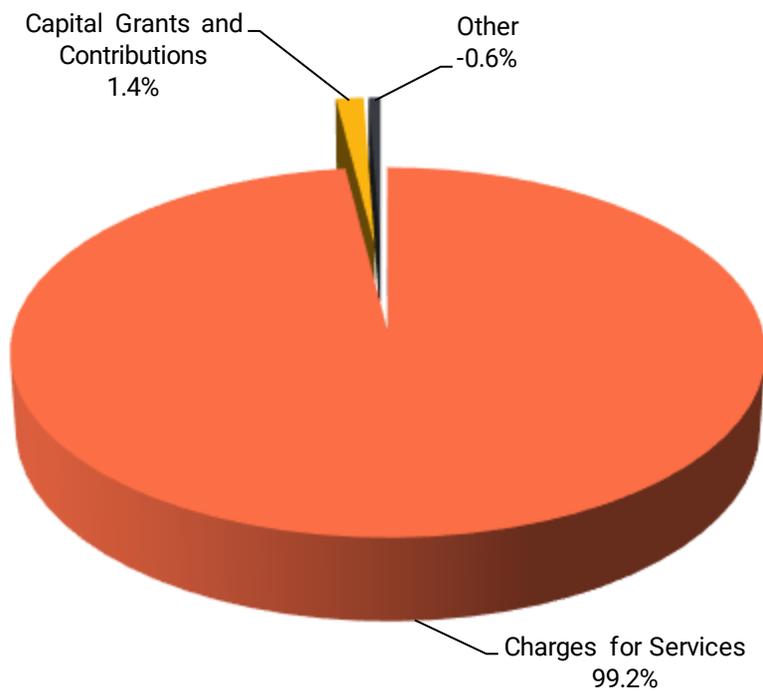


**Business-type Activities.** Business-type activities increased the City’s net position by \$110,104. Key elements of this increase are as follows:

### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities



## Financial Analysis of the Government's Funds

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

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

The General Fund balance increased \$92,965. The fund balance increase is mainly due to building permit revenues coming in over budget.

The Capital Improvement fund balance increased \$309,608. The fund balance increased mainly due to unspent bond proceeds.

The Common Sales Tax fund balance decreased \$(279,112). The fund balance decreased mainly due to increased capital activity related to various sales tax projects

**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 \$2,735,488. 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 2021 resulted in an increase in fund balance in the amount of \$92,965.

Overall, revenues were over the budgeted amount by \$295,673. This was due in large part to licenses and permits being over budget by \$104,564.

Expenditures were over budget by \$151,009. This was due in large part to general government expenditures being over budget by \$125,184, primarily within the planning and zoning and administrative functions.

## 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, 2021, amounts to \$29,001,869 (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 \$6,066,620, or 26.5 percent during the year.

Major capital asset activity during the current year included:

- The City completed the 2019 and 2020 street improvement projects with total costs of \$627,944.
- The 2021 Street and Utility Project was started with accumulated costs of \$2,359,886.
- The Water Street Project was completed with total expenses of \$658,329.
- The Commons Band Shell project was completed for a total cost of \$1,215,459.
- The City purchased land and a building for a total cost of \$1,276,969.

Additional information on the City's capital assets can be found in Note 3B starting on page 61 of this report.

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

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 1,111,042	\$ 1,111,042	\$ -	\$ 50,000	\$ 50,000	\$ -
Construction in Progress	1,802,103	62,222	1,739,881	1,316,208	-	1,316,208
Buildings	1,342,359	91,066	1,251,293	-	-	-
Improvement other than Building	10,338,185	8,370,236	1,967,949	321,859	-	321,859
Machinery and Equipment	338,499	351,684	(13,185)	401,672	515,931	(114,259)
Infrastructure	666,843	742,848	(76,005)	11,313,099	11,640,220	(327,121)
<b>Total</b>	<b>\$ 15,599,031</b>	<b>\$ 10,729,098</b>	<b>\$ 4,869,933</b>	<b>\$ 13,402,838</b>	<b>\$ 12,206,151</b>	<b>\$ 1,196,687</b>

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$21,537,582. 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
G.O. Revenue Bonds	890,000	\$ -	\$ 890,000	\$ 681,000	\$ 777,000	\$ (96,000)
G.O. Improvement Bonds	8,877,032	5,965,550	2,911,482	9,747,968	7,159,450	2,588,518
Bond Premium	694,308	359,990	334,318	647,274	417,522	229,752
<b>Total</b>	<b><u>\$ 10,461,340</u></b>	<b><u>\$ 6,325,540</u></b>	<b><u>\$ 4,135,800</u></b>	<b><u>\$ 11,076,242</u></b>	<b><u>\$ 8,353,972</u></b>	<b><u>\$ 2,722,270</u></b>

The City’s total debt increased \$6,858,070 (46.7 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 64 of this report.

#### **Economic Factors and Next Year’s Budgets and Rates**

- Preliminary property valuations increased again in 2021 for taxes payable 2022. Property values overall are increasing about 5.51 percent within the City.
- The 2022 budget includes a 9.0 percent, or \$180,738, 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 Jennifer Palmer, 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, 2021

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City of Excelsior, Minnesota  
Statement of Net Position  
December 31, 2021

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash temporary investments	\$ 3,708,132	\$ 2,667,826	\$ 6,375,958
Restricted cash and cash temporary investments	3,559,282	1,813,689	5,372,971
Receivables			
Interest	13,711	-	13,711
Accounts	58,115	605,426	663,541
Delinquent taxes	57,880	-	57,880
Special assessments	772,284	6,440	778,724
Due from other governments	69,625	-	69,625
Prepaid items	1,675	15,126	16,801
Land and construction in progress	2,913,145	1,366,208	4,279,353
Depreciable infrastructure, buildings, property and equipment, net	<u>12,685,886</u>	<u>12,036,630</u>	<u>24,722,516</u>
<b>Total Assets</b>	<u><b>23,839,735</b></u>	<u><b>18,511,345</b></u>	<u><b>42,351,080</b></u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>238,521</u>	<u>210,041</u>	<u>448,562</u>
<b>Liabilities</b>			
Accounts payable	543,140	55,487	598,627
Accrued salaries payable	2,445	13,061	15,506
Accrued interest payable	116,269	120,207	236,476
Due to other governments	28,284	8,636	36,920
Unearned revenue	228,170	11,200	239,370
Noncurrent liabilities			
Due within one year			
Compensated absences payable	13,154	10,218	23,372
Bonds payable	326,110	494,890	821,000
Due in more than one year			
Compensated absences payable	26,308	25,802	52,110
Net pension liability	281,579	247,957	529,536
Bonds payable, net	<u>10,135,230</u>	<u>10,581,352</u>	<u>20,716,582</u>
<b>Total Liabilities</b>	<u><b>11,700,689</b></u>	<u><b>11,568,810</b></u>	<u><b>23,269,499</b></u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>263,031</u>	<u>231,623</u>	<u>494,654</u>
<b>Net Position</b>			
Net investment in capital assets	7,728,262	4,185,465	11,913,727
Restricted for			
Debt service	1,123,358	-	1,123,358
Tax increment financing district	27,276	-	27,276
Excelsior Commons improvements	478,185	-	478,185
Park improvements	593,578	-	593,578
Unrestricted	<u>2,163,877</u>	<u>2,735,488</u>	<u>4,899,365</u>
<b>Total Net Position</b>	<u><b>\$ 12,114,536</b></u>	<u><b>\$ 6,920,953</b></u>	<u><b>\$ 19,035,489</b></u>

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, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 958,319	\$ 111,456	\$ 14,000	\$ -
Public safety	1,129,999	482,108	-	-
Public works	726,025	402,201	18,381	456,512
Culture and recreation	379,901	95,783	-	-
Housing and economic development	233,883	-	-	-
Miscellaneous	22,492	-	-	-
Interest on long-term debt	282,594	-	-	13,304
Total Governmental Activities	<u>3,733,213</u>	<u>1,091,548</u>	<u>32,381</u>	<u>469,816</u>
<b>Business-type Activities</b>				
Water utility	720,673	801,968	-	15,322
Sewer utility	707,065	649,879	-	13,646
Solid waste	181,862	157,233	-	-
Surface water	241,707	249,923	-	3,386
Street lighting	49,915	67,105	-	-
Commercial docks	168,373	408,346	-	-
Total Business-type Activities	<u>2,069,595</u>	<u>2,334,454</u>	<u>-</u>	<u>32,354</u>
Total	<u>\$ 5,802,808</u>	<u>\$ 3,426,002</u>	<u>\$ 32,381</u>	<u>\$ 502,170</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 (loss)

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
\$ (832,863)	\$ -	\$ (832,863)
(647,891)	-	(647,891)
151,069	-	151,069
(284,118)	-	(284,118)
(233,883)	-	(233,883)
(22,492)	-	(22,492)
(269,290)	-	(269,290)
<u>(2,139,468)</u>	<u>-</u>	<u>(2,139,468)</u>
-	96,617	96,617
-	(43,540)	(43,540)
-	(24,629)	(24,629)
-	11,602	11,602
-	17,190	17,190
-	239,973	239,973
-	<u>297,213</u>	<u>297,213</u>
<u>(2,139,468)</u>	<u>297,213</u>	<u>(1,842,255)</u>
1,503,814	-	1,503,814
518,559	-	518,559
218,306	-	218,306
806,303	-	806,303
70,415	-	70,415
25,832	611	26,443
(46,457)	(13,894)	(60,351)
173,826	(173,826)	-
<u>3,270,598</u>	<u>(187,109)</u>	<u>3,083,489</u>
1,131,130	110,104	1,241,234
<u>10,983,406</u>	<u>6,810,849</u>	<u>17,794,255</u>
<u>\$ 12,114,536</u>	<u>\$ 6,920,953</u>	<u>\$ 19,035,489</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, 2021

City of Excelsior, Minnesota  
Balance Sheet  
Governmental Funds  
December 31, 2021

	General	Capital Projects Capital Improvement	220 Commons Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and temporary investments	\$ 1,419,490	\$ 285,248	\$ 433,196	\$ 1,570,198	\$ 3,708,132
Restricted cash and temporary investments	-	3,559,282	-	-	3,559,282
Receivables					
Interest	13,711	-	-	-	13,711
Accounts	56,968	300	-	847	58,115
Delinquent taxes	57,880	-	-	-	57,880
Special assessments	-	160,770	-	611,514	772,284
Due from other governments	14,000	-	55,625	-	69,625
Prepaid items	1,675	-	-	-	1,675
<b>Total Assets</b>	<b><u>\$ 1,563,724</u></b>	<b><u>\$ 4,005,600</u></b>	<b><u>\$ 488,821</u></b>	<b><u>\$ 2,182,559</u></b>	<b><u>\$ 8,240,704</u></b>
<b>Liabilities</b>					
Accounts payable	\$ 36,776	\$ 210,138	\$ 10,636	\$ 285,590	\$ 543,140
Accrued salaries payable	1,979	-	-	466	2,445
Due to other governments	28,284	-	-	-	28,284
Unearned revenue	100,310	127,860	-	-	228,170
<b>Total Liabilities</b>	<b><u>167,349</u></b>	<b><u>337,998</u></b>	<b><u>10,636</u></b>	<b><u>286,056</u></b>	<b><u>802,039</u></b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - special assessments	-	159,602	-	611,204	770,806
Unavailable revenue - property taxes	37,526	-	-	-	37,526
<b>Total Deferred Inflows of Resources</b>	<b><u>37,526</u></b>	<b><u>159,602</u></b>	<b><u>-</u></b>	<b><u>611,204</u></b>	<b><u>808,332</u></b>
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Prepaid items	1,675	-	-	-	1,675
<b>Restricted for</b>					
Debt service	-	-	-	628,423	628,423
Tax increment financing district	-	-	-	27,276	27,276
Excelsior Commons improvements	-	-	478,185	-	478,185
Park improvements	-	-	-	593,578	593,578
Public improvements	-	2,590,571	-	-	2,590,571
<b>Committed for</b>					
Self insurance	970	-	-	-	970
Compensated absences	78,253	-	-	-	78,253
Parking lot maintenance	-	-	-	5,840	5,840
<b>Assigned for</b>					
Capital improvements	-	754,674	-	-	754,674
Parking improvements	-	162,755	-	-	162,755
Parking lot maintenance	-	-	-	30,182	30,182
Unassigned	1,277,951	-	-	-	1,277,951
<b>Total Fund Balances</b>	<b><u>1,358,849</u></b>	<b><u>3,508,000</u></b>	<b><u>478,185</u></b>	<b><u>1,285,299</u></b>	<b><u>6,630,333</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 1,563,724</u></b>	<b><u>\$ 4,005,600</u></b>	<b><u>\$ 488,821</u></b>	<b><u>\$ 2,182,559</u></b>	<b><u>\$ 8,240,704</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, 2021

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

Total Fund Balances - Governmental	\$ 6,630,333
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	19,097,972
Less: accumulated depreciation	(3,498,941)
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	(39,462)
Bond principal payable	(9,767,032)
Plus premium on bonds issued	(694,308)
Net pension liability	(281,579)
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	37,526
Special assessments receivable	770,806
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	238,521
Deferred inflows of pension resources	(263,031)
Governmental funds do not report a liability for accrued interest until due and payable.	(116,269)
Total Net Position - Governmental Activities	\$ 12,114,536

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, 2021

	General	Capital Projects Capital Improvement	220 Commons Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 1,525,738	\$ 93,000	\$ 806,303	\$ 736,865	\$ 3,161,906
Licenses and permits	391,664	-	-	-	391,664
Intergovernmental	39,137	63,471	-	13,304	115,912
Charges for services	530,059	40,408	-	18,381	588,848
Fines and forfeitures	56,735	-	-	-	56,735
Special assessments	287	35,025	-	128,287	163,599
Interest (loss) on investments	(30,010)	(7,530)	(2,923)	(5,994)	(46,457)
Miscellaneous	51,059	16,612	-	194,035	261,706
Total Revenues	<u>2,564,669</u>	<u>240,986</u>	<u>803,380</u>	<u>1,084,878</u>	<u>4,693,913</u>
<b>Expenditures</b>					
Current					
General government	818,377	-	-	-	818,377
Public safety	1,129,999	-	-	-	1,129,999
Public works	267,672	-	-	26,089	293,761
Culture and recreation	249,257	-	-	-	249,257
Miscellaneous	22,492	-	-	-	22,492
Capital outlay					
General government	18,723	1,365,486	-	-	1,384,209
Public works	455	2,871,732	-	-	2,872,187
Culture and recreation	13,030	-	1,082,492	203,495	1,299,017
Housing and economic development	-	-	-	233,883	233,883
Debt service					
Principal	-	-	-	228,518	228,518
Interest and other	-	-	-	188,391	188,391
Bond issuance costs	-	86,531	-	-	86,531
Total Expenditures	<u>2,520,005</u>	<u>4,323,749</u>	<u>1,082,492</u>	<u>880,376</u>	<u>8,806,622</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>44,664</u>	<u>(4,082,763)</u>	<u>(279,112)</u>	<u>204,502</u>	<u>(4,112,709)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	100,000	-	-	125,525	225,525
Bonds issued	-	4,030,000	-	-	4,030,000
Premiums on bonds issued	-	362,371	-	-	362,371
Transfers out	(51,699)	-	-	-	(51,699)
Total Other Financing Sources (Uses)	<u>48,301</u>	<u>4,392,371</u>	<u>-</u>	<u>125,525</u>	<u>4,566,197</u>
Net Change in Fund Balances	92,965	309,608	(279,112)	330,027	453,488
Fund Balances, January 1	<u>1,265,884</u>	<u>3,198,392</u>	<u>757,297</u>	<u>955,272</u>	<u>6,176,845</u>
Fund Balances, December 31	<u>\$ 1,358,849</u>	<u>\$ 3,508,000</u>	<u>\$ 478,185</u>	<u>\$ 1,285,299</u>	<u>\$ 6,630,333</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, 2021

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

Net Change in Fund Balances - Governmental Funds	\$ 453,488
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	5,239,443
Depreciation expense	(369,510)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal payments	228,518
Debt issued or incurred	(4,030,000)
Premium on bonds issued	(362,371)
Amortization of bond premium	28,053
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(35,725)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(11,048)
Pension revenue from State contributions	695
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Compensated absences	(6,322)
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(44,509)
Special assessments	40,418
	40,418
Change in Net Position - Governmental Activities	\$ 1,131,130

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, 2021

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,397,551	\$ 1,397,551	\$ 1,525,738	\$ 128,187
Licenses and permits	287,100	287,100	391,664	104,564
Intergovernmental	15,855	15,855	39,137	23,282
Charges for services	441,860	441,860	530,059	88,199
Fines and forfeitures	90,080	90,080	56,735	(33,345)
Special assessments	-	-	287	287
Interest (loss) on investments	8,000	8,000	(30,010)	(38,010)
Miscellaneous	28,550	28,550	51,059	22,509
Total Revenues	<u>2,268,996</u>	<u>2,268,996</u>	<u>2,564,669</u>	<u>295,673</u>
Expenditures				
Current				
General government	693,193	693,193	818,377	(125,184)
Public safety	1,130,470	1,130,470	1,129,999	471
Public works	252,380	252,380	267,672	(15,292)
Culture and recreation	228,603	228,603	249,257	(20,654)
Miscellaneous	25,350	25,350	22,492	2,858
Capital outlay	39,000	39,000	32,208	6,792
Total Expenditures	<u>2,368,996</u>	<u>2,368,996</u>	<u>2,520,005</u>	<u>(151,009)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>44,664</u>	<u>144,664</u>
Other Financing Sources (Uses)				
Transfers in	100,000	100,000	100,000	-
Transfers out	-	-	(51,699)	(51,699)
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>48,301</u>	<u>(51,699)</u>
Net Change in Fund Balances	-	-	92,965	92,965
Fund Balances, January 1	<u>1,265,884</u>	<u>1,265,884</u>	<u>1,265,884</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,265,884</u>	<u>\$ 1,265,884</u>	<u>\$ 1,358,849</u>	<u>\$ 92,965</u>

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

City of Excelsior, Minnesota  
Statement of Net Position  
Proprietary Funds  
December 31, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
<b>Assets</b>			
<b>Current Assets</b>			
Cash and temporary investments	\$ 844,273	\$ 1,184,766	\$ 290,557
Restricted cash and temporary investments	763,007	697,571	-
Receivables			
Accounts	257,621	274,927	-
Special assessments	6,000	440	-
Prepaid items	355	14,771	-
<b>Total Current Assets</b>	<b>1,871,256</b>	<b>2,172,475</b>	<b>290,557</b>
Capital Assets, at Cost	9,073,133	5,825,689	646,481
Less Accumulated Depreciation	(2,390,369)	(1,222,010)	(476,766)
<b>Net Capital Assets</b>	<b>6,682,764</b>	<b>4,603,679</b>	<b>169,715</b>
<b>Total Assets</b>	<b>8,554,020</b>	<b>6,776,154</b>	<b>460,272</b>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	60,774	82,132	33,275
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	10,796	20,071	2,352
Accrued salaries payable	3,778	4,042	2,239
Compensated absences payable	2,898	4,601	115
Accrued interest payable	56,882	40,703	-
Due to other governments	5,935	-	-
Unearned revenue	-	-	11,200
Bonds payable, current portion	304,445	117,708	-
<b>Total Current Liabilities</b>	<b>384,734</b>	<b>187,125</b>	<b>15,906</b>
<b>Noncurrent Liabilities</b>			
Compensated absences payable	5,797	9,202	5,595
Bonds payable, net of current portion	5,174,459	3,504,229	-
Net pension liability	71,747	67,982	48,616
<b>Total Noncurrent Liabilities</b>	<b>5,252,003</b>	<b>3,581,413</b>	<b>54,211</b>
<b>Total Liabilities</b>	<b>5,636,737</b>	<b>3,768,538</b>	<b>70,117</b>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	67,021	96,204	34,879
<b>Net Position</b>			
Net investment in capital assets	1,979,770	1,700,161	169,715
Unrestricted	931,266	1,293,383	218,836
<b>Total Net Position</b>	<b>\$ 2,911,036</b>	<b>\$ 2,993,544</b>	<b>\$ 388,551</b>

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
\$ 298,076	\$ 50,154	\$ 2,667,826
353,111	-	1,813,689
-	72,878	605,426
-	-	6,440
-	-	15,126
<u>651,187</u>	<u>123,032</u>	<u>5,108,507</u>
2,138,669	33,303	17,717,275
(202,379)	(22,913)	(4,314,437)
<u>1,936,290</u>	<u>10,390</u>	<u>13,402,838</u>
<u>2,587,477</u>	<u>133,422</u>	<u>18,511,345</u>
<u>16,818</u>	<u>17,042</u>	<u>210,041</u>
8,495	13,773	55,487
1,825	1,177	13,061
1,586	1,018	10,218
22,622	-	120,207
-	2,701	8,636
-	-	11,200
<u>72,737</u>	<u>-</u>	<u>494,890</u>
<u>107,265</u>	<u>18,669</u>	<u>713,699</u>
3,173	2,035	25,802
1,902,664	-	10,581,352
39,494	20,118	247,957
<u>1,945,331</u>	<u>22,153</u>	<u>10,855,111</u>
<u>2,052,596</u>	<u>40,822</u>	<u>11,568,810</u>
<u>14,726</u>	<u>18,793</u>	<u>231,623</u>
325,429	10,390	4,185,465
211,544	80,459	2,735,488
<u>\$ 536,973</u>	<u>\$ 90,849</u>	<u>\$ 6,920,953</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, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Operating Revenues			
Charges for services	\$ 791,312	\$ 649,922	\$ 408,346
Operating Expenses			
Personnel services	160,111	172,327	92,760
Supplies	61,293	21,180	1,847
Other services and charges	146,122	267,832	54,814
Depreciation	222,450	151,796	18,952
Total Operating Expenses	<u>589,976</u>	<u>613,135</u>	<u>168,373</u>
Operating Income (Loss)	<u>201,336</u>	<u>36,787</u>	<u>239,973</u>
Nonoperating Revenues (Expenses)			
Interest (loss) on investments	(4,559)	(6,210)	(1,174)
Interest expense and other	(109,309)	(70,376)	-
Bond issuance costs	(21,388)	(23,554)	-
Other income	10,933	148	90
Total Nonoperating Revenues (Expenses)	<u>(124,323)</u>	<u>(99,992)</u>	<u>(1,084)</u>
Income (Loss) Before Contributions and Transfers	77,013	(63,205)	238,889
Transfers In	-	-	26,174
Transfers Out	-	-	(200,000)
Capital Contributions	15,322	13,646	-
Change in Net Position	92,335	(49,559)	65,063
Net Position, January 1	<u>2,818,701</u>	<u>3,043,103</u>	<u>323,488</u>
Net Position, December 31	<u>\$ 2,911,036</u>	<u>\$ 2,993,544</u>	<u>\$ 388,551</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>\$ 249,823</u>	<u>\$ 224,338</u>	<u>\$ 2,323,741</u>
79,541	38,529	543,268
-	4,045	88,365
65,034	186,904	720,706
45,883	2,299	441,380
<u>190,458</u>	<u>231,777</u>	<u>1,793,719</u>
<u>59,365</u>	<u>(7,439)</u>	<u>530,022</u>
(1,676)	(275)	(13,894)
(39,451)	-	(219,136)
(11,798)	-	(56,740)
35	118	11,324
<u>(52,890)</u>	<u>(157)</u>	<u>(278,446)</u>
6,475	(7,596)	251,576
-	-	26,174
-	-	(200,000)
3,386	-	32,354
<u>9,861</u>	<u>(7,596)</u>	<u>110,104</u>
<u>527,112</u>	<u>98,445</u>	<u>6,810,849</u>
<u>\$ 536,973</u>	<u>\$ 90,849</u>	<u>\$ 6,920,953</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, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 778,846	\$ 624,548	\$ 410,455
Payments to suppliers	(214,020)	(270,804)	(44,906)
Payments to employees	(159,921)	(173,717)	(91,312)
Net Cash Provided (Used) by Operating Activities	<u>404,905</u>	<u>180,027</u>	<u>274,237</u>
Cash Flows from Noncapital Financing Activities			
Transfer from other funds	-	-	26,174
Transfers to other funds	-	-	(200,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>(173,826)</u>
Cash Flows from Capital Financing Activities			
Connection fees	10,000	10,000	-
Intergovernmental	5,322	3,646	-
Acquisition of capital assets	(645,867)	(663,601)	-
Bond proceeds	1,237,776	1,191,755	-
Interest paid on bonds	(118,372)	(71,461)	-
Principal paid on bonds	(264,807)	(80,998)	-
Net Cash Provided by Capital Financing Activities	<u>224,052</u>	<u>389,341</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest received on investments	(4,559)	(6,210)	(1,174)
Net Increase (Decrease) in Cash and Cash Equivalents	624,398	563,158	99,237
Cash and Cash Equivalents, January 1	<u>982,882</u>	<u>1,319,179</u>	<u>191,320</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 1,607,280</u></u>	<u><u>\$ 1,882,337</u></u>	<u><u>\$ 290,557</u></u>
Reconciliation to the Proprietary Funds Statement of Net Position			
Cash and temporary investments	\$ 844,273	\$ 1,184,766	\$ 290,557
Restricted cash and temporary investments	763,007	697,571	-
Total Cash and Cash Equivalents	<u><u>\$ 1,607,280</u></u>	<u><u>\$ 1,882,337</u></u>	<u><u>\$ 290,557</u></u>

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

Business-type Activities - Enterprise Funds

<u>Surface Water Management</u>	<u>Other Proprietary Funds</u>	<u>Totals</u>
\$ 249,858	\$ 225,148	\$ 2,288,855
(71,437)	(197,690)	(798,857)
<u>(81,208)</u>	<u>(41,115)</u>	<u>(547,273)</u>
97,213	(13,657)	942,725
-	-	26,174
-	-	<u>(200,000)</u>
-	-	<u>(173,826)</u>
-	-	20,000
3,386	-	12,354
(382,189)	-	(1,691,657)
663,626	-	3,093,157
(39,897)	-	(229,730)
<u>(51,677)</u>	<u>-</u>	<u>(397,482)</u>
193,249	-	806,642
<u>(1,676)</u>	<u>(275)</u>	<u>(13,894)</u>
288,786	(13,932)	1,561,647
<u>362,401</u>	<u>64,086</u>	<u>2,919,868</u>
<u>\$ 651,187</u>	<u>\$ 50,154</u>	<u>\$ 4,481,515</u>
\$ 298,076	\$ 50,154	\$ 2,667,826
353,111	-	1,813,689
<u>\$ 651,187</u>	<u>\$ 50,154</u>	<u>\$ 4,481,515</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, 2021

	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)	\$ 201,336	\$ 36,787	\$ 239,973
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Other income (loss) related to operations	10,933	148	90
Depreciation	222,450	151,796	18,952
(Increase) decrease in assets/deferred outflows			
Receivables			
Accounts	(22,011)	(25,694)	2,019
Special assessments	(1,388)	172	-
Prepaid items	(11)	846	-
Deferred pension resources	(43,031)	(62,955)	(21,943)
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	(8,192)	17,362	555
Accrued salaries payable	715	792	1,093
Compensated absences payable	1,296	2,028	1,109
Due to other governments	1,598	-	-
Unearned revenue	-	-	11,200
Net pension liability	(20,018)	(31,198)	(9,990)
Deferred pension resources	61,228	89,943	31,179
	<u>\$ 404,905</u>	<u>\$ 180,027</u>	<u>\$ 274,237</u>
Net Cash Provided by Operating Activities			
Schedule of Noncash Capital and Financing Activities			
Amortization of bond premium	<u>\$ 14,224</u>	<u>\$ 10,408</u>	<u>\$ -</u>

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

Business-type Activities - Enterprise Funds

<u>Surface Water Management</u>	<u>Other Proprietary Funds</u>	<u>Totals</u>
\$ 59,365	\$ (7,439)	\$ 530,022
35	118	11,324
45,883	2,299	441,380
-	692	(44,994)
-	-	(1,216)
-	-	835
(7,825)	(11,353)	(147,107)
(6,403)	1,942	5,264
688	480	3,768
697	652	5,782
-	(8,683)	(7,085)
-	-	11,200
(7,017)	(9,301)	(77,524)
<u>11,790</u>	<u>16,936</u>	<u>211,076</u>
<u>\$ 97,213</u>	<u>\$ (13,657)</u>	<u>\$ 942,725</u>
<u>\$ 5,513</u>	<u>\$ -</u>	<u>\$ 30,145</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.

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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.

## 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.

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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, 2021:

- U.S. Government securities of \$701,319 are valued using quoted market prices (Level 1 inputs)
- Brokered Certificates of Deposit and local government bonds of \$3,874,245 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 of \$5,372,971 to be drawn from restricted cash accounts to reimburse the City and pay for 2021 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 2021. 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, 2021

**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, 2021

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

***Pensions***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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	\$ 65,528

***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, 2021

**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. Excess of expenditures over appropriations**

For the year ended December 31, 2021 expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Excess of Expenditures Over Appropriations</u>
General	<u>\$ 2,368,996</u>	<u>\$ 2,520,005</u>	<u>\$ 151,009</u>

The excess expenditures were funded by revenues in excess of expectations.

**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, 2021

**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 \$976,163 and the bank balance was \$1,089,738. Of the bank balance, \$384,089 was covered by federal depository insurance. The remaining balance was covered by collateral held in the City's name.

**Investments**

As of December 31, 2021, 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	\$ 6,197,002			
Non-pooled Investments						
Local Government Bonds	AAA	1 to 5 years	113,445	\$ -	\$ 113,445	\$ -
U.S. Government Securities	AAA	more than 5 years	701,319	701,319	-	-
Brokered Certificates of Deposit	N/A	less than 1 year	242,418	-	242,418	-
Brokered Certificates of Deposit	N/A	1 to 5 years	2,521,439	-	2,521,439	-
Brokered Certificates of Deposit	N/A	more than 5 years	996,943	-	996,943	-
<b>Total Investments</b>			<b>\$10,772,566</b>	<b>\$ 701,319</b>	<b>\$ 3,874,245</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, 2021

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

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

Carrying Amount of Deposits	\$ 976,163
Investments	10,772,566
Cash on Hand	<u>200</u>
 Total	 <u><u>\$ 11,748,929</u></u>
 Statement of Net Position	
Cash and Temporary Investments	\$ 6,375,958
Restricted Cash and Temporary Investments	<u>5,372,971</u>
 Total	 <u><u>\$ 11,748,929</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, 2021

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

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2021 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	62,222	1,739,881	-	1,802,103
Total Capital Assets not Being Depreciated	<u>1,173,264</u>	<u>1,739,881</u>	<u>-</u>	<u>2,913,145</u>
Capital Assets Being Depreciated				
Buildings	748,150	1,276,969	-	2,025,119
Improvements other than buildings	9,308,464	2,179,875	-	11,488,339
Machinery and equipment	1,102,021	42,718	(9,232)	1,135,507
Infrastructure	1,535,862	-	-	1,535,862
Total Capital Assets Being Depreciated	<u>12,694,497</u>	<u>3,499,562</u>	<u>(9,232)</u>	<u>16,184,827</u>
Less Accumulated Depreciation for				
Buildings	(657,084)	(25,676)	-	(682,760)
Improvements other than buildings	(938,228)	(211,926)	-	(1,150,154)
Machinery and equipment	(750,337)	(55,903)	9,232	(797,008)
Infrastructure	(793,014)	(76,005)	-	(869,019)
Total Accumulated Depreciation	<u>(3,138,663)</u>	<u>(369,510)</u>	<u>9,232</u>	<u>(3,498,941)</u>
Total Capital Assets Being Depreciated, Net	<u>9,555,834</u>	<u>3,130,052</u>	<u>-</u>	<u>12,685,886</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,729,098</u>	<u>\$ 4,869,933</u>	<u>\$ -</u>	<u>\$ 15,599,031</u>

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

<b>Governmental Activities</b>	
General government	\$ 25,509
Public works	302,031
Culture and recreation	41,970
Total Depreciation Expense - Governmental Activities	<u>\$ 369,510</u>

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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	-	1,316,208	-	1,316,208
Total Capital Assets not Being Depreciated	<u>50,000</u>	<u>1,316,208</u>	<u>-</u>	<u>1,366,208</u>
Capital Assets Being Depreciated				
Buildings	8,203	-	-	8,203
Improvements other than buildings	-	321,859	-	321,859
Machinery and equipment	1,193,227	-	-	1,193,227
Infrastructure	<u>14,827,778</u>	<u>-</u>	<u>-</u>	<u>14,827,778</u>
Total Capital Assets Being Depreciated	<u>16,029,208</u>	<u>321,859</u>	<u>-</u>	<u>16,351,067</u>
Less Accumulated Depreciation for				
Buildings	(8,203)	-	-	(8,203)
Machinery and equipment	(677,296)	(114,259)	-	(791,555)
Infrastructure	<u>(3,187,558)</u>	<u>(327,121)</u>	<u>-</u>	<u>(3,514,679)</u>
Total Accumulated Depreciation	<u>(3,873,057)</u>	<u>(441,380)</u>	<u>-</u>	<u>(4,314,437)</u>
Total Capital Assets Being Depreciated, Net	<u>12,156,151</u>	<u>(119,521)</u>	<u>-</u>	<u>12,036,630</u>
Business-type Activities Capital Assets, Net	<u>\$ 12,206,151</u>	<u>\$ 1,196,687</u>	<u>\$ -</u>	<u>\$ 13,402,838</u>

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

<b>Business-type Activities</b>	
Water utility	\$ 222,450
Sewer utility	151,796
Commercial docks	18,952
Surface water management	45,883
Other proprietary funds	<u>2,299</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 441,380</u>

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**C. Interfund Transfers**

The composition of interfund transfers as of December 31, 2021 is as follows:

Fund	Transfer in			Total
	General	Other governmental	Commercial Docks	
Transfer Out				
General	\$ -	\$ 25,525	\$ 26,174	\$ 51,699
Commercial Docks	100,000	100,000	-	200,000
<b>Total</b>	<u>\$ 100,000</u>	<u>\$ 125,525</u>	<u>\$ 26,174</u>	<u>\$ 251,699</u>

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

**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.

The following bonds were issued to finance capital improvements. They will be retired from ad valorem tax levies and tax abatements.

Description	Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Abatement Bonds, Series 2021A	\$ 890,000	1.10 - 5.00 %	08/19/21	02/01/42	<u>\$ 890,000</u>

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

Year Ending December 31,	General Obligation Bonds		
	Governmental Activities		
	Principal	Interest	Total
2022	\$ -	\$ 23,831	\$ 23,831
2023	30,000	24,335	54,335
2024	30,000	22,835	52,835
2025	35,000	21,210	56,210
2026	35,000	19,460	54,460
2027 - 2031	205,000	69,000	274,000
2032 - 2036	240,000	35,957	275,957
2037 - 2041	260,000	18,150	278,150
2042	55,000	550	55,550
<b>Total</b>	<u>\$ 890,000</u>	<u>\$ 235,328</u>	<u>\$ 1,125,328</u>

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

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	\$ 1,055,000
Taxable G.O. Improvement Bonds, Series 2017A	3,970,000	2.5 - 3.0	06/14/17	02/01/33	3,305,000
G.O. Street Reconstruction Bonds, Series 2019A	5,570,000	2.0 - 5.0	09/18/19	02/01/40	5,460,000
G.O. Street Reconstruction Bonds, Series 2020A	2,775,000	2.0 - 5.0	07/16/20	02/01/41	2,775,000
G.O. Street Reconstruction Bonds, Series 2021A	2,890,000	1.10 - 5.00	08/19/21	02/01/42	<u>6,030,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 18,625,000</u></u>

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

Year Ending December 31,	General Obligation Bonds Governmental Activities			General Obligation Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 326,110	\$ 254,316	\$ 580,426	\$ 398,890	\$ 279,831	\$ 678,721
2023	436,296	242,829	679,125	518,704	265,372	784,076
2024	468,888	223,356	692,244	531,112	243,526	774,638
2025	494,073	202,287	696,360	560,927	220,513	781,440
2026	511,665	179,989	691,654	573,335	196,303	769,638
2027 - 2031	2,245,000	623,544	2,868,544	2,640,000	675,688	3,315,688
2032 - 2036	2,205,000	319,769	2,524,769	2,380,000	323,665	2,703,665
2037 - 2041	1,995,000	117,814	2,112,814	1,965,000	114,519	2,079,519
2042	195,000	1,950	196,950	180,000	1,800	181,800
Total	<u><u>\$ 8,877,032</u></u>	<u><u>\$ 2,165,854</u></u>	<u><u>\$ 11,042,886</u></u>	<u><u>\$ 9,747,968</u></u>	<u><u>\$ 2,321,217</u></u>	<u><u>\$ 12,069,185</u></u>

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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	Issued	Interest Rate	Issue Date	Maturity Date
G.O. Water Revenue Bonds, Series 2007A	\$ 680,000	\$ 680,000	3.85 - 4.35 %	08/15/07	02/01/23
MPFA - 2014A Water Revenue Bonds	920,313	784,785	1.00	06/02/14	08/20/34
Total G.O. Revenue Bonds					

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
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	43,000	3,990	46,990
2027 - 2031	219,000	13,470	232,470
2032 - 2034	137,000	3,660	140,660
Total	<u>\$ 681,000</u>	<u>\$ 46,381</u>	<u>\$ 727,381</u>

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds payable					
General obligation bonds	\$ -	\$ 890,000	\$ -	\$ 890,000	\$ -
General obligation improvement bonds	5,965,550	3,140,000	(228,518)	8,877,032	326,110
Bond premium	359,990	362,371	(28,053)	694,308	-
Compensated absences payable	<u>33,140</u>	<u>35,305</u>	<u>(28,983)</u>	<u>39,462</u>	<u>13,154</u>
Governmental Activity Long-term Liabilities	<u><u>\$ 6,358,680</u></u>	<u><u>\$ 4,427,676</u></u>	<u><u>\$ (285,554)</u></u>	<u><u>\$ 10,500,802</u></u>	<u><u>\$ 339,264</u></u>
<b>Business-type Activities</b>					
Bonds payable					
General obligation revenue bonds	\$ 777,000	\$ -	\$ (96,000)	\$ 681,000	\$ 96,000
General obligation improvement bonds	7,159,450	2,890,000	(301,482)	9,747,968	398,890
Bond premium	417,522	259,897	(30,145)	647,274	-
Compensated absences payable	<u>30,238</u>	<u>32,213</u>	<u>(26,431)</u>	<u>36,020</u>	<u>10,218</u>
Business-type Activity Long-term Liabilities	<u><u>\$ 8,384,210</u></u>	<u><u>\$ 3,182,110</u></u>	<u><u>\$ (454,058)</u></u>	<u><u>\$ 11,112,262</u></u>	<u><u>\$ 505,108</u></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. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

#### **C. Contributions**

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

##### General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the 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, 2021, 2020 and 2019 were \$67,423, \$64,238 and \$54,253, 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, 2021, the City reported a liability of \$529,536 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 \$16,198. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0124 percent which was an increase of 0.0013 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the City recognized pension expense of \$64,221 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$1,307 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, 2021

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

At December 31, 2021, 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	\$ 2,492	\$ 16,009
Changes in Actuarial Assumptions	323,323	10,005
Net Difference Between Projected and Actual Earnings on Plan Investments	-	462,419
Changes in Proportion	88,603	6,221
Contributions Paid to PERA Subsequent to the Measurement Date	34,144	-
Total	\$ 448,562	\$ 494,654

The \$34,144 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ 16,130
2023	34,725
2024	(6,008)
2025	(125,083)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

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

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	25.00	0.75
International Equity	16.50	5.30
Total	100.00 %	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2021 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.

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**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 one percentage point lower or one percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
	General Employees Fund	\$ 1,079,982	\$ 529,536

**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).

**Note 5: 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, 2020.

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**Note 5: Joint Powers Agreements (Continued)**

South Lake Minnetonka Police Department  
Statement of Net Assets  
December 31, 2020 and 2019

	2020	2019
Assets	\$ 4,417,369	\$ 4,788,210
Deferred Outflows of Resources	891,450	1,370,788
Total Assets and Deferred Outflows of Resources	\$ 5,308,819	\$ 6,158,998
Liabilities	\$ 3,165,932	\$ 3,314,234
Deferred Inflows of Resources	1,208,618	2,006,609
Net Position	934,269	838,155
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 5,308,819	\$ 6,158,998

South Lake Minnetonka Police Department  
Summary Statement of Activities  
For the Years Ended December 31, 2020 and 2019

	2020	2019
Revenues	\$ 3,240,773	\$ 3,280,972
Expenses	3,167,624	2,987,194
Net Revenues	73,149	293,778
General Revenues	22,965	37,857
Change in Net Position	96,114	331,635
Net Position, January 1	838,155	506,520
Net Position, December 31	\$ 934,269	\$ 838,155

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 2021 totaled \$804,648. The Department issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the South Lake Police Department, 24150 Smithtown Road, Shorewood, Minnesota 55331.

**B. Excelsior Fire District**

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

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**Note 5: Joint Powers Agreements (Continued)**

Selected financial information is shown below for the most recent year of audited information, which is December 31, 2021:

Excelsior Fire District  
Statement of Net Assets  
December 31, 2021 and 2020

	2021	2020
Assets	\$ 10,206,288	\$ 9,734,232
Deferred Outflows of Resources	430,414	309,060
Liabilities	1,276,244	2,053,776
Deferred Inflows of Resources	1,559,168	941,296
Net Position	\$ 7,801,290	\$ 7,048,220

Excelsior Fire District  
Summary Statement of Activities  
For the Years Ended December 31, 2021 and 2020

	2021	2020
Charges for Services	\$ 1,939,216	\$ 1,882,871
Operating Grants and Contributions	100	1,190
Expenses	(1,213,752)	(1,368,442)
Net Revenues	725,564	515,619
General Revenues	27,506	46,766
Change in Net Position	753,070	562,385
Net Position, January 1 as Restated	7,048,220	6,485,835
Net Position, December 31	\$ 7,801,290	\$ 7,048,220

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 2021 totaled \$248,724. The District issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Excelsior Fire District, 24100 Smithtown Road, Shorewood, Minnesota 55331.

**C. St. Alban's Bay Lake Improvement District**

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

City of Excelsior, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**Note 6: 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 7: Covid-19**

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

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the 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, 2021

City of Excelsior, Minnesota  
Required Supplementary Information  
December 31, 2021

**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
06/30/21	0.0124 %	\$ 529,536	\$ 16,198	\$ 545,734	\$ 862,230	61.4 %	87.0 %
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	597,559	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)
12/31/2021	\$ 67,423	\$ 67,423	\$ -	\$ 898,969	7.50 %
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, 2021

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

Changes in Actuarial Assumptions

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

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

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

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

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

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

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

City of Excelsior, Minnesota  
Required Supplementary Information (Continued)  
December 31, 2021

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

Changes in Plan Provisions

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

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

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

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

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

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

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

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

City of Excelsior, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2021

	<u>Special Revenue</u>			Total Nonmajor Funds
	<b>205</b>			
	<u>Parking Lot Maintenance</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
<b>Assets</b>				
Cash and temporary investments	\$ 48,282	\$ 893,803	\$ 628,113	\$ 1,570,198
Receivables				
Accounts	-	847	-	847
Special assessments	-	-	611,514	611,514
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<u><u>\$ 48,282</u></u>	<u><u>\$ 894,650</u></u>	<u><u>\$ 1,239,627</u></u>	<u><u>\$ 2,182,559</u></u>
<b>Liabilities</b>				
Accounts payable	\$ 11,794	\$ 273,796	\$ -	\$ 285,590
Accrued salaries payable	466	-	-	466
<b>Total Liabilities</b>	<u>12,260</u>	<u>273,796</u>	<u>-</u>	<u>286,056</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	-	611,204	611,204
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund Balances</b>				
Restricted for				
Debt service	-	-	628,423	628,423
Tax increment financing district	-	27,276	-	27,276
Park improvements	-	593,578	-	593,578
Committed for				
Parking lot maintenance	5,840	-	-	5,840
Assigned for				
Parking lot maintenance	30,182	-	-	30,182
<b>Total Fund Balances</b>	<u>36,022</u>	<u>620,854</u>	<u>628,423</u>	<u>1,285,299</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities, Deferred Inflows     and Fund Balances</b>	<u><u>\$ 48,282</u></u>	<u><u>\$ 894,650</u></u>	<u><u>\$ 1,239,627</u></u>	<u><u>\$ 2,182,559</u></u>

City of Excelsior, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances  
 For the Year Ended December 31, 2021

	<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	\$ -	\$ 218,306	\$ 518,559	\$ 736,865
Intergovernmental	-	-	13,304	13,304
Charges for services	18,381	-	-	18,381
Special assessments	-	-	128,287	128,287
Interest (loss) on investments	(251)	(3,416)	(2,327)	(5,994)
Miscellaneous				
Contributions and donations	-	194,035	-	194,035
Total Revenues	<u>18,130</u>	<u>408,925</u>	<u>657,823</u>	<u>1,084,878</u>
Expenditures				
Current				
Public works	26,089	-	-	26,089
Capital outlay				
Culture and recreation	-	203,495	-	203,495
Housing and economic development	-	233,883	-	233,883
Debt service				
Principal	-	-	228,518	228,518
Interest and other	-	-	188,391	188,391
Total Expenditures	<u>26,089</u>	<u>437,378</u>	<u>416,909</u>	<u>880,376</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,959)	(28,453)	240,914	204,502
Other Financing Sources (Uses)				
Transfers in	-	125,525	-	125,525
Net Change in Fund Balances	(7,959)	97,072	240,914	330,027
Fund Balances, January 1	<u>43,981</u>	<u>523,782</u>	<u>387,509</u>	<u>955,272</u>
Fund Balances, December 31	<u>\$ 36,022</u>	<u>\$ 620,854</u>	<u>\$ 628,423</u>	<u>\$ 1,285,299</u>

City of Excelsior, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 December 31, 2021

	<b>403</b>	<b>407</b>	<b>408</b>
	Park	TIF 1-1	TIF 1-2
	Improvement	Project	Project
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and temporary investments	\$ 599,572	\$ 10,807	\$ 4,957
Receivables			
Accounts	847	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<b><u>\$ 600,419</u></b>	<b><u>\$ 10,807</u></b>	<b><u>\$ 4,957</u></b>
<b>Liabilities</b>			
Accounts payable	\$ 6,841	\$ -	\$ -
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund Balances</b>			
Restricted for			
Tax increment financing district	-	10,807	4,957
Park improvements	593,578	-	-
<b>Total Fund Balances</b>	<b><u>593,578</u></b>	<b><u>10,807</u></b>	<b><u>4,957</u></b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities and</b>			
<b>Fund Balances</b>	<b><u>\$ 600,419</u></b>	<b><u>\$ 10,807</u></b>	<b><u>\$ 4,957</u></b>
	<u>          </u>	<u>          </u>	<u>          </u>

<b>410</b>		
TIF 2-1		
<u>Project</u>	<u>Escrows</u>	<u>Total</u>
\$ 112,917	\$ 165,550	\$ 893,803
-	-	847
<u>\$ 112,917</u>	<u>\$ 165,550</u>	<u>\$ 894,650</u>
<u>\$ 101,405</u>	<u>\$ 165,550</u>	<u>\$ 273,796</u>
11,512	-	27,276
-	-	593,578
<u>11,512</u>	<u>-</u>	<u>620,854</u>
<u>\$ 112,917</u>	<u>\$ 165,550</u>	<u>\$ 894,650</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, 2021

	<b>403</b> Park Improvement	<b>407</b> TIF 1-1 Project	<b>408</b> TIF 1-2 Project
Revenues			
Taxes	\$ -	\$ -	\$ 9,977
Interest (loss) on investments	(2,695)	(168)	(32)
Miscellaneous			
Contributions and donations	194,035	-	-
Total Revenues	<u>191,340</u>	<u>(168)</u>	<u>9,945</u>
Expenditures			
Capital outlay			
Culture and recreation	203,495	-	-
Housing and economic development	-	2,220	29,219
Total Expenditures	<u>203,495</u>	<u>2,220</u>	<u>29,219</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,155)	(2,388)	(19,274)
Other Financing Sources			
Transfers in	<u>100,000</u>	-	<u>25,525</u>
Net Change in Fund Balances	87,845	(2,388)	6,251
Fund Balances, January 1	<u>505,733</u>	<u>13,195</u>	<u>(1,294)</u>
Fund Balances, December 31	<u>\$ 593,578</u>	<u>\$ 10,807</u>	<u>\$ 4,957</u>

<b>410</b>		
TIF 2-1		
<u>Project</u>	<u>Escrows</u>	<u>Total</u>
\$ 208,329	\$ -	\$ 218,306
(521)	-	(3,416)
-	-	194,035
<u>207,808</u>	<u>-</u>	<u>408,925</u>
-	-	203,495
202,444	-	233,883
<u>202,444</u>	<u>-</u>	<u>437,378</u>
5,364	-	(28,453)
-	-	125,525
5,364	-	97,072
6,148	-	523,782
<u>\$ 11,512</u>	<u>\$ -</u>	<u>\$ 620,854</u>

City of Excelsior, Minnesota  
 Nonmajor Debt Service Funds  
 Combining Balance Sheet  
 December 31, 2021

	G.O. Bonds 2010A	G.O. Bonds 2017A	G.O. Bonds 2019A	G.O. Bonds 2020A	G.O. Bonds 2021A	Total
<b>Assets</b>						
Cash and temporary investments	\$ 37,813	\$ 207,470	\$ 239,419	\$ 47,469	\$ 95,942	\$ 628,113
Receivables						
Special assessments	<u>20,454</u>	<u>303,108</u>	<u>129,226</u>	<u>-</u>	<u>158,726</u>	<u>611,514</u>
<b>Total Assets</b>	<u><u>\$ 58,267</u></u>	<u><u>\$ 510,578</u></u>	<u><u>\$ 368,645</u></u>	<u><u>\$ 47,469</u></u>	<u><u>\$ 254,668</u></u>	<u><u>\$ 1,239,627</u></u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - special assessments	\$ 20,375	\$ 302,877	\$ 129,226	\$ -	\$ 158,726	\$ 611,204
<b>Fund Balances</b>						
Restricted for						
Debt service	<u>37,892</u>	<u>207,701</u>	<u>239,419</u>	<u>47,469</u>	<u>95,942</u>	<u>628,423</u>
<b>Total Deferred Inflows of Resources     and Fund Balances</b>	<u><u>\$ 58,267</u></u>	<u><u>\$ 510,578</u></u>	<u><u>\$ 368,645</u></u>	<u><u>\$ 47,469</u></u>	<u><u>\$ 254,668</u></u>	<u><u>\$ 1,239,627</u></u>

City of Excelsior, Minnesota  
 Nonmajor Debt Service Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances  
 For the Year Ended December 31, 2021

	G.O. Bonds 2010A	G.O. Bonds 2017A	G.O. Bonds 2019A	G.O. Bonds 2020A	G.O. Bonds 2021A	Total
<b>Revenues</b>						
Taxes	\$ 100,000	\$ 76,089	\$ 164,898	\$ 89,040	\$ 88,532	\$ 518,559
Intergovernmental	13,304	-	-	-	-	13,304
Special assessments	7,071	62,077	51,499	-	7,640	128,287
Interest (loss) on investments	(201)	(854)	(929)	(113)	(230)	(2,327)
Total Revenues	<u>120,174</u>	<u>137,312</u>	<u>215,468</u>	<u>88,927</u>	<u>95,942</u>	<u>657,823</u>
<b>Expenditures</b>						
Debt service						
Principal	98,518	85,000	45,000	-	-	228,518
Interest and other	29,838	37,612	79,483	41,458	-	188,391
Total Expenditures	<u>128,356</u>	<u>122,612</u>	<u>124,483</u>	<u>41,458</u>	<u>-</u>	<u>416,909</u>
Net Change in Fund Balances	(8,182)	14,700	90,985	47,469	95,942	240,914
Fund Balances, January 1	<u>46,074</u>	<u>193,001</u>	<u>148,434</u>	<u>-</u>	<u>-</u>	<u>387,509</u>
Fund Balances, December 31	<u>\$ 37,892</u>	<u>\$ 207,701</u>	<u>\$ 239,419</u>	<u>\$ 47,469</u>	<u>\$ 95,942</u>	<u>\$ 628,423</u>

City of Excelsior, Minnesota  
 Nonmajor Proprietary Funds  
 Combining Statement of Net Position  
 December 31, 2021

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and temporary investments	\$ 1,126	\$ 49,028	\$ 50,154
Accounts receivable	51,815	21,063	72,878
Total Current Assets	<u>52,941</u>	<u>70,091</u>	<u>123,032</u>
Capital Assets, at Cost	12,665	20,638	33,303
Less Accumulated Depreciation	<u>(12,665)</u>	<u>(10,248)</u>	<u>(22,913)</u>
Net Capital Assets	<u>-</u>	<u>10,390</u>	<u>10,390</u>
Total Assets	<u>52,941</u>	<u>80,481</u>	<u>133,422</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>11,846</u>	<u>5,196</u>	<u>17,042</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	13,281	492	13,773
Due to other governments	2,701	-	2,701
Accrued salaries payable	864	313	1,177
Compensated absences payable	<u>733</u>	<u>285</u>	<u>1,018</u>
Total Current Liabilities	<u>17,579</u>	<u>1,090</u>	<u>18,669</u>
<b>Noncurrent Liabilities</b>			
Compensated absences payable	1,465	570	2,035
Net pension liability	<u>13,984</u>	<u>6,134</u>	<u>20,118</u>
Total Noncurrent Liabilities	<u>15,449</u>	<u>6,704</u>	<u>22,153</u>
Total Liabilities	<u>33,028</u>	<u>7,794</u>	<u>40,822</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>13,063</u>	<u>5,730</u>	<u>18,793</u>
<b>Net Position</b>			
Invested in capital assets	-	10,390	10,390
Unrestricted	<u>18,696</u>	<u>61,763</u>	<u>80,459</u>
Total Net Position	<u>\$ 18,696</u>	<u>\$ 72,153</u>	<u>\$ 90,849</u>

City of Excelsior, Minnesota  
 Nonmajor Proprietary Funds  
 Combining Statement of Revenues, Expenses and  
 Changes in Net Position  
 For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Operating Revenues			
Charges for services	\$ 157,233	\$ 67,105	\$ 224,338
Operating Expenses			
Personnel services	25,985	12,544	38,529
Supplies	-	4,045	4,045
Other services and charges	155,877	31,027	186,904
Depreciation	-	2,299	2,299
Total Operating Expenses	<u>181,862</u>	<u>49,915</u>	<u>231,777</u>
Operating Income (Loss)	<u>(24,629)</u>	<u>17,190</u>	<u>(7,439)</u>
Nonoperating Revenues			
Interest (loss) on investments	(88)	(187)	(275)
Other income	15	103	118
Total Nonoperating Revenues	<u>(73)</u>	<u>(84)</u>	<u>(157)</u>
Change in Net Position	(24,702)	17,106	(7,596)
Net Position, January 1	<u>43,398</u>	<u>55,047</u>	<u>98,445</u>
Net Position, December 31	<u>\$ 18,696</u>	<u>\$ 72,153</u>	<u>\$ 90,849</u>

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City of Excelsior, Minnesota  
 Nonmajor Proprietary Funds  
 Combining Statement of Cash Flows  
 For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 157,398	\$ 67,750	\$ 225,148
Payments to suppliers	(162,705)	(34,985)	(197,690)
Payments to employees	(28,341)	(12,774)	(41,115)
Net Cash Provided (Used) by Operating Activities	(33,648)	19,991	(13,657)
Cash Flows from Investing Activities			
Interest (loss) on investments	(88)	(187)	(275)
Net Increase (Decrease) in Cash and Cash Equivalents	(33,736)	19,804	(13,932)
Cash and Cash Equivalents, January 1	34,862	29,224	64,086
Cash and Cash Equivalents, December 31	<u>\$ 1,126</u>	<u>\$ 49,028</u>	<u>\$ 50,154</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ (24,629)	\$ 17,190	\$ (7,439)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Other income related to operations	15	103	118
Depreciation	-	2,299	2,299
(Increase) decrease in assets/deferred outflows			
Receivables			
Accounts	150	542	692
Prepaid items	-	-	-
Deferred pension resources	(7,773)	(3,580)	(11,353)
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	1,855	87	1,942
Accrued salaries payable	358	122	480
Compensated absences payable	405	247	652
Due to other governments	(8,683)	-	(8,683)
Net pension liability	(7,079)	(2,222)	(9,301)
Other postemployment benefits payable	-	-	-
Deferred pension resources	11,733	5,203	16,936
Net Cash Provided (Used) by Operating Activities	<u>\$ (33,648)</u>	<u>\$ 19,991</u>	<u>\$ (13,657)</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, 2021  
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Taxes					
Property	\$ 1,326,801	\$ 1,326,801	\$ 1,455,323	\$ 128,522	\$ 1,323,815
Franchise	70,750	70,750	70,415	(335)	70,397
Total taxes	<u>1,397,551</u>	<u>1,397,551</u>	<u>1,525,738</u>	<u>128,187</u>	<u>1,394,212</u>
Licenses and permits					
Business	151,780	151,780	166,569	14,789	93,764
Nonbusiness	135,320	135,320	225,095	89,775	97,451
Total licenses and permits	<u>287,100</u>	<u>287,100</u>	<u>391,664</u>	<u>104,564</u>	<u>191,215</u>
Intergovernmental					
Federal					
Other	-	-	-	-	46,912
State					
Other	3,100	3,100	-	(3,100)	-
County					
Highway aid	12,755	12,755	25,137	12,382	2,583
Other	-	-	14,000	14,000	9,177
Total intergovernmental	<u>15,855</u>	<u>15,855</u>	<u>39,137</u>	<u>23,282</u>	<u>58,672</u>
Charges for services					
General government	90,600	90,600	93,264	2,664	86,379
Public works	325,000	325,000	400,626	75,626	245,299
Culture and recreation	24,260	24,260	16,690	(7,570)	2,270
Other charges	2,000	2,000	19,479	17,479	-
Total charges for services	<u>441,860</u>	<u>441,860</u>	<u>530,059</u>	<u>88,199</u>	<u>333,948</u>
Fines and forfeitures	<u>90,080</u>	<u>90,080</u>	<u>56,735</u>	<u>(33,345)</u>	<u>64,043</u>
Special assessments	<u>-</u>	<u>-</u>	<u>287</u>	<u>287</u>	<u>158</u>
Interest (loss) on investments	<u>8,000</u>	<u>8,000</u>	<u>(30,010)</u>	<u>(38,010)</u>	<u>27,329</u>
Miscellaneous					
Other	-	-	26,635	26,635	11,940
Contributions and donations	-	-	7	7	-
Refunds and reimbursements	28,550	28,550	24,417	(4,133)	7,682
Total miscellaneous	<u>28,550</u>	<u>28,550</u>	<u>51,059</u>	<u>22,509</u>	<u>19,622</u>
Total Revenues	<u>2,268,996</u>	<u>2,268,996</u>	<u>2,564,669</u>	<u>295,673</u>	<u>2,089,199</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, 2021  
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Legislative					
Personal services	\$ 14,399	\$ 14,399	\$ 14,209	\$ 190	\$ 12,651
Supplies	300	300	-	300	146
Other services and charges	6,530	6,530	10,970	(4,440)	26,265
Total legislative	<u>21,229</u>	<u>21,229</u>	<u>25,179</u>	<u>(3,950)</u>	<u>39,062</u>
City manager / clerk					
Personal services	168,099	168,099	166,366	1,733	125,355
Other services and charges	2,686	2,686	2,338	348	4,098
Total city manager / clerk	<u>170,785</u>	<u>170,785</u>	<u>168,704</u>	<u>2,081</u>	<u>129,453</u>
Elections and voter registration					
Personal services	-	-	-	-	3,766
Supplies	200	200	15	185	2,044
Other services and charges	600	600	1,904	(1,304)	1,177
Total elections and voter registration	<u>800</u>	<u>800</u>	<u>1,919</u>	<u>(1,119)</u>	<u>6,987</u>
Finance					
Personal services	79,776	79,776	84,068	(4,292)	46,905
Other services and charges	2,255	2,255	1,325	930	358
Total finance	<u>82,031</u>	<u>82,031</u>	<u>85,393</u>	<u>(3,362)</u>	<u>47,263</u>
Planning and zoning					
Personal services	84,417	84,417	72,591	11,826	83,867
Supplies	3,500	3,500	12,100	(8,600)	188
Other services and charges	12,150	12,150	77,862	(65,712)	1,898
Total planning and zoning	<u>100,067</u>	<u>100,067</u>	<u>162,553</u>	<u>(62,486)</u>	<u>85,953</u>
Administration					
Supplies	1,575	1,575	7,772	(6,197)	8,987
Other services and charges	315,706	315,706	357,714	(42,008)	321,713
Total administration	<u>317,281</u>	<u>317,281</u>	<u>365,486</u>	<u>(48,205)</u>	<u>330,700</u>
Heritage preservation					
Other services and charges	1,000	1,000	9,143	(8,143)	17,145
Total general government	<u>693,193</u>	<u>693,193</u>	<u>818,377</u>	<u>(125,184)</u>	<u>656,563</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, 2021  
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police protection					
Other services and charges	\$ 824,750	\$ 824,750	\$ 824,075	\$ 675	\$ 795,696
Fire protection					
Other services and charges	250,720	250,720	253,228	(2,508)	232,900
Protective inspection					
Other services and charges	55,000	55,000	52,696	2,304	62,124
Total public safety	1,130,470	1,130,470	1,129,999	471	1,090,720
Public works					
Engineering					
Other services and charges	20,000	20,000	25,897	(5,897)	29,568
Streets					
Personal services	139,670	139,670	130,892	8,778	123,788
Supplies	48,800	48,800	40,519	8,281	64,953
Other services and charges	43,910	43,910	70,364	(26,454)	37,071
Total streets	232,380	232,380	241,775	(9,395)	225,812
Total public works	252,380	252,380	267,672	(15,292)	255,380
Culture and recreation					
Parks					
Personal services	155,922	155,922	164,176	(8,254)	160,486
Supplies	27,300	27,300	17,791	9,509	27,902
Other services and charges	45,381	45,381	67,290	(21,909)	44,734
Total culture and recreation	228,603	228,603	249,257	(20,654)	233,122
Miscellaneous					
Cemetery					
Personal services	22,710	22,710	22,388	322	20,360
Supplies	1,640	1,640	104	1,536	2,282
Other services and charges	1,000	1,000	-	1,000	-
Total miscellaneous	25,350	25,350	22,492	2,858	22,642
Total current	2,329,996	2,329,996	2,487,797	(157,801)	2,258,427

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, 2021  
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 39,000	\$ 39,000	\$ 18,723	\$ 20,277	\$ 25,347
Public works	-	-	455	(455)	456
Culture and recreation	-	-	13,030	(13,030)	-
Total capital outlay	<u>39,000</u>	<u>39,000</u>	<u>32,208</u>	<u>6,792</u>	<u>25,803</u>
Total Expenditures	<u>2,368,996</u>	<u>2,368,996</u>	<u>2,520,005</u>	<u>(151,009)</u>	<u>2,284,230</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>44,664</u>	<u>144,664</u>	<u>(195,031)</u>
Other Financing Sources (Uses)					
Transfers in	100,000	100,000	100,000	-	100,000
Transfers out	<u>-</u>	<u>-</u>	<u>(51,699)</u>	<u>(51,699)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>48,301</u>	<u>(51,699)</u>	<u>100,000</u>
Net Change in Fund Balances	-	-	92,965	92,965	(95,031)
Fund Balances, January 1	<u>1,265,884</u>	<u>1,265,884</u>	<u>1,265,884</u>	<u>-</u>	<u>1,360,915</u>
Fund Balances, December 31	<u>\$ 1,265,884</u>	<u>\$ 1,265,884</u>	<u>\$ 1,358,849</u>	<u>\$ 92,965</u>	<u>\$ 1,265,884</u>

City of Excelsior, Minnesota  
 Summary Financial Report  
 Revenues and Expenditures For General Operations  
 Governmental Funds  
 For the Years Ended December 31, 2021 and 2020

	Total		Percent Increase (Decrease)
	2021	2020	
Revenues			
Taxes	\$ 3,161,906	\$ 2,836,311	11.48 %
Special assessments	163,599	144,299	13.38
Licenses and permits	391,664	191,215	104.83
Intergovernmental	115,912	115,357	0.48
Charges for services	588,848	384,296	53.23
Fines and forfeitures	56,735	64,043	(11.41)
Interest (loss) on investments	(46,457)	131,476	(135.33)
Miscellaneous	261,706	31,268	736.98
	<u>\$ 4,693,913</u>	<u>\$ 3,898,265</u>	20.41 %
Total Revenues	<u>\$ 4,693,913</u>	<u>\$ 3,898,265</u>	20.41 %
Per Capita	\$ 1,993	\$ 1,519	31.20 %
Expenditures			
Current			
General government	\$ 818,377	\$ 656,563	24.65 %
Public safety	1,129,999	1,090,720	3.60
Public works	293,761	283,076	3.77
Culture and recreation	249,257	233,122	6.92
Miscellaneous	22,492	22,642	(0.66)
Capital outlay			
General government	1,384,209	106,984	1,193.85
Public works	2,872,187	2,608,320	10.12
Culture and recreation	1,299,017	152,823	750.01
Housing and economic development	233,883	294,490	(20.58)
Debt service			
Principal payments	228,518	178,518	28.01
Interest and other charges	188,391	140,655	33.94
Bond issuance costs	86,531	45,155	91.63
	<u>\$ 8,806,622</u>	<u>\$ 5,813,068</u>	51.50 %
Total Expenditures	<u>\$ 8,806,622</u>	<u>\$ 5,813,068</u>	51.50 %
Per Capita	\$ 3,740	\$ 2,265	65.07 %
Total Long-term Indebtedness	\$ 10,461,340	\$ 6,325,540	65.38 %
Per Capita	4,442	2,465	80.20
General Fund Balance - December 31	\$ 1,358,849	\$ 1,265,884	7.34 %
Per Capita	577	493	16.96

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 REQUIRED REPORTS

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

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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, 2021, 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 2, 2022.

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**  
Minneapolis, Minnesota  
June 2, 2022

**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, 2021, 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 2, 2022.

**Report on 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

## Report on 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**  
Minneapolis, Minnesota  
June 2, 2022



City of Excelsior, Minnesota  
Schedule of Findings and Responses  
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
<b>2021- 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.
<i>Management Response:</i>	
	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, 2021

<u>Finding</u>	<u>Description</u>
<b>2021-002</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.