

Annual Financial Report

City of Excelsior

Excelsior, Minnesota

For the Year Ended
December 31, 2015

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CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

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 ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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CITY OF EXCELSIOR, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2015

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Gaylord	Mayor	12/31/16
Todd Carlson	Council Member	12/31/16
Greg Miller	Council Member	12/31/16
Jennifer Caron	Council Member	12/31/18
John Beattie	Council Member	12/31/18

APPOINTED

Kristi Luger	City Manager
Heidi Tumberg	Finance Director
Ann Orlofsky	City Clerk
Dave Wisdorf	Public Works Superintendent
Patrick Smith	City Planner

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FINANCIAL SECTION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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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, 2015, 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, 2015, 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

Change in Accounting Standards

As described in Note 8 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis Page 13 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions and the Schedule of Funding Progress for Other Post-Employment Benefit Plan starting on page 78 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

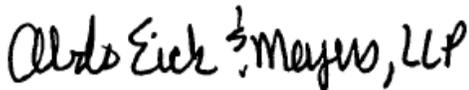
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and other financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements 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 April 13, 2016, 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
April 13, 2016

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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, 2015.

Financial Highlights

- The beginning unrestricted net position was decreased by \$627,120 to recognize the effects of GASB Statement No. 68 implementation.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$12,862,337 (net position). Of this amount, \$4,384,727 (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 \$966,098. 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 \$3,024,362, a decrease of \$107,054 in comparison with the prior year. Approximately 84 percent of this total amount, \$2,545,664, is either unassigned or assigned and available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,003,768, or 54.1 percent of total General fund 2015 expenditures.
- The City's total debt increased \$503,436 or 14.5 percent during the current fiscal year. The increase was due to a draw on the PFA loan for \$196,841 and the recognition of the net pension liability.

Overview of the Financial Statements

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

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

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

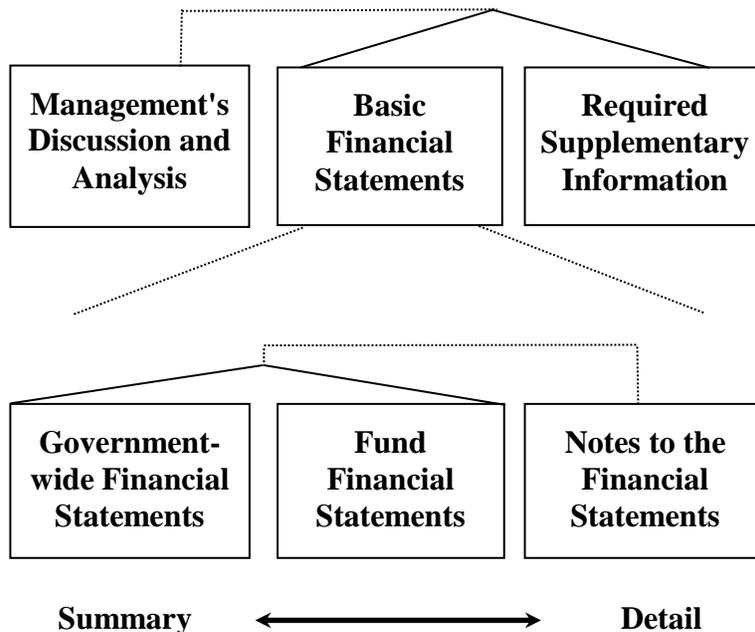


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

The government-wide financial statements start on page 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 50 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 51 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 80 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 \$12,862,337 at the close of the most recent fiscal year.

A portion of the City's net position (63.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Excelsior's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Assets						
Current and other assets	\$ 3,822,472	\$ 3,550,146	\$ 272,326	\$ 2,105,223	\$ 2,676,716	\$ (571,493)
Capital assets	5,518,129	5,248,561	269,568	5,964,132	5,274,087	690,045
Total assets	9,340,601	8,798,707	541,894	8,069,355	7,950,803	118,552
Deferred outflows of resources						
Deferred pension resources	32,211	-	32,211	29,353	-	29,353
Liabilities						
Noncurrent liabilities						
outstanding	1,505,056	1,300,863	204,193	2,480,401	2,181,158	299,243
Other liabilities	312,414	292,767	19,647	167,898	451,363	(283,465)
Total liabilities	1,817,470	1,593,630	223,840	2,648,299	2,632,521	15,778
Deferred inflows of resources						
Deferred pension resources	75,036	-	75,036	68,378	-	68,378
Net position						
Net investment in capital assets	4,405,914	4,048,198	357,716	3,764,875	3,116,506	648,369
Restricted	306,821	302,265	4,556	-	-	-
Unrestricted	2,767,571	2,854,614	(87,043)	1,617,156	2,201,776	(584,620)
Total net position	\$ 7,480,306	\$ 7,205,077	\$ 275,229	\$ 5,382,031	\$ 5,318,282	\$ 63,749

Additionally, \$306,821 is restricted for debt service, tax increment district expenditure and park improvement expenditures. The remaining balance of *unrestricted net position* (\$4,384,727) 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 \$966,098 during the current fiscal year. Both the governmental activities and the business type activities increased the net position, by \$603,729 and \$362,369, respectively.

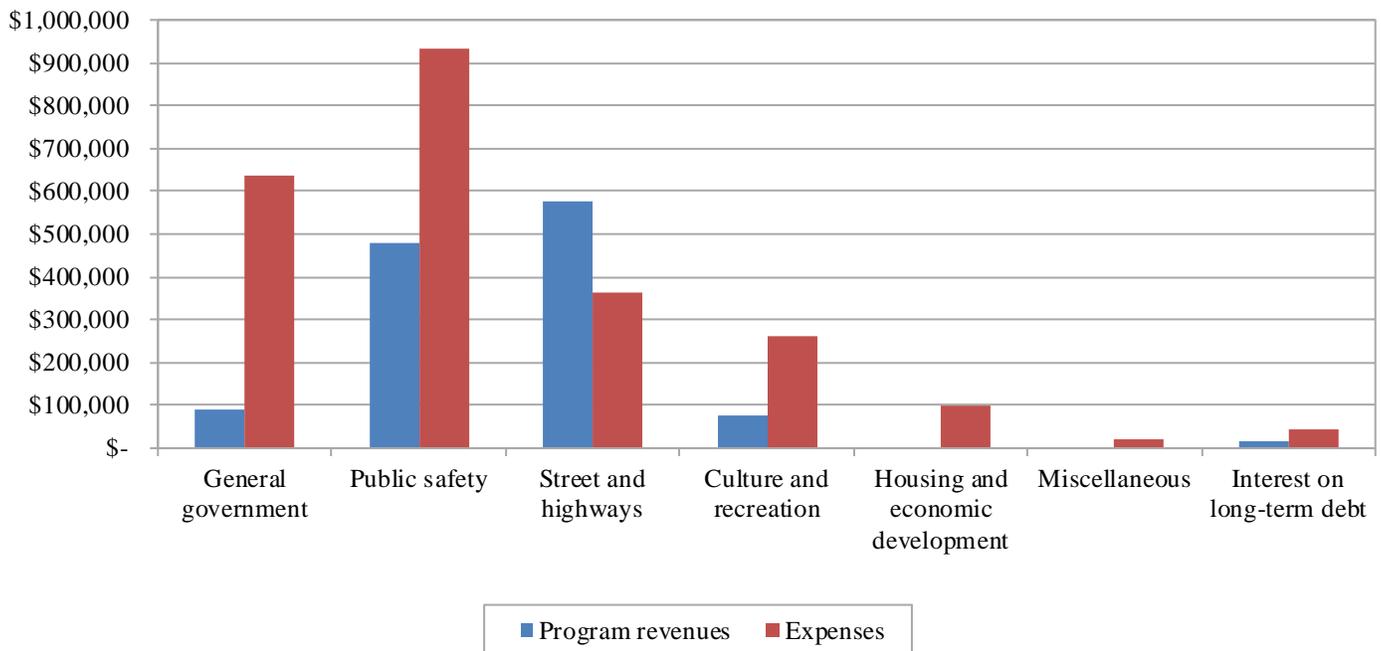
Governmental activities. Governmental activities increased the City's net position by \$603,729, thereby accounting for 62.5 percent of the total growth in the net position of the City. Key elements of this increase are as follows:

City of Excelsior's Changes in Net Position

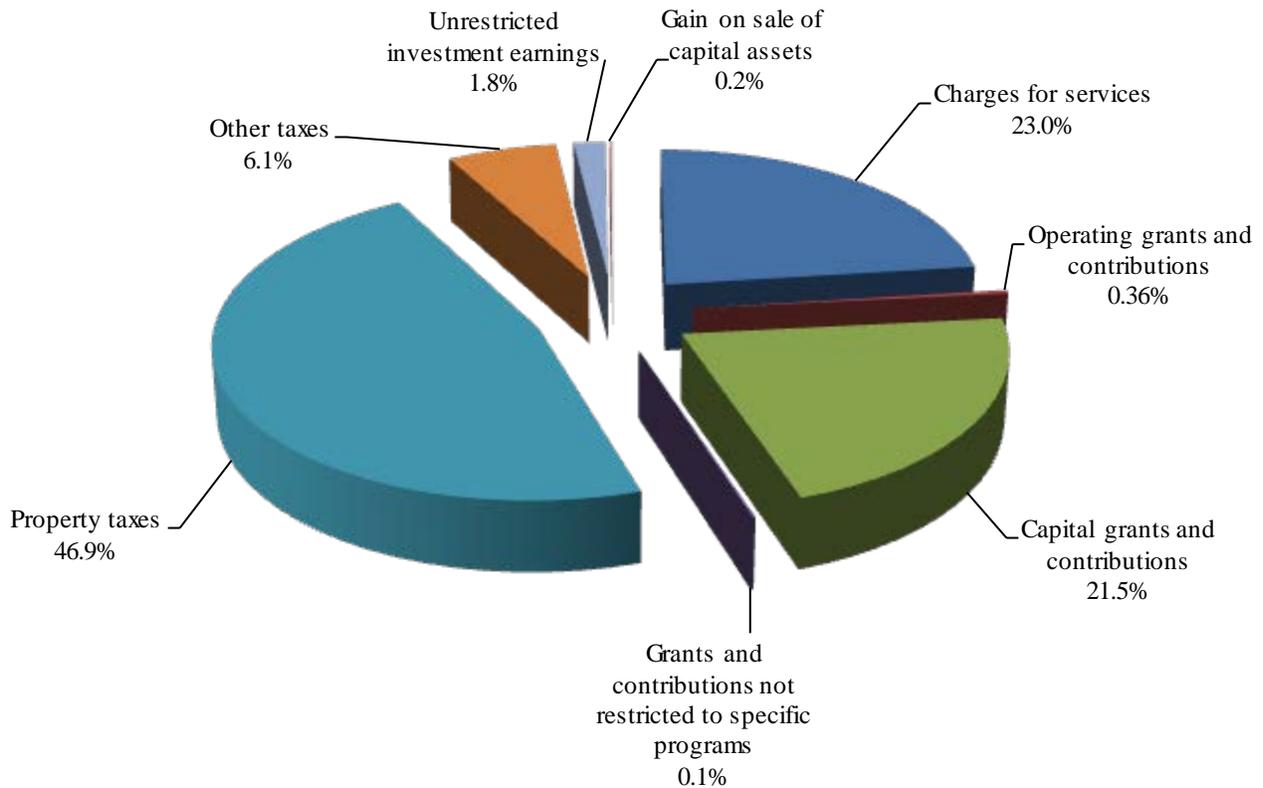
	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 632,439	\$ 695,240	\$ (62,801)	\$ 1,736,449	\$ 1,675,564	\$ 60,885
Operating grants and contributions	10,000	1,000	9,000	-	-	-
Capital grants and contributions	590,395	48,368	542,027	81,951	90,450	(8,499)
General revenues						
Property taxes	1,388,104	1,326,617	61,487	-	-	-
Other taxes	168,443	154,308	14,135	-	-	-
Grants and contributions not restricted to specific programs	3,095	3,095	-	-	-	-
Unrestricted investment earnings	48,621	99,152	(50,531)	35,778	68,167	(32,389)
Miscellaneous	4,543	23,843	(19,300)	-	-	-
Total revenues	2,845,640	2,351,623	494,017	1,854,178	1,834,181	19,997
Expenses						
General government	638,877	544,084	94,793	-	-	-
Public safety	932,664	890,842	41,822	-	-	-
Streets and highways	361,960	412,904	(50,944)	-	-	-
Culture and recreation	261,361	223,130	38,231	-	-	-
Housing and economic development	96,623	88,601	8,022	-	-	-
Miscellaneous	17,709	20,631	(2,922)	-	-	-
Interest on long-term debt	43,117	51,372	(8,255)	-	-	-
Water utility	-	-	-	451,852	443,322	8,530
Sewer utility	-	-	-	419,496	387,536	31,960
Solid waste	-	-	-	153,834	132,254	21,580
Surface water	-	-	-	119,221	112,191	7,030
Street lighting	-	-	-	99,165	51,400	47,765
Commercial docks	-	-	-	137,841	126,373	11,468
Total expenses	2,352,311	2,231,564	120,747	1,381,409	1,253,076	128,333
Increase in net position before transfers	493,329	120,059	373,270	472,769	581,105	(108,336)
Transfers	110,400	85,200	25,200	(110,400)	(85,200)	(25,200)
Change in net position	603,729	205,259	398,470	362,369	495,905	(133,536)
Net position, January 1	6,876,577	6,999,818	(123,241)	5,019,662	4,822,377	197,285
Net position, December 31	<u>\$ 7,480,306</u>	<u>\$ 7,205,077</u>	<u>\$ 275,229</u>	<u>\$ 5,382,031</u>	<u>\$ 5,318,282</u>	<u>\$ 63,749</u>

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

Expenses and Program Revenues - Governmental Activities



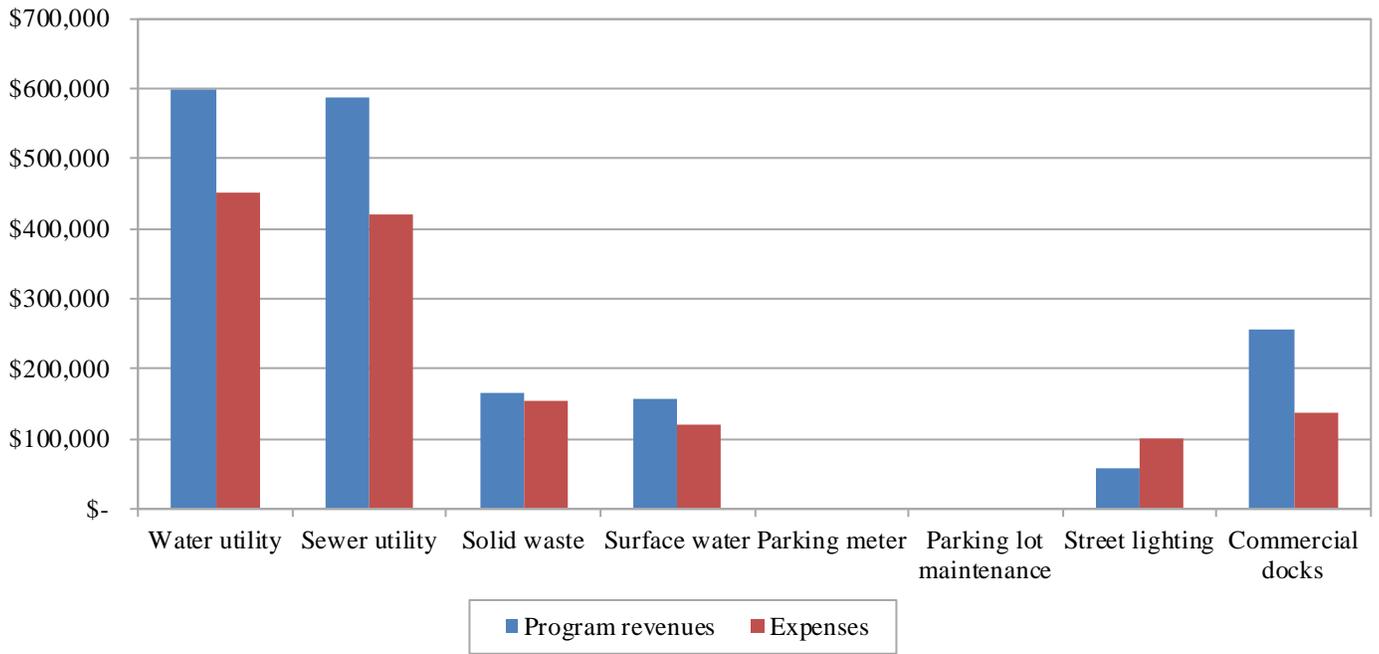
Revenues by Source - Governmental Activities



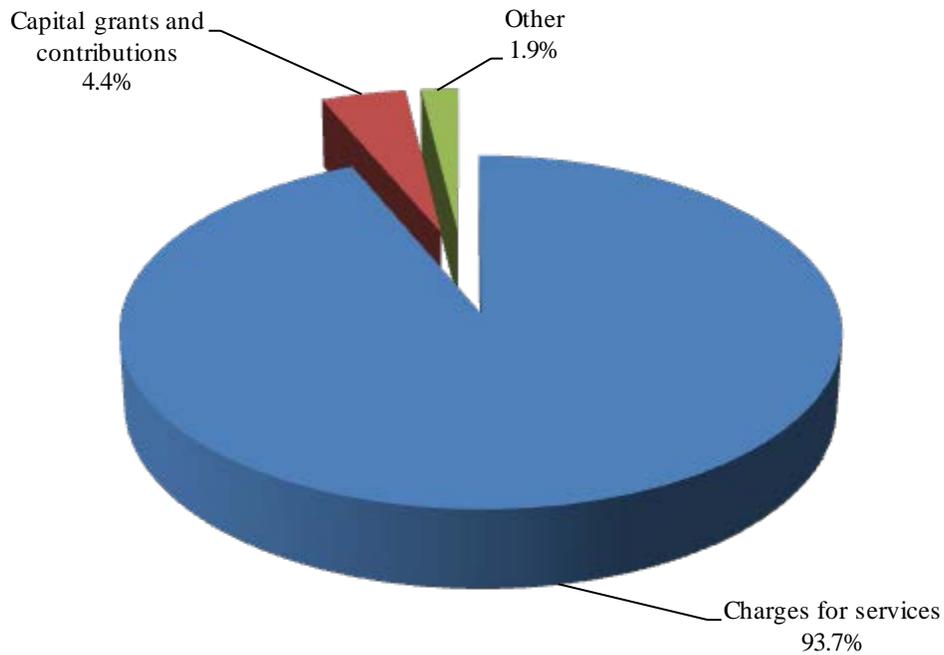
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities increased the City’s net position by \$362,369, accounting for 37.5 percent of the growth in the City’s net position. Key elements of this increase are as follows:

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

Major Funds	Fund Balances		Increase (Decrease)
	December 31		
	2014	2015	
General	\$ 1,186,877	\$ 1,195,404	\$ 8,527

The fund balance increase is mainly due to an excess of revenues over expenditures of \$88,187. The fund balance was further reduced through a transfer 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.

Capital Improvement	\$ 1,593,559	\$ 1,465,178	\$ (128,381)
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The fund balance decreased due to costs related to the oak street sidewalk project and the met council forcemain project.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,617,156. The total growth in net position for the funds was \$362,369. 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 2015 resulted in an increase in fund balance in the amount of \$8,527. This was mainly due to higher licenses and permit revenues.

Overall, revenues were over the budgeted amount by \$121,996. This was due in large part to licenses/permits being over budget by \$45,808. Other items with the largest positive variances were charges for services and property taxes which were over budget by \$25,957 and \$19,082, respectively.

Expenditures were \$16,131 over budget. The public safety department was the largest contributor of the excess expenditures which were over budget by \$28,654. The main part of the negative variances was due to other services and charges in the protective inspection and streets departments. Other items such as consultant fees and staff wages and benefits were under budget due to staff turnover.

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, 2015, amounts to \$11,482,261 (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 \$959,613, or 8.6 percent during the year.

Major capital asset activity during the current year included:

- The Oak Street Sidewalk Improvement project was completed.
- A dump truck was purchased during the year.
- The Lafayette Lift Station project was started.
- The MCES Forcemain Improvement project was completed.
- The 2014 Sewer Lining project was completed during the year.
- The 2015 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 61 of this report.

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

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 1,111,042	\$ 1,111,042	\$ -	\$ 50,000	\$ 50,000	\$ -
Construction in progress	-	246,457	(246,457)	257,840	936,541	(678,701)
Buildings	164,104	178,926	(14,822)	-	-	-
Improvement other than building	3,259,301	2,730,159	529,142	-	-	-
Machinery and equipment	419,860	388,584	31,276	586,447	530,488	55,959
Infrastructure	563,822	593,393	(29,571)	5,069,845	3,757,058	1,312,787
Total	\$ 5,518,129	\$ 5,248,561	\$ 269,568	\$ 5,964,132	\$ 5,274,087	\$ 690,045

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$3,311,472. 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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
G.O. revenue bonds	\$ -	\$ -	\$ -	\$ 1,166,472	\$ 1,042,944	\$ 123,528
G.O. improvement bonds	1,112,215	1,200,363	(88,148)	1,032,785	1,114,637	(81,852)
Net pension liability	279,292	-	279,292	254,507	-	254,507
Other postemployment benefits	94,195	80,104	14,091	-	-	-
Compensated absences	19,354	20,396	(1,042)	26,637	23,577	3,060
Total	\$ 1,505,056	\$ 1,300,863	\$ 204,193	\$ 2,480,401	\$ 2,181,158	\$ 299,243

The City's total debt increased \$503,436 (14.5 percent) during the current fiscal year. The increase was due to a draw on the PFA loan for \$196,841 and the recognition of the net pension liability.

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 64 of this report.

Economic Factors and Next Year's Budgets and Rates

- Preliminary property valuations increased again in 2016 for taxes payable 2017. Property values overall are increasing about 6.8 percent within the City, with the largest increases happening for commercial, apartments and residential properties.
- The 2016 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.
- No utility rates were increased for 2016. The City is carefully planning modest increases every other year to ease the impact to residents, while maintaining sufficient revenues for future operations and capital expenditures.

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, 2015

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CITY OF EXCELSIOR, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash temporary investments	\$ 3,183,149	\$ 1,778,079	\$ 4,961,228
Receivables			
Interest	14,640	-	14,640
Accounts	66,424	312,791	379,215
Delinquent taxes	20,359	-	20,359
Special assessments	463,971	18,387	482,358
Due from other governments	29,084	9,625	38,709
Internal balances	15,514	(15,514)	-
Prepaid items	29,331	1,855	31,186
Land and construction in progress	1,111,042	307,840	1,418,882
Depreciable infrastructure, buildings, property and equipment, net	<u>4,407,087</u>	<u>5,656,292</u>	<u>10,063,379</u>
TOTAL ASSETS	<u>9,340,601</u>	<u>8,069,355</u>	<u>17,409,956</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	<u>32,211</u>	<u>29,353</u>	<u>61,564</u>
LIABILITIES			
Accounts payable	156,848	131,371	288,219
Accrued salaries payable	13,203	10,645	23,848
Accrued interest payable	17,544	26,139	43,683
Due to other governments	4,368	(457)	3,911
Unearned revenue	120,451	200	120,651
Noncurrent liabilities			
Due within one year			
Compensated absences payable	6,451	8,878	15,329
Bonds payable	88,148	169,853	258,001
Due in more than one year			
Compensated absences payable	12,903	17,759	30,662
Net pension liability	279,292	254,507	533,799
Bonds payable	1,024,067	2,029,404	3,053,471
Other postemployment benefits payable	<u>94,195</u>	<u>-</u>	<u>94,195</u>
TOTAL LIABILITIES	<u>1,817,470</u>	<u>2,648,299</u>	<u>4,465,769</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	<u>75,036</u>	<u>68,378</u>	<u>143,414</u>
NET POSITION			
Net investment in capital assets	4,405,914	3,764,875	8,170,789
Restricted for			
Deb service	215,941	-	215,941
Tax increment financing district	9,975	-	9,975
Park improvements	80,905	-	80,905
Unrestricted	<u>2,767,571</u>	<u>1,617,156</u>	<u>4,384,727</u>
TOTAL NET POSITION	<u>\$ 7,480,306</u>	<u>\$ 5,382,031</u>	<u>\$ 12,862,337</u>

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

CITY OF EXCELSIOR, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 638,877	\$ 78,464	\$ 10,000	\$ -
Public safety	932,664	477,212	-	-
Public works	361,960	2,110	-	576,448
Culture and recreation	261,361	74,653	-	-
Housing and economic development	96,623	-	-	-
Miscellaneous	17,709	-	-	-
Interest on long-term debt	43,117	-	-	13,947
Total governmental activities	2,352,311	632,439	10,000	590,395
Business-type activities				
Water utility	451,852	545,996	-	51,579
Sewer utility	419,496	559,023	-	26,822
Solid waste	153,834	163,989	-	-
Surface water	119,221	153,089	-	3,550
Street lighting	99,165	57,221	-	-
Commercial docks	137,841	257,131	-	-
Total business-type activities	1,381,409	1,736,449	-	81,951
Total	\$ 3,733,720	\$ 2,368,888	\$ 10,000	\$ 672,346

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 as restated (Note 8)

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
\$ (550,413)	\$ -	\$ (550,413)
(455,452)	-	(455,452)
216,598	-	216,598
(186,708)	-	(186,708)
(96,623)	-	(96,623)
(17,709)	-	(17,709)
(29,170)	-	(29,170)
(1,119,477)	-	(1,119,477)
-	145,723	145,723
-	166,349	166,349
-	10,155	10,155
-	37,418	37,418
-	(41,944)	(41,944)
-	119,290	119,290
-	436,991	436,991
(1,119,477)	436,991	(682,486)
1,288,104	-	1,288,104
100,000	-	100,000
98,373	-	98,373
70,070	-	70,070
3,095	-	3,095
48,621	35,778	84,399
4,543	-	4,543
110,400	(110,400)	-
1,723,206	(74,622)	1,648,584
603,729	362,369	966,098
6,876,577	5,019,662	11,896,239
\$ 7,480,306	\$ 5,382,031	\$ 12,862,337

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FUND FINANCIAL STATEMENTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF EXCELSIOR, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Capital Projects Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and temporary investments	\$ 1,262,742	\$ 1,523,271	\$ 397,136	\$ 3,183,149
Receivables				
Interest	14,640	-	-	14,640
Accounts	17,322	48,738	364	66,424
Delinquent taxes	18,113	-	2,246	20,359
Special assessments	-	396,323	67,648	463,971
Due from other funds	24,119	-	-	24,119
Due from other governments	7,670	21,414	-	29,084
Advance to other funds	-	15,514	-	15,514
Prepaid items	29,331	-	-	29,331
TOTAL ASSETS	\$ 1,373,937	\$ 2,005,260	\$ 467,394	\$ 3,846,591
LIABILITIES				
Accounts payable	\$ 30,111	\$ 115,204	\$ 11,533	\$ 156,848
Accrued salaries payable	12,889	-	314	13,203
Due to other funds	-	-	24,119	24,119
Due to other governments	4,368	-	-	4,368
Unearned revenue	120,451	-	-	120,451
TOTAL LIABILITIES	167,819	115,204	35,966	318,989
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - accounts receivable	-	28,628	-	28,628
Unavailable revenue - special assessments	-	396,250	67,648	463,898
Unavailable revenue - property taxes	10,714	-	-	10,714
TOTAL DEFERRED INFLOWS OF RESOURCES	10,714	424,878	67,648	503,240
FUND BALANCES				
Nonspendable				
Prepaid items	29,331	-	-	29,331
Restricted for				
Debt service	-	-	166,523	166,523
Tax increment financing district	-	-	9,975	9,975
Park improvements	-	-	80,905	80,905
Committed for				
Self insurance	92,362	-	-	92,362
Compensated absences	45,991	-	-	45,991
Cemetery	23,952	-	-	23,952
Parking lot maintenance	-	-	29,659	29,659
Assigned for				
Capital improvements	-	1,404,888	-	1,404,888
Parking improvements	-	60,290	-	60,290
Parking lot maintenance	-	-	100,837	100,837
Unassigned	1,003,768	-	(24,119)	979,649
TOTAL FUND BALANCES	1,195,404	1,465,178	363,780	3,024,362
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,373,937	\$ 2,005,260	\$ 467,394	\$ 3,846,591

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, 2015

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

Total fund balances - governmental	\$ 3,024,362
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	7,527,668
Less: accumulated depreciation	(2,009,539)
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	(19,354)
Bond principal payable	(1,112,215)
Other postemployment benefits payable	(94,195)
Pension liability	(279,292)
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	10,714
Special assessments receivable	463,898
Accounts receivable	28,628
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	32,211
Deferred inflows of pension resources	(75,036)
Governmental funds do not report a liability for accrued interest until due and payable.	(17,544)
Total net position - governmental activities	\$ 7,480,306

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, 2015

	General	Capital Projects Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,360,483	\$ -	\$ 198,373	\$ 1,558,856
Licenses and permits	267,433	-	-	267,433
Intergovernmental	13,095	50,306	13,947	77,348
Charges for services	187,405	25,772	12,059	225,236
Fines and forfeitures	69,038	-	-	69,038
Special assessments	709	125,880	38,244	164,833
Interest on investments	19,959	22,984	5,678	48,621
Miscellaneous	26,143	38,300	6,289	70,732
TOTAL REVENUES	1,944,265	263,242	274,590	2,482,097
EXPENDITURES				
Current				
General government	504,384	-	-	504,384
Public safety	932,664	-	-	932,664
Public works	207,606	-	22,241	229,847
Culture and recreation	191,710	-	-	191,710
Miscellaneous	17,885	-	-	17,885
Capital outlay				
General government	1,829	233,461	-	235,290
Public works	-	327,765	18,000	345,765
Culture and recreation	-	-	17,928	17,928
Housing and economic development	-	-	96,623	96,623
Debt service				
Principal	-	-	88,148	88,148
Interest and other	-	-	43,850	43,850
TOTAL EXPENDITURES	1,856,078	561,226	286,790	2,704,094
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	88,187	(297,984)	(12,200)	(221,997)
OTHER FINANCING SOURCES (USES)				
Transfers in	110,400	201,618	25,000	337,018
Sale of capital assets	-	4,543	-	4,543
Transfers out	(190,060)	(36,558)	-	(226,618)
TOTAL OTHER FINANCING SOURCES (USES)	(79,660)	169,603	25,000	114,943
NET CHANGE IN FUND BALANCES	8,527	(128,381)	12,800	(107,054)
FUND BALANCES, JANUARY 1	1,186,877	1,593,559	350,980	3,131,416
FUND BALANCES, DECEMBER 31	\$ 1,195,404	\$ 1,465,178	\$ 363,780	\$ 3,024,362

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, 2015

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

Net change in fund balances - governmental funds	\$ (107,054)
<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	461,564
Depreciation expense	(191,996)
<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>	
	733
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	6,383
<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	1,042
Other postemployment benefits	(14,091)
<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	(2,309)
Special assessments	361,309
	361,309
Change in net position - governmental activities	\$ 603,729

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, 2015

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,341,401	\$ 1,341,401	\$ 1,360,483	\$ 19,082
Licenses and permits	221,625	221,625	267,433	45,808
Intergovernmental	3,095	3,095	13,095	10,000
Charges for services	161,448	161,448	187,405	25,957
Fines and forfeitures	62,000	62,000	69,038	7,038
Special assessments	-	-	709	709
Interest on investments	18,500	18,500	19,959	1,459
Miscellaneous	14,200	14,200	26,143	11,943
TOTAL REVENUES	1,822,269	1,822,269	1,944,265	121,996
EXPENDITURES				
Current				
General government	534,054	534,054	504,384	29,670
Public safety	904,010	904,010	932,664	(28,654)
Public works	215,468	215,468	207,606	7,862
Culture and recreation	197,282	197,282	191,710	5,572
Miscellaneous	19,395	19,395	17,885	1,510
Capital outlay	2,000	2,000	1,829	171
TOTAL EXPENDITURES	1,872,209	1,872,209	1,856,078	16,131
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(49,940)	(49,940)	88,187	138,127
OTHER FINANCING SOURCES (USES)				
Transfers in	115,000	115,000	110,400	(4,600)
Transfers out	(65,060)	(65,060)	(190,060)	(125,000)
TOTAL OTHER FINANCING SOURCES (USES)	49,940	49,940	(79,660)	(129,600)
NET CHANGE IN FUND BALANCES	-	-	8,527	8,527
FUND BALANCES, JANUARY 1	1,186,877	1,186,877	1,186,877	-
FUND BALANCES, DECEMBER 31	<u>\$ 1,186,877</u>	<u>\$ 1,186,877</u>	<u>\$ 1,195,404</u>	<u>\$ 8,527</u>

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

CITY OF EXCELSIOR, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
ASSETS			
CURRENT ASSETS			
Cash and temporary investments	\$ 406,188	\$ 796,634	\$ 341,799
Receivables			
Accounts	126,287	128,297	-
Special assessments	7,582	984	-
Due from other governments	3,325	-	-
Prepaid items	-	-	1,855
TOTAL CURRENT ASSETS	543,382	925,915	343,654
NONCURRENT ASSETS			
Special assessments receivable	7,775	2,046	-
Advance to other funds	-	18,058	-
CAPITAL ASSETS, AT COST	4,666,273	2,753,782	484,661
LESS ACCUMULATED DEPRECIATION	(1,435,890)	(687,903)	(342,097)
NET CAPITAL ASSETS	3,230,383	2,065,879	142,564
TOTAL NONCURRENT ASSETS	3,238,158	2,085,983	142,564
TOTAL ASSETS	3,781,540	3,011,898	486,218
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	9,214	9,454	3,893

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>
\$ 144,234	\$ 89,224	\$ 1,778,079
-	58,207	312,791
-	-	8,566
-	6,300	9,625
-	-	1,855
<u>144,234</u>	<u>153,731</u>	<u>2,110,916</u>
-	-	9,821
-	-	18,058
575,911	19,660	8,500,287
(55,297)	(14,968)	(2,536,155)
<u>520,614</u>	<u>4,692</u>	<u>5,964,132</u>
<u>520,614</u>	<u>4,692</u>	<u>5,992,011</u>
<u>664,848</u>	<u>158,423</u>	<u>8,102,927</u>
<u>5,323</u>	<u>1,469</u>	<u>29,353</u>

CITY OF EXCELSIOR, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 9,814	\$ 102,719	\$ 223
Accrued salaries payable	3,278	3,396	1,487
Compensated absences payable	2,717	3,163	928
Accrued interest payable	16,865	4,808	-
Due to other governments	40	-	-
Unearned revenue	-	-	200
Bonds payable, current portion	123,259	24,156	-
TOTAL CURRENT LIABILITIES	155,973	138,242	2,838
NONCURRENT LIABILITIES			
Compensated absences payable	5,435	6,326	1,856
Bonds payable, net of current portion	1,488,099	280,634	-
Net pension liability	79,890	81,968	33,758
Advance from other funds	-	-	33,572
TOTAL NONCURRENT LIABILITIES	1,573,424	368,928	69,186
TOTAL LIABILITIES	1,729,397	507,170	72,024
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	21,464	22,022	9,070
NET POSITION			
Net investment in capital assets	1,619,025	1,761,089	142,564
Unrestricted	420,868	731,071	266,453
TOTAL NET POSITION	\$ 2,039,893	\$ 2,492,160	\$ 409,017

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>
\$ 6,534	\$ 12,049	\$ 131,339
1,880	604	10,645
1,708	362	8,878
4,466	-	26,139
-	(465)	(425)
-	-	200
<u>22,438</u>	<u>-</u>	<u>169,853</u>
<u>37,026</u>	<u>12,550</u>	<u>346,629</u>
3,417	725	17,759
260,671	-	2,029,404
46,156	12,735	254,507
-	-	33,572
<u>310,244</u>	<u>13,460</u>	<u>2,335,242</u>
<u>347,270</u>	<u>26,010</u>	<u>2,681,871</u>
<u>12,401</u>	<u>3,421</u>	<u>68,378</u>
237,505	4,692	3,764,875
<u>72,995</u>	<u>125,769</u>	<u>1,617,156</u>
<u>\$ 310,500</u>	<u>\$ 130,461</u>	<u>\$ 5,382,031</u>

CITY OF EXCELSIOR, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
OPERATING REVENUES			
Charges for services	\$ 530,411	\$ 559,023	\$ 257,131
OPERATING EXPENSES			
Refuse	-	-	-
Recycling	-	-	-
Administration	315,988	338,779	-
Maintenance	(6,414)	-	113,173
Depreciation	100,698	68,932	24,668
TOTAL OPERATING EXPENSES	410,272	407,711	137,841
OPERATING INCOME (LOSS)	120,139	151,312	119,290
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	9,184	15,184	6,035
Interest expense and other	(41,580)	(11,785)	-
Other income	15,585	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(16,811)	3,399	6,035
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	103,328	154,711	125,325
TRANSFERS OUT	(11,000)	(11,000)	(80,000)
CAPITAL CONTRIBUTIONS	51,579	26,822	-
CHANGE IN NET POSITION	143,907	170,533	45,325
NET POSITION, JANUARY 1 AS RESTATED (NOTE 8)	1,895,986	2,321,627	363,692
NET POSITION, DECEMBER 31	<u>\$ 2,039,893</u>	<u>\$ 2,492,160</u>	<u>\$ 409,017</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>
<u>\$ 153,089</u>	<u>\$ 221,210</u>	<u>\$ 1,720,864</u>
-	114,593	114,593
-	39,241	39,241
92,234	4,880	751,881
-	93,936	200,695
<u>16,232</u>	<u>349</u>	<u>210,879</u>
<u>108,466</u>	<u>252,999</u>	<u>1,317,289</u>
<u>44,623</u>	<u>(31,789)</u>	<u>403,575</u>
3,513	1,862	35,778
(10,755)	-	(64,120)
<u>-</u>	<u>-</u>	<u>15,585</u>
<u>(7,242)</u>	<u>1,862</u>	<u>(12,757)</u>
37,381	(29,927)	390,818
(1,200)	(7,200)	(110,400)
<u>3,550</u>	<u>-</u>	<u>81,951</u>
39,731	(37,127)	362,369
<u>270,769</u>	<u>167,588</u>	<u>5,019,662</u>
<u>\$ 310,500</u>	<u>\$ 130,461</u>	<u>\$ 5,382,031</u>

CITY OF EXCELSIOR, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 651,713	\$ 560,613	\$ 257,131
Payments to suppliers	(358,680)	(197,164)	(61,724)
Payments to employees	(114,326)	(127,600)	(54,028)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>178,707</u>	<u>235,849</u>	<u>141,379</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from advances to other funds	-	5,490	-
Payments on advances from other funds	-	-	(10,228)
Transfers to other funds	(11,000)	(11,000)	(80,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(11,000)</u>	<u>(5,510)</u>	<u>(90,228)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Connection fees	46,000	23,000	-
Intergovernmental	5,579	3,822	-
Acquisition of capital assets	(545,600)	(376,092)	-
Bond proceeds	196,841	-	-
Interest paid on bonds	(40,229)	(11,986)	-
Principal paid on bonds	(108,572)	(24,155)	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(445,981)</u>	<u>(385,411)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	9,184	15,184	6,035
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(269,090)	(139,888)	57,186
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>675,278</u>	<u>936,522</u>	<u>284,613</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 406,188</u>	<u>\$ 796,634</u>	<u>\$ 341,799</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>
\$ 153,089	\$ 215,567	\$ 1,838,113
(16,816)	(233,588)	(867,972)
<u>(70,799)</u>	<u>(19,791)</u>	<u>(386,544)</u>
65,474	(37,812)	583,597
-	-	5,490
-	-	(10,228)
<u>(1,200)</u>	<u>(7,200)</u>	<u>(110,400)</u>
<u>(1,200)</u>	<u>(7,200)</u>	<u>(115,138)</u>
-	-	69,000
3,550	-	12,951
(105,308)	-	(1,027,000)
-	-	196,841
(10,942)	-	(63,157)
<u>(22,438)</u>	<u>-</u>	<u>(155,165)</u>
<u>(135,138)</u>	<u>-</u>	<u>(966,530)</u>
<u>3,513</u>	<u>1,862</u>	<u>35,778</u>
(67,351)	(43,150)	(462,293)
<u>211,585</u>	<u>132,374</u>	<u>2,240,372</u>
<u>\$ 144,234</u>	<u>\$ 89,224</u>	<u>\$ 1,778,079</u>

CITY OF EXCELSIOR, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 120,139	\$ 151,312	\$ 119,290
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Other income related to operations	15,585	-	-
Depreciation	100,698	68,932	24,668
(Increase) decrease in assets/deferred outflows			
Receivables			
Accounts	74	3,636	-
Special assessments	(5,030)	(2,046)	-
Due from other governments	110,673	-	-
Prepaid items	400	13,489	(1,711)
Deferred pension resources	(9,214)	(9,454)	(3,893)
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	(163,770)	299	(224)
Accrued salaries payable	409	415	182
Compensated absences payable	1,008	1,302	281
Due to other governments	250	-	-
Net pension liability	(13,979)	(14,058)	(6,284)
Deferred pension resources	21,464	22,022	9,070
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 178,707</u>	<u>\$ 235,849</u>	<u>\$ 141,379</u>
SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES			
Capital assets acquired on account	<u>\$ 4,142</u>	<u>\$ 99,993</u>	<u>\$ -</u>

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>
\$ 44,623	\$ (31,789)	\$ 403,575
-	-	15,585
16,232	349	210,879
-	657	4,367
-	-	(7,076)
-	(6,300)	104,373
-	96	12,274
(5,323)	(1,469)	(29,353)
4,391	(90)	(159,394)
198	99	1,303
115	354	3,060
-	(511)	(261)
(7,163)	(2,629)	(44,113)
<u>12,401</u>	<u>3,421</u>	<u>68,378</u>
<u>\$ 65,474</u>	<u>\$ (37,812)</u>	<u>\$ 583,597</u>
<u>\$ 6,312</u>	<u>\$ -</u>	<u>\$ 104,135</u>

CITY OF EXCELSIOR, MINNESOTA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2015

	<u>Agency</u>
ASSETS	
Cash and temporary investments	<u>\$ 55,884</u>
LIABILITIES	
Accounts payable	<u>\$ 55,884</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, 2015

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, 2015

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.

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.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, deferred outflows of resources, 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. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. 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.
8. 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.
9. 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, 2015

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 2015. 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.

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

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated absences

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

Postemployment benefits other than pensions

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

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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/deferred outflows of resources and liabilities/deferred inflows of resources. 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 - Consists 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".

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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 30th, 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. Deficit fund balances

The following fund had a fund balance deficit at December 31, 2015:

Fund	Amount
TIF 1-2 Project	\$ 24,119

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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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 \$1,312,001 and the bank balance was \$1,390,184. Of the bank balance, \$526,664 was covered by federal depository insurance. The remaining balance was covered by collateral held in the City's name.

A reconciliation of cash and temporary investments as reported on the statement of net position for the City follows:

Investments

As of December 31, 2015, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name:

Types of Investments	Credit Quality/ Rating (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Non pooled investments			
U.S. Government Securities	AAA	more than 3 years	\$ 524,045
Brokered Certificates of Deposit	N/A	less than 1 year	439,395
Brokered Certificates of Deposit	N/A	1 to 3 years	596,259
Brokered Certificates of Deposit	N/A	more than 3 years	2,125,132
Pooled investments			
Broker Money Market	N/A	less than 6 months	<u>20,080</u>
Total investments			<u><u>\$ 3,704,911</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	\$ 1,312,001
Investments	3,704,911
Cash on hand	<u>200</u>
Total	<u><u>\$ 5,017,112</u></u>
Cash and temporary investments	
Statement of Net Position	\$ 4,961,228
Statement of Fiduciary Net Position	<u>55,884</u>
Total	<u><u>\$ 5,017,112</u></u>

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,111,042	\$ -	\$ -	\$ 1,111,042
Construction in progress	<u>246,457</u>	<u>384,829</u>	<u>(631,286)</u>	<u>-</u>
 Total capital assets not being depreciated	 <u>1,357,499</u>	 <u>384,829</u>	 <u>(631,286)</u>	 <u>1,111,042</u>
Capital assets being depreciated				
Buildings	748,150	-	-	748,150
Improvements other than buildings	3,018,203	631,286	-	3,649,489
Machinery and equipment	824,800	115,215	(74,000)	866,015
Infrastructure	<u>1,152,972</u>	<u>-</u>	<u>-</u>	<u>1,152,972</u>
 Total capital assets being depreciated	 <u>5,744,125</u>	 <u>746,501</u>	 <u>(74,000)</u>	 <u>6,416,626</u>
Less accumulated depreciation for				
Buildings	(569,224)	(14,822)	-	(584,046)
Improvements other than buildings	(288,044)	(102,144)	-	(390,188)
Machinery and equipment	(436,216)	(45,459)	35,520	(446,155)
Infrastructure	<u>(559,579)</u>	<u>(29,571)</u>	<u>-</u>	<u>(589,150)</u>
 Total accumulated depreciation	 <u>(1,853,063)</u>	 <u>(191,996)</u>	 <u>35,520</u>	 <u>(2,009,539)</u>
 Total capital assets being depreciated, net	 <u>3,891,062</u>	 <u>554,505</u>	 <u>(38,480)</u>	 <u>4,407,087</u>
 Governmental activities capital assets, net	 <u>\$ 5,248,561</u>	 <u>\$ 939,334</u>	 <u>\$ (669,766)</u>	 <u>\$ 5,518,129</u>

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

Governmental activities	
General government	\$ 13,026
Public works	129,271
Culture and recreation	<u>49,699</u>
 Total depreciation expense - governmental activities	 <u>\$ 191,996</u>

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	<u>936,541</u>	<u>865,494</u>	<u>(1,544,195)</u>	<u>257,840</u>
 Total capital assets not being depreciated	 <u>986,541</u>	 <u>865,494</u>	 <u>(1,544,195)</u>	 <u>307,840</u>
Capital assets being depreciated				
Buildings	8,202	-	-	8,202
Machinery and equipment	924,777	101,810	-	1,026,587
Infrastructure	<u>5,679,843</u>	<u>1,477,815</u>	<u>-</u>	<u>7,157,658</u>
 Total capital assets being depreciated	 <u>6,612,822</u>	 <u>1,579,625</u>	 <u>-</u>	 <u>8,192,447</u>
Less accumulated depreciation for				
Buildings	(8,202)	-	-	(8,202)
Machinery and equipment	(394,289)	(45,851)	-	(440,140)
Infrastructure	<u>(1,922,785)</u>	<u>(165,028)</u>	<u>-</u>	<u>(2,087,813)</u>
 Total accumulated depreciation	 <u>(2,325,276)</u>	 <u>(210,879)</u>	 <u>-</u>	 <u>(2,536,155)</u>
 Total capital assets being depreciated, net	 <u>4,287,546</u>	 <u>1,368,746</u>	 <u>-</u>	 <u>5,656,292</u>
 Business-type activities capital assets, net	 <u><u>\$ 5,274,087</u></u>	 <u><u>\$ 2,234,240</u></u>	 <u><u>\$ (1,544,195)</u></u>	 <u><u>\$ 5,964,132</u></u>

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

Business-type activities	
Water utility	\$ 100,698
Sewer utility	68,932
Commercial docks	24,668
Surface water management	16,232
Other proprietary funds	<u>349</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 210,879</u></u>

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Advances to and from other funds and transfers

The composition of advances to and from other funds as of December 31, 2015 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount	Final Maturity
Capital Improvement	Commercial Docks	Residential dock construction	\$ 15,514	2018
Sewer	Commercial Docks	Residential dock construction	18,058	2018
General	TIF District 1-2	Cash flow	24,119	NA

The composition of interfund transfers as of December 31, 2015 is as follows:

Fund	Transfer in			Total
	General Fund	Capital Improvement Fund	Other Governmental Funds	
Transfer out				
General	\$ -	\$ 190,060	\$ -	\$ 190,060
Capital Improvement	-		25,000	25,000
Water	11,000	-	-	11,000
Sewer	11,000	-	-	11,000
Commercial Docks	80,000	-	-	80,000
Surface Water Management	1,200	-	-	1,200
Other proprietary	7,200	-	-	7,200
Total	\$ 110,400	\$ 190,060	\$ 25,000	\$ 325,460

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 \$125,000 transfer from the General fund to the Capital Improvement fund. This transfer was made to fund future projects.

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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>\$ 2,145,000</u>

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

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2016	\$ 88,148	\$ 41,069	\$ 129,217
2017	90,740	38,808	129,548
2018	93,332	36,183	129,515
2019	95,925	33,153	129,078
2020	98,518	29,749	128,267
2021-2025	528,886	87,071	615,957
2026	116,666	2,742	119,408
Total	<u>\$ 1,112,215</u>	<u>\$ 268,775</u>	<u>\$ 1,380,990</u>

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
	2016	\$ 81,853	\$ 38,136
2017	84,260	36,037	120,297
2018	86,667	33,599	120,266
2019	89,075	30,785	119,860
2020	91,482	27,624	119,106
2021-2025	491,114	80,853	571,967
2026	108,334	2,546	110,880
Total	<u>\$ 1,032,785</u>	<u>\$ 249,580</u>	<u>\$ 1,282,365</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	\$ 410,000
MPFA - 2014A Water Revenue Bonds	920,313	1.00	06/02/14	08/20/28	<u>756,472</u>
Total G.O. Revenue Bonds					<u>\$ 1,166,472</u>

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

Year Ending December 31,	General Obligation Revenue Bonds Business-type Activities		
	Principal	Interest	Total
	2016	\$ 88,000	\$ 23,913
2017	88,000	21,661	109,661
2018	94,000	19,282	113,282
2019	94,000	16,767	110,767
2020	95,000	14,227	109,227
2021-2025	400,000	33,596	433,596
2026-2028	307,472	11,433	318,905
Total	<u>\$ 1,166,472</u>	<u>\$ 140,879</u>	<u>\$ 1,307,351</u>

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
General obligation					
improvement bonds	\$ 1,200,363	\$ -	\$ (88,148)	\$ 1,112,215	\$ 88,148
Compensated absences payable	20,396	33,320	(34,362)	19,354	6,451
Other postemployment benefits payable	80,104	14,091	-	94,195	-
Pension liability					
GERF	-	286,067 *	(6,775)	279,292	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activity long-term liabilities	<u>\$ 1,300,863</u>	<u>\$ 333,478</u>	<u>\$ (129,285)</u>	<u>\$ 1,505,056</u>	<u>\$ 94,599</u>
Business-type activities					
Bonds payable					
General obligation					
revenue bonds	\$ 1,042,944	\$ 196,841	\$ (73,313)	\$ 1,166,472	\$ 88,000
General obligation improvement bonds	1,114,637	-	(81,852)	1,032,785	81,853
Compensated absences payable	23,577	38,517	(35,457)	26,637	8,878
Pension liability					
GERF	-	259,203 *	(4,696)	254,507	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type activity long-term liabilities	<u>\$ 2,181,158</u>	<u>\$ 494,561</u>	<u>\$ (195,318)</u>	<u>\$ 2,480,401</u>	<u>\$ 178,731</u>

* Includes 1/1/2015 pension liability balance related to GASB Statement No. 68 implementation. See note 4 for further detail.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City, are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

B. Benefits provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

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

GERF benefits

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 ten 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 ten 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 members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

C. Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$46,043, \$44,492, and \$45,189, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

D. Pension costs

GERF pension costs

At December 31, 2015, the City reported a liability of \$533,799 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.0103 percent which was a decrease of 0.0017 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$34,572 for its proportionate share of GERF's pension expense.

At December 31, 2015, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,767	\$ 26,913
Changes in actuarial assumptions	32,426	-
Net difference between projected and actual earnings on plan investments	-	47,518
Changes in proportion	-	68,983
Contributions to GERF subsequent to the measurement date	<u>23,371</u>	<u>-</u>
Total	<u>\$ 61,564</u>	<u>\$ 143,414</u>

Deferred outflows of resources totaling \$23,371 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	\$ (32,920)
2017	(32,920)
2018	(52,017)
2019	12,633
2020	-

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

E. Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for GERF.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.0
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	<u>2.00</u>	0.50
Total	<u><u>100.00 %</u></u>	

F. Discount rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

G. Pension liability sensitivity

The following presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
	GERF	\$ 839,322	\$ 533,799

H. Pension plan fiduciary net position

Detailed information about each defined benefit pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

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, 2015. As of December 31, 2015, there are three retirees receiving health benefits from the plan, who pay their full premium.

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

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	\$ 13,515
Interest on net OPEB obligation	3,572
Adjustment to annual required contribution	(2,996)
 Annual OPEB cost (expense)	 14,091
 Contributions made	 -
 Increase in net OPEB obligation	 14,091
 Net OPEB obligation - January 1, 2015	 80,104
 Net OPEB obligation - December 31, 2015	 \$ 94,195

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, 2015 follows:

Year Ending	Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/15	\$ 14,091	- %	\$ 94,195
12/31/14	14,250	-	80,104
12/31/13	13,526	-	66,740

D. Funded status and funding progress

As of January 1, 2014, the actuarial accrued liability for benefits was \$83,586, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$770,963, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11 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.

CITY OF EXCELSIOR, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2015

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

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, 2015 was 30 years.

Note 6: JOINT POWERS AGREEMENTS

A. South Lake Minnetonka Police Department

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

Any budget shortfall is made up first from department reserves, with any excess shortfall assessed to each participating community according to the formula. The most recent year of audited information is December 31, 2014.

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2014 AND 2013

	2014	2013
Assets	\$ 5,051,223	\$ 5,214,361
Liabilities	\$ 3,326,740	\$ 3,639,122
Net position	1,724,483	1,575,239
Total liabilities and net position	\$ 5,051,223	\$ 5,214,361

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6: JOINT POWERS AGREEMENTS - CONTINUED

SOUTH LAKE MINNETONKA POLICE DEPARTMENT
SUMMARY STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Revenues	\$ 2,829,638	\$ 2,792,683
Expenses	2,692,164	2,630,842
Net revenues	137,474	161,841
General revenues	11,770	12,596
Change in net position	149,244	174,437
Net position, January 1	1,575,239	1,400,802
Net position, December 31	\$ 1,724,483	\$ 1,575,239

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 2015 totaled \$711,278. 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.

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, 2015:

EXCELSIOR FIRE DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2015 AND 2014

	2015	2014
Assets	\$ 8,918,967	\$ 7,868,422
Deferred outflows of resources	202,136	-
Liabilities	4,156,120	4,454,504
Deferred inflows of resources	210,985	-
Net position	\$ 4,753,998	\$ 3,413,918

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6: JOINT POWERS AGREEMENTS - CONTINUED

EXCELSIOR FIRE DISTRICT
SUMMARY STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Charges for services	\$ 1,586,179	\$ 1,582,905
Operating grants and contributions	2,224	2,553
Expenses	(1,345,611)	(1,289,669)
Net revenues	242,792	295,789
General revenues	4,921	3,803
Change in net position	247,713	299,592
Net position, January 1 as restated	4,506,285	3,114,326
Net position, December 31	\$ 4,753,998	\$ 3,413,918

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 2015 totaled \$175,802. 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.

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.

D. St. Alban's Bay Lake Improvement District

In February 2015, the City, along with the city of Greenwood, entered a joint powers agreement for the Lake Improvement District to be established for the management and control of Aquatic Invasive Species in St. Alban's Bay, Lake Minnetonka. The parties have determined that each City is more economically and efficiently served by establishing the Lake Improvement District together to manage and monitor the water resource.

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.

CITY OF EXCELSIOR, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 7: OTHER INFORMATION - CONTINUED

B. Legal debt margin

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

C. Tax increment districts

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

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

Note 8: CHANGE IN ACCOUNTING STANDARDS

During 2015, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 4.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	\$ 7,205,077	\$ (328,500)	\$ 6,876,577
Business-type activities	\$ 5,318,282	\$ (298,620)	\$ 5,019,662
Business-type activities			
Water	\$ 1,989,855	\$ (93,869)	\$ 1,895,986
Sewer	2,417,653	(96,026)	2,321,627
Commercial Docks	403,734	(40,042)	363,692
Surface Water Management	324,088	(53,319)	270,769
Other Proprietary Funds	182,952	(15,364)	167,588
Total business-type activities	\$ 5,318,282	\$ (298,620)	\$ 5,019,662

(1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at December 31, 2014.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF EXCELSIOR, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 DECEMBER 31, 2015

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	
01/01/15	\$ -	\$ 83,586	\$ 83,586	- %	\$ 770,963	10.8 %
01/01/14	-	70,719	70,719	-	743,097	9.5
01/01/13	-	74,393	74,393	-	646,923	11.5

Schedule of employer's share of PERA net pension liability

Fiscal Year Ending	Required Supplementary Information						Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	
12/31/15	0.0103 %	\$ 533,799	\$ -	\$ 533,799	\$ 613,907	87.0 %	86.6 %

Schedule of employer's PERA contributions

Year Ending	Required Supplementary Information					Contributions as a Percentage of Covered Payroll (b/c)
	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)		
2015	\$ 46,043	\$ 46,043	\$ -	\$ 613,907	7.50 %	

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

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015

	<u>Special Revenue</u>		<u>Debt Service</u>	
	Parking Lot Maintenance	Capital Projects	G.O. Bonds 2010A	Total Nonmajor Funds
ASSETS				
Cash and temporary investments	\$ 131,342	\$ 98,856	\$ 166,938	\$ 397,136
Receivables				
Accounts	-	364	-	364
Delinquent taxes	-	2,246	-	2,246
Special assessments	686	-	66,962	67,648
TOTAL ASSETS	\$ 132,028	\$ 101,466	\$ 233,900	\$ 467,394
LIABILITIES				
Accounts payable	\$ 532	\$ 10,586	\$ 415	\$ 11,533
Accrued salaries and benefits payable	314	-	-	314
Due to other funds	-	24,119	-	24,119
TOTAL LIABILITIES	846	34,705	415	35,966
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	686	-	66,962	67,648
FUND BALANCES				
Restricted for				
Debt service	-	-	166,523	166,523
Tax increment financing district	-	9,975	-	9,975
Park improvements	-	80,905	-	80,905
Committed for				
Parking lot maintenance	29,659	-	-	29,659
Assigned for				
Parking lot maintenance	100,837	-	-	100,837
Unassigned	-	(24,119)	-	(24,119)
TOTAL FUND BALANCES	130,496	66,761	166,523	363,780
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
	\$ 132,028	\$ 101,466	\$ 233,900	\$ 467,394

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Total</u>
	<u>Parking Lot</u>	<u>Capital</u>	<u>G.O. Bonds</u>	<u>Nonmajor</u>
	<u>Maintenance</u>	<u>Projects</u>	<u>2010A</u>	<u>Funds</u>
REVENUES				
Taxes	\$ -	\$ 98,373	\$ 100,000	\$ 198,373
Intergovernmental	-	-	13,947	13,947
Charges for services	12,059	-	-	12,059
Special assessments	25,832	-	12,412	38,244
Interest on investments	2,309	1,636	1,733	5,678
Miscellaneous				
Donations	-	6,289	-	6,289
	<u>40,200</u>	<u>106,298</u>	<u>128,092</u>	<u>274,590</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public works	22,241	-	-	22,241
Capital outlay				
Public works	18,000	-	-	18,000
Culture and recreation	-	17,928	-	17,928
Housing and economic development	-	96,623	-	96,623
Debt service				
Principal	-	-	88,148	88,148
Interest and other	-	-	43,850	43,850
	<u>40,241</u>	<u>114,551</u>	<u>131,998</u>	<u>286,790</u>
TOTAL EXPENDITURES				
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(41)	(8,253)	(3,906)	(12,200)
OTHER FINANCING SOURCES				
Transfers in	-	25,000	-	25,000
NET CHANGE IN FUND BALANCES	(41)	16,747	(3,906)	12,800
FUND BALANCES, JANUARY 1	<u>130,537</u>	<u>50,014</u>	<u>170,429</u>	<u>350,980</u>
FUND BALANCES, DECEMBER 31	<u>\$ 130,496</u>	<u>\$ 66,761</u>	<u>\$ 166,523</u>	<u>\$ 363,780</u>

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015

	Park Improvement	TIF 1-1 Project	TIF 1-2 Project	Total
ASSETS				
Cash and temporary investments	\$ 88,926	\$ 9,930	\$ -	\$ 98,856
Receivables				
Accounts	364	-	-	364
Delinquent taxes	-	2,246	-	2,246
TOTAL ASSETS	\$ 89,290	\$ 12,176	\$ -	\$ 101,466
LIABILITIES				
Accounts payable	\$ 8,385	\$ 2,201	\$ -	\$ 10,586
Due to other funds	-	-	24,119	24,119
TOTAL LIABILITIES	8,385	2,201	24,119	34,705
FUND BALANCES				
Restricted				
Tax increment financing district	-	9,975	-	9,975
Park improvements	80,905	-	-	80,905
Unassigned	-	-	(24,119)	(24,119)
TOTAL FUND BALANCES	80,905	9,975	(24,119)	66,761
TOTAL LIABILITIES AND FUND BALANCES				
	\$ 89,290	\$ 12,176	\$ -	\$ 101,466

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Park Improvement	TIF 1-1 Project	TIF 1-2 Project	Total
REVENUES				
Taxes	\$ -	\$ 98,373	\$ -	\$ 98,373
Interest on investments	1,487	149	-	1,636
Other	6,289	-	-	6,289
	<u>7,776</u>	<u>98,522</u>	<u>-</u>	<u>106,298</u>
TOTAL REVENUES				
EXPENDITURES				
Capital outlay				
Culture and recreation	17,928	-	-	17,928
Housing and economic development	-	96,514	109	96,623
	<u>17,928</u>	<u>96,514</u>	<u>109</u>	<u>114,551</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,152)	2,008	(109)	(8,253)
OTHER FINANCING SOURCES				
Transfers in	25,000	-	-	25,000
	<u>14,848</u>	<u>2,008</u>	<u>(109)</u>	<u>16,747</u>
NET CHANGE IN FUND BALANCES				
FUND BALANCES, JANUARY 1	66,057	7,967	(24,010)	50,014
FUND BALANCES, DECEMBER 31	<u>\$ 80,905</u>	<u>\$ 9,975</u>	<u>\$ (24,119)</u>	<u>\$ 66,761</u>

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
ASSETS			
CURRENT ASSETS			
Cash and temporary investments	\$ 83,800	\$ 5,424	\$ 89,224
Accounts receivable	42,861	15,346	58,207
Due from other governments	6,300	-	6,300
TOTAL CURRENT ASSETS	132,961	20,770	153,731
CAPITAL ASSETS, AT COST	12,665	6,995	19,660
LESS ACCUMULATED DEPRECIATION	(12,665)	(2,303)	(14,968)
NET CAPITAL ASSETS	-	4,692	4,692
TOTAL ASSETS	132,961	25,462	158,423
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	1,106	363	1,469
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	9,469	2,580	12,049
Due to other governments	(465)	-	(465)
Accrued salaries payable	432	172	604
Compensated absences payable	153	209	362
TOTAL CURRENT LIABILITIES	9,589	2,961	12,550
NONCURRENT LIABILITIES			
Compensated absences payable	307	418	725
Net pension liability	9,589	3,146	12,735
TOTAL NONCURRENT LIABILITIES	9,896	3,564	13,460
TOTAL LIABILITIES	19,485	6,525	26,010
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	2,576	845	3,421
NET POSITION			
Invested in capital assets	-	4,692	4,692
Unrestricted	112,006	13,763	125,769
TOTAL NET POSITION	\$ 112,006	\$ 18,455	\$ 130,461

CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
OPERATING REVENUES			
Charges for services	\$ 163,989	\$ 57,221	\$ 221,210
OPERATING EXPENSES			
Refuse	114,593	-	114,593
Recycling	39,241	-	39,241
Administration	-	4,880	4,880
Maintenance	-	93,936	93,936
Depreciation	-	349	349
TOTAL OPERATING EXPENSES	153,834	99,165	252,999
OPERATING INCOME (LOSS)	10,155	(41,944)	(31,789)
NONOPERATING REVENUES			
Interest on investments	1,505	357	1,862
INCOME (LOSS) BEFORE TRANSFERS	11,660	(41,587)	(29,927)
TRANSFERS OUT	(6,000)	(1,200)	(7,200)
CHANGE IN NET POSITION	5,660	(42,787)	(37,127)
NET POSITION, JANUARY 1 AS RESTATED	106,346	61,242	167,588
NET POSITION, DECEMBER 31	\$ 112,006	\$ 18,455	\$ 130,461

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CITY OF EXCELSIOR, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 158,540	\$ 57,027	\$ 215,567
Payments to suppliers	(139,324)	(94,264)	(233,588)
Payments to employees	(15,236)	(4,555)	(19,791)
	<u>3,980</u>	<u>(41,792)</u>	<u>(37,812)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(6,000)	(1,200)	(7,200)
	<u>(6,000)</u>	<u>(1,200)</u>	<u>(7,200)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	1,505	357	1,862
	<u>1,505</u>	<u>357</u>	<u>1,862</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(515)	(42,635)	(43,150)
CASH AND CASH EQUIVALENTS, JANUARY 1	84,315	48,059	132,374
	<u>84,315</u>	<u>48,059</u>	<u>132,374</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 83,800</u>	<u>\$ 5,424</u>	<u>\$ 89,224</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 10,155	\$ (41,944)	\$ (31,789)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	349	349
(Increase) decrease in assets/deferred outflows			
Receivables			
Accounts	851	(194)	657
Due from other governments	(6,300)	-	(6,300)
Prepaid items	96	-	96
Deferred pension resources	(1,106)	(363)	(1,469)
Increase (decrease) in liabilities/deferred inflows			
Accounts payable	155	(245)	(90)
Accrued salaries payable	44	55	99
Compensated absences payable	74	280	354
Due to other governments	(511)	-	(511)
Net pension liability	(2,054)	(575)	(2,629)
Deferred pension resources	2,576	845	3,421
	<u>2,576</u>	<u>845</u>	<u>3,421</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,980</u>	<u>\$ (41,792)</u>	<u>\$ (37,812)</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, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property	\$ 1,271,651	\$ 1,271,651	\$ 1,290,413	\$ 18,762	\$ 1,226,716
Franchise	69,750	69,750	70,070	320	69,532
Total	1,341,401	1,341,401	1,360,483	19,082	1,296,248
Licenses and permits					
Business	118,225	118,225	138,571	20,346	143,230
Nonbusiness	103,400	103,400	128,862	25,462	172,471
Total	221,625	221,625	267,433	45,808	315,701
Intergovernmental					
State					
Other	3,095	3,095	3,095	-	3,095
County					
Other	-	-	10,000	10,000	1,000
Total	3,095	3,095	13,095	10,000	4,095
Charges for services					
General government	69,923	69,923	84,156	14,233	113,019
Public works	50,000	50,000	62,782	12,782	53,546
Culture and recreation	39,525	39,525	38,662	(863)	38,860
Other charges	2,000	2,000	1,805	(195)	5,200
Total	161,448	161,448	187,405	25,957	210,625
Fines and forfeitures	62,000	62,000	69,038	7,038	73,175
Special assessments	-	-	709	709	28
Interest on investments	18,500	18,500	19,959	1,459	46,439
Miscellaneous					
Other	1,200	1,200	5,018	3,818	5,401
Refunds and reimbursements	13,000	13,000	21,125	8,125	15,932
Total	14,200	14,200	26,143	11,943	21,333
TOTAL REVENUES	1,822,269	1,822,269	1,944,265	121,996	1,967,644

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, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Legislative					
Personal services	\$ 14,209	\$ 14,209	\$ 13,887	\$ 322	\$ 14,209
Other services and charges	9,625	9,625	6,200	3,425	5,955
Total	23,834	23,834	20,087	3,747	20,164
City manager / clerk					
Personal services	110,092	110,092	100,105	9,987	109,415
Other services and charges	5,400	5,400	4,186	1,214	6,048
Total	115,492	115,492	104,291	11,201	115,463
Elections and voter registration					
Personal services	-	-	-	-	2,179
Supplies	-	-	161	(161)	1,973
Other services and charges	600	600	1,014	(414)	1,113
Total	600	600	1,175	(575)	5,265
Finance					
Personal services	54,396	54,396	54,106	290	50,699
Other services and charges	1,570	1,570	1,782	(212)	1,912
Total	55,966	55,966	55,888	78	52,611
Planning and zoning					
Personal services	60,567	60,567	57,711	2,856	52,434
Other services and charges	44,850	44,850	35,428	9,422	45,793
Total	105,417	105,417	93,139	12,278	98,227
Administration					
Supplies	5,300	5,300	4,015	1,285	5,045
Other services and charges	221,385	221,385	214,805	6,580	194,015
Total	226,685	226,685	218,820	7,865	199,060
Heritage preservation					
Other services and charges	6,060	6,060	10,984	(4,924)	1,263
Total general government	534,054	534,054	504,384	29,670	492,053

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, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Public safety					
Police protection					
Other services and charges	\$ 707,890	\$ 707,890	\$ 702,788	\$ 5,102	\$ 685,236
Fire protection					
Other services and charges	181,120	181,120	178,642	2,478	168,924
Protective inspection					
Other services and charges	15,000	15,000	51,234	(36,234)	36,682
Total public safety	904,010	904,010	932,664	(28,654)	890,842
Public works					
Engineering					
Other services and charges	11,000	11,000	9,774	1,226	10,827
Streets					
Personal services	126,014	126,014	119,936	6,078	132,141
Supplies	31,714	31,714	38,824	(7,110)	31,574
Other services and charges	46,740	46,740	39,072	7,668	54,419
Total	204,468	204,468	197,832	6,636	218,134
Total public works	215,468	215,468	207,606	7,862	228,961
Culture and recreation					
Parks					
Personal services	107,056	107,056	98,195	8,861	92,738
Supplies	20,976	20,976	23,052	(2,076)	21,762
Other services and charges	69,250	69,250	70,463	(1,213)	58,026
Total culture and recreation	197,282	197,282	191,710	5,572	172,526
Miscellaneous					
Cemetery					
Personal services	15,795	15,795	15,457	338	18,466
Supplies	2,100	2,100	1,175	925	1,185
Other services and charges	1,500	1,500	1,253	247	980
Total miscellaneous	19,395	19,395	17,885	1,510	20,631
Total current expenditures	1,870,209	1,870,209	1,854,249	15,960	1,805,013

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, 2015
(With comparative actual amounts for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Capital outlay					
General government	\$ 2,000	\$ 2,000	\$ 1,829	\$ 171	\$ 195
TOTAL EXPENDITURES	<u>1,872,209</u>	<u>1,872,209</u>	<u>1,856,078</u>	<u>16,131</u>	<u>1,805,208</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(49,940)</u>	<u>(49,940)</u>	<u>88,187</u>	<u>138,127</u>	<u>162,436</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	115,000	115,000	110,400	(4,600)	85,200
Transfers out	<u>(65,060)</u>	<u>(65,060)</u>	<u>(190,060)</u>	<u>(125,000)</u>	<u>(379,116)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>49,940</u>	<u>49,940</u>	<u>(79,660)</u>	<u>(129,600)</u>	<u>(293,916)</u>
NET CHANGE IN FUND BALANCES	-	-	8,527	8,527	(131,480)
FUND BALANCES, JANUARY 1	<u>1,186,877</u>	<u>1,186,877</u>	<u>1,186,877</u>	-	<u>1,318,357</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,186,877</u>	<u>\$ 1,186,877</u>	<u>\$ 1,195,404</u>	<u>\$ 8,527</u>	<u>\$ 1,186,877</u>

CITY OF EXCELSIOR, MINNESOTA
 AGENCY FUNDS
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Balance January 1	Additions	Deductions	Balance December 31
ESCROW				
ASSETS				
Cash and temporary investments	\$ 56,611	\$ 124,879	\$ 125,606	\$ 55,884
LIABILITY				
Accounts payable	\$ 56,611	\$ 124,152	\$ 124,879	\$ 55,884

CITY OF EXCELSIOR, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Total		Percent Increase (Decrease)
	2015	2014	
REVENUES			
Taxes	\$ 1,558,856	\$ 1,481,024	5.26 %
Special assessments	164,833	36,215	355.15
Licenses and permits	267,433	315,701	(15.29)
Intergovernmental	77,348	22,366	245.83
Charges for services	225,236	266,559	(15.50)
Fines and forfeitures	69,038	73,175	(5.65)
Interest on investments	48,621	107,014	(54.57)
Miscellaneous	70,732	39,805	77.70
TOTAL REVENUES	\$ 2,482,097	\$ 2,341,859	5.99 %
Per Capita	\$ 1,092	\$ 1,025	6.50 %
EXPENDITURES			
Current			
General government	\$ 504,384	\$ 492,053	2.51 %
Public safety	932,664	890,842	4.69
Public works	229,847	249,365	(7.83)
Culture and recreation	191,710	172,526	11.12
Miscellaneous	17,885	20,631	(13.31)
Capital outlay			
General government	235,290	51,490	356.96
Public works	345,765	132,764	160.44
Culture and recreation	17,928	136,449	(86.86)
Housing and economic development	96,623	88,601	9.05
Debt service			
Principal payments	88,148	88,148	-
Bond issuance costs	43,850	45,845	(4.35)
TOTAL EXPENDITURES	\$ 2,704,094	\$ 2,368,714	14.16 %
Per Capita	\$ 1,190	\$ 1,037	14.71 %
Total Long-term Indebtedness	\$ 1,112,215	\$ 1,200,363	(7.34) %
Per Capita	489	526	(6.89)
General Fund Balance - December 31	\$ 1,195,404	\$ 1,186,877	0.72 %
Per Capita	526	520	1.20

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, 2015

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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
2006	\$ 1,078,920	\$ 1,056,965	97.97 %	\$ 21,890	\$ 1,078,855	99.99 %
2007	1,089,709	1,066,116	97.83	17,301	1,083,417	99.42
2008	1,144,194	1,114,519	97.41	18,479	1,132,998	99.02
2009	1,201,408	1,171,076	97.48	12,350	1,183,426	98.50
2010	1,291,509	1,264,296	97.89	10,509	1,274,805	98.71
2011	1,317,399	1,290,735	97.98	12,924	1,303,659	98.96
2012	1,317,399	1,295,322	98.32	11,993	1,307,315	99.23
2013	1,317,339	1,309,701	99.42	(3,066)	1,306,635	99.19
2014	1,351,808	1,335,576	98.80	(8,761)	1,326,815	98.15
2015	1,378,895	1,369,120	99.29	-	1,369,120	99.29

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
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	388	22,368	100.00
2012	23,805	22,259	93.51	1,546	23,805	100.00
2013	24,282	24,043	99.02	239	24,282	100.00
2014	27,106	25,725	94.91	1,345	27,070	99.87
2015	22,650	22,305	98.48	-	22,305	98.48

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
TAX CAPACITY				
Personal property	\$ 35,374	\$ 39,839	\$ 38,967	\$ 38,760
Real estate	<u>3,473,241</u>	<u>4,135,837</u>	<u>4,612,292</u>	<u>4,799,686</u>
 TOTAL	 3,508,615	 4,175,676	 4,651,259	 4,838,446
 Contribution to fiscal disparities pool	 (324,506)	 (367,808)	 (519,848)	 (570,522)
Increment	(22,175)	(72,885)	(95,078)	(95,078)
Distribution from fiscal disparities pool	<u>172,842</u>	<u>182,801</u>	<u>209,578</u>	<u>224,664</u>
 TOTAL TAX CAPACITY	 <u>\$ 3,334,776</u>	 <u>\$ 3,917,784</u>	 <u>\$ 4,245,911</u>	 <u>\$ 4,397,510</u>
 TAX LEVIES				
Revenue	<u>\$ 1,089,709</u>	<u>\$ 1,144,194</u>	<u>\$ 1,201,408</u>	<u>\$ 1,291,509</u>
 TAX CAPACITY RATES				
Revenue	<u>32.677 %</u>	<u>29.205 %</u>	<u>28.296 %</u>	<u>29.369 %</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 38,524	\$ 40,320	\$ 43,948	\$ 45,194	\$ 45,568	\$ 47,211
<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>	<u>4,630,478</u>
4,714,251	4,225,376	4,111,332	3,994,527	4,093,637	4,677,689
(608,282)	(574,768)	(489,211)	(491,004)	(515,487)	(510,901)
(93,430)	(90,628)	(89,863)	(77,600)	(77,602)	(89,957)
<u>223,253</u>	<u>219,176</u>	<u>184,321</u>	<u>153,910</u>	<u>149,422</u>	<u>149,955</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>\$ 4,226,786</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>\$ 1,351,808</u>
<u>31.102 %</u>	<u>34.860 %</u>	<u>35.447 %</u>	<u>36.799 %</u>	<u>37.036 %</u>	<u>31.982 %</u>

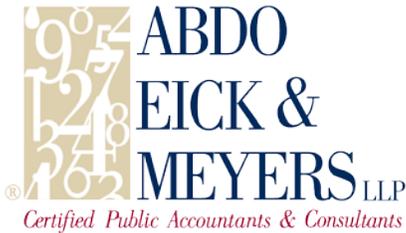
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OTHER REQUIRED REPORTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Excelsior, Minnesota

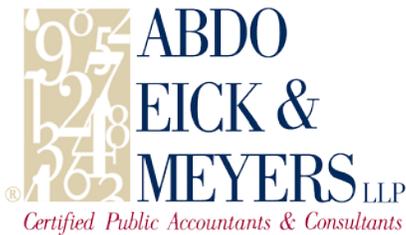
We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Excelsior, Minnesota (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities*, 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 Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the information and use those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 13, 2016



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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 13, 2016.

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 Responses as item 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

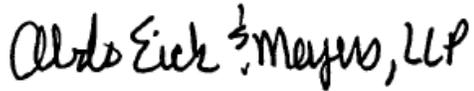
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 Responses. 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
April 13, 2016

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CITY OF EXCELSIOR, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Finding Description

2015- 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.