

# Annual Financial Report

## City of Excelsior

Excelsior, Minnesota

For the Year Ended

December 31, 2014

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CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2014

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**INTRODUCTORY SECTION**

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
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CITY OF EXCELSIOR, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**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 Director
Shirley Johnson	City Clerk

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**FINANCIAL SECTION**

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

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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, 2014, 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 presentation of the financial statements.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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 15 and the Schedule of Funding Progress on page 72 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*

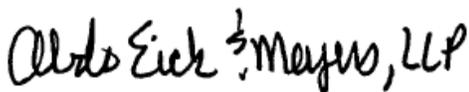
Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basic financial statement. The introductory section, combining and individual fund financial statements and schedules, and other financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal award 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.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 30, 2015

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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, 2014.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$12,523,359 (net position). Of this amount, \$5,056,390 (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 \$701,164. 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, franchise taxes, tax increments, and unrestricted grants and contributions.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,131,416, an increase of \$71,445 in comparison with the prior year. Approximately 85 percent of this total amount, \$2,649,684, 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 \$975,666, or 54.0 percent of total General fund 2014 expenditures.
- The City's total debt increased \$290,307 or 9.1 percent during the current fiscal year. The increase was due to the issuance of a PFA loan in 2014 for \$587,944.

## 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**

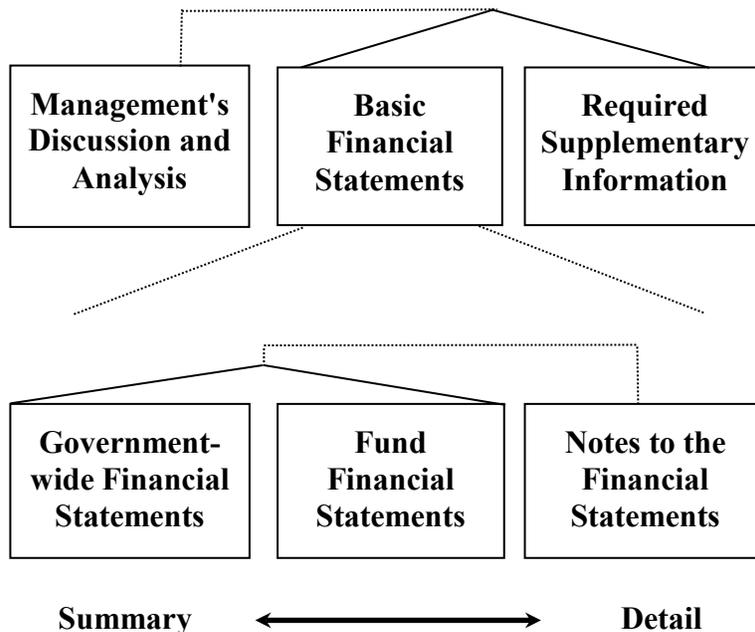


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statements of Cash Flows</li> </ul>
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 29 of this report.

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

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

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

The City maintains 7 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General 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 34 of this report.

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

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

The basic proprietary fund financial statements start on page 40 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 48 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 49 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 74 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$12,523,359 at the close of the most recent fiscal year.

A portion of the City's net position (57.2 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Excelsior's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 3,550,146	\$ 3,504,614	\$ 45,532	\$ 2,676,716	\$ 2,316,495	\$ 360,221
Capital assets	5,248,561	5,179,358	69,203	5,274,087	4,537,361	736,726
<b>Total assets</b>	<b>8,798,707</b>	<b>8,683,972</b>	<b>114,735</b>	<b>7,950,803</b>	<b>6,853,856</b>	<b>1,096,947</b>
<b>Liabilities</b>						
Noncurrent liabilities						
outstanding	1,300,863	1,406,411	(105,548)	2,181,158	1,785,303	395,855
Other liabilities	292,767	277,743	15,024	451,363	246,176	205,187
<b>Total liabilities</b>	<b>1,593,630</b>	<b>1,684,154</b>	<b>(90,524)</b>	<b>2,632,521</b>	<b>2,031,479</b>	<b>601,042</b>
<b>Net position</b>						
Net investment in capital assets	4,048,198	3,890,848	157,350	3,116,506	2,785,871	330,635
Restricted	302,265	415,360	(113,095)	-	-	-
Unrestricted	2,854,614	2,693,610	161,004	2,201,776	2,036,506	165,270
<b>Total net position</b>	<b>\$ 7,205,077</b>	<b>\$ 6,999,818</b>	<b>\$ 205,259</b>	<b>\$ 5,318,282</b>	<b>\$ 4,822,377</b>	<b>\$ 495,905</b>

Additionally, \$302,265 is restricted for debt service, tax increment district expenditure and park improvement expenditures. The remaining balance of *unrestricted net position* (\$5,056,390) 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 \$701,164 during the current fiscal year. Both the governmental activities and the business type activities increased the net position, by \$205,259 and \$495,905, respectively.

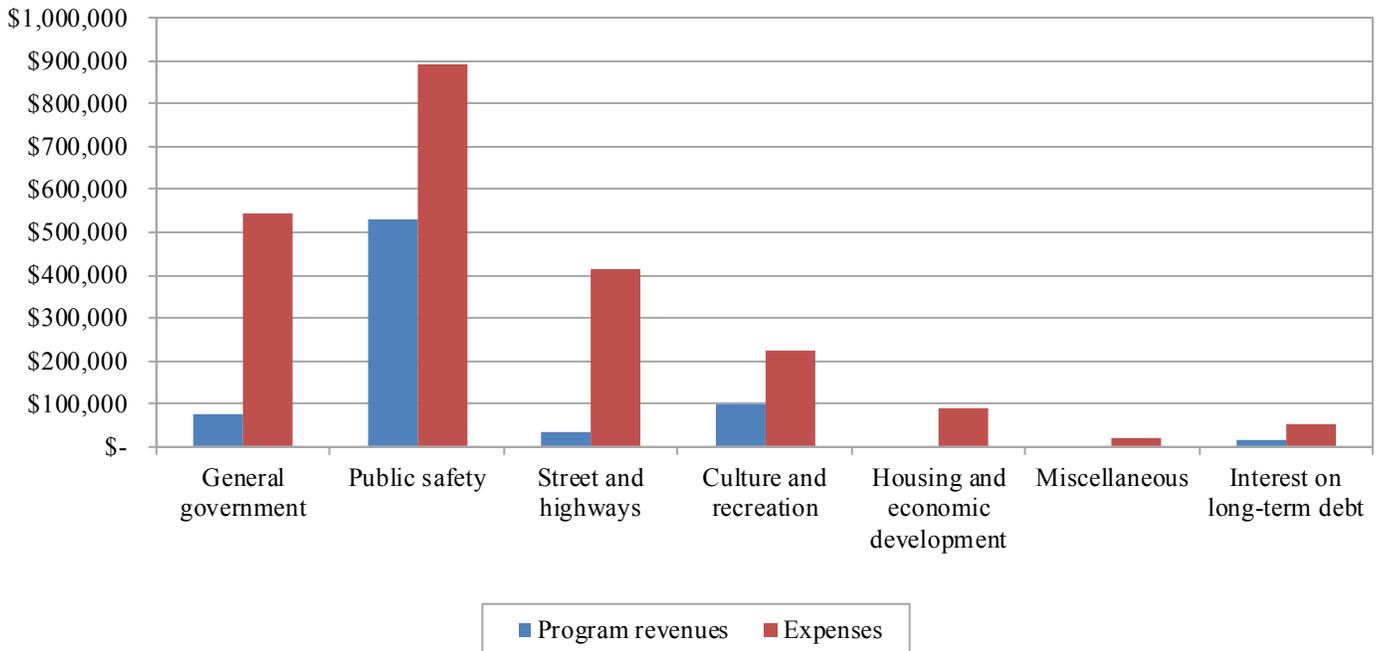
**Governmental activities.** Governmental activities increased the City’s net position by \$205,259, thereby accounting for 29.3 percent of the total growth in the net position of the City. Key elements of this increase are as follows:

### City of Excelsior’s Changes in Net Position

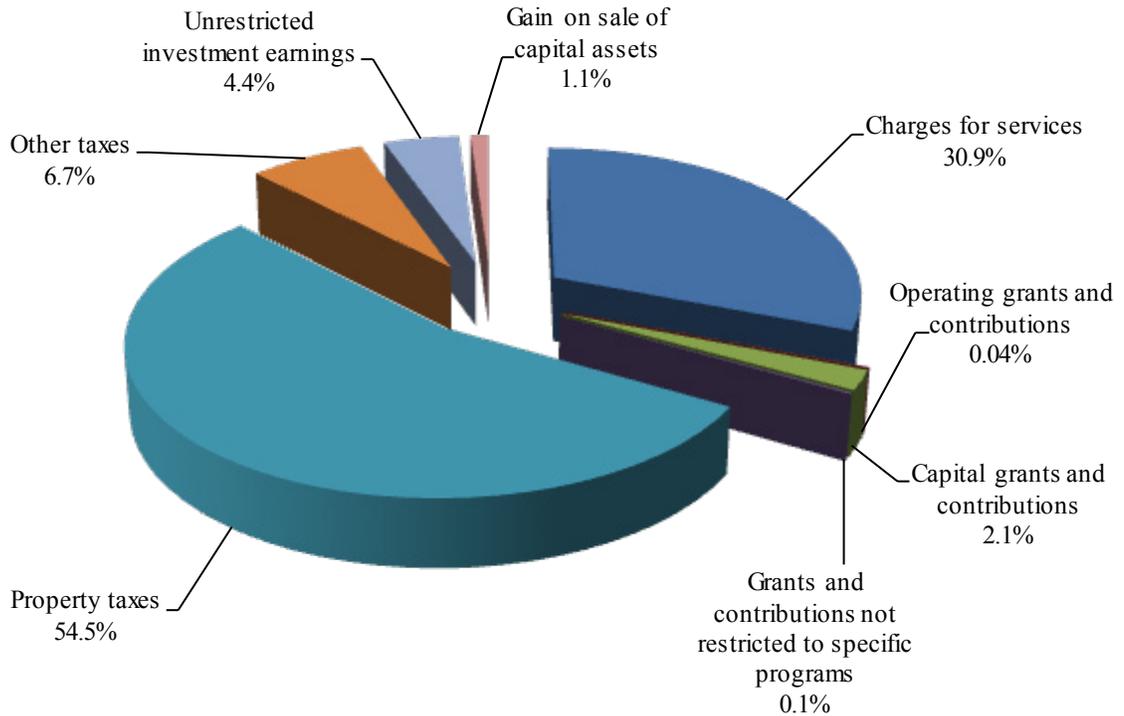
	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 695,240	\$ 636,392	\$ 58,848	\$ 1,675,564	\$ 1,624,667	\$ 50,897
Operating grants and contributions	1,000	20,110	(19,110)	-	-	-
Capital grants and contributions	48,368	111,914	(63,546)	90,450	234,596	(144,146)
General revenues						
Property taxes	1,326,617	1,323,372	3,245	-	-	-
Other taxes	154,308	156,262	(1,954)	-	-	-
Grants and contributions not restricted to specific programs	3,095	3,095	-	-	-	-
Unrestricted investment earnings	99,152	(47,548)	146,700	68,167	(31,557)	99,724
Miscellaneous	23,843	1,485	22,358	-	3,906	(3,906)
<b>Total revenues</b>	<b>2,351,623</b>	<b>2,205,082</b>	<b>146,541</b>	<b>1,834,181</b>	<b>1,831,612</b>	<b>2,569</b>
Expenses						
General government	544,084	629,762	(85,678)	-	-	-
Public safety	890,842	868,393	22,449	-	-	-
Streets and highways	412,904	346,933	65,971	-	-	-
Culture and recreation	223,130	196,755	26,375	-	-	-
Housing and economic development	88,601	111,110	(22,509)	-	-	-
Miscellaneous	20,631	19,794	837	-	-	-
Interest on long-term debt	51,372	32,259	19,113	-	-	-
Water utility	-	-	-	443,322	373,409	69,913
Sewer utility	-	-	-	387,536	362,932	24,604
Solid waste	-	-	-	132,254	135,060	(2,806)
Surface water	-	-	-	112,191	123,206	(11,015)
Street lighting	-	-	-	51,400	60,486	(9,086)
Commercial docks	-	-	-	126,373	132,192	(5,819)
<b>Total expenses</b>	<b>2,231,564</b>	<b>2,205,006</b>	<b>26,558</b>	<b>1,253,076</b>	<b>1,187,285</b>	<b>65,791</b>
Increase in net position before transfers	120,059	76	119,983	581,105	644,327	(63,222)
Transfers	85,200	88,000	(2,800)	(85,200)	(88,000)	2,800
<b>Change in net position</b>	<b>205,259</b>	<b>88,076</b>	<b>117,183</b>	<b>495,905</b>	<b>556,327</b>	<b>(60,422)</b>
Net position, January 1	6,999,818	6,911,742	88,076	4,822,377	4,266,050	556,327
<b>Net position, December 31</b>	<b>\$ 7,205,077</b>	<b>\$ 6,999,818</b>	<b>\$ 205,259</b>	<b>\$ 5,318,282</b>	<b>\$ 4,822,377</b>	<b>\$ 495,905</b>

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

### Expenses and Program Revenues - Governmental Activities



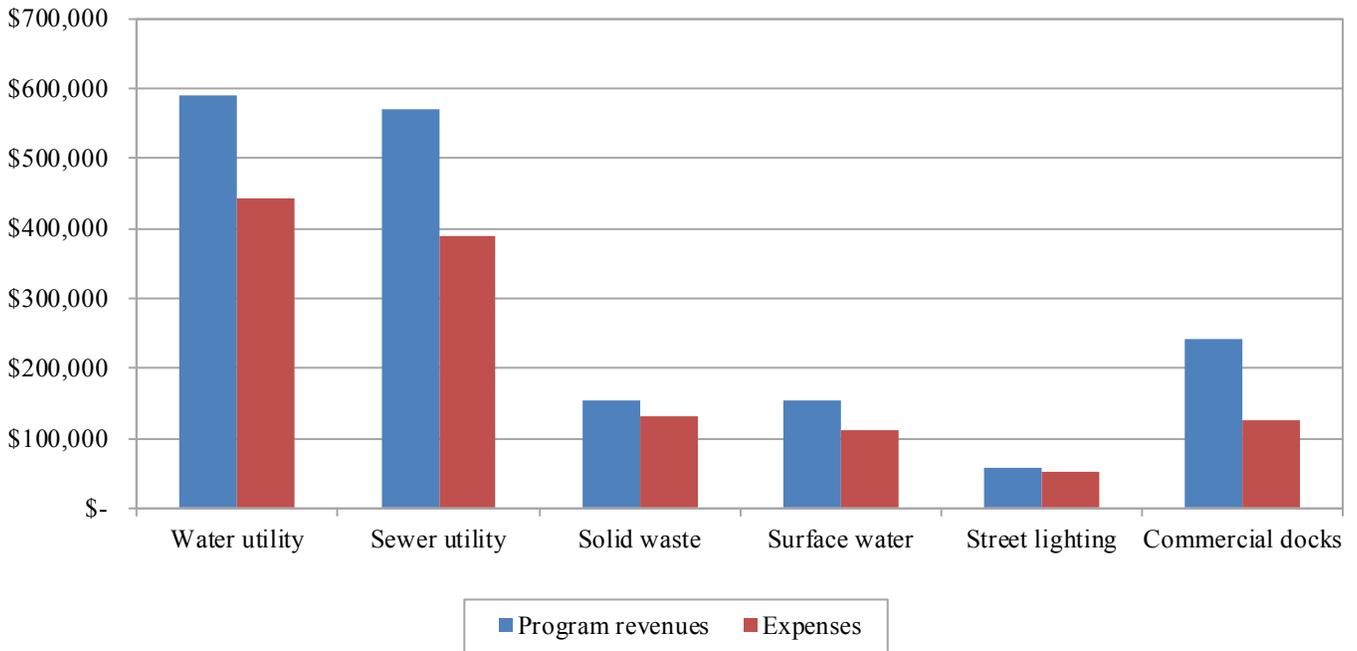
### Revenues by Source - Governmental Activities



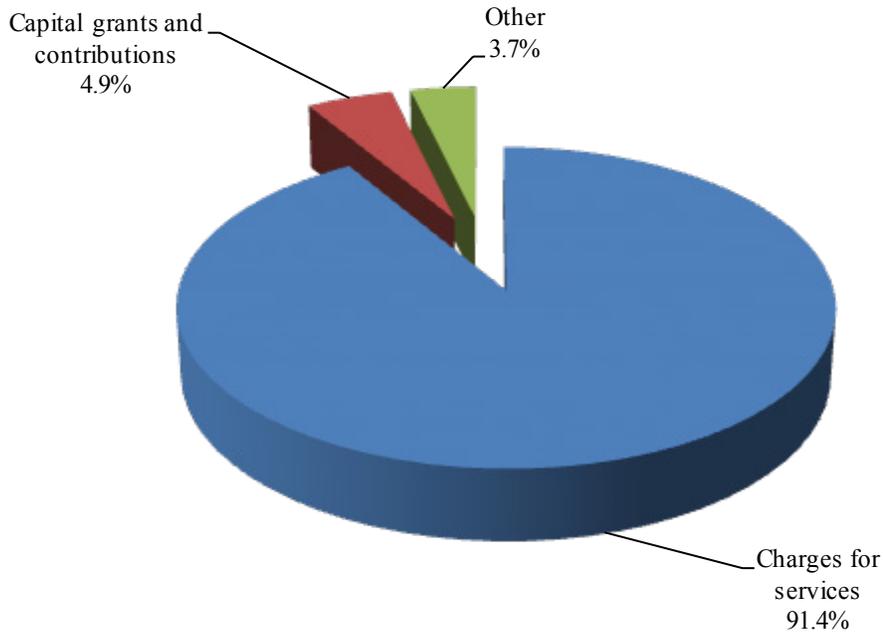
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

**Business-type activities.** Business-type activities increased the City’s net position by \$495,905, accounting for 70.7 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 December 31		Increase (Decrease)
	2013	2014	
<b>General</b>	\$ 1,318,357	\$ 1,186,877	\$ (131,480)
The fund balance decrease is mainly due to a transfer out to the Capital Improvement fund. This transfer was made to reduce the unassigned fund balance within the General fund per the cities fund balance policy.			
<b>Capital Improvement</b>	\$ 1,299,299	\$ 1,593,559	\$ 294,260
The fund balance increased due to a transfer in from the General fund.			

**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 \$2,201,776. The total growth in net position for the funds was \$495,905. 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 projected no change in fund balance, but actual amounts for 2014 resulted in a decrease in fund balance in the amount of \$131,480. This was mainly due to a transfer out to the Capital Improvement fund.

Overall, revenues were over the budgeted amount by \$239,360. This was due in large part to licenses/permits being over budget by \$148,801. Other items with the largest positive variances were charges for services and interest on investments which were over budget by \$72,613 and \$28,439, respectively.

Expenditures were \$21,040 over budget. The public safety and public works departments were the largest contributors of the excess expenditures which were over budget by \$17,816 and \$18,248, respectively. The main part of the negative variances was due to other services and charges in the protective inspection and streets departments.

## 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, 2014, amounts to \$10,522,648 (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 \$805,929, or 7.7 percent during the year.

Major capital asset activity during the current year included:

- The Parkland Improvement project was completed
- The Water Treatment Plant upgrades were completed
- The Park Lift Station Improvement project was completed
- The MCES Forcemain Improvement project was completed
- The Sewer Lining project was started during the year

Additional information on the City's capital assets can be found in Note 3B starting on page 59 of this report.

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

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Land	\$ 1,111,042	\$ 1,111,042	\$ -	\$ 50,000	\$ 50,000	\$ -
Construction in progress	246,457	1,060,643	(814,186)	936,541	532,711	403,830
Buildings	178,926	193,748	(14,822)	-	-	-
Improvement other than building	2,730,159	1,797,573	932,586	-	-	-
Machinery and equipment	388,584	393,388	(4,804)	530,488	530,786	(298)
Infrastructure	593,393	622,964	(29,571)	3,757,058	3,423,864	333,194
Total	<u>\$ 5,248,561</u>	<u>\$ 5,179,358</u>	<u>\$ 69,203</u>	<u>\$ 5,274,087</u>	<u>\$ 4,537,361</u>	<u>\$ 736,726</u>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,357,944. 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		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
G.O. revenue bonds	\$ -	\$ -	\$ -	\$ 1,042,944	\$ 555,000	\$ 487,944
G.O. improvement bonds	1,200,363	1,288,510	(88,147)	1,114,637	1,196,490	(81,853)
Other postemployment benefits	80,104	66,740	13,364	-	-	-
Compensated absences	20,396	51,161	(30,765)	23,577	33,813	(10,236)
Total	<u>\$ 1,300,863</u>	<u>\$ 1,406,411</u>	<u>\$ (105,548)</u>	<u>\$ 2,181,158</u>	<u>\$ 1,785,303</u>	<u>\$ 395,855</u>

The City's total debt increased \$290,307 (9.1 percent) during the current fiscal year. This increase was due to the issuance of a PFA loan for \$587,944.

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 62 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- Preliminary property valuations increased quite significantly again in 2015 for taxes payable 2016. Property values overall are increasing about 10 percent within the City, with the largest increases happening for townhouse, condominium and commercial properties. Excelsior property values are increasing at a higher rate compared to other metro communities.
- The 2015 budget includes a 2 percent levy increase. This increase will help accommodate future major capital projects and the debt related to those projects. The next large project the City is proposing is the Phase III Street Project, which is slated to begin in 2016.
- Surface water quality and street lighting fees increased two percent for 2015. No other utility rates increased for 2015. The City is carefully planning modest increases each year to ease the impact to residents while maintaining sufficient revenues for future operations and capital expenditures.
- The City is already experiencing a large number of building projects in 2015, including the addition of a grocery store, multi-tenant building and a number of major home renovations, including some tear-downs and rebuilds. Increased redevelopment has been the trend for the past number of years, but the City is cautious that this trend is not sustainable in the long-term, and is not relying on revenues from these projects to continue into future years.

## **Requests for Information**

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

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

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CITY OF EXCELSIOR, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash temporary investments	\$ 3,292,262	\$ 2,240,372	\$ 5,532,634
Receivables			
Interest	12,347	-	12,347
Accounts	65,940	317,158	383,098
Delinquent taxes	22,336	-	22,336
Special assessments	102,589	11,311	113,900
Due from other governments	8,999	113,998	122,997
Internal balances	20,252	(20,252)	-
Prepaid items	25,421	14,129	39,550
Land and construction in progress	1,357,499	986,541	2,344,040
Depreciable infrastructure, buildings, property and equipment, net	3,891,062	4,287,546	8,178,608
TOTAL ASSETS	8,798,707	7,950,803	16,749,510
<b>LIABILITIES</b>			
Accounts payable	127,327	416,841	544,168
Accrued salaries payable	11,376	9,342	20,718
Accrued interest payable	18,278	25,176	43,454
Due to other governments	5,516	(196)	5,320
Unearned revenue	130,270	200	130,470
Noncurrent liabilities			
Due within one year			
Compensated absences payable	6,798	7,859	14,657
Bonds payable	88,148	155,166	243,314
Due in more than one year			
Compensated absences payable	13,598	15,718	29,316
Bonds payable	1,112,215	2,002,415	3,114,630
Other postemployment benefits payable	80,104	-	80,104
TOTAL LIABILITIES	1,593,630	2,632,521	4,226,151
<b>NET POSITION</b>			
Net investment in capital assets	4,048,198	3,116,506	7,164,704
Restricted for			
Deb service	228,241	-	228,241
Tax increment financing district	7,967	-	7,967
Park improvements	66,057	-	66,057
Unrestricted	2,854,614	2,201,776	5,056,390
TOTAL NET POSITION	\$ 7,205,077	\$ 5,318,282	\$ 12,523,359

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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
General government	\$ 544,084	\$ 72,050	\$ 1,000	\$ -
Public safety	890,842	529,438	-	-
Public works	412,904	1,040	-	30,097
Culture and recreation	223,130	92,712	-	3,787
Housing and economic development	88,601	-	-	-
Miscellaneous	20,631	-	-	-
Interest on long-term debt	51,372	-	-	14,484
<b>Total governmental activities</b>	<b>2,231,564</b>	<b>695,240</b>	<b>1,000</b>	<b>48,368</b>
<b>Business-type activities</b>				
Water utility	443,322	526,597	-	61,794
Sewer utility	387,536	544,087	-	24,969
Solid waste	132,254	154,825	-	-
Surface water	112,191	150,737	-	3,687
Street lighting	51,400	56,391	-	-
Commercial docks	126,373	242,927	-	-
<b>Total business-type activities</b>	<b>1,253,076</b>	<b>1,675,564</b>	<b>-</b>	<b>90,450</b>
<b>Total</b>	<b>\$ 3,484,640</b>	<b>\$ 2,370,804</b>	<b>\$ 1,000</b>	<b>\$ 138,818</b>

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

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
\$ (471,034)	\$ -	\$ (471,034)
(361,404)	-	(361,404)
(381,767)	-	(381,767)
(126,631)	-	(126,631)
(88,601)	-	(88,601)
(20,631)	-	(20,631)
(36,888)	-	(36,888)
(1,486,956)	-	(1,486,956)
-	145,069	145,069
-	181,520	181,520
-	22,571	22,571
-	42,233	42,233
-	4,991	4,991
-	116,554	116,554
-	512,938	512,938
(1,486,956)	512,938	(974,018)
1,226,617	-	1,226,617
100,000	-	100,000
84,776	-	84,776
69,532	-	69,532
3,095	-	3,095
99,152	68,167	167,319
23,843	-	23,843
85,200	(85,200)	-
1,692,215	(17,033)	1,675,182
205,259	495,905	701,164
6,999,818	4,822,377	11,822,195
\$ 7,205,077	\$ 5,318,282	\$ 12,523,359

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**FUND FINANCIAL STATEMENTS**

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

CITY OF EXCELSIOR, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

	General	Capital Projects Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and temporary investments	\$ 1,300,335	\$ 1,564,300	\$ 427,627	\$ 3,292,262
Receivables				
Interest	12,347	-	-	12,347
Accounts	17,185	48,738	17	65,940
Delinquent taxes	22,336	-	-	22,336
Special assessments	-	25,459	77,130	102,589
Due from other funds	23,504	-	-	23,504
Due from other governments	8,999	-	-	8,999
Advance from other funds	-	20,252	-	20,252
Prepaid items	25,421	-	-	25,421
<b>TOTAL ASSETS</b>	<b>\$ 1,410,127</b>	<b>\$ 1,658,749</b>	<b>\$ 504,774</b>	<b>\$ 3,573,650</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 63,339	\$ 11,103	\$ 52,885	\$ 127,327
Accrued salaries payable	11,101	-	275	11,376
Due to other funds	-	-	23,504	23,504
Due to other governments	5,516	-	-	5,516
Unearned revenue	130,270	-	-	130,270
<b>TOTAL LIABILITIES</b>	<b>210,226</b>	<b>11,103</b>	<b>76,664</b>	<b>297,993</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - accounts receivable	-	28,628	-	28,628
Unavailable revenue - special assessments	-	25,459	77,130	102,589
Unavailable revenue - property taxes	13,024	-	-	13,024
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>13,024</b>	<b>54,087</b>	<b>77,130</b>	<b>144,241</b>
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid items	25,421	-	-	25,421
Restricted for				
Debt service	-	-	170,429	170,429
Tax increment financing district	-	-	7,967	7,967
Park improvements	-	-	66,057	66,057
Committed for				
Self insurance	101,780	-	-	101,780
Compensated absences	43,973	-	-	43,973
Cemetery	40,037	-	-	40,037
Parking lot maintenance	-	-	26,068	26,068
Assigned for				
Capital Improvements	-	1,571,569	-	1,571,569
Parking improvements	-	21,990	-	21,990
Parking lot maintenance	-	-	104,469	104,469
Unassigned	975,666	-	(24,010)	951,656
<b>TOTAL FUND BALANCES</b>	<b>1,186,877</b>	<b>1,593,559</b>	<b>350,980</b>	<b>3,131,416</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 1,410,127</b>	<b>\$ 1,658,749</b>	<b>\$ 504,774</b>	<b>\$ 3,573,650</b>

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, 2014

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

Total fund balances - governmental	\$ 3,131,416
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	7,101,624
Less: accumulated depreciation	(1,853,063)
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	(20,396)
Bond principal payable	(1,200,363)
Other postemployment benefits payable	(80,104)
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	13,024
Special assessments receivable	102,589
Accounts receivable	28,628
Governmental funds do not report a liability for accrued interest until due and payable.	(18,278)
Total net position - governmental activities	\$ 7,205,077

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, 2014

	General	Capital Projects Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,296,248	\$ -	\$ 184,776	\$ 1,481,024
Licenses and permits	315,701	-	-	315,701
Intergovernmental	4,095	-	18,271	22,366
Charges for services	210,625	41,380	14,554	266,559
Fines and forfeitures	73,175	-	-	73,175
Special assessments	28	6,238	29,949	36,215
Interest on investments	46,439	39,867	20,708	107,014
Miscellaneous	21,333	12,890	5,582	39,805
<b>TOTAL REVENUES</b>	<b>1,967,644</b>	<b>100,375</b>	<b>273,840</b>	<b>2,341,859</b>
<b>EXPENDITURES</b>				
Current				
General government	492,053	-	-	492,053
Public safety	890,842	-	-	890,842
Public works	228,961	-	20,404	249,365
Culture and recreation	172,526	-	-	172,526
Miscellaneous	20,631	-	-	20,631
Capital outlay				
General government	195	51,295	-	51,490
Public works	-	124,057	8,707	132,764
Culture and recreation	-	12,979	123,470	136,449
Housing and economic development	-	-	88,601	88,601
Debt service				
Principal	-	-	88,148	88,148
Interest and other	-	-	45,845	45,845
<b>TOTAL EXPENDITURES</b>	<b>1,805,208</b>	<b>188,331</b>	<b>375,175</b>	<b>2,368,714</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>162,436</b>	<b>(87,956)</b>	<b>(101,335)</b>	<b>(26,855)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	85,200	404,116	10,000	499,316
Sale of capital assets	-	13,100	-	13,100
Transfers out	(379,116)	(35,000)	-	(414,116)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(293,916)</b>	<b>382,216</b>	<b>10,000</b>	<b>98,300</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(131,480)</b>	<b>294,260</b>	<b>(91,335)</b>	<b>71,445</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>1,318,357</b>	<b>1,299,299</b>	<b>442,315</b>	<b>3,059,971</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 1,186,877</b>	<b>\$ 1,593,559</b>	<b>\$ 350,980</b>	<b>\$ 3,131,416</b>

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, 2014

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

Net change in fund balances - governmental funds	\$ 71,445
<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	222,869
Depreciation expense	(164,409)
<p>Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.</p>	
Disposals	37,981
Depreciation on disposals	(27,238)
<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	88,148
<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>	
	(5,527)
<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	9,433
Other postemployment benefits	(13,364)
<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	(99)
Special assessments	(13,980)
	(13,980)
Change in net position - governmental activities	\$ 205,259

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, 2014

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,324,877	\$ 1,324,877	\$ 1,296,248	\$ (28,629)
Licenses and permits	166,900	166,900	315,701	148,801
Intergovernmental	3,095	3,095	4,095	1,000
Charges for services	138,012	138,012	210,625	72,613
Fines and forfeitures	60,200	60,200	73,175	12,975
Special assessments	-	-	28	28
Interest on investments	18,000	18,000	46,439	28,439
Miscellaneous	17,200	17,200	21,333	4,133
<b>TOTAL REVENUES</b>	<b>1,728,284</b>	<b>1,728,284</b>	<b>1,967,644</b>	<b>239,360</b>
EXPENDITURES				
Current				
General government	505,863	505,863	492,053	13,810
Public safety	873,026	873,026	890,842	(17,816)
Public works	210,713	210,713	228,961	(18,248)
Culture and recreation	173,882	173,882	172,526	1,356
Miscellaneous	18,684	18,684	20,631	(1,947)
Capital outlay	2,000	2,000	195	1,805
<b>TOTAL EXPENDITURES</b>	<b>1,784,168</b>	<b>1,784,168</b>	<b>1,805,208</b>	<b>(21,040)</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(55,884)	(55,884)	162,436	218,320
OTHER FINANCING SOURCES (USES)				
Transfers in	85,000	85,000	85,200	200
Transfers out	(29,116)	(29,116)	(379,116)	(350,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>55,884</b>	<b>55,884</b>	<b>(293,916)</b>	<b>(349,800)</b>
NET CHANGE IN FUND BALANCES	-	-	(131,480)	(131,480)
FUND BALANCES, JANUARY 1	1,318,357	1,318,357	1,318,357	-
FUND BALANCES, DECEMBER 31	<u>\$ 1,318,357</u>	<u>\$ 1,318,357</u>	<u>\$ 1,186,877</u>	<u>\$ (131,480)</u>

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

CITY OF EXCELSIOR, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and temporary investments	\$ 675,278	\$ 936,522	\$ 284,613
Receivables			
Accounts	126,361	131,933	-
Special assessments	10,327	984	-
Due from other governments	113,998	-	-
Prepaid items	400	13,489	144
<b>TOTAL CURRENT ASSETS</b>	<b>926,364</b>	<b>1,082,928</b>	<b>284,757</b>
<b>NONCURRENT ASSETS</b>			
Advance from other funds	-	23,548	-
<b>CAPITAL ASSETS, AT COST</b>	<b>4,162,678</b>	<b>2,461,761</b>	<b>484,661</b>
<b>LESS ACCUMULATED DEPRECIATION</b>	<b>(1,335,192)</b>	<b>(618,971)</b>	<b>(317,429)</b>
<b>NET CAPITAL ASSETS</b>	<b>2,827,486</b>	<b>1,842,790</b>	<b>167,232</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,827,486</b>	<b>1,866,338</b>	<b>167,232</b>
<b>TOTAL ASSETS</b>	<b>3,753,850</b>	<b>2,949,266</b>	<b>451,989</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	215,589	186,491	447
Accrued salaries payable	2,869	2,981	1,305
Compensated absences payable	2,381	2,729	834
Accrued interest payable	15,514	5,009	-
Due to other governments	(210)	-	-
Unearned revenue	-	-	200
Bonds payable, current portion	108,572	24,156	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>344,715</b>	<b>221,366</b>	<b>2,786</b>
<b>NONCURRENT LIABILITIES</b>			
Compensated absences payable	4,763	5,458	1,669
Bonds payable, net of current portion	1,414,517	304,789	-
Advance to other funds	-	-	43,800
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,419,280</b>	<b>310,247</b>	<b>45,469</b>
<b>TOTAL LIABILITIES</b>	<b>1,763,995</b>	<b>531,613</b>	<b>48,255</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,304,397	1,513,845	167,232
Unrestricted	685,458	903,808	236,502
<b>TOTAL NET POSITION</b>	<b>\$ 1,989,855</b>	<b>\$ 2,417,653</b>	<b>\$ 403,734</b>

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

Business-type Activities - Enterprise Funds

<u>Surface Water Management</u>	<u>Other Proprietary Funds</u>	<u>Totals</u>
\$ 211,585	\$ 132,374	\$ 2,240,372
-	58,864	317,158
-	-	11,311
-	-	113,998
-	96	14,129
<u>211,585</u>	<u>191,334</u>	<u>2,696,968</u>
-	-	23,548
470,603	19,660	7,599,363
(39,065)	(14,619)	(2,325,276)
<u>431,538</u>	<u>5,041</u>	<u>5,274,087</u>
<u>431,538</u>	<u>5,041</u>	<u>5,297,635</u>
<u>643,123</u>	<u>196,375</u>	<u>7,994,603</u>
2,143	12,139	416,809
1,682	505	9,342
1,670	245	7,859
4,653	-	25,176
-	46	(164)
-	-	200
22,438	-	155,166
<u>32,586</u>	<u>12,935</u>	<u>614,388</u>
3,340	488	15,718
283,109	-	2,002,415
-	-	43,800
<u>286,449</u>	<u>488</u>	<u>2,061,933</u>
<u>319,035</u>	<u>13,423</u>	<u>2,676,321</u>
125,991	5,041	3,116,506
198,097	177,911	2,201,776
<u>\$ 324,088</u>	<u>\$ 182,952</u>	<u>\$ 5,318,282</u>

CITY OF EXCELSIOR, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
OPERATING REVENUES			
Charges for services	\$ 515,389	544,087	\$ 242,927
OPERATING EXPENSES			
Refuse	-	-	-
Recycling	-	-	-
Administration	303,495	313,033	-
Maintenance	10,095	-	101,113
Depreciation	89,445	60,598	25,260
TOTAL OPERATING EXPENSES	403,035	373,631	126,373
OPERATING INCOME	112,354	170,456	116,554
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	16,145	30,655	9,604
Interest expense and other	(40,287)	(13,905)	-
Other income	11,191	17	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(12,951)	16,767	9,604
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	99,403	187,223	126,158
TRANSFERS OUT	(12,000)	(13,000)	(50,000)
CAPITAL CONTRIBUTIONS	61,794	24,969	-
CHANGE IN NET POSITION	149,197	199,192	76,158
NET POSITION, JANUARY 1	1,840,658	2,218,461	327,576
NET POSITION, DECEMBER 31	\$ 1,989,855	\$ 2,417,653	\$ 403,734

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

Business-type Activities - Enterprise Funds

<u>Surface Water Management</u>	<u>Other Proprietary Funds</u>	<u>Totals</u>
\$ 150,737	\$ 211,216	\$ 1,664,356
-	97,275	97,275
-	34,979	34,979
84,739	4,803	706,070
-	46,247	157,455
<u>14,694</u>	<u>350</u>	<u>190,347</u>
<u>99,433</u>	<u>183,654</u>	<u>1,186,126</u>
<u>51,304</u>	<u>27,562</u>	<u>478,230</u>
7,136	4,627	68,167
(12,758)	-	(66,950)
<u>-</u>	<u>-</u>	<u>11,208</u>
<u>(5,622)</u>	<u>4,627</u>	<u>12,425</u>
45,682	32,189	490,655
(1,600)	(8,600)	(85,200)
<u>3,687</u>	<u>-</u>	<u>90,450</u>
47,769	23,589	495,905
<u>276,319</u>	<u>159,363</u>	<u>4,822,377</u>
<u>\$ 324,088</u>	<u>\$ 182,952</u>	<u>\$ 5,318,282</u>

CITY OF EXCELSIOR, MINNESOTA  
STATEMENT OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 506,528	\$ 561,356	\$ 242,927
Payments to suppliers	(29,402)	(196,798)	(48,207)
Payments to employees	(121,725)	(125,872)	(54,934)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>355,401</u>	<u>238,686</u>	<u>139,786</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Decrease in due from other funds	-	5,246	-
Decrease in due to other funds	-	-	(9,774)
Transfers to other funds	(12,000)	(13,000)	(50,000)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(12,000)</u>	<u>(7,754)</u>	<u>(59,774)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Connection fees	56,000	21,000	-
Intergovernmental	5,794	3,969	-
Acquisition of capital assets	(836,857)	(32,115)	-
Bond proceeds	587,944	-	-
Interest paid on bonds	(39,298)	(12,774)	-
Principal paid on bonds	(116,659)	(42,756)	-
<b>NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES</b>	<u>(343,076)</u>	<u>(62,676)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	16,145	30,655	9,604
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	16,470	198,911	89,616
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>658,808</u>	<u>737,611</u>	<u>194,997</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u><u>\$ 675,278</u></u>	<u><u>\$ 936,522</u></u>	<u><u>\$ 284,613</u></u>

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

Business-type Activities - Enterprise Funds

<u>Surface Water Management</u>	<u>Other Proprietary Funds</u>	<u>Totals</u>
\$ 150,737	\$ 204,628	\$ 1,666,176
(15,764)	(163,520)	(453,691)
<u>(69,940)</u>	<u>(19,784)</u>	<u>(392,255)</u>
65,033	21,324	820,230
-	-	5,246
-	-	(9,774)
<u>(1,600)</u>	<u>(8,600)</u>	<u>(85,200)</u>
<u>(1,600)</u>	<u>(8,600)</u>	<u>(89,728)</u>
-	-	77,000
3,687	-	13,450
(16,372)	-	(885,344)
-	-	587,944
(11,351)	-	(63,423)
<u>(22,438)</u>	<u>-</u>	<u>(181,853)</u>
<u>(46,474)</u>	<u>-</u>	<u>(452,226)</u>
<u>7,136</u>	<u>4,627</u>	<u>68,167</u>
24,095	17,351	346,443
<u>187,490</u>	<u>115,023</u>	<u>1,893,929</u>
<u>\$ 211,585</u>	<u>\$ 132,374</u>	<u>\$ 2,240,372</u>

CITY OF EXCELSIOR, MINNESOTA  
STATEMENT OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
Operating income	\$ 112,354	\$ 170,456	\$ 116,554
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Other income related to operations	11,191	17	-
Depreciation	89,445	60,598	25,260
(Increase) decrease in assets			
Receivables			
Accounts	(20,735)	(17,257)	-
Special assessments	240	(984)	-
Due from other governments	443	35,493	-
Prepaid items	235	(1,942)	1,849
Increase (decrease) in liabilities			
Accounts payable	163,790	(6,699)	52
Accrued salaries payable	(67)	(116)	79
Compensated absences payable	(956)	(880)	(4,008)
Due to other governments	(539)	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 355,401</b>	<b>\$ 238,686</b>	<b>\$ 139,786</b>
<b>SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES</b>			
Capital assets acquired on account	\$ 46,147	\$ 184,064	\$ -

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

Business-type Activities - Enterprise Funds

<u>Surface Water Management</u>	<u>Other Proprietary Funds</u>	<u>Totals</u>
\$ 51,304	\$ 27,562	\$ 478,230
-	-	11,208
14,694	350	190,347
-	(6,588)	(44,580)
-	-	(744)
-	-	35,936
-	(4)	138
1,772	1,716	160,631
151	(9)	38
(2,888)	(1,504)	(10,236)
-	(199)	(738)
<u>\$ 65,033</u>	<u>\$ 21,324</u>	<u>\$ 820,230</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,211</u>

CITY OF EXCELSIOR, MINNESOTA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2014

	<u>Agency</u>
ASSETS	
Cash and temporary investments	<u>\$ 186,428</u>
LIABILITIES	
Accounts payable	<u>\$ 186,428</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, 2014

**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 financial statements. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities. 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, 2014

**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, 2014

**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. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

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

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. 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, 2014

**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 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 2014. 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.

***Interfund receivables and payables***

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

***Prepaid items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF EXCELSIOR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

**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

***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.

CITY OF EXCELSIOR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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, 2014.

***Long-term obligations***

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

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

***Deferred inflows of resources***

In addition to liabilities, the statement of 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.

***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, 2014

**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".

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

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

In June of each year, all departments of the City submit requests for appropriations to the City Manager so that a budget may be prepared. Before September 30<sup>th</sup>, 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, 2014:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Excess of Expenditures Over Appropriations</u>
General	<u>\$ 1,784,168</u>	<u>\$ 1,805,208</u>	<u>\$ 21,040</u>

The excess expenditures are funded by excess revenues over budget.

CITY OF EXCELSIOR, MINNESOTA  
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**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED**

**C. Deficit fund balances**

The following fund had a fund balance deficit at December 31, 2014:

<u>Fund</u>	<u>Amount</u>
TIF 1-2 Project	<u>\$ 24,010</u>

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 \$1,468,600 and the bank balance was \$1,501,632. Of the bank balance, \$539,771 was covered by federal depository insurance. The remaining balance was covered by collateral held in the City's name.

CITY OF EXCELSIOR, MINNESOTA  
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**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:

***Investments***

As of December 31, 2014, 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:

<u>Types of Investments</u>	<u>Credit Quality/ Rating (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Fair Value and Carrying Amount</u>
Non pooled investments			
U.S. Government Securities	AAA	more than 3 years	\$ 1,234,875
Brokered Certificates of Deposit	N/A	less than 6 months	490,147
Brokered Certificates of Deposit	N/A	1 to 3 years	638,018
Brokered Certificates of Deposit	N/A	more than 3 years	1,212,338
Pooled investments			
Broker Money Market	N/A	less than 6 months	<u>674,884</u>
Total investments			<u><u>\$ 4,250,262</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.

Carrying amount of deposits	\$ 1,468,600
Investments	4,250,262
Cash on hand	<u>200</u>
Total	<u><u>\$ 5,719,062</u></u>
Cash and temporary investments	
Statement of Net Position	\$ 5,532,634
Statement of Fiduciary Net Position	<u>186,428</u>
Total	<u><u>\$ 5,719,062</u></u>

CITY OF EXCELSIOR, MINNESOTA  
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**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 51 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  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**B. Capital assets**

Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,111,042	\$ -	\$ -	\$ 1,111,042
Construction in progress	<u>1,060,643</u>	<u>103,149</u>	<u>(917,335)</u>	<u>246,457</u>
 Total capital assets not being depreciated	 <u>2,171,685</u>	 <u>103,149</u>	 <u>(917,335)</u>	 <u>1,357,499</u>
Capital assets being depreciated				
Buildings	748,150	-	-	748,150
Improvements other than buildings	2,010,957	1,007,246	-	3,018,203
Machinery and equipment	819,872	42,909	(37,981)	824,800
Infrastructure	<u>1,152,972</u>	<u>-</u>	<u>-</u>	<u>1,152,972</u>
 Total capital assets being depreciated	 <u>4,731,951</u>	 <u>1,050,155</u>	 <u>(37,981)</u>	 <u>5,744,125</u>
Less accumulated depreciation for				
Buildings	(554,402)	(14,822)	-	(569,224)
Improvements other than buildings	(213,384)	(74,660)	-	(288,044)
Machinery and equipment	(426,484)	(45,356)	35,624	(436,216)
Infrastructure	<u>(530,008)</u>	<u>(29,571)</u>	<u>-</u>	<u>(559,579)</u>
 Total accumulated depreciation	 <u>(1,724,278)</u>	 <u>(164,409)</u>	 <u>35,624</u>	 <u>(1,853,063)</u>
 Total capital assets being depreciated, net	 <u>3,007,673</u>	 <u>885,746</u>	 <u>(2,357)</u>	 <u>3,891,062</u>
 Governmental activities capital assets, net	 <u>\$ 5,179,358</u>	 <u>\$ 988,895</u>	 <u>\$ (919,692)</u>	 <u>\$ 5,248,561</u>

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

<b>Governmental activities</b>	
General government	\$ 13,493
Public works	130,813
Culture and recreation	<u>20,103</u>
 Total depreciation expense - governmental activities	 <u>\$ 164,409</u>

CITY OF EXCELSIOR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	532,711	820,844	(417,014)	936,541
 Total capital assets not being depreciated	 582,711	 820,844	 (417,014)	 986,541
 Capital assets being depreciated				
Buildings	8,202	-	-	8,202
Machinery and equipment	883,371	41,406	-	924,777
Infrastructure	5,198,006	481,837	-	5,679,843
 Total capital assets being depreciated	 6,089,579	 523,243	 -	 6,612,822
 Less accumulated depreciation for				
Buildings	(8,202)	-	-	(8,202)
Machinery and equipment	(352,585)	(41,704)	-	(394,289)
Infrastructure	(1,774,142)	(148,643)	-	(1,922,785)
 Total accumulated depreciation	 (2,134,929)	 (190,347)	 -	 (2,325,276)
 Total capital assets being depreciated, net	 3,954,650	 332,896	 -	 4,287,546
 Business-type activities capital assets, net	 \$ 4,537,361	 \$ 1,153,740	 \$ (417,014)	 \$ 5,274,087

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

<b>Business-type activities</b>	
Water utility	\$ 89,445
Sewer utility	60,598
Commercial docks	25,260
Surface water management	14,694
Other proprietary funds	350
 Total depreciation expense - business-type activities	 \$ 190,347

CITY OF EXCELSIOR, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Construction commitments***

The City has an active construction project as of December 31, 2014. 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>
Water Treatment Plant Improvements	<u>\$ 489,169</u>	<u>\$ 53,848</u>

**C. Advances to and from other funds and transfers**

The composition of Advances to and from other funds as of December 31, 2014 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	\$ 20,252	2018
Sewer	Commercial Docks	Residential dock construction	23,548	2018
General	TIF District 1-2	Cash Flow	23,504	NA

The composition of interfund transfers as of December 31, 2014 is as follows:

<u>Fund</u>	<u>Transfer in</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	
Transfer out				
General	\$ -	\$ 379,116	\$ -	\$ 379,116
Capital Improvement	-	25,000	10,000	35,000
Water	12,000	-	-	12,000
Sewer	13,000	-	-	13,000
Commercial Docks	50,000	-	-	50,000
Surface Water Management	1,600	-	-	1,600
Other proprietary	8,600	-	-	8,600
Total	<u>\$ 85,200</u>	<u>\$ 404,116</u>	<u>\$ 10,000</u>	<u>\$ 499,316</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 \$350,000 transfer from the General fund to the Capital Improvement fund. This transfer was made to reduce the general fund's unassigned fund balance to 50 percent.

CITY OF EXCELSIOR, MINNESOTA  
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**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>\$ 2,315,000</u>

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

Year Ending December 31,	<b>General Obligation Bonds</b> Governmental Activities		
	Principal	Interest	Total
2015	\$ 88,148	\$ 42,986	\$ 131,134
2016	88,148	41,069	129,217
2017	90,740	38,808	129,548
2018	93,333	36,183	129,516
2019	95,925	33,153	129,078
2020-2024	513,330	108,656	621,986
2025-2026	230,739	10,906	241,645
Total	<u>\$ 1,200,363</u>	<u>\$ 311,761</u>	<u>\$ 1,512,124</u>

CITY OF EXCELSIOR, MINNESOTA  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Year Ending December 31,	<b>General Obligation Bonds</b>		
	Governmental Activities		
	Principal	Interest	Total
2015	\$ 81,852	\$ 39,916	\$ 121,768
2016	81,852	38,136	119,988
2017	84,260	36,037	120,297
2018	86,667	33,599	120,266
2019	89,075	30,785	119,860
2020-2024	476,670	100,896	577,566
2025-2026	214,261	10,127	224,388
Total	<u>\$ 1,114,637</u>	<u>\$ 289,496</u>	<u>\$ 1,404,133</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	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Bonds, Series 2007A	\$ 680,000	3.85 - 4.35 %	08/15/07	02/01/23	\$ 455,000
MPFA - 2014A Water Revenue Bonds	920,313	1.00	06/02/14	08/20/28	<u>587,944</u>
Total G.O. Revenue Bonds					<u>\$ 1,042,944</u>

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

Year Ending December 31,	<b>General Obligation Revenue Bonds</b>		
	Business-type Activities		
	Principal	Interest	Total
2015	\$ 73,314	\$ 20,054	\$ 93,368
2016	88,000	21,945	109,945
2017	88,000	19,693	107,693
2018	94,000	17,314	111,314
2019	94,000	14,799	108,799
2020-2024	448,000	34,437	482,437
2025-2028	157,630	3,475	161,105
Total	<u>\$ 1,042,944</u>	<u>\$ 131,717</u>	<u>\$ 1,174,661</u>

CITY OF EXCELSIOR, MINNESOTA  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Bonds payable					
General obligation improvement bonds	\$ 1,288,510	\$ -	\$ (88,147)	\$ 1,200,363	\$ 88,148
Compensated absences payable	51,161	38,006	(68,771)	20,396	6,798
Other postemployment benefits payable	<u>66,740</u>	<u>14,250</u>	<u>(886)</u>	<u>80,104</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 1,406,411</u>	<u>\$ 52,256</u>	<u>\$ (157,804)</u>	<u>\$ 1,300,863</u>	<u>\$ 94,946</u>
<b>Business-type activities</b>					
Bonds payable					
General obligation revenue bonds	\$ 555,000	\$ 587,944	\$ (100,000)	\$ 1,042,944	\$ 73,314
General obligation improvement bonds	1,196,490	-	(81,853)	1,114,637	81,852
Compensated absences payable	<u>33,813</u>	<u>25,119</u>	<u>(35,355)</u>	<u>23,577</u>	<u>7,859</u>
Business-type activity long-term liabilities	<u>\$ 1,785,303</u>	<u>\$ 613,063</u>	<u>\$ (217,208)</u>	<u>\$ 2,181,158</u>	<u>\$ 163,025</u>

CITY OF EXCELSIOR, MINNESOTA  
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**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 five 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.

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](http://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 2014. In 2014 the City of Excelsior was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$44,492, \$45,188, and \$41,018, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers).

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**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, 2014. As of December 31, 2014, there are three 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	\$ 13,136
Interest on net OPEB obligation	3,003
Adjustment to annual required contribution	(1,889)
 Annual OPEB cost (expense)	 14,250
 Contributions made	 (886)
 Increase in net OPEB obligation	 13,364
 Net OPEB obligation - January 1, 2014	 66,740
 Net OPEB obligation - December 31, 2014	 \$ 80,104

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, 2014 follows:

Year Ending	Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/14	\$ 14,250	- %	\$ 80,104
12/31/13	13,526	-	66,740
12/31/12	12,994	-	53,214

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**Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED**

**D. Funded status and funding progress**

As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$70,719, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$743,097, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10 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, 2014 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, 2014 was 30 years.

CITY OF EXCELSIOR, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**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, 2013.

SOUTH LAKE MINNETONKA POLICE DEPARTMENT  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2013 AND 2012

	2013	2012
Assets	\$ 5,214,361	\$ 5,296,193
Liabilities	\$ 3,639,122	\$ 3,895,391
Net position	1,575,239	1,400,802
Total liabilities and net position	\$ 5,214,361	\$ 5,296,193

SOUTH LAKE MINNETONKA POLICE DEPARTMENT  
SUMMARY STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Revenues	\$ 2,792,683	\$ 2,691,104
Expenses	2,630,842	2,558,191
Net revenues	161,841	132,913
General revenues	12,596	25,437
Change in net position	174,437	158,350
Net position, January 1	1,400,802	1,242,452
Net position, December 31	\$ 1,575,239	\$ 1,400,802

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 2014 totaled \$688,770. 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, 2014

**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, 2014:

EXCELSIOR FIRE DISTRICT  
 STATEMENT OF NET ASSETS  
 DECEMBER 31, 2014 AND 2013

	2014	2013
Assets	\$ 7,868,422	\$ 8,070,939
Liabilities	\$ 4,454,504	\$ 4,956,613
Net position	3,413,918	3,114,326
 Total liabilities and net position	 \$ 7,868,422	 \$ 8,070,939

EXCELSIOR FIRE DISTRICT  
 SUMMARY STATEMENT OF ACTIVITIES  
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Charges for services	\$ 1,582,905	\$ 1,559,643
Operating grants and contributions	2,553	5,756
Capital grants and contributions	-	-
Expenses	(1,289,669)	(1,294,952)
Net revenues	295,789	270,447
General revenues	3,803	15,811
Change in net position	299,592	286,258
Net position, January 1	3,114,326	2,828,068
Net position, December 31	\$ 3,413,918	\$ 3,114,326

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 2014 totaled \$167,009. 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, 2014

**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, 2014

CITY OF EXCELSIOR, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2014

**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	
01/01/14	\$ -	\$ 70,719	\$ 70,719	- %	\$ 743,097	9.5 %
01/01/13	-	74,393	74,393	-	646,923	11.5
01/01/12	-	62,012	62,012	-	623,543	9.9

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

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

CITY OF EXCELSIOR, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2014

	<u>Special Revenue</u> Parking Lot Maintenance	Capital Projects	<u>Debt Service</u> G.O. Bonds 2010A	Total Nonmajor Funds
<b>ASSETS</b>				
Cash and temporary investments	\$ 130,845	\$ 125,553	\$ 171,229	\$ 427,627
Receivables				
Accounts	-	17	-	17
Special assessments	1,040	-	76,090	77,130
	<u>1,040</u>	<u>-</u>	<u>76,090</u>	<u>77,130</u>
<b>TOTAL ASSETS</b>	<u>\$ 131,885</u>	<u>\$ 125,570</u>	<u>\$ 247,319</u>	<u>\$ 504,774</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 33	\$ 52,052	\$ 800	\$ 52,885
Accrued salaries and benefits payable	275	-	-	275
Due to other funds	-	23,504	-	23,504
	<u>-</u>	<u>23,504</u>	<u>-</u>	<u>23,504</u>
<b>TOTAL LIABILITIES</b>	<u>308</u>	<u>75,556</u>	<u>800</u>	<u>76,664</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - special assessments	1,040	-	76,090	77,130
	<u>1,040</u>	<u>-</u>	<u>76,090</u>	<u>77,130</u>
<b>FUND BALANCES</b>				
Restricted for				
Debt service	-	-	170,429	170,429
Tax increment financing district	-	7,967	-	7,967
Park improvements	-	66,057	-	66,057
Committed for				
Parking lot maintenance	26,068	-	-	26,068
Assigned for				
Parking lot maintenance	104,469	-	-	104,469
Unassigned	-	(24,010)	-	(24,010)
	<u>-</u>	<u>(24,010)</u>	<u>-</u>	<u>(24,010)</u>
<b>TOTAL FUND BALANCES</b>	<u>130,537</u>	<u>50,014</u>	<u>170,429</u>	<u>350,980</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
	<u>\$ 131,885</u>	<u>\$ 125,570</u>	<u>\$ 247,319</u>	<u>\$ 504,774</u>

CITY OF EXCELSIOR, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Special Revenue</u>		<u>Debt Service</u>	Total
	<u>Parking Lot</u>	Capital	<u>G.O. Bonds</u>	Nonmajor
	<u>Maintenance</u>	Projects	2010A	Funds
REVENUES				
Taxes	\$ -	\$ 84,776	\$ 100,000	\$ 184,776
Intergovernmental	-	3,787	14,484	18,271
Charges for services	11,554	3,000	-	14,554
Special assessments	25,991	-	3,958	29,949
Interest on investments	4,246	4,642	11,820	20,708
Miscellaneous				
Donations	-	5,582	-	5,582
	<u>41,791</u>	<u>101,787</u>	<u>130,262</u>	<u>273,840</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	20,404	-	-	20,404
Capital outlay				
Public works	8,707	-	-	8,707
Culture and recreation	-	123,470	-	123,470
Housing and economic development	-	88,601	-	88,601
Debt service				
Principal	-	-	88,148	88,148
Interest and other	-	-	45,845	45,845
	<u>29,111</u>	<u>212,071</u>	<u>133,993</u>	<u>375,175</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,680	(110,284)	(3,731)	(101,335)
OTHER FINANCING SOURCES				
Transfers in	-	10,000	-	10,000
NET CHANGE IN FUND BALANCES	12,680	(100,284)	(3,731)	(91,335)
FUND BALANCES, JANUARY 1	<u>117,857</u>	<u>150,298</u>	<u>174,160</u>	<u>442,315</u>
FUND BALANCES, DECEMBER 31	<u>\$ 130,537</u>	<u>\$ 50,014</u>	<u>\$ 170,429</u>	<u>\$ 350,980</u>

CITY OF EXCELSIOR, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2014

	Park Improvement	TIF 1-1 Project	TIF 1-2 Project	Total
<b>ASSETS</b>				
Cash and temporary investments	\$ 74,372	\$ 51,181	\$ -	\$ 125,553
Accounts receivable	17	-	-	17
<b>TOTAL ASSETS</b>	<b><u>\$ 74,389</u></b>	<b><u>\$ 51,181</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 125,570</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 8,332	\$ 43,214	\$ 506	\$ 52,052
Due to other funds	-	-	23,504	23,504
<b>TOTAL LIABILITIES</b>	<b><u>8,332</u></b>	<b><u>43,214</u></b>	<b><u>24,010</u></b>	<b><u>75,556</u></b>
<b>FUND BALANCES</b>				
Restricted				
Tax increment financing district	-	7,967	-	7,967
Park improvements	66,057	-		66,057
Unassigned	-	-	(24,010)	(24,010)
<b>TOTAL FUND BALANCES</b>	<b><u>66,057</u></b>	<b><u>7,967</u></b>	<b><u>(24,010)</u></b>	<b><u>50,014</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 74,389</u></b>	<b><u>\$ 51,181</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 125,570</u></b>

CITY OF EXCELSIOR, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Park Improvement	TIF 1-1 Project	TIF 1-2 Project	Total
REVENUES				
Taxes	\$ -	\$ 84,776	\$ -	\$ 84,776
Intergovernmental	3,787	-	-	3,787
Charges for services	3,000	-	-	3,000
Interest on investments	4,015	627	-	4,642
Other	5,582	-	-	5,582
	<u>16,384</u>	<u>85,403</u>	<u>-</u>	<u>101,787</u>
TOTAL REVENUES				
EXPENDITURES				
Capital outlay				
Culture and recreation	123,470	-	-	123,470
Housing and economic development	-	83,866	4,735	88,601
	<u>123,470</u>	<u>83,866</u>	<u>4,735</u>	<u>212,071</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(107,086)	1,537	(4,735)	(110,284)
OTHER FINANCING SOURCES				
Transfers in	10,000	-	-	10,000
	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
NET CHANGE IN FUND BALANCES	(97,086)	1,537	(4,735)	(100,284)
FUND BALANCES, JANUARY 1	163,143	6,430	(19,275)	150,298
	<u>163,143</u>	<u>6,430</u>	<u>(19,275)</u>	<u>150,298</u>
FUND BALANCES, DECEMBER 31	<u>\$ 66,057</u>	<u>\$ 7,967</u>	<u>\$ (24,010)</u>	<u>\$ 50,014</u>

CITY OF EXCELSIOR, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and temporary investments	\$ 84,315	\$ 48,059	\$ 132,374
Accounts receivable	43,712	15,152	58,864
Prepaid items	96	-	96
<b>TOTAL CURRENT ASSETS</b>	<b>128,123</b>	<b>63,211</b>	<b>191,334</b>
<b>CAPITAL ASSETS, AT COST</b>	<b>12,665</b>	<b>6,995</b>	<b>19,660</b>
<b>LESS ACCUMULATED DEPRECIATION</b>	<b>(12,665)</b>	<b>(1,954)</b>	<b>(14,619)</b>
<b>NET CAPITAL ASSETS</b>	<b>-</b>	<b>5,041</b>	<b>5,041</b>
<b>TOTAL ASSETS</b>	<b>128,123</b>	<b>68,252</b>	<b>196,375</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	9,314	2,825	12,139
Due to other governments	46	-	46
Accrued salaries payable	388	117	505
Compensated absences payable	129	116	245
<b>TOTAL CURRENT LIABILITIES</b>	<b>9,877</b>	<b>3,058</b>	<b>12,935</b>
<b>LONG-TERM LIABILITIES</b>			
Compensated absences payable	257	231	488
<b>TOTAL LIABILITIES</b>	<b>10,134</b>	<b>3,289</b>	<b>13,423</b>
<b>NET POSITION</b>			
Invested in capital assets	-	5,041	5,041
Unrestricted	117,989	59,922	177,911
<b>TOTAL NET POSITION</b>	<b>\$ 117,989</b>	<b>\$ 64,963</b>	<b>\$ 182,952</b>

CITY OF EXCELSIOR, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
OPERATING REVENUES			
Charges for services	\$ 154,825	\$ 56,391	\$ 211,216
OPERATING EXPENSES			
Refuse	97,275	-	97,275
Recycling	34,979	-	34,979
Administration	-	4,803	4,803
Maintenance	-	46,247	46,247
Depreciation	-	350	350
TOTAL OPERATING EXPENSES	132,254	51,400	183,654
OPERATING INCOME	22,571	4,991	27,562
NONOPERATING REVENUES			
Interest on investments	2,834	1,793	4,627
INCOME BEFORE TRANSFERS	25,405	6,784	32,189
TRANSFERS OUT	(7,000)	(1,600)	(8,600)
CHANGE IN NET POSITION	18,405	5,184	23,589
NET POSITION, JANUARY 1	99,584	59,779	159,363
NET POSITION, DECEMBER 31	\$ 117,989	\$ 64,963	\$ 182,952

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CITY OF EXCELSIOR, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 149,082	\$ 55,546	\$ 204,628
Payments to suppliers	(118,428)	(45,092)	(163,520)
Payments to employees	(14,970)	(4,814)	(19,784)
	<u>15,684</u>	<u>5,640</u>	<u>21,324</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	(7,000)	(1,600)	(8,600)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	2,834	1,793	4,627
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	11,518	5,833	17,351
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>72,797</u>	<u>42,226</u>	<u>115,023</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u><u>\$ 84,315</u></u>	<u><u>\$ 48,059</u></u>	<u><u>\$ 132,374</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income	\$ 22,571	\$ 4,991	\$ 27,562
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	-	350	350
(Increase) decrease in assets			
Receivables			
Accounts	(5,743)	(845)	(6,588)
Prepaid items	(4)	-	(4)
Increase (decrease) in liabilities			
Accounts payable	167	1,549	1,716
Accrued salaries payable	2	(11)	(9)
Compensated absences payable	(1,110)	(394)	(1,504)
Due to other governments	(199)	-	(199)
	<u>15,684</u>	<u>5,640</u>	<u>21,324</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 15,684</u></u>	<u><u>\$ 5,640</u></u>	<u><u>\$ 21,324</u></u>

CITY OF EXCELSIOR, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(With comparative actual amounts for the year ended December 31, 2013)

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
Property	\$ 1,255,127	\$ 1,255,127	\$ 1,226,716	\$ (28,411)	\$ 1,238,391
Franchise	69,750	69,750	69,532	(218)	69,496
Total	<u>1,324,877</u>	<u>1,324,877</u>	<u>1,296,248</u>	<u>(28,629)</u>	<u>1,307,887</u>
Licenses and permits					
Business	86,050	86,050	143,230	57,180	102,918
Nonbusiness	80,850	80,850	172,471	91,621	137,307
Total	<u>166,900</u>	<u>166,900</u>	<u>315,701</u>	<u>148,801</u>	<u>240,225</u>
Intergovernmental					
State					
Other	3,095	3,095	3,095	-	3,095
County					
Other	-	-	1,000	1,000	-
Total	<u>3,095</u>	<u>3,095</u>	<u>4,095</u>	<u>1,000</u>	<u>3,095</u>
Charges for services					
General government	52,612	52,612	113,019	60,407	114,125
Public works	45,000	45,000	53,546	8,546	54,493
Culture and recreation	37,650	37,650	38,860	1,210	63,871
Other charges	2,750	2,750	5,200	2,450	5,700
Total	<u>138,012</u>	<u>138,012</u>	<u>210,625</u>	<u>72,613</u>	<u>238,189</u>
Fines and forfeitures	<u>60,200</u>	<u>60,200</u>	<u>73,175</u>	<u>12,975</u>	<u>67,663</u>
Special assessments	<u>-</u>	<u>-</u>	<u>28</u>	<u>28</u>	<u>112</u>
Interest on investments	<u>18,000</u>	<u>18,000</u>	<u>46,439</u>	<u>28,439</u>	<u>(21,851)</u>
Miscellaneous					
Other	1,200	1,200	5,401	4,201	4,737
Contributions and donations	-	-	-	-	600
Refunds and reimbursements	16,000	16,000	15,932	(68)	23,279
Total	<u>17,200</u>	<u>17,200</u>	<u>21,333</u>	<u>4,133</u>	<u>28,616</u>
TOTAL REVENUES	<u>1,728,284</u>	<u>1,728,284</u>	<u>1,967,644</u>	<u>239,360</u>	<u>1,863,936</u>

CITY OF EXCELSIOR, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(With comparative actual amounts for the year ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
Current					
General government					
Legislative					
Personal services	\$ 14,210	\$ 14,210	\$ 14,209	\$ 1	\$ 14,209
Other services and charges	13,125	13,125	5,955	7,170	15,889
Total	27,335	27,335	20,164	7,171	30,098
City manager / clerk					
Personal services	114,027	114,027	109,415	4,612	151,857
Other services and charges	6,830	6,830	6,048	782	4,819
Total	120,857	120,857	115,463	5,394	156,676
Elections and voter registration					
Personal services	3,500	3,500	2,179	1,321	-
Supplies	2,000	2,000	1,973	27	-
Other services and charges	2,900	2,900	1,113	1,787	173
Total	8,400	8,400	5,265	3,135	173
Finance					
Personal services	51,039	51,039	50,699	340	52,518
Other services and charges	2,070	2,070	1,912	158	3,213
Total	53,109	53,109	52,611	498	55,731
Planning and zoning					
Personal services	57,861	57,861	52,434	5,427	53,257
Other services and charges	45,400	45,400	45,793	(393)	37,770
Total	103,261	103,261	98,227	5,034	91,027
Administration					
Supplies	5,800	5,800	5,045	755	4,433
Other services and charges	185,751	185,751	194,015	(8,264)	232,215
Total	191,551	191,551	199,060	(7,509)	236,648
Heritage preservation					
Other services and charges	1,350	1,350	1,263	87	941
Total general government	505,863	505,863	492,053	13,810	571,294

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, 2014  
(With comparative actual amounts for the year ended December 31, 2013)

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>EXPENDITURES - CONTINUED</b>					
Current - continued					
Public safety					
Police protection					
Other services and charges	\$ 689,634	\$ 689,634	\$ 685,236	\$ 4,398	\$ 667,210
Fire protection					
Other services and charges	168,392	168,392	168,924	(532)	158,988
Protective inspection					
Other services and charges	15,000	15,000	36,682	(21,682)	42,195
Total public safety	873,026	873,026	890,842	(17,816)	868,393
Public works					
Engineering					
Other services and charges	11,000	11,000	10,827	173	10,450
Streets					
Personal services	122,037	122,037	132,141	(10,104)	117,851
Supplies	35,576	35,576	31,574	4,002	37,352
Other services and charges	42,100	42,100	54,419	(12,319)	40,100
Total	199,713	199,713	218,134	(18,421)	195,303
Total public works	210,713	210,713	228,961	(18,248)	205,753
Culture and recreation					
Parks					
Personal services	90,268	90,268	92,738	(2,470)	91,309
Supplies	18,614	18,614	21,762	(3,148)	24,058
Other services and charges	65,000	65,000	58,026	6,974	61,858
Total culture and recreation	173,882	173,882	172,526	1,356	177,225
Miscellaneous					
Cemetery					
Personal services	15,084	15,084	18,466	(3,382)	17,847
Supplies	2,100	2,100	1,185	915	1,153
Other services and charges	1,500	1,500	980	520	794
Total cemetery	18,684	18,684	20,631	(1,947)	19,794
Total current expenditures	1,782,168	1,782,168	1,805,013	(22,845)	1,842,459

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, 2014  
(With comparative actual amounts for the year ended December 31, 2013)

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
<b>EXPENDITURES - CONTINUED</b>					
Capital outlay					
General government	\$ 2,000	\$ 2,000	\$ 195	\$ 1,805	\$ 1,675
Culture and recreation	-	-	-	-	3,200
Total capital outlay	<u>2,000</u>	<u>2,000</u>	<u>195</u>	<u>1,805</u>	<u>4,875</u>
TOTAL EXPENDITURES	<u>1,784,168</u>	<u>1,784,168</u>	<u>1,805,208</u>	<u>(21,040)</u>	<u>1,847,334</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(55,884)</u>	<u>(55,884)</u>	<u>162,436</u>	<u>218,320</u>	<u>16,602</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	85,000	85,000	85,200	200	88,000
Sale of capital assets	-	-	-	-	1,485
Transfers out	<u>(29,116)</u>	<u>(29,116)</u>	<u>(379,116)</u>	<u>(350,000)</u>	<u>(385,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>55,884</u>	<u>55,884</u>	<u>(293,916)</u>	<u>(349,800)</u>	<u>(295,515)</u>
NET CHANGE IN FUND BALANCES	-	-	(131,480)	(131,480)	(278,913)
FUND BALANCES, JANUARY 1	<u>1,318,357</u>	<u>1,318,357</u>	<u>1,318,357</u>	<u>-</u>	<u>1,597,270</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,318,357</u>	<u>\$ 1,318,357</u>	<u>\$ 1,186,877</u>	<u>\$ (131,480)</u>	<u>\$ 1,318,357</u>

CITY OF EXCELSIOR, MINNESOTA  
 AGENCY FUNDS  
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Balance January 1	Additions	Deductions	Balance December 31
<b>ESCROW</b>				
<b>ASSETS</b>				
Cash and temporary investments	\$ 56,611	\$ 237,238	\$ 107,421	\$ 186,428
<b>LIABILITY</b>				
Accounts payable	\$ 56,611	\$ 367,055	\$ 237,238	\$ 186,428

CITY OF EXCELSIOR, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Total		Percent Increase (Decrease)
	2014	2013	
<b>REVENUES</b>			
Taxes	\$ 1,481,024	\$ 1,494,653	(0.91) %
Special assessments	36,215	24,354	48.70
Licenses and permits	315,701	240,225	31.42
Intergovernmental	22,366	77,958	(71.31)
Charges for services	266,559	248,918	7.09
Fines and forfeitures	73,175	67,663	8.15
Interest on investments	107,014	(27,326)	(491.62)
Miscellaneous	39,805	79,586	(49.98)
	<u>                    </u>	<u>                    </u>	
<b>TOTAL REVENUES</b>	<u>\$ 2,341,859</u>	<u>\$ 2,206,031</u>	6.16 %
Per Capita	\$ 1,025	\$ 987	3.88 %
<b>EXPENDITURES</b>			
Current			
General government	\$ 492,053	\$ 571,294	(13.87) %
Public safety	890,842	868,393	2.59
Public works	249,365	223,299	11.67
Culture and recreation	172,526	177,225	(2.65)
Housing and economic development	-	111,110	(100.00)
Miscellaneous	20,631	19,794	4.23
Capital outlay			
General government	51,490	55,054	(6.47)
Public works	132,764	130,824	1.48
Culture and recreation	136,449	48,077	183.81
Debt service			
Principal payments	88,148	85,555	3.03
Bond issuance costs	45,845	32,084	42.89
	<u>                    </u>	<u>                    </u>	
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,368,714</u>	<u>\$ 2,322,709</u>	1.98 %
Per Capita	\$ 1,037	\$ 1,039	(0.21) %
Total Long-term Indebtedness	\$ 1,200,363	\$ 1,288,510	(6.84) %
Per Capita	526	577	(8.84)
General Fund Balance - December 31	\$ 1,186,877	\$ 1,318,357	(9.97) %
Per Capita	520	590	(11.90)

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 Director at (952) 653-3677.

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**OTHER FINANCIAL INFORMATION (UNAUDITED)**

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

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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
2005	\$ 999,000	\$ 990,586	99.16 %	\$ 8,414	\$ 999,000	100.00 %
2006	1,078,920	1,056,965	98	21,890	1,078,855	100
2007	1,089,709	1,066,116	98	17,301	1,083,417	99
2008	1,144,194	1,114,519	97	18,479	1,132,998	99
2009	1,201,408	1,171,076	97	12,350	1,183,426	99
2010	1,291,509	1,264,296	98	10,928	1,275,224	99
2011	1,317,399	1,290,735	98	13,775	1,304,510	99
2012	1,317,399	1,295,322	98	13,507	1,308,829	99
2013	1,317,339	1,309,701	99	(821)	1,308,880	99
2014	1,351,808	1,335,576	99	-	1,335,576	99

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
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	137	24,180	99.58
2014	27,106	25,725	94.91	-	25,725	94.91

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>TAX CAPACITY</b>				
Personal property	\$ 34,310	\$ 35,374	\$ 39,839	\$ 38,967
Real estate	<u>3,094,187</u>	<u>3,473,241</u>	<u>4,135,837</u>	<u>4,612,292</u>
 TOTAL	 3,128,497	 3,508,615	 4,175,676	 4,651,259
 Contribution to fiscal disparities pool	 (292,738)	 (324,506)	 (367,808)	 (519,848)
Increment	(2,212)	(22,175)	(72,885)	(95,078)
Distribution from fiscal disparities pool	<u>172,152</u>	<u>172,842</u>	<u>182,801</u>	<u>209,578</u>
 TOTAL TAX CAPACITY	 <u><u>\$ 3,005,699</u></u>	 <u><u>\$ 3,334,776</u></u>	 <u><u>\$ 3,917,784</u></u>	 <u><u>\$ 4,245,911</u></u>
 <b>TAX LEVIES</b>				
Revenue	<u><u>\$ 1,078,920</u></u>	<u><u>\$ 1,089,709</u></u>	<u><u>\$ 1,144,194</u></u>	<u><u>\$ 1,201,408</u></u>
 <b>TAX CAPACITY RATES</b>				
Revenue	<u><u>35.896 %</u></u>	<u><u>32.677 %</u></u>	<u><u>29.205 %</u></u>	<u><u>28.296 %</u></u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 38,760	\$ 38,524	\$ 40,320	\$ 43,948	\$ 45,194	\$ 45,568
<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>	<u>4,048,069</u>
4,838,446	4,714,251	4,225,376	4,111,332	3,994,527	4,093,637
(570,522)	(608,282)	(574,768)	(489,211)	(491,004)	(515,487)
(95,078)	(93,430)	(90,628)	(89,863)	(77,600)	(77,602)
<u>224,664</u>	<u>223,253</u>	<u>219,176</u>	<u>184,321</u>	<u>153,910</u>	<u>149,422</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>\$ 3,649,970</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>\$ 1,351,808</u>
<u>29.369 %</u>	<u>31.102 %</u>	<u>34.860 %</u>	<u>35.447 %</u>	<u>36.799 %</u>	<u>37.036 %</u>

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**OTHER REQUIRED REPORTS**

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Excelsior, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Excelsior, Minnesota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2015.

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.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

*Abdo Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 30, 2015



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council  
City of Excelsior, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Excelsior, Minnesota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

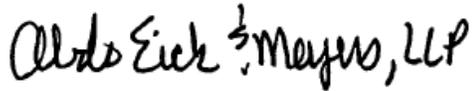
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The City's Response to the Finding**

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 30, 2015

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**FEDERAL FINANCIAL AWARD PROGRAMS**

CITY OF EXCELSIOR  
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

Honorable Mayor and City Council  
City of Excelsior, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited the City of Excelsior Minnesota (the City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2014. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

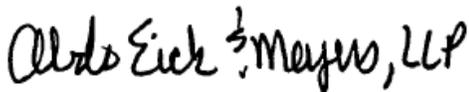
## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 30, 2015

CITY OF EXCELSIOR, MINNESOTA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARD  
 FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency Capitalization Grants for State Clean Water Revolving Funds	66.458	Minnesota Public Facilities Authority MPFA-14-0041-R-FY14	<u>\$ 613,690</u>

CITY OF EXCELSIOR, MINNESOTA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Note 1: General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial award program of the City of Excelsior, Minnesota (the City). The reporting entity is defined in Note 1A to the City's financial statements. All Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies is included on the schedule.

**Note 2: Basis of accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds and accrual basis of accounting for the enterprise funds, which is described in Note 1C to the City's financial statements. The activity is reported in the Water enterprise fund.

CITY OF EXCELSIOR, MINNESOTA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

**A. Summary of auditor's results**

**Financial statements**

1. The auditor's report expresses an unmodified opinion on the financial statements of the City.
2. One significant deficiency relating to the audit of the financial statements is disclosed in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards* as finding 2014-001. This finding is reported in Section B of this schedule.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

**Federal award**

1. No significant deficiencies in internal control over major federal award program are disclosed in the Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by *OMB Circular A-133*.
2. The auditor's report on compliance for major federal award program for the City expresses an unmodified opinion on the major federal program.
3. The programs tested as a major program included:

	CFDA
U.S. Environmental Protection Agency	
Capitalization Grants for State	
Clean Water Revolving Funds	66.458

4. The threshold for distinguishing between Type A and B programs was \$300,000.
5. The City was determined not to be a low-risk auditee under Section 530 of *OMB Circular A-133* and therefore, the auditors have not reduced the extent of substantive tests.

CITY OF EXCELSIOR, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2014

**B. Findings related to the basic financial statement**

**2014- 001 Limited segregation of duties**

*Condition:* During our audit, we reviewed procedures over the City's major transaction cycles. During our examination of these major cycles, we noted that the utility billing, cash disbursements, payroll and cash receipts cycles had limited segregation of duties.

*Criteria:* There are four general categories of duties: authorization, custody, recording and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.

*Cause:* As a result of the limited number of staff, the City is not able to completely segregate all accounting functions. Currently the Finance Director has duties in more than one category, as described above, for the utility billing, cash disbursements, payroll and cash receipts cycles.

*Effect:* The existence of this limited segregation of duties increases the risk of fraud and errors.

*Recommendation:* While we recognize the current staff is not large enough to eliminate this deficiency, we recommend the City ensure its current controls are being followed by staff. Invoice approval is an important control step which provides better evidence of approval for the purchasing process. The city should continue to evaluate its internal controls on a regular basis.

*Management response:*

The City agrees with the audit finding. Although no additional staff are proposed to be hired, the City will ensure compensating controls exist to reduce the risk of fraud or errors and will evaluate such controls on a regular basis.

**C. Findings and questioned costs - major federal award programs**

None.