CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF EXCELSIOR, MINNESOTA
ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

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DECEMBER 31, 2012

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CITY OF EXCELSIOR, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2012

ELECTED

Name	Title	Term Expires
Nick Ruehl	Mayor	12/31/12
Mary Jo Fulkerson	Council Member	12/31/12
Greg Miller	Council Member	12/31/12
Jennifer Caron	Council Member	12/31/14
John Beattie	Council Member	12/31/14

APPOINTED

Kristi Luger	City Manager
Heidi Tumberg	Finance Officer
Cheri Johnson	City Clerk

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FINANCIAL SECTION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

5201 Eden Avenue
Suite 250
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Excelsior, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Excelsior, Minnesota (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated April 24, 2012 we express unqualified opinions on the respective proprietary fund financial statements. We did not audit the financial statements of the South Lake Minnetonka Police Department, a joint venture, which is disclosed in Notes 6A in the notes to the financial statements. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the South Lake Minnetonka Police Department, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Standards

As described in the Note 9 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Unearned Outflows of Resources, Unearned Inflows of Resources, and Net Position and* Statement No. 65, *Items Previously Reported as Assets and Liabilities,* for the year ended December 31, 2012. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 and the Schedule of Funding Progress on page 72, to 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 in Relation to the Financial Statements as a Whole

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules, and other financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and other financial information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Abdo Eick & Meyers, LLP

April 11, 2013
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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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, 2012.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $11,177,792 (net position). Of this amount, $4,926,522 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $784,812.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $3,087,164, an increase of $90,759 in comparison with the prior year. Approximately 76 percent of this total amount, $2,347,898, is either unassigned or assigned and available for spending at the City's discretion.

- At the end of the current fiscal year, unassigned fund balance for the General fund was $1,207,401, or 69.2 percent of total General fund 2012 expenditures.

- The City's total debt decreased $218,394 or 6.0 percent during the current fiscal year. The decrease was due to the retirement of debt.

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

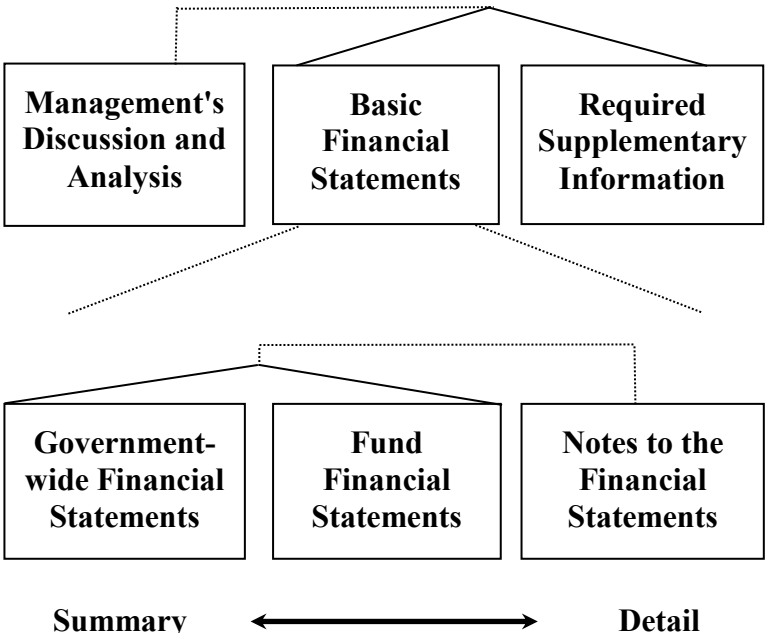


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

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

The government-wide financial statements start on page 27 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 7 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and the Capital Improvement funds are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements start on page 32 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 38 of this report.

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

The basic fiduciary fund financial statements can be found on page 46 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 47 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 74 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 exceeded liabilities by $11,177,792 at the close of the most recent fiscal year.

A portion of the City's net position (52.2 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Excelsior's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2012	Restated 2011	Increase (Decrease)	2012	Restated 2011	Increase (Decrease)
Assets						
Current and other assets	$ 3,432,034	$ 3,539,888	$ (107,854)	$ 2,320,056	$ 2,140,798	$ 179,258
Capital assets	5,153,961	4,745,098	408,863	3,985,858	4,077,267	(91,409)
Total assets	8,585,995	8,284,986	301,009	6,305,914	6,218,065	87,849
Liabilities						
Noncurrent liabilities outstanding	1,477,561	1,562,590	(85,029)	1,957,385	2,090,750	(133,365)
Other liabilities	196,692	388,639	(191,947)	82,479	68,092	14,387
Total liabilities	1,674,253	1,951,229	(276,976)	2,039,864	2,158,842	(118,978)
Net position						
Net investment in capital assets	3,779,896	3,295,848	484,048	2,059,923	2,329,500	(269,577)
Restricted	411,451	401,660	9,791	-	-	-
Unrestricted	2,720,395	2,636,249	84,146	2,206,127	1,729,723	476,404
Total net position	$ 6,911,742	$ 6,333,757	$ 577,985	$ 4,266,050	$ 4,059,223	$ 206,827

Additionally, $411,451 is restricted for debt service, tax increment district expenditure and park improvement expenditures. The remaining balance of *unrestricted net position* ($4,926,522) may be used to meet the City's ongoing obligations to citizens and creditors.

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

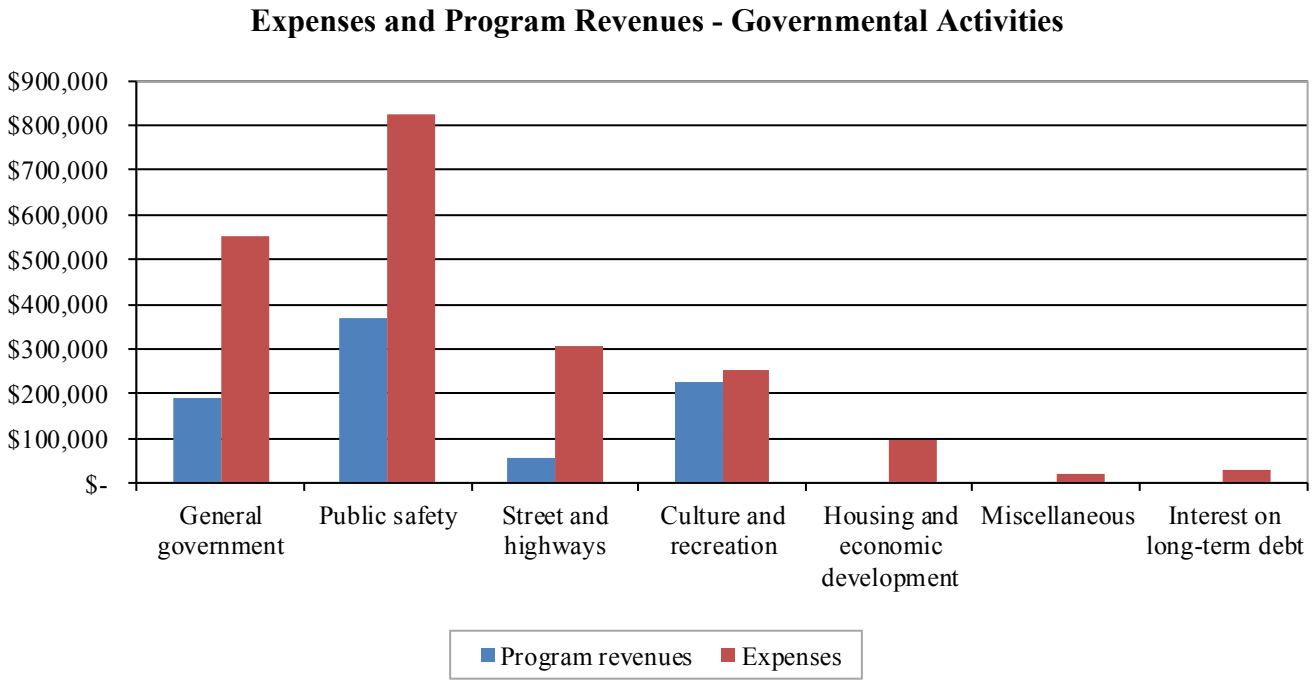
The City's net position increased $784,812 during the current fiscal year. Both the governmental activities and the business type activities increased the net position, by $577,985 and $206,827, respectively.

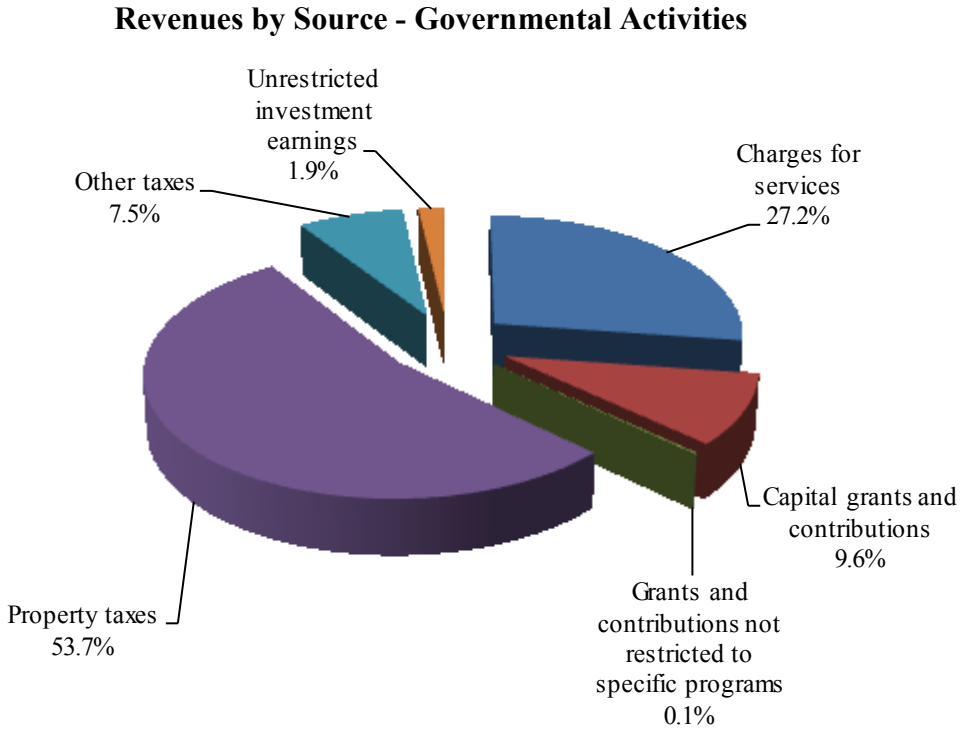
Governmental activities. Governmental activities increased the City's net position by $577,985, thereby accounting for 73.6 percent of the total growth in the net position of the City. Key elements of this increase are as follows:

City of Excelsior's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2012	Restated 2011	Increase (Decrease)	2012	Restated 2011	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	$ 619,550	$ 448,765	$ 170,785	$ 1,616,512	$ 1,639,182	$ (22,670)
Operating grants and contributions	-	3,750	(3,750)	1,649	-	1,649
Capital grants and contributions	217,148	812,538	(595,390)	69,000	31,338	37,662
General revenues						
Property taxes	1,321,658	1,306,831	14,827	-	-	-
Other taxes	170,303	174,864	(4,561)	-	-	-
Grants and contributions not restricted to specific programs	3,180	3,392	(212)	-	-	-
Unrestricted investment earnings	41,829	59,287	(17,458)	29,035	47,973	(18,938)
Total revenues	2,373,668	2,809,427	(435,759)	1,716,196	1,718,493	(2,297)
Expenses						
General government	552,562	562,716	(10,154)	-	-	-
Public safety	823,677	783,188	40,489	-	-	-
Streets and highways	306,793	366,245	(59,452)	-	-	-
Culture and recreation	252,861	230,874	21,987	-	-	-
Housing and economic development	93,663	103,232	(9,569)	-	-	-
Miscellaneous	18,237	20,310	(2,073)	-	-	-
Interest on long-term debt	30,894	34,299	(3,405)	-	-	-
Water utility	-	-	-	417,606	355,728	61,878
Sewer utility	-	-	-	403,235	408,341	(5,106)
Solid waste	-	-	-	131,354	137,260	(5,906)
Surface water	-	-	-	99,050	105,799	(6,749)
Parking meter	-	-	-	-	1,317	(1,317)
Street lighting	-	-	-	35,484	44,841	(9,357)
Commercial docks	-	-	-	139,636	145,912	(6,276)
Total expenses	2,078,687	2,100,864	(22,177)	1,226,365	1,199,198	27,167
Increase in net position before transfers	294,981	708,563	(413,582)	489,831	519,295	(29,464)
Transfers	283,004	161,292	121,712	(283,004)	(161,292)	(121,712)
Change in net position	577,985	869,855	(291,870)	206,827	358,003	(151,176)
Net position, January 1 restated	6,333,757	5,463,902	869,855	4,059,223	3,701,220	358,003
Net position, December 31	$ 6,911,742	$ 6,333,757	$ 577,985	$ 4,266,050	$ 4,059,223	$ 206,827

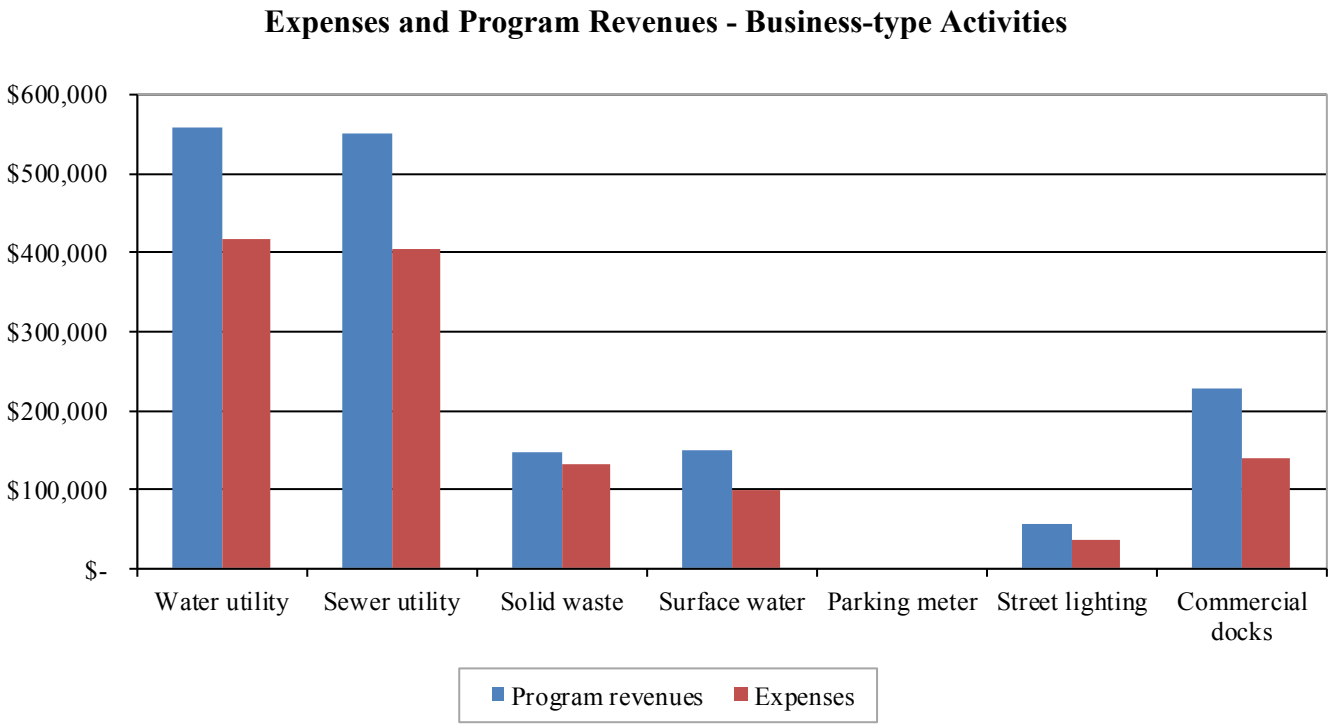
The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

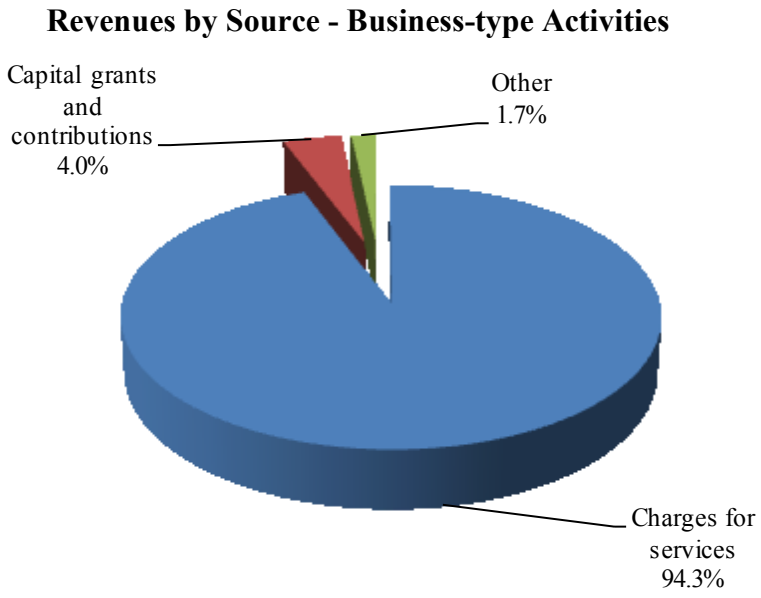




For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities increased the City's net position by $206,827, accounting for 26.4 percent of the growth in the City's net position. Key elements of this increase are as follows:





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.

	Fund Balances December 31		Increase
Major Funds	2011	2012	(Decrease)
General	$ 1,562,311	$ 1,597,270	$ 34,959
The fund balance increase is mainly due to permits and charges for service being over budget.			
Capital Improvement	$ 1,082,003	$ 1,062,299	$ (19,704)
The decrease in fund balance is mainly due to the 3rd street fire lane improvement project			

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

Unrestricted net position of the enterprise funds at the end of the year amounted to $2,206,127. The total growth in net position for the funds was $206,827. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget called for no change in fund balance, but actual amounts for 2012 resulted in an increase in fund balance in the amount of $34,959. This was due to revenue being over budget.

Overall, revenues were over the budgeted amount by $156,342. This was due in large part to charges for services being over budget by $73,506. Other items with the largest positive variance were licenses and permits and refunds and reimbursements which were over budget by $42,962 and $26,645, respectively.

Expenditures were $24,383 over budget. The general government function was the main contributor to this negative variance and was over budget by $25,239. Other services and charges was the largest contributor to the negative variance in general government and was $34,309 over budget.

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, 2012, amounts to $9,139,819 (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 $317,454, or 3.6 percent during the year.

Major capital asset activity during the current year included:

- 2010 & 2011 Street Improvement project was completed during 2012.
- The 3rd Street Fire Lane project was started during the year.
- The Sewer lining project was completed during 2012
- The City purchased a new truck, a water heater and new playground equipment during 2012.

Additional information on the City's capital assets can be found in Note 3B starting on page 57 of this report.

City of Excelsior's Capital Assets
(net of depreciation)

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Land	$ 1,111,042	$ 1,111,042	$ -	$ 50,000	$ 50,000	$ -
Construction in progress	1,200,076	2,251,310	(1,051,234)	2,483	1,144,804	(1,142,321)
Buildings	208,570	226,252	(17,682)	-	-	-
Improvement other than building	1,873,197	411,494	1,461,703	-	-	-
Machinery and equipment	428,700	401,432	27,268	571,430	612,629	(41,199)
Infrastructure	332,376	343,568	(11,192)	3,361,945	2,269,834	1,092,111
Total	$ 5,153,961	$ 4,745,098	$ 408,863	$ 3,985,858	$ 4,077,267	$ (91,409)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $3,300,000. This amount consists of general obligation revenue and improvement bonds. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Excelsior's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
G.O. revenue bonds	$ -	$ -	$ -	$ 650,000	$ 745,000	$ (95,000)
G.O. improvement bonds	1,374,065	1,449,250	(75,185)	1,275,935	1,345,750	(69,815)
Other postemployment benefits	53,214	40,220	12,994	-	-	-
Compensated absences	50,282	73,120	(22,838)	31,450	-	31,450
Total	$ 1,477,561	$ 1,562,590	$ (85,029)	$ 1,957,385	$ 2,090,750	$ (133,365)

The City's total debt decreased $218,394 (6.0 percent) during the current fiscal year. This decrease was due to the retirement of debt.

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

Additional information on the City's long-term debt can be found in Note 3D starting on page 61 of this report.

Economic Factors and Next Year's Budgets and Rates

- Preliminary property valuations are actually increasing in 2013 for taxes payable 2014. New development and renovation projects within the City continue to come forward and will help valuations to increase further.
- The City held the tax levy flat for 2013. The City continues to explore additional revenue options, as well as expense reductions, in order to achieve balanced budgets and keep the City tax rate reasonable.
- The City Clerk is planning her retirement in 2013 which was incorporated into the 2013 budget.
- Utility rates were kept flat for 2013. Water rates and storm water rates have increased in recent years to cover the costs of capital improvement and debt service requirements. The City will continue to monitor all enterprise funds to ensure sufficient revenues are being collected for future operating and capital expenditures.

All of these factors were considered in preparing the City's budget for the 2013 fiscal year.

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 the Finance Officer, City of Excelsior, 339 Third Street, Excelsior, Minnesota 55331.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF EXCELSIOR, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash temporary investments	$ 3,129,717	$ 2,035,833	$ 5,165,550
Receivables			
Interest	9,271	-	9,271
Accounts	76,866	282,183	359,049
Delinquent taxes	44,952	-	44,952
Special assessments	104,139	11,246	115,385
Due from other governments	30,310	11,752	42,062
Internal balances	35,107	(35,107)	-
Prepaid items	1,672	14,149	15,821
Land and construction in progress	2,311,118	52,483	2,363,601
Depreciable infrastructure, buildings, property and equipment, net	2,842,843	3,933,375	6,776,218
TOTAL ASSETS	8,585,995	6,305,914	14,891,909
LIABILITIES			
Accounts payable	69,772	51,267	121,039
Accrued salaries payable	8,669	7,057	15,726
Accrued interest payable	12,576	23,245	35,821
Due to other governments	687	510	1,197
Unearned revenue	104,988	400	105,388
Noncurrent liabilities			
Due within one year			
Compensated absences payable	16,761	10,483	27,244
Bonds payable	85,555	174,445	260,000
Due in more than one year			
Compensated absences payable	33,521	20,967	54,488
Bonds payable	1,288,510	1,751,490	3,040,000
Other postemployment benefits payable	53,214	-	53,214
TOTAL LIABILITIES	1,674,253	2,039,864	3,714,117
NET POSITION			
Net investment in capital assets	3,779,896	2,059,923	5,839,819
Restricted for			
Debt Service	262,262	-	262,262
Tax increment financing district	11,911	-	11,911
Park improvements	137,278	-	137,278
Unrestricted	2,720,395	2,206,127	4,926,522
TOTAL NET POSITION	$ 6,911,742	$ 4,266,050	$ 11,177,792

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, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities				
General government	$ 552,562	$ 188,137	$ -	$ -
Public safety	823,677	366,767	-	-
Public works	306,793	25,119	-	31,810
Culture and recreation	252,861	39,527	-	185,338
Housing and economic development	93,663	-	-	-
Miscellaneous	18,237	-	-	-
Interest on long-term debt	30,894	-	-	-
Total governmental activities	2,078,687	619,550	-	217,148
Business-type activities				
Water utility	417,606	510,499	-	48,000
Sewer utility	403,235	527,111	1,649	21,000
Solid waste	131,354	146,296	-	-
Surface water	99,050	150,238	-	-
Street lighting	35,484	55,255	-	-
Commercial docks	139,636	227,113	-	-
Total business-type activities	1,226,365	1,616,512	1,649	69,000
Total	$ 3,305,052	$ 2,236,062	$ 1,649	$ 286,148

General revenues
Taxes
Property taxes levied for general purposes
Property taxes levied for debt service
Tax increments
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Transfers

Total general revenues and transfers

Change in net position

Net position as restated, 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
$ (364,425)	$ -	$ (364,425)
(456,910)	-	(456,910)
(249,864)	-	(249,864)
(27,996)	-	(27,996)
(93,663)	-	(93,663)
(18,237)	-	(18,237)
(30,894)	-	(30,894)
(1,241,989)	-	(1,241,989)
-	140,893	140,893
-	146,525	146,525
-	14,942	14,942
-	51,188	51,188
-	19,771	19,771
-	87,477	87,477
-	460,796	460,796
(1,241,989)	460,796	(781,193)
1,221,658	-	1,221,658
100,000	-	100,000
100,482	-	100,482
69,821	-	69,821
3,180	-	3,180
41,829	29,035	70,864
283,004	(283,004)	-
1,819,974	(253,969)	1,566,005
577,985	206,827	784,812
6,333,757	4,059,223	10,392,980
$ 6,911,742	$ 4,266,050	$ 11,177,792

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FUND FINANCIAL STATEMENTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

CITY OF EXCELSIOR, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and temporary investments	$ 1,688,804	$ 1,034,241	$ 406,672	$ 3,129,717
Receivables				
Interest	9,271	-	-	9,271
Accounts	23,760	51,472	1,634	76,866
Delinquent taxes	38,727	-	6,225	44,952
Special assessments	10	3,049	101,080	104,139
Due from other governments	9,059	-	21,251	30,310
Advance from other funds	-	35,107	-	35,107
Prepaid items	1,672	-	-	1,672
TOTAL ASSETS	$ 1,771,303	$ 1,123,869	$ 536,862	$ 3,432,034
LIABILITIES				
Accounts payable	$ 31,735	$ 29,893	$ 8,144	$ 69,772
Accrued salaries payable	8,481	-	188	8,669
Due to other governments	687	-	-	687
Unearned revenue	104,988	-	-	104,988
TOTAL LIABILITIES	145,891	29,893	8,332	184,116
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - unavailable receivable	-	28,628	-	28,628
Unavailable revenue - special assessments	-	3,049	100,935	103,984
Unavailable revenue - property taxes	28,142	-	-	28,142
TOTAL DEFERRED INFLOWS OF RESOURCES	28,142	31,677	100,935	160,754
FUND BALANCES				
Nonspendable				
Prepaid items	1,672	-	-	1,672
Restricted for				
Debt Service	-	-	176,939	176,939
Tax increment financing district	-	-	11,911	11,911
Park improvements	-	-	137,278	137,278
Committed for				
Self insurance	112,672	-	-	112,672
Compensated absences	105,963	-	-	105,963
Cemetery	69,562	-	-	69,562
Rental counter balance	100,000	-	-	100,000
Parking lot maintenance	-	-	23,269	23,269
Assigned for				
Capital Improvements	-	1,062,299	-	1,062,299
Parking lot maintenance	-	-	78,198	78,198
Unassigned	1,207,401	-	-	1,207,401
TOTAL FUND BALANCES	1,597,270	1,062,299	427,595	3,087,164
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 1,771,303	$ 1,123,869	$ 536,862	$ 3,432,034

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, 2012

Total fund balances - governmental	$ 3,087,164
Amounts reported for the governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	6,731,958
Less: accumulated depreciation	(1,577,997)
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	(50,282)
Bond principal payable	(1,374,065)
Other postemployment benefits payable	(53,214)
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	28,142
Special assessments	103,984
Other	28,628
Governmental funds do not report a liability for accrued interest until due and payable.	(12,576)
Total net position - governmental activities	$ 6,911,742

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, 2012

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 1,283,247	$ -	$ 200,482	$ 1,483,729
Licenses and permits	201,757	-	-	201,757
Intergovernmental	3,180	-	185,338	188,518
Charges for services	265,410	-	10,287	275,697
Fines and forfeitures	62,975	-	-	62,975
Special assessments	74	4,541	25,321	29,936
Interest on investments	19,445	16,486	23,628	59,559
Miscellaneous	36,987	31,844	10,290	79,121
TOTAL REVENUES	1,873,075	52,871	455,346	2,381,292
EXPENDITURES				
Current				
General government	525,282	-	-	525,282
Public safety	823,677	-	-	823,677
Public works	206,236	-	20,751	226,987
Culture and recreation	162,682	-	-	162,682
Housing and economic development	-	-	93,663	93,663
Miscellaneous	18,237	-	-	18,237
Capital outlay				
General government	7,702	22,003	-	29,705
Public works	-	379,883	37,503	417,386
Culture and recreation	-	-	168,881	168,881
Debt service				
Principal	-	-	75,185	75,185
Interest and other	-	-	31,852	31,852
TOTAL EXPENDITURES	1,743,816	401,886	427,835	2,573,537
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	129,259	(349,015)	27,511	(192,245)
OTHER FINANCING SOURCES (USES)				
Transfers in	91,800	329,311	185,773	606,884
Transfers out	(186,100)	-	(137,780)	(323,880)
TOTAL OTHER FINANCING SOURCES (USES)	(94,300)	329,311	47,993	283,004
NET CHANGE IN FUND BALANCES	34,959	(19,704)	75,504	90,759
FUND BALANCES, JANUARY 1	1,562,311	1,082,003	352,091	2,996,405
FUND BALANCES, DECEMBER 31	$ 1,597,270	$ 1,062,299	$ 427,595	$ 3,087,164

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, 2012

Total net change in fund balances	$ 90,759
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	522,584
Depreciation expense	(113,721)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal payments	75,185
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.	958
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	22,838
Other postemployment benefits payable	(12,994)
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	8,232
Special assessments	(15,856)
Change in net position - governmental activities	$ 577,985

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

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CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	$ 1,286,339	$ 1,286,339	$ 1,283,247	$ (3,092)
Licenses and permits	158,795	158,795	201,757	42,962
Intergovernmental	6,895	6,895	3,180	(3,715)
Charges for services	191,904	191,904	265,410	73,506
Fines and forfeitures	51,700	51,700	62,975	11,275
Special assessments	-	-	74	74
Interest on investments	12,600	12,600	19,445	6,845
Miscellaneous	8,500	8,500	36,987	28,487
TOTAL REVENUES	1,716,733	1,716,733	1,873,075	156,342
EXPENDITURES				
Current				
General government	500,043	500,043	525,282	(25,239)
Public safety	822,585	822,585	823,677	(1,092)
Public works	198,375	198,375	206,236	(7,861)
Culture and recreation	172,924	172,924	162,682	10,242
Miscellaneous	22,006	22,006	18,237	3,769
Capital outlay	3,500	3,500	7,702	(4,202)
TOTAL EXPENDITURES	1,719,433	1,719,433	1,743,816	(24,383)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,700)	(2,700)	129,259	131,959
OTHER FINANCING SOURCES (USES)				
Transfers in	88,800	88,800	91,800	3,000
Transfers out	(86,100)	(86,100)	(186,100)	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	2,700	2,700	(94,300)	(97,000)
NET CHANGE IN FUND BALANCES	-	-	34,959	34,959
FUND BALANCES, JANUARY 1	1,562,311	1,562,311	1,562,311	-
FUND BALANCES, DECEMBER 31	$ 1,562,311	$ 1,562,311	$ 1,597,270	$ 34,959

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

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2012	2011	2012	2011
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	$ 703,604	$ 775,401	$ 905,950	$ 793,907
Receivables				
Accounts	110,258	106,840	121,121	122,900
Special assessments	11,246	9,951	-	565
Due from other governments	4,506	3,806	7,246	8,235
Prepaid items	530	1,829	11,534	15,540
TOTAL CURRENT ASSETS	830,144	897,827	1,045,851	941,147
NONCURRENT ASSETS				
Special assessments	-	722	-	-
Advance from other funds	-	-	33,807	38,597
CAPITAL ASSETS, AT COST	3,115,282	3,097,798	1,893,088	1,860,217
LESS ACCUMULATED DEPRECIATION	(1,186,873)	(1,111,356)	(502,937)	(456,433)
NET CAPITAL ASSETS	1,928,409	1,986,442	1,390,151	1,403,784
TOTAL NONCURRENT ASSETS	1,928,409	1,987,164	1,423,958	1,442,381
TOTAL ASSETS	2,758,553	2,884,991	2,469,809	2,383,528
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	9,510	3,742	22,693	12,020
Accrued salaries payable	2,208	1,907	2,429	2,125
Compensated absences	2,467	-	2,749	-
Accrued interest payable	15,862	17,628	4,182	4,686
Due to other governments	(76)	778	-	48
Unearned revenue	-	-	-	-
Bonds payable, current portion	111,622	107,100	41,045	39,750
TOTAL CURRENT LIABILITIES	141,593	131,155	73,098	58,629
NONCURRENT LIABILITIES				
Compensated absences	4,934	-	5,498	-
Bonds payable, net of current portion	1,051,804	1,163,800	371,701	411,200
Advance to other funds	-	-	-	-
TOTAL LIABILITIES	1,198,331	1,294,955	450,297	469,829
NET POSITION				
Net investment in capital assets	764,983	881,112	977,405	1,130,247
Unrestricted	795,239	708,924	1,042,107	783,452
TOTAL NET POSITION	$ 1,560,222	$ 1,590,036	$ 2,019,512	$ 1,913,699

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

Business-type Activities - Enterprise Funds							
Commercial Docks		Surface Water Management		Other Proprietary Funds		Totals	
2012	2011	2012	2011	2012	2011	2012	2011
$ 136,021	$ 75,460	$ 172,676	$ 127,577	$ 117,582	$ 85,543	$ 2,035,833	$ 1,857,888
-	-	-	-	50,804	53,634	282,183	283,374
-	-	-	-	-	-	11,246	10,516
-	-	-	-	-	-	11,752	12,041
1,993	2,651	-	1,031	92	447	14,149	21,498
138,014	78,111	172,676	128,608	168,478	139,624	2,355,163	2,185,317
-	-	-	-	-	-	-	722
-	-	-	-	-	-	33,807	38,597
484,661	484,661	454,231	444,685	19,660	19,660	5,966,922	5,907,021
(266,855)	(241,541)	(10,480)	(6,855)	(13,919)	(13,569)	(1,981,064)	(1,829,754)
217,806	243,120	443,751	437,830	5,741	6,091	3,985,858	4,077,267
217,806	243,120	443,751	437,830	5,741	6,091	4,019,665	4,116,586
355,820	321,231	616,427	566,438	174,219	145,715	6,374,828	6,301,903
4,263	457	701	5,331	14,093	12,559	51,260	34,109
888	729	1,271	1,094	261	387	7,057	6,242
2,062	-	2,474	-	731	-	10,483	-
-	-	3,201	3,445	-	-	23,245	25,759
-	-	-	-	593	556	517	1,382
400	600	-	-	-	-	400	600
-	-	21,778	18,900	-	-	174,445	165,750
7,613	1,786	29,425	28,770	15,678	13,502	267,407	233,842
4,127	-	4,946	-	1,462	-	20,967	-
-	-	327,985	350,000	-	-	1,751,490	1,925,000
68,914	83,838	-	-	-	-	68,914	83,838
80,654	85,624	362,356	378,770	17,140	13,502	2,108,778	2,242,680
217,806	243,120	93,988	68,930	5,741	6,091	2,059,923	2,329,500
57,360	(7,513)	160,083	118,738	151,338	126,122	2,206,127	1,729,723
$ 275,166	$ 235,607	$ 254,071	$ 187,668	$ 157,079	$ 132,213	$ 4,266,050	$ 4,059,223

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2012	2011	2012	2011
OPERATING REVENUES				
Charges for services	$ 506,656	$ 466,605	527,026	$ 536,977
OPERATING EXPENSES				
Pumping and purification	262,615	178,194	-	-
Collection	-	-	144,713	135,775
Disposal charges	-	-	160,357	157,178
Refuse	-	-	-	-
Recycling	-	-	-	-
Storm drainage	-	-	-	-
Administration	40,657	54,426	41,442	54,061
Maintenance	-	4,260	-	5,508
Depreciation	75,517	75,653	46,504	44,337
TOTAL OPERATING EXPENSES	378,789	312,533	393,016	396,859
OPERATING INCOME	127,867	154,072	134,010	140,118
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	9,460	16,823	13,550	19,953
Special assessments	445	6,240	35	565
Intergovernmental				
State	-	-	-	31,338
Connection fees	48,000	2,000	21,000	-
Interest expense and other	(38,817)	(43,195)	(10,219)	(11,482)
Other income	3,398	3,722	1,699	-
TOTAL NONOPERATING REVENUES (EXPENSES)	22,486	(14,410)	26,065	40,374
INCOME BEFORE TRANSFERS	150,353	139,662	160,075	180,492
TRANSFERS				
Transfers in	-	-	-	-
Transfers out	(180,167)	(14,000)	(54,262)	(14,000)
TOTAL TRANSFERS	(180,167)	(14,000)	(54,262)	(14,000)
CHANGE IN NET POSITION	(29,814)	125,662	105,813	166,492
NET POSITION, JANUARY 1	1,590,036	1,464,374	1,913,699	1,747,207
NET POSITION, DECEMBER 31	$ 1,560,222	$ 1,590,036	$ 2,019,512	$ 1,913,699

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

Business-type Activities - Enterprise Funds							
Commercial Docks		Surface Water Management		Other Proprietary Funds		Totals	
2012	2011	2012	2011	2012	2011	2012	2011
$ 227,113	$ 230,322	$ 150,238	$ 137,920	$ 201,551	$ 254,831	$ 1,612,584	$ 1,626,655
-	-	-	-	-	-	262,615	178,194
-	-	-	-	-	-	144,713	135,775
-	-	-	-	-	-	160,357	157,178
-	-	-	-	97,631	95,825	97,631	95,825
-	-	-	-	33,723	41,435	33,723	41,435
-	-	62,669	50,481	-	-	62,669	50,481
-	-	25,260	44,008	6,276	5,515	113,635	158,010
114,322	122,110	-	-	28,858	39,978	143,180	171,856
25,314	23,802	3,625	3,012	350	665	151,310	147,469
139,636	145,912	91,554	97,501	166,838	183,418	1,169,833	1,136,223
87,477	84,410	58,684	40,419	34,713	71,413	442,751	490,432
2,082	1,796	2,390	7,292	1,553	2,109	29,035	47,973
-	-	-	-	-	-	480	6,805
-	-	-	-	-	-	-	31,338
-	-	-	-	-	-	69,000	2,000
-	-	(7,496)	(8,298)	-	-	(56,532)	(62,975)
-	-	-	-	-	-	5,097	3,722
2,082	1,796	(5,106)	(1,006)	1,553	2,109	47,080	28,863
89,559	86,206	53,578	39,413	36,266	73,522	489,831	519,295
-	-	49,270	-	-	-	49,270	-
(50,000)	(50,000)	(36,445)	(2,400)	(11,400)	(80,892)	(332,274)	(161,292)
(50,000)	(50,000)	12,825	(2,400)	(11,400)	(80,892)	(283,004)	(161,292)
39,559	36,206	66,403	37,013	24,866	(7,370)	206,827	358,003
235,607	199,401	187,668	150,655	132,213	139,583	4,059,223	3,701,220
$ 275,166	$ 235,607	$ 254,071	$ 187,668	$ 157,079	$ 132,213	$ 4,266,050	$ 4,059,223

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 505,363	$ 482,197	$ 532,093	$ 527,704
Payments to suppliers	(168,833)	(129,278)	(194,556)	(220,984)
Payments to employees	(120,524)	(116,917)	(128,774)	(124,440)
NET CASH PROVIDED BY OPERATING ACTIVITIES	216,006	236,002	208,763	182,280
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	-	-	-	-
(Increase) decrease in due from other funds	-	-	4,790	4,577
Increase (decrease) in due to other funds	-	-	-	-
Transfers to other funds	(180,167)	(14,000)	(54,262)	(14,000)
Capital grants received	-	-	-	31,338
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(180,167)	(14,000)	(49,472)	21,915
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Connection fees	48,000	2,000	21,000	-
Acquisition of capital assets	(17,484)	(242,920)	(32,871)	(293,282)
Special assessments collected	445	6,240	-	-
Interest paid on bonds	(40,583)	(41,152)	(10,723)	(9,618)
Principal paid on bonds	(107,474)	(74,600)	(38,204)	(15,400)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(117,096)	(350,432)	(60,798)	(318,300)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	9,460	16,823	13,550	19,953
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(71,797)	(111,607)	112,043	(94,152)
CASH AND CASH EQUIVALENTS, JANUARY 1	775,401	887,008	793,907	888,059
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 703,604	$ 775,401	$ 905,950	$ 793,907

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

Business-type Activities - Enterprise Funds							
Commercial Docks		Surface Water Management		Other Proprietary Funds		Totals	
2012	2011	2012	2011	2012	2011	2012	2011
$ 226,913	$ 230,522	$ 150,238	$ 137,920	$ 204,381	$ 254,373	$ 1,618,988	$ 1,632,716
(47,771)	(71,401)	(11,024)	(17,953)	(145,272)	(158,291)	(567,456)	(597,907)
(55,739)	(50,970)	(72,907)	(72,671)	(17,223)	(23,482)	(395,167)	(388,480)
123,403	108,151	66,307	47,296	41,886	72,600	656,365	646,329
-	-	49,270	-	-	-	49,270	-
-	-	-	-	-	-	4,790	4,577
(14,924)	(14,528)	-	-	-	-	(14,924)	(14,528)
(50,000)	(50,000)	(36,445)	(2,400)	(11,400)	(80,892)	(332,274)	(161,292)
-	-	-	-	-	-	-	31,338
(64,924)	(64,528)	12,825	(2,400)	(11,400)	(80,892)	(293,138)	(139,905)
-	-	-	-	-	-	69,000	2,000
-	(74,656)	(9,546)	(278,213)	-	-	(59,901)	(889,071)
-	-	-	-	-	-	445	6,240
-	-	(7,740)	(6,066)	-	-	(59,046)	(56,836)
-	-	(19,137)	-	-	-	(164,815)	(90,000)
-	(74,656)	(36,423)	(284,279)	-	-	(214,317)	(1,027,667)
2,082	1,796	2,390	7,292	1,553	2,109	29,035	47,973
60,561	(29,237)	45,099	(232,091)	32,039	(6,183)	177,945	(473,270)
75,460	104,697	127,577	359,668	85,543	91,726	1,857,888	2,331,158
$ 136,021	$ 75,460	$ 172,676	$ 127,577	$ 117,582	$ 85,543	$ 2,035,833	$ 1,857,888

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2012	2011	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 127,867	$ 154,072	$ 134,010	$ 140,118
Adjustments to reconcile operating income to net cash provided by operating activities				
Other income related to operations	3,398	3,722	1,699	-
Depreciation	75,517	75,653	46,504	44,337
(Increase) decrease in assets				
Receivables				
Accounts	(3,418)	4,756	1,779	(1,038)
Special assessments	(573)	6,616	600	-
Due from other governments	(700)	498	989	(8,235)
Prepaid items	1,299	(1,570)	4,006	(2,226)
Increase (decrease) in liabilities				
Accounts payable	5,768	(8,164)	10,673	9,018
Accrued salaries payable	301	224	304	334
Compensated absences	7,401	-	8,247	-
Due to other governments	(854)	195	(48)	(28)
Unearned revenue	-	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 216,006	$ 236,002	$ 208,763	$ 182,280

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

Business-type Activities - Enterprise Funds							
Commercial Docks		Surface Water Management		Other Proprietary Funds		Totals	
2012	2011	2012	2011	2012	2011	2012	2011
$ 87,477	$ 84,410	$ 58,684	$ 40,419	$ 34,713	$ 71,413	$ 442,751	$ 490,432
-	-	-	-	-	-	5,097	3,722
25,314	23,802	3,625	3,012	350	665	151,310	147,469
-	-	-	-	2,830	(458)	1,191	3,260
-	-	-	-	-	-	27	6,616
-	-	-	-	-	-	289	(7,737)
658	231	1,031	(637)	355	(174)	7,349	(4,376)
3,806	(550)	(4,630)	4,428	1,534	873	17,151	5,605
159	58	177	74	(126)	34	815	724
6,189	-	7,420	-	2,193	-	31,450	-
-	-	-	-	37	247	(865)	414
(200)	200	-	-	-	-	(200)	200
$ 123,403	$ 108,151	$ 66,307	$ 47,296	$ 41,886	$ 72,600	$ 656,365	$ 646,329

CITY OF EXCELSIOR, MINNESOTA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2012

	Agency
ASSETS	
Cash and temporary investments	$ 10,819
LIABILITIES	
Accounts payable	$ 10,819

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 and fiduciary fund 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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

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

The *Capital Improvement fund* accounts for capital improvement expenditures

The City reports the following major proprietary funds:

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

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

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

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

Additionally, the City reports the following fund types:

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

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

The City reports the following agency funds:

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

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

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.

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, 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.

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. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

6. 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.

7. 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.

8. 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.

Investments for the City are reported at fair value.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 November/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 2012. 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.

Deferred inflows of resources

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

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets

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

Asset	Cost
Land and land improvements	$ 10,000
Other improvements	25,000
Buildings	25,000
Building improvements	25,000
Machinery and equipment	5,000
Vehicles	5,000
Infrastructure	100,000
Other assets	5,000

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

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

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

Assets	Useful Lives in Years
Land improvements	15 to 30
Buildings and improvements	15 to 75
System and improvements	20 to 60
Office furniture and fixtures	7 to 15
Machinery and equipment	5 to 15
Automotive equipment	3 to 12

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated absences

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

Postemployment benefits other than pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at January 1, 2012

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.

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.

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 and liabilities and deferred inflows. 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 - Consist 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".

Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 and special revenue funds. 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 15th, 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.

Excess of Expenditures over Appropriations

The following fund had an excess of expenditures over appropriations at December 31, 2012:

Fund	Final Budget	Actual Amounts	Excess of Expenditures Over Appropriations
General	$ 1,719,433	$ 1,743,816	$ 24,383

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.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was $1,508,560 and the bank balance was $1,522,158. Of the bank balance, $354,339 was covered by federal depository insurance. The remaining balance was covered by collateral held in the City's name.

A reconciliation of cash and temporary investments as reported on the Statement of Net Position for the City follows:

Carrying amount of deposits	$ 1,508,560
Investments	3,667,609
Cash on hand	200
Total	$ 5,176,369
Cash and temporary investments	
Statement of Net Position	$ 5,165,550
Statement of Fiduciary Net Position	10,819
Total	$ 5,176,369

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

As of December 31, 2012, 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)	Fair Value and Carrying Amount
Non pooled investments			
U.S. Government Securities	AAA	more than 3 years	$ 2,154,632
Brokered Certificates of Deposit	N/A	1 to 3 years	595,814
Brokered Certificates of Deposit	N/A	more than 3 years	889,209
Pooled investments			
Broker Money Market	N/A	less than 6 months	27,954
Total investments			$ 3,667,609

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.

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 69 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.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

Capital asset activity for the year ended December 31, 2012 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	2,251,310	458,940	(1,510,174)	1,200,076
Total capital assets not being depreciated	3,362,352	458,940	(1,510,174)	2,311,118
Capital assets being depreciated				
Buildings	748,150	-	-	748,150
Improvements other than buildings	500,783	1,510,174	-	2,010,957
Machinery and equipment	759,384	63,644	-	823,028
Infrastructure	838,705	-	-	838,705
Total capital assets being depreciated	2,847,022	1,573,818	-	4,420,840
Less accumulated depreciation for				
Buildings	(521,899)	(17,681)	-	(539,580)
Improvements other than buildings	(99,811)	(37,949)	-	(137,760)
Machinery and equipment	(357,952)	(36,376)	-	(394,328)
Infrastructure	(484,614)	(21,715)	-	(506,329)
Total accumulated depreciation	(1,464,276)	(113,721)	-	(1,577,997)
Total capital assets being depreciated, net	1,382,746	1,460,097	-	2,842,843
Governmental activities capital assets, net	$ 4,745,098	$ 1,919,037	$ (1,510,174)	$ 5,153,961

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	1,144,804	33,167	(1,175,488)	2,483
Total capital assets not being depreciated	1,194,804	33,167	(1,175,488)	52,483
Capital assets being depreciated				
Buildings	8,202	-	-	8,202
Machinery and equipment	883,371	-	-	883,371
Infrastructure	3,820,644	1,202,222	-	5,022,866
Total capital assets being depreciated	4,712,217	1,202,222	-	5,914,439
Less accumulated depreciation for				
Buildings	(8,202)	-	-	(8,202)
Machinery and equipment	(270,664)	(41,277)	-	(311,941)
Infrastructure	(1,550,888)	(110,033)	-	(1,660,921)
Total accumulated depreciation	(1,829,754)	(151,310)	-	(1,981,064)
Total capital assets being depreciated, net	2,882,463	1,050,912	-	3,933,375
Business-type activities capital assets, net	$ 4,077,267	$ 1,084,079	$ (1,175,488)	$ 3,985,858

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Governmental activities	
General government	$ 13,496
Public works	78,332
Culture and recreation	21,893
Total depreciation expense - governmental activities	$ 113,721
Business-type activities	
Water utility	$ 75,517
Sewer utility	46,504
Commercial docks	25,314
Surface water management	3,625
Other proprietary funds	350
Total depreciation expense - business-type activities	$ 151,310

Construction commitments

The City has an active construction project as of December 31, 2012. At year end, the City's commitment with the contractor is as follows:

Project	Spent-to-date	Remaining Commitment
3rd Street Lane	$ 204,090	$ 11,603

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Advances to and from other funds and transfers

The composition of Advances to and from other funds as of December 31, 2012 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount	Final Maturity
Capital Improvement	Commercial Docks	Residential dock construction	$ 35,107	2013/2018
Sewer	Commercial Docks	Residential dock construction	33,807	2018

The composition of interfund transfers as of December 31, 2012 is as follows:

	Transfer in				
Fund	General Fund	Capital Improvement	Other Governmental Funds	Surface Water Management	Total
Transfer out					
General	$ -	$ 176,100	$ 10,000	$ -	$ 186,100
Other governmental	-	104,932	32,848	-	137,780
Water	14,000	14,234	142,925	9,008	180,167
Sewer	14,000	-	-	40,262	54,262
Commercial Docks	50,000	-	-	-	50,000
Surface Water Management	2,400	34,045	-	-	36,445
Other proprietary	11,400	-	-	-	11,400
Total	$ 91,800	$ 329,311	$ 185,773	$ 49,270	$ 656,154

The City annually budgets transfers for specific purposes. Annual transfers include transfers designated as a percentage of annual revenues, transfers made to cover funds annual operations, transfers made as part of capital improvement plans, transfers are made for debt service payments and other transfers made for various reasons. All transfers made during the year were budgeted except for the following one-time transfers:

- A transfer was made from the water fund to the 2010 & 2011 Street Improvement fund and to the Surface Water Management fund to match bond proceeds with the expenses. The Sewer fund also made a transfer to the Surface Water Management fund for the same purpose.

- The Debt Service fund made a transfer to the 2010 & 2011 Street Improvement fund in accordance with the bond documents to match issuance costs.

- The 2010 & 2011 Street Improvement fund made a transfer to the Capital Improvement fund to close the 2010 & 2011 Street Improvement fund.

- The General fund transferred $100,000 to the Capital Improvement fund to fund future capital expenses.

- Transfers were made from the Water and Surface Water Management fund for $14,234 and $34,045 to the Capital Improvement fund to allocate costs for the 3rd Street Fire Lane Project.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Long-term debt

General obligation bonds

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

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

General obligation special assessment bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Taxable G.O. Improvement Bonds, Series 2010A	$ 2,795,000	0.9 - 4.7 %	10/21/10	02/01/26	$ 2,650,000

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

	General Obligation Bonds Governmental Activities			
Year Ending December 31,	Principal	Interest	Federal Credit	Total
2013	85,554	$ 45,878	(16,057)	$ 115,375
2014	88,148	44,595	(15,608)	117,135
2015	88,148	42,986	(15,045)	116,089
2016	88,148	41,069	(14,374)	114,843
2017	90,740	38,808	(13,583)	115,965
2018-2022	487,404	147,101	(51,485)	583,020
2023-2026	445,923	41,796	(14,628)	473,091
Total	$1,374,065	$ 402,233	$ (140,780)	$ 1,635,518

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Year Ending December 31,	General Obligation Bonds Business-type Activities Principal	Interest	Federal Credit	Total
2013	79,445	$ 42,602	$ (14,911)	$ 107,136
2014	81,853	41,410	(14,494)	108,769
2015	81,852	39,916	(13,971)	107,797
2016	81,852	38,136	(13,348)	106,640
2017	84,260	36,037	(12,613)	107,684
2018-2022	452,596	136,596	(47,808)	541,384
2023-2026	414,077	38,811	(13,584)	439,304
Total	$ 1,275,935	$ 373,508	$ (130,729)	$ 1,518,714

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 and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer and Water Revenue Bonds, Series 2002A	$ 580,000	4.65 - 4.80 %	02/01/02	02/01/14	$ 115,000
G.O. Water Revenue Bonds, Series 2007A	680,000	3.85 - 4.35	08/15/07	02/01/23	535,000
Total G.O. Revenue Bonds					$ 650,000

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
2013	95,000	25,653	$ 120,653
2014	100,000	21,313	121,313
2015	45,000	18,170	63,170
2016	45,000	16,349	61,349
2017	45,000	14,526	59,526
2018-2022	260,000	41,460	301,460
2023	60,000	1,305	61,305
Total	$ 650,000	$ 138,776	$ 788,776

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation improvement bonds	$ 1,449,250	$ -	$ (75,185)	$ 1,374,065	$ 85,555
Compensated absences payable	73,120	40,673	(63,511)	50,282	16,761
Other postemployment benefits payable	40,220	12,994	-	53,214	-
Governmental activity long-term liabilities	$ 1,562,590	$ 53,667	$ (138,696)	$ 1,477,561	$ 102,316
Business-type activities					
Bonds payable					
General obligation revenue bonds	$ 745,000	$ -	$ (95,000)	$ 650,000	$ 95,000
General obligation improvement bonds	1,345,750	-	(69,815)	1,275,935	79,445
Compensated absences payable	-	53,576	(22,126)	31,450	10,483
Business-type activity long-term liabilities	$ 2,090,750	$ 53,576	$ (186,941)	$ 1,957,385	$ 184,928

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the City of Excelsior are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after three years of credited service. The defined retirement 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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2012. The City of Excelsior is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members and 7.25 percent for Coordinated Plan GERF members. The City’s contributions to the GERF for the years ending December 31, 2012, 2011 and 2010 were $41,018, $44,481, and $43,738, respectively. The City’s contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan description

The City's defined benefit healthcare plan ("the Retiree Health Plan") provides healthcare insurance for eligible retirees and their spouses. The Retiree Health Plan is affiliated with the healthcare plan administered through LOGIS, an agent multiple-employer postemployment healthcare plan. LOGIS is a consortium of Minnesota local government units controlled by its members. LOGIS' Board of Directors is composed of one representative from each agency. LOGIS issues a publicly available financial report that includes financial statements and required supplementary information for the health plan. That report may be obtained by writing to LOGIS, 5750 Duluth Street, Golden Valley, MN 55422, or by calling (763) 543-2600.

B. Funding policy

The contribution requirements of plan members and the City are established and may be amended by LOGIS' Board of Directors. The required contributions are based on projected pay-as-you-go financing requirements. The City did not contribute to the plan for the year ended December 31, 2012. As of January 1, 2012, there was one retiree receiving health benefits from the plan, who pay their full premium.

C. Annual other postemployment benefit cost

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	$ 12,736
Interest on net OPEB obligation	1,810
Adjustment to annual required contribution	(1,552)
Annual OPEB cost (expense)	12,994
Contributions made	-
Increase in net OPEB obligation	12,994
Net OPEB obligation - January 1, 2012	40,220
Net OPEB obligation - December 31, 2012	$ 53,214

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2012 follows:

	Trend Information		
Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/12	$ 12,994	- %	$ 53,214
12/31/11	14,795	- %	40,220
12/31/10	13,908	-	25,425

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

D. Funded status and funding progress

As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $62,012, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $623,543, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments. The initial healthcare trend rate was 9.0 percent, reduced by decrements to an ultimate rate of 5.0 percent after 12 years. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

Note 6: JOINT POWERS AGREEMENTS

A. South Lake Minnetonka Police Department

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

Any budget shortfall is made up first from department reserves, with any excess shortfall assessed to each participating community according to the formula. The most recent year of audited information is December 31, 2011.

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
STATEMENT OF NET ASSETS
DECEMBER 31, 2011 AND 2010

	2011	2010
Assets	$ 5,461,572	$ 5,492,102
Liabilities	$ 4,171,056	$ 4,410,500
Net position	1,290,516	1,081,602
Total liabilities and net position	$ 5,461,572	$ 5,492,102

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
SUMMARY STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Revenues	$ 2,630,997	$ 2,547,262
Expenses	2,468,543	2,439,416
Net revenues	162,454	107,846
General revenues	46,460	10,621
Change in net position	208,914	118,467
Net position, January 1	1,081,602	963,135
Net position, December 31	$ 1,290,516	$ 1,081,602

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.

Note 6: JOINT POWERS AGREEMENTS - CONTINUED

B. Excelsior Fire District

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

Selected financial information is shown below and on the following page for the most recent year of audited information, which is December 31, 2012:

EXCELSIOR FIRE DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2012 AND 2011

	2012	2011
Assets	$ 8,105,724	$ 8,041,260
Liabilities	$ 5,277,656	$ 5,521,156
Net position	2,828,068	2,520,104
Total liabilities and net position	$ 8,105,724	$ 8,041,260

EXCELSIOR FIRE DISTRICT
SUMMARY STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Charges for services	$ 1,549,328	$ 1,551,957
Capital grants and contributions	8,100	-
Expenses	1,251,845	1,319,634
Net revenues	305,583	232,323
General revenues	2,381	19,404
Change in net position	307,964	251,727
Net position, January 1	2,520,104	2,268,377
Net position, December 31	$ 2,828,068	$ 2,520,104

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

Note 7: OTHER INFORMATION

A. Risk management

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

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

B. Legal debt margin

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

C. Tax increment districts

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

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

Note 8: CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The outstanding balance of revenue bonds at December 31, 2012 is $2,556,513.

Note 9: ACCOUNTING CHANGE

During fiscal year 2012, the City implemented several new accounting pronouncements issued by the Government Accounting Standards Board (GASB), including Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* and Statement No. 65, "*Items Previously Reported as Assets and Liabilities"*. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2012 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2010 balances to the December 31, 2012 financial statements:

Activities/Fund	Net Position December 31, 2010 as Previously Reported	(1) Restatement	Net Position January 1, 2011 as Restated
Governmental activities	$ 5,496,750	$ (32,848)	$ 5,463,902
Business-type activities	$ 3,753,344	$ (52,124)	$ 3,701,220
Proprietary funds			
Water	$ 1,498,654	$ (34,280)	$ 1,464,374
Sewer	1,756,689	(9,482)	1,747,207
Surface Water	159,017	(8,362)	150,655
Commercial Docks	199,401	-	199,401
Other Proprietary funds	139,583	-	139,583
Total business-type activities	$ 3,753,344	$ (52,124)	$ 3,701,220

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2011 balances to the December 31, 2012 financial statements:

Activities/Fund	Net Position December 31, 2011 as Previously Reported	(2) Restatement	Net Position January 1, 2012 as Restated
Governmental activities	$ 6,364,417	$ (30,660)	$ 6,333,757
Business-type activities	$ 4,107,217	$ (47,994)	$ 4,059,223
Proprietary funds			
Water	$ 1,621,504	$ (31,468)	$ 1,590,036
Sewer	$ 1,922,421	$ (8,722)	1,913,699
Surface Water	195,472	(7,804)	187,668
Commercial Docks	235,607	-	235,607
Other Proprietary funds	132,213	-	132,213
Total business-type activities	$ 4,107,217	$ (47,994)	$ 4,059,223

(2) Write-off of unamortized bond issuance cost balances at December 31, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

Schedule of funding progress for the postemployment benefit plan

	Required Supplementary Information					
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/12	$ -	$ 62,012	$ 62,012	- %	$ 623,543	9.9 %
01/01/11	-	66,400	66,400	- %	681,690	9.7
01/01/10	-	52,537	52,537	-	652,335	8.1

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	Special Revenue		Debt Service	Total
	Parking Lot Maintenance	Capital Projects	G.O. Bonds 2010A	Nonmajor Funds
ASSETS				
Cash and temporary investments	$ 102,797	$ 127,081	$ 176,794	$ 406,672
Receivables				
Accounts	-	1,634	-	1,634
Delinquent taxes	-	6,225	-	6,225
Special assessments	3,036		98,044	101,080
Due from other governments	-	21,251	-	21,251
TOTAL ASSETS	$ 105,833	$ 156,191	$ 274,838	$ 536,862
LIABILITIES				
Accounts payable	$ 1,142	$ 7,002	$ -	$ 8,144
Accrued salaries and benefits payable	188	-	-	188
TOTAL LIABILITIES	1,330	7,002	-	8,332
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	3,036	-	97,899	100,935
FUND BALANCES				
Restricted for				
Debt service	-	-	176,939	176,939
Tax increment financing district	-	11,911	-	11,911
Park improvements	-	137,278	-	137,278
Committed for				
Parking lot maintenance	23,269	-	-	23,269
Assigned for				
Parking lot maintenance	78,198	-	-	78,198
TOTAL FUND BALANCES	101,467	149,189	176,939	427,595
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 105,833	$ 156,191	$ 274,838	$ 536,862

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Parking Lot Maintenance	Capital Projects	G.O. Bonds 2010A	Total Nonmajor Funds
REVENUES				
Taxes	$ -	$ 100,482	$ 100,000	$ 200,482
Intergovernmental	-	185,338	-	185,338
Charges for services	10,287	-	-	10,287
Special assessments	23,539	-	1,782	25,321
Interest on investments	1,327	2,789	19,512	23,628
Miscellaneous				
Refunds and reimbursements	-	900	-	900
Donations	-	9,390	-	9,390
TOTAL REVENUES	35,153	298,899	121,294	455,346
EXPENDITURES				
Current				
Public works	20,751	-	-	20,751
Housing and economic development	-	93,663	-	93,663
Capital outlay				
Public works	-	37,503	-	37,503
Culture and recreation	-	168,881	-	168,881
Debt service			-	
Principal	-	-	75,185	75,185
Interest and other	-	-	31,852	31,852
TOTAL EXPENDITURES	20,751	300,047	107,037	427,835
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,402	(1,148)	14,257	27,511
OTHER FINANCING SOURCES (USES)				
Transfers in	-	185,773	-	185,773
Transfers out	-	(104,932)	(32,848)	(137,780)
TOTAL OTHER FINANCING SOURCES (USES)	-	80,841	(32,848)	47,993
NET CHANGE IN FUND BALANCES	14,402	79,693	(18,591)	75,504
FUND BALANCES, JANUARY 1	87,065	69,496	195,530	352,091
FUND BALANCES, DECEMBER 31	$ 101,467	$ 149,189	$ 176,939	$ 427,595

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	Park Improvement	TIF Project	2010 & 2011 Street Improvements	Total
ASSETS				
Cash and temporary investments	$ 120,746	$ 6,335	$ -	$ 127,081
Receivables				
Accounts	1,634	-	-	1,634
Delinquent taxes	-	6,225	-	6,225
Due from other governments	21,251	-	-	21,251
TOTAL ASSETS	$ 143,631	$ 12,560	$ -	$ 156,191
LIABILITIES				
Accounts payable	$ 6,353	$ 649	$ -	$ 7,002
FUND BALANCES				
Restricted				
Tax increment financing district	-	11,911	-	11,911
Park improvements	137,278	-		137,278
TOTAL FUND BALANCES	137,278	11,911	-	149,189
TOTAL LIABILITIES AND FUND BALANCES	$ 143,631	$ 12,560	$ -	$ 156,191

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Park Improvement	TIF Project	2010 & 2011 Street Improvements	Total
REVENUES				
Taxes	$ -	$ 100,482	$ -	$ 100,482
Intergovernmental	185,338	-	-	185,338
Interest on investments	1,657	89	1,043	2,789
Miscellaneous				
Refunds and reimbursements	-	-	900	900
Other	9,390	-	-	9,390
TOTAL REVENUES	196,385	100,571	1,943	298,899
EXPENDITURES				
Current				
Housing and economic development	-	93,663	-	93,663
Capital outlay				
Public works	-	-	37,503	37,503
Culture and recreation	168,881	-	-	168,881
TOTAL EXPENDITURES	168,881	93,663	37,503	300,047
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	27,504	6,908	(35,560)	(1,148)
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	-	175,773	185,773
Transfers out	-	-	(104,932)	(104,932)
TOTAL OTHER FINANCING SOURCES (USES)	10,000	-	70,841	80,841
NET CHANGE IN FUND BALANCES	37,504	6,908	35,281	79,693
FUND BALANCES, JANUARY 1	99,774	5,003	(35,281)	69,496
FUND BALANCES, DECEMBER 31	$ 137,278	$ 11,911	$ -	$ 149,189

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF NET POSITION
DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	Solid Waste		Parking Meter	
	2012	2011	2012	2011
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	$ 66,620	$ 53,520	$ -	$ -
Receivables				
Accounts	36,388	38,642	-	-
Prepaid items	92	372	-	-
TOTAL CURRENT ASSETS	103,100	92,534	-	-
CAPITAL ASSETS, AT COST	12,665	12,665	-	-
LESS ACCUMULATED DEPRECIATION	(12,665)	(12,665)	-	-
NET CAPITAL ASSETS	-	-	-	-
TOTAL ASSETS	103,100	92,534	-	-
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	11,098	8,775	-	-
Due to other governments	593	556	-	-
Accrued salaries payable	165	298	-	-
Compensated absences	488	-	-	-
TOTAL CURRENT LIABILITIES	12,344	9,629	-	-
LONG-TERM LIABILITIES				
Compensated absences	976	-	-	-
TOTAL LIABILITIES	13,320	9,629	-	-
NET POSITION				
Invested in capital assets	-	-	-	-
Unrestricted	89,780	82,905	-	-
TOTAL NET POSITION	$ 89,780	$ 82,905	$ -	$ -

Business-type Activities - Enterprise Funds			
Street Lighting		Totals	
2012	2011	2012	2011
$ 50,962	$ 32,023	$ 117,582	$ 85,543
14,416	14,992	50,804	53,634
-	75	92	447
65,378	47,090	168,478	139,624
6,995	6,995	19,660	19,660
(1,254)	(904)	(13,919)	(13,569)
5,741	6,091	5,741	6,091
71,119	53,181	174,219	145,715
2,995	3,784	14,093	12,559
-	-	593	556
96	89	261	387
243	-	731	-
3,334	3,873	15,678	13,502
486	-	1,462	-
3,820	3,873	17,140	13,502
5,741	6,091	5,741	6,091
61,558	43,217	151,338	126,122
$ 67,299	$ 49,308	$ 157,079	$ 132,213

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	Solid Waste		Parking Meter	
	2012	2011	2012	2011
OPERATING REVENUES				
Charges for services	$ 146,296	$ 151,435	$ -	$ 46,823
OPERATING EXPENSES				
Refuse	97,631	95,825	-	-
Recycling	33,723	41,435	-	-
Administration	-	-	-	-
Maintenance	-	-	-	1,002
Depreciation	-	-	-	315
TOTAL OPERATING EXPENSES	131,354	137,260	-	1,317
OPERATING INCOME	14,942	14,175	-	45,506
NONOPERATING REVENUES				
Interest on investments	933	1,097	-	483
INCOME BEFORE TRANSFERS	15,875	15,272	-	45,989
TRANSFERS OUT	(9,000)	(9,000)	-	(69,492)
CHANGE IN NET POSITION	6,875	6,272	-	(23,503)
NET POSITION, JANUARY 1	82,905	76,633	-	23,503
NET POSITION, DECEMBER 31	$ 89,780	$ 82,905	$ -	$ -

Business-type Activities - Enterprise Funds			
Street Lighting		Totals	
2012	2011	2012	2011
$ 55,255	$ 56,573	$ 201,551	$ 254,831
-	-	97,631	95,825
-	-	33,723	41,435
6,276	5,515	6,276	5,515
28,858	38,976	28,858	39,978
350	350	350	665
35,484	44,841	166,838	183,418
19,771	11,732	34,713	71,413
620	529	1,553	2,109
20,391	12,261	36,266	73,522
(2,400)	(2,400)	(11,400)	(80,892)
17,991	9,861	24,866	(7,370)
49,308	39,447	132,213	139,583
$ 67,299	$ 49,308	$ 157,079	$ 132,213

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	Solid Waste		Parking Meter	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 148,550	$ 151,034	$ -	$ 46,823
Payments to suppliers	(116,429)	(119,473)	-	(858)
Payments to employees	(10,954)	(17,971)	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,167	13,590	-	45,965
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(9,000)	(9,000)	-	(69,492)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	933	1,097	-	483
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,100	5,687	-	(23,044)
CASH AND CASH EQUIVALENTS, JANUARY 1	53,520	47,833	-	23,044
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 66,620	$ 53,520	$ -	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 14,942	$ 14,175	$ -	$ 45,506
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	-	-	-	315
(Increase) decrease in assets				
Receivables				
Accounts	2,254	(401)	-	-
Prepaid items	280	(280)	-	181
Increase (decrease) in liabilities				
Accounts payable	2,323	(218)	-	-
Accrued salaries payable	(133)	30	-	-
Compensated Absences	1,464	-	-	-
Due to other governments	37	284	-	(37)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 21,167	$ 13,590	$ -	$ 45,965

Business-type Activities - Enterprise Funds			
Street Lighting		Totals	
2012	2011	2012	2011
$ 55,831	$ 56,516	$ 204,381	$ 254,373
(28,843)	(37,960)	(145,272)	(158,291)
(6,269)	(5,511)	(17,223)	(23,482)
20,719	13,045	41,886	72,600
(2,400)	(2,400)	(11,400)	(80,892)
620	529	1,553	2,109
18,939	11,174	32,039	(6,183)
32,023	20,849	85,543	91,726
$ 50,962	$ 32,023	$ 117,582	$ 85,543
$ 19,771	$ 11,732	$ 34,713	$ 71,413
350	350	350	665
576	(57)	2,830	(458)
75	(75)	355	(174)
(789)	1,091	1,534	873
7	4	(126)	34
729	-	2,193	-
-	-	37	247
$ 20,719	$ 13,045	$ 41,886	$ 72,600

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, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Taxes					
Property	$ 1,217,339	$ 1,217,339	$ 1,213,426	$ (3,913)	$ 1,311,452
Franchise	69,000	69,000	69,821	821	69,592
Total	1,286,339	1,286,339	1,283,247	(3,092)	1,381,044
Licenses and permits					
Business	87,070	87,070	89,033	1,963	88,550
Nonbusiness	71,725	71,725	112,724	40,999	73,408
Total	158,795	158,795	201,757	42,962	161,958
Intergovernmental					
State					
Property tax credits	-	-	85	85	181
Other	3,095	3,095	3,095	-	3,095
County					
Other	3,800	3,800	-	(3,800)	3,750
Total	6,895	6,895	3,180	(3,715)	7,026
Charges for services					
General government	128,920	128,920	160,126	31,206	24,975
Public works	30,100	30,100	53,048	22,948	-
Culture and recreation	29,734	29,734	49,415	19,681	20,521
Other charges	3,150	3,150	2,821	(329)	4,516
Total	191,904	191,904	265,410	73,506	50,012
Fines and forfeitures	51,700	51,700	62,975	11,275	62,806
Special assessments	-	-	74	74	1,050
Interest on investments	12,600	12,600	19,445	6,845	22,194
Miscellaneous					
Other	1,000	1,000	1,712	712	1,034
Contributions and donations	-	-	1,130	1,130	435
Refunds and reimbursements	7,500	7,500	34,145	26,645	5,597
Total	8,500	8,500	36,987	28,487	7,066
TOTAL REVENUES	1,716,733	1,716,733	1,873,075	156,342	1,693,156

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, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES					
Current					
General government					
Legislative					
Personal services	$ 14,210	$ 14,210	$ 14,333	$ (123)	$ 13,995
Other services and charges	8,525	8,525	8,632	(107)	12,591
Total	22,735	22,735	22,965	(230)	26,586
City manager / clerk					
Personal services	113,961	113,961	112,119	1,842	112,076
Other services and charges	4,525	4,525	3,337	1,188	4,192
Total	118,486	118,486	115,456	3,030	116,268
Elections and voter registration					
Personal services	3,200	3,200	3,180	20	-
Supplies	1,500	1,500	892	608	42
Other services and charges	1,255	1,255	2,507	(1,252)	536
Total	5,955	5,955	6,579	(624)	578
Finance					
Personal services	70,716	70,716	43,924	26,792	51,139
Other services and charges	2,750	2,750	23,535	(20,785)	17,763
Total	73,466	73,466	67,459	6,007	68,902
Planning and zoning					
Personal services	57,111	57,111	42,988	14,123	49,576
Other services and charges	9,450	9,450	43,759	(34,309)	49,292
Total	66,561	66,561	86,747	(20,186)	98,868
Administration					
Supplies	7,100	7,100	6,862	238	4,635
Other services and charges	204,740	204,740	218,601	(13,861)	171,307
Total	211,840	211,840	225,463	(13,623)	175,942
General government - continued					
Heritage preservation					
Other services and charges	1,000	1,000	613	387	1,131
Total general government	500,043	500,043	525,282	(25,239)	488,275

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, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public safety					
Police protection					
Supplies	$ 500	$ 500	$ -	$ 500	$ 574
Other services and charges	655,154	655,154	651,741	3,413	612,867
Total	655,654	655,654	651,741	3,913	613,441
Fire protection					
Other services and charges	157,931	157,931	157,931	-	161,515
Protective inspection					
Other services and charges	9,000	9,000	14,005	(5,005)	8,232
Total public safety	822,585	822,585	823,677	(1,092)	783,188
Public works					
Engineering					
Other services and charges	6,000	6,000	17,593	(11,593)	12,993
Streets					
Personal services	116,675	116,675	113,675	3,000	112,794
Supplies	35,500	35,500	36,202	(702)	41,208
Other services and charges	40,200	40,200	38,766	1,434	39,847
Total	192,375	192,375	188,643	3,732	193,849
Total public works	198,375	198,375	206,236	(7,861)	206,842
Culture and recreation					
Parks					
Personal services	89,799	89,799	79,417	10,382	86,976
Supplies	25,400	25,400	22,006	3,394	24,539
Other services and charges	57,725	57,725	61,259	(3,534)	48,453
Total culture and recreation	172,924	172,924	162,682	10,242	159,968
Miscellaneous					
Cemetery					
Personal services	18,606	18,606	15,082	3,524	15,175
Supplies	1,900	1,900	1,782	118	1,659
Other services and charges	1,500	1,500	1,373	127	1,622
Total cemetery	22,006	22,006	18,237	3,769	18,456

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, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Miscellaneous - continued					
Self insurance					
Other services and charges	$ -	$ -	$ -	$ -	$ 500
Total miscellaneous	22,006	22,006	18,237	3,769	18,956
Total current expenditures	1,715,933	1,715,933	1,736,114	(20,181)	1,657,229
Capital outlay					
General government	3,000	3,000	7,702	(4,702)	2,847
Public works	500	500	-	500	490
Culture and recreation	-	-	-	-	534
Miscellaneous	-	-	-	-	1,354
Total capital outlay	3,500	3,500	7,702	(4,202)	5,225
TOTAL EXPENDITURES	1,719,433	1,719,433	1,743,816	(24,383)	1,662,454
EXCESS OF REVENUES OVER EXPENDITURES	(2,700)	(2,700)	129,259	131,959	30,702
OTHER FINANCING SOURCES (USES)					
Transfers in	88,800	88,800	91,800	3,000	315,866
Transfers out	(86,100)	(86,100)	(186,100)	(100,000)	(184,000)
TOTAL OTHER FINANCING SOURCES (USES)	2,700	2,700	(94,300)	(97,000)	131,866
NET CHANGE IN FUND BALANCES	-	-	34,959	34,959	162,568
FUND BALANCES, JANUARY 1	1,562,311	1,562,311	1,562,311	-	1,399,743
FUND BALANCES, DECEMBER 31	$ 1,562,311	$ 1,562,311	$ 1,597,270	$ 34,959	$ 1,562,311

CITY OF EXCELSIOR, MINNESOTA
AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance January 1	Additions	Deductions	Balance December 31
ESCROW				
ASSETS				
Cash and temporary investments	$ (510)	$ 140,363	$ 129,034	$ 10,819
Accounts receivable	18,602	-	18,602	-
TOTAL ASSETS	$ 18,092	$ 140,363	$ 147,636	$ 10,819
LIABILITY				
Accounts payable	$ 18,092	$ 133,090	$ 140,363	$ 10,819

CITY OF EXCELSIOR, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Total		Percent Increase
	2012	2011	(Decrease)
REVENUES			
Taxes	$ 1,483,729	$ 1,486,316	(0.17) %
Special assessments	29,936	26,166	14.41
Licenses and permits	201,757	161,958	24.57
Intergovernmental	188,518	682,613	(72.38)
Charges for services	275,697	195,149	41.28
Fines and forfeitures	62,975	62,806	0.27
Interest on investments	59,559	118,595	(49.78)
Miscellaneous	79,121	28,852	174.23
TOTAL REVENUES	$ 2,381,292	$ 2,762,455	(13.80) %
Per Capita	$ 1,081	$ 1,263	(14.39) %
EXPENDITURES			
Current			
General government	$ 525,282	$ 488,277	7.58 %
Public safety	823,677	783,188	5.17
Public works	226,987	227,605	(0.27)
Culture and recreation	162,682	159,968	1.70
Housing and economic development	93,663	103,232	(9.27)
Miscellaneous	18,237	18,956	(3.79)
Capital outlay			
General government	29,705	53,686	(44.67)
Public works	417,386	822,149	(49.23)
Culture and recreation	168,881	729,056	(76.84)
Miscellaneous	-	1,354	(100.00)
Debt service			
Principal payments	75,185	-	100.00
Bond issuance costs	31,852	25,531	24.76
TOTAL EXPENDITURES	$ 2,573,537	$ 3,413,002	(24.60) %
Per Capita	$ 1,168	$ 1,560	(25.11) %
Total Long-term Indebtedness	$ 1,374,065	$ 1,449,250	(5.19) %
Per Capita	624	662	(5.83)
General Fund Balance - December 31	$ 1,597,270	$ 1,562,311	2.24 %
Per Capita	725	714	1.54

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

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OTHER FINANCIAL INFORMATION (UNAUDITED)

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF EXCELSIOR, MINNESOTA
TAX LEVIES AND COLLECTIONS
FOR THE PAST TEN YEARS

Fiscal Year	Total Levy	Collection of Current Year's Levy	Percentage of Levy Collected	Collection of Prior Year's Levy	Total Collections	Percentage of Total Collections to Levy
2003	$ 846,000	$ 841,905	99.52 %	$ 3,918	$ 845,823	99.98 %
2004	926,000	920,952	99.45	4,076	925,028	99.90
2005	999,000	990,586	99.16	8,414	999,000	100.00
2006	1,078,920	1,056,965	97.97	21,890	1,078,855	99.99
2007	1,089,709	1,066,116	97.83	17,301	1,083,417	99.42
2008	1,144,194	1,114,519	97.41	18,479	1,132,998	99.02
2009	1,201,408	1,171,076	97.48	16,063	1,187,139	98.81
2010	1,291,509	1,264,296	97.89	16,566	1,280,862	99.18
2011	1,317,399	1,290,735	97.98	13,506	1,304,241	99.00
2012	1,317,399	1,295,322	98.32	-	1,295,322	98.32

SPECIAL ASSESSMENT LEVIES AND COLLECTIONS
FOR THE PAST TEN YEARS

Fiscal Year	Total Levy	Collection of Current Year's Levy	Percentage of Levy Collected	Collection of Prior Year's Levy	Total Collections	Percentage of Total Collections to Levy
2003	$ 25,040	$ 25,030	99.96 %	$ 10	$ 25,040	100.00 %
2004	36,902	36,658	99.34	244	36,902	100.00
2005	11,239	11,239	100.00	-	11,239	100.00
2006	2,250	2,250	100.00	-	2,250	100.00
2007	57,364	56,701	98.84	663	57,364	100.00
2008	17,797	16,609	93.32	1,188	17,797	100.00
2009	22,928	22,260	97.09	668	22,928	100.00
2010	16,864	15,049	89.24	1,815	16,864	100.00
2011	22,368	21,980	98.27	331	22,311	99.75
2012	23,805	22,259	93.51	-	22,259	93.51

CITY OF EXCELSIOR, MINNESOTA
TAX CAPACITY, TAX LEVIES AND TAX CAPACITY RATES
(Shown by year of tax collectability)

	2003	2004	2005	2006
TAX CAPACITY				
Personal property	$ 20,527	$ 21,433	$ 34,310	$ 35,374
Real estate	2,346,962	2,757,138	3,094,187	3,473,241
TOTAL	2,367,489	2,778,571	3,128,497	3,508,615
Contribution to fiscal disparities pool	(193,456)	(214,216)	(292,738)	(324,506)
Increment	-	-	(2,212)	(22,175)
Distribution from fiscal disparities pool	163,148	182,710	172,152	172,842
TOTAL TAX CAPACITY	$ 2,337,181	$ 2,747,065	$ 3,005,699	$ 3,334,776
TAX LEVIES				
Revenue	$ 926,000	$ 999,000	$ 1,078,920	$ 1,089,709
TAX CAPACITY RATES				
Revenue	39.620 %	36.366 %	35.896 %	32.677 %

2007	2008	2009	2010	2011	2012
$ 39,839	$ 38,967	$ 38,760	$ 38,524	$ 40,320	$ 45,194
4,135,837	4,612,292	4,799,686	4,675,727	4,185,056	3,949,333
4,175,676	4,651,259	4,838,446	4,714,251	4,225,376	3,994,527
(367,808)	(519,848)	(570,522)	(608,282)	(574,768)	(491,004)
(72,885)	(95,078)	(95,078)	(93,430)	(90,628)	(77,600)
182,801	209,578	224,664	223,253	219,176	153,910
$ 3,917,784	$ 4,245,911	$ 4,397,510	$ 4,235,792	$ 3,779,156	$ 3,579,833
$ 1,144,194	$ 1,201,408	$ 1,291,509	$ 1,317,399	$ 1,317,399	$ 1,317,399
29.205 %	28.296 %	29.369 %	31.102 %	34.860 %	36.801 %

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OTHER REQUIRED REPORTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

5201 Eden Avenue
Suite 250
Edina, MN 55436

AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Excelsior, Minnesota

We have audited 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon, dated April 11, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute, section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the City Council, management and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Abdo Eick & Meyers, LLP

April 11, 2013
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants