



Annual Financial Report

City of Excelsior

Excelsior, Minnesota

For the year ended December 31, 2022



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INTRODUCTORY SECTION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Excelsior, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2022

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Todd Carlson	Mayor	12/31/24
Jennifer Caron	Council Member	12/31/26
Lou Dierking	Council Member	12/31/24
Rob Tyler	Council Member	12/31/26
Ann Hersman	Council Member	12/31/24

APPOINTED

Kristi Luger	City Manager
Jennifer Palmer	Finance Director
Nalisha Williams	Administrative Services Director
Tim Amundsen	Public Works Superintendent
Julia Paulsen Mullin	Community Development Director

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FINANCIAL SECTION
CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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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, 2022, 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, 2022, 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.

Change in Accounting Principle

As described in Note 7 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 87, Leases, for the year ended December 31, 2022. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

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 70 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 included 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 statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2023, 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
May 30, 2023



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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, 2022.

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 as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The increase was supported primarily by charges for services for both the governmental and enterprise funds.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance increased in comparison with the prior year. This increase was mainly due to the issuance of the 2022A Bonds. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the City's discretion.
- Unassigned fund balance in the General fund as shown in the financial analysis of the City's funds section decreased from prior year.
- The City's total debt increased during the current fiscal year. The increase was due to the new issuance of the 2022A General Obligation Bonds.

Overview of the Financial Statements

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

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

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

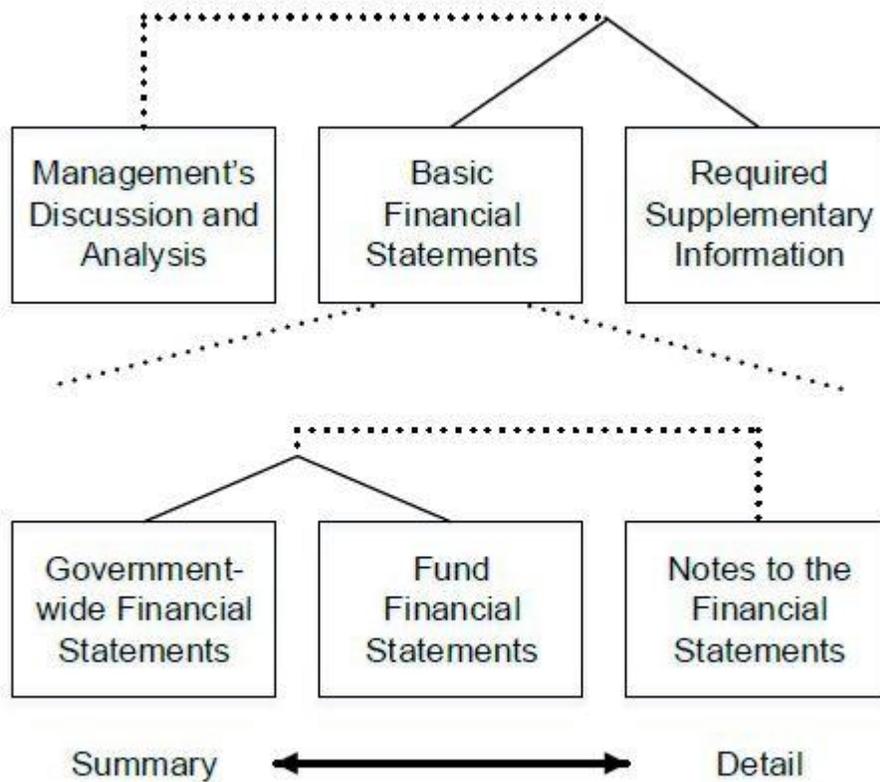


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

The *statement of net position* presents information on all of the City’s assets and 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 41 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 45 of this report.

Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on page 96 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 104 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 \$21,172,424 at the close of the most recent fiscal year.

A portion of the City's net position 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		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Assets						
Current and other assets	\$ 13,498,269	\$ 8,240,704	\$ 5,257,565	\$ 3,387,140	\$ 5,108,507	\$ (1,721,367)
Capital assets	19,497,664	15,599,031	3,898,633	14,522,859	13,402,838	1,120,021
Total Assets	<u>32,995,933</u>	<u>23,839,735</u>	<u>9,156,198</u>	<u>17,909,999</u>	<u>18,511,345</u>	<u>(601,346)</u>
Deferred Outflows of Resources						
Deferred pension resources	<u>209,198</u>	<u>238,521</u>	<u>(29,323)</u>	<u>182,862</u>	<u>210,041</u>	<u>(27,179)</u>
Liabilities						
Noncurrent liabilities						
outstanding	16,297,457	10,782,381	5,515,076	11,092,644	11,360,219	(267,575)
Other liabilities	1,305,599	918,308	387,291	305,725	208,591	97,134
Total Liabilities	<u>17,603,056</u>	<u>11,700,689</u>	<u>5,902,367</u>	<u>11,398,369</u>	<u>11,568,810</u>	<u>(170,441)</u>
Deferred Inflows of Resources						
Lease receivable	1,159,482	-	1,159,482	-	-	-
Deferred pension resources	<u>7,370</u>	<u>263,031</u>	<u>(255,661)</u>	<u>6,598</u>	<u>231,623</u>	<u>(225,025)</u>
Total Deferred Inflows of Resources	<u>1,166,852</u>	<u>263,031</u>	<u>903,821</u>	<u>6,598</u>	<u>231,623</u>	<u>(225,025)</u>
Net Position						
Net investment in capital assets	7,019,159	7,728,262	(709,103)	4,260,930	4,185,465	75,465
Restricted	3,493,978	2,222,397	1,271,581	-	-	-
Unrestricted	<u>3,922,086</u>	<u>2,163,877</u>	<u>1,758,209</u>	<u>2,426,964</u>	<u>2,735,488</u>	<u>(308,524)</u>
Total Net Position	<u>\$ 14,435,223</u>	<u>\$ 12,114,536</u>	<u>\$ 2,320,687</u>	<u>\$ 6,687,894</u>	<u>\$ 6,920,953</u>	<u>\$ (233,059)</u>
Net Position as a Percent of Total						
Net investment in capital assets	48.6 %	63.8 %		63.7 %	60.5 %	
Restricted	24.2	18.3		-	-	
Unrestricted	<u>27.2</u>	<u>17.9</u>		<u>36.3</u>	<u>39.5</u>	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	

An additional portion of the City's net position is restricted for debt service, tax increment district expenditures, Excelsior Commons Park improvements and park improvement expenditures. The remaining balance of *unrestricted net position* 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.

Governmental Activities. Governmental activities increased the City's net position, as shown below. Key elements of this increase are as follows:

City of Excelsior's Changes in Net Position

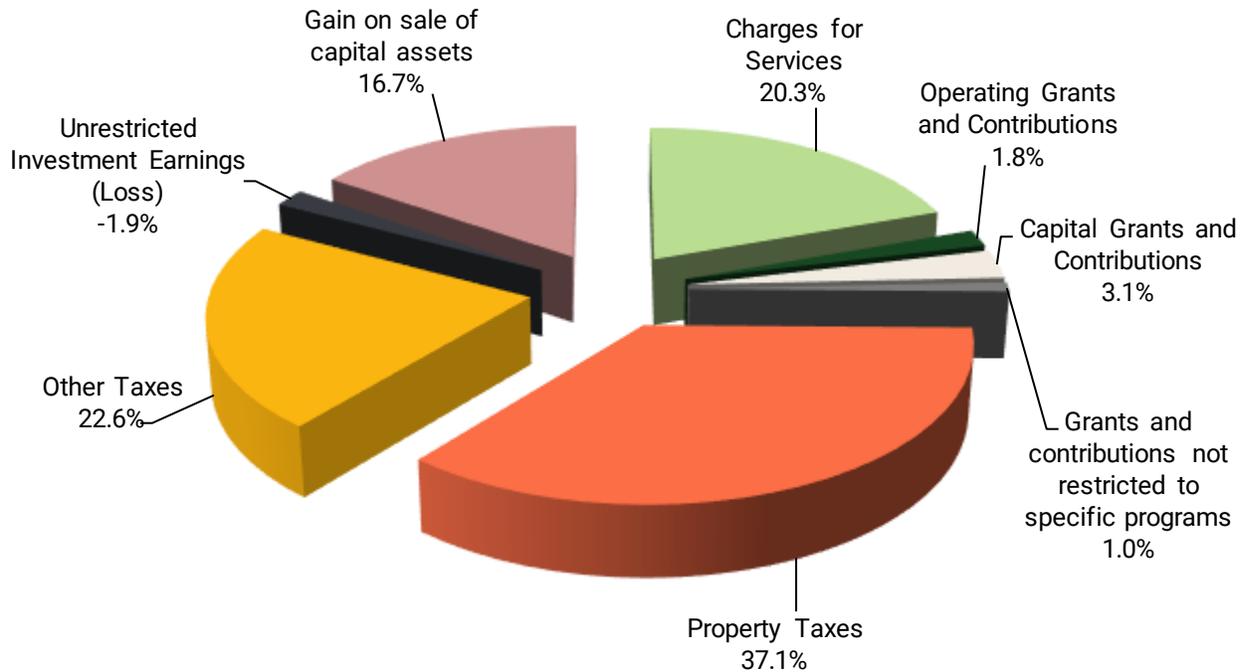
	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 1,207,212	\$ 1,091,548	\$ 115,664	\$ 2,293,438	\$ 2,334,454	\$ (41,016)
Operating grants and contributions	103,700	32,381	71,319	-	-	-
Capital grants and contributions	180,818	469,816	(288,998)	50,400	32,354	18,046
General Revenues						
Property taxes	2,192,053	2,022,373	169,680	-	-	-
Other taxes	1,339,340	1,095,024	244,316	-	-	-
Grants and contributions not restricted to specific programs	56,425	25,832	30,593	2,200	611	1,589
Unrestricted investment earnings (loss)	(112,032)	(46,457)	(65,575)	(91,757)	(13,894)	(77,863)
Gain on sale of assets	946,690	-	946,690	-	-	-
Total Revenues	5,914,206	4,690,517	1,223,689	2,254,281	2,353,525	(99,244)
Expenses						
General government	872,111	958,319	(86,208)	-	-	-
Public safety	1,194,825	1,129,999	64,826	-	-	-
Streets and highways	776,658	726,025	50,633	-	-	-
Culture and recreation	402,301	379,901	22,400	-	-	-
Housing and economic development	208,349	233,883	(25,534)	-	-	-
Miscellaneous	31,412	22,492	8,920	-	-	-
Interest on long-term debt	307,863	282,594	25,269	-	-	-
Water utility	-	-	-	871,804	720,673	151,131
Sewer utility	-	-	-	774,333	707,065	67,268
Solid waste	-	-	-	92,753	181,862	(89,109)
Surface water	-	-	-	236,998	241,707	(4,709)
Street lighting	-	-	-	103,306	49,915	53,391
Commercial docks	-	-	-	208,146	168,373	39,773
Total Expenses	3,793,519	3,733,213	60,306	2,287,340	2,069,595	217,745
Increase in Net Position						
Before Transfers	2,120,687	957,304	1,163,383	(33,059)	283,930	(316,989)
Transfers	200,000	173,826	26,174	(200,000)	(173,826)	(26,174)
Change in Net Position	2,320,687	1,131,130	1,189,557	(233,059)	110,104	(343,163)
Net Position, January 1	12,114,536	10,983,406	1,131,130	6,920,953	6,810,849	110,104
Net Position, December 31	\$ 14,435,223	\$ 12,114,536	\$ 2,320,687	\$ 6,687,894	\$ 6,920,953	\$ (233,059)

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

Expenses and Program Revenues - Governmental Activities

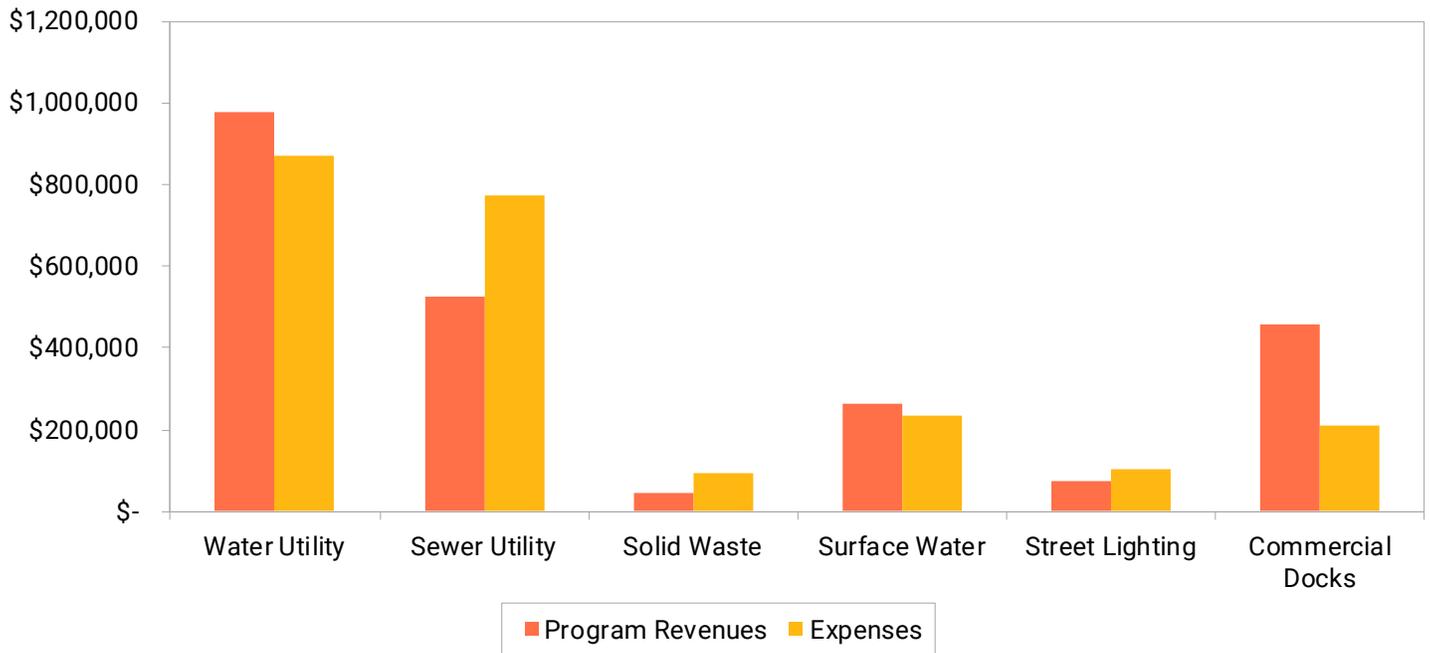


Revenues by Source - Governmental Activities

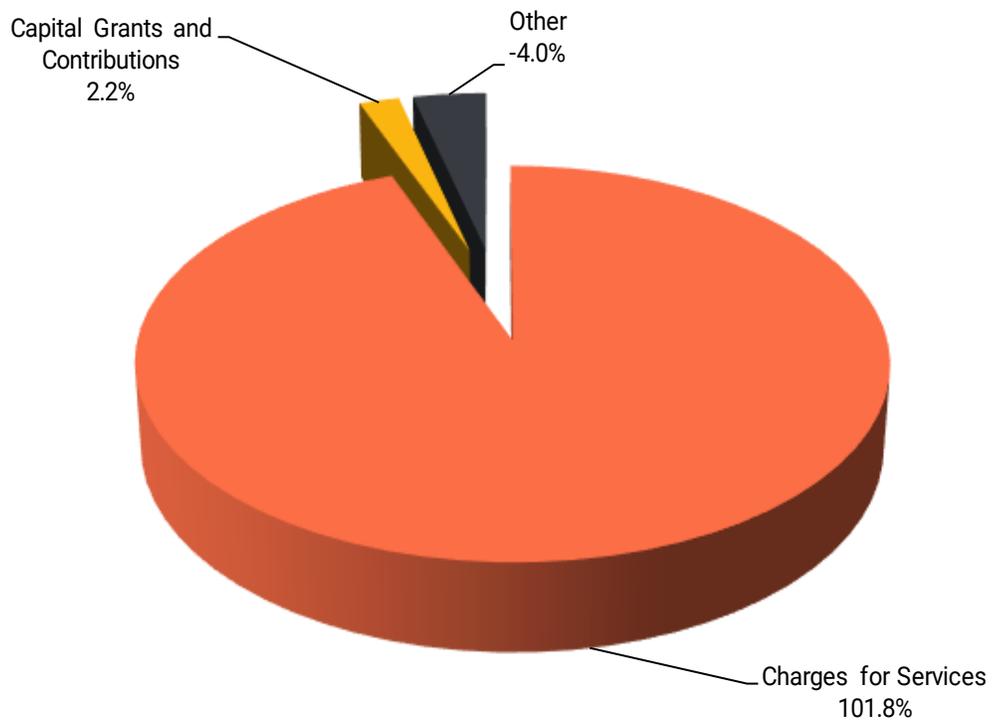


Business-type Activities. Business-type activities decreased the City's net position, as shown in the changes for net position table. Key elements of this decrease are as follows:

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 table below outlines the governmental fund balances for the year ending December 31, 2022.

	General Fund	Capital Improvement	Commons Sales Tax	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,675	\$ (1,675)
Restricted	-	104,049	4,654,785	1,509,890	6,268,724	4,318,033	1,950,691
Committed	106,524	-	-	-	106,524	85,063	21,461
Assigned	-	2,734,317	-	75,443	2,809,760	947,611	1,862,149
Unassigned	1,256,144	-	-	-	1,256,144	1,277,951	(21,807)
	<u>\$ 1,362,668</u>	<u>\$ 2,838,366</u>	<u>\$ 4,654,785</u>	<u>\$ 1,585,333</u>	<u>\$ 10,441,152</u>	<u>\$ 6,630,333</u>	<u>\$ 3,810,819</u>

The General Fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 7,879	\$ 1,675	\$ 6,204
Committed	106,524	79,223	27,301
Unassigned	1,256,144	1,277,951	(21,807)
	<u>\$ 1,370,547</u>	<u>\$ 1,358,849</u>	<u>\$ 11,698</u>
General Fund expenditures	\$ 2,586,297	\$ 2,520,005	
Unassigned as a percent of expenditures	48.6%	50.7%	
Total Fund Balance as a percent of expenditures	53.0%	53.9%	

The fund balance of the City's General fund increased during the current fiscal year as shown in the table above. The increase in fund balance was due to revenues in excess of expenditures.

Other major governmental fund analysis is shown below:

	December 31, 2022	December 31, 2021	Increase (Decrease)
Capital Improvement fund	\$ 2,838,366	3,508,000	(669,634)
<i>The Capital Improvement fund decrease in fund balance during the year was due to capital outlay expenditures related to the 2021 Street Project and East Parking Lot Project.</i>			
Commons Sales Tax fund	\$ 4,654,785	478,185	4,176,600
<i>The Commons Sales Tax fund balance increased during the year due to issuing bonds for future project costs related to the Commons Project.</i>			

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City's proprietary funds increased or (decreased) as follows:

	Ending Net Position 2022	Ending Net Position 2021	Increase/ (Decrease)
Water	\$ 2,988,088	\$ 2,911,036	\$ 77,052
<i>The increase primarily is attributed to the collection of charges for services during the year greater than operating expenses.</i>			
Sewer	2,705,911	2,993,544	(287,633)
<i>The decrease primarily is attributed to operating expenses and interest related to debt in excess of charges for services.</i>			
Commercial Docks	427,233	388,551	38,682
<i>The increase primarily is attributed to the collection of charges for services during the year greater than operating expenses, offset by a transfer out to other funds.</i>			
Surface Water Management	553,575	536,973	16,602
<i>The surface water fund activity remained consistent with prior year activity.</i>			

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 2,432,920	\$ -	\$ 2,432,920	\$ 2,703,676	\$ 270,756
Expenditures	2,632,920	-	2,632,920	2,586,297	46,623
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200,000)	-	(200,000)	117,379	317,379
Other Financing Sources (Uses)					
Transfers in	200,000	-	200,000	200,000	-
Transfers out	-	-	-	(305,681)	(305,681)
Total Other Financing Sources (Uses)	200,000	-	200,000	(105,681)	(305,681)
Net Change in Fund Balances	-	-	-	11,698	11,698
Fund Balances, January 1	1,358,849	-	1,358,849	1,358,849	-
Fund Balances, December 31	\$ 1,358,849	\$ -	\$ 1,358,849	\$ 1,370,547	\$ 11,698

The City's General fund budget projected no change in fund balance, but actual amounts for 2022 resulted in an increase in fund balance as shown above.

Overall, revenues were over the budgeted amount due in large part to charges for services and licenses and permits being over budget, offset by interest earned on investments being less than budgeted.

Expenditures were under budget due in large part to culture and recreation expenditures being under budget, in particular related to personal services.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, is shown below in the capital assets table (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 during the year as shown below.

Major capital asset activity during the current year included:

- The City completed East Parking Lot Improvement project.
- The 2021 Street and Utility Project continued during the year.
- The Commons Concessions project began during the year.

Additional information on the City's capital assets can be found in Note 3C starting on page 56 of this report.

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

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Land	\$ 1,111,042	\$ 1,111,042	\$ -	\$ 50,000	\$ 50,000	\$ -
Construction in Progress	5,036,156	1,802,103	3,234,053	2,579,988	1,316,208	1,263,780
Buildings	1,248,755	1,342,359	(93,604)	-	-	-
Improvement other than Building	11,186,175	10,338,185	847,990	-	-	-
Machinery and Equipment	324,697	338,499	(13,802)	352,800	401,672	(48,872)
Infrastructure	590,839	666,843	(76,004)	11,540,071	11,634,958	(94,887)
Total	\$ 19,497,664	\$ 15,599,031	\$ 3,898,633	\$ 14,522,859	\$ 13,402,838	\$ 1,120,021
Percent increase (decrease)			24.99%			8.36%

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of consisting of revenue bonds and improvement bonds as noted in the table below. 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		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
G.O. Revenue Bonds	\$ 6,270,000	\$ 890,000	\$ 5,380,000	\$ 585,000	\$ 681,000	\$ (96,000)
G.O. Improvement Bonds	8,550,922	8,877,032	(326,110)	9,349,078	9,747,968	(398,890)
Bond Premium	841,908	694,308	147,600	609,547	647,274	(37,727)
Total	\$ 15,662,830	\$10,461,340	\$ 5,201,490	\$ 10,543,625	\$ 11,076,242	\$ (532,617)
Percent increase (decrease)			49.72%			-4.81%

The City's total debt increased 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 3E starting on page 58 of this report.

Economic Factors and Next Year's Budgets and Rates

- Preliminary property valuations increased again in 2022 for taxes payable 2023. Property values overall are increasing about 14.57 percent within the City.
- The 2022 budget includes a 7.0 percent, or \$152,371, 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Excelsior, Minnesota
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash temporary investments	\$ 7,021,372	\$ 2,603,919	\$ 9,625,291
Restricted cash and cash temporary investments	4,475,623	281,696	4,757,319
Receivables			
Interest	8,840	-	8,840
Lease interest receivable	17,750	-	17,750
Accounts	22,620	386,958	409,578
Delinquent taxes	40,150	-	40,150
Special assessments	673,495	43,811	717,306
Lease	1,167,361	-	1,167,361
Due from other governments	71,058	-	71,058
Prepaid items	-	70,756	70,756
Land and construction in progress	6,147,198	2,629,988	8,777,186
Depreciable infrastructure, buildings, property and equipment, net	13,350,466	11,892,871	25,243,337
Total Assets	32,995,933	17,909,999	50,905,932
Deferred Outflows of Resources			
Deferred pension resources	209,198	182,862	392,060
Liabilities			
Accounts payable	812,590	165,763	978,353
Accrued salaries payable	12,841	15,354	28,195
Accrued interest payable	115,520	116,158	231,678
Due to other governments	7,768	8,450	16,218
Unearned revenue	356,880	-	356,880
Noncurrent liabilities			
Due within one year			
Compensated absences payable	17,930	14,027	31,957
Bonds payable	991,296	620,704	1,612,000
Due in more than one year			
Compensated absences payable	41,836	32,731	74,567
Net pension liability	574,861	502,261	1,077,122
Bonds payable, net	14,671,534	9,922,921	24,594,455
Total Liabilities	17,603,056	11,398,369	29,001,425
Deferred Inflows of Resources			
Deferred lease resources	1,159,482	-	1,159,482
Deferred pension resources	7,370	6,598	13,968
Total Deferred Inflows of Resources	1,166,852	6,598	1,173,450
Net Position			
Net investment in capital assets	7,019,159	4,260,930	11,280,089
Restricted for			
Debt service	1,114,985	-	1,114,985
Tax increment financing district	26,034	-	26,034
Excelsior Commons improvements	1,574,509	-	1,574,509
Park improvements	778,450	-	778,450
Unrestricted	3,922,086	2,426,964	6,349,050
Total Net Position	\$ 14,435,223	\$ 6,687,894	\$ 21,123,117

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, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 872,111	\$ 181,875	\$ -	\$ -
Public safety	1,194,825	507,138	-	-
Public works	776,658	418,721	103,700	166,807
Culture and recreation	402,301	99,478	-	-
Housing and economic development	208,349	-	-	-
Miscellaneous	31,412	-	-	-
Interest on long-term debt	307,863	-	-	14,011
Total Governmental Activities	<u>3,793,519</u>	<u>1,207,212</u>	<u>103,700</u>	<u>180,818</u>
Business-type Activities				
Water utility	871,804	945,997	-	33,300
Sewer utility	774,333	508,580	-	17,100
Solid waste	92,753	44,331	-	-
Surface water	236,998	263,153	-	-
Street lighting	103,306	75,309	-	-
Commercial docks	208,146	456,068	-	-
Total Business-type Activities	<u>2,287,340</u>	<u>2,293,438</u>	<u>-</u>	<u>50,400</u>
Total	<u>\$ 6,080,859</u>	<u>\$ 3,500,650</u>	<u>\$ 103,700</u>	<u>\$ 231,218</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)

Gain on sale of capital assets

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
\$ (690,236)	\$ -	\$ (690,236)
(687,687)	-	(687,687)
(87,430)	-	(87,430)
(302,823)	-	(302,823)
(208,349)	-	(208,349)
(31,412)	-	(31,412)
(293,852)	-	(293,852)
<u>(2,301,789)</u>	<u>-</u>	<u>(2,301,789)</u>
-	107,493	107,493
-	(248,653)	(248,653)
-	(48,422)	(48,422)
-	26,155	26,155
-	(27,997)	(27,997)
-	247,922	247,922
<u>-</u>	<u>56,498</u>	<u>56,498</u>
<u>(2,301,789)</u>	<u>56,498</u>	<u>(2,245,291)</u>
1,611,624	-	1,611,624
580,429	-	580,429
211,404	-	211,404
1,074,921	-	1,074,921
53,015	-	53,015
56,425	2,200	58,625
(112,032)	(91,757)	(203,789)
946,690	-	946,690
200,000	(200,000)	-
<u>4,622,476</u>	<u>(289,557)</u>	<u>4,332,919</u>
2,320,687	(233,059)	2,087,628
<u>12,114,536</u>	<u>6,920,953</u>	<u>19,035,489</u>
<u>\$ 14,435,223</u>	<u>\$ 6,687,894</u>	<u>\$ 21,123,117</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, 2022

City of Excelsior, Minnesota
Balance Sheet
Governmental Funds
December 31, 2022

	General	Capital Improvement	Commons Sales Tax	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 1,493,744	\$ 2,876,101	\$ 698,934	\$ 1,952,593	\$ 7,021,372
Restricted cash and temporary investments	-	565,532	3,910,091	-	4,475,623
Receivables					
Interest	8,840	-	-	-	8,840
Lease interest	17,750	-	-	-	17,750
Accounts	19,543	-	-	3,077	22,620
Delinquent taxes	40,150	-	-	-	40,150
Special assessments	-	138,341	-	535,154	673,495
Lease	1,167,361	-	-	-	1,167,361
Due from other governments	-	-	64,696	6,362	71,058
Total Assets	<u>\$ 2,747,388</u>	<u>\$ 3,579,974</u>	<u>\$ 4,673,721</u>	<u>\$ 2,497,186</u>	<u>\$ 13,498,269</u>
Liabilities					
Accounts payable	\$ 69,489	\$ 347,816	\$ 18,936	\$ 376,349	\$ 812,590
Accrued salaries payable	12,334	-	-	507	12,841
Due to other governments	7,768	-	-	-	7,768
Unearned revenue	101,160	255,720	-	-	356,880
Total Liabilities	<u>190,751</u>	<u>603,536</u>	<u>18,936</u>	<u>376,856</u>	<u>1,190,079</u>
Deferred Inflows of Resources					
Deferred lease resources	1,159,482	-	-	-	1,159,482
Unavailable revenue - special assessments	-	138,072	-	534,997	673,069
Unavailable revenue - property taxes	26,608	-	-	-	26,608
Total Deferred Inflows of Resources	<u>1,186,090</u>	<u>138,072</u>	<u>-</u>	<u>534,997</u>	<u>1,859,159</u>
Fund Balances					
Lease resources	7,879	-	-	-	7,879
Restricted for					
Debt service	-	-	-	705,406	705,406
Tax increment financing district	-	-	-	26,034	26,034
Excelsior Commons improvements	-	-	4,654,785	-	4,654,785
Park improvements	-	-	-	778,450	778,450
Public improvements	-	104,049	-	-	104,049
Committed for					
Compensated absences	106,524	-	-	-	106,524
Assigned for					
Capital improvements	-	2,505,562	-	-	2,505,562
Parking improvements	-	228,755	-	-	228,755
Parking lot maintenance	-	-	-	75,443	75,443
Unassigned	1,256,144	-	-	-	1,256,144
Total Fund Balances	<u>1,370,547</u>	<u>2,838,366</u>	<u>4,654,785</u>	<u>1,585,333</u>	<u>10,449,031</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,747,388</u>	<u>\$ 3,579,974</u>	<u>\$ 4,673,721</u>	<u>\$ 2,497,186</u>	<u>\$ 13,498,269</u>

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

City of Excelsior, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2022

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

Total Fund Balances - Governmental	\$ 10,449,031
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	23,146,134
Less: accumulated depreciation	(3,648,470)
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	(59,766)
Bond principal payable	(14,820,922)
Plus premium on bonds issued	(841,908)
Net pension liability	(574,861)
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	26,608
Special assessments receivable	673,069
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	209,198
Deferred inflows of pension resources	(7,370)
Governmental funds do not report a liability for accrued interest until due and payable.	(115,520)
Total Net Position - Governmental Activities	\$ 14,435,223

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, 2022

	General	Capital Improvement	Commons Sales Tax	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,626,557	\$ 49,000	\$ 1,074,921	\$ 791,833	\$ 3,542,311
Licenses and permits	394,732	-	-	-	394,732
Intergovernmental	29,033	-	-	14,011	43,044
Charges for services	597,991	30,146	-	102,192	730,329
Fines and forfeitures	70,583	-	-	-	70,583
Special assessments	443	28,447	-	115,815	144,705
Interest (loss) on investments	(58,620)	(22,937)	24,008	(54,483)	(112,032)
Miscellaneous	42,957	83,051	-	133,972	259,980
Total Revenues	<u>2,703,676</u>	<u>167,707</u>	<u>1,098,929</u>	<u>1,103,340</u>	<u>5,073,652</u>
Expenditures					
Current					
General government	758,223	-	-	-	758,223
Public safety	1,194,825	-	-	-	1,194,825
Public works	307,928	-	-	48,932	356,860
Culture and recreation	281,200	-	-	-	281,200
Miscellaneous	31,412	-	-	-	31,412
Capital outlay					
General government	12,519	22,003	-	-	34,522
Public works	190	2,114,514	-	9,931	2,124,635
Culture and recreation	-	-	2,313,131	38,170	2,351,301
Housing and economic development	-	-	-	208,349	208,349
Debt service					
Principal	-	-	-	326,110	326,110
Interest and other	-	-	83,005	284,921	367,926
Total Expenditures	<u>2,586,297</u>	<u>2,136,517</u>	<u>2,396,136</u>	<u>916,413</u>	<u>8,035,363</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>117,379</u>	<u>(1,968,810)</u>	<u>(1,297,207)</u>	<u>186,927</u>	<u>(2,961,711)</u>
Other Financing Sources (Uses)					
Transfers in	200,000	305,681	-	113,107	618,788
Bonds issued	-	-	5,380,000	-	5,380,000
Premiums on bonds issued	-	-	206,914	-	206,914
Sale of capital assets	-	993,495	-	-	993,495
Transfers out	(305,681)	-	(113,107)	-	(418,788)
Total Other Financing Sources (Uses)	<u>(105,681)</u>	<u>1,299,176</u>	<u>5,473,807</u>	<u>113,107</u>	<u>6,780,409</u>
Net Change in Fund Balances	11,698	(669,634)	4,176,600	300,034	3,818,698
Fund Balances, January 1	<u>1,358,849</u>	<u>3,508,000</u>	<u>478,185</u>	<u>1,285,299</u>	<u>6,630,333</u>
Fund Balances, December 31	<u>\$ 1,370,547</u>	<u>\$ 2,838,366</u>	<u>\$ 4,654,785</u>	<u>\$ 1,585,333</u>	<u>\$ 10,449,031</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, 2022

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

Net Change in Fund Balances - Governmental Funds	\$ 3,818,698
<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	4,382,527
Depreciation expense	(437,089)
<p>Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.</p>	
Gain (loss) on sale of capital assets	(46,805)
<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	326,110
Debt issued or incurred	(5,380,000)
Premium on bonds issued	(206,914)
Amortization of bond premium	59,314
<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>	
	749
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(69,463)
Pension revenue from State contributions	2,519
<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	(20,304)
<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	(10,918)
Special assessments	(97,737)
	\$ 2,320,687
Change in Net Position - Governmental Activities	\$ 2,320,687

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

City of Excelsior, Minnesota
 Statements of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 General Fund
 For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,597,038	\$ 1,597,038	\$ 1,626,557	\$ 29,519
Licenses and permits	331,714	331,714	394,732	63,018
Intergovernmental	-	-	29,033	29,033
Charges for services	472,668	472,668	597,991	125,323
Fines and forfeitures	2,500	2,500	70,583	68,083
Special assessments	-	-	443	443
Interest (loss) on investments	5,000	5,000	(58,620)	(63,620)
Miscellaneous	24,000	24,000	42,957	18,957
Total Revenues	<u>2,432,920</u>	<u>2,432,920</u>	<u>2,703,676</u>	<u>270,756</u>
Expenditures				
Current				
General government	750,933	750,933	758,223	(7,290)
Public safety	1,202,808	1,202,808	1,194,825	7,983
Public works	269,841	269,841	307,928	(38,087)
Culture and recreation	361,327	361,327	281,200	80,127
Miscellaneous	30,011	30,011	31,412	(1,401)
Capital outlay	18,000	18,000	12,709	5,291
Total Expenditures	<u>2,632,920</u>	<u>2,632,920</u>	<u>2,586,297</u>	<u>46,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(200,000)</u>	<u>(200,000)</u>	<u>117,379</u>	<u>317,379</u>
Other Financing Sources (Uses)				
Transfers in	200,000	200,000	200,000	-
Transfers out	-	-	(305,681)	(305,681)
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>200,000</u>	<u>(105,681)</u>	<u>(305,681)</u>
Net Change in Fund Balances	-	-	11,698	11,698
Fund Balances, January 1	<u>1,358,849</u>	<u>1,358,849</u>	<u>1,358,849</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,358,849</u>	<u>\$ 1,358,849</u>	<u>\$ 1,370,547</u>	<u>\$ 11,698</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, 2022

	Business-type Activities - Enterprise Funds			Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks	Surface Water Management	Other Proprietary Funds	Totals
Assets						
Current Assets						
Cash and temporary investments	\$ 922,760	\$ 1,073,015	\$ 295,002	\$ 270,296	\$ 42,846	\$ 2,603,919
Restricted cash and temporary investments	121,843	109,045	-	50,808	-	281,696
Receivables						
Accounts	209,296	153,490	3,045	-	22,210	388,041
Special assessments	42,471	257	-	-	-	42,728
Prepaid items	9,906	10,613	40,331	-	9,906	70,756
Total Current Assets	1,306,276	1,346,420	338,378	321,104	74,962	3,387,140
Capital Assets, at Cost	9,695,523	6,424,677	646,481	2,481,832	33,303	19,281,816
Less Accumulated Depreciation	(2,614,659)	(1,375,291)	(495,242)	(248,553)	(25,212)	(4,758,957)
Net Capital Assets	7,080,864	5,049,386	151,239	2,233,279	8,091	14,522,859
Total Assets	8,387,140	6,395,806	489,617	2,554,383	83,053	17,909,999
Deferred Outflows of Resources						
Deferred pension resources	51,491	55,171	32,742	25,115	18,343	182,862
Liabilities						
Current Liabilities						
Accounts payable	74,113	52,003	1,598	34,851	3,198	165,763
Accrued salaries payable	4,532	4,813	2,590	2,027	1,392	15,354
Compensated absences payable	3,647	4,050	2,599	2,469	1,262	14,027
Accrued interest payable	54,056	40,016	-	22,086	-	116,158
Due to other governments	5,240	-	-	-	3,210	8,450
Bonds payable, current portion	361,118	165,129	-	94,457	-	620,704
Total Current Liabilities	502,706	266,011	6,787	155,890	9,062	940,456
Noncurrent Liabilities						
Compensated absences payable	8,509	9,451	6,065	5,761	2,945	32,731
Bonds payable, net of current portion	4,796,077	3,325,767	-	1,801,077	-	9,922,921
Net pension liability	141,434	141,871	81,108	62,300	75,548	502,261
Total Noncurrent Liabilities	4,946,020	3,477,089	87,173	1,869,138	78,493	10,457,913
Total Liabilities	5,448,726	3,743,100	93,960	2,025,028	87,555	11,398,369
Deferred Inflows of Resources						
Deferred pension resources	1,817	1,966	1,166	895	754	6,598
Net Position						
Net investment in capital assets	2,045,512	1,667,535	151,239	388,553	8,091	4,260,930
Unrestricted	942,576	1,038,376	275,994	165,022	4,996	2,426,964
Total Net Position	\$ 2,988,088	\$ 2,705,911	\$ 427,233	\$ 553,575	\$ 13,087	\$ 6,687,894

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, 2022

	Business-type Activities - Enterprise Funds			Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks	Surface Water Management	Other Proprietary Funds	Totals
Operating Revenues						
Charges for services	\$ 931,158	\$ 503,421	\$ 456,068	\$ 263,153	\$ 118,449	\$ 2,272,249
Operating Expenses						
Personnel services	211,585	215,537	124,869	99,161	103,979	755,131
Supplies	62,438	8,939	4,367	1,280	5,539	82,563
Other services and charges	254,263	313,802	60,434	44,414	84,242	757,155
Depreciation	224,290	153,281	18,476	46,174	2,299	444,520
Total Operating Expenses	752,576	691,559	208,146	191,029	196,059	2,039,369
Operating Income (Loss)	178,582	(188,138)	247,922	72,124	(77,610)	232,880
Nonoperating Revenues (Expenses)						
Interest (loss) on investments	(31,061)	(39,643)	(9,542)	(9,714)	(1,797)	(91,757)
Special assessments	-	-	-	-	1,191	1,191
Interest expense and other	(119,228)	(82,774)	-	(45,969)	-	(247,971)
Other income	15,459	5,822	302	161	454	22,198
Total Nonoperating Revenues (Expenses)	(134,830)	(116,595)	(9,240)	(55,522)	(152)	(316,339)
Income (Loss) Before Contributions and Transfers	43,752	(304,733)	238,682	16,602	(77,762)	(83,459)
Transfers Out	-	-	(200,000)	-	-	(200,000)
Capital Contributions	33,300	17,100	-	-	-	50,400
Change in Net Position	77,052	(287,633)	38,682	16,602	(77,762)	(233,059)
Net Position, January 1	2,911,036	2,993,544	388,551	536,973	90,849	6,920,953
Net Position, December 31	\$ 2,988,088	\$ 2,705,911	\$ 427,233	\$ 553,575	\$ 13,087	\$ 6,687,894

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

City of Excelsior, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks	Surface Water Management	Other Proprietary Funds	Totals
Cash Flows from Operating Activities						
Receipts from customers and users	\$ 958,471	\$ 630,863	\$ 453,325	\$ 263,314	\$ 170,762	\$ 2,476,735
Payments to suppliers	(309,143)	(329,393)	(117,086)	(41,844)	(109,753)	(907,219)
Payments to employees	(193,604)	(208,456)	(122,252)	(94,810)	(66,520)	(685,642)
Net Cash Provided (Used) by Operating Activities	<u>455,724</u>	<u>93,014</u>	<u>213,987</u>	<u>126,660</u>	<u>(5,511)</u>	<u>883,874</u>
Cash Flows from Noncapital Financing Activities						
Transfers to other funds	-	-	(200,000)	-	-	(200,000)
Cash Flows from Capital Financing Activities						
Connection fees	33,300	17,100	-	-	-	50,400
Acquisition of capital assets	(576,877)	(556,246)	-	(320,657)	-	(1,453,780)
Interest paid on bonds	(139,317)	(96,795)	-	(53,635)	-	(289,747)
Principal paid on bonds	(304,446)	(117,707)	-	(72,737)	-	(494,890)
Net Cash Provided (Used) by Capital Financing Activities	<u>(987,340)</u>	<u>(753,648)</u>	<u>-</u>	<u>(447,029)</u>	<u>-</u>	<u>(2,188,017)</u>
Cash Flows from Investing Activities						
Interest received (loss) on investments	(31,061)	(39,643)	(9,542)	(9,714)	(1,797)	(91,757)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(562,677)</u>	<u>(700,277)</u>	<u>4,445</u>	<u>(330,083)</u>	<u>(7,308)</u>	<u>(1,595,900)</u>
Cash and Cash Equivalents, January 1	<u>1,607,280</u>	<u>1,882,337</u>	<u>290,557</u>	<u>651,187</u>	<u>50,154</u>	<u>4,481,515</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,044,603</u>	<u>\$ 1,182,060</u>	<u>\$ 295,002</u>	<u>\$ 321,104</u>	<u>\$ 42,846</u>	<u>\$ 2,885,615</u>
Reconciliation to the Proprietary Funds Statement of Net Position						
Cash and temporary investments	\$ 922,760	\$ 1,073,015	\$ 295,002	\$ 270,296	\$ 42,846	\$ 2,603,919
Restricted cash and temporary investments	121,843	109,045	-	50,808	-	281,696
Total Cash and Cash Equivalents	<u>\$ 1,044,603</u>	<u>\$ 1,182,060</u>	<u>\$ 295,002</u>	<u>\$ 321,104</u>	<u>\$ 42,846</u>	<u>\$ 2,885,615</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ 178,582	\$ (188,138)	\$ 247,922	\$ 72,124	\$ (77,610)	\$ 232,880
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Other income (loss) related to operations	15,459	5,822	302	161	1,645	23,389
Depreciation	224,290	153,281	18,476	46,174	2,299	444,520
(Increase) decrease in assets/deferred outflows						
Receivables						
Accounts	48,325	121,437	(3,045)	-	50,668	217,385
Special assessments	(36,471)	183	-	-	-	(36,288)
Prepaid items	(9,551)	4,158	(40,331)	-	(9,906)	(55,630)
Deferred pension resources	9,283	26,961	533	(8,297)	(1,301)	27,179
Increase (decrease) in liabilities/deferred inflows						
Accounts payable	17,804	(10,810)	(754)	3,850	(10,575)	(485)
Accrued salaries payable	754	771	351	202	215	2,293
Compensated absences payable	3,461	(302)	2,954	3,471	1,154	10,738
Due to other governments	(695)	-	-	-	509	(186)
Unearned revenue	-	-	(11,200)	-	-	(11,200)
Net pension liability	69,687	73,889	32,492	22,806	55,430	254,304
Deferred pension resources	(65,204)	(94,238)	(33,713)	(13,831)	(18,039)	(225,025)
Net Cash Provided (Used) by Operating Activities	<u>\$ 455,724</u>	<u>\$ 93,014</u>	<u>\$ 213,987</u>	<u>\$ 126,660</u>	<u>\$ (5,511)</u>	<u>\$ 883,874</u>
Schedule of Noncash Capital and Financing Activities						
Amortization of bond premium	\$ 17,263	\$ 13,334	\$ -	\$ 7,130	\$ -	\$ 37,727
Capital assets acquired on account	<u>\$ 45,513</u>	<u>\$ 42,742</u>	<u>\$ -</u>	<u>\$ 22,506</u>	<u>\$ -</u>	<u>\$ 110,761</u>

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

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City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

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, 2022

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.

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.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

The City has the following recurring fair value measurements as of December 31, 2022:

- U.S. Government securities and Treasury notes of \$5,904,263 are valued using quoted market prices (Level 1 inputs)
- Brokered Certificates of Deposit and local government bonds of \$3,782,134 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 \$4,757,319 to be drawn from restricted cash accounts to reimburse the City and pay for 2021 and 2022 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 2022. 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.

Lease Receivable

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

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

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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	\$ 213,418

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 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 also recognizes a deferred lease receivable, which is reported under both the modified accrual and full accrual basis.

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.

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.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Deficit Fund Equity

As of December 31, 2022, the following fund had a deficit balance. The deficit will be funded with future delinquent collections and transfers from other funds.

Fund	Amount
Solid Waste	\$ 29,674

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

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.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$3,034,118 and the bank balance was \$3,649,043. Of the bank balance, \$384,381 was covered by federal depository insurance. The remaining balance was covered by collateral held in the City's name.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Investments

As of December 31, 2022, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name:

Types of Investments	Credit Quality/ Rating (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Cost						
Broker Money Market	N/A	less than 6 months	\$ 1,661,895			
Non-pooled Investments						
U.S. Government Securities	AAA	less than 1 year	637,942	\$ 637,942	\$ -	\$ -
U.S. Treasury Notes	N/A	less than 1 year	5,157,572	5,157,572	-	-
Local Government Bonds	AA	less than 1 year	108,749	108,749	-	-
Brokered Certificates of Deposit	N/A	less than 1 year	1,807,093	-	1,807,093	-
Brokered Certificates of Deposit	N/A	1 to 5 years	1,567,498	-	1,567,498	-
Brokered Certificates of Deposit	N/A	more than 5 years	407,543	-	407,543	-
Total Investments			<u>\$ 11,348,292</u>	<u>\$ 5,904,263</u>	<u>\$ 3,782,134</u>	<u>\$ -</u>

(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.

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

Carrying Amount of Deposits	\$ 3,034,118
Investments	11,348,292
Cash on Hand	<u>200</u>
Total	<u>\$ 14,382,610</u>
Statement of Net Position	
Cash and Temporary Investments	\$ 9,625,291
Restricted Cash and Temporary Investments	<u>4,757,319</u>
Total	<u>\$ 14,382,610</u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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.

B. Lease Receivable

Under the T-Mobile Water Tower Site Lease, the cellular company pays the City annually for 27 remaining years with a 3% annual escalation.

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
T-Mobile Water Tower Site Lease	01/01/19	1.51%	\$ 36,716	<u>\$ 1,167,361</u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,111,042	\$ -	\$ -	\$ 1,111,042
Construction in progress	1,802,103	4,233,602	(999,549)	5,036,156
Total Capital Assets not Being Depreciated	<u>2,913,145</u>	<u>4,233,602</u>	<u>(999,549)</u>	<u>6,147,198</u>
Capital Assets Being Depreciated				
Buildings	2,025,119	-	(328,700)	1,696,419
Improvements other than buildings	11,488,339	1,104,284	-	12,592,623
Machinery and equipment	1,135,507	46,690	(8,165)	1,174,032
Infrastructure	1,535,862	-	-	1,535,862
Total Capital Assets Being Depreciated	<u>16,184,827</u>	<u>1,150,974</u>	<u>(336,865)</u>	<u>16,998,936</u>
Less Accumulated Depreciation for				
Buildings	(682,760)	(44,299)	279,395	(447,664)
Improvements other than buildings	(1,150,154)	(256,294)	-	(1,406,448)
Machinery and equipment	(797,008)	(60,492)	8,165	(849,335)
Infrastructure	(869,019)	(76,004)	-	(945,023)
Total Accumulated Depreciation	<u>(3,498,941)</u>	<u>(437,089)</u>	<u>287,560</u>	<u>(3,648,470)</u>
Total Capital Assets Being Depreciated, Net	<u>12,685,886</u>	<u>713,885</u>	<u>(49,305)</u>	<u>13,350,466</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,599,031</u>	<u>\$ 4,947,487</u>	<u>\$ (1,048,854)</u>	<u>\$ 19,497,664</u>

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

Governmental Activities	
General government	\$ 43,976
Public works	330,885
Culture and recreation	<u>62,228</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 437,089</u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	1,316,208	1,554,611	(290,831)	2,579,988
Total Capital Assets not Being Depreciated	<u>1,366,208</u>	<u>1,554,611</u>	<u>(290,831)</u>	<u>2,629,988</u>
Capital Assets Being Depreciated				
Buildings	8,203	-	-	8,203
Machinery and equipment	1,193,227	9,931	-	1,203,158
Infrastructure	15,149,637	290,830	-	15,440,467
Total Capital Assets Being Depreciated	<u>16,351,067</u>	<u>300,761</u>	<u>-</u>	<u>16,651,828</u>
Less Accumulated Depreciation for				
Buildings	(8,203)	-	-	(8,203)
Machinery and equipment	(791,555)	(58,803)	-	(850,358)
Infrastructure	(3,514,679)	(385,717)	-	(3,900,396)
Total Accumulated Depreciation	<u>(4,314,437)</u>	<u>(444,520)</u>	<u>-</u>	<u>(4,758,957)</u>
Total Capital Assets Being Depreciated, Net	<u>12,036,630</u>	<u>(143,759)</u>	<u>-</u>	<u>11,892,871</u>
Business-type Activities Capital Assets, Net	<u>\$ 13,402,838</u>	<u>\$ 1,410,852</u>	<u>\$ (290,831)</u>	<u>\$ 14,522,859</u>

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

Business-type Activities	
Water utility	\$ 224,290
Sewer utility	153,281
Commercial docks	18,476
Surface water management	46,174
Other proprietary funds	<u>2,299</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 444,520</u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Transfers

The composition of interfund transfers as of December 31, 2022 is as follows:

Fund	Transfer in			Total
	General	Capital Improvement	Other governmental	
Transfer Out				
General	\$ -	\$ 305,681	\$ -	\$ 305,681
Commons Sales Tax	-	-	113,107	113,107
Commercial Docks	200,000	-	-	200,000
Total	<u>\$ 200,000</u>	<u>\$ 305,681</u>	<u>\$ 113,107</u>	<u>\$ 618,788</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.

E. 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, tax abatements and sales tax revenues.

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	\$ 890,000
G.O. Sales Tax					
Bonds, Series 2022A	\$ 5,380,000	3.00 - 5.00 %	07/01/22	02/01/32	<u>5,380,000</u>
Total G.O. Revenue Bonds					<u>\$ 6,270,000</u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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

<u>Year Ending December 31,</u>	General Obligation Bonds		
	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 555,000	\$ 235,672	\$ 790,672
2024	480,000	203,730	683,730
2025	510,000	178,980	688,980
2026	530,000	152,980	682,980
2027	555,000	128,455	683,455
2028 - 2032	3,130,000	303,775	3,433,775
2033 - 2037	245,000	35,720	280,720
2038 - 2042	265,000	13,550	278,550
	<u>265,000</u>	<u>13,550</u>	<u>278,550</u>
Total	<u>\$ 6,270,000</u>	<u>\$ 1,252,862</u>	<u>\$ 7,522,862</u>

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:

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
Taxable G.O. Improvement Bonds, Series 2010A	\$ 2,795,000	0.9 - 4.7 %	10/21/10	02/01/26	\$ 860,000
Taxable G.O. Improvement Bonds, Series 2017A	3,970,000	2.5 - 3.0	06/14/17	02/01/33	3,070,000
G.O. Street Reconstruction Bonds, Series 2019A	5,570,000	2.0 - 5.0	09/18/19	02/01/40	5,260,000
G.O. Street Reconstruction Bonds, Series 2020A	2,775,000	2.0 - 5.0	07/16/20	02/01/41	2,680,000
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>\$ 17,900,000</u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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
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	415,000	159,823	574,823	490,000	174,295	664,295
2028 - 2032	2,325,000	544,674	2,869,674	2,730,000	586,200	3,316,200
2033 - 2037	2,125,000	279,744	2,404,744	2,215,000	279,150	2,494,150
2038 - 2042	1,775,000	78,835	1,853,835	1,730,000	76,028	1,806,028
Total	<u>\$ 8,550,922</u>	<u>\$ 1,911,537</u>	<u>\$ 10,462,459</u>	<u>\$ 9,349,078</u>	<u>\$ 2,041,387</u>	<u>\$ 11,390,465</u>

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	Balance at Year End
G.O. Water Revenue Bonds, Series 2007A	\$ 680,000	\$ 680,000	3.85 - 4.35 %	08/15/07	02/01/23	\$ 60,000
MPFA - 2014A Water Revenue Bonds	920,313	784,785	1.00	06/02/14	08/20/34	<u>525,000</u>
Total G.O. Revenue Bonds						<u>\$ 585,000</u>

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

Year Ending December 31,	General Obligation Revenue Bonds Business-type Activities		
	Principal	Interest	Total
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	43,000	3,560	46,560
2028 - 2032	221,000	11,280	232,280
2033 - 2034	92,000	2,290	94,290
Total	<u>\$ 585,000</u>	<u>\$ 36,915</u>	<u>\$ 621,915</u>

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds payable					
General obligation bonds	\$ 890,000	\$ 5,380,000	\$ -	\$ 6,270,000	\$ 555,000
General obligation improvement bonds	8,877,032	-	(326,110)	8,550,922	436,296
Bond premium	694,308	206,914	(59,314)	841,908	-
Compensated absences payable	<u>39,462</u>	<u>62,491</u>	<u>(42,187)</u>	<u>59,766</u>	<u>17,930</u>
Governmental Activity Long-term Liabilities	<u>\$ 10,500,802</u>	<u>\$ 5,649,405</u>	<u>\$ (427,611)</u>	<u>\$ 15,722,596</u>	<u>\$ 1,009,226</u>
Business-type Activities					
Bonds payable					
General obligation revenue bonds	\$ 681,000	\$ -	\$ (96,000)	\$ 585,000	\$ 102,000
General obligation improvement bonds	9,747,968	-	(398,890)	9,349,078	518,704
Bond premium	647,274	-	(37,727)	609,547	-
Compensated absences payable	<u>36,020</u>	<u>48,891</u>	<u>(38,153)</u>	<u>46,758</u>	<u>14,027</u>
Business-type Activity Long-term Liabilities	<u>\$ 11,112,262</u>	<u>\$ 48,891</u>	<u>\$ (570,770)</u>	<u>\$ 10,590,383</u>	<u>\$ 634,731</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.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

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 2022 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, 2022, 2021 and 2020 were \$85,298, \$67,423 and \$64,238, 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, 2022, the City reported a liability of \$1,077,122 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 \$31,581. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0136 percent which was an increase of 0.0012 percent from its proportion measured as of June 30, 2021.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

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

City's proportionate share of the net pension liability	\$ 1,077,122
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>31,581</u>
Total	<u><u>\$ 1,108,703</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$208,699 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$4,719 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.

At December 31, 2022, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 8,997	\$ 10,393
Changes in Actuarial Assumptions	222,912	3,573
Net Difference Between Projected and Actual Earnings on Plan Investments	47,390	-
Changes in Proportion	69,924	-
Contributions Paid to PERA Subsequent to the Measurement Date	<u>42,837</u>	<u>-</u>
Total	<u><u>\$ 392,060</u></u>	<u><u>\$ 13,966</u></u>

The \$42,837 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 150,399
2024	109,667
2025	(22,221)
2026	97,412

E. Long-Term Expected Return on Investment

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

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	33.50 %	5.10 %
International Equity	16.50	5.30
Fixed Income	25.00	0.75
Private Markets	25.00	5.90
Total	<u>100.00 %</u>	

F. Actuarial Assumptions

The total pension liability in the June 30, 2022 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. 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 27 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, 2022 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, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50 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, 2022

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

H. 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	\$ 1,701,375	\$ 1,077,122

I. Pension Plan Fiduciary Net Position

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

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, 2021.

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 5: Joint Powers Agreements (Continued)

South Lake Minnetonka Police Department
Statement of Net Assets
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets	\$ 4,003,732	\$ 4,417,369
Deferred Outflows of Resources	<u>1,990,176</u>	<u>891,450</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 5,993,908</u>	 <u>\$ 5,308,819</u>
Liabilities	\$ 2,157,112	\$ 3,165,932
Deferred Inflows of Resources	2,603,098	1,208,618
Net Position	<u>1,233,698</u>	<u>934,269</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u>\$ 5,993,908</u>	 <u>\$ 5,308,819</u>

South Lake Minnetonka Police Department
Summary Statement of Activities
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues	\$ 3,371,176	\$ 3,240,773
Expenses	<u>3,100,941</u>	<u>3,167,624</u>
Net Revenues	270,235	73,149
 General Revenues	 <u>29,194</u>	 <u>22,965</u>
 Change in Net Position	 299,429	 96,114
 Net Position, January 1	 <u>934,269</u>	 <u>838,155</u>
 Net Position, December 31	 <u>\$ 1,233,698</u>	 <u>\$ 934,269</u>

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 2022 totaled \$864,324. The Department issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the South Lake Police Department, 24150 Smithtown Road, Shorewood, Minnesota 55331.

B. Excelsior Fire District

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

City of Excelsior, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 5: Joint Powers Agreements (Continued)

Selected financial information is shown below for the most recent year of audited information, which is December 31, 2022:

Excelsior Fire District
Statement of Net Assets
December 31, 2022 and 2021

	2022	2021
Assets	\$ 10,618,200	\$ 10,206,288
Deferred Outflows of Resources	682,020	430,414
Liabilities	1,190,499	1,276,244
Deferred Inflows of Resources	1,333,749	1,559,168
Net Position	\$ 8,775,972	\$ 7,801,290

Excelsior Fire District
Summary Statement of Activities
For the Years Ended December 31, 2022 and 2021

	2022	2021
Charges for Services	\$ 2,040,965	\$ 1,939,216
Operating Grants and Contributions	-	100
Capital Grants and Contributions	75,000	-
Expenses	(1,159,259)	(1,213,752)
Net Revenues	956,706	725,564
General Revenues	17,976	27,506
Change in Net Position	974,682	753,070
Net Position, January 1 as Restated	7,801,290	7,048,220
Net Position, December 31	\$ 8,775,972	\$ 7,801,290

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 2022 totaled \$265,684. 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, 2022

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: Change in Accounting Principles

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements. The City's recognition of the beginning balances related to the lease receivable and the deferred inflow of resources were equal balances and had no effect on the beginning net position of the Governmental Activities.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Excelsior, Minnesota
Required Supplementary Information
December 31, 2022

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
06/30/22	0.0136 %	\$ 1,077,122	\$ 31,581	\$ 1,108,705	\$ 1,021,407	105.5 %	76.7 %
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)
12/31/2022	\$ 85,298	\$ 85,298	\$ -	\$ 1,137,305	7.50 %
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, 2022

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

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

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

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

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

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

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

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, 2022

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

Changes in Plan Provisions

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

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

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

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

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

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

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

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

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Excelsior, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2022

	<u>Special Revenue</u>			Total Nonmajor Funds
	205			
	<u>Parking Lot Maintenance</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
Assets				
Cash and temporary investments	\$ 76,102	\$ 1,177,604	\$ 698,887	\$ 1,952,593
Receivables				
Accounts	-	3,077	-	3,077
Special assessments	9,898	-	525,256	535,154
Due from other governments	-	-	6,362	6,362
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 86,000</u>	<u>\$ 1,180,681</u>	<u>\$ 1,230,505</u>	<u>\$ 2,497,186</u>
Liabilities				
Accounts payable	\$ 152	\$ 376,197	\$ -	\$ 376,349
Accrued salaries payable	507	-	-	507
Total Liabilities	<u>659</u>	<u>376,197</u>	<u>-</u>	<u>376,856</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	<u>9,898</u>	<u>-</u>	<u>525,099</u>	<u>534,997</u>
Fund Balances				
Restricted for				
Debt service	-	-	705,406	705,406
Tax increment financing district	-	26,034	-	26,034
Park improvements	-	778,450	-	778,450
Assigned for				
Parking lot maintenance	<u>75,443</u>	<u>-</u>	<u>-</u>	<u>75,443</u>
Total Fund Balances	<u>75,443</u>	<u>804,484</u>	<u>705,406</u>	<u>1,585,333</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 86,000</u>	<u>\$ 1,180,681</u>	<u>\$ 1,230,505</u>	<u>\$ 2,497,186</u>

City of Excelsior, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2022

	<u>Special Revenue</u>			Total Nonmajor Funds
	205			
	<u>Parking Lot Maintenance</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
Revenues				
Taxes	\$ -	\$ 211,404	\$ 580,429	\$ 791,833
Intergovernmental	-	-	14,011	14,011
Charges for services	102,192	-	-	102,192
Special assessments	1,508	-	114,307	115,815
Interest (loss) on investments	(5,416)	(27,259)	(21,808)	(54,483)
Miscellaneous				
Refunds and reimbursements	-	6,048	-	6,048
Contributions and donations	-	126,849	1,075	127,924
Total Revenues	<u>98,284</u>	<u>317,042</u>	<u>688,014</u>	<u>1,103,340</u>
Expenditures				
Current				
Public works	48,932	-	-	48,932
Capital outlay				
Public works	9,931	-	-	9,931
Culture and recreation	-	38,170	-	38,170
Housing and economic development	-	208,349	-	208,349
Debt service				
Principal	-	-	326,110	326,110
Interest and other	-	-	284,921	284,921
Total Expenditures	<u>58,863</u>	<u>246,519</u>	<u>611,031</u>	<u>916,413</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	39,421	70,523	76,983	186,927
Other Financing Sources				
Transfers in	-	113,107	-	113,107
Net Change in Fund Balances	39,421	183,630	76,983	300,034
Fund Balances, January 1	<u>36,022</u>	<u>620,854</u>	<u>628,423</u>	<u>1,285,299</u>
Fund Balances, December 31	<u>\$ 75,443</u>	<u>\$ 804,484</u>	<u>\$ 705,406</u>	<u>\$ 1,585,333</u>

City of Excelsior, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2022

	403 Park Improvement	407 TIF 1-1 Project	408 TIF 1-2 Project	410 TIF 2-1 Project	Escrows	Total
Assets						
Cash and temporary investments	\$ 775,373	\$ 10,451	\$ 4,794	\$ 113,320	\$ 273,666	\$ 1,177,604
Receivables						
Accounts	<u>3,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,077</u>
Total Assets	<u>\$ 778,450</u>	<u>\$ 10,451</u>	<u>\$ 4,794</u>	<u>\$ 113,320</u>	<u>\$ 273,666</u>	<u>\$ 1,180,681</u>
Liabilities						
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,531</u>	<u>\$ 273,666</u>	<u>\$ 376,197</u>
Fund Balances						
Restricted for						
Tax increment financing district	-	10,451	4,794	10,789	-	26,034
Park improvements	<u>778,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>778,450</u>
Total Fund Balances	<u>778,450</u>	<u>10,451</u>	<u>4,794</u>	<u>10,789</u>	<u>-</u>	<u>804,484</u>
Total Liabilities and Fund Balances	<u>\$ 778,450</u>	<u>\$ 10,451</u>	<u>\$ 4,794</u>	<u>\$ 113,320</u>	<u>\$ 273,666</u>	<u>\$ 1,180,681</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, 2022

	403 Park Improvement	407 TIF 1-1 Project	408 TIF 1-2 Project	410 TIF 2-1 Project	Escrows	Total
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ 211,404	\$ -	\$ 211,404
Interest (loss) on investments	(22,962)	(356)	(163)	(3,778)	-	(27,259)
Miscellaneous						
Refunds and reimbursements	6,048	-	-	-	-	6,048
Contributions and donations	126,849	-	-	-	-	126,849
Total Revenues	<u>109,935</u>	<u>(356)</u>	<u>(163)</u>	<u>207,626</u>	<u>-</u>	<u>317,042</u>
Expenditures						
Capital outlay						
Culture and recreation	38,170	-	-	-	-	38,170
Housing and economic development	-	-	-	208,349	-	208,349
Total Expenditures	<u>38,170</u>	<u>-</u>	<u>-</u>	<u>208,349</u>	<u>-</u>	<u>246,519</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	71,765	(356)	(163)	(723)	-	70,523
Other Financing Sources						
Transfers in	113,107	-	-	-	-	113,107
Net Change in Fund Balances	184,872	(356)	(163)	(723)	-	183,630
Fund Balances, January 1	<u>593,578</u>	<u>10,807</u>	<u>4,957</u>	<u>11,512</u>	<u>-</u>	<u>620,854</u>
Fund Balances, December 31	<u>\$ 778,450</u>	<u>\$ 10,451</u>	<u>\$ 4,794</u>	<u>\$ 10,789</u>	<u>\$ -</u>	<u>\$ 804,484</u>

City of Excelsior, Minnesota
 Nonmajor Debt Service Funds
 Combining Balance Sheet
 December 31, 2022

	G.O. Bonds 2010A	G.O. Bonds 2017A	G.O. Bonds 2019A	G.O. Bonds 2020A	G.O. Bonds 2021A	Total
Assets						
Cash and temporary investments	\$ 50,030	\$ 273,078	\$ 249,643	\$ 44,517	\$ 81,619	\$ 698,887
Receivables						
Special assessments	16,024	241,115	116,701	-	151,416	525,256
Due from other governments	6,362	-	-	-	-	6,362
	<u>72,416</u>	<u>514,193</u>	<u>366,344</u>	<u>44,517</u>	<u>233,035</u>	<u>1,230,505</u>
Total Assets	<u>\$ 72,416</u>	<u>\$ 514,193</u>	<u>\$ 366,344</u>	<u>\$ 44,517</u>	<u>\$ 233,035</u>	<u>\$ 1,230,505</u>
Deferred Inflows of Resources						
Unavailable revenue - special assessments	\$ 16,024	\$ 241,115	\$ 116,701	\$ -	\$ 151,259	\$ 525,099
Fund Balances						
Restricted for						
Debt service	56,392	273,078	249,643	44,517	81,776	705,406
	<u>56,392</u>	<u>273,078</u>	<u>249,643</u>	<u>44,517</u>	<u>81,776</u>	<u>705,406</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 72,416</u>	<u>\$ 514,193</u>	<u>\$ 366,344</u>	<u>\$ 44,517</u>	<u>\$ 233,035</u>	<u>\$ 1,230,505</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, 2022

	G.O. Bonds 2010A	G.O. Bonds 2017A	G.O. Bonds 2019A	G.O. Bonds 2020A	G.O. Bonds 2021A	Total
Revenues						
Taxes	\$ 123,123	\$ 118,613	\$ 170,841	\$ 83,900	\$ 83,952	\$ 580,429
Intergovernmental	14,011	-	-	-	-	14,011
Special assessments	6,586	76,682	18,534	-	12,505	114,307
Interest (loss) on investments	(1,448)	(7,706)	(7,761)	(1,952)	(2,941)	(21,808)
Miscellaneous						
Other	-	-	-	-	1,075	1,075
Total Revenues	<u>142,272</u>	<u>187,589</u>	<u>181,614</u>	<u>81,948</u>	<u>94,591</u>	<u>688,014</u>
Expenditures						
Debt service						
Principal	101,110	85,000	95,000	45,000	-	326,110
Interest and other	22,662	37,212	76,390	39,900	108,757	284,921
Total Expenditures	<u>123,772</u>	<u>122,212</u>	<u>171,390</u>	<u>84,900</u>	<u>108,757</u>	<u>611,031</u>
Net Change in Fund Balances	18,500	65,377	10,224	(2,952)	(14,166)	76,983
Fund Balances, January 1	<u>37,892</u>	<u>207,701</u>	<u>239,419</u>	<u>47,469</u>	<u>95,942</u>	<u>628,423</u>
Fund Balances, December 31	<u>\$ 56,392</u>	<u>\$ 273,078</u>	<u>\$ 249,643</u>	<u>\$ 44,517</u>	<u>\$ 81,776</u>	<u>\$ 705,406</u>

City of Excelsior, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Net Position
 December 31, 2022

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Assets			
Current Assets			
Cash and temporary investments	\$ (15,244)	\$ 58,090	\$ 42,846
Accounts receivable	1,083	21,127	22,210
Prepaid items	-	9,906	9,906
Total Current Assets	<u>(14,161)</u>	<u>89,123</u>	<u>74,962</u>
Capital Assets, at Cost	12,665	20,638	33,303
Less Accumulated Depreciation	<u>(12,665)</u>	<u>(12,547)</u>	<u>(25,212)</u>
Net Capital Assets	<u>-</u>	<u>8,091</u>	<u>8,091</u>
Total Assets	<u>(14,161)</u>	<u>97,214</u>	<u>83,053</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>13,435</u>	<u>4,908</u>	<u>18,343</u>
Liabilities			
Current Liabilities			
Accounts payable	2	3,196	3,198
Due to other governments	3,210	-	3,210
Accrued salaries payable	1,006	386	1,392
Compensated absences payable	838	424	1,262
Total Current Liabilities	<u>5,056</u>	<u>4,006</u>	<u>9,062</u>
Noncurrent Liabilities			
Compensated absences payable	1,956	989	2,945
Net pension liability	21,357	54,191	75,548
Total Noncurrent Liabilities	<u>23,313</u>	<u>55,180</u>	<u>78,493</u>
Total Liabilities	<u>28,369</u>	<u>59,186</u>	<u>87,555</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>579</u>	<u>175</u>	<u>754</u>
Net Position			
Invested in capital assets	-	8,091	8,091
Unrestricted	<u>(29,674)</u>	<u>34,670</u>	<u>4,996</u>
Total Net Position	<u>\$ (29,674)</u>	<u>\$ 42,761</u>	<u>\$ 13,087</u>

City of Excelsior, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Revenues, Expenses and
 Changes in Net Position
 For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Operating Revenues			
Charges for services	\$ 43,140	\$ 75,309	\$ 118,449
Operating Expenses			
Personnel services	42,295	61,684	103,979
Supplies	-	5,539	5,539
Other services and charges	50,458	33,784	84,242
Depreciation	-	2,299	2,299
Total Operating Expenses	<u>92,753</u>	<u>103,306</u>	<u>196,059</u>
Operating Income (Loss)	<u>(49,613)</u>	<u>(27,997)</u>	<u>(77,610)</u>
Nonoperating Revenues			
Interest (loss) on investments	(7)	(1,790)	(1,797)
Special assessments	1,191	-	1,191
Other income	59	395	454
Total Nonoperating Revenues	<u>1,243</u>	<u>(1,395)</u>	<u>(152)</u>
Change in Net Position	(48,370)	(29,392)	(77,762)
Net Position, January 1	<u>18,696</u>	<u>72,153</u>	<u>90,849</u>
Net Position, December 31	<u>\$ (29,674)</u>	<u>\$ 42,761</u>	<u>\$ 13,087</u>

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City of Excelsior, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Cash Flows
 For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 95,122	\$ 75,640	\$ 170,762
Payments to suppliers	(63,228)	(46,525)	(109,753)
Payments to employees	(48,257)	(18,263)	(66,520)
Net Cash Provided (Used) by Operating Activities	<u>(16,363)</u>	<u>10,852</u>	<u>(5,511)</u>
Cash Flows from Investing Activities			
Interest (loss) on investments	<u>(7)</u>	<u>(1,790)</u>	<u>(1,797)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(16,370)	9,062	(7,308)
Cash and Cash Equivalents, January 1	<u>1,126</u>	<u>49,028</u>	<u>50,154</u>
Cash and Cash Equivalents, December 31	<u><u>\$ (15,244)</u></u>	<u><u>\$ 58,090</u></u>	<u><u>\$ 42,846</u></u>
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (49,613)	\$ (27,997)	\$ (77,610)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Other income related to operations	1,250	395	1,645
Depreciation	-	2,299	2,299
(Increase) decrease in assets/deferred outflows			
Receivables			
Accounts	50,732	(64)	50,668
Prepaid items	-	(9,906)	(9,906)
Deferred pension resources	(1,589)	288	(1,301)
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	(13,279)	2,704	(10,575)
Accrued salaries payable	142	73	215
Compensated absences payable	596	558	1,154
Due to other governments	509	-	509
Net pension liability	7,373	48,057	55,430
Deferred pension resources	<u>(12,484)</u>	<u>(5,555)</u>	<u>(18,039)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (16,363)</u></u>	<u><u>\$ 10,852</u></u>	<u><u>\$ (5,511)</u></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, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
Revenues					
Taxes					
Property	\$ 1,526,288	\$ 1,526,288	\$ 1,573,542	\$ 47,254	\$ 1,455,323
Franchise	70,750	70,750	53,015	(17,735)	70,415
Total taxes	<u>1,597,038</u>	<u>1,597,038</u>	<u>1,626,557</u>	<u>29,519</u>	<u>1,525,738</u>
Licenses and permits					
Business	145,910	145,910	162,727	16,817	166,569
Nonbusiness	185,804	185,804	232,005	46,201	225,095
Total licenses and permits	<u>331,714</u>	<u>331,714</u>	<u>394,732</u>	<u>63,018</u>	<u>391,664</u>
Intergovernmental					
State					
Other	-	-	14,217	14,217	-
County					
Highway aid	-	-	14,816	14,816	25,137
Other	-	-	-	-	14,000
Total intergovernmental	<u>-</u>	<u>-</u>	<u>29,033</u>	<u>29,033</u>	<u>39,137</u>
Charges for services					
General government	94,668	94,668	145,444	50,776	93,264
Public works	350,000	350,000	414,769	64,769	400,626
Culture and recreation	26,000	26,000	24,178	(1,822)	16,690
Other charges	2,000	2,000	13,600	11,600	19,479
Total charges for services	<u>472,668</u>	<u>472,668</u>	<u>597,991</u>	<u>125,323</u>	<u>530,059</u>
Fines and forfeitures	<u>2,500</u>	<u>2,500</u>	<u>70,583</u>	<u>68,083</u>	<u>56,735</u>
Special assessments	<u>-</u>	<u>-</u>	<u>443</u>	<u>443</u>	<u>287</u>
Interest (loss) on investments	<u>5,000</u>	<u>5,000</u>	<u>(58,620)</u>	<u>(63,620)</u>	<u>(30,010)</u>
Miscellaneous					
Other	5,000	5,000	32,173	27,173	26,635
Contributions and donations	-	-	-	-	7
Refunds and reimbursements	19,000	19,000	10,784	(8,216)	24,417
Total miscellaneous	<u>24,000</u>	<u>24,000</u>	<u>42,957</u>	<u>18,957</u>	<u>51,059</u>
Total Revenues	<u>2,432,920</u>	<u>2,432,920</u>	<u>2,703,676</u>	<u>270,756</u>	<u>2,564,669</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, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Legislative					
Personal services	\$ 14,211	\$ 14,211	\$ 14,209	\$ 2	\$ 14,209
Other services and charges	6,530	6,530	8,602	(2,072)	10,970
Total legislative	<u>20,741</u>	<u>20,741</u>	<u>22,811</u>	<u>(2,070)</u>	<u>25,179</u>
City manager / clerk					
Personal services	247,167	247,167	234,712	12,455	166,366
Other services and charges	7,100	7,100	7,576	(476)	2,338
Total city manager / clerk	<u>254,267</u>	<u>254,267</u>	<u>242,288</u>	<u>11,979</u>	<u>168,704</u>
City clerk					
Personal services	-	-	186	(186)	-
Elections and voter registration					
Personal services	3,000	3,000	2,439	561	-
Supplies	2,000	2,000	583	1,417	15
Other services and charges	2,000	2,000	1,495	505	1,904
Total elections and voter registration	<u>7,000</u>	<u>7,000</u>	<u>4,517</u>	<u>2,483</u>	<u>1,919</u>
Finance					
Personal services	71,212	71,212	67,883	3,329	84,068
Other services and charges	1,460	1,460	1,792	(332)	1,325
Total finance	<u>72,672</u>	<u>72,672</u>	<u>69,675</u>	<u>2,997</u>	<u>85,393</u>
Planning and zoning					
Personal services	93,668	93,668	104,636	(10,968)	72,591
Supplies	2,000	2,000	112	1,888	12,100
Other services and charges	12,600	12,600	25,543	(12,943)	77,862
Total planning and zoning	<u>108,268</u>	<u>108,268</u>	<u>130,291</u>	<u>(22,023)</u>	<u>162,553</u>
Administration					
Supplies	5,375	5,375	3,883	1,492	7,772
Other services and charges	279,810	279,810	270,343	9,467	357,714
Total administration	<u>285,185</u>	<u>285,185</u>	<u>274,226</u>	<u>10,959</u>	<u>365,486</u>
Heritage preservation					
Other services and charges	2,800	2,800	14,229	(11,429)	9,143
Total general government	<u>750,933</u>	<u>750,933</u>	<u>758,223</u>	<u>(7,290)</u>	<u>818,377</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, 2022
 (With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police protection					
Other services and charges	\$ 880,124	\$ 880,124	\$ 876,577	\$ 3,547	\$ 824,075
Fire protection					
Other services and charges	267,684	267,684	267,684	-	253,228
Protective inspection					
Other services and charges	55,000	55,000	50,564	4,436	52,696
Total public safety	1,202,808	1,202,808	1,194,825	7,983	1,129,999
Public works					
Engineering					
Other services and charges	20,000	20,000	42,209	(22,209)	25,897
Streets					
Personal services	152,381	152,381	152,280	101	130,892
Supplies	48,800	48,800	44,691	4,109	40,519
Other services and charges	48,660	48,660	68,748	(20,088)	70,364
Total streets	249,841	249,841	265,719	(15,878)	241,775
Total public works	269,841	269,841	307,928	(38,087)	267,672
Culture and recreation					
Parks					
Personal services	262,527	262,527	187,539	74,988	164,176
Supplies	19,300	19,300	27,014	(7,714)	17,791
Other services and charges	79,500	79,500	66,647	12,853	67,290
Total culture and recreation	361,327	361,327	281,200	80,127	249,257
Miscellaneous					
Cemetery					
Personal services	27,911	27,911	26,885	1,026	22,388
Supplies	1,600	1,600	1,792	(192)	104
Other services and charges	500	500	2,735	(2,235)	-
Total miscellaneous	30,011	30,011	31,412	(1,401)	22,492
Total current	2,614,920	2,614,920	2,573,588	41,332	2,487,797

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, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 18,000	\$ 18,000	\$ 12,519	\$ 5,481	\$ 18,723
Public works	-	-	190	(190)	455
Culture and recreation	-	-	-	-	13,030
Total capital outlay	<u>18,000</u>	<u>18,000</u>	<u>12,709</u>	<u>5,291</u>	<u>32,208</u>
Total Expenditures	<u>2,632,920</u>	<u>2,632,920</u>	<u>2,586,297</u>	<u>46,623</u>	<u>2,520,005</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(200,000)</u>	<u>(200,000)</u>	<u>117,379</u>	<u>317,379</u>	<u>44,664</u>
Other Financing Sources (Uses)					
Transfers in	200,000	200,000	200,000	-	100,000
Transfers out	<u>-</u>	<u>-</u>	<u>(305,681)</u>	<u>(305,681)</u>	<u>(51,699)</u>
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>200,000</u>	<u>(105,681)</u>	<u>(305,681)</u>	<u>48,301</u>
Net Change in Fund Balances	-	-	11,698	11,698	92,965
Fund Balances, January 1	<u>1,358,849</u>	<u>1,358,849</u>	<u>1,358,849</u>	<u>-</u>	<u>1,265,884</u>
Fund Balances, December 31	<u>\$ 1,358,849</u>	<u>\$ 1,358,849</u>	<u>\$ 1,370,547</u>	<u>\$ 11,698</u>	<u>\$ 1,358,849</u>

City of Excelsior, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2022 and 2021

	Total		Percent Increase (Decrease)
	2022	2021	
Revenues			
Taxes	\$ 3,542,311	\$ 3,161,906	12.03 %
Special assessments	144,705	163,599	(11.55)
Licenses and permits	394,732	391,664	0.78
Intergovernmental	43,044	115,912	(62.86)
Charges for services	730,329	588,848	24.03
Fines and forfeitures	70,583	56,735	24.41
Interest (loss) on investments	(112,032)	(46,457)	141.15
Miscellaneous	259,980	261,706	(0.66)
	<u> </u>	<u> </u>	
Total Revenues	<u>\$ 5,073,652</u>	<u>\$ 4,693,913</u>	8.09 %
Per Capita	<u>\$ 2,150</u>	<u>\$ 1,993</u>	7.86 %
Expenditures			
Current			
General government	\$ 758,223	\$ 818,377	(7.35) %
Public safety	1,194,825	1,129,999	5.74
Public works	356,860	293,761	21.48
Culture and recreation	281,200	249,257	12.82
Miscellaneous	31,412	22,492	39.66
Capital outlay			
General government	34,522	1,384,209	(97.51)
Public works	2,124,635	2,872,187	(26.03)
Culture and recreation	2,351,301	1,299,017	81.01
Housing and economic development	208,349	233,883	(10.92)
Debt service			
Principal payments	326,110	228,518	42.71
Interest and other charges	367,926	188,391	95.30
Bond issuance costs	-	86,531	(100.00)
	<u> </u>	<u> </u>	
Total Expenditures	<u>\$ 8,035,363</u>	<u>\$ 8,806,622</u>	(8.76) %
Per Capita	<u>\$ 3,405</u>	<u>\$ 3,740</u>	(8.95) %
Total Long-term Indebtedness	\$ 15,662,830	\$ 10,461,340	49.72 %
Per Capita	6,637	4,442	49.40
General Fund Balance - December 31	\$ 1,370,547	\$ 1,358,849	0.86 %
Per Capita	581	577	0.65

The purpose of this report is to provide a summary of financial information concerning the City of Excelsior to interested citizen. 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, 2022

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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, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated May 30, 2023.

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
May 30, 2023

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 30, 2023.

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.

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, we identified any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 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
May 30, 2023



City of Excelsior, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022- 001	Limited Segregation of Duties
<i>Condition:</i>	During our audit, we reviewed procedures over the City's major transaction cycles. During our examination of these major cycles, we noted that the utility billing, cash disbursements, payroll and cash receipts cycles had limited segregation of duties.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, recording and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	As a result of the limited number of staff, the City is not able to completely segregate all accounting functions. Currently the Finance Director has duties in more than one category, as described above, for the utility billing, cash disbursements, payroll and cash receipts cycles.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud and errors.
<i>Recommendation:</i>	While we recognize the current staff is not large enough to eliminate this deficiency, we recommend the City ensure its current controls are being followed by staff. Invoice approval is an important control step which provides better evidence of approval for the purchasing process. The city should continue to evaluate its internal controls on a regular basis.
<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, 2022

<u>Finding</u>	<u>Description</u>
2022-002	Preparation of Financial Statements
<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.