

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF EXCELSIOR, MINNESOTA
 ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF EXCELSIOR, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2013

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Gaylord	Mayor	12/31/14
Mary Jo Fulkerson	Council Member	12/31/16
Greg Miller	Council Member	12/31/16
Jennifer Caron	Council Member	12/31/14
John Beattie	Council Member	12/31/14

APPOINTED

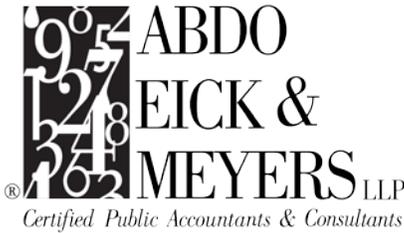
Kristi Luger	City Manager
Heidi Tumberg	Finance Officer
Shirley Johnson	City Clerk

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FINANCIAL SECTION
CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Excelsior, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Excelsior, Minnesota (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2012 financial statements and, in our report dated April 11, 2013 we express unmodified opinions on the respective proprietary fund financial 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

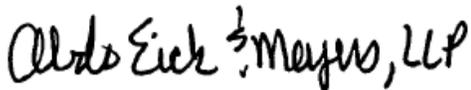
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 and the Schedule of Funding Progress on page 70 to be presented to supplement the basic financial statements. Such information, although not a part of the 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basic financial statement. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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
Minneapolis, Minnesota
April 3, 2014

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Management's Discussion and Analysis

As management of the City of Excelsior, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2013.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$11,822,195 (net position). Of this amount, \$4,730,116 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$644,403. The increase was supported primarily by operating income from the enterprise funds. Another reason for the increase was support by general revenues, including property taxes, unrestricted grants and contributions, and gain on sale of capital assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,059,971, a decrease of \$27,193 in comparison with the prior year. Approximately 80 percent of this total amount, \$2,435,199, is either unassigned or assigned and available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,065,650, or 57.7 percent of total General fund 2013 expenditures.
- The City's total debt decreased \$243,232 or 7.1 percent during the current fiscal year. The decrease was due to the retirement of debt.

Overview of the Financial Statements

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

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

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

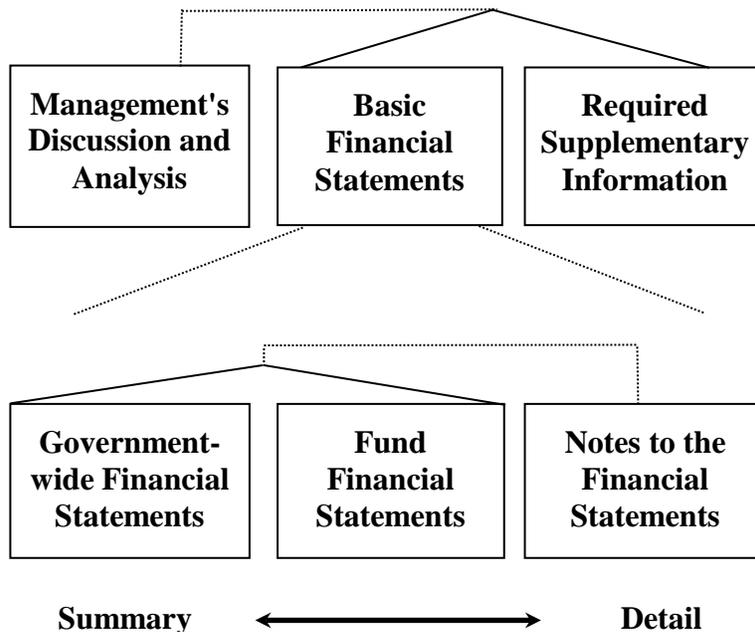


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 47 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 72 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$11,822,195 at the close of the most recent fiscal year.

A portion of the City's net position (56.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Excelsior's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Assets						
Current and other assets	\$ 3,504,614	\$ 3,432,034	\$ 72,580	\$ 2,316,495	\$ 2,320,056	\$ (3,561)
Capital assets	5,179,358	5,153,961	25,397	4,537,361	3,985,858	551,503
Total assets	8,683,972	8,585,995	97,977	6,853,856	6,305,914	547,942
Liabilities						
Noncurrent liabilities						
outstanding	1,406,411	1,477,561	(71,150)	1,785,303	1,957,385	(172,082)
Other liabilities	277,743	196,692	81,051	246,176	82,479	163,697
Total liabilities	1,684,154	1,674,253	9,901	2,031,479	2,039,864	(8,385)
Net position						
Net investment in capital assets	3,890,848	3,779,896	110,952	2,785,871	2,059,923	725,948
Restricted	415,360	411,451	3,909	-	-	-
Unrestricted	2,693,610	2,720,395	(26,785)	2,036,506	2,206,127	(169,621)
Total net position	\$ 6,999,818	\$ 6,911,742	\$ 88,076	\$ 4,822,377	\$ 4,266,050	\$ 556,327

Additionally, \$415,360 is restricted for debt service, tax increment district expenditure and park improvement expenditures. The remaining balance of *unrestricted net position* (\$4,730,116) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's net position increased \$644,403 during the current fiscal year. Both the governmental activities and the business type activities increased the net position, by \$88,076 and \$556,327, respectively.

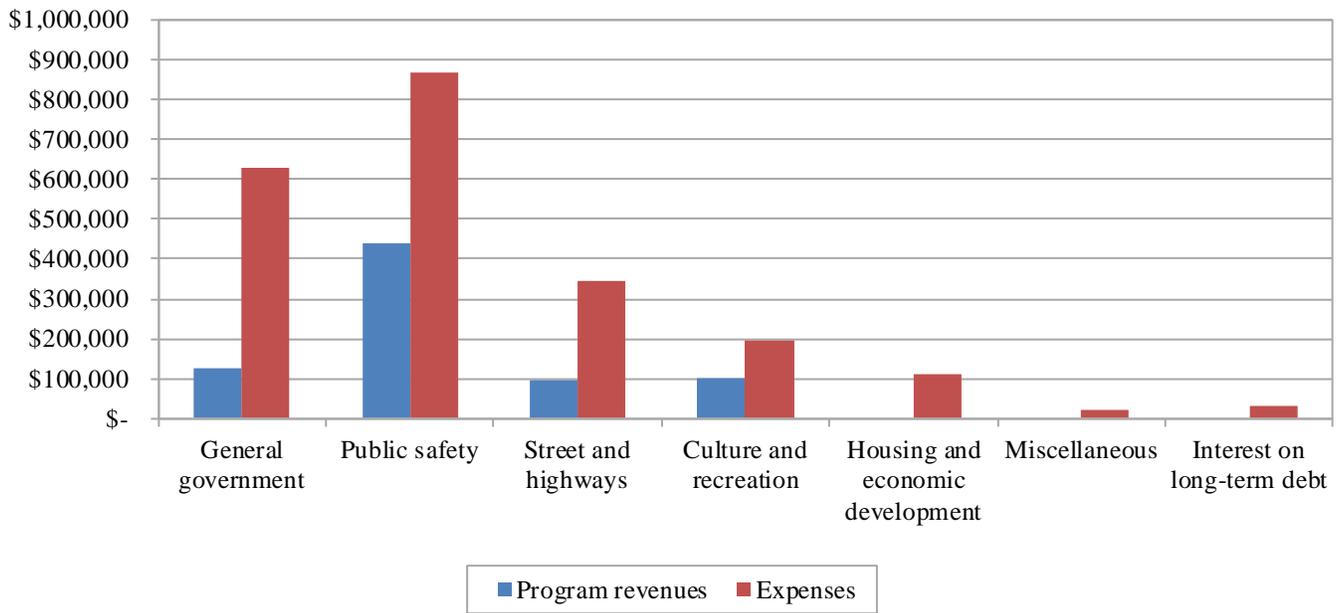
Governmental activities. Governmental activities increased the City's net position by \$88,076, thereby accounting for 13.7 percent of the total growth in the net position of the City. Key elements of this increase are as follows:

City of Excelsior's Changes in Net Position

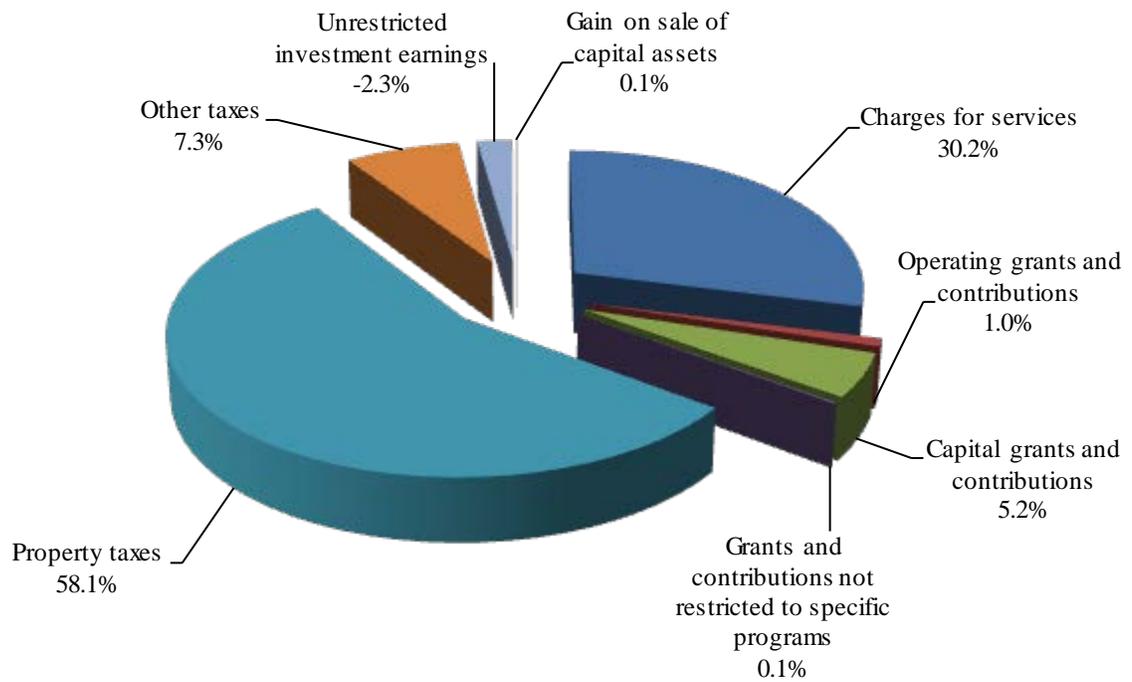
	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 636,392	\$ 619,550	\$ 16,842	\$ 1,624,667	\$ 1,616,512	\$ 8,155
Operating grants and contributions	20,110	-	20,110	-	1,649	(1,649)
Capital grants and contributions	111,914	217,148	(105,234)	234,596	69,000	165,596
General revenues						
Property taxes	1,323,372	1,321,658	1,714	-	-	-
Other taxes	156,262	170,303	(14,041)	-	-	-
Grants and contributions not restricted to specific programs	3,095	3,180	(85)	-	-	-
Unrestricted investment earnings	(47,548)	41,829	(89,377)	(31,557)	29,035	(60,592)
Miscellaneous	1,485	-	1,485	3,906	-	3,906
Total revenues	2,205,082	2,373,668	(168,586)	1,831,612	1,716,196	115,416
Expenses						
General government	629,762	552,562	77,200	-	-	-
Public safety	868,393	823,677	44,716	-	-	-
Streets and highways	346,933	306,793	40,140	-	-	-
Culture and recreation	196,755	252,861	(56,106)	-	-	-
Housing and economic development	111,110	93,663	17,447	-	-	-
Miscellaneous	19,794	18,237	1,557	-	-	-
Interest on long-term debt	32,259	30,894	1,365	-	-	-
Water utility	-	-	-	373,409	417,606	(44,197)
Sewer utility	-	-	-	362,932	403,235	(40,303)
Solid waste	-	-	-	135,060	131,354	3,706
Surface water	-	-	-	123,206	99,050	24,156
Street lighting	-	-	-	60,486	35,484	25,002
Commercial docks	-	-	-	132,192	139,636	(7,444)
Total expenses	2,205,006	2,078,687	126,319	1,187,285	1,226,365	(39,080)
Increase in net position before transfers	76	294,981	(294,905)	644,327	489,831	154,496
Transfers	88,000	283,004	(195,004)	(88,000)	(283,004)	195,004
Change in net position	88,076	577,985	(489,909)	556,327	206,827	349,500
Net position, January 1 restated	6,911,742	6,333,757	577,985	4,266,050	4,059,223	206,827
Prior period adjustment	-	-	-	-	-	-
Net position, December 31	\$ 6,999,818	\$ 6,911,742	\$ 88,076	\$ 4,822,377	\$ 4,266,050	\$ 556,327

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

Expenses and Program Revenues - Governmental Activities



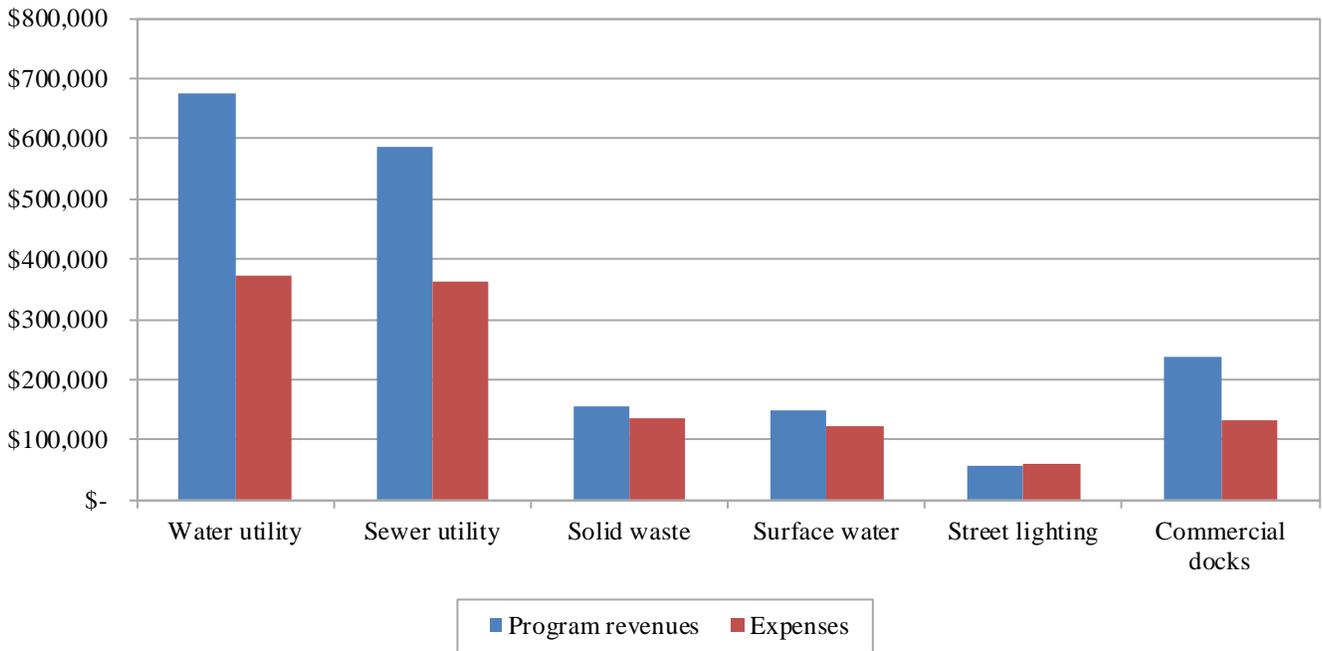
Revenues by Source - Governmental Activities



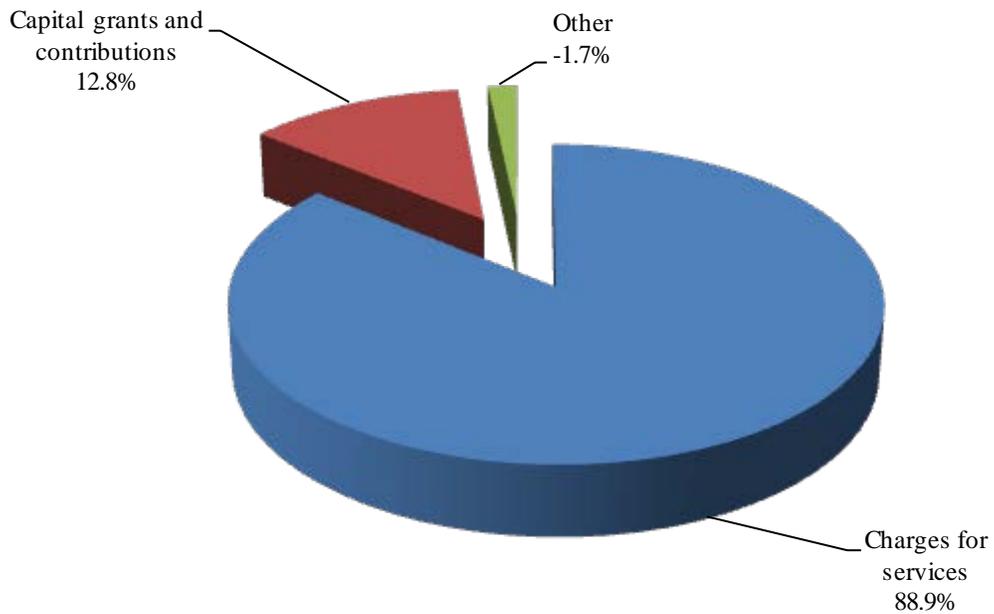
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities increased the City’s net position by \$556,327, accounting for 86.3 percent of the growth in the City’s net position. Key elements of this increase are as follows:

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

Major Funds	Fund Balances		Increase (Decrease)
	December 31		
	2012	2013	
General	\$ 1,597,270	\$ 1,318,357	\$ (278,913)

The fund balance decrease is mainly due to transfers out for capital purchases and future capital projects.

Capital Improvement	\$ 1,062,299	\$ 1,299,299	\$ 237,000
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The fund would have resulted in a loss of \$133,000 due to capital improvement projects; however, a transfer of \$370,000 created a positive net change 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 position of the enterprise funds at the end of the year amounted to \$2,036,506. The total growth in net position for the funds was \$556,327. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget called for a \$21,413 decrease in fund balance, but actual amounts for 2013 resulted in a decrease in fund balance in the amount of \$291,609. This was due transfers being over budget.

Overall, revenues were over the budgeted amount by \$136,809. This was due in large part to charges for services being over budget by \$38,018. Other items with the largest positive variance were licenses and permits and taxes which were over budget by \$74,425 and \$32,676, respectively.

Expenditures were \$94,794 over budget. The general government function was the main contributor to this negative variance and was over budget by \$62,700. Personal services, in City manager and clerk department, were the largest contributor to the negative variance in general government, \$32,733. Other services and charges, in the planning and zoning department, was the second largest contributor to the negative variance and was \$25,470 over budget.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to \$9,716,719 (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 \$576,900, or 6.0 percent during the year.

Major capital asset activity during the current year included:

- The Water plants roof was completed during 2013.
- The 3rd Street Fire Lane project was completed during 2013.
- The Water Treatment Plant upgrades were started during the year.
- The Forcemain Improvement project was started during the year.

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

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

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Land	\$ 1,111,042	\$ 1,111,042	\$ -	\$ 50,000	\$ 50,000	\$ -
Construction in progress	1,060,643	1,200,076	(139,433)	532,711	2,483	530,228
Buildings	193,748	208,570	(14,822)	-	-	-
Improvement other than building	1,797,573	1,873,197	(75,624)	-	-	-
Machinery and equipment	393,388	428,700	(35,312)	530,786	571,430	(40,644)
Infrastructure	622,964	332,376	290,588	3,423,864	3,361,945	61,919
Total	<u>\$ 5,179,358</u>	<u>\$ 5,153,961</u>	<u>\$ 25,397</u>	<u>\$ 4,537,361</u>	<u>\$ 3,985,858</u>	<u>\$ 551,503</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,040,000. This amount consists of general obligation revenue and improvement bonds. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Excelsior's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
G.O. revenue bonds	\$ -	\$ -	\$ -	\$ 555,000	\$ 650,000	\$ (95,000)
G.O. improvement bonds	1,288,510	1,374,065	(85,555)	1,196,490	1,275,935	(79,445)
Other postemployment benefits	66,740	53,214	13,526	-	-	-
Compensated absences	51,161	50,282	879	33,813	31,450	2,363
Total	<u>\$ 1,406,411</u>	<u>\$ 1,477,561</u>	<u>\$ (71,150)</u>	<u>\$ 1,785,303</u>	<u>\$ 1,957,385</u>	<u>\$ (172,082)</u>

The City's total debt decreased \$243,232 (7.1 percent) during the current fiscal year. This decrease was due to the retirement of debt.

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

Additional information on the City's long-term debt can be found in Note 3D starting on page 60 of this report.

Economic Factors and Next Year's Budgets and Rates

- Preliminary property valuations are increasing significantly in 2014 for taxes payable 2015. Property values overall are increasing about 14 percent in the City, with the largest increases happening for residential off-lake and residential lakeshore properties.
- The 2014 budget includes a 2.62 percent levy increase. The majority of the increase is to help accommodate future major capital projects and debt related to those projects. The next large project the City is proposing is the Phase III Street Project which is currently slated to begin in 2016.
- Water rates were increased two percent while sewer rates were decreased two percent for 2014. Trash and recycling charges were also increased slightly to cover the costs of contract increases for 2014. The City will continue to monitor all enterprise funds to ensure sufficient revenues are being collected for future operating and capital expenditures.

All of these factors were considered in preparing the City's budget for the 2014 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Officer, City of Excelsior, 339 Third Street, Excelsior, Minnesota 55331.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF EXCELSIOR, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash temporary investments	\$ 3,250,209	\$ 1,893,929	\$ 5,144,138
Receivables			
Interest	8,391	-	8,391
Accounts	69,037	272,578	341,615
Delinquent taxes	23,274	-	23,274
Special assessments	116,538	10,567	127,105
Due from other governments	10,232	149,934	160,166
Internal balances	24,780	(24,780)	-
Prepaid items	2,153	14,267	16,420
Land and construction in progress	2,171,685	582,711	2,754,396
Depreciable infrastructure, buildings, property and equipment, net	<u>3,007,673</u>	<u>3,954,650</u>	<u>6,962,323</u>
TOTAL ASSETS	<u>8,683,972</u>	<u>6,853,856</u>	<u>15,537,828</u>
LIABILITIES			
Accounts payable	143,666	214,449	358,115
Accrued salaries payable	11,232	9,304	20,536
Accrued interest payable	12,751	21,649	34,400
Due to other governments	3,364	574	3,938
Unearned revenue	106,730	200	106,930
Noncurrent liabilities			
Due within one year			
Compensated absences payable	31,274	15,761	47,035
Bonds payable	88,148	181,853	270,001
Due in more than one year			
Compensated absences payable	19,887	18,052	37,939
Bonds payable	1,200,362	1,569,637	2,769,999
Other postemployment benefits payable	<u>66,740</u>	<u>-</u>	<u>66,740</u>
TOTAL LIABILITIES	<u>1,684,154</u>	<u>2,031,479</u>	<u>3,715,633</u>
NET POSITION			
Net investment in capital assets	3,890,848	2,785,871	6,676,719
Restricted for			
Debt Service	245,787	-	245,787
Tax increment financing district	6,430	-	6,430
Park improvements	163,143	-	163,143
Unrestricted	<u>2,693,610</u>	<u>2,036,506</u>	<u>4,730,116</u>
TOTAL NET POSITION	<u>\$ 6,999,818</u>	<u>\$ 4,822,377</u>	<u>\$ 11,822,195</u>

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

CITY OF EXCELSIOR, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 629,762	\$ 127,663	\$ -	\$ -
Public safety	868,393	419,052	20,110	-
Public works	346,933	33,055	-	64,866
Culture and recreation	196,755	56,622	-	47,048
Housing and economic development	111,110	-	-	-
Miscellaneous	19,794	-	-	-
Interest on long-term debt	32,259	-	-	-
Total governmental activities	<u>2,205,006</u>	<u>636,392</u>	<u>20,110</u>	<u>111,914</u>
Business-type activities				
Water utility	373,409	500,890	-	174,086
Sewer utility	362,932	524,709	-	60,510
Solid waste	135,060	154,293	-	-
Surface water	123,206	150,817	-	-
Street lighting	60,486	55,596	-	-
Commercial docks	132,192	238,362	-	-
Total business-type activities	<u>1,187,285</u>	<u>1,624,667</u>	<u>-</u>	<u>234,596</u>
Total	<u>\$ 3,392,291</u>	<u>\$ 2,261,059</u>	<u>\$ 20,110</u>	<u>\$ 346,510</u>

General revenues

Taxes

Property taxes levied for general purposes

Property taxes levied for debt service

Tax increments

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings (losses)

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1

Net position, December 31

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

Net (Expenses) Revenues
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (502,099)	\$ -	\$ (502,099)
(429,231)	-	(429,231)
(249,012)	-	(249,012)
(93,085)	-	(93,085)
(111,110)	-	(111,110)
(19,794)	-	(19,794)
(32,259)	-	(32,259)
(1,436,590)	-	(1,436,590)
-	301,567	301,567
-	222,287	222,287
-	19,233	19,233
-	27,611	27,611
-	(4,890)	(4,890)
-	106,170	106,170
-	671,978	671,978
(1,436,590)	671,978	(764,612)
1,223,372	-	1,223,372
100,000	-	100,000
86,766	-	86,766
69,496	-	69,496
3,095	-	3,095
(47,548)	(31,557)	(79,105)
1,485	3,906	5,391
88,000	(88,000)	-
1,524,666	(115,651)	1,409,015
88,076	556,327	644,403
6,911,742	4,266,050	11,177,792
\$ 6,999,818	\$ 4,822,377	\$ 11,822,195

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FUND FINANCIAL STATEMENTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF EXCELSIOR, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and temporary investments	\$ 1,471,743	\$ 1,275,781	\$ 502,685	\$ 3,250,209
Receivables				
Interest	8,391	-	-	8,391
Accounts	19,430	48,738	869	69,037
Delinquent taxes	19,759	-	3,515	23,274
Special assessments	14	29,939	86,585	116,538
Due from other funds	19,087	-	-	19,087
Due from other governments	8,790	-	1,442	10,232
Advance from other funds	-	24,780	-	24,780
Prepaid items	2,153	-	-	2,153
TOTAL ASSETS	\$ 1,549,367	\$ 1,379,238	\$ 595,096	\$ 3,523,701
LIABILITIES				
Accounts payable	\$ 75,456	\$ 21,372	\$ 46,838	\$ 143,666
Accrued salaries payable	32,337	-	226	32,563
Due to other funds	-	-	19,087	19,087
Due to other governments	3,364	-	-	3,364
Unearned revenue	106,730	-	-	106,730
TOTAL LIABILITIES	217,887	21,372	66,151	305,410
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - unavailable receivable	-	28,628	-	28,628
Unavailable revenue - special assessments	-	29,939	86,630	116,569
Unavailable revenue - property taxes	13,123	-	-	13,123
TOTAL DEFERRED INFLOWS OF RESOURCES	13,123	58,567	86,630	158,320
FUND BALANCES				
Nonspendable				
Prepaid items	2,153	-	-	2,153
Restricted for				
Debt Service	-	-	174,160	174,160
Tax increment financing district	-	-	6,430	6,430
Park improvements	-	-	163,143	163,143
Committed for				
Self insurance	110,454	-	-	110,454
Compensated absences	84,632	-	-	84,632
Cemetery	55,468	-	-	55,468
Parking lot maintenance	-	-	28,332	28,332
Assigned for				
Capital Improvements	-	1,299,299	-	1,299,299
Parking lot maintenance	-	-	89,525	89,525
Unassigned	1,065,650	-	(19,275)	1,046,375
TOTAL FUND BALANCES	1,318,357	1,299,299	442,315	3,059,971
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 1,549,367	\$ 1,379,238	\$ 595,096	\$ 3,523,701

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

CITY OF EXCELSIOR, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

Total fund balances - governmental	\$ 3,059,971
Amounts reported for the governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	6,903,636
Less: accumulated depreciation	(1,724,278)
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	(29,830)
Bond principal payable	(1,288,510)
Other postemployment benefits payable	(66,740)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.	
Delinquent taxes receivable	13,123
Special assessments receivable	116,569
Other receivable	28,628
Governmental funds do not report a liability for accrued interest until due and payable.	(12,751)
Total net position - governmental activities	\$ 6,999,818

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, 2013

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,307,887	\$ -	\$ 186,766	\$ 1,494,653
Licenses and permits	240,225	-	-	240,225
Intergovernmental	3,095	27,815	47,048	77,958
Charges for services	238,189	-	10,729	248,918
Fines and forfeitures	67,663	-	-	67,663
Special assessments	112	1,526	22,716	24,354
Interest on investments	(21,851)	(17,473)	11,998	(27,326)
Miscellaneous	28,616	39,335	11,635	79,586
TOTAL REVENUES	1,863,936	51,203	290,892	2,206,031
EXPENDITURES				
Current				
General government	571,294	-	-	571,294
Public safety	868,393	-	-	868,393
Public works	205,753	-	17,546	223,299
Culture and recreation	177,225	-	-	177,225
Housing and economic development	-	-	111,110	111,110
Miscellaneous	19,794	-	-	19,794
Capital outlay				
General government	1,675	53,379	-	55,054
Public works	-	130,824	-	130,824
Culture and recreation	3,200	-	44,877	48,077
Debt service				
Principal	-	-	85,555	85,555
Interest and other	-	-	32,084	32,084
TOTAL EXPENDITURES	1,847,334	184,203	291,172	2,322,709
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,602	(133,000)	(280)	(116,678)
OTHER FINANCING SOURCES (USES)				
Transfers in	88,000	370,000	15,000	473,000
Sale of capital assets	1,485	-	-	1,485
Transfers out	(385,000)	-	-	(385,000)
TOTAL OTHER FINANCING SOURCES (USES)	(295,515)	370,000	15,000	89,485
NET CHANGE IN FUND BALANCES	(278,913)	237,000	14,720	(27,193)
FUND BALANCES, JANUARY 1	1,597,270	1,062,299	427,595	3,087,164
FUND BALANCES, DECEMBER 31	\$ 1,318,357	\$ 1,299,299	\$ 442,315	\$ 3,059,971

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

CITY OF EXCELSIOR, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Total net change in fund balances	\$ (27,193)
Amounts reported for governmental activities in the statement of activities are different because	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	182,999
Depreciation expense	(157,602)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal payments	85,555
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(175)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Compensated absences	20,452
Other postemployment benefits payable	(13,526)
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(15,019)
Special assessments	12,585
	88,076
Change in net position - governmental activities	\$ 88,076

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

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CITY OF EXCELSIOR, MINNESOTA
 STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,275,211	\$ 1,275,211	\$ 1,307,887	\$ 32,676
Licenses and permits	165,800	165,800	240,225	74,425
Intergovernmental	6,845	6,845	3,095	(3,750)
Charges for services	200,171	200,171	238,189	38,018
Fines and forfeitures	52,200	52,200	67,663	15,463
Special assessments	-	-	112	112
Interest on investments	16,000	16,000	(21,851)	(37,851)
Miscellaneous	10,900	10,900	28,616	17,716
TOTAL REVENUES	1,727,127	1,727,127	1,863,936	136,809
EXPENDITURES				
Current				
General government	508,594	508,594	571,294	(62,700)
Public safety	838,626	838,626	868,393	(29,767)
Public works	210,270	210,270	205,753	4,517
Culture and recreation	171,915	171,915	177,225	(5,310)
Miscellaneous	20,135	20,135	19,794	341
Capital outlay	2,000	2,000	4,875	(2,875)
TOTAL EXPENDITURES	1,751,540	1,751,540	1,847,334	(95,794)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,413)	(24,413)	16,602	41,015
OTHER FINANCING SOURCES (USES)				
Transfers in	88,000	88,000	88,000	-
Sale of capital assets	-	-	1,485	1,485
Transfers out	(85,000)	(85,000)	(385,000)	(300,000)
TOTAL OTHER FINANCING SOURCES (USES)	3,000	3,000	(295,515)	(298,515)
NET CHANGE IN FUND BALANCES	(21,413)	(21,413)	(278,913)	(257,500)
FUND BALANCES, JANUARY 1	1,597,270	1,597,270	1,597,270	-
FUND BALANCES, DECEMBER 31	<u>\$ 1,575,857</u>	<u>\$ 1,575,857</u>	<u>\$ 1,318,357</u>	<u>\$ (257,500)</u>

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

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2013	2012	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 658,808	\$ 703,604	\$ 737,611	\$ 905,950
Receivables				
Accounts	105,626	110,258	114,676	121,121
Special assessments	10,567	11,246	-	-
Due from other governments	114,441	4,506	35,493	7,246
Prepaid items	635	530	11,547	11,534
TOTAL CURRENT ASSETS	890,077	830,144	899,327	1,045,851
NONCURRENT ASSETS				
Advance from other funds	-	-	28,794	33,807
CAPITAL ASSETS, AT COST	3,468,156	3,115,282	2,245,582	1,893,088
LESS ACCUMULATED DEPRECIATION	(1,245,747)	(1,186,873)	(558,373)	(502,937)
NET CAPITAL ASSETS	2,222,409	1,928,409	1,687,209	1,390,151
TOTAL NONCURRENT ASSETS	2,222,409	1,928,409	1,716,003	1,423,958
TOTAL ASSETS	3,112,486	2,758,553	2,615,330	2,469,809
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	194,134	9,510	9,126	22,693
Accrued salaries payable	2,936	2,208	3,097	2,429
Compensated absences	3,636	2,467	3,958	2,749
Accrued interest payable	14,525	15,862	3,878	4,182
Due to other governments	329	(76)	-	-
Unearned revenue	-	-	-	-
Bonds payable, current portion	116,659	111,622	42,756	41,045
TOTAL CURRENT LIABILITIES	332,219	141,593	62,815	73,098
NONCURRENT LIABILITIES				
Compensated absences	4,464	4,934	5,109	5,498
Bonds payable, net of current portion	935,145	1,051,804	328,945	371,701
Advance to other funds	-	-	-	-
TOTAL LIABILITIES	1,271,828	1,198,331	396,869	450,297
NET POSITION				
Net investment in capital assets	1,170,605	764,983	1,315,508	977,405
Unrestricted	670,053	795,239	902,953	1,042,107
TOTAL NET POSITION	\$ 1,840,658	\$ 1,560,222	\$ 2,218,461	\$ 2,019,512

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

Business-type Activities - Enterprise Funds

Commercial Docks		Surface Water Management		Other Proprietary Funds		Totals	
2013	2012	2013	2012	2013	2012	2013	2012
\$ 194,997	\$ 136,021	\$ 187,490	\$ 172,676	\$ 115,023	\$ 117,582	\$ 1,893,929	\$ 2,035,833
-	-	-	-	52,276	50,804	272,578	282,183
-	-	-	-	-	-	10,567	11,246
-	-	-	-	-	-	149,934	11,752
1,993	1,993	-	-	92	92	14,267	14,149
196,990	138,014	187,490	172,676	167,391	168,478	2,341,275	2,355,163
-	-	-	-	-	-	28,794	33,807
484,661	484,661	454,231	454,231	19,660	19,660	6,672,290	5,966,922
(292,169)	(266,855)	(24,371)	(10,480)	(14,269)	(13,919)	(2,134,929)	(1,981,064)
192,492	217,806	429,860	443,751	5,391	5,741	4,537,361	3,985,858
192,492	217,806	429,860	443,751	5,391	5,741	4,566,155	4,019,665
389,482	355,820	617,350	616,427	172,782	174,219	6,907,430	6,374,828
395	4,263	371	701	10,423	14,093	214,449	51,260
1,226	888	1,531	1,271	514	261	9,304	7,057
3,292	2,062	3,194	2,474	1,681	731	15,761	10,483
-	-	3,246	3,201	-	-	21,649	23,245
-	-	-	-	245	593	574	517
200	400	-	-	-	-	200	400
-	-	22,438	21,778	-	-	181,853	174,445
5,113	7,613	30,780	29,425	12,863	15,678	443,790	267,407
3,219	4,127	4,704	4,946	556	1,462	18,052	20,967
-	-	305,547	327,985	-	-	1,569,637	1,751,490
53,574	68,914	-	-	-	-	53,574	68,914
61,906	80,654	341,031	362,356	13,419	17,140	2,085,053	2,108,778
192,492	217,806	101,875	93,988	5,391	5,741	2,785,871	2,059,923
135,084	57,360	174,444	160,083	153,972	151,338	2,036,506	2,206,127
<u>\$ 327,576</u>	<u>\$ 275,166</u>	<u>\$ 276,319</u>	<u>\$ 254,071</u>	<u>\$ 159,363</u>	<u>\$ 157,079</u>	<u>\$ 4,822,377</u>	<u>\$ 4,266,050</u>

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2013	2012	2013	2012
OPERATING REVENUES				
Charges for services	\$ 492,909	\$ 506,656	524,627	\$ 527,026
OPERATING EXPENSES				
Refuse	-	-	-	-
Recycling	-	-	-	-
Administration	250,027	303,272	297,957	346,512
Maintenance	-	-	-	-
Depreciation	87,363	75,517	55,436	46,504
TOTAL OPERATING EXPENSES	337,390	378,789	353,393	393,016
OPERATING INCOME	155,519	127,867	171,234	134,010
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	(12,037)	9,460	(10,338)	13,550
Special assessments	2,292	445	-	35
Intergovernmental				
State	-	-	35,510	-
Connection fees	64,000	48,000	25,000	21,000
Interest expense and other	(36,019)	(38,817)	(9,539)	(10,219)
Gain on disposal of capital assets	3,906	-	-	-
Other income	5,689	3,398	82	1,699
TOTAL NONOPERATING REVENUES (EXPENSES)	27,831	22,486	40,715	26,065
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	183,350	150,353	211,949	160,075
CAPITAL CONTRIBUTIONS	110,086	-	-	-
TRANSFERS IN	-	-	-	-
TRANSFERS OUT	(13,000)	(180,167)	(13,000)	(54,262)
CHANGE IN NET POSITION	280,436	(29,814)	198,949	105,813
NET POSITION, JANUARY 1	1,560,222	1,590,036	2,019,512	1,913,699
NET POSITION, DECEMBER 31	\$ 1,840,658	\$ 1,560,222	\$ 2,218,461	\$ 2,019,512

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

Business-type Activities - Enterprise Funds

Commercial Docks		Surface Water Management		Other Proprietary Funds		Totals	
2013	2012	2013	2012	2013	2012	2013	2012
\$ 238,362	\$ 227,113	\$ 150,817	\$ 150,238	\$ 209,889	\$ 201,551	\$ 1,616,604	\$ 1,612,584
-	-	-	-	101,568	97,631	101,568	97,631
-	-	-	-	33,492	33,723	33,492	33,723
-	-	101,504	87,929	5,089	6,276	654,577	743,989
106,878	114,322	-	-	55,047	28,858	161,925	143,180
25,314	25,314	13,891	3,625	350	350	182,354	151,310
132,192	139,636	115,395	91,554	195,546	166,838	1,133,916	1,169,833
106,170	87,477	35,422	58,684	14,343	34,713	482,688	442,751
(3,760)	2,082	(3,363)	2,390	(2,059)	1,553	(31,557)	29,035
-	-	-	-	-	-	2,292	480
-	-	-	-	-	-	35,510	-
-	-	-	-	-	-	89,000	69,000
-	-	(7,811)	(7,496)	-	-	(53,369)	(56,532)
-	-	-	-	-	-	3,906	-
-	-	-	-	-	-	5,771	5,097
(3,760)	2,082	(11,174)	(5,106)	(2,059)	1,553	51,553	47,080
102,410	89,559	24,248	53,578	12,284	36,266	534,241	489,831
-	-	-	-	-	-	110,086	-
-	-	-	49,270	-	-	-	49,270
(50,000)	(50,000)	(2,000)	(36,445)	(10,000)	(11,400)	(88,000)	(332,274)
52,410	39,559	22,248	66,403	2,284	24,866	556,327	206,827
275,166	235,607	254,071	187,668	157,079	132,213	4,266,050	4,059,223
\$ 327,576	\$ 275,166	\$ 276,319	\$ 254,071	\$ 159,363	\$ 157,079	\$ 4,822,377	\$ 4,266,050

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 504,060	\$ 505,363	\$ 538,417	\$ 532,093
Payments to suppliers	(139,701)	(168,833)	(193,502)	(194,556)
Payments to employees	(112,457)	(120,524)	(116,547)	(128,774)
NET CASH PROVIDED BY OPERATING ACTIVITIES	251,902	216,006	228,368	208,763
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	-	-	-	-
(Increase) decrease in due from other funds	-	-	5,013	4,790
Increase (decrease) in due to other funds	-	-	-	-
Transfers to other funds	(13,000)	(180,167)	(13,000)	(54,262)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(13,000)	(180,167)	(7,987)	(49,472)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Connection fees	64,000	48,000	25,000	21,000
Acquisition of capital assets	(192,881)	(17,484)	(352,494)	(32,871)
Proceeds from the sale of assets	3,906	-	-	-
Special assessments collected	2,292	445	-	-
Interest paid on bonds	(37,356)	(40,583)	(9,843)	(10,723)
Principal paid on bonds	(111,622)	(107,474)	(41,045)	(38,204)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(271,661)	(117,096)	(378,382)	(60,798)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	(12,037)	9,460	(10,338)	13,550
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,796)	(71,797)	(168,339)	112,043
CASH AND CASH EQUIVALENTS, JANUARY 1	703,604	775,401	905,950	793,907
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 658,808	\$ 703,604	\$ 737,611	\$ 905,950

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

Business-type Activities - Enterprise Funds

Commercial Docks		Surface Water Management		Other Proprietary Funds		Totals	
2013	2012	2013	2012	2013	2012	2013	2012
\$ 238,162	\$ 226,913	\$ 150,817	\$ 150,238	\$ 208,417	\$ 204,381	\$ 1,639,873	\$ 1,618,988
(54,950)	(47,771)	(32,794)	(11,024)	(180,897)	(145,272)	(601,844)	(567,456)
(55,136)	(55,739)	(68,302)	(72,907)	(18,020)	(17,223)	(370,462)	(395,167)
<u>128,076</u>	<u>123,403</u>	<u>49,721</u>	<u>66,307</u>	<u>9,500</u>	<u>41,886</u>	<u>667,567</u>	<u>656,365</u>
-	-	-	49,270	-	-	-	49,270
-	-	-	-	-	-	5,013	4,790
(15,340)	(14,924)	-	-	-	-	(15,340)	(14,924)
(50,000)	(50,000)	(2,000)	(36,445)	(10,000)	(11,400)	(88,000)	(332,274)
<u>(65,340)</u>	<u>(64,924)</u>	<u>(2,000)</u>	<u>12,825</u>	<u>(10,000)</u>	<u>(11,400)</u>	<u>(98,327)</u>	<u>(293,138)</u>
-	-	-	-	-	-	89,000	69,000
-	-	-	(9,546)	-	-	(545,375)	(59,901)
-	-	-	-	-	-	3,906	-
-	-	-	-	-	-	2,292	445
-	-	(7,766)	(7,740)	-	-	(54,965)	(59,046)
-	-	(21,778)	(19,137)	-	-	(174,445)	(164,815)
<u>-</u>	<u>-</u>	<u>(29,544)</u>	<u>(36,423)</u>	<u>-</u>	<u>-</u>	<u>(679,587)</u>	<u>(214,317)</u>
<u>(3,760)</u>	<u>2,082</u>	<u>(3,363)</u>	<u>2,390</u>	<u>(2,059)</u>	<u>1,553</u>	<u>(31,557)</u>	<u>29,035</u>
58,976	60,561	14,814	45,099	(2,559)	32,039	(141,904)	177,945
<u>136,021</u>	<u>75,460</u>	<u>172,676</u>	<u>127,577</u>	<u>117,582</u>	<u>85,543</u>	<u>2,035,833</u>	<u>1,857,888</u>
<u>\$ 194,997</u>	<u>\$ 136,021</u>	<u>\$ 187,490</u>	<u>\$ 172,676</u>	<u>\$ 115,023</u>	<u>\$ 117,582</u>	<u>\$ 1,893,929</u>	<u>\$ 2,035,833</u>

CITY OF EXCELSIOR, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2013	2012	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 155,519	\$ 127,867	\$ 171,234	\$ 134,010
Adjustments to reconcile operating income to net cash provided by operating activities				
Other income related to operations	5,689	3,398	35,592	1,699
Depreciation	87,363	75,517	55,436	46,504
(Increase) decrease in assets				
Receivables				
Accounts	4,632	(3,418)	6,445	1,779
Special assessments	679	(573)	-	600
Due from other governments	151	(700)	(28,247)	989
Prepaid items	(105)	1,299	(13)	4,006
Increase (decrease) in liabilities				
Accounts payable	(3,858)	5,768	(13,567)	10,673
Accrued salaries payable	728	301	668	304
Compensated absences	699	7,401	820	8,247
Due to other governments	405	(854)	-	(48)
Unearned revenue	-	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 251,902	\$ 216,006	\$ 228,368	\$ 208,763
SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES				
Capital contribution	\$ 110,086	\$ -	\$ -	\$ -
Disposal of capital assets	\$ 28,489	\$ -	\$ -	\$ -
Capital assets acquired on account	\$ 188,482	\$ -	\$ -	\$ -

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

Business-type Activities - Enterprise Funds

Commercial Docks		Surface Water Management		Other Proprietary Funds		Totals	
2013	2012	2013	2012	2013	2012	2013	2012
\$ 106,170	\$ 87,477	\$ 35,422	\$ 58,684	\$ 14,343	\$ 34,713	\$ 482,688	\$ 442,751
-	-	-	-	-	-	41,281	5,097
25,314	25,314	13,891	3,625	350	350	182,354	151,310
-	-	-	-	(1,472)	2,830	9,605	1,191
-	-	-	-	-	-	679	27
-	-	-	-	-	-	(28,096)	289
-	658	-	1,031	-	355	(118)	7,349
(3,868)	3,806	(330)	(4,630)	(3,670)	1,534	(25,293)	17,151
338	159	260	177	253	(126)	2,247	815
322	6,189	478	7,420	44	2,193	2,363	31,450
-	-	-	-	(348)	37	57	(865)
(200)	(200)	-	-	-	-	(200)	(200)
<u>\$ 128,076</u>	<u>\$ 123,403</u>	<u>\$ 49,721</u>	<u>\$ 66,307</u>	<u>\$ 9,500</u>	<u>\$ 41,886</u>	<u>\$ 667,567</u>	<u>\$ 656,365</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,086</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,489</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,482</u>	<u>\$ -</u>

CITY OF EXCELSIOR, MINNESOTA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2013

	<u>Agency</u>
ASSETS	
Cash and temporary investments	<u>\$ 56,611</u>
LIABILITIES	
Accounts payable	<u>\$ 56,611</u>

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

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, *general revenues* include all taxes.

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

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

The City reports the following major governmental funds:

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

The *Capital Improvement fund* accounts for capital improvement expenditures

The City reports the following major proprietary funds:

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

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

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

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

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 on within the City.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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.

D. Assets, liabilities, deferred inflows of resources and net position/ fund balance

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments for the City are reported at fair value.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

The City Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the City during January, June/July, and November/December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2013. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental fund special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and account receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Interfund receivables and payables

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

Prepaid items

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

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

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

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated absences

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

Postemployment benefits other than pensions

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

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bond issuance costs are an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Manager.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City’s policy is to maintain a minimum unrestricted fund balance of 40 percent of budgeted operating expenditures for cash-flow timing needs.

Net position

Net position represents the difference between assets and liabilities and deferred inflows. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of “restricted” or “Net investment in capital assets”.

Comparative data/reclassifications

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

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In June of each year, all departments of the City submit requests for appropriations to the City Manager so that a budget may be prepared. Before September 15th, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

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

B. Excess of Expenditures over Appropriations

The following fund had an excess of expenditures over appropriations at December 31, 2013:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Excess of Expenditures Over Appropriations</u>
General	<u>\$ 1,751,540</u>	<u>\$ 1,847,334</u>	<u>\$ 95,794</u>

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

C. Deficit fund balances

Fund	Amount
TIF 1-2 Project	\$ (19,275)

The City plans to fund this deficit with future revenue from tax increment or transfers from other funds.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City’s deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City’s carrying amount of deposits was \$1,610,573 and the bank balance was \$1,612,386. Of the bank balance, \$436,621 was covered by federal depository insurance. The remaining balance was covered by collateral held in the City’s name.

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Carrying amount of deposits	\$ 1,610,573
Investments	3,589,976
Cash on hand	<u>200</u>
Total	<u><u>\$ 5,200,749</u></u>
Cash and temporary investments	
Statement of Net Position	\$ 5,144,138
Statement of Fiduciary Net Position	<u>56,611</u>
Total	<u><u>\$ 5,200,749</u></u>

Investments

As of December 31, 2013, 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	\$ 2,078,398
Brokered Certificates of Deposit	N/A	less than 6 months	100,393
Brokered Certificates of Deposit	N/A	1 to 3 years	534,769
Brokered Certificates of Deposit	N/A	more than 3 years	838,151
Pooled investments			
Broker Money Market	N/A	less than 6 months	<u>38,265</u>
Total investments			<u><u>\$ 3,589,976</u></u>

- (1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
 (2) Interest rate risk is disclosed using the segmented time distribution method.
 N/A Indicate not applicable or available.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 49 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk.
- *Concentration of Credit Risk.* Is the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with the City's investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities.
- *Interest Rate Risk.* Is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than ten (10) years from the date of purchase. Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding ten (10) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. Extended maturities may be utilized to take advantage of higher yields; however, no more than fifty (50) percent of the total investments should extend beyond five (5) years and in no circumstance should any extend beyond fifteen (15) years.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,111,042	\$ -	\$ -	\$ 1,111,042
Construction in progress	1,200,076	174,834	(314,267)	1,060,643
Total capital assets not being depreciated	<u>2,311,118</u>	<u>174,834</u>	<u>(314,267)</u>	<u>2,171,685</u>
Capital assets being depreciated				
Buildings	748,150	-	-	748,150
Improvements other than buildings	2,010,957	-	-	2,010,957
Machinery and equipment	823,028	8,165	(11,321)	819,872
Infrastructure	838,705	314,267	-	1,152,972
Total capital assets being depreciated	<u>4,420,840</u>	<u>322,432</u>	<u>(11,321)</u>	<u>4,731,951</u>
Less accumulated depreciation for				
Buildings	(539,580)	(14,822)	-	(554,402)
Improvements other than buildings	(137,760)	(75,624)	-	(213,384)
Machinery and equipment	(394,328)	(43,477)	11,321	(426,484)
Infrastructure	(506,329)	(23,679)	-	(530,008)
Total accumulated depreciation	<u>(1,577,997)</u>	<u>(157,602)</u>	<u>11,321</u>	<u>(1,724,278)</u>
Total capital assets being depreciated, net	<u>2,842,843</u>	<u>164,830</u>	<u>-</u>	<u>3,007,673</u>
Governmental activities capital assets, net	<u>\$ 5,153,961</u>	<u>\$ 339,664</u>	<u>\$ (314,267)</u>	<u>\$ 5,179,358</u>

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

Governmental activities	
General government	\$ 13,960
Public works	124,124
Culture and recreation	19,518
Total depreciation expense - governmental activities	<u>\$ 157,602</u>

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	<u>2,483</u>	<u>569,810</u>	<u>(39,582)</u>	<u>532,711</u>
 Total capital assets not being depreciated	 <u>52,483</u>	 <u>569,810</u>	 <u>(39,582)</u>	 <u>582,711</u>
Capital assets being depreciated				
Buildings	8,202	-	-	8,202
Machinery and equipment	883,371	-	-	883,371
Infrastructure	<u>5,022,866</u>	<u>203,629</u>	<u>(28,489)</u>	<u>5,198,006</u>
 Total capital assets being depreciated	 <u>5,914,439</u>	 <u>203,629</u>	 <u>(28,489)</u>	 <u>6,089,579</u>
Less accumulated depreciation for				
Buildings	(8,202)	-	-	(8,202)
Machinery and equipment	(311,941)	(40,644)	-	(352,585)
Infrastructure	<u>(1,660,921)</u>	<u>(141,710)</u>	<u>28,489</u>	<u>(1,774,142)</u>
 Total accumulated depreciation	 <u>(1,981,064)</u>	 <u>(182,354)</u>	 <u>28,489</u>	 <u>(2,134,929)</u>
 Total capital assets being depreciated, net	 <u>3,933,375</u>	 <u>21,275</u>	 <u>-</u>	 <u>3,954,650</u>
 Business-type activities capital assets, net	 <u>\$ 3,985,858</u>	 <u>\$ 591,085</u>	 <u>\$ (39,582)</u>	 <u>\$ 4,537,361</u>

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

Business-type activities	
Water utility	\$ 87,363
Sewer utility	55,436
Commercial docks	25,314
Surface water management	13,891
Other proprietary funds	<u>350</u>
 Total depreciation expense - business-type activities	 <u>\$ 182,354</u>

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction commitments

The City has an active construction project as of December 31, 2013. At year end, the City's commitment with the contractor is as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Park Lift Station Improvements	<u>\$ 130,252</u>	<u>\$ 5,912</u>

C. Advances to and from other funds and transfers

The composition of Advances to and from other funds as of December 31, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>	<u>Final Maturity</u>
Capital Improvement	Commercial Docks	Residential dock construction	\$ 24,780	2018
Sewer	Commercial Docks	Residential dock construction	28,794	2018
General	TIF District 1-2	Cash Flow	19,087	NA

The composition of interfund transfers as of December 31, 2013 is as follows:

<u>Fund</u>	<u>Transfer in</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	
Transfer out				
General	\$ -	\$ 370,000	\$ 15,000	\$ 385,000
Water	13,000	-	-	13,000
Sewer	13,000	-	-	13,000
Commercial Docks	50,000	-	-	50,000
Surface Water Management	2,000	-	-	2,000
Other proprietary	10,000	-	-	10,000
Total	<u>\$ 88,000</u>	<u>\$ 370,000</u>	<u>\$ 15,000</u>	<u>\$ 473,000</u>

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

- A transfer from the General fund to the Capital Improvement fund was made to help support future capital purchases.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Long-term debt

General obligation bonds

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

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

General obligation special assessment bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Taxable G.O. Improvement Bonds, Series 2010A	\$ 2,795,000	0.9 - 4.7 %	10/21/10	02/01/26	<u>\$ 2,485,000</u>

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

Year Ending December 31,	General Obligation Bonds Governmental Activities			
	Principal	Interest	Federal Credit	Total
2014	\$ 88,148	\$ 44,595	\$ (15,037)	\$ 117,706
2015	88,148	42,986	(15,045)	116,089
2016	88,148	41,069	(14,374)	114,843
2017	90,740	38,808	(13,583)	115,965
2018	93,333	36,183	(12,664)	116,852
2019-2023	500,367	128,649	(45,027)	583,989
2024-2026	339,626	24,064	(8,422)	355,268
Total	<u>\$1,288,510</u>	<u>\$ 356,354</u>	<u>\$ (124,152)</u>	<u>\$ 1,520,712</u>

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Year Ending December 31,	General Obligation Bonds			
	Business-type Activities			
	Principal	Interest	Federal Credit	Total
2014	\$ 81,853	\$ 41,410	\$ (13,963)	\$ 109,300
2015	81,852	39,916	(13,971)	107,797
2016	81,852	38,136	(13,348)	106,640
2017	84,260	36,037	(12,613)	107,684
2018	86,667	33,599	(11,760)	108,506
2019-2023	464,633	119,462	(41,812)	542,283
2024-2026	315,373	22,347	(7,821)	329,899
Total	<u>\$1,196,490</u>	<u>\$ 330,907</u>	<u>\$ (115,288)</u>	<u>\$ 1,412,109</u>

General obligation revenue bonds

The following bonds were issued to finance improvements to the water and sewer system. They will be repaid with revenue generated from the system.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer and Water Revenue Bonds, Series 2002A	\$ 580,000	4.65 - 4.80 %	02/01/02	02/01/14	\$ 60,000
G.O. Water Revenue Bonds, Series 2007A	680,000	3.85 - 4.35	08/15/07	02/01/23	495,000
Total G.O. Revenue Bonds					<u>\$ 555,000</u>

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

Year Ending December 31,	General Obligation Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
2014	\$ 100,000	\$ 21,313	\$ 121,313
2015	45,000	18,170	63,170
2016	45,000	16,349	61,349
2017	45,000	14,526	59,526
2018	50,000	12,578	62,578
2019-2023	270,000	30,188	300,188
Total	<u>\$ 555,000</u>	<u>\$ 113,124</u>	<u>\$ 668,124</u>

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
General obligation improvement bonds	\$ 1,374,065	\$ -	\$ (85,555)	\$ 1,288,510	\$ 88,148
Compensated absences payable	50,282	44,747	(43,868)	51,161	31,274
Other postemployment benefits payable	<u>53,214</u>	<u>13,526</u>	<u>-</u>	<u>66,740</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 1,477,561</u>	<u>\$ 58,273</u>	<u>\$ (129,423)</u>	<u>\$ 1,406,411</u>	<u>\$ 119,422</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 650,000	\$ -	\$ (95,000)	\$ 555,000	\$ 100,000
General obligation improvement bonds	1,275,935	-	(79,445)	1,196,490	81,853
Compensated absences payable	<u>31,450</u>	<u>27,988</u>	<u>(25,625)</u>	<u>33,813</u>	<u>15,761</u>
Business-type activity long-term liabilities	<u>\$ 1,957,385</u>	<u>\$ 27,988</u>	<u>\$ (200,070)</u>	<u>\$ 1,785,303</u>	<u>\$ 197,614</u>

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

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

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

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

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

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2013. In 2013 the City of Excelsior is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members and 7.25 percent for Coordinated Plan GERF members. The City's contributions to the GERF for the years ending December 31, 2013, 2012 and 2011 were \$45,188, \$41,018, and \$44,481, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013. As of December 31, 2013, there are two retirees receiving health benefits from the plan, who pay their full premium.

C. Annual other postemployment benefit cost

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

Annual required contribution	\$ 13,189
Interest on net OPEB obligation	2,361
Adjustment to annual required contribution	<u>(2,024)</u>
 Annual OPEB cost (expense)	 13,526
 Contributions made	 <u>-</u>
 Increase in net OPEB obligation	 13,526
 Net OPEB obligation - January 1, 2013	 <u>53,214</u>
 Net OPEB obligation - December 31, 2013	 <u><u>\$ 66,740</u></u>

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, 2013 follows:

Year Ending	Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/13	\$ 13,526	- %	\$ 66,740
12/31/12	12,994	- %	53,214
12/31/11	14,795	- %	40,220

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

D. Funded status and funding progress

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

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

E. Actuarial methods and assumptions

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

In the January 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments. The initial healthcare trend rate was 9.0 percent, reduced by decrements to an ultimate rate of 5.0 percent after 12 years. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013 was 29 years.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2012.

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
STATEMENT OF NET ASSETS
DECEMBER 31, 2012 AND 2011

	2012	2011
Assets	\$ 5,339,920	\$ 5,461,572
Liabilities	\$ 3,895,391	\$ 4,171,056
Net position	1,444,529	1,290,516
Total liabilities and net position	\$ 5,339,920	\$ 5,461,572

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
SUMMARY STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Revenues	\$ 2,691,104	\$ 2,630,997
Expenses	2,562,528	2,468,543
Net revenues	128,576	162,454
General revenues	25,437	46,460
Change in net position	154,013	208,914
Net position, January 1	1,290,516	1,081,602
Net position, December 31	\$ 1,444,529	\$ 1,290,516

According to a formula in the agreement, the City's share of the District's budget is 28.1 percent on operation and 14.92 percent on capital. Payments to the District in 2013 totaled \$589,374. 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.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013:

EXCELSIOR FIRE DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2013 AND 2012

	2013	2012
Assets	\$ 8,070,939	\$ 8,105,724
Liabilities	\$ 4,956,613	\$ 5,277,656
Net position	3,114,326	2,828,065
 Total liabilities and net position	 \$ 8,070,939	 \$ 8,105,721

EXCELSIOR FIRE DISTRICT
SUMMARY STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Charges for services	\$ 1,559,643	\$ 1,549,328
Operating grants and contributions	5,756	-
Capital grants and contributions	-	8,100
Expenses	(1,294,952)	(1,251,845)
Net revenues	270,447	305,583
General revenues	15,811	2,381
Change in net position	286,258	307,964
Net position, January 1	2,828,068	2,520,104
Net position, December 31	\$ 3,114,326	\$ 2,828,068

According to a formula in the agreement, the City's share of the District's budget is 10.64 percent. Payments to the District in 2013 totaled \$156,988. 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.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 6: JOINT POWERS AGREEMENTS - CONTINUED

C. Southshore Community Center

In March 1996, the City, along with the cities of Deephaven, Greenwood, Shorewood, and Tonka Bay, entered a joint powers agreement for the Southshore Senior/Community Center. The parties have determined that each City is more economically and efficiently served by constructing and operating the Center together rather than each city construction and operating its own community Center.

Note 7: OTHER INFORMATION

A. Risk management

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

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

B. Legal debt margin

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

C. Tax increment districts

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF EXCELSIOR, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 DECEMBER 31, 2013

Schedule of funding progress for the postemployment benefit plan

Actuarial Valuation Date	Required Supplementary Information					UAAL as a Percentage of Covered Payroll
	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	
01/01/13	\$ -	\$ 74,393	\$ 74,393	- %	\$ 646,923	11.5 %
01/01/12	-	62,012	62,012	- %	623,543	9.9
01/01/11	-	66,400	66,400	-	681,690	9.7

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	<u>Special Revenue</u>		<u>Debt Service</u>	Total
	Parking Lot Maintenance	Capital Projects	G.O. Bonds 2010A	Nonmajor Funds
ASSETS				
Cash and temporary investments	\$ 118,181	\$ 210,299	\$ 174,205	\$ 502,685
Receivables				
Accounts	-	869	-	869
Delinquent taxes	-	3,515	-	3,515
Special assessments	2,252		84,333	86,585
Due from other governments	-	1,442	-	1,442
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 120,433</u>	<u>\$ 216,125</u>	<u>\$ 258,538</u>	<u>\$ 595,096</u>
LIABILITIES				
Accounts payable	\$ 98	\$ 46,740	\$ -	\$ 46,838
Accrued salaries and benefits payable	226	-	-	226
Due to other funds	-	19,087	-	19,087
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>324</u>	<u>65,827</u>	<u>-</u>	<u>66,151</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	<u>2,252</u>	<u>-</u>	<u>84,378</u>	<u>86,630</u>
FUND BALANCES				
Restricted for				
Debt service	-	-	174,160	174,160
Tax increment financing district	-	6,430	-	6,430
Park improvements	-	163,143	-	163,143
Committed for				
Parking lot maintenance	28,332	-	-	28,332
Assigned for				
Parking lot maintenance	89,525	-	-	89,525
Unassigned	-	(19,275)	-	(19,275)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>117,857</u>	<u>150,298</u>	<u>174,160</u>	<u>442,315</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 120,433</u>	<u>\$ 216,125</u>	<u>\$ 258,538</u>	<u>\$ 595,096</u>

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Parking Lot Maintenance</u>	<u>Capital Projects</u>	<u>G.O. Bonds 2010A</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Taxes	\$ -	\$ 86,766	\$ 100,000	\$ 186,766
Intergovernmental	-	47,048	-	47,048
Charges for services	10,729	-	-	10,729
Special assessments	25,397	-	(2,681)	22,716
Interest on investments	(2,190)	(3,353)	17,541	11,998
Miscellaneous				
Donations	-	11,635	-	11,635
	<u>33,936</u>	<u>142,096</u>	<u>114,860</u>	<u>290,892</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	17,546	-	-	17,546
Housing and economic development	-	111,110	-	111,110
Capital outlay				
Culture and recreation	-	44,877	-	44,877
Debt service				
Principal	-	-	85,555	85,555
Interest and other	-	-	32,084	32,084
	<u>17,546</u>	<u>155,987</u>	<u>117,639</u>	<u>291,172</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,390	(13,891)	(2,779)	(280)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	15,000	-	15,000
	<u>16,390</u>	<u>1,109</u>	<u>(2,779)</u>	<u>14,720</u>
NET CHANGE IN FUND BALANCES				
FUND BALANCES, JANUARY 1	<u>101,467</u>	<u>149,189</u>	<u>176,939</u>	<u>427,595</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 117,857</u></u>	<u><u>\$ 150,298</u></u>	<u><u>\$ 174,160</u></u>	<u><u>\$ 442,315</u></u>

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	Park Improvement	TIF 1-1 Project	TIF 1-2 Project	Total
ASSETS				
Cash and temporary investments	\$ 164,165	\$ 46,134	\$ -	\$ 210,299
Receivables				
Accounts	869	-	-	869
Delinquent taxes	-	3,515	-	3,515
Due from other governments	1,442	-	-	1,442
 TOTAL ASSETS	 \$ 166,476	 \$ 49,649	 \$ -	 \$ 216,125
 LIABILITIES				
Accounts payable	\$ 3,333	\$ 43,219	\$ 188	\$ 46,740
Due to other funds	-	-	19,087	19,087
 TOTAL LIABILITIES	 3,333	 43,219	 19,275	 65,827
 FUND BALANCES				
Restricted				
Tax increment financing district	-	6,430	-	6,430
Park improvements	163,143	-	-	163,143
Unassigned	-	-	(19,275)	(19,275)
 TOTAL FUND BALANCES	 163,143	 6,430	 (19,275)	 150,298
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 166,476	 \$ 49,649	 \$ -	 \$ 216,125

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Park Improvement	TIF 1-1 Project	TIF 1-2 Project	Total
REVENUES				
Taxes	\$ -	\$ 86,766	\$ -	\$ 86,766
Intergovernmental	47,048	-	-	47,048
Interest on investments	(2,941)	(412)	-	(3,353)
Miscellaneous				
Other	11,635	-	-	11,635
	<u>55,742</u>	<u>86,354</u>	<u>-</u>	<u>142,096</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Housing and economic development	-	91,835	19,275	111,110
Capital outlay				
Culture and recreation	44,877	-	-	44,877
	<u>44,877</u>	<u>91,835</u>	<u>19,275</u>	<u>155,987</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,865	(5,481)	(19,275)	(13,891)
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	-	-	15,000
NET CHANGE IN FUND BALANCES	25,865	(5,481)	(19,275)	1,109
FUND BALANCES, JANUARY 1	<u>137,278</u>	<u>11,911</u>	<u>-</u>	<u>149,189</u>
FUND BALANCES, DECEMBER 31	<u>\$ 163,143</u>	<u>\$ 6,430</u>	<u>\$ (19,275)</u>	<u>\$ 150,298</u>

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds	
	Solid Waste	
	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 72,797	\$ 66,620
Receivables		
Accounts	37,969	36,388
Prepaid items	92	92
TOTAL CURRENT ASSETS	110,858	103,100
CAPITAL ASSETS, AT COST	12,665	12,665
LESS ACCUMULATED DEPRECIATION	(12,665)	(12,665)
NET CAPITAL ASSETS	-	-
TOTAL ASSETS	110,858	103,100
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	9,147	11,098
Due to other governments	245	593
Accrued salaries payable	386	165
Compensated absences	1,247	488
TOTAL CURRENT LIABILITIES	11,025	12,344
LONG-TERM LIABILITIES		
Compensated absences	249	976
TOTAL LIABILITIES	11,274	13,320
NET POSITION		
Invested in capital assets	-	-
Unrestricted	99,584	89,780
TOTAL NET POSITION	\$ 99,584	\$ 89,780

Business-type Activities - Enterprise Funds

Street Lighting		Totals	
2013	2012	2013	2012
\$ 42,226	\$ 50,962	\$ 115,023	\$ 117,582
14,307	14,416	52,276	50,804
-	-	92	92
<u>56,533</u>	<u>65,378</u>	<u>167,391</u>	<u>168,478</u>
6,995	6,995	19,660	19,660
(1,604)	(1,254)	(14,269)	(13,919)
<u>5,391</u>	<u>5,741</u>	<u>5,391</u>	<u>5,741</u>
<u>61,924</u>	<u>71,119</u>	<u>172,782</u>	<u>174,219</u>
1,276	2,995	10,423	14,093
-	-	245	593
128	96	514	261
<u>434</u>	<u>243</u>	<u>1,681</u>	<u>731</u>
1,838	3,334	12,863	15,678
<u>307</u>	<u>486</u>	<u>556</u>	<u>1,462</u>
<u>2,145</u>	<u>3,820</u>	<u>13,419</u>	<u>17,140</u>
5,391	5,741	5,391	5,741
<u>54,388</u>	<u>61,558</u>	<u>153,972</u>	<u>151,338</u>
<u>\$ 59,779</u>	<u>\$ 67,299</u>	<u>\$ 159,363</u>	<u>\$ 157,079</u>

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds	
	Solid Waste	
	2013	2012
OPERATING REVENUES		
Charges for services	\$ 154,293	\$ 146,296
OPERATING EXPENSES		
Refuse	101,568	97,631
Recycling	33,492	33,723
Administration	-	-
Maintenance	-	-
Depreciation	-	-
TOTAL OPERATING EXPENSES	135,060	131,354
OPERATING INCOME (LOSS)	19,233	14,942
NONOPERATING REVENUES		
Interest on investments	(1,429)	933
INCOME BEFORE TRANSFERS	17,804	15,875
TRANSFERS OUT	(8,000)	(9,000)
CHANGE IN NET POSITION	9,804	6,875
NET POSITION, JANUARY 1	89,780	82,905
NET POSITION, DECEMBER 31	\$ 99,584	\$ 89,780

Business-type Activities - Enterprise Funds

Street Lighting		Totals	
2013	2012	2013	2012
\$ 55,596	\$ 55,255	\$ 209,889	\$ 201,551
-	-	101,568	97,631
-	-	33,492	33,723
5,089	6,276	5,089	6,276
55,047	28,858	55,047	28,858
350	350	350	350
60,486	35,484	195,546	166,838
(4,890)	19,771	14,343	34,713
(630)	620	(2,059)	1,553
(5,520)	20,391	12,284	36,266
(2,000)	(2,400)	(10,000)	(11,400)
(7,520)	17,991	2,284	24,866
67,299	49,308	157,079	132,213
\$ 59,779	\$ 67,299	\$ 159,363	\$ 157,079

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds	
	Solid Waste	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 152,712	\$ 148,550
Payments to suppliers	(124,143)	(116,429)
Payments to employees	(12,963)	(10,954)
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,606	21,167
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(8,000)	(9,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	(1,429)	933
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,177	13,100
CASH AND CASH EQUIVALENTS, JANUARY 1	66,620	53,520
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 72,797	\$ 66,620
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 19,233	\$ 14,942
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	-	-
(Increase) decrease in assets		
Receivables		
Accounts	(1,581)	2,254
Prepaid items	-	280
Increase (decrease) in liabilities		
Accounts payable	(1,951)	2,323
Accrued salaries payable	221	(133)
Compensated Absences	32	1,464
Due to other governments	(348)	37
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 15,606	\$ 21,167

Business-type Activities - Enterprise Funds

Street Lighting		Totals	
2013	2012	2013	2012
\$ 55,705	\$ 55,831	\$ 208,417	\$ 204,381
(56,754)	(28,843)	(180,897)	(145,272)
(5,057)	(6,269)	(18,020)	(17,223)
<u>(6,106)</u>	<u>20,719</u>	<u>9,500</u>	<u>41,886</u>
<u>(2,000)</u>	<u>(2,400)</u>	<u>(10,000)</u>	<u>(11,400)</u>
<u>(630)</u>	<u>620</u>	<u>(2,059)</u>	<u>1,553</u>
(8,736)	18,939	(2,559)	32,039
<u>50,962</u>	<u>32,023</u>	<u>117,582</u>	<u>85,543</u>
<u>\$ 42,226</u>	<u>\$ 50,962</u>	<u>\$ 115,023</u>	<u>\$ 117,582</u>
\$ (4,890)	\$ 19,771	\$ 14,343	\$ 34,713
350	350	350	350
109	576	(1,472)	2,830
-	75	-	355
(1,719)	(789)	(3,670)	1,534
32	7	253	(126)
12	729	44	2,193
-	-	(348)	37
<u>\$ (6,106)</u>	<u>\$ 20,719</u>	<u>\$ 9,500</u>	<u>\$ 41,886</u>

CITY OF EXCELSIOR, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property	\$ 1,205,711	\$ 1,205,711	\$ 1,238,391	\$ 32,680	\$ 1,213,426
Franchise	69,500	69,500	69,496	(4)	69,821
Total	1,275,211	1,275,211	1,307,887	32,676	1,283,247
Licenses and permits					
Business	87,550	87,550	102,918	15,368	89,033
Nonbusiness	78,250	78,250	137,307	59,057	112,724
Total	165,800	165,800	240,225	74,425	201,757
Intergovernmental					
State					
Property tax credits	-	-	-	-	85
Other	3,095	3,095	3,095	-	3,095
County					
Other	3,750	3,750	-	(3,750)	-
Total	6,845	6,845	3,095	(3,750)	3,180
Charges for services					
General government	117,087	117,087	114,125	(2,962)	160,126
Public works	44,000	44,000	54,493	10,493	53,048
Culture and recreation	35,934	35,934	63,871	27,937	49,415
Other charges	3,150	3,150	5,700	2,550	2,821
Total	200,171	200,171	238,189	38,018	265,410
Fines and forfeitures	52,200	52,200	67,663	15,463	62,975
Special assessments	-	-	112	112	74
Interest on investments	16,000	16,000	(21,851)	(37,851)	19,445
Miscellaneous					
Other	1,200	1,200	4,737	3,537	1,712
Contributions and donations	200	200	600	400	1,130
Refunds and reimbursements	9,500	9,500	23,279	13,779	34,145
Total	10,900	10,900	28,616	17,716	36,987
TOTAL REVENUES	1,727,127	1,727,127	1,863,936	136,809	1,873,075

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, 2013
(With comparative actual amounts for the year ended December 31, 2012)

EXPENDITURES	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Current					
General government					
Legislative					
Personal services	\$ 14,209	\$ 14,209	\$ 14,209	\$ -	\$ 14,333
Other services and charges	12,025	12,025	15,889	(3,864)	8,632
Total	26,234	26,234	30,098	(3,864)	22,965
City manager / clerk					
Personal services	119,124	119,124	151,857	(32,733)	112,119
Other services and charges	6,725	6,725	4,819	1,906	3,337
Total	125,849	125,849	156,676	(30,827)	115,456
Elections and voter registration					
Personal services	-	-	-	-	3,180
Supplies	50	50	-	50	892
Other services and charges	705	705	173	532	2,507
Total	755	755	173	582	6,579
Finance					
Personal services	50,878	50,878	52,518	(1,640)	43,924
Other services and charges	2,350	2,350	3,213	(863)	23,535
Total	53,228	53,228	55,731	(2,503)	67,459
Planning and zoning					
Personal services	52,651	52,651	53,257	(606)	42,988
Other services and charges	12,300	12,300	37,770	(25,470)	43,759
Total	64,951	64,951	91,027	(26,076)	86,747
Administration					
Supplies	5,550	5,550	4,433	1,117	6,862
Other services and charges	230,677	230,677	232,215	(1,538)	218,601
Total	236,227	236,227	236,648	(421)	225,463
Heritage preservation					
Other services and charges	1,350	1,350	941	409	613
Total general government	508,594	508,594	571,294	(62,700)	525,282

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, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Public safety					
Police protection					
Supplies	\$ 500	\$ 500	\$ -	\$ 500	\$ -
Other services and charges	669,637	669,637	667,210	2,427	651,741
Total	670,137	670,137	667,210	2,927	651,741
Fire protection					
Other services and charges	158,989	158,989	158,988	1	157,931
Protective inspection					
Other services and charges	9,500	9,500	42,195	(32,695)	14,005
Total public safety	838,626	838,626	868,393	(29,767)	823,677
Public works					
Engineering					
Other services and charges	9,000	9,000	10,450	(1,450)	17,593
Streets					
Personal services	120,295	120,295	117,851	2,444	113,675
Supplies	39,300	39,300	37,352	1,948	36,202
Other services and charges	41,675	41,675	40,100	1,575	38,766
Total	201,270	201,270	195,303	5,967	188,643
Total public works	210,270	210,270	205,753	4,517	206,236
Culture and recreation					
Parks					
Personal services	90,440	90,440	91,309	(869)	79,417
Supplies	25,600	25,600	24,058	1,542	22,006
Other services and charges	55,875	55,875	61,858	(5,983)	61,259
Total culture and recreation	171,915	171,915	177,225	(5,310)	162,682
Miscellaneous					
Cemetery					
Personal services	16,735	16,735	17,847	(1,112)	15,082
Supplies	1,900	1,900	1,153	747	1,782
Other services and charges	1,500	1,500	794	706	1,373
Total cemetery	20,135	20,135	19,794	341	18,237
Total current expenditures	1,749,540	1,749,540	1,842,459	(92,919)	1,736,114

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, 2013
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Capital outlay					
General government	\$ 2,000	\$ 2,000	\$ 1,675	\$ 325	\$ 7,702
Culture and recreation	-	-	3,200	(3,200)	-
Total capital outlay	<u>2,000</u>	<u>2,000</u>	<u>4,875</u>	<u>(2,875)</u>	<u>7,702</u>
TOTAL EXPENDITURES	<u>1,751,540</u>	<u>1,751,540</u>	<u>1,847,334</u>	<u>(95,794)</u>	<u>1,743,816</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(24,413)</u>	<u>(24,413)</u>	<u>16,602</u>	<u>41,015</u>	<u>129,259</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	88,000	88,000	88,000	-	91,800
Sale of capital assets	-	-	1,485	1,485	-
Transfers out	<u>(85,000)</u>	<u>(85,000)</u>	<u>(385,000)</u>	<u>(300,000)</u>	<u>(186,100)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,000</u>	<u>3,000</u>	<u>(295,515)</u>	<u>(298,515)</u>	<u>(94,300)</u>
NET CHANGE IN FUND BALANCES	(21,413)	(21,413)	(278,913)	(257,500)	34,959
FUND BALANCES, JANUARY 1	<u>1,597,270</u>	<u>1,597,270</u>	<u>1,597,270</u>	<u>-</u>	<u>1,562,311</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,575,857</u>	<u>\$ 1,575,857</u>	<u>\$ 1,318,357</u>	<u>\$ (257,500)</u>	<u>\$ 1,597,270</u>

CITY OF EXCELSIOR, MINNESOTA
 AGENCY FUNDS
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Balance January 1	Additions	Deductions	Balance December 31
ESCROW				
ASSETS				
Cash and temporary investments	\$ 10,819	\$ 194,286	\$ 148,494	\$ 56,611
LIABILITY				
Accounts payable	\$ 10,819	\$ 240,078	\$ 194,286	\$ 56,611

CITY OF EXCELSIOR, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Total		Percent Increase (Decrease)
	2013	2012	
REVENUES			
Taxes	\$ 1,494,653	\$ 1,483,729	0.74 %
Special assessments	24,354	29,936	(18.65)
Licenses and permits	240,225	201,757	19.07
Intergovernmental	77,958	188,518	(58.65)
Charges for services	248,918	275,697	(9.71)
Fines and forfeitures	67,663	62,975	7.44
Interest on investments	(27,326)	59,559	(145.88)
Miscellaneous	79,586	79,121	0.59
	<u> </u>	<u> </u>	
TOTAL REVENUES	<u>\$ 2,206,031</u>	<u>\$ 2,381,292</u>	(7.36) %
Per Capita	\$ 987	\$ 1,081	(8.69) %
EXPENDITURES			
Current			
General government	\$ 571,294	\$ 525,282	8.76 %
Public safety	868,393	823,677	5.43
Public works	223,299	226,987	(1.62)
Culture and recreation	177,225	162,682	8.94
Housing and economic development	111,110	93,663	18.63
Miscellaneous	19,794	18,237	8.54
Capital outlay			
General government	55,054	29,705	85.34
Public works	130,824	417,386	(68.66)
Culture and recreation	48,077	168,881	(71.53)
Debt service			
Principal payments	85,555	75,185	13.79
Bond issuance costs	32,084	31,852	0.73
	<u> </u>	<u> </u>	
TOTAL EXPENDITURES	<u>\$ 2,322,709</u>	<u>\$ 2,573,537</u>	(9.75) %
Per Capita	\$ 1,039	\$ 1,168	(11.04) %
Total Long-term Indebtedness	\$ 1,288,510	\$ 1,374,065	(6.23) %
Per Capita	577	624	(7.57)
General Fund Balance - December 31	\$ 1,318,357	\$ 1,597,270	(17.46) %
Per Capita	590	725	(18.64)

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

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OTHER FINANCIAL INFORMATION (UNAUDITED)

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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

Fiscal Year	Total Levy	Collection of Current Year's Levy	Percentage of Levy Collected	Collection of Prior Year's Levy	Total Collections	Percentage of Total Collections to Levy
2004	\$ 926,000	\$ 920,952	99.45 %	\$ 4,076	\$ 925,028	99.90 %
2005	999,000	990,586	99.16	8,414	999,000	100.00
2006	1,078,920	1,056,965	97.97	21,890	1,078,855	99.99
2007	1,089,709	1,066,116	97.83	17,301	1,083,417	99.42
2008	1,144,194	1,114,519	97.41	18,479	1,132,998	99.02
2009	1,201,408	1,171,076	97.48	16,063	1,187,139	98.81
2010	1,291,509	1,264,296	97.89	16,350	1,280,646	99.16
2011	1,317,399	1,290,735	97.98	15,986	1,306,721	99.19
2012	1,317,399	1,295,322	98.32	17,982	1,313,304	99.69
2013	1,317,339	1,309,701	99.42	-	1,309,701	99.42

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
2004	\$ 36,902	\$ 36,658	99.34 %	\$ 244	\$ 36,902	100.00 %
2005	11,239	11,239	100.00	-	11,239	100.00 %
2006	2,250	2,250	100.00	-	2,250	100.00
2007	57,364	56,701	98.84	663	57,364	100.00
2008	17,797	16,609	93.32	1,188	17,797	100.00
2009	22,928	22,260	97.09	668	22,928	100.00
2010	16,864	15,049	89.24	1,815	16,864	100.00
2011	22,368	21,980	98.27	331	22,311	99.75
2012	23,805	22,259	93.51	-	22,259	93.51
2013	24,282	24,043	99.02	-	24,043	99.02

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
TAX CAPACITY				
Personal property	\$ 21,433	\$ 34,310	\$ 35,374	\$ 39,839
Real estate	<u>2,757,138</u>	<u>3,094,187</u>	<u>3,473,241</u>	<u>4,135,837</u>
 TOTAL	 2,778,571	 3,128,497	 3,508,615	 4,175,676
 Contribution to fiscal disparities pool	 (214,216)	 (292,738)	 (324,506)	 (367,808)
Increment	-	(2,212)	(22,175)	(72,885)
Distribution from fiscal disparities pool	<u>182,710</u>	<u>172,152</u>	<u>172,842</u>	<u>182,801</u>
 TOTAL TAX CAPACITY	 <u>\$ 2,747,065</u>	 <u>\$ 3,005,699</u>	 <u>\$ 3,334,776</u>	 <u>\$ 3,917,784</u>
 TAX LEVIES				
Revenue	<u>\$ 999,000</u>	<u>\$ 1,078,920</u>	<u>\$ 1,089,709</u>	<u>\$ 1,144,194</u>
 TAX CAPACITY RATES				
Revenue	<u>36.366 %</u>	<u>35.896 %</u>	<u>32.677 %</u>	<u>29.205 %</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 38,967	\$ 38,760	\$ 38,524	\$ 40,320	\$ 43,948	\$ 45,194
<u>4,612,292</u>	<u>4,799,686</u>	<u>4,675,727</u>	<u>4,185,056</u>	<u>4,067,384</u>	<u>3,949,333</u>
4,651,259	4,838,446	4,714,251	4,225,376	4,111,332	3,994,527
(519,848)	(570,522)	(608,282)	(574,768)	(489,211)	(491,004)
(95,078)	(95,078)	(93,430)	(90,628)	(89,863)	(77,600)
<u>209,578</u>	<u>224,664</u>	<u>223,253</u>	<u>219,176</u>	<u>184,321</u>	<u>153,910</u>
<u>\$ 4,245,911</u>	<u>\$ 4,397,510</u>	<u>\$ 4,235,792</u>	<u>\$ 3,779,156</u>	<u>\$ 3,716,579</u>	<u>\$ 3,579,833</u>
<u>\$ 1,201,408</u>	<u>\$ 1,291,509</u>	<u>\$ 1,317,399</u>	<u>\$ 1,317,399</u>	<u>\$ 1,317,399</u>	<u>\$ 1,317,339</u>
<u>28.296 %</u>	<u>29.369 %</u>	<u>31.102 %</u>	<u>34.860 %</u>	<u>35.447 %</u>	<u>36.799 %</u>

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OTHER REQUIRED REPORTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Excelsior, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 3, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the information and use those charged with governance and management of the City and 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
Minneapolis, Minnesota
April 3, 2014