CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

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ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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CITY OF EXCELSIOR, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2011

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
John Olson	Council Member	12/31/12
Jennifer Caron	Council Member	12/31/14

APPOINTED

Kristi Luger	City Manager
Cheri Johnson	City Clerk

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FINANCIAL SECTION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 2010 financial statements and, in our report dated April 15, 2011, we expressed unqualified opinions on the respective proprietary fund statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, 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.

As described in the Note 9 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011. Adoption of the provision of this statement results in significant changes to the classifications of the components of fund balances.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Funding Progress on page 87, 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.

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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 24, 2012
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, 2011.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $10,471,634 (net assets). Of this amount, $4,444,626 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net assets increased by $1,221,540.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $2,996,405, a decrease of $489,255 in comparison with the prior year. Approximately 75 percent of this total amount, $2,233,669, 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 $1,120,860, or 67.4 percent of total General fund 2011 expenditures.

- The City's total debt decreased $77,832 or 2.1 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

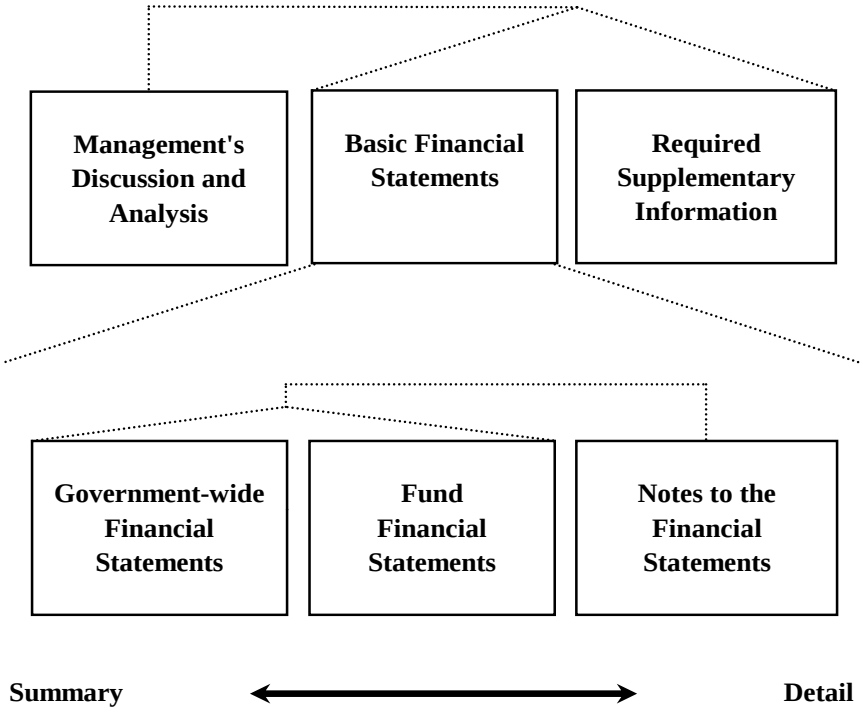


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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 Assets • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statements of Net Assets • Statements of Revenues, Expenses and Changes in Fund Net Assets • 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 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, parking meter, street lighting and commercial docks.

The government-wide financial statements start on page 29 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, Capital Improvement, Park Improvement and 2010 & 2011 Street Improvement funds which are considered to be major funds. Data from the other three 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 34 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, commercial docks, surface water management, solid waste and street lighting.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the major enterprise funds. Data from the non-major enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The basic proprietary fund financial statements start on page 42 of this report.

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 57 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 59 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to financial statements. Combining and individual fund statements and schedules start on page 90 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $10,471,634 at the close of the most recent fiscal year.

A portion of the City's net assets (53.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Excelsior's Summary of Net Assets

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Assets						
Current and other assets	$ 3,570,548	$ 4,099,163	$ (528,615)	$ 2,188,792	$ 2,653,439	$ (464,647)
Capital assets	4,745,098	3,412,024	1,333,074	4,077,267	3,368,740	708,527
Total assets	8,315,646	7,511,187	804,459	6,266,059	6,022,179	243,880
Liabilities						
Noncurrent liabilities outstanding	1,562,590	1,550,422	12,168	2,090,750	2,179,113	(88,363)
Other liabilities	388,639	464,015	(75,376)	68,092	89,722	(21,630)
Total liabilities	1,951,229	2,014,437	(63,208)	2,158,842	2,268,835	(109,993)
Net assets						
Invested in capital assets, net of related debt	3,295,848	2,727,966	567,882	2,329,500	2,089,763	239,737
Restricted	401,660	132,484	269,176	-	-	-
Unrestricted	2,666,909	2,636,300	30,609	1,777,717	1,663,581	114,136
Total net assets	$ 6,364,417	$ 5,496,750	$ 867,667	$ 4,107,217	$ 3,753,344	$ 353,873

Additionally, $401,660 is restricted for debt service, tax increment district expenditure and park improvement expenditures. The remaining balance of *unrestricted net assets* ($4,444,626) 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 assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net assets increased $1,221,540 during the current fiscal year. Both the governmental activities and the business type activities increased the net assets, by $867,667 and $353,873, respectively.

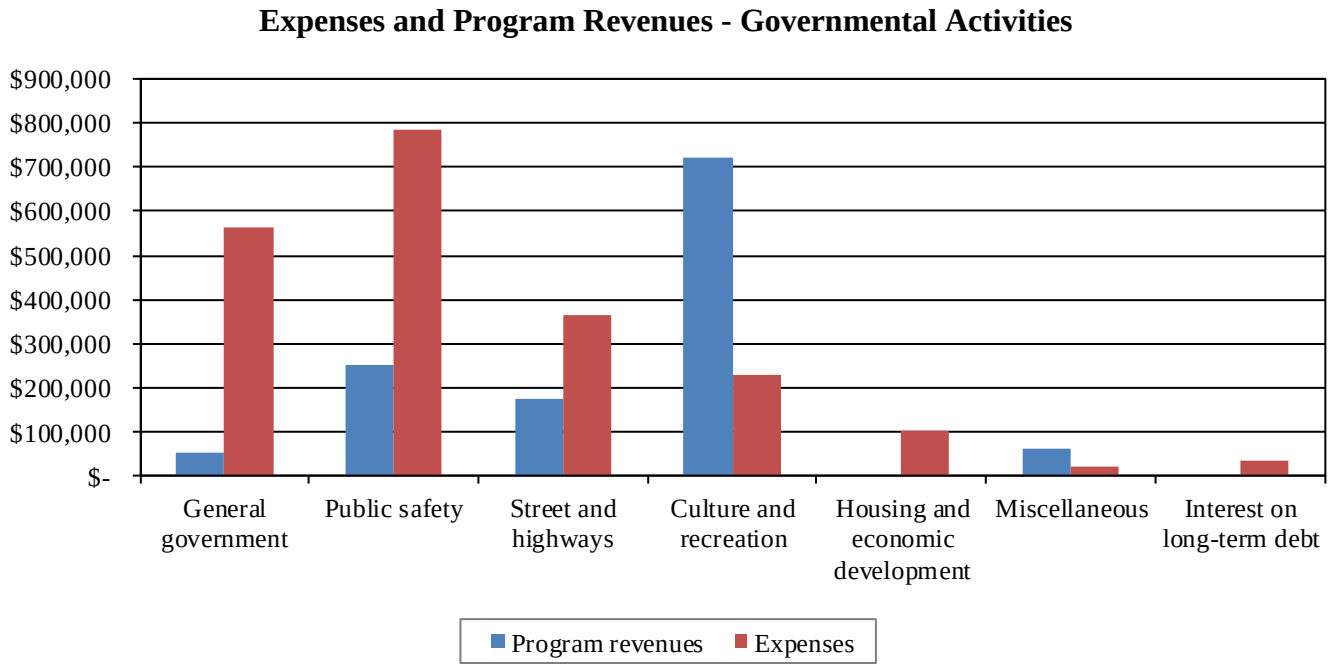
.

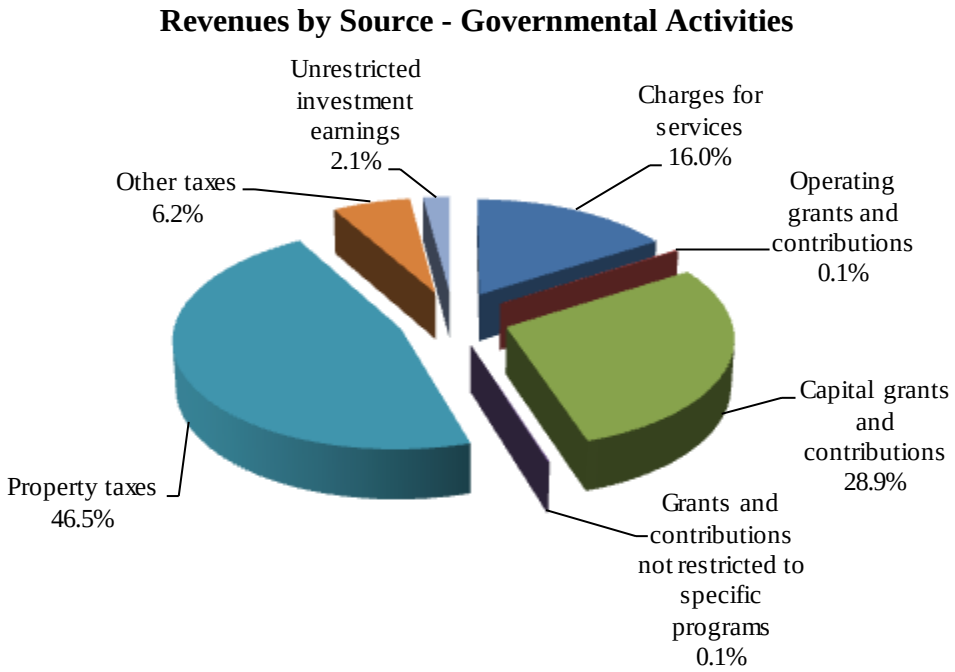
Governmental activities. Governmental activities increased the City's net assets by $867,667, thereby accounting for 71.0 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

City of Excelsior's Changes in Net Assets

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	$ 448,765	$ 508,065	$ (59,300)	$ 1,639,182	$ 1,607,844	$ 31,338
Operating grants and contributions	3,750	3,800	(50)	-	-	-
Capital grants and contributions	812,538	268,456	544,082	31,338	-	31,338
General revenues						
Property taxes	1,306,831	1,285,792	21,039	-	-	-
Other taxes	174,864	160,110	14,754	-	-	-
Grants and contributions not restricted to specific programs	3,392	3,197	195	-	-	-
Unrestricted investment earnings	59,287	30,019	29,268	47,973	21,530	26,443
Miscellaneous	-	14,500	(14,500)	-	-	-
Total revenues	2,809,427	2,273,939	535,488	1,718,493	1,629,374	89,119
Expenses						
General government	562,716	524,914	37,802	-	-	-
Public safety	783,188	780,150	3,038	-	-	-
Streets and highways	366,245	303,049	63,196	-	-	-
Culture and recreation	230,874	181,885	48,989	-	-	-
Housing and economic development	103,232	91,845	11,387	-	-	-
Miscellaneous	20,310	75,911	(55,601)	-	-	-
Interest on long-term debt	36,487	5,116	31,371	-	-	-
Water utility	-	-	-	358,540	379,182	(20,642)
Sewer utility	-	-	-	409,101	376,800	32,301
Solid waste	-	-	-	137,260	148,150	(10,890)
Surface water	-	-	-	106,357	89,483	16,874
Parking meter	-	-	-	1,317	1,292	25
Street lighting	-	-	-	44,841	37,200	7,641
Commercial docks	-	-	-	145,912	120,115	25,797
Total expenses	2,103,052	1,962,870	140,182	1,203,328	1,152,222	51,106
Increase in net assets before transfers	706,375	311,069	395,306	515,165	477,152	38,013
Transfers	161,292	128,900	32,392	(161,292)	(128,900)	(32,392)
Change in net assets	867,667	439,969	427,698	353,873	348,252	5,621
Net assets, January 1	5,496,750	5,056,781	439,969	3,753,344	3,405,092	348,252
Net assets, December 31	$ 6,364,417	$ 5,496,750	$ 867,667	$ 4,107,217	$ 3,753,344	$ 353,873

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

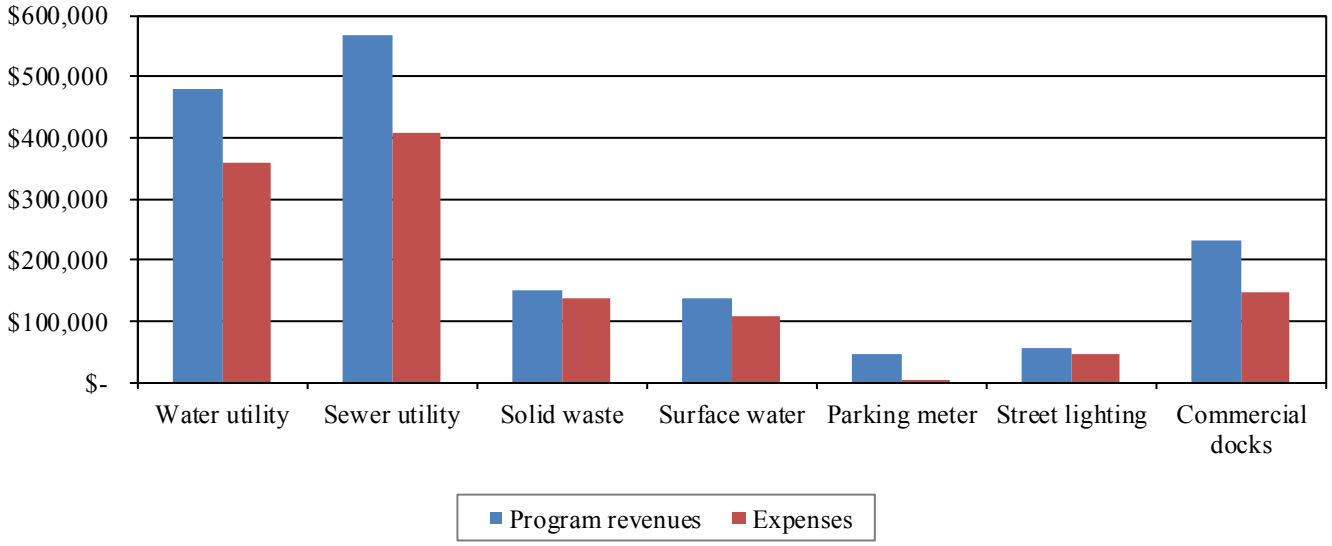




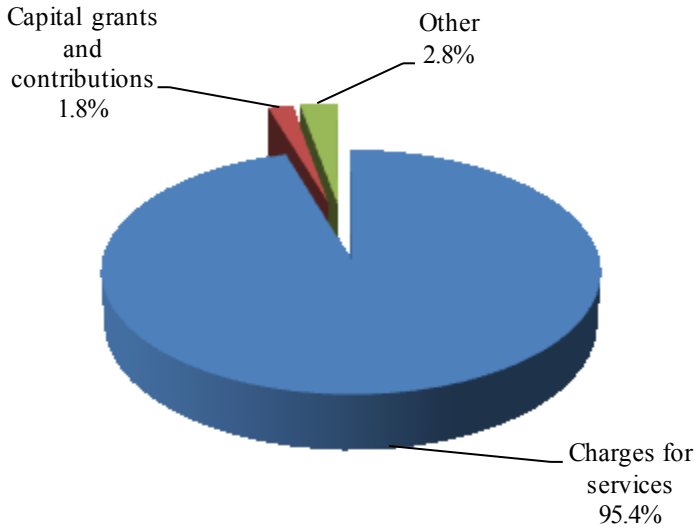
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities increased the City's net assets by $353,873, accounting for 29.0 percent of the growth in the City's net assets. Key elements of this increase are as follows:

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

Major Funds	Fund Balances December 31 2010	Fund Balances December 31 2011	Increase (Decrease)
General	$ 1,399,743	$ 1,562,311	$ 162,568
The increase in fund balance is mainly due to net transfers in of $131,866.			
Capital Improvement	$ 1,115,092	$ 1,082,003	$ (33,089)
The decrease in fund balance is mainly due to net transfers out of $74,574.			
Park Improvement	$ 129,866	$ 99,774	$ (30,092)
The decrease in fund balance is mainly due to capital expenditures of $719,290 related to construction costs of the Parkland Improvement Project.			
2010 & 2011 Street Improvements	$ 765,192	$ (35,281)	$ (800,473)
The decrease in fund balance was due to continuing construction costs related to the two projects.			

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

Unrestricted net assets of the enterprise funds at the end of the year amounted to $1,777,717. The total growth in net assets for the funds was $353,873. 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 a $6,373 decrease in fund balance, but actual amounts for 2011 resulted in an increase in fund balance in the amount of $162,568. This was due to expenditures being under budget and net transfers in of $131,866.

Overall, revenues were under the budgeted amount by $51,973. This was due in large part to a state unallotment of local government of $82,895 and a market value credit reduction of $12,380. The items with the largest positive variance were licenses and permits and fines and forfeitures which were over budget by $13,163 and $13,006, respectively.

Expenditures were $6,422 under budget. The culture and recreation function was the main contributor to this positive variance and was under budget by $16,729. Other services and charges was the largest contributor to the positive variance in culture and recreation and was $15,047 under 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, 2011, amounts to $8,822,365 (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 $2,041,601, or 27.3 percent during the year.

Major capital asset activity during the current year included:

- 2010 & 2011 Street Improvement project construction continued
- Parkland Soil Cover project started
- Sewer Lining project started
- 5th Dock and Hidden Lane project was completed

Additional information on the City's capital assets can be found in Note 3C starting on page 70 of this report.

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

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Land	$ 1,111,042	$ 1,111,042	$ -	$ 50,000	$ 50,000	$ -
Construction in progress	2,251,310	842,501	1,408,809	1,144,804	444,463	700,341
Buildings	226,252	243,933	(17,681)	-	-	-
Improvement other than building	411,494	438,140	(26,646)	-	-	-
Machinery and equipment	401,432	411,125	(9,693)	612,629	630,294	(17,665)
Infrastructure	343,568	365,283	(21,715)	2,269,834	2,243,983	25,851
Total	$ 4,745,098	$ 3,412,024	$ 1,333,074	$ 4,077,267	$ 3,368,740	$ 708,527

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $3,540,000. 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		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
G.O. revenue bonds	$ -	$ -	$ -	$ 745,000	$ 835,000	$ (90,000)
G.O. improvement bonds	1,449,250	1,449,250	-	1,345,750	1,345,750	-
Other postemployment benefits	40,220	25,425	14,795	-	-	-
Compensated absences	73,120	75,747	(2,627)	-	-	-
Total	$ 1,562,590	$ 1,550,422	$ 12,168	$ 2,090,750	$ 2,180,750	$ (90,000)

The City's total debt decreased $77,832 (2.1 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 3E starting on page 74 of this report.

Economic Factors and Next Year's Budgets and Rates

- Property valuations appear to be stabilizing. New development and renovation projects within the City are beginning to come forward in larger quantities and more rapidly. The City is optimistic this is a sign of overall economic stabilization.

- The City is not budgeting or assuming any local government aid will be disbursed to the City now or in the future. The City continues to explore additional revenue options, as well as expense reductions, to make up for the loss in aid.

- The City had staff changes in 2011 which left two positions open for a number of months. The City has filled those positions along with making some additional adjustments to the structure of City Hall in hopes of further decreasing expense.

- The City implemented water and storm water rate increases for 2012. Water rates increased 5 percent and storm water rates increased 10 percent 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 2012 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, 2011

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CITY OF EXCELSIOR, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash temporary investments	$ 3,202,757	$ 1,857,888	$ 5,060,645
Receivables			
Interest	11,710	-	11,710
Accounts	47,712	283,374	331,086
Delinquent taxes	43,361	-	43,361
Special assessments	119,840	11,238	131,078
Due from other governments	37,250	12,041	49,291
Internal balances	45,241	(45,241)	-
Prepaid items	32,017	21,498	53,515
Deferred charges	30,660	47,994	78,654
Land and construction in progress	3,362,352	1,194,804	4,557,156
Depreciable infrastructure, buildings, property and equipment, net	1,382,746	2,882,463	4,265,209
TOTAL ASSETS	8,315,646	6,266,059	14,581,705
LIABILITIES			
Accounts payable	253,859	34,109	287,968
Accrued salaries payable	5,312	6,242	11,554
Accrued interest payable	13,534	25,759	39,293
Due to other governments	3,523	1,382	4,905
Unearned revenue	112,411	600	113,011
Noncurrent liabilities			
Due within one year			
Compensated absences payable	24,373	-	24,373
Bonds payable	74,250	165,750	240,000
Due in more than one year			
Compensated absences payable	48,747	-	48,747
Bonds payable	1,375,000	1,925,000	3,300,000
Other postemployment benefits payable	40,220	-	40,220
TOTAL LIABILITIES	1,951,229	2,158,842	4,110,071
NET ASSETS			
Invested in capital assets, net of related debt	3,295,848	2,329,500	5,625,348
Restricted for			
Debt Service	296,883	-	296,883
Tax increment financing district	5,003	-	5,003
Park improvements	99,774	-	99,774
Unrestricted	2,666,909	1,777,717	4,444,626
TOTAL NET ASSETS	$ 6,364,417	$ 4,107,217	$ 10,471,634

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, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities				
General government	$ 562,716	$ 47,800	$ 3,750	$ -
Public safety	783,188	251,743	-	-
Public works	366,245	33,093	-	143,067
Culture and recreation	230,874	52,579	-	669,471
Housing and economic development	103,232	-	-	-
Miscellaneous	20,310	63,550	-	-
Interest on long-term debt	36,487	-	-	-
Total governmental activities	2,103,052	448,765	3,750	812,538
Business-type activities				
Water utility	358,540	478,567	-	-
Sewer utility	409,101	537,542	-	31,338
Solid waste	137,260	151,435	-	-
Surface water	106,357	137,920	-	-
Parking meter	1,317	46,823	-	-
Street lighting	44,841	56,573	-	-
Commercial docks	145,912	230,322	-	-
Total business-type activities	1,203,328	1,639,182	-	31,338
Total	$ 3,306,380	$ 2,087,947	$ 3,750	$ 843,876

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

Total general revenues and transfers

Change in net assets

Net assets, January 1

Net assets, December 31

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

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
$ (511,166)	$ -	$ (511,166)
(531,445)	-	(531,445)
(190,085)	-	(190,085)
491,176	-	491,176
(103,232)	-	(103,232)
43,240	-	43,240
(36,487)	-	(36,487)
(837,999)	-	(837,999)
-	120,027	120,027
-	159,779	159,779
-	14,175	14,175
-	31,563	31,563
-	45,506	45,506
-	11,732	11,732
-	84,410	84,410
-	467,192	467,192
(837,999)	467,192	(370,807)
1,306,831	-	1,306,831
105,272	-	105,272
69,592	-	69,592
3,392	-	3,392
59,287	47,973	107,260
161,292	(161,292)	-
1,705,666	(113,319)	1,592,347
867,667	353,873	1,221,540
5,496,750	3,753,344	9,250,094
$ 6,364,417	$ 4,107,217	$ 10,471,634

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FUND FINANCIAL STATEMENTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

CITY OF EXCELSIOR, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	Capital Improvement	Park Improvement
ASSETS			
Cash and temporary investments	$ 1,635,164	$ 1,053,237	$ 110,368
Receivables			
Interest	11,710	-	-
Accounts	18,821	28,628	263
Delinquent taxes	38,940	-	-
Special assessments			
Delinquent	-	-	-
Deferred	-	2,953	-
Due from other governments	8,643	-	28,607
Advance from other funds	-	45,241	-
Prepaid items	31,520	322	-
TOTAL ASSETS	$ 1,744,798	$ 1,130,381	$ 139,238
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 42,082	$ 16,797	$ 39,464
Accrued salaries payable	5,134	-	-
Due to other governments	2,950	-	-
Deferred revenue	132,321	31,581	-
TOTAL LIABILITIES	182,487	48,378	39,464
FUND BALANCES			
Nonspendable			
Prepaid items	31,520	322	-
Restricted for			
Debt Service	-	-	-
Tax increment financing district	-	-	-
Park improvements	-	-	99,774
Committed for			
Self insurance	113,172	-	-
Compensated absences	111,011	-	-
Cemetery	85,748	-	-
Rental counter balance	100,000	-	-
Parking lot maintenance	-	-	-
Assigned for			
Capital Improvements	-	1,081,681	-
Street improvements	-	-	-
Parking lot maintenance	-	-	-
Unassigned	1,120,860	-	-
TOTAL FUND BALANCES	1,562,311	1,082,003	99,774
TOTAL LIABILITIES AND FUND BALANCES	$ 1,744,798	$ 1,130,381	$ 139,238

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

2010 & 2011 Street Improvements	Other Governmental Funds	Total Governmental Funds
$ 70,817	$ 333,171	$ 3,202,757
-	-	11,710
-	-	47,712
-	4,421	43,361
-	108	108
-	116,779	119,732
-	-	37,250
-	-	45,241
-	175	32,017
$ 70,817	$ 454,654	$ 3,539,888
$ 106,098	$ 49,418	$ 253,859
-	178	5,312
-	573	3,523
-	116,887	280,789
106,098	167,056	543,483
-	175	32,017
-	195,530	195,530
-	5,003	5,003
-	-	99,774
-	-	113,172
-	-	111,011
-	-	85,748
-	-	100,000
-	20,481	20,481
-	-	1,081,681
(35,281)	-	(35,281)
-	66,409	66,409
-	-	1,120,860
(35,281)	287,598	2,996,405
$ 70,817	$ 454,654	$ 3,539,888

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CITY OF EXCELSIOR, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

Total fund balances - governmental	$ 2,996,405
Amounts reported for the governmental activities in the statement of net assets 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	6,209,374
Less: accumulated depreciation	(1,464,276)
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	(73,120)
Bond principal payable	(1,449,250)
Less unamortized deferred charges	30,660
Other postemployment benefits payable	(40,220)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	
Delinquent taxes	19,910
Special assessments	119,840
Other	28,628
Governmental funds do not report a liability for accrued interest until due and payable.	(13,534)
Total net assets - governmental activities	$ 6,364,417

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, 2011

	General	Capital Improvement	Park Improvement
REVENUES			
Taxes	$ 1,381,044	$ -	$ -
Licenses and permits	161,958	-	-
Intergovernmental	7,026	-	675,471
Charges for services	50,012	133,447	-
Fines and forfeitures	62,806	-	-
Special assessments	1,050	2,621	-
Interest on investments	22,194	24,882	1,501
Miscellaneous	7,066	13,560	8,226
TOTAL REVENUES	1,693,156	174,510	685,198
EXPENDITURES			
Current			
General government	488,275	2	-
Public safety	783,188	-	-
Public works	206,842	-	-
Culture and recreation	159,968	-	-
Housing and economic development	-	-	-
Miscellaneous	18,956	-	-
Capital outlay			
General government	2,847	50,839	-
Public works	490	72,952	-
Culture and recreation	534	9,232	719,290
Miscellaneous	1,354	-	-
Debt service			
Interest and other	-	-	-
TOTAL EXPENDITURES	1,662,454	133,025	719,290
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	30,702	41,485	(34,092)
OTHER FINANCING SOURCES (USES)			
Transfers in	315,866	80,000	4,000
Transfers out	(184,000)	(154,574)	-
TOTAL OTHER FINANCING SOURCES (USES)	131,866	(74,574)	4,000
NET CHANGE IN FUND BALANCES	162,568	(33,089)	(30,092)
FUND BALANCES, JANUARY 1	1,399,743	1,115,092	129,866
FUND BALANCES, DECEMBER 31	$ 1,562,311	$ 1,082,003	$ 99,774

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

2010 & 2011 Street Improvements	Other Governmental Funds	Total Governmental Funds
$ -	$ 105,272	$ 1,486,316
-	-	161,958
-	116	682,613
-	11,690	195,149
-	-	62,806
-	22,495	26,166
8,039	61,979	118,595
-	-	28,852
8,039	201,552	2,762,455
-	-	488,277
-	-	783,188
-	20,763	227,605
-	-	159,968
-	103,232	103,232
-	-	18,956
-	-	53,686
748,707	-	822,149
-	-	729,056
-	-	1,354
-	25,531	25,531
748,707	149,526	3,413,002
(740,668)	52,026	(650,547)
-	159,805	559,671
(59,805)	-	(398,379)
(59,805)	159,805	161,292
(800,473)	211,831	(489,255)
765,192	75,767	3,485,660
$ (35,281)	$ 287,598	$ 2,996,405

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, 2011

Total net change in fund balances	$ (489,255)
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	1,452,274
Depreciation expense	(115,468)
Loss on disposal	(3,732)
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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Amortization of deferred charges	(2,188)
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.	(8,768)
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	2,627
Other postemployment benefits payable	(14,795)
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	(4,621)
Special assessments	51,593
Change in net assets - governmental activities	$ 867,667

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

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND SPECIAL PURPOSE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	$ 1,373,959	$ 1,373,959	$ 1,381,044	$ 7,085
Licenses and permits	148,795	148,795	161,958	13,163
Intergovernmental	104,275	104,275	7,026	(97,249)
Charges for services	43,800	43,800	50,012	6,212
Fines and forfeitures	49,800	49,800	62,806	13,006
Special assessments	-	-	1,050	1,050
Interest on investments	17,000	17,000	22,194	5,194
Miscellaneous	7,500	7,500	7,066	(434)
TOTAL REVENUES	1,745,129	1,745,129	1,693,156	(51,973)
EXPENDITURES				
Current				
General government	474,688	474,688	488,275	(13,587)
Public safety	792,332	792,332	783,188	9,144
Public works	200,327	200,327	206,842	(6,515)
Culture and recreation	176,697	176,697	159,968	16,729
Miscellaneous	21,832	21,832	18,956	2,876
Capital outlay	3,000	3,000	5,225	(2,225)
TOTAL EXPENDITURES	1,668,876	1,668,876	1,662,454	6,422
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	76,253	76,253	30,702	(45,551)
OTHER FINANCING SOURCES (USES)				
Transfers in	181,374	181,374	315,866	134,492
Transfers out	(264,000)	(264,000)	(184,000)	80,000
TOTAL OTHER FINANCING SOURCES (USES)	(82,626)	(82,626)	131,866	214,492
NET CHANGE IN FUND BALANCES	(6,373)	(6,373)	162,568	168,941
FUND BALANCES, JANUARY 1	1,399,743	1,399,743	1,399,743	-
FUND BALANCES, DECEMBER 31	$ 1,393,370	$ 1,393,370	$ 1,562,311	$ 168,941

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

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF NET ASSETS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2011	2010	2011	2010
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	$ 775,401	$ 887,008	$ 793,907	$ 888,059
Receivables				
Accounts	106,840	111,596	122,900	121,862
Special assessments				
Delinquent	223	1,354	-	-
Deferred	9,728	9,728	565	-
Due from other governments	3,806	4,304	8,235	-
Prepaid items	1,829	259	15,540	13,314
TOTAL CURRENT ASSETS	897,827	1,014,249	941,147	1,023,235
NONCURRENT ASSETS				
Special assessments	722	6,207	-	-
Deferred charges, net	31,468	34,280	8,722	9,482
Advance from other funds	-	-	38,597	43,174
CAPITAL ASSETS, AT COST	3,097,798	2,854,878	1,860,217	1,566,935
LESS ACCUMULATED DEPRECIATION	(1,111,356)	(1,035,703)	(456,433)	(412,096)
NET CAPITAL ASSETS	1,986,442	1,819,175	1,403,784	1,154,839
TOTAL NONCURRENT ASSETS	2,018,632	1,859,662	1,451,103	1,207,495
TOTAL ASSETS	2,916,459	2,873,911	2,392,250	2,230,730
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	3,742	11,906	12,020	3,002
Accrued salaries payable	1,907	1,683	2,125	1,791
Accrued interest payable	17,628	15,585	4,686	2,822
Due to other governments	778	583	48	76
Unearned revenue	-	-	-	-
Bonds payable, current portion	107,100	74,600	39,750	15,400
TOTAL CURRENT LIABILITIES	131,155	104,357	58,629	23,091
NONCURRENT LIABILITIES				
Bonds payable, net of current portion	1,163,800	1,270,900	411,200	450,950
Advance to other funds	-	-	-	-
TOTAL LIABILITIES	1,294,955	1,375,257	469,829	474,041
NET ASSETS (LIABILITIES)				
Invested in capital assets, net of related debt	881,112	838,093	1,130,247	993,942
Unrestricted	740,392	660,561	792,174	762,747
TOTAL NET ASSETS	$ 1,621,504	$ 1,498,654	$ 1,922,421	$ 1,756,689

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	
2011	2010	2011	2010	2011	2010
$ 75,460	$ 104,697	$ 127,577	$ 359,668	$ 85,543	$ 91,726
-	-	-	-	53,634	53,176
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,651	2,882	1,031	394	447	273
78,111	107,579	128,608	360,062	139,624	145,175
-	-	-	-	-	-
-	-	7,804	8,362	-	-
-	-	-	-	-	-
484,661	443,080	444,685	166,472	19,660	54,381
(241,541)	(217,739)	(6,855)	(3,843)	(13,569)	(47,625)
243,120	225,341	437,830	162,629	6,091	6,756
243,120	225,341	445,634	170,991	6,091	6,756
321,231	332,920	574,242	531,053	145,715	151,931
457	34,082	5,331	903	12,559	11,686
729	671	1,094	1,020	387	353
-	-	3,445	1,213	-	-
-	-	-	-	556	309
600	400	-	-	-	-
-	-	18,900	-	-	-
1,786	35,153	28,770	3,136	13,502	12,348
-	-	350,000	368,900	-	-
83,838	98,366	-	-	-	-
85,624	133,519	378,770	372,036	13,502	12,348
243,120	225,341	68,930	25,631	6,091	6,756
(7,513)	(25,940)	126,542	133,386	126,122	132,827
$ 235,607	$ 199,401	$ 195,472	$ 159,017	$ 132,213	$ 139,583

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CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF NET ASSETS - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds	
	Totals	
	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 1,857,888	$ 2,331,158
Receivables		
Accounts	283,374	286,634
Special assessments		
Delinquent	223	1,354
Deferred	10,293	9,728
Due from other governments	12,041	4,304
Prepaid items	21,498	17,122
TOTAL CURRENT ASSETS	2,185,317	2,650,300
NONCURRENT ASSETS		
Special assessments	722	6,207
Deferred charges, net	47,994	52,124
Advance from other funds	38,597	43,174
CAPITAL ASSETS, AT COST	5,907,021	5,085,746
LESS ACCUMULATED DEPRECIATION	(1,829,754)	(1,717,006)
NET CAPITAL ASSETS	4,077,267	3,368,740
TOTAL NONCURRENT ASSETS	4,164,580	3,470,245
TOTAL ASSETS	6,349,897	6,120,545
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	34,109	61,579
Accrued salaries payable	6,242	5,518
Accrued interest payable	25,759	19,620
Due to other governments	1,382	968
Unearned revenue	600	400
Bonds payable, current portion	165,750	90,000
TOTAL CURRENT LIABILITIES	233,842	178,085
NONCURRENT LIABILITIES		
Bonds payable, net of current portion	1,925,000	2,090,750
Advance to other funds	83,838	98,366
TOTAL LIABILITIES	2,242,680	2,367,201
NET ASSETS		
Invested in capital assets, net of related debt	2,329,500	2,089,763
Unrestricted	1,777,717	1,663,581
TOTAL NET ASSETS	$ 4,107,217	$ 3,753,344

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

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2011	2010	2011	2010
OPERATING REVENUES				
Charges for services	$ 468,605	$ 479,844	$ 536,977	$ 536,773
OPERATING EXPENSES				
Pumping and purification	178,194	116,807	-	-
Distribution	-	89,385	-	-
Collection	-	-	135,775	111,964
Disposal charges	-	-	157,178	155,864
Refuse	-	-	-	-
Recycling	-	-	-	-
Storm drainage	-	-	-	-
Administration	54,426	58,576	54,061	61,589
Maintenance	4,260	5,110	5,508	4,317
Depreciation	75,653	70,353	44,337	37,696
TOTAL OPERATING EXPENSES	312,533	340,231	396,859	371,430
OPERATING INCOME	156,072	139,613	140,118	165,343
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	16,823	6,181	19,953	10,797
Special assessments	6,240	2,318	565	-
Intergovernmental				
State	-	-	31,338	-
Interest expense and other	(46,007)	(38,951)	(12,242)	(5,370)
Other income	3,722	1,346	-	2,197
TOTAL NONOPERATING REVENUES (EXPENSES)	(19,222)	(29,106)	39,614	7,624
INCOME BEFORE TRANSFERS	136,850	110,507	179,732	172,967
TRANSFERS OUT	(14,000)	(15,000)	(14,000)	(15,000)
CHANGE IN NET ASSETS	122,850	95,507	165,732	157,967
NET ASSETS, JANUARY 1	1,498,654	1,403,147	1,756,689	1,598,722
NET ASSETS, DECEMBER 31	$ 1,621,504	$ 1,498,654	$ 1,922,421	$ 1,756,689

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	
2011	2010	2011	2010	2011	2010
$ 230,322	$ 197,522	$ 137,920	$ 125,069	$ 254,831	$ 262,122
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	95,825	104,527
-	-	-	-	41,435	43,623
-	-	50,481	47,706	-	-
-	-	44,008	38,345	5,515	5,656
122,110	102,023	-	-	39,978	32,250
23,802	18,092	3,012	1,566	665	586
145,912	120,115	97,501	87,617	183,418	186,642
84,410	77,407	40,419	37,452	71,413	75,480
1,796	1,924	7,292	1,680	2,109	948
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(8,856)	(1,866)	-	-
-	-	-	653	-	-
1,796	1,924	(1,564)	467	2,109	948
86,206	79,331	38,855	37,919	73,522	76,428
(50,000)	(50,000)	(2,400)	(3,300)	(80,892)	(45,600)
36,206	29,331	36,455	34,619	(7,370)	30,828
199,401	170,070	159,017	124,398	139,583	108,755
$ 235,607	$ 199,401	$ 195,472	$ 159,017	$ 132,213	$ 139,583

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CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds	
	Totals	
	2011	2010
OPERATING REVENUES		
Charges for services	$ 1,628,655	$ 1,601,330
OPERATING EXPENSES		
Pumping and purification	178,194	116,807
Distribution	-	89,385
Collection	135,775	111,964
Disposal charges	157,178	155,864
Refuse	95,825	104,527
Recycling	41,435	43,623
Storm drainage	50,481	47,706
Administration	158,010	164,166
Maintenance	171,856	143,700
Depreciation	147,469	128,293
TOTAL OPERATING EXPENSES	1,136,223	1,106,035
OPERATING INCOME	492,432	495,295
NONOPERATING REVENUES (EXPENSES)		
Interest income	47,973	21,530
Special assessments	6,805	2,318
Intergovernmental		
State	31,338	-
Interest expense and other	(67,105)	(46,187)
Other income	3,722	4,196
TOTAL NONOPERATING REVENUES (EXPENSES)	22,733	(18,143)
INCOME BEFORE TRANSFERS	515,165	477,152
TRANSFERS OUT	(161,292)	(128,900)
CHANGE IN NET ASSETS	353,873	348,252
NET ASSETS, JANUARY 1	3,753,344	3,405,092
NET ASSETS, DECEMBER 31	$ 4,107,217	$ 3,753,344

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

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 484,197	$ 480,963	$ 527,704	$ 523,088
Payments to suppliers	(129,278)	(147,644)	(220,984)	(215,255)
Payments to employees	(116,917)	(115,282)	(124,440)	(120,631)
NET CASH PROVIDED BY OPERATING ACTIVITIES	238,002	218,037	182,280	187,202
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	-	-	4,577	29,374
Increase (decrease) in due to other funds	-	-	-	-
Transfers to other funds	(14,000)	(15,000)	(14,000)	(15,000)
Capital grants received	-	-	31,338	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(14,000)	(15,000)	21,915	14,374
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	(242,920)	(336,238)	(293,282)	(264,891)
Special assessments collected	6,240	2,318	-	-
Bond proceeds, net	-	566,560	-	388,147
Interest paid on bonds	(41,152)	(36,343)	(9,618)	(3,890)
Principal paid on bonds	(74,600)	(71,000)	(15,400)	(14,000)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(352,432)	125,297	(318,300)	105,366
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	16,823	6,181	19,953	10,797
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(111,607)	334,515	(94,152)	317,739
CASH AND CASH EQUIVALENTS, JANUARY 1	887,008	552,493	888,059	570,320
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 775,401	$ 887,008	$ 793,907	$ 888,059

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	
2011	2010	2011	2010	2011	2010
$ 230,522	$ 197,522	$ 137,920	$ 125,069	$ 254,373	$ 256,686
(71,401)	(55,646)	(17,953)	(48,207)	(158,291)	(163,864)
(50,970)	(48,383)	(72,671)	(71,889)	(23,482)	(24,034)
108,151	93,493	47,296	4,973	72,600	68,788
-	-	-	-	-	-
(14,528)	(14,149)	-	-	-	-
(50,000)	(50,000)	(2,400)	(3,300)	(80,892)	(45,600)
-	-	-	-	-	-
(64,528)	(64,149)	(2,400)	(3,300)	(80,892)	(45,600)
(74,656)	(33,845)	(278,213)	(119,243)	-	-
-	-	-	-	-	-
-	-	-	360,538	-	-
-	-	(6,066)	-	-	-
-	-	-	-	-	-
(74,656)	(33,845)	(284,279)	241,295	-	-
1,796	1,924	7,292	1,680	2,109	948
(29,237)	(2,577)	(232,091)	244,648	(6,183)	24,136
104,697	107,274	359,668	115,020	91,726	67,590
$ 75,460	$ 104,697	$ 127,577	$ 359,668	$ 85,543	$ 91,726

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CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds Totals	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 1,634,716	$ 1,583,328
Payments to suppliers	(597,907)	(630,616)
Payments to employees	(388,480)	(380,219)
NET CASH PROVIDED BY OPERATING ACTIVITIES	648,329	572,493
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
(Increase) decrease in due from other funds	4,577	29,374
Increase (decrease) in due to other funds	(14,528)	(14,149)
Transfers to other funds	(161,292)	(128,900)
Capital grants received	31,338	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(139,905)	(113,675)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of capital assets	(889,071)	(754,217)
Special assessments collected	6,240	2,318
Bond proceeds, net	-	1,315,245
Interest paid on bonds	(56,836)	(40,233)
Principal paid on bonds	(90,000)	(85,000)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(1,029,667)	438,113
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	47,973	21,530
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(473,270)	918,461
CASH AND CASH EQUIVALENTS, JANUARY 1	2,331,158	1,412,697
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 1,857,888	$ 2,331,158

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

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2011	2010	2011	2010
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 156,072	$ 139,613	$ 140,118	$ 165,343
Adjustments to reconcile operating income to net cash provided by operating activities				
Other income related to operations	3,722	1,346	-	2,197
Depreciation	75,653	70,353	44,337	37,696
(Increase) decrease in assets				
Receivables				
Accounts	4,756	(2,347)	(1,038)	(20,172)
Special assessments	6,616	1,191	-	-
Due from other governments	498	929	(8,235)	4,290
Prepaid items	(1,570)	(139)	(2,226)	(207)
Increase (decrease) in liabilities				
Accounts payable	(8,164)	7,309	9,018	(2,313)
Accrued salaries payable	224	(716)	334	324
Due to other governments	195	498	(28)	44
Unearned revenue	-	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 238,002	$ 218,037	$ 182,280	$ 187,202
SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES				
Amortization of deferred charges	$ 2,812	$ 1,937	$ 760	$ 161
Deferred charges on bonds issued	$ -	$ 13,140	$ -	$ 9,003
Capital assets acquired on account	$ -	$ -	$ -	$ -

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	
2011	2010	2011	2010	2011	2010
$ 84,410	$ 77,407	$ 40,419	$ 37,452	$ 71,413	$ 75,480
-	-	-	-	-	-
23,802	18,092	3,012	1,566	665	586
-	-	-	-	(458)	(5,436)
-	-	-	-	-	-
-	-	-	-	-	-
231	(2,873)	(637)	(344)	(174)	(267)
(550)	714	4,428	(33,900)	873	(1,646)
58	153	74	199	34	74
-	-	-	-	247	(3)
200	-	-	-	-	-
$ 108,151	$ 93,493	$ 47,296	$ 4,973	$ 72,600	$ 68,788
$ -	$ -	$ 558	$ -	$ -	$ -
$ -	$ -	$ -	$ 8,362	$ -	$ -
$ -	$ 33,075	$ -	$ 34,217	$ -	$ -

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CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds Totals	
	2011	2010
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 492,432	$ 495,295
Adjustments to reconcile operating income to net cash provided by operating activities		
Other income related to operations	3,722	3,543
Depreciation	147,469	128,293
(Increase) decrease in assets		
Receivables		
Accounts	3,260	(27,955)
Special assessments	6,616	1,191
Due from other governments	(7,737)	5,219
Prepaid items	(4,376)	(3,830)
Increase (decrease) in liabilities		
Accounts payable	5,605	(29,836)
Accrued salaries payable	724	34
Due to other governments	414	539
Unearned revenue	200	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 648,329	$ 572,493
SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES		
Amortization of deferred charges	$ 4,130	$ 2,098
Deferred charges on bonds issued	$ -	$ 30,505
Capital assets acquired on account	$ -	$ 67,292

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

CITY OF EXCELSIOR, MINNESOTA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2011

	Agency
ASSETS	
Cash and temporary investments (deficits)	$ (510)
Accounts receivable	18,602
TOTAL ASSETS	$ 18,092
LIABILITIES	
Accounts payable	$ 18,092

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 Council. The Council exercises legislative authority and determines all matters of policy. The 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 assets 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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred 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 deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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

The *Capital Improvement fund* accounts for capital improvement expenditures

The *Park Improvement fund* accounts for park improvement expenditures.

The *2010 & 2011 Street Improvements fund* accounts for the bond proceeds, construction, and other related costs of the 2010 and 2011 street improvements.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 and net assets or equity

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 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, and November each year.

Taxes payable on homestead property, as defined by Minnesota statutes, were partially reduced by a market value credit aid. The credit is paid to the City by the State in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred revenue liability 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 2011. 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 revenue liability in the fund financial statements.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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, 2010.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the 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 Council itself or by an official to which the governing body delegates the authority. The 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 assets

Net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net assets - Consist of net assets 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 assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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.

During 2011, the City decided to change the classification of the Parking Lot Maintenance fund. The fund is now being presented as a governmental special revenue fund. It was previously presented as a proprietary fund in the fund financial statements and as business-type in the government-wide financial statements.

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. 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 Council for review. The 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 Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. There were no budget amendments during the year.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

Deficit fund equity

The following fund had a fund equity deficit at December 31, 2011:

Fund	Amount
2010 & 2011 Street Improvements	$ 35,281

The above deficit will be eliminated through a future transfer.

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 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 $2,860,290 and the bank balance was $2,884,405. Of the bank balance, $1,482,189 was covered by federal depository insurance. The remaining balance was covered by collateral held in the City's name.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Carrying amount of deposits	$ 2,860,290
Investments	2,199,645
Cash on hand	200
Total	$ 5,060,135
Cash and temporary investments	
Statement of Net Assets	$ 5,060,645
Statement of Fiduciary Net Assets	(510)
Total	$ 5,060,135

Investments

As of December 31, 2011, 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	less than 6 months	$ 300,030
U.S. Government Securities	AAA	more than 3 years	1,551,770
Brokered Certificates of Deposit	N/A	less than 6 months	200,378
Brokered Certificates of Deposit	N/A	1 to 3 years	99,999
Brokered Certificates of Deposit	N/A	more than 3 years	39,374
Pooled investments			
Broker Money Market	N/A	less than 6 months	8,094
Total investments			$ 2,199,645

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.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The investments of the City are subject to the following risks:

- *Credit Risk*. Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list on page 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.

B. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
General			
Delinquent taxes	$ 19,910	$ -	$ 19,910
Other	-	112,411	112,411
Capital Improvement			
Deferred special assessments	2,953	-	2,953
Reserve capacity charges	28,628	-	28,628
Other Governmental			
Deferred special assessments	116,779	-	116,779
Delinquent assessments	108		108
Total	$ 168,378	$ 112,411	$ 280,789

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Transferred from Business-type Activities	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	$ 1,111,042	$ -	$ -	$ -	$ 1,111,042
Construction in progress	842,501	1,408,809	-	-	2,251,310
Total capital assets not being depreciated	1,953,543	1,408,809	-	-	3,362,352
Capital assets being depreciated					
Buildings	748,150	-	-	-	748,150
Improvements other than buildings	500,783	-	-	-	500,783
Machinery and equipment	734,583	32,943	(8,142)	-	759,384
Infrastructure	793,462	10,522	-	34,721	838,705
Total capital assets being depreciated	2,776,978	43,465	(8,142)	34,721	2,847,022
Less accumulated depreciation for					
Buildings	(504,217)	(17,682)	-	-	(521,899)
Improvements other than buildings	(62,643)	(37,168)	-	-	(99,811)
Machinery and equipment	(323,458)	(38,904)	4,410	-	(357,952)
Infrastructure	(428,179)	(21,714)	-	(34,721)	(484,614)
Total accumulated depreciation	(1,318,497)	(115,468)	4,410	(34,721)	(1,464,276)
Total capital assets being depreciated, net	1,458,481	(72,003)	(3,732)	-	1,382,746
Governmental activities capital assets, net	$ 3,412,024	$ 1,336,806	$ (3,732)	$ -	$ 4,745,098

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Transferred to Governmental Activities	Ending Balance
Business-type activities					
Capital assets not being depreciated					
Land	$ 50,000	$ -	$ -	$ -	$ 50,000
Construction in progress	444,463	733,416	(33,075)	-	1,144,804
Total capital assets not being depreciated	494,463	733,416	(33,075)	-	1,194,804
Capital assets being depreciated					
Buildings	8,202	-	-	-	8,202
Machinery and equipment	870,199	23,040	-	(9,868)	883,371
Infrastructure	3,712,882	132,615	-	(24,853)	3,820,644
Total capital assets being depreciated	4,591,283	155,655	-	(34,721)	4,712,217
Less accumulated depreciation for					
Buildings	(8,202)	-	-	-	(8,202)
Machinery and equipment	(239,905)	(40,627)	-	9,868	(270,664)
Infrastructure	(1,468,899)	(106,842)	-	24,853	(1,550,888)
Total accumulated depreciation	(1,717,006)	(147,469)	-	34,721	(1,829,754)
Total capital assets being depreciated, net	2,874,277	8,186	-	-	2,882,463
Business-type activities capital assets, net	$ 3,368,740	$ 741,602	$ (33,075)	$ -	$ 4,077,267

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Governmental activities	
General government	$ 13,341
Public works	81,545
Culture and recreation	20,582
Total depreciation expense - governmental activities	$ 115,468
Business-type activities	
Water utility	$ 75,653
Sewer utility	44,337
Commercial docks	23,802
Surface water management	3,012
Other proprietary funds	665
Total depreciation expense - business-type activities	$ 147,469

Construction commitments

The City has an active construction project as of December 31, 2011. At year end, the City's commitment with the contractor is as follows:

Project	Spent-to-date	Remaining Commitment
2010 Street	$ 1,048,288	$ 55,173
2011 Street	989,549	60,555
Parkland Soil Cover	515,216	27,117
Sewer Lining	140,446	6,597
Total	$ 2,693,499	$ 149,442

D. Advances to and from other funds and transfers

The composition of Advances to and from other funds as of December 31, 2011 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount	Final Maturity
Capital Improvement	Commercial Docks	Residential dock construction	$ 45,241	2018
Sewer	Commercial Docks	Residential dock construction	38,597	2018

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The composition of interfund transfers as of December 31, 2011 is as follows:

	Transfer in				
Fund	General Fund	Capital Improvement	Park Improvement	Other Governmental Funds	Total
Transfer out					
General	$ -	$ 80,000	$ 4,000	$ 100,000	$ 184,000
Capital Improvement	154,574	-	-	-	154,574
2010 & 2011 Street Improvements	-	-	-	59,805	59,805
Water	14,000	-	-	-	14,000
Sewer	14,000	-	-	-	14,000
Commercial Docks	50,000	-	-	-	50,000
Surface Water Management	2,400	-	-	-	2,400
Other proprietary	80,892	-	-	-	80,892
Total	$ 315,866	$ 80,000	$ 4,000	$ 159,805	$ 559,671

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 to close the parking meter fund to the General fund.
- The Capital Improvement fund transferred $100,000 to the General fund for future expenditures.
- A transfer of $59,805 from the 2010 & 2011 Street Improvements fund was made to move prior year assessment revenue to the G.O. Bonds 2010A fund for future debt service payments.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term debt

General obligation bonds

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

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
G.O. Improvement Bonds, Series 2010A	$ 2,795,000	0.9 - 4.7 %	10/21/10	02/01/26	$ 2,795,000

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
2012	$ 74,250	$ 46,805	$ (16,381)	$ 104,674
2013	85,250	45,917	(16,071)	115,096
2014	88,000	44,637	(15,623)	117,014
2015	88,000	43,031	(15,061)	115,970
2016	88,000	41,117	(14,391)	114,726
2017 - 2021	478,500	164,062	(57,422)	585,140
2022 - 2026	547,250	63,535	(22,237)	588,548
Total	$ 1,449,250	$ 449,104	$ (157,186)	$ 1,741,168

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Year Ending December 31,	General Obligation Bonds Business-type Activities Principal	Interest	Federal Credit	Total
2012	$ 70,750	$ 43,400	$ (15,190)	$ 98,960
2013	79,750	42,563	(14,897)	107,416
2014	82,000	41,368	(14,479)	108,889
2015	82,000	39,872	(13,955)	107,917
2016	82,000	38,088	(13,331)	106,757
2017 - 2021	441,500	152,028	(53,210)	540,318
2022 - 2026	507,750	59,523	(20,833)	546,440
Total	$ 1,345,750	$ 416,842	$ (145,895)	$ 1,616,697

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	$ 170,000
G.O. Water Revenue Bonds, Series 2007A	680,000	3.85 - 4.35	08/15/07	02/01/23	575,000
Total G.O. Revenue Bonds					$ 745,000

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
2011	$ 95,000	$ 29,831	$ 124,831
2012	95,000	25,653	120,653
2013	100,000	21,313	121,313
2014	45,000	18,171	63,171
2015	45,000	16,349	61,349
2016 - 2020	250,000	52,180	302,180
2021 - 2023	115,000	5,111	120,111
Total	$ 745,000	$ 168,608	$ 913,608

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation improvement bonds	$ 1,449,250	$ -	$ -	$ 1,449,250	$ 74,250
Compensated absences payable	75,747	57,664	(60,291)	73,120	24,373
Other postemployment benefits payable	25,425	14,795	-	40,220	-
Governmental activity long-term liabilities	$ 1,550,422	$ 72,459	$ (60,291)	$ 1,562,590	$ 98,623
Business-type activities					
Bonds payable					
General obligation revenue bonds	$ 835,000	$ -	$ (90,000)	$ 745,000	$ 95,000
General obligation improvement bonds	1,345,750	-	-	1,345,750	70,750
Business-type activity long-term liabilities	$ 2,180,750	$ -	$ (90,000)	$ 2,090,750	$ 165,750

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.

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

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 2011. 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. Employer contribution rates for the Coordinated Plan will increase to 7.25 percent, effective January 1, 2011. The City’s contributions to the GERF for the years ending December 31, 2011, 2010 and 2009 were $44,481, $43,738, and $43,516, 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, 2011. As of January 01, 2011, there were two retirees receiving health benefits from the plan, who pay their full premiums.

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	$ 14,551
Interest on net OPEB obligation	1,144
Adjustment to annual required contribution	(900)
Annual OPEB cost (expense)	14,795
Contributions made	-
Increase in net OPEB obligation	14,795
Net OPEB obligation - January 1, 2011	25,425
Net OPEB obligation - December 31, 2011	$ 40,220

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, 2011 follows:

	Trend Information		
Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/11	$ 14,795	- %	$ 40,220
12/31/10	13,908	-	25,425
12/31/09	11,517	-	11,517

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

D. Funded status and funding progress

As of January 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $66,400, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $681,690, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.7 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, 2011 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 percent, reduced by decrements to an ultimate rate of 5 percent after twelve 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, 2011 was twenty-nine 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, 2010.

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
STATEMENT OF NET ASSETS
DECEMBER 31, 2010 AND 2009

	2010	2009
Assets	$ 5,492,102	$ 5,608,495
Liabilities	$ 4,410,500	$ 4,645,360
Net assets	1,081,602	963,135
Total liabilities and net assets	$ 5,492,102	$ 5,608,495

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
SUMMARY STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Revenues	$ 2,547,262	$ 2,505,559
Expenses	2,439,416	2,421,205
Net revenues	107,846	84,354
General revenues	10,621	12,221
Change in net assets	118,467	96,575
Net assets, January 1	963,135	866,560
Net assets, December 31	$ 1,081,602	$ 963,135

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, 2011:

EXCELSIOR FIRE DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2011 AND 2010

	2011	2010
Assets	$ 8,041,260	$ 8,119,655
Liabilities	$ 5,521,156	$ 5,851,278
Net assets	2,520,104	2,268,377
Total liabilities and net assets	$ 8,041,260	$ 8,119,655

EXCELSIOR FIRE DISTRICT
SUMMARY STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Charges for services	$ 1,551,957	$ 1,499,627
Expenses	1,319,634	1,354,038
Net revenues	232,323	145,589
General revenues	19,404	11,953
Change in net assets	251,727	157,542
Net assets, January 1	2,268,377	2,110,835
Net assets, December 31	$ 2,520,104	$ 2,268,377

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 Assets.

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, 2011 is $2,532,840.

Note 9: ACCOUNTING CHANGE

GASB Statement 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City implemented this standard for fiscal year end December 31, 2011. Changes to governmental fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures are included in Note 1.

The implementation of GASB Statement No. 54 resulted in the reclassification of certain funds and restatement of the City's financial statements. This statement had the following effect on fund balances of the major and nonmajor funds as they were previously reported:

	Fund Balance at December 31, 2010	Reclassification of Funds Due to GASB 54	Fund Balance at January 1, 2011 as Restated
General	$ 1,096,650	$ 303,093	$ 1,399,743
Insurance Refund	111,513	(111,513)	-
Compensated Absences	108,903	(108,903)	-
Cemetery	82,677	(82,677)	-
Capital Improvement	257,508	857,584	1,115,092
Revolving	135,431	(135,431)	-
Special Purpose	678,100	(678,100)	-
Public Works Equipment	44,053	(44,053)	-
Total	$ 2,514,835	$ -	$ 2,514,835

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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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
01/01/11	$ -	$ 66,400	$ 66,400	- %	$ 681,690	9.7 %
01/01/10	-	52,537	52,537	-	652,335	8.1
01/01/09	-	56,513	56,513	-	658,411	8.6

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011

	Special Revenue Parking Lot Maintenance	Capital Projects TIF Project	Debt Service G.O. Bonds 2010A	Total Nonmajor Funds
ASSETS				
Cash and temporary investments	$ 87,462	$ 50,179	$ 195,530	$ 333,171
Receivables				
Delinquent taxes	-	4,421	-	4,421
Special assessments				
Delinquent	-	-	108	108
Deferred	2,000	-	114,779	116,779
Prepaid items	175	-	-	175
TOTAL ASSETS	$ 89,637	$ 54,600	$ 310,417	$ 454,654
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 394	$ 49,024	$ -	$ 49,418
Accrued salaries and benefits payable	178	-		178
Due to other governments	-	573	-	573
Deferred revenue	2,000	-	114,887	116,887
TOTAL LIABILITIES	2,572	49,597	114,887	167,056
FUND BALANCES				
Nonspendable				
Prepaid items	175	-	-	175
Restricted for				
Debt service	-	-	195,530	195,530
Tax increment financing district	-	5,003	-	5,003
Committed for				
Parking lot maintenance	20,481	-	-	20,481
Assigned for				
Parking lot maintenance	66,409	-	-	66,409
TOTAL FUND BALANCES	87,065	5,003	195,530	287,598
TOTAL LIABILITIES AND FUND BALANCES	$ 89,637	$ 54,600	$ 310,417	$ 454,654

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Parking Lot Maintenance	TIF Project	G.O. Bonds 2010A	Total Nonmajor Funds
REVENUES				
Taxes	$ -	$ 105,272	$ -	$ 105,272
Intergovernmental	-	116	-	116
Charges for services	11,690	-	-	11,690
Special assessments	21,521	-	974	22,495
Interest on investments	1,468	229	60,282	61,979
TOTAL REVENUES	34,679	105,617	61,256	201,552
EXPENDITURES				
Current				
Public works	20,763	-	-	20,763
Housing and economic development	-	103,232	-	103,232
Debt service			-	
Interest and other	-		25,531	25,531
TOTAL EXPENDITURES	20,763	103,232	25,531	149,526
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	13,916	2,385	35,725	52,026
OTHER FINANCING SOURCES				
Transfers in	-	-	159,805	159,805
NET CHANGE IN FUND BALANCES	13,916	2,385	195,530	211,831
FUND BALANCES, JANUARY 1	73,149	2,618	-	75,767
FUND BALANCES, DECEMBER 31	$ 87,065	$ 5,003	$ 195,530	$ 287,598

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF NET ASSETS
DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	Solid Waste		Parking Meter	
	2011	2010	2011	2010
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	$ 53,520	$ 47,833	$ -	$ 23,044
Receivables				
Accounts	38,642	38,241	-	-
Prepaid items	372	92	-	181
TOTAL CURRENT ASSETS	92,534	86,166	-	23,225
CAPITAL ASSETS, AT COST	12,665	12,665	-	34,721
LESS ACCUMULATED DEPRECIATION	(12,665)	(12,665)	-	(34,406)
NET CAPITAL ASSETS	-	-	-	315
TOTAL ASSETS	92,534	86,166	-	23,540
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	8,775	8,993	-	-
Due to other governments	556	272	-	37
Accrued salaries payable	298	268	-	-
TOTAL LIABILITIES	9,629	9,533	-	37
NET ASSETS				
Invested in capital assets	-	-	-	315
Unrestricted	82,905	76,633	-	23,188
TOTAL NET ASSETS	$ 82,905	$ 76,633	$ -	$ 23,503

Business-type Activities - Enterprise Funds			
Street Lighting		Totals	
2011	2010	2011	2010
$ 32,023	$ 20,849	$ 85,543	$ 91,726
14,992	14,935	53,634	53,176
75	-	447	273
47,090	35,784	139,624	145,175
6,995	6,995	19,660	54,381
(904)	(554)	(13,569)	(47,625)
6,091	6,441	6,091	6,756
53,181	42,225	145,715	151,931
3,784	2,693	12,559	11,686
-	-	556	309
89	85	387	353
3,873	2,778	13,502	12,348
6,091	6,441	6,091	6,756
43,217	33,006	126,122	132,827
$ 49,308	$ 39,447	$ 132,213	$ 139,583

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	Solid Waste		Parking Meter	
	2011	2010	2011	2010
OPERATING REVENUES				
Charges for services	$ 151,435	$ 162,813	$ 46,823	$ 42,155
OPERATING EXPENSES				
Refuse	95,825	104,527	-	-
Recycling	41,435	43,623	-	-
Administration	-	-	-	-
Maintenance	-	-	1,002	1,056
Depreciation	-	-	315	236
TOTAL OPERATING EXPENSES	137,260	148,150	1,317	1,292
OPERATING INCOME	14,175	14,663	45,506	40,863
NONOPERATING REVENUES				
Interest on investments	1,097	613	483	180
INCOME BEFORE TRANSFERS	15,272	15,276	45,989	41,043
TRANSFERS OUT	(9,000)	(10,000)	(69,492)	(33,000)
CHANGE IN NET ASSETS	6,272	5,276	(23,503)	8,043
NET ASSETS, JANUARY 1	76,633	71,357	23,503	15,460
NET ASSETS, DECEMBER 31	$ 82,905	$ 76,633	$ -	$ 23,503

Business-type Activities - Enterprise Funds			
Street Lighting		Totals	
2011	2010	2011	2010
$ 56,573	$ 57,154	$ 254,831	$ 262,122
-	-	95,825	104,527
-	-	41,435	43,623
5,515	5,656	5,515	5,656
38,976	31,194	39,978	32,250
350	350	665	586
44,841	37,200	183,418	186,642
11,732	19,954	71,413	75,480
529	155	2,109	948
12,261	20,109	73,522	76,428
(2,400)	(2,600)	(80,892)	(45,600)
9,861	17,509	(7,370)	30,828
39,447	21,938	139,583	108,755
$ 49,308	$ 39,447	$ 132,213	$ 139,583

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	Solid Waste		Parking Meter	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 151,034	$ 159,546	$ 46,823	$ 42,155
Payments to suppliers	(119,473)	(130,984)	(858)	(1,200)
Payments to employees	(17,971)	(18,396)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	13,590	10,166	45,965	40,955
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(9,000)	(10,000)	(69,492)	(33,000)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	1,097	613	483	180
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,687	779	(23,044)	8,135
CASH AND CASH EQUIVALENTS, JANUARY 1	47,833	47,054	23,044	14,909
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 53,520	$ 47,833	$ -	$ 23,044
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ 14,175	$ 14,663	$ 45,506	$ 40,863
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	315	236
(Increase) decrease in assets				
Receivables				
Accounts	(401)	(3,267)	-	-
Prepaid items	(280)	(86)	181	(181)
Increase (decrease) in liabilities				
Accounts payable	(218)	(1,160)	-	-
Accrued salaries payable	30	56	-	-
Due to other governments	284	(40)	(37)	37
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 13,590	$ 10,166	$ 45,965	$ 40,955

Business-type Activities - Enterprise Funds			
Street Lighting		Totals	
2011	2010	2011	2010
$ 56,516	$ 54,985	$ 254,373	$ 256,686
(37,960)	(31,680)	(158,291)	(163,864)
(5,511)	(5,638)	(23,482)	(24,034)
13,045	17,667	72,600	68,788
(2,400)	(2,600)	(80,892)	(45,600)
529	155	2,109	948
11,174	15,222	(6,183)	24,136
20,849	5,627	91,726	67,590
$ 32,023	$ 20,849	$ 85,543	$ 91,726
$ 11,732	$ 19,954	$ 71,413	$ 75,480
350	350	665	586
(57)	(2,169)	(458)	(5,436)
(75)	-	(174)	(267)
1,091	(486)	873	(1,646)
4	18	34	74
-	-	247	(3)
$ 13,045	$ 17,667	$ 72,600	$ 68,788

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, 2011
(With comparative actual amounts for the year ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Taxes					
Property	$ 1,304,959	$ 1,304,959	$ 1,311,452	$ 6,493	$ 1,300,585
Franchise	69,000	69,000	69,592	592	69,469
Total	1,373,959	1,373,959	1,381,044	7,085	1,370,054
Licenses and permits					
Business	81,720	81,720	88,550	6,830	92,333
Nonbusiness	67,075	67,075	73,408	6,333	67,629
Total	148,795	148,795	161,958	13,163	159,962
Intergovernmental					
State					
Local government aid	80,000	80,000	-	(80,000)	-
Property tax credits	12,380	12,380	181	(12,199)	8
Other	3,095	3,095	3,095	-	3,095
County					
Highway aid	5,000	5,000	-	(5,000)	-
Other	3,800	3,800	3,750	(50)	3,800
Total	104,275	104,275	7,026	(97,249)	6,903
Charges for services					
General government	18,500	18,500	24,975	6,475	19,928
Public works	250	250	-	(250)	100
Culture and recreation	16,250	16,250	20,521	4,271	20,046
Other charges	8,800	8,800	4,516	(4,284)	17,467
Total	43,800	43,800	50,012	6,212	57,541
Fines and forfeitures	49,800	49,800	62,806	13,006	62,236
Special assessments	-	-	1,050	1,050	66
Interest on investments	17,000	17,000	22,194	5,194	13,578
Miscellaneous					
Other	-	-	1,034	1,034	1,342
Contributions and donations	-	-	435	435	207
Refunds and reimbursements	7,500	7,500	5,597	(1,903)	11,356
Total	7,500	7,500	7,066	(434)	12,905
TOTAL REVENUES	1,745,129	1,745,129	1,693,156	(51,973)	1,683,245

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, 2011
(With comparative actual amounts for the year ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES					
Current					
General government					
Legislative					
Personal services	$ 14,210	$ 14,210	$ 13,995	$ 215	$ 14,209
Other services and charges	7,025	7,025	12,591	(5,566)	4,640
Total	21,235	21,235	26,586	(5,351)	18,849
City manager / clerk					
Personal services	113,962	113,962	112,076	1,886	109,938
Other services and charges	3,800	3,800	4,192	(392)	2,694
Total	117,762	117,762	116,268	1,494	112,632
Elections and voter registration					
Personal services	-	-	-	-	2,739
Supplies	100	100	42	58	1,100
Other services and charges	775	775	536	239	722
Total	875	875	578	297	4,561
Finance					
Personal services	63,478	63,478	51,139	12,339	61,624
Other services and charges	2,450	2,450	17,763	(15,313)	2,665
Total	65,928	65,928	68,902	(2,974)	64,289
Planning and zoning					
Personal services	58,439	58,439	49,576	8,863	58,871
Other services and charges	24,850	24,850	49,292	(24,442)	41,183
Total	83,289	83,289	98,868	(15,579)	100,054
Administration					
Supplies	6,000	6,000	4,635	1,365	5,931
Other services and charges	177,589	177,589	171,307	6,282	173,113
Total	183,589	183,589	175,942	7,647	179,044
General government - continued					
Heritage preservation					
Other services and charges	2,010	2,010	1,131	879	1,599
Total general government	474,688	474,688	488,275	(13,587)	481,028

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, 2011
(With comparative actual amounts for the year ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public safety					
Police protection					
Supplies	$ 750	$ 750	$ 574	$ 176	$ 125
Other services and charges	622,663	622,663	612,867	9,796	605,510
Total	623,413	623,413	613,441	9,972	605,635
Fire protection					
Other services and charges	159,419	159,419	161,515	(2,096)	159,984
Protective inspection					
Other services and charges	9,500	9,500	8,232	1,268	14,531
Total public safety	792,332	792,332	783,188	9,144	780,150
Public works					
Engineering					
Other services and charges	9,500	9,500	12,993	(3,493)	10,402
Streets					
Personal services	118,127	118,127	112,794	5,333	115,148
Supplies	33,725	33,725	41,208	(7,483)	31,967
Other services and charges	38,975	38,975	39,847	(872)	34,187
Total	190,827	190,827	193,849	(3,022)	181,302
Total public works	200,327	200,327	206,842	(6,515)	191,704
Culture and recreation					
Parks					
Personal services	88,997	88,997	86,976	2,021	77,168
Supplies	24,200	24,200	24,539	(339)	24,703
Other services and charges	63,500	63,500	48,453	15,047	53,093
Total culture and recreation	176,697	176,697	159,968	16,729	154,964
Miscellaneous					
Cemetery					
Personal services	15,632	15,632	15,175	457	14,044
Supplies	2,000	2,000	1,659	341	2,385
Other services and charges	1,200	1,200	1,622	(422)	1,434
Total cemetery	18,832	18,832	18,456	376	17,863

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, 2011
(With comparative actual amounts for the year ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Miscellaneous - continued					
Self insurance					
Other services and charges	$ 3,000	$ 3,000	$ 500	$ 2,500	$ 950
Compensated absences					
Personal services	-	-	-	-	2,031
Total miscellaneous	21,832	21,832	18,956	2,876	20,844
Total current expenditures	1,665,876	1,665,876	1,657,229	8,647	1,628,690
Capital outlay					
General government	3,000	3,000	2,847	153	1,441
Public works	-	-	490	(490)	1,237
Culture and recreation	-	-	534	(534)	-
Miscellaneous	-	-	1,354	(1,354)	-
Total capital outlay	3,000	3,000	5,225	(2,225)	2,678
TOTAL EXPENDITURES	1,668,876	1,668,876	1,662,454	6,422	1,631,368
EXCESS OF REVENUES OVER EXPENDITURES	76,253	76,253	30,702	(45,551)	51,877
OTHER FINANCING SOURCES (USES)					
Transfers in	181,374	181,374	315,866	134,492	167,232
Transfers out	(264,000)	(264,000)	(184,000)	80,000	(151,682)
TOTAL OTHER FINANCING SOURCES (USES)	(82,626)	(82,626)	131,866	214,492	15,550
NET CHANGE IN FUND BALANCES	(6,373)	(6,373)	162,568	168,941	67,427
FUND BALANCES, JANUARY 1	1,399,743	1,399,743	1,399,743	-	1,332,316
FUND BALANCES, DECEMBER 31	$ 1,393,370	$ 1,393,370	$ 1,562,311	$ 168,941	$ 1,399,743

CITY OF EXCELSIOR, MINNESOTA
AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Balance January 1	Additions	Deductions	Balance December 31
ESCROW				
ASSETS				
Cash and temporary investments (deficits)	$ (8,692)	$ 66,312	$ 58,130	$ (510)
Accounts receivable	30,875	-	12,273	18,602
TOTAL ASSETS	$ 22,183	$ 66,312	$ 70,403	$ 18,092
LIABILITY				
Accounts payable	$ 22,183	$ 62,221	$ 66,312	$ 18,092

CITY OF EXCELSIOR, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	Total		Percent Increase
	2011	2010	(Decrease)
REVENUES			
Taxes	$ 1,486,316	$ 1,460,695	1.75 %
Special assessments	26,166	64,314	(59.32)
Licenses and permits	161,958	159,962	1.25
Intergovernmental	682,613	126,471	439.74
Charges for services	195,149	168,921	15.53
Fines and forfeitures	62,806	62,236	0.92
Interest on investments	118,595	29,355	304.00
Miscellaneous	28,852	127,456	(77.36)
TOTAL REVENUES	$ 2,762,455	$ 2,199,410	25.60 %
Per Capita	$ 1,263	$ 932	35.47 %
EXPENDITURES			
Current			
General government	$ 488,277	$ 494,625	(1.28) %
Public safety	783,188	780,150	0.39
Public works	227,605	201,314	13.06
Culture and recreation	159,968	154,964	3.23
Housing and economic development	103,232	91,845	12.40
Miscellaneous	18,956	75,911	(75.03)
Capital outlay			
General government	53,686	11,625	361.82
Public works	822,149	750,084	9.61
Culture and recreation	729,056	193,304	277.16
Miscellaneous	1,354	-	100.00
Debt service			
Bond issuance costs	25,531	33,198	(23.09)
TOTAL EXPENDITURES	$ 3,413,002	$ 2,787,020	22.46 %
Per Capita	$ 1,560	$ 1,181	32.09 %
Total Long-term Indebtedness	$ 1,449,250	$ 1,449,250	100.00 %
Per Capita	662	614	100.00
General Fund Balance - December 31	$ 1,562,311	$ 1,399,743	11.61 %
Per Capita	714	593	20.39

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, 2011

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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
2002	$ 720,000	$ 714,263	99.20 %	$ 5,737	$ 720,000	100.00 %
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	-	1,290,735	97.98

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
2002	$ 22,255	$ 18,836	$ 85	$ 3,419	$ 22,255	100.00 %
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	18,544	82.90	-	18,544	82.90

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

	2002	2003	2004	2005
TAX CAPACITY				
Personal property	$ 19,714	$ 20,527	$ 21,433	$ 34,310
Real estate	2,187,206	2,346,962	2,757,138	3,094,187
TOTAL	2,206,920	2,367,489	2,778,571	3,128,497
Contribution to fiscal disparities pool	(157,792)	(193,456)	(214,216)	(292,738)
Increment	-	-	-	(2,212)
Distribution from fiscal disparities pool	154,778	163,148	182,710	172,152
TOTAL TAX CAPACITY	$ 2,203,906	$ 2,337,181	$ 2,747,065	$ 3,005,699
TAX LEVIES				
Revenue	$ 846,000	$ 926,000	$ 999,000	$ 1,078,920
TAX CAPACITY RATES				
Revenue	38.386 %	39.620 %	36.366 %	35.896 %

2006	2007	2008	2009	2010	2011
$ 35,374	$ 39,839	$ 38,967	$ 38,760	$ 38,524	$ 40,320
3,473,241	4,135,837	4,612,292	4,799,686	4,675,727	4,185,056
3,508,615	4,175,676	4,651,259	4,838,446	4,714,251	4,225,376
(324,506)	(367,808)	(519,848)	(570,522)	(608,282)	(574,768)
(22,175)	(72,885)	(95,078)	(95,078)	(93,430)	(90,628)
172,842	182,801	209,578	224,664	223,253	219,176
$ 3,334,776	$ 3,917,784	$ 4,245,911	$ 4,397,510	$ 4,235,792	$ 3,779,156
$ 1,089,709	$ 1,144,194	$ 1,201,408	$ 1,291,509	$ 1,317,399	$ 1,317,399
32.677 %	29.205 %	28.296 %	29.369 %	31.102 %	34.860 %

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OTHER REQUIRED REPORTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

5201 Eden Avenue
Suite 250
Edina, MN 55436

REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon, dated April 24, 2012.

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 Local Government*, 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 Local Government* 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 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 24, 2012
Minneapolis, Minnesota

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Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS

Honorable Mayor and 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, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information the City of Excelsior, Minnesota (the City), as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency presented as finding 2011-1 in the Schedule of Findings and Responses to be a significant deficiency in internal control over financial reporting.

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In addition, we noted other matters involving the internal control and its operation that we have reported to management of the City in a separate letter dated April 24, 2012.

The City's written response to the significant deficiency identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, others within the organization, 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 24, 2012
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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Finding	Description

2011-1 Authorized bank signatories

Condition: During our audit, we requested confirmations of authorized bank signatories from each bank where the City holds deposits. We discovered that one of the City's former Finance Director as still listed as a signor at one of the banks.

Criteria: Internal controls should be in place to ensure that former employees and council members do not have access to City bank accounts.

Cause: Former Finance Director was not removed as a signor.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors or misappropriation of assets of the City.

Recommendation: We recommend that the City remove former employees and Council members upon termination and confirm signors at each bank regularly to ensure that only current employees and Council members have authorization as signatories.

Management response:

The City agrees with audit recommendation and has removed former employees as signors at each bank. The City will continue to monitor signors as staff and Council changes occur.