CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2010

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INTRODUCTORY SECTION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

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CITY OF EXCELSIOR, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2010

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
Wendy Berghost	Council Member	12/31/14
Jennifer Caron	Council Member	12/31/14

APPOINTED

Kristi Luger	City Manager
Joan Carlson	Finance Director
Cheri Johnson	City Clerk

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FINANCIAL SECTION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

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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, 2010, 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 2009 financial statements and, in our report dated April 9, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund and Special Purpose special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 23 and the Schedule of Funding Progress on page 85, 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 15, 2011
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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April 15, 2011

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, 2010.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $9,250,094 (net assets). Of this amount, $4,432,365 (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 $788,221.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $3,412,511, an increase of $1,005,040 in comparison with the prior year. Approximately 33 percent of this total amount, $1,119,498, is available for spending at the City's discretion, but has been designated for specific purposes.

- At the end of the current fiscal year, unreserved fund balance for the General fund was $1,088,821, or 66.9 percent of total General fund 2010 expenditures. While these funds are not legally reserved, they are designated for future purposes.

- The City's total debt increased $2,736,870 or 275.3 percent during the current fiscal year. The increase is mainly due to the City issuing $2,795,000 of 2010A General Obligation Improvement Bonds.

Overview of the Financial Statements

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

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

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

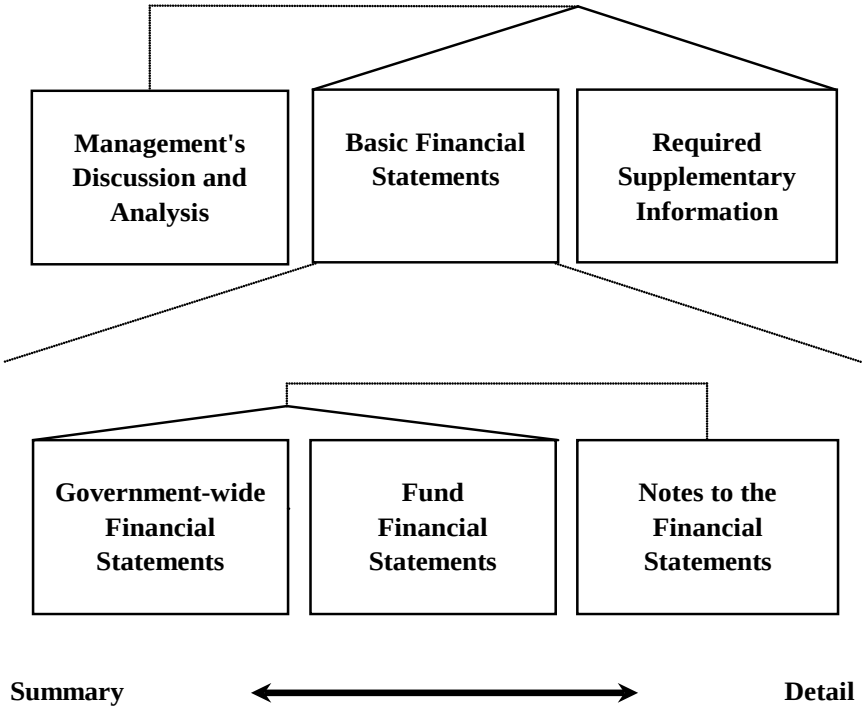


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	• 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, parking lot maintenance, street lighting and commercial docks.

The government-wide financial statements start on page 27 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 11 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, Special Purpose and 2010 & 2011 Street Improvement funds which are considered to be major funds. Data from the other eight 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 and Special Purpose funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with their budgets.

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

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, commercial docks, surface water management, solid waste, parking meter, parking lot maintenance 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 58 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 88 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 $9,250,094 at the close of the most recent fiscal year.

A portion of the City's net assets (52.1 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.

Summary of Net Assets

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Assets						
Current and other assets	$ 4,024,377	$ 2,820,417	$ 1,203,960	$ 2,728,225	$ 1,750,738	$ 977,487
Capital assets	3,412,024	2,573,481	838,543	3,368,740	2,693,585	675,155
Total assets	7,436,401	5,393,898	2,042,503	6,096,965	4,444,323	1,652,642
Liabilities						
Noncurrent liabilities outstanding	1,550,422	74,302	1,476,120	2,180,750	920,000	1,260,750
Other liabilities	462,378	316,950	145,428	89,722	65,096	24,626
Total liabilities	2,012,800	391,252	1,621,548	2,270,472	985,096	1,285,376
Net assets						
Invested in capital assets, net of related debt	2,727,966	2,573,481	154,485	2,089,763	1,773,585	316,178
Unrestricted	2,695,635	2,429,165	266,470	1,736,730	1,685,642	51,088
Total net assets	$ 5,423,601	$ 5,002,646	$ 420,955	$ 3,826,493	$ 3,459,227	$ 367,266

The remaining balance of *unrestricted net assets* ($4,432,365) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net 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 $788,221 during the current fiscal year. Both the governmental activities and the business type activities increased the net assets, by $420,955 and $367,266, respectively.

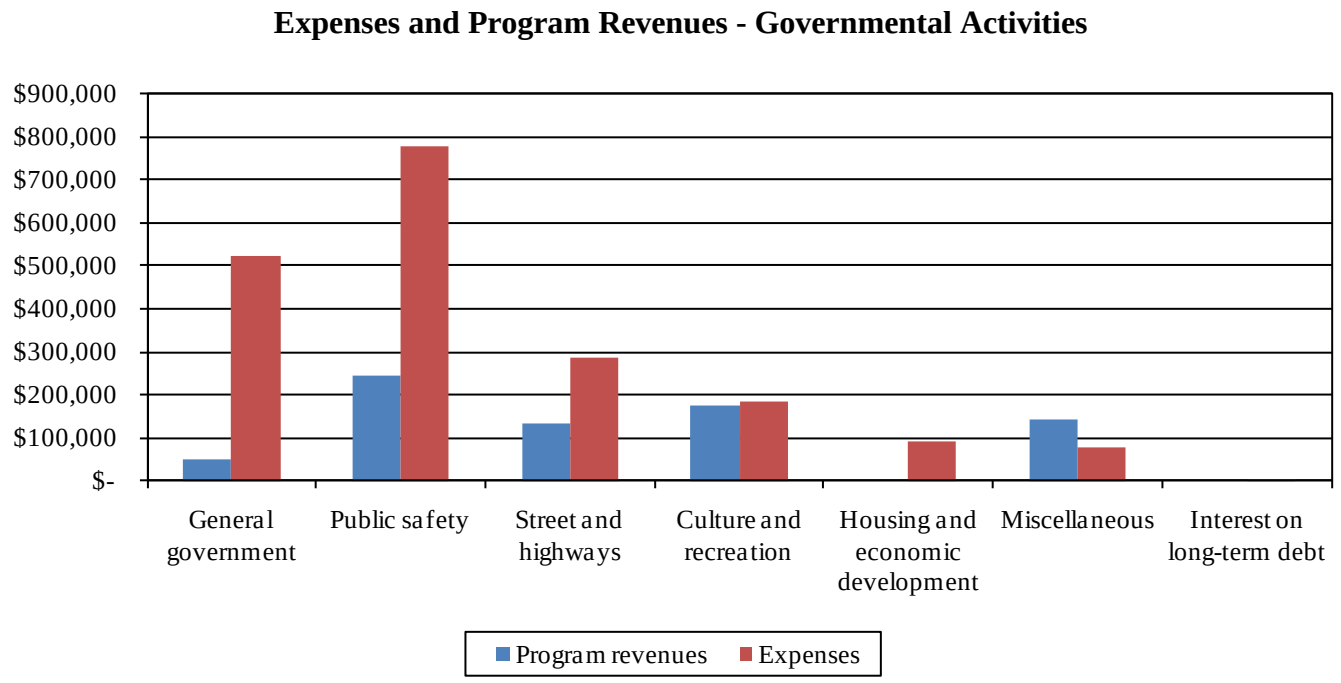
.

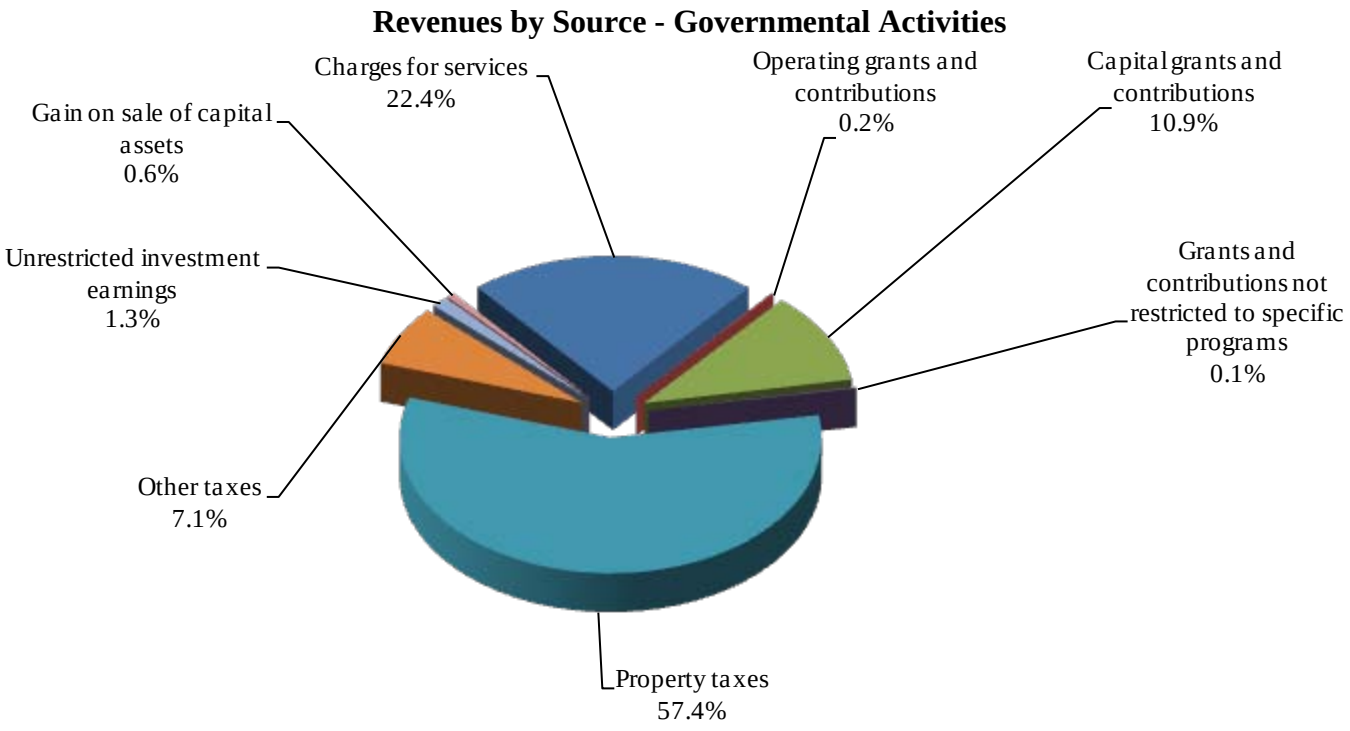
Governmental activities. Governmental activities increased the City's net assets by $420,955, thereby accounting for 53.4 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

Changes in Net Assets

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	$ 497,775	$ 605,796	$ (108,021)	$ 1,618,134	$ 1,509,323	$ 108,811
Operating grants and contributions	3,800	240,503	(236,703)	-	-	-
Capital grants and contributions	244,791	14,371	230,420	23,665	24,828	(1,163)
General revenues						
Property taxes	1,285,792	1,184,725	101,067	-	-	-
Other taxes	160,110	160,207	(97)	-	-	-
Grants and contributions not restricted to specific programs	3,197	76,028	(72,831)	-	-	-
Unrestricted investment earnings	29,355	56,017	(26,662)	22,194	48,347	(26,153)
Miscellaneous	14,500	-	14,500	-	-	-
Total revenues	2,239,320	2,337,647	(98,327)	1,663,993	1,582,498	81,495
Expenses						
General government	524,914	548,813	(23,899)	-	-	-
Public safety	780,150	767,368	12,782	-	-	-
Streets and highways	287,444	250,034	37,410	-	-	-
Culture and recreation	181,885	406,386	(224,501)	-	-	-
Housing and economic development	91,845	87,559	4,286	-	-	-
Miscellaneous	75,911	71,691	4,220	-	-	-
Interest on long-term debt	5,116	-	5,116	-	-	-
Water utility	-	-	-	379,182	392,522	(13,340)
Sewer utility	-	-	-	376,800	353,814	22,986
Solid waste	-	-	-	148,150	134,732	13,418
Surface water	-	-	-	89,483	87,932	1,551
Parking meter	-	-	-	1,292	726	566
Parking lot maintenance	-	-	-	15,605	21,780	(6,175)
Street lighting	-	-	-	37,200	44,384	(7,184)
Commercial docks	-	-	-	120,115	111,378	8,737
Total expenses	1,947,265	2,131,851	(184,586)	1,167,827	1,147,268	20,559
Increase in net assets before transfers	292,055	205,796	86,259	496,166	435,230	60,936
Transfers	128,900	196,135	(67,235)	(128,900)	(196,135)	67,235
Change in net assets	420,955	401,931	19,024	367,266	239,095	128,171
Net assets, January 1	5,002,646	4,556,141	446,505	3,459,227	3,264,706	194,521
Prior period adjustment	-	44,574	(44,574)	-	(44,574)	44,574
Net assets, December 31	$ 5,423,601	$ 5,002,646	$ 420,955	$ 3,826,493	$ 3,459,227	$ 367,266

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

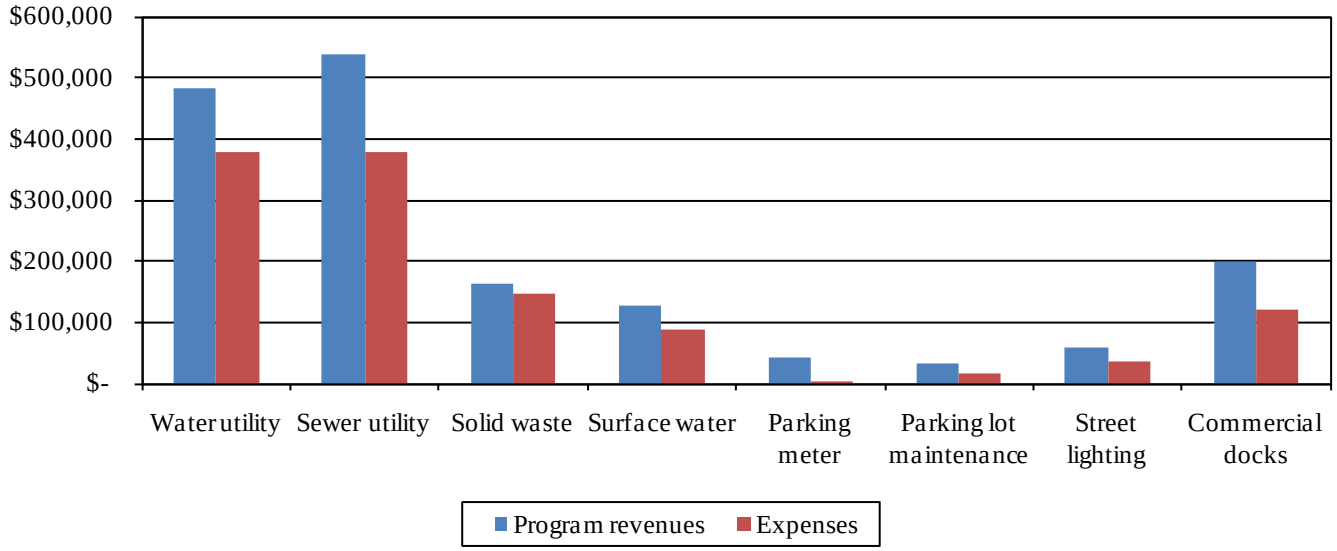




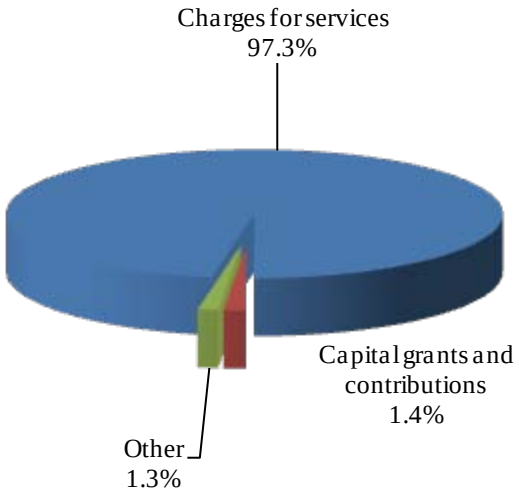
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities increased the City's net assets by $367,266, accounting for 46.6 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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

	Fund Balances December 31		
Major funds	2009	2010	Increase (Decrease)
General	$ 1,039,121	$ 1,096,650	$ 57,529
The increase in fund balance is mainly due to revenues in excess of expenditures in the amount of $41,979.			
Special Purpose	$ 586,897	$ 678,100	$ 91,203
Revenues exceeded expenditures by over $132 thousand during the year; however, the Special Purpose fund transferred over $41,000 to the General fund.			
2010 & 2011 Street Improvements	$ -	$ 765,192	$ 765,192
The City began work on the 2010 & 2011 Street Improvement projects during the year. They received $1,449,250 in bond proceeds during the year. Also, expenditures exceeded revenues by $684,058 resulting in a $765,192 increase in fund balance.			

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 $1,736,730. The total growth in net assets for the funds was $367,266. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General fund Budgetary Highlights

The City's General fund budget called for no change in fund balance, but actual amounts for 2010 resulted in an increase in fund balance in the amount of $57,529. This was due to revenues exceeding budgeted amount and expenditures being under budget.

Overall, revenues exceeded budgeted amount by $25,177. Tax revenue, license and permit revenue, and fines and forfeitures were over budgeted amounts by $19,531, $19,367, and $11,936, respectively. These were the line items with the largest positive variances. The items with the largest negative variance were intergovernmental revenues and interest on investments. Intergovernmental revenues were under budget by $19,978 due to the reduction in the market value credit and the City waiting to apply for a grant until 2011.

Expenditures were $32,352 under budget. The General government function was the main contributor to this positive variance and was under budget by $25,189. Through cost saving efforts, the administrative department was the largest contributor to the positive variance in general government and was $39,075 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, 2010, amounts to $6,780,764 (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 $1,513,698, or 25.5 percent during the year.

Major capital asset activity during the current year included:

- 2010 & 2011 Street improvement project was started
- Cemetery lift station
- Parking study
- Hydrant and manhole upgrades
- Purchase of generator, sweeper, furnaces for the library, entry signs, trash receptacles, and a water filer media

Additional information on the City's capital assets can be found in Note 3C on pages 70 - 72 of this report.

Capital Assets Net of Depreciation

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Land	$ 1,111,042	$ 1,111,042	$ -	$ 50,000	$ 50,000	$ -
Construction in progress	842,501	87,412	755,089	444,463	30,750	413,713
Buildings	243,933	250,582	(6,649)	-	-	-
Improvement other than building	438,140	311,660	126,480	-	-	-
Machinery and equipment	411,125	425,787	(14,662)	630,294	524,896	105,398
Infrastructure	365,283	386,998	(21,715)	2,243,983	2,087,939	156,044
Total	$ 3,412,024	$ 2,573,481	$ 838,543	$ 3,368,740	$ 2,693,585	$ 675,155

Long-term debt: At the end of the current fiscal year, the City had total bonded debt outstanding of $3,630,000. 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.

Outstanding Debt

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
G.O. revenue bonds	$ -	$ -	$ -	$ 835,000	$ 920,000	$ (85,000)
G.O. improvement bonds	1,449,250	-	1,449,250	1,345,750	-	1,345,750
Other postemployment benefits	25,425	11,517	13,908	-	-	-
Compensated absences	75,747	62,785	12,962	-	-	-
Total	$ 1,550,422	$ 74,302	$ 1,476,120	$ 2,180,750	$ 920,000	$ 1,260,750

The City's total debt increased $2,736,870 (275.3 percent) during the current fiscal year. This increase in mainly due to the City issuing $2,795,000 of General Obligation Improvement Bonds for the 2010 and 2011 Street Improvement Project.

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 on pages 74 - 76 of this report.

Economic Factors and Next Year's Budgets and Rates

- Property valuation growth within the City continued to decline in 2010 however it appears to be stabilizing according to early 2011 projections. This will need to be monitored for budgeting activities in future years.
- The City lost all local government aid and market value credit allocations for 2010 and the indefinite future. New revenue sources are being considered to make up the shortfall.
- The City took advantage of low construction costs and interest rates in 2010 and issued debt for the 2010 & 2011 Street Project as identified in the Financial Management and Pavement Management Plans.
- The City implemented a water conservation rate and new sewer rate effective January 1, 2010. No rate changes were implemented for 2011 but a small adjustment is anticipated for 2012 water and sewer rates. This will need to be monitored 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 2011 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 Director, City of Excelsior, 339 Third Street, Excelsior, Minnesota 55331.

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GOVERNMENT-WIDE
FINANCIAL STATEMENTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

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CITY OF EXCELSIOR, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash temporary investments	$ 3,607,155	$ 2,403,515	$ 6,010,670
Receivables			
Interest	15,832	-	15,832
Accounts	179,802	286,634	466,436
Delinquent taxes	37,710	-	37,710
Special assessments	68,247	19,718	87,965
Due from other governments	19,762	4,304	24,066
Internal balances	55,192	(55,192)	-
Prepaid items	7,829	17,122	24,951
Deferred charges	32,848	52,124	84,972
Land and construction in progress	1,953,543	494,463	2,448,006
Depreciable infrastructure, buildings, property and equipment, net	1,458,481	2,874,277	4,332,758
TOTAL ASSETS	7,436,401	6,096,965	13,533,366
LIABILITIES			
Accounts payable	354,496	63,069	417,565
Accrued salaries payable	6,454	5,665	12,119
Accrued interest payable	4,766	19,620	24,386
Due to other governments	4,924	968	5,892
Unearned revenue	91,738	400	92,138
Noncurrent liabilities			
Due within one year			
Compensated absences payable	25,249	-	25,249
Bonds payable	-	90,000	90,000
Due in more than one year			
Compensated absences payable	50,498	-	50,498
Bonds payable	1,449,250	2,090,750	3,540,000
Other postemployment benefits payable	25,425	-	25,425
TOTAL LIABILITIES	2,012,800	2,270,472	4,283,272
NET ASSETS			
Invested in capital assets, net of related debt	2,727,966	2,089,763	4,817,729
Unrestricted	2,695,635	1,736,730	4,432,365
TOTAL NET ASSETS	$ 5,423,601	$ 3,826,493	$ 9,250,094

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, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities				
General government	$ 524,914	$ 46,145	$ 3,800	$ -
Public safety	780,150	246,208	-	-
Public works	287,444	9,703	-	125,317
Culture and recreation	181,885	54,022	-	119,474
Housing and economic development	91,845	-	-	-
Miscellaneous	75,911	141,697	-	-
Interest on long-term debt	5,116	-	-	-
Total governmental activities	1,947,265	497,775	3,800	244,791
Business-type activities				
Water utility	379,182	483,508	-	-
Sewer utility	376,800	538,970	-	-
Solid waste	148,150	162,813	-	-
Surface water	89,483	125,722	-	-
Parking meter	1,292	42,155	-	-
Parking lot maintenance	15,605	10,290	-	23,665
Street lighting	37,200	57,154	-	-
Commercial docks	120,115	197,522	-	-
Total business-type activities	1,167,827	1,618,134	-	23,665
Total	$ 3,115,092	$ 2,115,909	$ 3,800	$ 268,456

General revenues
Taxes
Property taxes levied for general purposes
Tax increments
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Gain on sale of capital assets
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
$ (474,969)	$ -	$ (474,969)
(533,942)	-	(533,942)
(152,424)	-	(152,424)
(8,389)	-	(8,389)
(91,845)	-	(91,845)
65,786	-	65,786
(5,116)	-	(5,116)
(1,200,899)	-	(1,200,899)
-	104,326	104,326
-	162,170	162,170
-	14,663	14,663
-	36,239	36,239
-	40,863	40,863
-	18,350	18,350
-	19,954	19,954
-	77,407	77,407
-	473,972	473,972
(1,200,899)	473,972	(726,927)
1,285,792	-	1,285,792
90,641	-	90,641
69,469	-	69,469
3,197	-	3,197
29,355	22,194	51,549
14,500	-	14,500
128,900	(128,900)	-
1,621,854	(106,706)	1,515,148
420,955	367,266	788,221
5,002,646	3,459,227	8,461,873
$ 5,423,601	$ 3,826,493	$ 9,250,094

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FUND
FINANCIAL STATEMENTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

CITY OF EXCELSIOR, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	Special Purpose	2010 & 2011 Street Improvements
ASSETS			
Cash and temporary investments	$ 1,166,637	$ 531,881	$ 1,009,599
Receivables			
Interest	15,832	-	-
Accounts	26,347	102,218	-
Delinquent taxes	37,053	-	-
Special assessments			
Deferred	720	-	64,562
Due from other governments	6,906	509	-
Due from other funds	-	55,192	-
Prepaid items	7,829	-	-
TOTAL ASSETS	$ 1,261,324	$ 689,800	$ 1,074,161
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 38,778	$ 9,913	$ 244,407
Accrued salaries payable	6,454	-	-
Due to other governments	4,240	-	-
Deferred revenue	115,202	1,787	64,562
TOTAL LIABILITIES	164,674	11,700	308,969
FUND BALANCES			
Reserved for			
Prepaid items	7,829	-	-
Cemetery lots	-	-	-
Unreserved			
Designated for park improvements	1,088,821	-	-
Undesignated, reported in			
Special revenue funds	-	678,100	-
Capital projects funds	-	-	765,192
TOTAL FUND BALANCES	1,096,650	678,100	765,192
TOTAL LIABILITIES AND FUND BALANCES	$ 1,261,324	$ 689,800	$ 1,074,161

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

Other Governmental Funds	Total Governmental Funds
$ 899,038	$ 3,607,155
-	15,832
51,237	179,802
657	37,710
2,965	68,247
12,347	19,762
-	55,192
-	7,829
$ 966,244	$ 3,991,529
$ 61,398	$ 354,496
-	6,454
684	4,924
31,593	213,144
93,675	579,018
-	7,829
82,677	82,677
30,677	1,119,498
220,416	898,516
538,799	1,303,991
872,569	3,412,511
$ 966,244	$ 3,991,529

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CITY OF EXCELSIOR, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

Total fund balances - governmental	$ 3,412,511
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	4,730,521
Less: accumulated depreciation	(1,318,497)
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	(75,747)
Bond principal payable	(1,449,250)
Less unamortized deferred charges	32,848
Other postemployment benefits payable	(25,425)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	
Delinquent taxes	24,531
Special assessments	68,247
Other	28,628
Governmental funds do not report a liability for accrued interest until due and payable.	(4,766)
Total net assets - governmental activities	$ 5,423,601

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, 2010

	General	Special Purpose	2010 & 2011 Street Improvements
REVENUES			
Taxes	$ 1,370,054	$ -	$ -
Licenses and permits	159,962	-	-
Intergovernmental	6,903	-	-
Charges for services	53,541	85,527	-
Fines and forfeitures	62,236	-	-
Special assessments	66	-	59,805
Interest on investments	9,699	12,072	127
Miscellaneous	7,905	102,218	-
TOTAL REVENUES	1,670,366	199,817	59,932
EXPENDITURES			
Current			
General government	481,028	-	-
Public safety	780,150	-	-
Public works	191,704	-	-
Culture and recreation	154,964	-	-
Housing and economic development	-	-	-
Miscellaneous	17,863	57,098	-
Capital outlay			
General government	1,441	10,184	-
Public works	1,237	-	710,792
Culture and recreation	-	-	-
Debt service			
Bond issuance costs	-	-	33,198
TOTAL EXPENDITURES	1,628,387	67,282	743,990
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	41,979	132,535	(684,058)
OTHER FINANCING SOURCES (USES)			
Transfers in	167,232	-	-
Bonds issued	-	-	1,449,250
Sale of capital assets	-	-	-
Transfers out	(151,682)	(41,332)	-
TOTAL OTHER FINANCING SOURCES (USES)	15,550	(41,332)	1,449,250
NET CHANGE IN FUND BALANCES	57,529	91,203	765,192
FUND BALANCES, JANUARY 1	1,039,121	586,897	-
FUND BALANCES, DECEMBER 31	$ 1,096,650	$ 678,100	$ 765,192

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

Other Governmental Funds	Total Governmental Funds
$ 90,641	$ 1,460,695
-	159,962
119,568	126,471
29,853	168,921
-	62,236
4,443	64,314
7,457	29,355
17,333	127,456
269,295	2,199,410
13,597	494,625
-	780,150
9,610	201,314
-	154,964
91,845	91,845
950	75,911
-	11,625
38,055	750,084
193,304	193,304
-	33,198
347,361	2,787,020
(78,066)	(587,610)
154,682	321,914
-	1,449,250
14,500	14,500
-	(193,014)
169,182	1,592,650
91,116	1,005,040
781,453	2,407,471
$ 872,569	$ 3,412,511

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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, 2010

Total net change in fund balances	$ 1,005,040
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	941,991
Depreciation expense	(103,448)
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.	
Debt issued or incurred	(1,449,250)
Less deferral of bond issuance costs	32,848
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.	(4,766)
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	(12,962)
Other postemployment benefits payable	(13,908)
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	(14,793)
Special assessments	61,003
Other	(20,800)
Change in net assets - governmental activities	$ 420,955

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, 2010

	General Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	$ 1,350,523	$ 1,350,523	$ 1,370,054	$ 19,531
Licenses and permits	140,595	140,595	159,962	19,367
Intergovernmental	26,881	26,881	6,903	(19,978)
Charges for services	44,390	44,390	53,541	9,151
Fines and forfeitures	50,300	50,300	62,236	11,936
Special assessments	-	-	66	66
Interest on investments	28,500	28,500	9,699	(18,801)
Miscellaneous	4,000	4,000	7,905	3,905
TOTAL REVENUES	1,645,189	1,645,189	1,670,366	25,177
EXPENDITURES				
Current				
General government	506,217	506,217	481,028	25,189
Public safety	775,015	775,015	780,150	(5,135)
Public works	203,026	203,026	191,704	11,322
Culture and recreation	148,336	148,336	154,964	(6,628)
Miscellaneous	17,145	17,145	17,863	(718)
Capital outlay	11,000	11,000	2,678	8,322
TOTAL EXPENDITURES	1,660,739	1,660,739	1,628,387	32,352
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,550)	(15,550)	41,979	57,529
OTHER FINANCING SOURCES (USES)				
Transfers in	167,232	167,232	167,232	-
Transfers out	(151,682)	(151,682)	(151,682)	-
TOTAL OTHER FINANCING SOURCES (USES)	15,550	15,550	15,550	-
NET CHANGE IN FUND BALANCES	-	-	57,529	57,529
FUND BALANCES, JANUARY 1	1,039,121	1,039,121	1,039,121	-
FUND BALANCES, DECEMBER 31	$ 1,039,121	$ 1,039,121	$ 1,096,650	$ 57,529

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

Special Purpose Fund			
Budgeted Amounts		Actual	Variance with
Original	Final	Amounts	Final Budget
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
56,352	56,352	85,527	29,175
-	-	-	-
-	-	-	-
15,058	15,058	12,072	(2,986)
-	-	102,218	102,218
71,410	71,410	199,817	128,407
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
28,572	28,572	57,098	(28,526)
-	-	10,184	(10,184)
28,572	28,572	67,282	(38,710)
42,838	42,838	132,535	89,697
-	-	-	-
(41,332)	(41,332)	(41,332)	-
(41,332)	(41,332)	(41,332)	-
1,506	1,506	91,203	89,697
586,897	586,897	586,897	-
$ 588,403	$ 588,403	$ 678,100	$ 89,697

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2010	2009	2010	2009
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	$ 887,008	$ 552,493	$ 888,059	$ 570,320
Receivables				
Accounts	111,596	109,249	121,862	101,690
Special assessments				
Delinquent	1,354	60	-	-
Deferred	9,728	6,504	-	-
Due from other governments	4,304	5,233	-	4,290
Due from other funds	-	-	43,174	72,548
Prepaid items	259	120	13,314	13,107
TOTAL CURRENT ASSETS	1,014,249	673,659	1,066,409	761,955
NONCURRENT ASSETS				
Special assessments	6,207	11,916	-	-
Deferred charges, net	34,280	23,077	9,482	640
CAPITAL ASSETS, AT COST	2,854,878	2,520,476	1,566,935	1,318,269
LESS ACCUMULATED DEPRECIATION	(1,035,703)	(965,350)	(412,096)	(374,400)
NET CAPITAL ASSETS	1,819,175	1,555,126	1,154,839	943,869
TOTAL NONCURRENT ASSETS	1,859,662	1,590,119	1,164,321	944,509
TOTAL ASSETS	2,873,911	2,263,778	2,230,730	1,706,464
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	11,906	6,433	3,002	21,540
Accrued salaries payable	1,683	2,399	1,791	1,467
Accrued interest payable	15,585	14,914	2,822	1,503
Due to other governments	583	85	76	32
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Bonds payable, current portion	74,600	71,000	15,400	14,000
TOTAL CURRENT LIABILITIES	104,357	94,831	23,091	38,542
NONCURRENT LIABILITIES				
Bonds payable, net of current portion	1,270,900	765,800	450,950	69,200
TOTAL LIABILITIES	1,375,257	860,631	474,041	107,742
NET ASSETS				
Invested in capital assets, net of related debt	838,093	718,326	993,942	860,669
Unrestricted	660,561	684,821	762,747	738,053
TOTAL NET ASSETS	$ 1,498,654	$ 1,403,147	$ 1,756,689	$ 1,598,722

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

Business-type Activities - Enterprise Funds - Continued

Commercial Docks		Surface Water Management		Other Proprietary Funds	
2010	2009	2010	2009	2010	2009
$ 104,697	$ 107,274	$ 359,668	$ 115,020	$ 164,083	$ 118,358
-	-	-	-	53,176	47,740
-	-	-	-	693	231
-	-	-	-	1,736	3,318
-	-	-	-	-	-
-	-	-	-	-	-
2,882	9	394	50	273	6
107,579	107,283	360,062	115,070	219,961	169,653
-	-	-	-	-	-
-	-	8,362	-	-	-
443,080	376,160	166,472	13,012	54,381	54,381
(217,739)	(199,647)	(3,843)	(2,277)	(47,625)	(47,039)
225,341	176,513	162,629	10,735	6,756	7,342
225,341	176,513	170,991	10,735	6,756	7,342
332,920	283,796	531,053	125,805	226,717	176,995
34,082	293	903	586	13,176	13,397
671	518	1,020	821	500	396
-	-	1,213	-	-	-
-	-	-	-	309	312
98,366	112,515	-	-	-	-
400	400	-	-	-	-
-	-	-	-	-	-
133,519	113,726	3,136	1,407	13,985	14,105
-	-	368,900	-	-	-
133,519	113,726	372,036	1,407	13,985	14,105
225,341	176,513	25,631	10,735	6,756	7,342
(25,940)	(6,443)	133,386	113,663	205,976	155,548
$ 199,401	$ 170,070	$ 159,017	$ 124,398	$ 212,732	$ 162,890

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CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF NET ASSETS - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds - Continued Totals	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	$ 2,403,515	$ 1,463,465
Receivables		
Accounts	286,634	258,679
Special assessments		
Delinquent	2,047	291
Deferred	11,464	9,822
Due from other governments	4,304	9,523
Due from other funds	43,174	72,548
Prepaid items	17,122	13,292
TOTAL CURRENT ASSETS	2,768,260	1,827,620
NONCURRENT ASSETS		
Special assessments	6,207	11,916
Deferred charges, net	52,124	23,717
CAPITAL ASSETS, AT COST	5,085,746	4,282,298
LESS ACCUMULATED DEPRECIATION	(1,717,006)	(1,588,713)
NET CAPITAL ASSETS	3,368,740	2,693,585
TOTAL NONCURRENT ASSETS	3,427,071	2,729,218
TOTAL ASSETS	6,195,331	4,556,838
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	63,069	42,249
Accrued salaries payable	5,665	5,601
Accrued interest payable	19,620	16,417
Due to other governments	968	429
Due to other funds	98,366	112,515
Unearned revenue	400	400
Bonds payable, current portion	90,000	85,000
TOTAL CURRENT LIABILITIES	278,088	262,611
NONCURRENT LIABILITIES		
Bonds payable, net of current portion	2,090,750	835,000
TOTAL LIABILITIES	2,368,838	1,097,611
NET ASSETS		
Invested in capital assets, net of related debt	2,089,763	1,773,585
Unrestricted	1,736,730	1,685,642
TOTAL NET ASSETS	$ 3,826,493	$ 3,459,227

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
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2010	2009	2010	2009
OPERATING REVENUES				
Charges for services	$ 479,844	$ 484,575	$ 536,773	$ 472,792
OPERATING EXPENSES				
Pumping and purification	116,807	118,294	-	-
Distribution	89,385	100,135	-	-
Collection	-	-	111,964	113,945
Disposal charges	-	-	155,864	135,537
Refuse	-	-	-	-
Recycling	-	-	-	-
Storm drainage	-	-	-	-
Administration	58,576	61,814	61,589	37,531
Maintenance	5,110	6,089	4,317	33,423
Depreciation	70,353	67,352	37,696	29,337
TOTAL OPERATING EXPENSES	340,231	353,684	371,430	349,773
OPERATING INCOME	139,613	130,891	165,343	123,019
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	6,181	13,781	10,797	24,560
Special assessments	2,318	985	-	-
Interest expense and other	(38,951)	(38,838)	(5,370)	(3,941)
Gain (loss) on disposal of capital assets	-	(46)	-	(100)
Other income	1,346	150	2,197	2,010
TOTAL NONOPERATING REVENUES (EXPENSES)	(29,106)	(23,968)	7,624	22,529
INCOME BEFORE TRANSFERS	110,507	106,923	172,967	145,548
TRANSFERS OUT	(15,000)	(26,561)	(15,000)	(35,749)
CHANGE IN NET ASSETS	95,507	80,362	157,967	109,799
NET ASSETS, JANUARY 1	1,403,147	1,322,785	1,598,722	1,437,195
PRIOR PERIOD ADJUSTMENT	-	-	-	51,728
NET ASSETS, DECEMBER 31	$ 1,498,654	$ 1,403,147	$ 1,756,689	$ 1,598,722

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

Business-type Activities - Enterprise Funds - Continued					
Commercial Docks		Surface Water Management		Other Proprietary Funds	
2010	2009	2010	2009	2010	2009
$ 197,522	$ 195,463	$ 125,069	$ 111,352	$ 272,412	$ 244,052
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	104,527	101,886
-	-	-	-	43,623	32,846
-	-	47,706	48,009	-	-
-	-	38,345	39,596	5,656	5,818
102,023	94,547	-	-	47,855	60,631
18,092	16,831	1,566	327	586	441
120,115	111,378	87,617	87,932	202,247	201,622
77,407	84,085	37,452	23,420	70,165	42,430
1,924	3,180	1,680	3,226	1,612	3,600
-	-	-	-	23,665	22,818
-	-	(1,866)	-	-	-
-	-	-	-	-	-
-	-	653	-	-	-
1,924	3,180	467	3,226	25,277	26,418
79,331	87,265	37,919	26,646	95,442	68,848
(50,000)	(51,241)	(3,300)	(13,530)	(45,600)	(69,054)
29,331	36,024	34,619	13,116	49,842	(206)
170,070	230,348	124,398	111,282	162,890	163,096
-	(96,302)	-	-	-	-
$ 199,401	$ 170,070	$ 159,017	$ 124,398	$ 212,732	$ 162,890

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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, 2010 AND 2009

	Business-type Activities - Enterprise Funds - Continued	
	Totals	
	2010	2009
OPERATING REVENUES		
Charges for services	$ 1,611,620	$ 1,508,234
OPERATING EXPENSES		
Pumping and purification	116,807	118,294
Distribution	89,385	100,135
Collection	111,964	113,945
Disposal charges	155,864	135,537
Refuse	104,527	101,886
Recycling	43,623	32,846
Storm drainage	47,706	48,009
Administration	164,166	144,759
Maintenance	159,305	194,690
Depreciation	128,293	114,288
TOTAL OPERATING EXPENSES	1,121,640	1,104,389
OPERATING INCOME	489,980	403,845
NONOPERATING REVENUES (EXPENSES)		
Interest income	22,194	48,347
Special assessments	25,983	23,803
Interest expense and other	(46,187)	(42,779)
Gain (loss) on disposal of capital assets	-	(146)
Other income	4,196	2,160
TOTAL NONOPERATING REVENUES (EXPENSES)	6,186	31,385
INCOME BEFORE TRANSFERS	496,166	435,230
TRANSFERS OUT	(128,900)	(196,135)
CHANGE IN NET ASSETS	367,266	239,095
NET ASSETS, JANUARY 1	3,459,227	3,264,706
PRIOR PERIOD ADJUSTMENT	-	(44,574)
NET ASSETS, DECEMBER 31	$ 3,826,493	$ 3,459,227

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

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 480,963	$ 488,505	$ 523,088	$ 468,289
Payments to suppliers	(147,644)	(185,954)	(215,255)	(217,095)
Payments to employees	(115,282)	(118,770)	(120,631)	(122,630)
NET CASH PROVIDED BY OPERATING ACTIVITIES	218,037	183,781	187,202	128,564
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	-	-	29,374	29,180
Increase (decrease) in due to other funds	-	-	-	-
Transfers to other funds	(15,000)	(26,561)	(15,000)	(35,749)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(15,000)	(26,561)	14,374	(6,569)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	(336,238)	(49,780)	(264,891)	(299,608)
Special assessments collected	2,318	985	-	-
Bond proceeds, net	566,560	-	388,147	-
Interest paid on bonds	(36,343)	(38,138)	(3,890)	(4,043)
Principal paid on bonds	(71,000)	(71,000)	(14,000)	(14,000)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	125,297	(157,933)	105,366	(317,651)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	6,181	13,781	10,797	24,560
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	334,515	13,068	317,739	(171,096)
CASH AND CASH EQUIVALENTS, JANUARY 1	552,493	539,425	570,320	741,416
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 887,008	$ 552,493	$ 888,059	$ 570,320

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

Business-type Activities - Enterprise Funds - Continued

Commercial Docks		Surface Water Management		Other Proprietary Funds	
2010	2009	2010	2009	2010	2009
$ 197,522	$ 195,563	$ 125,069	$ 111,507	$ 267,207	$ 239,783
(55,646)	(47,651)	(48,207)	(21,543)	(178,014)	(174,225)
(48,383)	(47,760)	(71,889)	(72,637)	(24,034)	(24,602)
93,493	100,152	4,973	17,327	65,159	40,956
-	-	-	-	-	-
(14,149)	(13,787)	-	-	-	-
(50,000)	(51,241)	(3,300)	(13,530)	(45,600)	(69,054)
(64,149)	(65,028)	(3,300)	(13,530)	(45,600)	(69,054)
(33,845)	(12,590)	(119,243)	-	-	(6,995)
-	-	-	-	24,554	21,992
-	-	360,538	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(33,845)	(12,590)	241,295	-	24,554	14,997
1,924	3,180	1,680	3,226	1,612	3,600
(2,577)	25,714	244,648	7,023	45,725	(9,501)
107,274	81,560	115,020	107,997	118,358	127,859
$ 104,697	$ 107,274	$ 359,668	$ 115,020	$ 164,083	$ 118,358

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CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds - Continued	
	Totals	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 1,593,849	$ 1,503,647
Payments to suppliers	(644,766)	(646,468)
Payments to employees	(380,219)	(386,399)
NET CASH PROVIDED BY OPERATING ACTIVITIES	568,864	470,780
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
(Increase) decrease in due from other funds	29,374	29,180
Increase (decrease) in due to other funds	(14,149)	(13,787)
Transfers to other funds	(128,900)	(196,135)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(113,675)	(180,742)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of capital assets	(754,217)	(368,973)
Special assessments collected	26,872	22,977
Bond proceeds, net	1,315,245	-
Interest paid on bonds	(40,233)	(42,181)
Principal paid on bonds	(85,000)	(85,000)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	462,667	(473,177)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	22,194	48,347
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	940,050	(134,792)
CASH AND CASH EQUIVALENTS, JANUARY 1	1,463,465	1,598,257
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 2,403,515	$ 1,463,465

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, 2010 AND 2009

	Business-type Activities - Enterprise Funds - Continued			
	Water		Sewer	
	2010	2009	2010	2009
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 139,613	$ 130,891	$ 165,343	$ 123,019
Adjustments to reconcile operating income to net cash provided by operating activities:				
Other income related to operations	1,346	104	2,197	1,910
Depreciation	70,353	67,352	37,696	29,337
(Increase) decrease in assets:				
Receivables				
Accounts	(2,347)	(418)	(20,172)	(4,332)
Special assessments	1,191	4,570	-	-
Due from other governments	929	(326)	4,290	(2,081)
Prepaid items	(139)	(42)	(207)	(1,713)
Increase (decrease) in liabilities:				
Accounts payable	7,309	(16,809)	(2,313)	(14,768)
Accrued salaries payable	(716)	(2,267)	324	(2,840)
Due to other governments	498	726	44	32
Unearned revenue	-	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 218,037	$ 183,781	$ 187,202	$ 128,564
SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES				
Amortization of deferred charges	$ 1,937	$ 1,936	$ 161	$ 160
Prior period adjustment	$ -	$ -	$ -	$ 51,728
Disposal of capital assets	$ -	$ 96,193	$ -	$ 17,976
Deferred charges on bonds issued	$ 13,140	$ -	$ 9,003	$ -
Capital assets acquired on account	$ -	$ 1,836	$ -	$ 16,225

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

Business-type Activities - Enterprise Funds - Continued

Commercial Docks		Surface Water Management		Other Proprietary Funds	
2010	2009	2010	2009	2010	2009
$ 77,407	$ 84,085	$ 37,452	$ 23,420	$ 70,165	$ 42,430
-	-	-	-	-	-
18,092	16,831	1,566	327	586	441
-	-	-	155	(5,205)	(4,269)
-	-	-	-	-	-
-	-	-	-	-	-
(2,873)	-	(344)	13	(267)	184
714	193	(33,900)	(4,898)	(221)	3,362
153	(1,057)	199	(1,690)	104	(905)
-	-	-	-	(3)	(287)
-	100	-	-	-	-
$ 93,493	$ 100,152	$ 4,973	$ 17,327	$ 65,159	$ 40,956
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ (96,302)	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ 8,362	$ -	$ -	$ -
$ 33,075	$ -	$ -	$ -	$ -	$ -

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CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds - Continued	
	Totals	
	2010	2009
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 489,980	$ 403,845
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other income related to operations	3,543	2,014
Depreciation	128,293	114,288
(Increase) decrease in assets:		
Receivables		
Accounts	(27,724)	(8,864)
Special assessments	1,191	4,570
Due from other governments	5,219	(2,407)
Prepaid items	(3,830)	(1,558)
Increase (decrease) in liabilities:		
Accounts payable	(28,411)	(32,920)
Accrued salaries payable	64	(8,759)
Due to other governments	539	471
Unearned revenue	-	100
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 568,864	$ 470,780
SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES		
Amortization of deferred charges	$ 2,098	$ 2,096
Prior period adjustment	$ -	$ (44,574)
Disposal of capital assets	$ -	$ 114,169
Deferred charges on bonds issued	$ 30,505	$ -
Capital assets acquired on account	$ 33,075	$ 18,061

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

CITY OF EXCELSIOR, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

	Agency
ASSETS	
Cash and temporary investments (deficits)	$ (8,692)
Accounts receivable	19,002
TOTAL ASSETS	$ 10,310
LIABILITIES	
Accounts payable	$ 10,310

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

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 *Special Purpose fund* accounts for the original principal derived from the balance of the City's former liquor fund used to support City projects.

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 2010. 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 Compensated Absences special revenue 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 equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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".

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Comparative data/reclassifications

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

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and Special Purpose special revenue 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.

B. Excess of expenditures over appropriations

The following fund had expenditures in excess of appropriations for the year ended December 31, 2010:

Fund	Final Budget	Actual Amounts	Excess of Expenditures Over Appropriations
Special Purpose	$ 28,572	$ 67,282	$ 38,710

This excess was funded through revenues in excess of expenditures.

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 $2,424,248 and the bank balance was $2,550,052. Of the bank balance, $717,655 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	$ 2,424,248
Investments	3,577,530
Cash on hand	200
Total	$ 6,001,978
Cash and temporary investments	
Statement of Net Assets	$ 6,010,670
Statement of Fiduciary Net Assets	(8,692)
Total	$ 6,001,978

Investments

As of December 31, 2010, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name:

Types of Investments	Credit Quality/ Rating (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Non pooled investments			
U.S. Government Securities	AAA	more than 3 years	$ 2,851,266
Brokered Certificates of Deposit	N/A	less than 6 months	515,869
Brokered Certificates of Deposit	N/A	less than 1 year	95,964
Brokered Certificates of Deposit	N/A	1 to 3 years	102,800
Pooled investments:			
Broker Money Market	N/A	less than 6 months	11,631
Total investments			$ 3,577,530

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 62 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	$ 24,531	$ -	$ 24,531
Deferred special assessments	720	-	720
Other	-	89,951	89,951
Special Purpose			
Other	-	1,787	1,787
2010 & 2011 Street Improvements			
Deferred special assessments	64,562	-	64,562
Other Governmental			
Deferred special assessments	2,965	-	2,965
Reserve capacity charges	28,628	-	28,628
Total	$ 121,406	$ 91,738	$ 213,144

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,111,042	$ -	$ -	$ 1,111,042
Construction in progress	87,412	882,390	(127,301)	842,501
Total capital assets not being depreciated	1,198,454	882,390	(127,301)	1,953,543
Capital assets being depreciated				
Buildings	737,966	10,184	-	748,150
Improvements other than buildings	348,888	151,895	-	500,783
Machinery and equipment	802,871	24,823	(93,111)	734,583
Infrastructure	793,462	-	-	793,462
Total capital assets being depreciated	2,683,187	186,902	(93,111)	2,776,978
Less accumulated depreciation for				
Buildings	(487,384)	(16,833)	-	(504,217)
Improvements other than buildings	(37,228)	(25,415)	-	(62,643)
Machinery and equipment	(377,084)	(39,485)	93,111	(323,458)
Infrastructure	(406,464)	(21,715)	-	(428,179)
Total accumulated depreciation	(1,308,160)	(103,448)	93,111	(1,318,497)
Total capital assets being depreciated, net	1,375,027	83,454	-	1,458,481
Governmental activities capital assets, net	$ 2,573,481	$ 965,844	$ (127,301)	$ 3,412,024

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 50,000	$ -	$ -	$ 50,000
Construction in progress	30,750	673,643	(259,930)	444,463
Total capital assets not being depreciated	80,750	673,643	(259,930)	494,463
Capital assets being depreciated				
Buildings	8,202	-	-	8,202
Machinery and equipment	729,754	140,445	-	870,199
Infrastructure	3,463,592	249,290	-	3,712,882
Total capital assets being depreciated	4,201,548	389,735	-	4,591,283
Less accumulated depreciation for				
Buildings	(8,202)	-	-	(8,202)
Machinery and equipment	(204,858)	(35,047)	-	(239,905)
Infrastructure	(1,375,653)	(93,246)	-	(1,468,899)
Total accumulated depreciation	(1,588,713)	(128,293)	-	(1,717,006)
Total capital assets being depreciated, net	2,612,835	261,442	-	2,874,277
Business-type activities capital assets, net	$ 2,693,585	$ 935,085	$ (259,930)	$ 3,368,740

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	74,292
Culture and recreation	15,815
Total depreciation expense - governmental activities	$ 103,448
Business-type activities	
Water utility	$ 70,353
Sewer utility	37,696
Commercial docks	18,092
Surface water management	1,566
Other proprietary funds	586
Total depreciation expense - business-type activities	$ 128,293

Construction commitments

The City has an active construction project as of December 31, 2010. At year end, the City's commitment with the contractor is as follows:

Project	Spent to date	Remaining Commitment
2010 Street Improvement Project	$ 897,564	$ 195,650

D. Interfund balances and transfers

The composition of interfund balances as of December 31, 2010 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount	Final Maturity
Special Purpose	Commercial Docks	Residential dock construction	$ 55,192	2018
Sewer	Commercial Docks	Residential dock construction	43,174	2018

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The composition of interfund transfers as of December 31, 2010 is as follows:

	Transfer in		
Fund	General Fund	Other Governmental Funds	Total
Transfer out			
General	$ -	$ 151,682	$ 151,682
Special Purpose	41,332	-	41,332
Water	15,000	-	15,000
Sewer	15,000	-	15,000
Commercial Docks	50,000	-	50,000
Surface Water Management	3,300	-	3,300
Other proprietary	42,600	3,000	45,600
Total	$ 167,232	$ 154,682	$ 321,914

The City annually budgets transfers for specific purposes. Annual transfers include funding of the compensated absences fund, transfers designated as a percentage of annual revenues, transfers made to cover funds annual operations, transfers made as part of capital improvement plans and other transfers made for various reasons. All transfers made during the year were budgeted.

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
2011	$ -	$ 36,664	$ (12,832)	$ 23,832
2012	74,250	46,805	(16,382)	104,673
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 - 2020	467,500	179,165	(62,709)	583,956
2021 - 2025	530,750	86,832	(30,391)	587,191
2026	115,500	2,714	(950)	117,264
Total	$ 1,449,250	$ 485,765	$ (170,019)	$ 1,764,996

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Year Ending December 31,	General Obligation Bonds Business-type Activities Principal	Interest	Federal Credit	Total
2011	$ -	$ 34,003	$ (11,901)	$ 22,102
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 - 2020	432,500	165,975	(58,091)	540,384
2021 - 2025	489,250	81,092	(28,382)	541,960
2026	109,500	2,573	(901)	111,172
Total	$ 1,345,750	$ 450,846	$ (157,796)	$ 1,638,800

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	4.25 - 4.80 %	02/01/02	02/01/14	$ 225,000
G.O. Water Revenue Bonds, Series 2007A	680,000	3.85 - 4.35	08/15/07	02/01/23	610,000
Total G.O. Revenue Bonds					$ 835,000

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	$ 90,000	$ 33,853	$ 123,853
2012	95,000	29,831	124,831
2013	95,000	25,653	120,653
2014	100,000	21,313	121,313
2015	45,000	18,171	63,171
2016 - 2020	240,000	62,358	302,358
2021 - 2023	170,000	11,283	181,283
Total	$ 835,000	$ 202,462	$ 1,037,462

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2010 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	$ -
Compensated absences payable	62,785	56,856	(43,894)	75,747	25,249
Other postemployment benefits payable	11,517	13,908	-	25,425	-
Governmental activity long-term liabilities	$ 74,302	$ 1,520,014	$ (43,894)	$ 1,550,422	$ 25,249
Business-type activities					
Bonds payable					
General obligation revenue bonds	$ 920,000	$ -	$ (85,000)	$ 835,000	$ 90,000
General obligation improvement bonds	-	1,345,750	-	1,345,750	
Business-type activity long-term liabilities	$ 920,000	$ 1,345,750	$ (85,000)	$ 2,180,750	$ 90,000

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. This plan is 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.

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 2.20 percent of average salary for each of the first 10 years of service and 2.70 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first 10 years and 1.70 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.70 percent of average salary for Basic Plan members and 1.70 percent for Coordinated Plan members for each year of service. For all 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 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. That report may be obtained on the Internet at mnpera.org, by writing to PERA, 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 9.1 percent and 6.0 percent, respectively, of their annual covered salary in 2010. The City is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members and 7.00 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, 2010, 2009 and 2008 were $43,738, $43,516, and $37,623, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state 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, 2010. As of January 01, 2010, 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	$ 14,044
Interest on net OPEB obligation	535
Adjustment to annual required contribution	(671)
Annual OPEB cost (expense)	13,908
Contributions made	-
Increase in net OPEB obligation	13,908
Net OPEB obligation - January 1, 2010	11,517
Net OPEB obligation - December 31, 2010	$ 25,425

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

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, 2010 follows:

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

D. Funded status and funding progress

As of January 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $52,537, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $615,770, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.5 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, 2010 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, 2010 was thirty 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, 2009 AND 2008

	2009	2008
Assets	$ 5,608,495	$ 5,761,316
Liabilities	$ 4,645,360	$ 4,894,756
Net assets	963,135	866,560
Total liabilities and net assets	$ 5,608,495	$ 5,761,316

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
SUMMARY STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Expenses	$ 2,421,205	$ 2,433,114
Revenues	143,701	169,101
Net expenses	(2,277,504)	(2,264,013)
General revenues	2,374,079	2,288,530
Change in net assets	96,575	24,517
Net assets, January 1	866,560	842,043
Net assets, December 31	$ 963,135	$ 866,560

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, 2010:

EXCELSIOR FIRE DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2010 AND 2009

	2010	2009
Assets	$ 8,119,655	$ 8,422,859
Liabilities	$ 5,851,278	$ 6,312,024
Net assets	2,268,377	2,110,835
Total liabilities and net assets	$ 8,119,655	$ 8,422,859

EXCELSIOR FIRE DISTRICT
SUMMARY STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Charges for services	$ 1,499,627	$ 1,503,047
Expenses	1,354,038	1,281,120
Net revenues	145,589	221,927
General revenues	11,953	49,387
Change in net assets	157,542	271,314
Net assets, January 1	2,110,835	1,839,521
Net assets, December 31	$ 2,268,377	$ 2,110,835

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, 2010 is $3,100,957.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

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CITY OF EXCELSIOR, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010

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
01/01/10	$ -	$ 52,537	$ 52,537	- %	$ 615,770	8.5%
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, 2010

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010

	Special Revenue	Capital Projects	Total Nonmajor Funds
ASSETS			
Cash and temporary investments	$ 303,093	$ 595,945	$ 899,038
Receivables			
Accounts	-	51,237	51,237
Delinquent taxes	-	657	657
Special assessments			
Deferred	-	2,965	2,965
Due from other governments	-	12,347	12,347
TOTAL ASSETS	$ 303,093	$ 663,151	$ 966,244
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ -	$ 61,398	$ 61,398
Due to other governments	-	684	684
Deferred revenue	-	31,593	31,593
TOTAL LIABILITIES	-	93,675	93,675
FUND BALANCES			
Reserved for			
Cemetery lots	82,677	-	82,677
Unreserved			
Designated for park improvements	-	30,677	30,677
Undesignated	220,416	538,799	759,215
TOTAL FUND BALANCES	303,093	569,476	872,569
TOTAL LIABILITIES AND FUND BALANCES	$ 303,093	$ 663,151	$ 966,244

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue	Capital Projects	Total Nonmajor Funds
REVENUES			
Taxes	$ -	$ 90,641	$ 90,641
Intergovernmental	-	119,568	119,568
Charges for services	-	29,853	29,853
Special assessments	-	4,443	4,443
Interest on investments	3,879	3,578	7,457
Miscellaneous			
Refunds and reimbursements	5,000	-	5,000
Donations	-	8,333	8,333
Lot sales	4,000	-	4,000
TOTAL REVENUES	12,879	256,416	269,295
EXPENDITURES			
Current			
General government	2,031	11,566	13,597
Public works	-	9,610	9,610
Housing and economic development	-	91,845	91,845
Miscellaneous	950	-	950
Capital outlay			
Public works	-	38,055	38,055
Culture and recreation	-	193,304	193,304
TOTAL EXPENDITURES	2,981	344,380	347,361
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,898	(87,964)	(78,066)
OTHER FINANCING SOURCES			
Transfers in	-	154,682	154,682
Sale of capital assets	-	14,500	14,500
TOTAL OTHER FINANCING SOURCES	-	169,182	169,182
NET CHANGE IN FUND BALANCES	9,898	81,218	91,116
FUND BALANCES, JANUARY 1	293,195	488,258	781,453
FUND BALANCES, DECEMBER 31	$ 303,093	$ 569,476	$ 872,569

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010

	201 Insurance Refund	**202** Compensated Absences	**801** Cemetery	Total
ASSETS				
Cash and temporary investments	$ 111,513	$ 108,903	$ 82,677	$ 303,093
FUND BALANCES				
Reserved for				
Cemetery lots	$ -	$ -	$ 82,677	$ 82,677
Unreserved				
Undesignated	111,513	108,903	-	220,416
TOTAL FUND BALANCES	$ 111,513	$ 108,903	$ 82,677	$ 303,093

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

	201 Insurance Refund	**202** Compensated Absences	**801** Cemetery	Total
REVENUES				
Interest on investments	$ 1,394	$ 1,438	$ 1,047	$ 3,879
Miscellaneous				
Lot sales	-	-	4,000	4,000
Refunds and reimbursements	5,000	-	-	5,000
TOTAL REVENUES	6,394	1,438	5,047	12,879
EXPENDITURES				
Current				
General government	-	2,031	-	2,031
Miscellaneous	950	-	-	950
TOTAL EXPENDITURES	950	2,031	-	2,981
NET CHANGE IN FUND BALANCES	5,444	(593)	5,047	9,898
FUND BALANCES, JANUARY 1	106,069	109,496	77,630	293,195
FUND BALANCES, DECEMBER 31	$ 111,513	$ 108,903	$ 82,677	$ 303,093

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010

	401 Public Works Equipment	402 Capital Improvement	403 Park Improvement
ASSETS			
Cash and temporary investments	$ 44,053	$ 257,508	$ 129,385
Receivables			
Accounts	-	-	236
Delinquent taxes	-	-	-
Special assessments			
Deferred	-	2,965	-
Due from other governments	-	-	12,347
TOTAL ASSETS	$ 44,053	$ 260,473	$ 141,968
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ -	$ -	$ 12,027
Due to other governments	-	-	75
Deferred revenue	-	2,965	-
TOTAL LIABILITIES	-	2,965	12,102
FUND BALANCES			
Unreserved			
Designated for park improvements	-	-	30,677
Undesignated	44,053	257,508	99,189
TOTAL FUND BALANCES	44,053	257,508	129,866
TOTAL LIABILITIES AND FUND BALANCES	$ 44,053	$ 260,473	$ 141,968

407 TIF Project	501 Revolving	Total
$ 49,343	$ 115,656	$ 595,945
-	51,001	51,237
657	-	657
-	-	2,965
-	-	12,347
$ 50,000	$ 166,657	$ 663,151
$ 46,773	$ 2,598	$ 61,398
609	-	684
-	28,628	31,593
47,382	31,226	93,675
-	-	30,677
2,618	135,431	538,799
2,618	135,431	569,476
$ 50,000	$ 166,657	$ 663,151

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

	401 Public Works Equipment	**402** Capital Improvement	**403** Park Improvement
REVENUES			
Taxes	$ -	$ -	$ -
Intergovernmental	-	-	119,474
Charges for services	5,908	-	-
Special assessments	-	4,443	-
Interest on investments	(723)	879	1,729
Miscellaneous			
Other	-	-	8,333
TOTAL REVENUES	5,185	5,322	129,536
EXPENDITURES			
Current			
General government	-	-	-
Public works	-	-	-
Housing and economic development	-	-	-
Capital outlay			
Public works	24,823	13,232	-
Culture and recreation	-	-	193,304
TOTAL EXPENDITURES	24,823	13,232	193,304
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(19,638)	(7,910)	(63,768)
OTHER FINANCING SOURCES			
Transfers in	11,000	140,682	3,000
Sale of capital assets	14,500	-	-
TOTAL OTHER FINANCING SOURCES	25,500	140,682	3,000
NET CHANGE IN FUND BALANCES	5,862	132,772	(60,768)
FUND BALANCES, JANUARY 1	38,191	124,736	190,634
FUND BALANCES, DECEMBER 31	$ 44,053	$ 257,508	$ 129,866

407	501	
TIF Project	Revolving	Total
$ 90,641	$ -	$ 90,641
94	-	119,568
-	23,945	29,853
-	-	4,443
38	1,655	3,578
-	-	8,333
90,773	25,600	256,416
-	11,566	11,566
-	9,610	9,610
91,845	-	91,845
-	-	38,055
-	-	193,304
91,845	21,176	344,380
(1,072)	4,424	(87,964)
-	-	154,682
-	-	14,500
-	-	169,182
(1,072)	4,424	81,218
3,690	131,007	488,258
$ 2,618	$ 135,431	$ 569,476

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF NET ASSETS
DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds			
	Solid Waste		Parking Meter	
	2010	2009	2010	2009
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	$ 47,833	$ 47,054	$ 23,044	$ 14,909
Receivables				
Accounts	38,241	34,974	-	-
Special assessments				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Prepaid items	92	6	181	-
TOTAL CURRENT ASSETS	86,166	82,034	23,225	14,909
CAPITAL ASSETS, AT COST	12,665	12,665	34,721	34,721
LESS ACCUMULATED DEPRECIATION	(12,665)	(12,665)	(34,406)	(34,170)
NET CAPITAL ASSETS	-	-	315	551
TOTAL ASSETS	86,166	82,034	23,540	15,460
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	8,993	10,153	-	-
Due to other governments	272	312	37	-
Accrued salaries payable	268	212	-	-
TOTAL LIABILITIES	9,533	10,677	37	-
NET ASSETS				
Invested in capital assets	-	-	315	551
Unrestricted	76,633	71,357	23,188	14,909
TOTAL NET ASSETS	$ 76,633	$ 71,357	$ 23,503	$ 15,460

Business-type Activities - Enterprise Funds - Continued

Parking Lot Maintenance		Street Lighting		Totals	
2010	2009	2010	2009	2010	2009
$ 72,357	$ 50,768	$ 20,849	$ 5,627	$ 164,083	$ 118,358
-	-	14,935	12,766	53,176	47,740
693	231	-	-	693	231
1,736	3,318	-	-	1,736	3,318
-	-	-	-	273	6
74,786	54,317	35,784	18,393	219,961	169,653
-	-	6,995	6,995	54,381	54,381
-	-	(554)	(204)	(47,625)	(47,039)
-	-	6,441	6,791	6,756	7,342
74,786	54,317	42,225	25,184	226,717	176,995
1,490	65	2,693	3,179	13,176	13,397
-	-	-	-	309	312
147	117	85	67	500	396
1,637	182	2,778	3,246	13,985	14,105
-	-	6,441	6,791	6,756	7,342
73,149	54,135	33,006	15,147	205,976	155,548
$ 73,149	$ 54,135	$ 39,447	$ 21,938	$ 212,732	$ 162,890

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds			
	Solid Waste		Parking Meter	
	2010	2009	2010	2009
OPERATING REVENUES				
Charges for services	$ 162,813	$ 144,084	$ 42,155	$ 36,878
OPERATING EXPENSES				
Refuse	104,527	101,886	-	-
Recycling	43,623	32,846	-	-
Administration	-	-	-	-
Maintenance	-	-	1,056	489
Depreciation	-	-	236	237
TOTAL OPERATING EXPENSES	148,150	134,732	1,292	726
OPERATING INCOME (LOSS)	14,663	9,352	40,863	36,152
NONOPERATING REVENUES				
Interest on investments	613	1,499	180	344
Special assessments	-	-	-	-
TOTAL NONOPERATING REVENUES	613	1,499	180	344
INCOME BEFORE TRANSFERS	15,276	10,851	41,043	36,496
TRANSFERS OUT	(10,000)	(10,054)	(33,000)	(33,000)
CHANGE IN NET ASSETS	5,276	797	8,043	3,496
NET ASSETS, JANUARY 1	71,357	70,560	15,460	11,964
NET ASSETS, DECEMBER 31	$ 76,633	$ 71,357	$ 23,503	$ 15,460

Business-type Activities - Enterprise Funds - Continued

Parking Lot Maintenance		Street Lighting		Totals	
2010	2009	2010	2009	2010	2009
$ 10,290	$ 12,370	$ 57,154	$ 50,720	$ 272,412	$ 244,052
-	-	-	-	104,527	101,886
-	-	-	-	43,623	32,846
-	-	5,656	5,818	5,656	5,818
15,605	21,780	31,194	38,362	47,855	60,631
-	-	350	204	586	441
15,605	21,780	37,200	44,384	202,247	201,622
(5,315)	(9,410)	19,954	6,336	70,165	42,430
664	1,418	155	339	1,612	3,600
23,665	22,818	-	-	23,665	22,818
24,329	24,236	155	339	25,277	26,418
19,014	14,826	20,109	6,675	95,442	68,848
-	(23,375)	(2,600)	(2,625)	(45,600)	(69,054)
19,014	(8,549)	17,509	4,050	49,842	(206)
54,135	62,684	21,938	17,888	162,890	163,096
$ 73,149	$ 54,135	$ 39,447	$ 21,938	$ 212,732	$ 162,890

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds			
	Solid Waste		Parking Meter	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 159,546	$ 141,283	$ 42,155	$ 36,878
Payments to suppliers	(130,984)	(114,072)	(1,200)	(305)
Payments to employees	(18,396)	(18,643)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	10,166	8,568	40,955	36,573
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(10,000)	(10,054)	(33,000)	(33,000)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Special assessments collected	-	-	-	-
Acquisition of capital assets	-	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	613	1,499	180	344
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	779	13	8,135	3,917
CASH AND CASH EQUIVALENTS, JANUARY 1	47,054	47,041	14,909	10,992
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 47,833	$ 47,054	$ 23,044	$ 14,909
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ 14,663	$ 9,352	$ 40,863	$ 36,152
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	236	237
(Increase) decrease in assets:				
Receivables				
Accounts	(3,267)	(2,801)	-	-
Prepaid items	(86)	-	(181)	184
Increase (decrease) in liabilities:				
Accounts payable	(1,160)	2,748	-	-
Accrued salaries payable	56	(444)	-	-
Due to other governments	(40)	(287)	37	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 10,166	$ 8,568	$ 40,955	$ 36,573

Business-type Activities - Enterprise Funds - Continued

Parking Lot Maintenance		Street Lighting		Totals	
2010	2009	2010	2009	2010	2009
$ 10,521	$ 12,655	$ 54,985	$ 48,967	$ 267,207	$ 239,783
(14,150)	(22,069)	(31,680)	(37,779)	(178,014)	(174,225)
-	-	(5,638)	(5,959)	(24,034)	(24,602)
(3,629)	(9,414)	17,667	5,229	65,159	40,956
-	(23,375)	(2,600)	(2,625)	(45,600)	(69,054)
24,554	21,992	-	-	24,554	21,992
-	-	-	(6,995)	-	(6,995)
24,554	21,992	-	(6,995)	24,554	14,997
664	1,418	155	339	1,612	3,600
21,589	(9,379)	15,222	(4,052)	45,725	(9,501)
50,768	60,147	5,627	9,679	118,358	127,859
$ 72,357	$ 50,768	$ 20,849	$ 5,627	$ 164,083	$ 118,358
$ (5,315)	$ (9,410)	$ 19,954	$ 6,336	$ 70,165	$ 42,430
-	-	350	204	586	441
231	285	(2,169)	(1,753)	(5,205)	(4,269)
-	-	-	-	(267)	184
1,425	31	(486)	583	(221)	3,362
30	(320)	18	(141)	104	(905)
-	-	-	-	(3)	(287)
$ (3,629)	$ (9,414)	$ 17,667	$ 5,229	$ 65,159	$ 40,956

CITY OF EXCELSIOR, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Taxes					
Property	$ 1,281,523	$ 1,281,523	$ 1,300,585	$ 19,062	$ 1,181,881
Franchise	69,000	69,000	69,469	469	70,025
Total	1,350,523	1,350,523	1,370,054	19,531	1,251,906
Licenses and permits					
Business	81,645	81,645	92,333	10,688	84,655
Nonbusiness	58,950	58,950	67,629	8,679	72,779
Total	140,595	140,595	159,962	19,367	157,434
Intergovernmental					
State					
Local government aid	-	-	-	-	63,912
Property tax credits	9,986	9,986	8	(9,978)	8,927
Other	3,095	3,095	3,095	-	3,095
County					
Highway aid	10,000	10,000	-	(10,000)	-
Other	3,800	3,800	3,800	-	4,908
Total	26,881	26,881	6,903	(19,978)	80,842
Charges for services					
General government	23,500	23,500	19,928	(3,572)	25,424
Public works	250	250	100	(150)	100
Culture and recreation	14,140	14,140	20,046	5,906	14,057
Other charges	6,500	6,500	13,467	6,967	8,378
Total	44,390	44,390	53,541	9,151	47,959
Fines and forfeitures	50,300	50,300	62,236	11,936	51,317
Special assessments	-	-	66	66	2,696
Interest on investments	28,500	28,500	9,699	(18,801)	21,230
Miscellaneous					
Other	-	-	1,342	1,342	25,548
Contributions and donations	-	-	207	207	-
Refunds and reimbursements	4,000	4,000	6,356	2,356	9,214
Total	4,000	4,000	7,905	3,905	34,762
TOTAL REVENUES	1,645,189	1,645,189	1,670,366	25,177	1,648,146

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, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES					
Current					
General government					
Legislative					
Personal services	$ 14,209	$ 14,209	$ 14,209	$ -	$ 14,209
Other services and charges	9,020	9,020	4,640	4,380	18,564
Total	23,229	23,229	18,849	4,380	32,773
City manager / clerk					
Personal services	109,739	109,739	109,938	(199)	114,657
Other services and charges	4,550	4,550	2,694	1,856	4,855
Total	114,289	114,289	112,632	1,657	119,512
Elections and voter registration					
Personal services	4,000	4,000	2,739	1,261	-
Supplies	600	600	1,100	(500)	27
Other services and charges	1,350	1,350	722	628	247
Total	5,950	5,950	4,561	1,389	274
Finance					
Personal services	62,551	62,551	61,624	927	63,592
Other services and charges	2,650	2,650	2,665	(15)	2,262
Total	65,201	65,201	64,289	912	65,854
Legal					
Other services and charges	-	-	-	-	655
Planning and zoning					
Personal services	57,144	57,144	58,871	(1,727)	56,362
Other services and charges	21,100	21,100	41,183	(20,083)	60,850
Total	78,244	78,244	100,054	(21,810)	117,212
Administration					
Supplies	6,150	6,150	5,931	219	10,229
Other services and charges	211,969	211,969	173,113	38,856	162,535
Total	218,119	218,119	179,044	39,075	172,764

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, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
General government - continued					
Heritage preservation					
Other services and charges	$ 1,185	$ 1,185	$ 1,599	$ (414)	$ 684
Total general government	506,217	506,217	481,028	25,189	509,728
Public safety					
Police protection					
Supplies	750	750	125	625	351
Other services and charges	596,281	596,281	605,510	(9,229)	589,856
Total	597,031	597,031	605,635	(8,604)	590,207
Fire protection					
Other services and charges	159,984	159,984	159,984	-	167,533
Protective inspection					
Other services and charges	18,000	18,000	14,531	3,469	9,628
Total public safety	775,015	775,015	780,150	(5,135)	767,368
Public works					
Engineering					
Other services and charges	20,000	20,000	10,402	9,598	9,370
Streets					
Personal services	109,811	109,811	115,148	(5,337)	105,350
Supplies	34,100	34,100	31,967	2,133	14,698
Other services and charges	39,115	39,115	34,187	4,928	42,378
Total	183,026	183,026	181,302	1,724	162,426
Shade tree					
Personal services	-	-	-	-	3,702
Other services and charges	-	-	-	-	15,108
Total	-	-	-	-	18,810
Total public works	203,026	203,026	191,704	11,322	190,606

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, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Culture and recreation					
Parks					
Personal services	$ 74,811	$ 74,811	$ 77,168	$ (2,357)	$ 72,744
Supplies	15,700	15,700	24,703	(9,003)	16,257
Other services and charges	57,825	57,825	53,093	4,732	68,554
Total culture and recreation	148,336	148,336	154,964	(6,628)	157,555
Miscellaneous					
Cemetery					
Personal services	13,545	13,545	14,044	(499)	13,944
Supplies	2,200	2,200	2,385	(185)	1,776
Other services and charges	1,400	1,400	1,434	(34)	2,923
Total cemetery	17,145	17,145	17,863	(718)	18,643
Other					
Other services and charges	-	-	-	-	15,900
Total miscellaneous	17,145	17,145	17,863	(718)	34,543
Total current expenditures	1,649,739	1,649,739	1,625,709	24,030	1,659,800
Capital outlay					
General government	2,000	2,000	1,441	559	12,333
Public works	5,000	5,000	1,237	3,763	-
Culture and recreation	4,000	4,000	-	4,000	6,645
Total capital outlay	11,000	11,000	2,678	8,322	18,978
TOTAL EXPENDITURES	1,660,739	1,660,739	1,628,387	32,352	1,678,778
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,550)	(15,550)	41,979	57,529	(30,632)
OTHER FINANCING SOURCES (USES)					
Transfers in	167,232	167,232	167,232	-	222,420
Transfers out	(151,682)	(151,682)	(151,682)	-	(118,500)
TOTAL OTHER FINANCING SOURCES (USES)	15,550	15,550	15,550	-	103,920

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, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
NET CHANGE IN FUND BALANCES	$ -	$ -	$ 57,529	$ 57,529	$ 73,288
FUND BALANCES, JANUARY 1	1,039,121	1,039,121	1,039,121	-	965,833
FUND BALANCES, DECEMBER 31	$ 1,039,121	$ 1,039,121	$ 1,096,650	$ 57,529	$ 1,039,121

CITY OF EXCELSIOR, MINNESOTA
AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Balance January 1	Additions	Deductions	Balance December 31
ESCROW				
ASSETS				
Cash and temporary investments (deficits)	$ (24,695)	$ 74,588	$ 58,585	$ (8,692)
Accounts receivable	30,875	-	11,873	19,002
TOTAL ASSETS	$ 6,180	$ 74,588	$ 70,458	$ 10,310
LIABILITY				
Accounts payable	$ 6,180	$ 53,557	$ 49,427	$ 10,310

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OTHER FINANCIAL INFORMATION
(UNAUDITED)

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

CITY OF EXCELSIOR, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	Total		Percent Increase
	2010	2009	(Decrease)
REVENUES			
Taxes	$ 1,460,695	$ 1,342,088	8.84 %
Special assessments	64,314	16,812	282.55
Licenses and permits	159,962	157,434	1.61
Intergovernmental	126,471	304,793	(58.51)
Charges for services	168,921	239,446	(29.45)
Fines and forfeitures	62,236	51,317	21.28
Interest on investments	29,355	56,017	(47.60)
Miscellaneous	127,456	190,137	(32.97)
TOTAL REVENUES	$ 2,199,410	$ 2,358,044	(6.73) %
Per Capita	$ 932	$ 990	(5.86) %
EXPENDITURES			
Current			
General government	$ 494,625	$ 530,860	(6.83) %
Public safety	780,150	767,368	1.67
Public works	201,314	194,608	3.45
Culture and recreation	154,964	386,961	(59.95)
Housing and economic development	91,845	87,559	4.89
Miscellaneous	75,911	71,691	5.89
Capital outlay			
General government	11,625	18,985	(38.77)
Public works	750,084	1,376	54,411.92
Culture and recreation	193,304	71,275	171.21
Debt service			
Bond issuance costs	33,198	-	n/a
TOTAL EXPENDITURES	$ 2,787,020	$ 2,130,683	30.80 %
Per Capita	$ 1,181	$ 894	32.02 %
Total Long-term Indebtedness	$ 1,449,250	$ -	100.00 %
Per Capita	614	-	100.00
General Fund Balance - December 31	$ 1,096,650	$ 1,039,121	5.54 %
Per Capita	465	436	6.52

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 St. Excelsior, MN 55331
Questions about this report should be directed to Joan Carlson, Finance Director at (952) 474-5233.

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
2001	$ 571,316	$ 559,940	98.01 %	$ 11,376	$ 571,316	100.00 %
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	-	1,264,296	97.89

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
2001	$ 21,614	$ 19,860	91.88 %	$ 1,754	$ 21,614	100.00 %
2002	22,255	18,836	84.64	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	436	22,696	98.99
2010	16,864	15,049	89.24	-	15,049	89.24

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

	2001	2002	2003	2004
TAX CAPACITY				
Personal property	$ 33,744	$ 19,714	$ 20,527	$ 21,433
Real estate	2,767,456	2,187,206	2,346,962	2,757,138
TOTAL	2,801,200	2,206,920	2,367,489	2,778,571
Contribution to fiscal disparities pool	(220,842)	(157,792)	(193,456)	(214,216)
Increment	-	-	-	-
Distribution from fiscal disparities pool	227,988	154,778	163,148	182,710
TOTAL TAX CAPACITY	$ 2,808,346	$ 2,203,906	$ 2,337,181	$ 2,747,065
TAX LEVIES				
Revenue	$ 571,316	$ 720,000	$ 846,000	$ 926,000
TAX CAPACITY RATES				
Revenue	20.344 %	32.669 %	36.197 %	33.709 %

2005	2006	2007	2008	2009	2010
$ 34,310	$ 35,374	$ 39,839	$ 38,967	$ 38,760	$ 38,524
3,094,187	3,473,241	4,135,837	4,612,292	4,799,686	4,675,727
3,128,497	3,508,615	4,175,676	4,651,259	4,838,446	4,714,251
(292,738)	(324,506)	(367,808)	(519,848)	(570,522)	(608,282)
(2,212)	(22,175)	(72,885)	(95,078)	(95,078)	(93,430)
172,152	172,842	182,801	209,578	224,664	223,253
$ 3,005,699	$ 3,334,776	$ 3,917,784	$ 4,245,911	$ 4,397,510	$ 4,235,792
$ 999,000	$ 1,078,920	$ 1,089,709	$ 1,144,194	$ 1,201,408	$ 1,291,509
33.237 %	32.354 %	27.814 %	26.948 %	27.320 %	30.490 %

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OTHER REQUIRED REPORTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

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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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon, dated April 15, 2011.

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 15, 2011
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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