PRELIMINARY OFFICIAL STATEMENT DATED JULY 27, 2027

NEW ISSUE **BOOK ENTRY ONLY**
NOT BANK QUALIFIED **S&P GLOBAL RATINGS "AA+"**

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "Tax Exemption" and "Other Federal and State Tax Considerations" herein for additional information.

CITY OF EXCELSIOR, MINNESOTA
$7,030,000*
General Obligation Bonds, 2026C

Dated Date: Date of Delivery (Estimated to be August 20, 2026) **Interest Due: Each February 1 and August 1 Commencing August 1, 2027**

Maturity*	Amount*	Rate	Yield	Price	Maturity*	Amount*	Rate	Yield	Price
2/1/2028	$125,000	_____%	_____%	_____	2/1/2038	$350,000	_____%	_____%	_____
2/1/2029	260,000	_____	_____	_____	2/1/2039	365,000	_____	_____	_____
2/1/2030	270,000	_____	_____	_____	2/1/2040	380,000	_____	_____	_____
2/1/2031	275,000	_____	_____	_____	2/1/2041	395,000	_____	_____	_____
2/1/2032	285,000	_____	_____	_____	2/1/2042	415,000	_____	_____	_____
2/1/2033	295,000	_____	_____	_____	2/1/2043	425,000	_____	_____	_____
2/1/2034	300,000	_____	_____	_____	2/1/2044	450,000	_____	_____	_____
2/1/2035	310,000	_____	_____	_____	2/1/2045	470,000	_____	_____	_____
2/1/2036	325,000	_____	_____	_____	2/1/2046	490,000	_____	_____	_____
2/1/2037	335,000	_____	_____	_____	2/1/2047	510,000	_____	_____	_____

The General Obligation Bonds, 2026C (the "Bonds" or the "Issue") are being issued by the City of Excelsior, Minnesota (the "City" or the "Issuer"), pursuant to Minnesota Statutes, Chapters 444, 475 and Section 475.58, Subdivision 3b, as amended. Proceeds of the Bonds will be used to to finance the City's 2026 street and utility projects and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the City and are payable from net water and sewer revenues and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the debt service account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on February 1, 2035 and thereafter are subject to redemption, in whole or in part, on February 1, 2034 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2028. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing August 1, 2027. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be US Bank Trust Company.

Proposals: Monday, August 3, 2026 10:00 A.M., Central Time
Award: Monday August 3, 2026 6:30 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than $6,942,125 (98.75%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details.** *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* A Good Faith Deposit (the "Deposit") in the amount of $140,600, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.

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The Bonds are offered, subject to prior sale when, as and if accepted by the underwriter(s) named on the front cover of this official statement and subject to an opinion as to validity of the Bonds by Bond Counsel. Subject to applicable securities laws and prevailing market conditions, the underwriter(s) intends, but is not obligated, to effect secondary market trading for the Bonds. Closing Date is estimated to be August 20, 2026.

No person has been authorized to give any information or to make any representations other than those contained in this official statement in connection with the offers made hereby, and if given or made, such information or representations must not be relied upon as having been authorized by the Issuer or the underwriter(s). This official statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person makes such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the underwriter(s). Neither the delivery of this official statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer since the date hereof.

Within the meaning of Securities and Exchanges Commission Rule 15c2-12, the information included in the preliminary official statement is deemed final by the Issuer as of its date and is accurate and complete in all material respects, except for the omission of the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s), other terms of the issue depending on such matters, and the identity of the underwriter(s).

References herein to laws, rules, regulations, resolutions, agreements, reports, and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for the purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12.

The Bonds are considered securities and have not been approved or disapproved by the Securities and Exchange Commission or any state or federal regulatory authority nor has any state or federal regulatory authority confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense. Investors must rely on their own examination of this Official Statement, the security pledged to repay the Bonds, the Issuer and the merits and risks of the investment opportunity.

FORWARD-LOOKING STATEMENTS

This Official Statement, including its appendices, contains statements which should be considered "forward-looking statements," meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as "plan," "expect," "estimate," "budget," "may," or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause a deviation from the actual results, performance or achievements expressed or implied by such forward-looking statements. The Issuer does not expect or intend to update or revise any forward-looking statements contained herein if or when its expectations, or events, conditions, or circumstances on which such statements are based occur.

SUMMARY OF OFFERING

City of Excelsior, Minnesota
$7,030,000 *
General Obligation Bonds, 2026C
(Book-Entry Only)

AMOUNT -	$7,030,000*
ISSUER -	City of Excelsior, Minnesota (the "City" or the "Issuer")
AWARD DATE -	August 3, 2026
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the "Municipal Advisor"), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920
TYPE OF ISSUE -	General Obligation Bonds, 2026C (the "Bonds" or the "Issue")
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Bonds, 2026C (the "Bonds") are being issued by the City of Excelsior, Minnesota (the "City") pursuant to Minnesota Statutes, Chapters 444, 475 and Section 475.58, Subdivision 3b, as amended. Proceeds of the Bonds will be used to to finance the City's 2026 street and utility projects and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from net water and sewer revenues and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the debt service account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Authority and Purpose* as well as *Security/Sources and Uses of Funds* herein for additional information.
DATE OF ISSUE -	Date of Delivery (Estimated to be August 20, 2026)
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing August 1, 2027, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the "Record Date").

MATURITIES* -

2/1/28	$125,000	2/1/33	$295,000	2/1/38	$350,000	2/1/43	$425,000
2/1/29	260,000	2/1/34	300,000	2/1/39	365,000	2/1/44	450,000
2/1/30	270,000	2/1/35	310,000	2/1/40	380,000	2/1/45	470,000
2/1/31	275,000	2/1/36	325,000	2/1/41	395,000	2/1/46	490,000
2/1/32	285,000	2/1/37	335,000	2/1/42	415,000	2/1/47	510,000

REDEMPTION -	The Bonds maturing on February 1, 2035 and thereafter are subject to redemption, in whole or in part, on February 1, 2034 and on any date thereafter at a price of par plus accrued interest. See *Description of the Bonds* herein for additional information.
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.
PAYING AGENT/REGISTRAR -	US Bank Trust Company
TAX DESIGNATIONS -	NOT Private Activity Bonds - The Bonds are not "private activity bonds" as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). Not Bank Qualified Tax-Exempt Obligations - The City will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.
LEGAL OPINION -	Taft Stettinius & Hollister LLP, Minneapolis, Minnesota ("Bond Counsel")
BOND RATING -	The City received an underlying rating of "AA+" from S&P Global Ratings ("S&P"). See *Bond Rating* herein for additional information.
CLOSING -	Estimated to be August 20, 2026
PRIMARY CONTACTS -	Jenny Palmer, Finance Director, City of Excelsior, Minnesota 952-653-3677 Tammy Omdal, Managing Director, Northland Securities, Inc., 612-851-4964 Jessica Green, Managing Director, Northland Securities, Inc., 612-851-5930

* Preliminary, subject to change.

CITY OF EXCELSIOR, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials

	City Council	
Name	*Position*	*Term Expires*
Gary Ringate	Mayor	12/31/2026
Tim Bildsoe	Council Member	12/3120/28
Jennifer Caron	Council Member	12/31/2026
Chrystal O'Hanlon	Council Member	12/31/2028
Anne Vogel	Council Member	12/31/2026

Primary Contacts

Kristi Luger	City Manager
Jenny Palmer	Finance Director
Cari Lindberg	Assistant City Manager
Hilary Vokovan	City Clerk
Siobhan Tolar	City Attorney

BOND COUNSEL

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

CITY OF EXCELSIOR, MINNESOTA
$7,030,000*
GENERAL OBLIGATION BONDS, SERIES 2026C

CITY OF EXCELSIOR, MINNESOTA
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE:

Proposals (also referred to herein as “bids”) will be opened by the City’s Finance Director, or designee, on Monday, August 3, 2026, at 10:00 A.M., CT, at the offices of Northland Securities, Inc. (the Issuer’s “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Monday, August 3, 2026 at 6:30 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:
a) submitted to the office of Northland Securities, Inc.,
b) emailed to PublicSale@northlandsecurities.com
c) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:00 A.M., CT, on Monday, August 3, 2026. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:00 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the Issuer nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the Issuer to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds.

Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the Issuer through US Bank Trust Company, National Association, St. Paul, Minnesota (the “Paying Agent/Registrar”), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of

* The Issuer reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The Issuer will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be August 20, 2026)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475 and Section 475.58, subdivision 3b, as amended. Proceeds will be used to finance the City's 2026 street and utility projects and to pay costs associated with the issuance of the Bonds. The Bonds are payable from net revenues of the City's water and sanitary sewer funds and additionally secured by ad valorem taxes on all taxable property within the Issuer. The full faith and credit of the Issuer is pledged to their payment and the Issuer has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing August 1, 2027, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

MATURITIES

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

Year	Amount	Year	Amount	Year	Amount	Year	Amount
2028	$125,000	2033	$295,000	2038	$350,000	2043	$425,000
2029	260,000	2034	300,000	2039	365,000	2044	450,000
2030	270,000	2035	310,000	2040	380,000	2045	470,000
2031	275,000	2036	325,000	2041	395,000	2046	490,000
2032	285,000	2037	335,000	2042	415,000	2047	510,000

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *Rates must be in level or ascending order*. All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

ESTABLISHMENT OF ISSUE PRICE
(HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)

The winning bidder shall assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Issuer and Bond Counsel. All actions to be taken by the Issuer under this Notice of

Sale to establish the issue price of the Bonds may be taken on behalf of the Issuer by the Issuer's Municipal Advisor and any notice or report to be provided to the Issuer may be provided to the Issuer's Municipal Advisor.

The Issuer intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) the Issuer shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
(2) all bidders shall have an equal opportunity to bid;
(3) the Issuer may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
(4) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the Issuer shall promptly so advise the winning bidder. The Issuer may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the "Hold-the-Offering-Price Rule"). Bids will **not** be subject to cancellation in the event that the Issuer determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "Initial Offering Price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the **earlier** of the following:

(1) the close of the fifth (5th) business day after the award date; or
(2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the "10% Test"), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The Issuer acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(1) "public" means any person other than an underwriter or a related party,

(2) "underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).

(3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) "sale date" means the date that the Bonds are awarded by the Issuer to the winning bidder.

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The Issuer reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the Issuer and shall be at the sole discretion of the Issuer. The successful bidder may not withdraw or modify its Proposal once submitted to the Issuer for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on and after February 1, 2035 are subject to redemption and prepayment at the option of the Issuer on February 1, 2034 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the Issuer and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within thirty days after award, subject to an approving legal opinion by Taft Stettinius & Hollister LLP, Bond Counsel. The legal opinion will be paid by the Issuer and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than $6,942,125 (98.75%) and accrued interest on the principal sum of $7,030,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Jenny Palmer, Finance Director
Excelsior City Hall
P.O. Box 558
Excelsior, MN 55331

A good faith deposit (the “Deposit”) in the amount of $140,600 in the form of a federal wire transfer (payable to the order of the Issuer) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the Issuer may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The Issuer will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the Issuer. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the Issuer scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The Issuer's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The Issuer will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the Issuer determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the Issuer agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

FULL CONTINUING DISCLOSURE UNDERTAKING

The Issuer will covenant in the resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the Issuer, and notices of certain material events, as required by SEC Rule 15c2-12.

NOT BANK QUALIFIED

The Issuer will not designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the Issuer has requested and received a rating on the Bonds from a rating agency, the Issuer will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The Issuer reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: June 15, 20206

BY ORDER OF THE EXCELSIOR CITY COUNCIL

/s/ Jenny Palmer
Finance Director

Additional information may be obtained from:
Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Telephone No.: 612-851-5900

EXHIBIT A

[FORM OF ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED]

The undersigned, on behalf of ______________________________ (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the General Obligation Bonds, Series 2026C (the "Bonds") of the City of Excelsior, Minnesota (the "Issuer").

1. Reasonably Expected Initial Offering Price.

As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in **Schedule A** (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Defined Terms.

"Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _______________.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: ____________.

[FORM OF ISSUE PRICE CERTIFICATE – HOLD-THE-OFFERING-PRICE RULE APPLIES]

The undersigned, on behalf of ________________________________(the "Underwriter"), on behalf of itself, hereby certifies as set forth below with respect to the sale and issuance of General Obligation Bonds, Series 2026C (the "Bonds") of the City of Excelsior, Minnesota (the "Issuer").

Initial Offering Price of the Bonds.

The Underwriter offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

As set forth in the Notice of Sale and bid award, the Underwriter has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

Defined Terms.

"Holding Period" means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (________________), or (ii) the date on which the Underwriter has sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

"Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _______________.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____________.

AUTHORITY AND PURPOSE

The General Obligation Bonds, 2026C (the "Bonds" or the "Issue") are being issued by the City of Excelsior, Minnesota (the "City") pursuant to Minnesota Statutes, Chapters 444, 475 and Section 475.58, Subdivision 3b, as amended. Proceeds from issuance of the Bonds will be used to to finance the City's 2026 street and utility projects and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the City and are payable from net water and sewer revenues and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the debt service account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

Sources and Uses of Funds

Following are the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds	
Par Amount of Bonds	$ 7,030,000*
Total Sources of Funds:	$ 7,030,000
Uses of Funds	
Deposit to Project Fund	$ 6,840,000
Costs of Issuance/Underwriter's Discount	188,065
Rounding Amount	1,935
Total Uses of Funds:	$ 7,030,000

BONDHOLDERS' RISKS

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

* Preliminary, subject to change.

Ratings Loss

S&P Global Ratings has assigned a rating of "___" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Exemption and Loss of Tax Exemption

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

Pending Federal and State Tax Legislation

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

Factors Beyond Issuer's Control

A combination of epidemic, pandemic, economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

Cybersecurity

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be August 20, 2026), and will be issued as fully registered Bonds in the denominations of $5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2028. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 2027. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder of the Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof ("Authorized Denominations"). Individual purchasers ("Beneficial Owners") of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the "Record Date").

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

The Bonds maturing on February 1, 2035 and thereafter are subject to redemption, in whole or in part, on February 1, 2034 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to [Tender/Remarketing] Agent's DTC account.]

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City of Excelsior takes no responsibility for the accuracy thereof.

FULL CONTINUING DISCLOSURE

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue and a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the City on or before Bond closing, the City has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, relating to the City to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix B.

To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Certificate* herein for additional information.

The City has implemented disclosure policies and procedures to be followed by the City in relation to the financial disclosures and reportable events for which the City must provide notice to the MSRB's Electronic Municipal Market Access system. The City has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

The Bonds are being purchased by _______ (the "Underwriter") at a purchase price of $_______, which is the par amount of the Bonds of $_______ less the Underwriter's discount of $_______, plus the original issue premium of $_________.

MUNICIPAL ADVISOR

The City has retained Northland Securities, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

Northland Securities, Inc., is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc., is the parent company of Northland Capital Holdings, Inc. and First National Bank of Omaha.

FUTURE FINANCING

The City does not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

The City received an underlying rating of "AA+" from S&P Global Ratings ("S&P"). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the opinion of S&P and any explanation of the significance of this rating may be obtained only from S&P. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of S&P, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

As of the date of this Official Statement, the City is not aware of any threatened or pending litigation that questions the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

CERTIFICATION

The City will furnish a statement to the effect that this Official Statement to the best of its knowledge and belief, as of the date of sale and the date of delivery, is true and correct in all material respects, and does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The City has always promptly met all payments of principal and interest on its indebtedness when due.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota ("Bond Counsel") as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

OTHER FEDERAL AND STATE TAX CONSIDERATIONS

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisors.

Original Issue Discount

Some of the Bonds ("OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds were sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holder's tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Not Qualified Tax-Exempt Obligations

The City will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

CITY OF EXCELSIOR, MINNESOTA

GENERAL INFORMATION

Location/Access/Transportation

The City of Excelsior (the "City"), situated in Hennepin County, is located approximately 20 miles southwest of Minneapolis and is part of the Seven County Metropolitan Area. Minnetonka borders the City to the east, Chanhassen to the south, and Shorewood to the west. Access is provided via State Highway 7, as well as County Roads 11 and 18.

Area

640 acres
(1.0 square miles)

Population

2000 Census	2,393	2020 Census	2,355
2010 Census	2,188	2026 City Estimate	2,266

Labor Force Data[1]

Comparative average labor force and unemployment rate figures for 2026 (through March) and year-end 2025 are listed below. Figures are not seasonally adjusted, and numbers of people are estimated by place of residence.

	March 2026		2025	
	Civilian Labor Force	*Unemployment Rate*	*Civilian Labor Force*	*Unemployment Rate*
Hennepin County	712,637	4.3%	726,086	3.6%
Minneapolis/St. Paul MSA	2,068,750	4.7	2,099,384	3.7
Minnesota	3,124,566	5.2	3,171,537	3.9

Income Data[2]

Comparative income levels are listed below for the City of Excelsior, the State of Minnesota and the United States.

	City of Excelsior	*State of Minnesota*	*United States*
Median Family Income	$129,500	$113,993	$99,999
Per Capita Income	84,021	48,237	44,673

City Government

Excelsior, incorporated in 1856, is a Minnesota Home Rule Charter city. It has a mayor elected at large for a two-year term and four council members elected at large for four-year terms. The professional staff is appointed and consists of a City Manager, Assistant City Manager, Finance Director, and City Clerk.

[1] Source: Minnesota Department of Employment and Economic Development.
[2] Source: 2020-2024 American Community Survey, U.S. Census Bureau.

Municipal Enterprise Services

Municipal enterprise services provided by the City include the water utility system, storm water utility system, and the sewer utility system.

Bargaining Units/Labor Contracts

The labor unions representing certain City employee groups are shown below.

Employee Group	*Contract Expiration Date*
Teamsters Local 320	12/31/2028

Employee Pension Programs

The City employs 20 people, 15 full-time and 5 part-time. The pension plan covers all eligible full and part-time employees.

The City participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statutes, Chapters 353 and 356, which cover all full-time and certain part-time employees. PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple-employer retirement plans. Benefits are established by State Statute and vest after three years of credited service. State Statute requires the City to fund current service pension cost as it accrues. Defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

The City makes annual contributions to the pension plans equal to the amount required by state statutes. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in 2024.

Other Postemployment Benefits (OPEB)

The City does not offer any other postemployment benefits to former or retired employees and has no liability with respect thereto.

Estimated Cash/Investment Balances as of May 31, 2026 (unaudited)

Fund Name	
General Fund	$ 658,918
Special Revenue Fund	1,595,590
Capital Projects Fund	5,448,037
Debt Service Fund	234,341
Enterprise Fund	1,866,428
Total Estimated Cash/Investment Balances	$ 9,803,314

General Fund Budget Summary

	2025 Budget	2025 Actual Unaudited	2026 Budget
Revenues:			
Property Taxes	$2,092,367	$1,999,347	$2,012,525
Licenses and Permits	439,745	434,296	540,475
Intergovernmental Revenue	55,000	3,620	40,000
Charges for Services	439,450	443,406	68,500
Fines and Forfeits	50,000	27,980	15,000
Special Assessments	0	0	0
Investment Income	81,000	98,117	124,500
Miscellaneous	74,000	27,588	57,000
Total Revenues	$3,231,562	$3,034,355	$2,858,000
Expenditures:			
General Government	$1,003,708	$971,166	$969,358
Public Safety	1,259,353	1,288,836	1,425,972
Public Works	400,352	423,644	433,302
Recreation	682,649	687,655	654,368
Miscellaneous	140,500	140,500	0
Capital Outlay	0	0	0
Total Expenditures	3,486,562	$3,511,801	$3,483,000
Revenues Over (Under) Expenditures	$(255,00)	$(477,446)	$(625,000)
Other Financing Sources (Uses)			
Transfers In	$255,000	$255,000	$625,000
Transfers Out	0	0	0
Total Other Financing Sources	255,000	255,000	625,000
Net Change in Fund Balance	0	(222,446)	0
Beginning Fund Balance (January 1)	$1,949,906	$1,949,906	$1,727,460
Ending Fund Balance (December 31)	$1,949,906	$1,727,460	1,727,460

Residential Development

There are approximately 1,167 households located within the City as of December 31, 2025.

Building Permits

Building permits issued for the past four years plus a portion of this year have been as follows:

Year	*Residential Number of Permits*	*Total Permit Valuation*
2026 (As of 5/31/26)	32	$ 3,589,537
2025	115	12,622,971
2024	128	32,852,471
2023	108	19,294,163
2022	93	18,434,974

Banking/Financial Institutions

Banking and financial services within the City are provided by Alerus Financial, National Association, The Huntington National Bank, U.S. Bank National Association and Wells Faro Bank, National Association.

Education

The City is served primarily by Independent School District No. 276, Minnetonka.

Major Employers[1]

Following are the major employers within the City:

Employer Name	*Product/Service*	*Number of Employees*[2]
ISD No. 276 (Minnetonka)	Public School	1,671*
Kowalski's	Grocery Store	130
Cub Foods	Grocery Store	123
Maynards	Restaurant	87
Coldwell Banker Burnett	Real Estate	75
First Student	Bus Transportation	75
The Waters of Excelsior	Senior Assisted Living	68
Ridgeview Excelsior Clinic	Health Care	59
Estates of Excelsior	Nursing Home	50

**Per the District. Reflects employment of entire District, including schools located outside of Excelsior.*

[1] Source: The City and Data Axle Reference Solutions

[2] Includes full-time, part-time and seasonal employees.

Largest Taxpayers[1]

Following are ten of the largest taxpayers within the City:

Name	*Classification*	*2025/2026 Tax Capacity*	*Percent of Total Tax Capacity ($12,305,557)*[2]
The Waters of Excelsior	Apartment	$ 235,750	1.92%
Excelsior Prop Owner LLC	Apartment	216,540	1.76
Southshore Properties LL	Commercial	132,710	1.08
KTJ 207 LLC	Commercial	123,250	1.00
Tailwind 687 Excelsior LLC	Commercial	112,310	0.91
Tonkaway Partners II LLC	Apartment	99,500	0.81
Kowalski's Re-Excelsior LL	Commercial	93,850	0.76
Individual	Res Lakeshore	92,573	0.75
200 Water LLC	Commercial	91,050	0.74
Individual	Res Lakeshore	83,436	0.68
		$1,280,969	10.41%

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1 As reported by Hennepin County.

2 Before tax increment adjustment.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

State Law defines the "market value" of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called "estimated market value". This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

Taxable Market Value

The "taxable market value" is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at $95,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of $38,000 at $95,000 of market value. For a homestead valued between $95,000 and $517,200, the exclusion is $38,000 minus nine percent of the valuation over $95,000. For a homestead valued at $517,200 or more, there is no valuation exclusion.

Sales Ratio

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

Economic and Indicated Market Value

"Economic market value" and "indicated market value" reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the "full value" of property for taxation, after the deduction of legislative exclusions.

Net Tax Capacity

Property taxes are calculated on the basis of the "net tax capacity value". Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

Tax Cycle

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per $100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

Levy Limits

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies "to pay the costs of the principal and interest on bonded indebtedness" and "to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota" are designated special levies and can be levied in addition to the amount allowed by levy limitations.

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The following is a partial summary of these factors:

Property Tax Classifications

		Class Rate Schedule		
Class	*Type of Property*	*2023/ 2024*	*2024/ 2025*	*2025/ 2026*
1a	Residential Homestead: First $500,000	1.00%	1.00%	1.00%
	Over $500,000	1.25	1.25	1.25
1c	Commercial seasonal-residential recreational- under 250 days and includes homestead			
	First $600,000	.50	.50	.50
	$600,001-2,300,000	1.00	1.00	1.00
	Over $2,300,000†	1.25	1.25	1.25
2a	Agricultural Homestead – House, Garage, One Acre:			
	First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First $2,150,000	0.50		
	Over $2,150,000	1.00		
	First $3,500,000		.50	
	Over $3,500,000		1.00	
	First $3,800,000			.50
	Over $3,800,000			1.00
2b	Non-Homestead Rural Vacant Land[1]	1.00	1.00	1.00
3a	Commercial/Industrial and Public Utility			
	First $150,000†	1.50	1.50	1.50
	Over $150,000†	2.00	2.00	2.00
4a	Apartment (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	Residential Non-Homestead (Single Unit)			
	First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
4c(1)	Seasonal Residential Recreational/Commercial†			
	(Resort): First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
4c(12)	Seasonal Residential Recreational†			
	Non-Commercial (Cabin): First $500,000*	1.00	1.00	1.00
	Over $500,000*	1.25	1.25	1.25
4d	Qualifying Low-Income Rental Housing			
	First $100,000	.75	.25	.25
	Over $100,000	.25	.25	.25

† Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

1 Homestead remainder & non-homestead; includes minor ancillary structures.

CITY OF EXCELSIOR, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION[1]

Valuations

	Estimated Market Value 2025/2026	*Net Tax Capacity 2025/2026*
Real Property	$ 947,766,600	$ 12,230,219
Personal Property	3,950,400	75,338
Less Tax Increment Deduction	- - -	(464,870)
Fiscal Disparities[2]	- - -	
(Contribution to Pool)	- - -	(1,243,020)
Distribution from Pool	- - -	190,611
Total Adjusted Valuation	$ 951,717,000	$ 10,788,278

Valuation Trends (Real and Personal Property)

Levy Year/ Collection Year	*Economic Market Value*	*Sales Ratio*	*Estimated Market Value*	*Taxable Market Value*	*Tax Capacity After Tax Increments*
2025/2026	$1,022,026,600	93.22%	$951,717,000	$950,477,292	$10,788,278
2024/2025	927,758,623	96.98	899,368,100	898,096,795	10,399,708
2023/2024	866,309,548	96.26	831,224,900	830,422,468	9,643,141
2022/2023	771,356,519	95.13	734,929,700	733,971,235	8,394,485
2021/2022	690,044,429	93.09	641,983,400	640,618,745	7,230,003

Breakdown of Valuations

2025/2026 Tax Capacity, Real and Personal Property (before tax increment and fiscal disparities adjustments):

Residential Homestead	$ 7,078,068	57.52%
Commercial & Industrial	3,368,709	27.38
Public Utility	46,898	0.38
Residential Non-Homestead	1,325,907	10.77
Seasonal/Recreational	382,437	3.11
Other	28,200	0.23
Personal Property	75,338	0.61
Totals:	$ 12,305,557	100.00%

[1] Property valuations, tax rates, and tax levies and collections are provided by Hennepin County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue.

[2] *Fiscal Disparities Law*
The 1971 Legislature enacted a “fiscal disparities law” which allows all the Twin City Metropolitan Area Municipalities to share in commercial/industrial growth, regardless of where the growth occurred geographically. Forty percent (40%) of every metropolitan municipality’s growth in commercial/industrial assessed valuation is pooled then redistributed to all municipalities on the basis of population and per capita valuation *after* the tax increment and fiscal disparity adjustments.

Tax Capacity Rates

Tax capacity rates for a City resident for the past five-assessable/collection years have been as follows:

Levy Year/ Collection Year	*2021/22 Tax Capacity Rates*	*2022/23 Tax Capacity Rates*	*2023/24 Tax Capacity Rates*	*2024/25 Tax Capacity Rates*	*2025/26 Tax Capacity Rates*
Hennepin County	38.535%	34.542%	34.681%	37.081%	39.242%
City of Excelsior	30.311	27.712	26.542	25.757	26.977
ISD No. 276	21.002	17.720	17.823	19.943	19.803
Metro Mosquito	0.377	0.331	0.312	0.328	0.333
Metro Council	0.659	.576	0.614	.567	0.598
Metro Transit	1.204	1.066	0.927	1.134	0.987
Three Rivers Park District	2.787	2.473	2.399	2.471	2.529
Park Museum	0.722	0.647	0.694	0.744	0.731
HCRRA	1.329	1.188	1.153	1.205	1.177
Hennepin HRA	0.771	0.663	0.624	0.797	0.768
Totals:	97.697%	86.918%	85.769%	90.027%	93.145%
Market Value Rates:	*2021/22*	*2022/23*	*2023/24*	*2024/25*	*2025/26*
ISD No. 276 (Minnetonka)	0.31225%	0.30685%	0.29187%	0.28287%	0.28308%

Tax Levies and Collections[1]

		Collected During Collection Year		Collected and/or Abated as of 12/31/25	
Levy/Collect	Net Levy	Amount	Percent	Amount	Percent
2025/2026	$2,908,028	In Process of Collection			
2024/2025	2,672,531	$2,651,971	99.23%	$2,651,971	99.23%
2023/2024	2,562,007	2,543,029	99.30	2,553,606	99.67
2022/2023	2,328,916	2,302,803	98.88	2,326,339	99.89
2021/2022	2,186,101	2,160,862	98.85	2,186,095	99.99

[1] 2025/2026 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Hennepin County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit[1] [2]

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of August 2, 2026:

2025/2026 Estimated Market Value	$ 951,717,000
Multiplied by 3%	x .03
Statutory Debt Limit	$ 28,551,510

Outstanding debt applicable to debt limit:

$5,570,000 General Obligation Street Reconstruction Bonds, Series 2019A	$ 4,360,000
$2,775,000 General Obligation Bonds, Series 2020A	1,170,000
$6,920,000 General Obligation Bonds, Series 2021A	2,690,000
$4,835,000 General Obligation Bonds, Series 2026A	1,320,000
$2,490,000 General Obligation Capital Improvement Bonds, Series 2026B	2,490,000
$7,030,000 General Obligation Bonds, Series 2026C (a portion of this Issue)	3,855,000
Less outstanding debt applicable to debt limit	15,885,000
Legal debt margin	$ 12,666,510

[1] Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of $1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than $1,000,000 are not subject to the statutory debt limit.

[2] Pursuant to Minnesota Statutes Section 475.521, capital improvement bonds are not subject to the statutory debt limit established in Section 475.53 if the issuer's population is less than 2,500.

CITY OF EXCELSIOR, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of August 2, 2026 Plus This Issue)

					Portion of This Issue			
Purpose:	**G.O. Street Reconstruction Bonds, Series 2019A**	**G.O. Bonds, Series 2020A**	**G.O. Bonds, Series 2021A**	**G.O. Bonds, Series 2026A**	**Taxable G.O. Capital Improvement Bonds, Series 2026B**	**G.O. Bonds, Series 2026C**			
Dated:	09/18/19	07/16/20	08/19/21	02/23/26	02/23/26	08/20/26			
Original Amount:	$5,570,000	$1,445,000	$3,140,000	$1,320,000	$2,490,000	$3,855,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	**TOTAL**	**TOTAL**	
Interest Rates:	2.00-5.00%	2.00-4.00%	1.10-5.00%	4.00-5.00%	4.55-5.00%		**PRINCIPAL:**	**PRIN & INT:**	
2026	$0	$0	$0	$0	$0	$0	$0	$103,909	2026
2027	255,000	65,000	130,000	0	85,000	0	535,000	1,136,004	2027
2028	265,000	65,000	140,000	15,000	80,000	75,000	640,000	1,141,404	2028
2029	285,000	70,000	145,000	25,000	85,000	145,000	755,000	1,225,884	2029
2030	290,000	70,000	155,000	35,000	90,000	145,000	785,000	1,226,795	2030
2031	300,000	75,000	160,000	45,000	90,000	150,000	820,000	1,236,470	2031
2032	305,000	75,000	165,000	50,000	95,000	155,000	845,000	1,238,808	2032
2033	310,000	75,000	170,000	55,000	100,000	160,000	870,000	1,241,610	2033
2034	310,000	80,000	170,000	55,000	105,000	165,000	885,000	1,233,374	2034
2035	320,000	80,000	170,000	60,000	110,000	170,000	910,000	1,233,863	2035
2036	335,000	80,000	175,000	65,000	120,000	180,000	955,000	1,252,534	2036
2037	335,000	85,000	175,000	65,000	125,000	185,000	970,000	1,239,900	2037
2038	345,000	85,000	180,000	70,000	130,000	190,000	1,000,000	1,240,896	2038
2039	350,000	85,000	185,000	75,000	135,000	200,000	1,030,000	1,239,969	2039
2040	355,000	90,000	185,000	75,000	140,000	210,000	1,055,000	1,232,619	2040
2041		90,000	190,000	80,000	150,000	215,000	725,000	873,173	2041
2042			195,000	80,000	155,000	225,000	655,000	778,063	2042
2043				90,000	160,000	235,000	485,000	585,088	2043
2044				90,000	170,000	245,000	505,000	582,864	2044
2045				95,000	180,000	255,000	530,000	584,353	2045
2046				95,000	185,000	270,000	550,000	579,548	2046
2047				100,000		280,000	380,000	388,440	2047
	$4,360,000	$1,170,000	$2,690,000	$1,320,000	$2,490,000	$3,855,000	$15,885,000	$21,595,562	
		(1)	(2)	(3)		(4)			

NOTE: 50% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the $2,775,000 General Obligation Bonds, Series 2020A, consisting of $1,445,000 backed by ad valorem taxes and $1,330,000 backed by net water and sewer revenues.

(2) This schedule represents a portion of the $6,920,000 General Obligation Bonds, Series 2021A, consisting of $3,140,000 backed by ad valorem taxes, $890,000 backed by an abatement levy and $2890,000 backed by net water and sewer revenues.

(3) This schedule represents a portion of the $4,835,000 General Obligation Bonds, Series 2026A, consisting of $1,320,000 backed by ad valorem taxes, $145,000 backed by an abatement levy and $3,370,000 backed by net water and sewer revenues.

(4) This schedule represents a portion of the $7,030,000 General Obligation Bonds, Series 2026C, consisting of $3,855,000 backed by ad valorem taxes and $3,175,000 backed by net water and sewer revenues.

CITY OF EXCELSIOR, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of August 2, 2026)

Purpose:	**G.O. Bonds, Series 2017A**			
Dated:	06/14/17			
Original Amount:	$1,450,000			
Maturity:	1-Feb	**TOTAL**	**TOTAL**	
Interest Rates:	2.50-3.00%	**PRINCIPAL:**	**PRIN & INT:**	
2026	$0	$0	$10,619	2026
2027	100,000	100,000	119,988	2027
2028	100,000	100,000	117,488	2028
2029	105,000	105,000	119,794	2029
2030	105,000	105,000	116,775	2030
2031	110,000	110,000	118,550	2031
2032	115,000	115,000	120,175	2032
2033	115,000	115,000	116,725	2033
	$750,000	$750,000	$840,113	
	(1)			

NOTE: 100% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the $3,970,000 General Obligation Bonds, Series 2017A, consisting of $1,450,000 backed by special assessments and $2,520,000 backed by net water and sewer revenues.

CITY OF EXCELSIOR, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS OR TAX ABATEMENT
(As of August 2, 2026)

Purpose:	G.O. Bonds, Series 2021A	G.O. Tax Increment Bonds, Series 2023A	G.O. Bonds, Series 2026A			
Dated:	08/19/21	07/13/23	02/23/26			
Original Amount:	$890,000	$6,325,000	$145,000			
Maturity:	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	1.10-5.00%	4.00-5.00%	4.00-5.00%	PRINCIPAL:	PRIN & INT:	
2026	$0	$0	$0	$0	$139,418	2026
2027	35,000	70,000	0	105,000	391,426	2027
2028	40,000	80,000	5,000	125,000	402,560	2028
2029	40,000	90,000	5,000	135,000	406,060	2029
2030	45,000	100,000	5,000	150,000	413,935	2030
2031	45,000	110,000	10,000	165,000	421,510	2031
2032	45,000	125,000	10,000	180,000	429,213	2032
2033	45,000	135,000	10,000	190,000	431,695	2033
2034	50,000	150,000	10,000	210,000	443,475	2034
2035	50,000	165,000	10,000	225,000	449,425	2035
2036	50,000	180,000	10,000	240,000	454,575	2036
2037	50,000	200,000	10,000	260,000	464,800	2037
2038	50,000	215,000	10,000	275,000	470,100	2038
2039	50,000	230,000	10,000	290,000	474,700	2039
2040	55,000	245,000	10,000	310,000	483,650	2040
2041	55,000	265,000	15,000	335,000	496,725	2041
2042	55,000	285,000	15,000	355,000	503,950	2042
2043		300,000		300,000	436,400	2043
2044		325,000		325,000	448,900	2044
2045		345,000		345,000	455,500	2045
2046		370,000		370,000	466,200	2046
2047		390,000		390,000	471,000	2047
2048		415,000		415,000	479,900	2048
2049		445,000		445,000	492,700	2049
2050		470,000		470,000	499,400	2050
2051		500,000		500,000	510,000	2051
	$760,000 (1)	$6,205,000	$145,000 (2)	$7,110,000	$11,537,216	

NOTE: 24% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the $6,920,000 General Obligation Bonds, Series 2021A, consisting of $3,140,000 backed by ad valorem taxes, $890,000 backed by an abatement levy and $2890,000 backed by net water and sewer revenues.

(2) This schedule represents a portion of the $4,835,000 General Obligation Bonds, Series 2026A, consisting of $1,320,000 backed by ad valorem taxes, $145,000 backed by an abatement levy and $3,370,000 backed by net water and sewer revenues.

CITY OF EXCELSIOR, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SALES TAX REVENUES
(As of August 2, 2026)

Purpose:	**G.O. Sales Tax Revenue Bonds, Series 2022A**			
Dated:	07/21/22			
Original Amount:	$5,380,000			
Maturity:	1-Feb	**TOTAL**	**TOTAL**	
Interest Rates:	3.00-5.00%	**PRINCIPAL:**	**PRIN & INT:**	
2026	$0	$0	$60,573	2026
2027	520,000	520,000	630,745	2027
2028	540,000	540,000	629,545	2028
2029	565,000	565,000	632,445	2029
2030	585,000	585,000	632,370	2030
2031	605,000	605,000	634,218	2031
2032	620,000	620,000	629,920	2032
	$3,435,000	$3,435,000	$3,849,815	

NOTE: 100% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS WILL BE RETIRED WITHIN TEN YEARS.

CITY OF EXCELSIOR, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of August 2, 2026 Plus a Portion of This Issue)

						Portion of This Issue			
Purpose:	**G.O. Water Revenue Bonds, Series 2014 (PFA)**	**G.O. Bonds, Series 2017A**	**G.O. Bonds, Series 2020A**	**G.O. Bonds, Series 2021A**	**G.O. Bonds, Series 2026A**	**G.O. Bonds, Series 2026C**			
Dated:	06/02/14	06/14/17	07/16/20	08/19/21	02/23/26	08/20/26			
Original Amount:	$837,361	$2,520,000	$1,330,000	$2,890,000	$3,370,000	$3,175,000			
Maturity:	20-Aug	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	**TOTAL**	**TOTAL**	
Interest Rates:	1.00%	2.50-3.00%	2.00-4.00%	1.10-5.00%	4.00-5.00%		**PRINCIPAL:**	**PRIN & INT:**	
2026	$43,000	$0	$0	$0	$0	$0	$43,000	$106,808	2026
2027	43,000	175,000	60,000	120,000	0	0	398,000	859,533	2027
2028	43,000	175,000	65,000	125,000	35,000	55,000	498,000	883,519	2028
2029	44,000	180,000	65,000	135,000	50,000	120,000	594,000	960,620	2029
2030	44,000	185,000	65,000	140,000	70,000	125,000	629,000	973,810	2030
2031	45,000	190,000	70,000	145,000	90,000	125,000	665,000	988,258	2031
2032	45,000	195,000	70,000	150,000	110,000	130,000	700,000	1,003,615	2032
2033	46,000	205,000	70,000	155,000	130,000	135,000	741,000	1,024,703	2033
2034	46,000		70,000	155,000	150,000	135,000	556,000	821,274	2034
2035			70,000	160,000	160,000	140,000	530,000	778,688	2035
2036			75,000	160,000	165,000	145,000	545,000	776,590	2036
2037			75,000	160,000	170,000	150,000	555,000	768,665	2037
2038			75,000	165,000	180,000	160,000	580,000	774,398	2038
2039			75,000	165,000	190,000	165,000	595,000	768,724	2039
2040			85,000	170,000	200,000	170,000	625,000	777,030	2040
2041			85,000	170,000	210,000	180,000	645,000	774,240	2041
2042				180,000	220,000	185,000	585,000	692,346	2042
2043					230,000	190,000	420,000	508,343	2043
2044					240,000	205,000	445,000	515,201	2044
2045					245,000	210,000	455,000	506,215	2045
2046					255,000	220,000	475,000	506,485	2046
2047					270,000	230,000	500,000	510,690	2047
	$399,000	$1,305,000	$1,075,000	$2,455,000	$3,370,000	$3,175,000	$11,779,000	$16,279,752	
	(1)		(2)	(3)	(4)	(5)			

NOTE: 45% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the $3,970,000 General Obligation Bonds, Series 2017A, consisting of $1,450,000 backed by special assessments and $2,520,000 backed by net water and sewer revenues.

(2) This schedule represents a portion of the $2,775,000 General Obligation Bonds, Series 2020A, consisting of $1,445,000 backed by ad valorem taxes and $1,330,000 backed by net water and sewer revenues.

(3) This schedule represents a portion of the $6,920,000 General Obligation Bonds, Series 2021A, consisting of $3,140,000 backed by ad valorem taxes, $890,000 backed by an abatement levy and $2,890,000 backed by net water and sewer revenues.

(4) This schedule represents a portion of the $4,835,000 General Obligation Bonds, Series 2026A, consisting of $1,320,000 backed by ad valorem taxes, $145,000 backed by an abatement levy and $3,370,000 backed by net water and sewer revenues.

(5) This schedule represents a portion of the $7,030,000 General Obligation Bonds, Series 2026C, consisting of $3,855,000 backed by ad valorem taxes and $3,175,000 backed by net water and sewer revenues.

Indirect Debt*

Issuer	*2025/2026 Tax Capacity Value*[1]	*2025/2026 Tax Capacity Value in City*[1]	*Percentage Applicable in City*	*Outstanding General Obligation Debt*	*Taxpayers' Share of Debt*
Hennepin County	$ 2,885,601,120	$10,788,278	0.37%	$1,222,750,000	$ 4,524,175
ISD No. 276, Minnetonka	167,214,475	10,788,278	6.45	183,754,958	11,852,195
Three Rivers Park District	2,121,317,192	10,788,278	0.51	52,780,000	269,178
Metropolitan Council	6,503,726,905	10,788,278	0.17	12,100,000[2]	20,570
Metro Transit	5,665,367,373	10,788,278	0.19	223,650,000[3]	424,935
				Total Indirect Debt:	$ 17,091,053

(Remainder of page intentionally left blank)

* Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues, or general obligation tax/aid anticipation certificates of indebtedness. Debt listed is as of August 2, 2026, unless otherwise noted.

(1) Tax Capacity Value is after tax increment deduction and fiscal disparity adjustments.

(2) Metropolitan Council has $12,100,000 of general obligation debt outstanding as of December 31, 2025. This debt is payable from ad valorem taxes levied on all taxable property within the Metropolitan Taxing District. This amount excludes $1,122,348,000 of general obligation debt payable from wastewater and sewer revenues, and lease agreements.

(3) Metropolitan Transit has $223,650,000 of property tax supported general obligation debt outstanding as of December 31, 2025. Transit debt is issued by the Metropolitan Council for public transit operations and is payable from ad valorem taxes levied on all taxable property within the Metropolitan Transit District. This amount excludes $181,410,000 of general obligation debt payable from revenues.

General Obligation Debt

Bonds secured by ad valorem tax (includes a Portion of This Issue)	$ 15,885,000
Bonds secured by special assessments	750,000
Bonds secured by tax increments or tax abatements	7,110,000
Bonds secured by sales tax revenues	3,435,000
Bonds secured by water/sewer revenues (includes a Portion of This Issue)	11,779,000
Subtotal	$ 38,959,000
Less bonds secured by water/sewer and sales tax revenues	(15,214,000)
Direct General Obligation Debt	23,745,000
Add taxpayers' share of indirect debt	17,091,053
Direct and Indirect Debt	$ 40,836,053

Facts for Ratio Computations

2025/2026 Economic Market Value (real and personal property)	$1,022,026,600
Population (2026 estimate)	2,266

Debt Ratios Excluding Revenue-Supported Debt

	Direct Debt	*Indirect Debt*	*Direct and Indirect Debt*
To Economic Market Value	2.32%	1.67%	3.99%
Per Capita	$10,479	$7,542	$18,021

APPENDIX A

Proposed Form of Legal Opinion

PROPOSED FORM OF LEGAL OPINION

$7,030,000
GENERAL OBLIGATION BONDS, SERIES 2026C
CITY OF EXCELSIOR
HENNEPIN COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Excelsior, Hennepin County, Minnesota (the "Issuer"), of its $7,030,000 General Obligation Bonds, Series 2026C, bearing a date of original issue of August 20, 2026 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution, Charter of the Issuer and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer, and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX B

Continuing Disclosure Certificate

[Appendix ___ to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Excelsior, Minnesota (the "Issuer"), in connection with the issuance of its $7,030,000 General Obligation Bonds, Series 2026C (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on August 3, 2026 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _______________, 2026, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. If Audited Financial Statements of the Issuer for the Fiscal Year ended December 31, 2025, are not included in the Final Official Statement, then the Issuer shall provide, or shall cause the Dissemination Agent to provide, to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report consisting only of Audited Financial Statements for such Fiscal Year that are consistent with the requirements of Section 4B of this Disclosure Undertaking by not later than December 31, 2026.

B. Beginning in connection with the Fiscal Year ending on December 31, 2026, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2027, and by December 31 of each year thereafter.

C. If the Issuer is unable to provide to the MSRB an Annual Report by the dates required in subsections A or B, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Economic and Financial Information – "Valuations," "Tax Capacity Rates" and "Tax Levies and Collections;" and Summary of Debt and Debt Statistics.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, if material;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) Modifications to rights of security holders, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: August 20, 2026.

CITY OF EXCELSIOR, MINNESOTA

By____________________________________
Its Mayor

By____________________________________
Its City Manager

APPENDIX C

City's Financial Report

Following is the annual financial report for the year ended December 31, 2025. The financial report for the year 2025 and the prior two years are available for inspection at the Excelsior City Hall and the office of Northland Securities, Inc.

ANNUAL FINANCIAL REPORT

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Excelsior, Minnesota
Annual Financial Report
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For the Year Ended December 31, 2025

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INTRODUCTORY SECTION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Excelsior, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2025

ELECTED

Name	Title	Term Expires
Gary Ringate	Mayor	12/31/26
Tim Bildsoe	Council Member	12/31/28
Jennifer Caron	Council Member	12/31/26
Chrystal O'Hanlon	Council Member	12/31/28
Anne Vogel	Council Member	12/31/26

APPOINTED

Kristi Luger	City Manager	
Jennifer Palmer	Finance Director	
Hilary Vokovan	Administrative Services Director	
Tim Amundsen	Public Works Superintendent	
Julia Paulsen Mullin	Community Development Director	

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FINANCIAL SECTION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Excelsior, Minnesota

Report on the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2025, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis Page 17 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions, and the Budgetary Comparison Schedule, and the related note disclosures, starting on page 74 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2026, 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 solely 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 effectiveness of the City's 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.

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Minneapolis, Minnesota
June 25, 2026

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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, 2025.

Overview of the Financial Statements

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

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

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

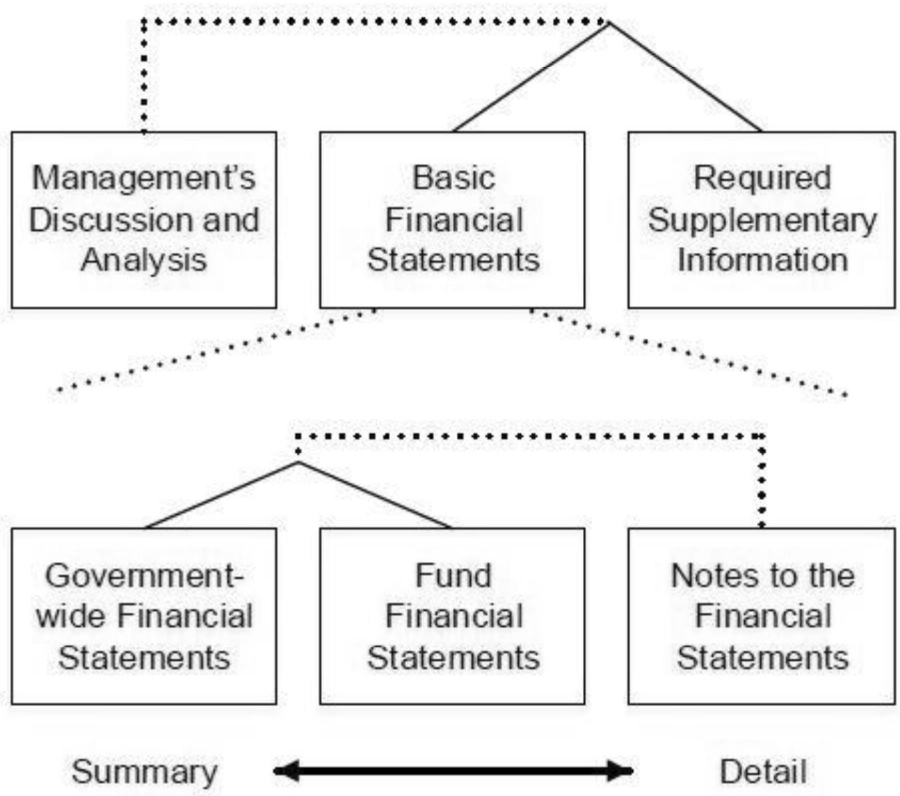


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• 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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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 18 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 numerous 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, Common Sales Tax, Parking Maintenance fund and the Capital Improvement are considered to be major funds. Data from the other 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 basic governmental fund financial statements start on page 23 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 27 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 30 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on page 57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 63 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $14,997,076 at the close of the most recent fiscal year.

A portion of the City's net position 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		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Assets						
Current and other assets	$ 8,687,004	$ 10,249,229	$ (1,562,225)	$ 2,482,347	$ 2,513,419	$ (31,072)
Capital assets	20,852,509	20,265,257	587,252	13,803,627	14,385,595	(581,968)
Total Assets	29,539,513	30,514,486	(974,973)	16,285,974	16,899,014	(613,040)
Deferred Outflows of Resources						
Deferred pension resources	95,844	82,313	13,531	63,475	70,438	(6,963)
Liabilities						
Noncurrent liabilities outstanding	19,458,103	20,517,060	(1,058,957)	8,867,938	9,602,007	(734,069)
Other liabilities	844,101	760,126	83,975	231,987	172,505	59,482
Total Liabilities	20,302,204	21,277,186	(974,982)	9,099,925	9,774,512	(674,587)
Deferred Inflows of Resources						
Lease receivable	1,025,696	1,070,292	(44,596)	-	-	-
Deferred pension resources	207,780	201,586	6,194	135,455	172,504	(37,049)
Total Deferred Inflows of Resources	1,233,476	1,271,878	(38,402)	135,455	172,504	(37,049)
Net Position						
Net investment in capital assets	1,785,891	1,266,441	519,450	5,170,915	5,111,247	59,668
Restricted	3,743,778	3,893,067	(149,289)	-	-	-
Unrestricted	2,570,008	2,888,227	(318,219)	1,943,154	1,911,189	31,965
Total Net Position	$ 8,099,677	$ 8,047,735	$ 51,942	$ 7,114,069	$ 7,022,436	$ 91,633
Net Position as a Percent of Total						
Net investment in capital assets	22.0 %	15.7 %		72.7 %	72.8 %	
Restricted	46.2	48.4		-	-	
Unrestricted	31.7	35.9		27.3	27.2	
	100.0 %	100.0 %		100.0 %	100.0 %	

As shown in the table above, as of December 31, 2025, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources. The City's total net position increased as a result of the financial performance of the governmental activities. The following sections of the MD&A analyze the finances of the governmental activities and business-type activities separately.

Governmental Activities. Governmental activities increased the City's net position, as shown below. Key elements of this increase are as follows:

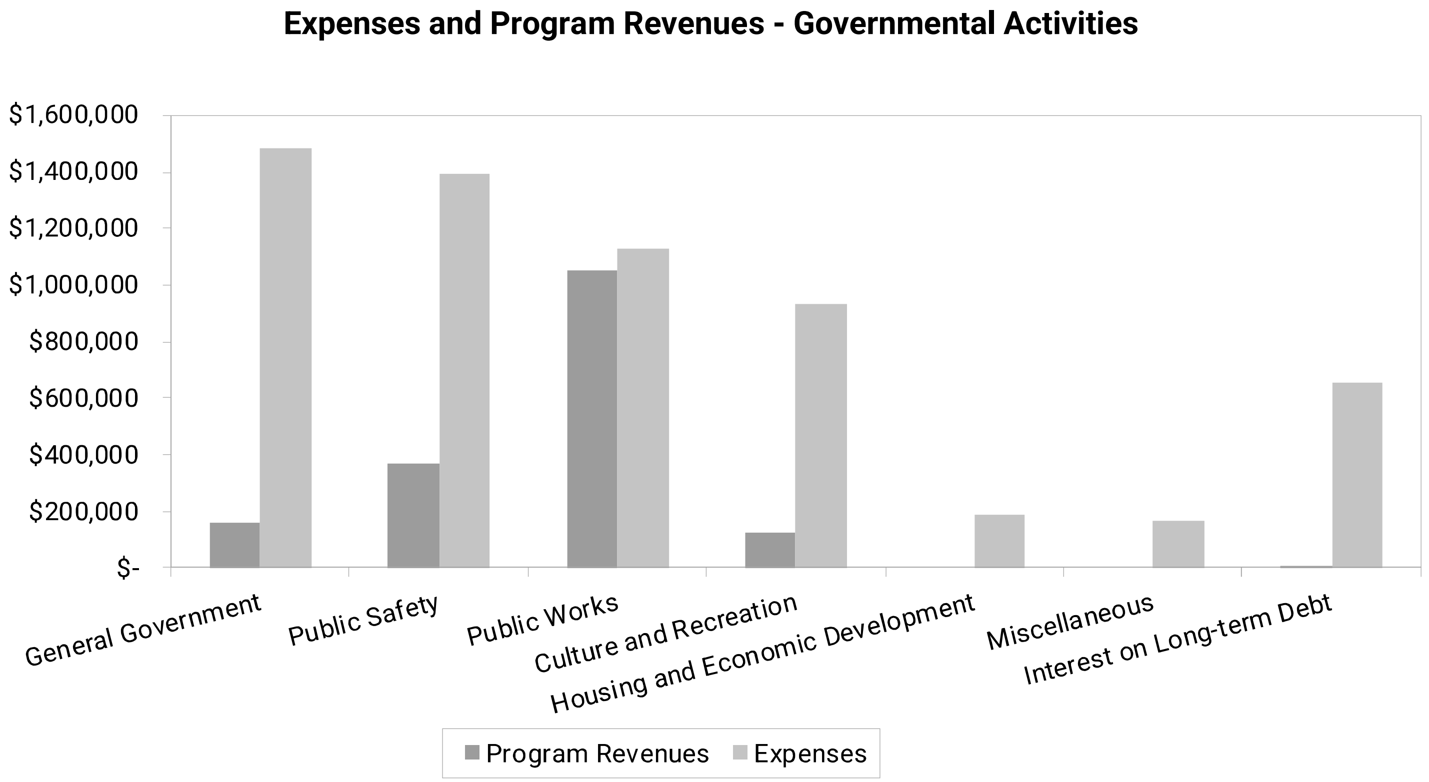
City of Excelsior's Changes in Net Position

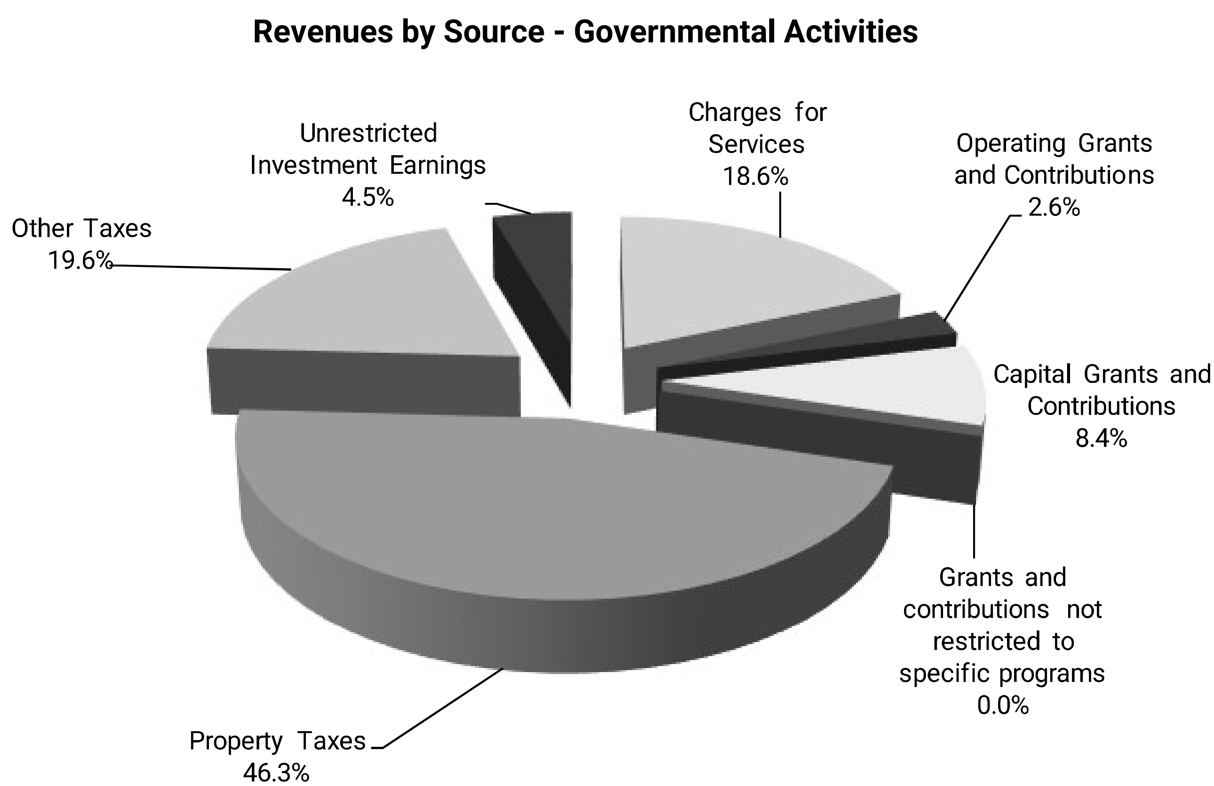
	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	$ 1,071,553	$ 1,263,820	$ (192,267)	$ 2,844,938	$ 2,675,135	$ 169,803
Operating grants and contributions	150,625	163,777	(13,152)	9,100	-	9,100
Capital grants and contributions	484,513	347,241	137,272	-	2,500	(2,500)
General Revenues						
Property taxes	2,669,309	2,550,286	119,023	-	-	-
Other taxes	1,133,425	1,062,628	70,797	-	-	-
Grants and contributions not restricted to specific programs	722	15,664	(14,942)	-	13,274	(13,274)
Unrestricted investment earnings (loss)	258,920	398,714	(139,794)	47,791	83,872	(36,081)
Gain on sale of assets	-	-	-	-	-	-
Total Revenues	5,769,067	5,802,130	(33,063)	2,901,829	2,774,781	127,048
Expenses						
General government	1,481,163	1,667,361	(186,198)	-	-	-
Public safety	1,392,011	1,212,990	179,021	-	-	-
Streets and highways	1,124,987	1,080,657	44,330	-	-	-
Culture and recreation	933,569	1,022,470	(88,901)	-	-	-
Housing and economic development	188,878	6,310,685	(6,121,807)	-	-	-
Miscellaneous	164,994	32,629	132,365	-	-	-
Interest on long-term debt	656,523	623,073	33,450	-	-	-
Water utility	-	-	-	933,215	921,076	12,139
Sewer utility	-	-	-	1,039,136	947,195	91,941
Solid waste	-	-	-	(3,789)	(696)	(3,093)
Surface water	-	-	-	326,075	316,039	10,036
Street lighting	-	-	-	67,088	37,196	29,892
Commercial docks	-	-	-	223,471	299,449	(75,978)
Total Expenses	5,942,125	11,949,865	(6,007,740)	2,585,196	2,520,259	64,937
Increase in Net Position Before Transfers	(173,058)	(6,147,735)	5,974,677	316,633	254,522	62,111
Transfers	225,000	200,000	25,000	(225,000)	(200,000)	(25,000)
Change in Net Position	51,942	(5,947,735)	5,999,677	91,633	54,522	37,111
Net Position, January 1	8,047,735	13,995,470	(5,947,735)	7,022,436	6,967,914	54,522
Net Position, December 31	$ 8,099,677	$ 8,047,735	$ 51,942	$ 7,114,069	$ 7,022,436	$ 91,633

Key elements of this increase are as follows:

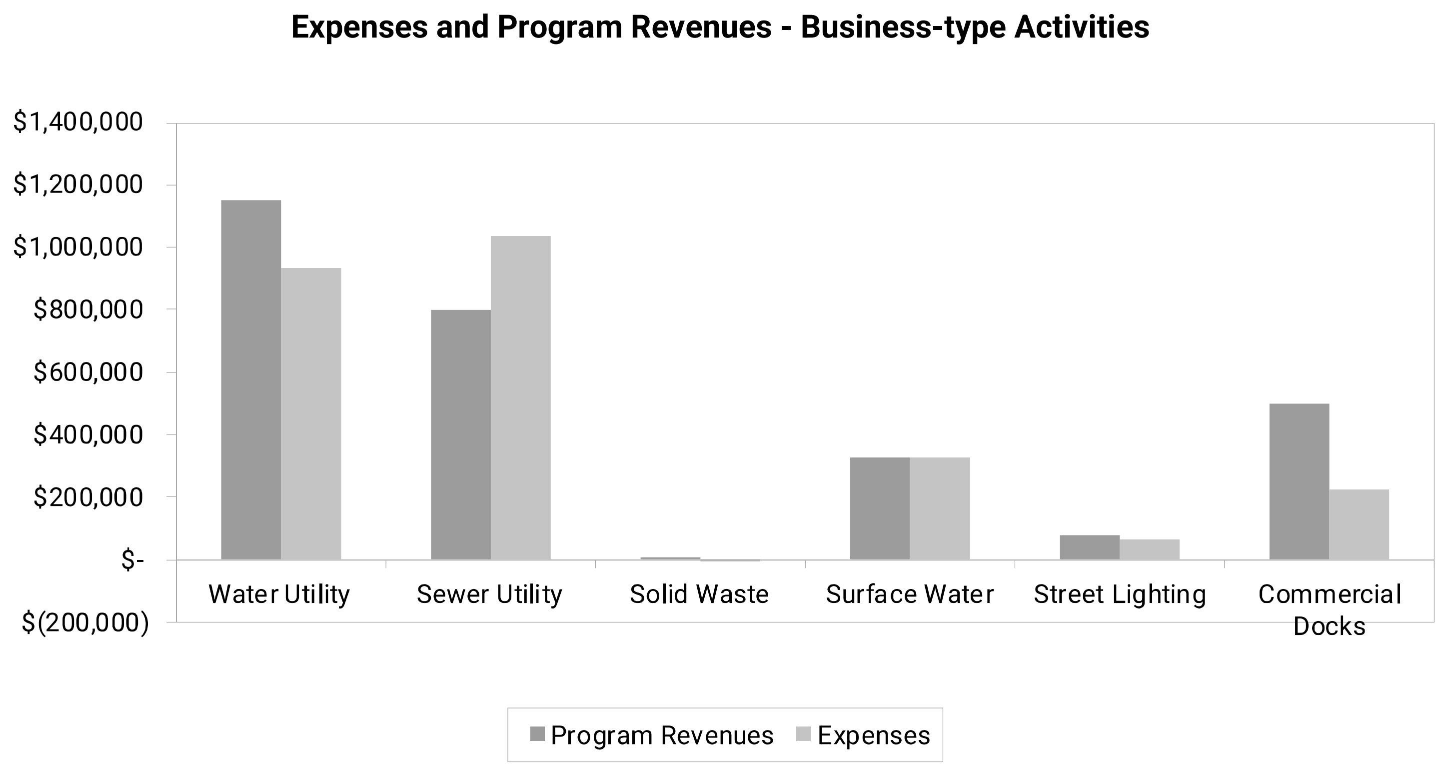
- Capital Grants and contributions increased due to the following:
    - Additional special assessment collections.
- Property tax increased due to an increase in property tax levies and tax increment collections.
- Housing and economic development expenses decreased due to the prior year including a one-time contribution to development and parking facilities.

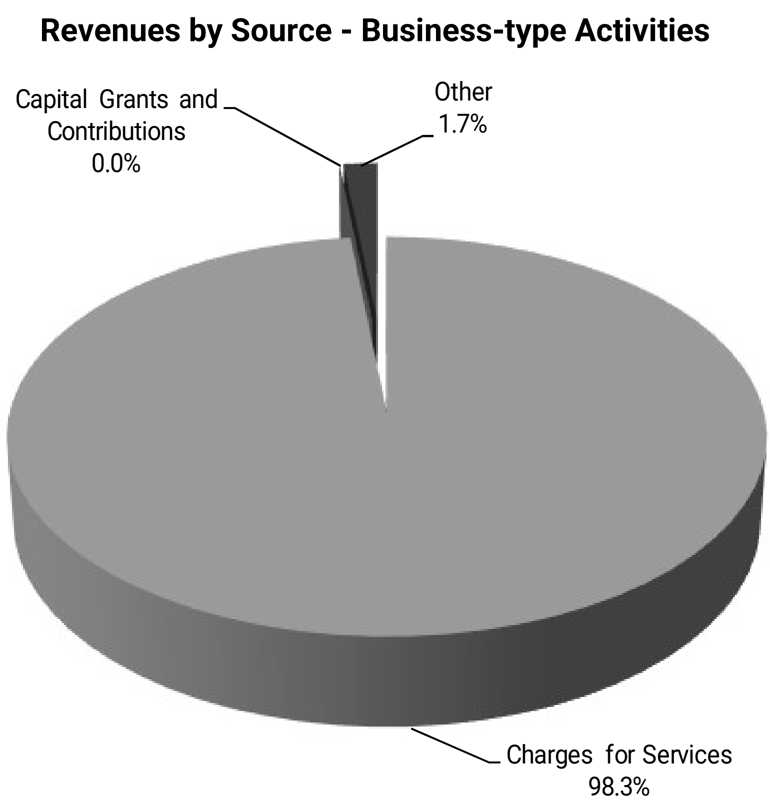
The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.





Business-type Activities. Business-type activities increased the City's net position, as shown in the changes for net position table. The increase is largely due to increases in charges for services, specifically for the water fund. Key elements of this increase are as follows:





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. The table below outlines the governmental fund balances for the year ending December 31, 2025.

	General Fund	Commons Sales Tax	Parking Lot Maintenance	Capital Improvement	Other Governmental Funds	Total	Prior Year Total
Fund Balances							
Nonspendable	$ 427,164	$ -	$ -	$ 50,000	$ -	$ 477,164	$ 229,441
Restricted	-	2,083,902	-	-	1,332,869	3,416,771	4,563,884
Assigned	126,205	-	73,673	648,538	410,636	1,259,052	1,370,852
Unassigned	1,113,026	-	-	-	-	1,113,026	1,525,045
	$ 1,666,395	$ 2,083,902	$ 73,673	$ 698,538	$ 1,743,505	$ 6,266,013	$ 7,689,222

The General Fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	$ 427,164	$ 229,441	$ 197,723
Assigned	126,205	126,205	-
Unassigned	1,113,026	1,594,260	(481,234)
	$ 1,666,395	$ 1,949,906	$ (283,511)
General Fund expenditures	$ 3,378,394	$ 2,810,993	
Unassigned as a percent of expenditures	32.9%	56.7%	
Total Fund Balance as a percent of expenditures	49.3%	69.4%	

The fund balance of the City's General fund decreased during the current fiscal year as shown in the table above. The decrease in fund balance was due to expenditures under budgeted amounts, specifically for personal services.

Other major governmental fund analysis is shown below:

	December 31, 2025	December 31, 2024	Increase (Decrease)
Commons Sales Tax fund	$ 2,083,902	$ 3,160,904	$ (1,077,002)
The Commons Sales Tax fund balance decreased due to the use of remaining bond proceeds for capital related improvements.			
Parking Lot Maintenance	73,673	116,135	(42,462)
The Parking Lot Maintenance fund decreased due to the use of parking fees to support debt service, projects and maintenance costs.			
Capital Improvement fund	698,538	714,175	(15,637)
The Capital Improvement fund decrease in fund balance during the year was due to capital outlay expenditures related to parking ramp development costs and other capital purchases.			

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City's proprietary funds increased or (decreased) as follows:

	Ending Net Position 2025	Ending Net Position 2024	Increase/ (Decrease)
Water	$ 3,598,705	$ 3,354,143	$ 244,562
The increase primarily is attributed to the increase in charges for services over operating costs.			
Sewer	2,268,457	2,505,431	(236,974)
The decrease is largely due costs related to the maintenance costs related to sewer projects.			
Commercial Docks	518,564	458,661	59,903
The increase can be attributed to the collection of fees above what was needed to cover operating costs.			
Surface Water Management	620,622	613,647	6,975
The increase can be attributed to the collection of fees above what was needed to cover operating costs.			

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, 2025, is shown below in the capital assets table (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 remained the same during the year as shown below.

Major capital asset activity during the current year included:

- The Commons Concessions and ballfield project continued during the year.
- The City made various equipment purchases including a trailer, snow blower and truck.

Additional information on the City's capital assets can be found in Note 3C starting on page 41 of this report.

City of Excelsior's Capital Assets
(Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Land	$ 1,143,477	$ 1,143,477	$ -	$ 50,000	$ 50,000	$ -
Construction in Progress	1,265,481	-	1,265,481	-	-	-
Buildings	1,140,512	1,176,593	(36,081)	-	-	-
Improvement other than Building	16,576,040	17,206,696	(630,656)	-	-	-
Machinery and Equipment	358,309	299,660	58,649	224,945	258,455	(33,510)
Infrastructure	368,690	438,831	(70,141)	13,528,682	14,077,140	(548,458)
Total	$ 20,852,509	$ 20,265,257	$ 587,252	$ 13,803,627	$ 14,385,595	$ (581,968)
Percent increase (decrease)			2.90%			-4.05%

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of consisting of revenue bonds and improvement bonds as noted in the table below. 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		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
G.O. Revenue Bonds	$ 4,725,000	$ 5,235,000	$ (510,000)	$ 399,000	$ 441,000	$ (42,000)
G.O. Improvement Bonds	7,152,648	7,645,738	(493,090)	7,737,352	8,299,262	(561,910)
G.O. TIF Bonds	6,325,000	6,325,000	-	-	-	-
Bond Premium	863,970	931,979	(68,009)	496,360	534,086	(37,726)
Total	$ 19,066,618	$ 20,137,717	$(1,071,099)	$ 8,632,712	$ 9,274,348	$ (641,636)
Percent increase (decrease)			-5.32%			-6.92%

The City's total debt decreased during the current fiscal year. The decrease was due to annual scheduled payments.

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

Additional information on the City's long-term debt can be found in Note 3E starting on page 43 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered market value changes, tax rates, population and development needs during the 2026 budget preparation.

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 Jennifer Palmer, Finance Director, City of Excelsior, 339 Third Street, Excelsior, Minnesota 55331.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Excelsior, Minnesota
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash temporary investments	$ 6,554,263	$ 1,609,297	$ 8,163,560
Receivables			
Accounts	42,794	557,428	600,222
Delinquent taxes	39,829	-	39,829
Special assessments	780,841	20,944	801,785
Lease	1,102,784	-	1,102,784
Due from other governments	60,941	-	60,941
Internal balances	(294,524)	294,524	-
Prepaid items	400,076	154	400,230
Land and construction in progress	2,408,958	50,000	2,458,958
Depreciable infrastructure, buildings, property and equipment, net	18,443,551	13,753,627	32,197,178
Total Assets	29,539,513	16,285,974	45,825,487
Deferred Outflows of Resources			
Deferred pension resources	95,844	63,475	159,319
Liabilities			
Accounts payable	403,695	115,496	519,191
Accrued salaries payable	52,865	23,217	76,082
Accrued interest payable	259,839	86,991	346,830
Due to other governments	15,402	6,283	21,685
Unearned revenue	112,300	-	112,300
Noncurrent liabilities			
Due within one year			
Compensated absences payable	26,847	12,062	38,909
Bonds payable	1,160,247	617,753	1,778,000
Due in more than one year			
Compensated absences payable	62,642	28,145	90,787
Net pension liability	301,996	195,019	497,015
Bonds payable, net	17,906,371	8,014,959	25,921,330
Total Liabilities	20,302,204	9,099,925	29,402,129
Deferred Inflows of Resources			
Deferred lease resources	1,025,696	-	1,025,696
Deferred pension resources	207,780	135,455	343,235
Total Deferred Inflows of Resources	1,233,476	135,455	1,368,931
Net Position			
Net investment in capital assets	1,785,891	5,170,915	6,956,806
Restricted for			
Debt service	1,215,477	-	1,215,477
Tax increment financing district	68,865	-	68,865
Excelsior Commons improvements	2,083,902	-	2,083,902
Park improvements	375,534	-	375,534
Unrestricted	2,570,008	1,943,154	4,513,162
Total Net Position	$ 8,099,677	$ 7,114,069	$ 15,213,746

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, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities				
General government	$ 1,481,163	$ 136,331	$ 21,212	$ -
Public safety	1,392,011	358,961	10,000	-
Public works	1,124,987	513,506	57,327	479,265
Culture and recreation	933,569	62,755	62,086	-
Housing and economic development	188,878	-	-	-
Miscellaneous	164,994	-	-	-
Interest on long-term debt	656,523	-	-	5,248
Total Governmental Activities	5,942,125	1,071,553	150,625	484,513
Business-type Activities				
Water utility	933,215	1,148,361	-	-
Sewer utility	1,039,136	793,062	9,100	-
Solid waste	(3,789)	994	-	-
Surface water	326,075	329,589	-	-
Street lighting	67,088	76,481	-	-
Commercial docks	223,471	496,451	-	-
Total Business-type Activities	2,585,196	2,844,938	9,100	-
Total	$ 8,527,321	$ 3,916,491	$ 159,725	$ 484,513

General Revenues
- Taxes
  - Property taxes levied for general purposes
  - Property taxes levied for debt service
  - Tax increments
  - Sales and use tax
  - Franchise taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (1,323,620)	$ -	$ (1,323,620)
(1,023,050)	-	(1,023,050)
(74,889)	-	(74,889)
(808,728)	-	(808,728)
(188,878)	-	(188,878)
(164,994)	-	(164,994)
(651,275)	-	(651,275)
(4,235,434)	-	(4,235,434)
-	215,146	215,146
-	(236,974)	(236,974)
-	4,783	4,783
-	3,514	3,514
-	9,393	9,393
-	272,980	272,980
-	268,842	268,842
(4,235,434)	268,842	(3,966,592)
2,006,924	-	2,006,924
662,385	-	662,385
256,495	-	256,495
815,843	-	815,843
61,087	-	61,087
722	-	722
258,920	47,791	306,711
225,000	(225,000)	-
4,287,376	(177,209)	4,110,167
51,942	91,633	143,575
8,047,735	7,022,436	15,070,171
$ 8,099,677	$ 7,114,069	$ 15,213,746

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

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FUND FINANCIAL STATEMENTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Excelsior, Minnesota
Balance Sheet
Governmental Funds
December 31, 2025

	General	Commons Sales Tax	Parking Lot Maintenance	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and temporary investments	$ 1,505,179	$ 2,027,143	$ 91,279	$ 976,550	$ 1,954,112	$ 6,554,263
Receivables						
Accounts	3,096	-	-	18,602	21,096	42,794
Delinquent taxes	39,829	-	-	-	-	39,829
Special assessments	-	-	2,458	190,753	587,630	780,841
Lease	1,102,784	-	-	-	-	1,102,784
Due from other governments	-	60,941	-	-	-	60,941
Prepaid items	350,076	-	-	50,000	-	400,076
Total Assets	$ 3,000,964	$ 2,088,084	$ 93,737	$ 1,235,905	$ 2,562,838	$ 8,981,528
Liabilities						
Accounts payable	$ 99,758	$ 4,182	$ 15,157	$ 52,111	$ 232,487	$ 403,695
Accrued salaries payable	50,416	-	2,449	-	-	52,865
Due to other funds	-	-	-	294,524	-	294,524
Due to other governments	15,402	-	-	-	-	15,402
Unearned revenue	112,300	-	-	-	-	112,300
Total Liabilities	277,876	4,182	17,606	346,635	232,487	878,786
Deferred Inflows of Resources						
Deferred lease resources	1,025,696	-	-	-	-	1,025,696
Unavailable revenue - special assessments	-	-	2,458	190,732	586,846	780,036
Unavailable revenue - property taxes	30,997	-	-	-	-	30,997
Total Deferred Inflows of Resources	1,056,693	-	2,458	190,732	586,846	1,836,729
Fund Balances						
Nonspendable						
Prepaid items	350,076	-	-	50,000	-	400,076
Lease resources	77,088	-	-	-	-	77,088
Restricted for						
Debt service	-	-	-	-	888,470	888,470
Tax increment financing district	-	-	-	-	68,865	68,865
Excelsior Commons improvements	-	2,083,902	-	-	-	2,083,902
Park improvements	-	-	-	-	375,534	375,534
Assigned for						
Capital improvements	-	-	-	353,073	-	353,073
Park improvements	-			-	410,636	410,636
Parking improvements	-	-	-	295,465	-	295,465
Parking lot maintenance	-	-	73,673	-	-	73,673
Compensated absences	126,205	-	-	-	-	126,205
Unassigned	1,113,026	-	-	-	-	1,113,026
Total Fund Balances	1,666,395	2,083,902	73,673	698,538	1,743,505	6,266,013
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,000,964	$ 2,088,084	$ 93,737	$ 1,235,905	$ 2,562,838	$ 8,981,528

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, 2025

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

Total Fund Balances - Governmental	$ 6,266,013
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	26,458,855
Less: accumulated depreciation	(5,606,346)
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	(89,489)
Bond principal payable	(18,202,648)
Plus premium on bonds issued	(863,970)
Net pension liability	(301,996)
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	30,997
Special assessments receivable	780,036
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	95,844
Deferred inflows of pension resources	(207,780)
Governmental funds do not report a liability for accrued interest until due and payable.	(259,839)
Total Net Position - Governmental Activities	$ 8,099,677

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, 2025

	General	Commons Sales Tax	*Previosly Nonmajor* Parking Lot Maintenance	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 2,058,774	$ 815,843	$ -	$ -	$ 918,880	$ 3,793,497
Licenses and permits	321,038	-	-	-	-	321,038
Intergovernmental	22,739	-	-	395,156	51,744	469,639
Charges for services	170,669	-	544,491	-	-	715,160
Fines and forfeitures	32,887	-	22,029	-	-	54,916
Special assessments	33	-	23,395	49,426	97,046	169,900
Interest on investments	95,560	86,807	3,145	25,788	47,620	258,920
Miscellaneous	25,779	-	-	3,032	67,714	96,525
Total Revenues	2,727,479	902,650	593,060	473,402	1,183,004	5,879,595
Expenditures						
Current						
General government	977,321	-	-	-	-	977,321
Public safety	1,392,011	-	-	-	-	1,392,011
Public works	327,555	-	139,184	-	-	466,739
Culture and recreation	501,386	-	-	-	-	501,386
Miscellaneous	164,994	-	-	-	-	164,994
Capital outlay						
General government	15,127	-	-	473,339	-	488,466
Public works	-	-	105,338	163,296	-	268,634
Culture and recreation	-	1,277,242	-	-	143,434	1,420,676
Housing and economic development	-	-	-	-	188,878	188,878
Debt service						
Principal	-	-	-	-	1,003,090	1,003,090
Interest and other	-	-	-	-	655,609	655,609
Total Expenditures	3,378,394	1,277,242	244,522	636,635	1,991,011	7,527,804
Excess (Deficiency) of Revenues Over (Under) Expenditures	(650,915)	(374,592)	348,538	(163,233)	(808,007)	(1,648,209)
Other Financing Sources (Uses)						
Transfers in	605,000	-	-	177,596	869,201	1,651,797
Transfers out	(237,596)	(702,410)	(391,000)	(30,000)	(65,791)	(1,426,797)
Total Other Financing Sources (Uses)	367,404	(702,410)	(391,000)	147,596	803,410	225,000
Net Change in Fund Balances	(283,511)	(1,077,002)	(42,462)	(15,637)	(4,597)	(1,423,209)
Fund Balances, January 1, as previosly reported	1,949,906	3,160,904	-	714,175	1,864,237	7,689,222
Changes within the reporting entity						
Nonmajor to Major Fund	-	-	116,135	-	(116,135)	-
Fund Balances, January 1, as adjusted	1,949,906	3,160,904	116,135	714,175	1,748,102	7,689,222
Fund Balances, December 31	$ 1,666,395	$ 2,083,902	$ 73,673	$ 698,538	$ 1,743,505	$ 6,266,013

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, 2025

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

Net Change in Fund Balances - Governmental Funds	$ (1,423,209)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	1,402,691
Depreciation expense	(815,439)
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.	
Principal payments	1,003,090
Amortization of bond premium	68,009
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.	(68,923)
Long-term pension activity is not reported in governmental funds.	
Pension expense	19,371
Pension revenue from State contributions	(1,056)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(23,120)
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	9,237
Special assessments	(118,709)
Change in Net Position - Governmental Activities	$ 51,942

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

City of Excelsior, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2025

	Business-type Activities - Enterprise Funds			Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks	Surface Water Management	Other Proprietary Funds	Totals
Assets						
Current Assets						
Cash and temporary investments	$ 1,204,338	$ (291,325)	$ 488,749	$ 110,648	$ 96,887	$ 1,609,297
Receivables						
Accounts	263,096	190,108	-	81,767	22,457	557,428
Special assessments	19,597	-	-	-	1,347	20,944
Due from other funds	-	294,524	-	-	-	294,524
Prepaid items	47	107	-	-	-	154
Total Current Assets	1,487,078	193,414	488,749	192,415	120,691	2,482,347
Capital Assets, at Cost	9,827,186	7,162,749	646,481	2,542,459	33,303	20,212,178
Less Accumulated Depreciation	(3,398,358)	(1,978,272)	(540,523)	(457,490)	(33,908)	(6,408,551)
Net Capital Assets	6,428,828	5,184,477	105,958	2,084,969	(605)	13,803,627
Total Assets	7,915,906	5,377,891	594,707	2,277,384	120,086	16,285,974
Deferred Outflows of Resources						
Deferred pension resources	17,940	19,431	13,478	10,758	1,868	63,475
Liabilities						
Current Liabilities						
Accounts payable	56,702	39,985	8,678	7,280	2,851	115,496
Accrued salaries payable	6,867	6,986	4,188	4,192	984	23,217
Accrued interest payable	39,840	30,661	-	16,490	-	86,991
Due to other governments	8,118	-	-	-	(1,835)	6,283
Compensated absences payable, current portion	3,595	3,671	1,556	2,524	716	12,062
Bonds payable, current portion	325,001	184,450	-	108,302	-	617,753
Total Current Liabilities	440,123	265,753	14,422	138,788	2,716	861,802
Noncurrent Liabilities						
Compensated absences payable	8,389	8,566	3,631	5,889	1,670	28,145
Bonds payable, net of current portion	3,794,570	2,754,898	-	1,465,491	-	8,014,959
Net pension liability	54,181	58,640	42,385	33,989	5,824	195,019
Total Noncurrent Liabilities	3,857,140	2,822,104	46,016	1,505,369	7,494	8,238,123
Total Liabilities	4,297,263	3,087,857	60,438	1,644,157	10,210	9,099,925
Deferred Inflows of Resources						
Deferred pension resources	37,878	41,008	29,183	23,363	4,023	135,455
Net Position						
Net investment in capital assets	2,309,257	2,245,129	105,958	511,176	(605)	5,170,915
Unrestricted	1,289,448	23,328	412,606	109,446	108,326	1,943,154
Total Net Position	$ 3,598,705	$ 2,268,457	$ 518,564	$ 620,622	$ 107,721	$ 7,114,069

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

City of Excelsior, Minnesota
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds			Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks	Surface Water Management	Other Proprietary Funds	Totals
Operating Revenues						
Charges for services	$ 1,034,573	$ 793,062	$ 496,451	$ 329,589	$ 76,481	$ 2,730,156
Operating Expenses						
Personnel services	198,262	218,286	142,304	117,404	16,470	692,726
Supplies	66,779	10,875	6,193	802	1,999	86,648
Other services and charges	303,543	514,582	60,557	98,653	40,731	1,018,066
Depreciation	278,632	234,828	14,417	79,449	4,099	611,425
Total Operating Expenses	847,216	978,571	223,471	296,308	63,299	2,408,865
Operating Income (Loss)	187,357	(185,509)	272,980	33,281	13,182	321,291
Nonoperating Revenues (Expenses)						
Interest on investments	29,416	-	11,923	3,461	2,991	47,791
Special assessments	-	-	-	-	994	994
Intergovernmental	-	9,100	-		-	9,100
Interest expense and other	(85,999)	(60,565)	-	(29,767)	-	(176,331)
Other income	113,788	-	-	-	-	113,788
Total Nonoperating Revenues (Expenses)	57,205	(51,465)	11,923	(26,306)	3,985	(4,658)
Income (Loss) Before Transfers	244,562	(236,974)	284,903	6,975	17,167	316,633
Transfers Out	-	-	(225,000)	-	-	(225,000)
Change in Net Position	244,562	(236,974)	59,903	6,975	17,167	91,633
Net Position, January 1	3,354,143	2,505,431	458,661	613,647	90,554	7,022,436
Net Position, December 31	$ 3,598,705	$ 2,268,457	$ 518,564	$ 620,622	$ 107,721	$ 7,114,069

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

City of Excelsior, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds			Business-type Activities - Enterprise Funds		
	Water	Sewer	Commercial Docks	Surface Water Management	Other Proprietary Funds	Totals
Cash Flows from Operating Activities						
Receipts from customers and users	$ 1,115,442	$ 767,974	$ 497,098	$ 324,015	$ 76,697	$ 2,781,226
Payments to suppliers	(326,744)	(496,592)	(66,988)	(99,039)	(44,601)	(1,033,964)
Payments to employees	(246,902)	(269,965)	(156,576)	(121,198)	(22,151)	(816,792)
Net Cash Provided (Used) by Operating Activities	541,796	1,417	273,534	103,778	9,945	930,470
Cash Flows from Noncapital Financing Activities						
Intergovernmental	-	9,100	-	-	-	9,100
Transfers to other funds	-	-	(225,000)	-	-	(225,000)
Net Cash Provided (Used) by Noncapital Financing Activities	-	9,100	(225,000)	-	-	(215,900)
Cash Flows from Capital Financing Activities						
Acquisition of capital assets	(9,819)	(9,819)	-	(9,819)	-	(29,457)
Interest paid on bonds	(107,823)	(77,213)	-	(38,896)	-	(223,932)
Principal paid on bonds	(318,963)	(179,573)	-	(105,374)	-	(603,910)
Net Cash Provided (Used) by Capital Financing Activities	(436,605)	(266,605)	-	(154,089)	-	(857,299)
Cash Flows from Investing Activities						
Interest received on investments	29,416	-	11,923	3,461	2,991	47,791
Net Increase (Decrease) in Cash and Cash Equivalents	134,607	(256,088)	60,457	(46,850)	12,936	(94,938)
Cash and Cash Equivalents, January 1	1,069,731	(35,237)	428,292	157,498	83,951	1,704,235
Cash and Cash Equivalents, December 31	$ 1,204,338	$ (291,325)	$ 488,749	$ 110,648	$ 96,887	$ 1,609,297
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	187,357	(185,509)	272,980	33,281	13,182	321,291
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Other income related to operations	113,788	-	-	-	994	114,782
Depreciation	278,632	234,828	14,417	79,449	4,099	611,425
(Increase) decrease in assets/deferred outflows of resources						
Receivables						
Accounts	(31,820)	(25,297)	647	(5,574)	(2,178)	(64,222)
Special assessments	(1,099)	209	-	-	1,400	510
Prepaid items	(47)	(107)	-	-	-	(154)
Deferred pension resources	4,355	4,216	(661)	(1,315)	368	6,963
Increase (decrease) in liabilities/deferred inflows of resources						
Accounts payable	42,936	28,972	(238)	416	2,243	74,329
Accrued salaries payable	(1,275)	(1,678)	(87)	1,354	139	(1,547)
Compensated absences payable	(4,406)	(6,040)	(4,970)	(2,157)	(2,056)	(19,629)
Due to other governments	689	-	-	-	(4,114)	(3,425)
Net pension liability	(30,591)	(31,273)	(6,348)	(1,913)	(2,679)	(72,804)
Deferred pension resources	(16,723)	(16,904)	(2,206)	237	(1,453)	(37,049)
Net Cash Provided (Used) by Operating Activities	$ 541,796	$ 1,417	$ 273,534	$ 103,778	$ 9,945	$ 930,470
Schedule of Noncash Capital and Financing Activities						
Amortization of bond premium	$ 17,263	$ 13,333	$ -	$ 7,130	$ -	$ 37,726

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Excelsior, Minnesota (the City), operates under its own Home Rule Charter. The City is governed by an elected Mayor and a four-member 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 and proprietary 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements 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 *Commons Sales Tax fund* accounts for the special revenue sales tax for the Excelsior Commons Improvements.

The *Parking Lot Maintenance fund* accounts for the activity associated with the Cities parking infrastructure.

The *Capital Improvement fund* accounts for capital improvement expenditures.

The City reports the following major proprietary funds:

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Note 1: Summary of Significant Accounting Policies (Continued)

The City has the following recurring fair value measurements as of December 31, 2025:

- U.S. Government securities of $706,95 are valued using quoted market prices (Level 1 inputs)
- Brokered Certificates of Deposit of $1,869,815 are valued using a matrix pricing model (Level 2 inputs)

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 2025. 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.

Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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 acquisition value of the item at the date of its donation.

Note 1: Summary of Significant Accounting Policies (Continued)

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 net 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 assets 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. The General fund is typically used to liquidate the governmental net pension liability.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave is accrued when employees reach certain years of service and are considered vested. An accrual for sick leave expected to be used during service is estimated based on expected future use. 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.

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 effective interest 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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 assets 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 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 two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also recognizes a deferred lease receivable, which is reported under both the modified accrual and full accrual basis.

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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".

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 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. The City does not budget for the major special revenue fund because it is not legally required to do so.

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 Equity

As of December 31, 2025, the following fund had a deficit balance. The deficits will be funded with future delinquent collections, transfers from other funds and tax increment collections.

Fund	Amount
Solid Waste	$ 20,044

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 fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was ($87,867) and the bank balance was $15,085. The entire bank balance was covered by federal depository insurance.

Note 3: Detailed Notes on All Funds (Continued)

Investments

As of December 31, 2025, 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)	Amount	Fair Value Measurement Using Level 1	Level 2	Level 3
Pooled Investments at Amortized Cost						
Broker Money Market	N/A	less than 6 months	$ 5,675,317			
Non-pooled Investments						
U.S. Government Securities	AAA	less than 1 year	706,095	$ 706,095	$ -	$ -
Brokered Certificates of Deposits	N/A	less than 1 year	942,808	-	942,808	-
Brokered Certificates of Deposits	N/A	1 to 5 years	927,007	-	927,007	-
Total Investments			$ 8,251,227	$ 706,095	$ 1,869,815	$ -

(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.

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

Carrying Amount of Deposits	$ (87,867)
Investments	8,251,227
Cash on Hand	200
Total	$ 8,163,560

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 55 of the notes.

- *Custodial Credit Risk*. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk.

- *Concentration of Credit Risk.* Is the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with the City's investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

- *Interest Rate Risk.* Is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than ten (10) years from the date of purchase. Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding ten (10) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. Extended maturities may be utilized to take advantage of higher yields; however, no more than fifty (50) percent of the total investments should extend beyond five (5) years and in no circumstance should any extend beyond fifteen (15) years.

B. Lease Receivable

Under the T-Mobile Water Tower Site Lease, the cellular company pays the City annually for 26 remaining years with a 3% annual escalation.

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
T-Mobile Water Tower Site Lease	01/01/19	1.51%	$ 37,817	$ 1,102,784

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	$ 1,143,477	$ -	$ -	$ 1,143,477
Construction in progress	-	1,265,481	-	1,265,481
Total Capital Assets not Being Depreciated	1,143,477	1,265,481	-	2,408,958
Capital Assets Being Depreciated				
Buildings	1,568,232	-	-	1,568,232
Improvements other than buildings	19,527,702	-	-	19,527,702
Machinery and equipment	1,280,891	137,210	-	1,418,101
Infrastructure	1,535,862	-	-	1,535,862
Total Capital Assets Being Depreciated	23,912,687	137,210	-	24,049,897
Less Accumulated Depreciation for				
Buildings	(391,639)	(36,081)	-	(427,720)
Improvements other than buildings	(2,321,006)	(630,656)	-	(2,951,662)
Machinery and equipment	(981,231)	(78,561)	-	(1,059,792)
Infrastructure	(1,097,031)	(70,141)	-	(1,167,172)
Total Accumulated Depreciation	(4,790,907)	(815,439)	-	(5,606,346)
Total Capital Assets Being Depreciated, Net	19,121,780	(678,229)	-	18,443,551
Governmental Activities Capital Assets, Net	$ 20,265,257	$ 587,252	$ -	$ 20,852,509

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

Governmental Activities	
General government	$ 32,155
Public works	519,458
Culture and recreation	263,826
Total Depreciation Expense - Governmental Activities	$ 815,439

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	$ 50,000	$ -	$ -	50,000
Capital Assets Being Depreciated				
Buildings	8,203	-	-	8,203
Machinery and equipment	1,228,354	29,457	-	1,257,811
Infrastructure	18,896,164	-	-	18,896,164
Total Capital Assets Being Depreciated	20,132,721	29,457	-	20,162,178
Less Accumulated Depreciation for				
Buildings	(8,203)	-	-	(8,203)
Machinery and equipment	(969,899)	(62,967)	-	(1,032,866)
Infrastructure	(4,819,024)	(548,458)	-	(5,367,482)
Total Accumulated Depreciation	(5,797,126)	(611,425)	-	(6,408,551)
Total Capital Assets Being Depreciated, Net	14,335,595	(581,968)	-	13,753,627
Business-type Activities Capital Assets, Net	$ 14,385,595	$ (581,968)	$ -	$ 13,803,627

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

Business-type Activities	
Water	$ 278,632
Sewer	234,828
Commercial docks	14,417
Surface water management	79,449
Other proprietary funds	4,099
Total Depreciation Expense - Business-type Activities	$ 611,425

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Transfers and Receivables

The Sewer fund loaned the capital fund $294,524 for capital project funding. The loan will be repaid from land and building sale proceeds. As of December 31, 2025, the entire balance was outstanding.

The composition of interfund transfers as of December 31, 2025 is as follows:

	Transfer in			
Fund	General	Capital Improvement	Other Governmental	Total
Transfer Out				
General	$ -	$ 177,596	$ 60,000	$ 237,596
Capital Improvement	-	-	30,000	30,000
Commons Sales Tax	-	-	702,410	702,410
Parking Lot Maintenance	350,000	-	41,000	391,000
Other governmental	30,000	-	35,791	65,791
Commercial Docks	225,000	-	-	225,000
Total	$ 605,000	$ 177,596	$ 869,201	$ 1,651,797

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 to fund future capital projects.

E. Long-term Debt

<u>General Obligation Bonds</u>

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.

The following bonds were issued to finance capital improvements. They will be retired from ad valorem tax levies, tax abatements and sales tax revenues.

Description	Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Abatement Bonds, Series 2021A	$ 890,000	1.10 - 5.00 %	08/19/21	02/01/42	$ 795,000
G.O. Sales Tax Bonds, Series 2022A	5,380,000	3.00 - 5.00 %	07/01/22	02/01/32	3,930,000
Total G.O. Bonds					$ 4,725,000

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	General Obligation Bonds Governmental Activities Principal	Interest	Total
2026	$ 530,000	$ 152,980	$ 682,980
2027	555,000	128,455	683,455
2028	580,000	105,380	685,380
2029	605,000	81,280	686,280
2030	630,000	59,080	689,080
2031 - 2035	1,460,000	81,580	1,541,580
2036 - 2040	255,000	23,525	278,525
2041 - 2042	110,000	2,200	112,200
Total	$ 4,725,000	$ 634,480	$ 5,359,480

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	$ 225,000
Taxable G.O. Improvement Bonds, Series 2017A	3,970,000	2.5 - 3.0	06/14/17	02/01/33	2,315,000
G.O. Street Reconstruction Bonds, Series 2019A	5,570,000	2.0 - 5.0	09/18/19	02/01/40	4,605,000
G.O. Street Reconstruction Bonds, Series 2020A	2,775,000	2.0 - 5.0	07/16/20	02/01/41	2,360,000
G.O. Street Reconstruction Bonds, Series 2021A	2,890,000	1.10 - 5.00	08/19/21	02/01/42	5,385,000
Total G.O. Revenue Bonds					$ 14,890,000

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending	General Obligation Bonds Governmental Activities			General Obligation Bonds Business-type Activities		
December 31,	Principal	Interest	Total	Principal	Interest	Total
2026	$ 510,247	$ 179,798	$ 690,045	$ 574,753	$ 196,495	$ 771,248
2027	413,434	159,706	573,140	491,567	174,412	665,979
2028	430,678	141,767	572,445	504,323	154,501	658,824
2029	452,563	123,468	576,031	532,437	134,193	666,630
2030	464,884	106,146	571,030	545,117	114,871	659,988
2031 - 2035	2,274,749	362,128	2,636,877	2,535,251	374,624	2,909,875
2036 - 2040	2,120,019	159,537	2,279,556	2,129,981	156,794	2,286,775
2041 - 2042	486,074	8,661	494,735	423,923	7,939	431,862
Total	$ 7,152,648	$ 1,241,211	$ 8,393,859	$ 7,737,352	$ 1,313,829	$ 9,051,181

General Obligation Tax Increment Financing Bonds

The following bonds were issued to finance public and private improvements related to the Cities tax increment financing districts. They will be repaid with revenue generated from tax increment financing.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O TIF Bonds, Series 2023A	$ 6,325,000	4.0 - 5.0 %	07/13/23	02/01/51	$ 6,325,000

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

Year Ending	General Obligation Tax Increment Bonds Governmental Activities		
December 31,	Principal	Interest	Total
2026	$ 120,000	$ 263,250	$ 383,250
2027	70,000	258,500	328,500
2028	80,000	254,750	334,750
2029	90,000	250,500	340,500
2030	100,000	245,750	345,750
2031 - 2035	685,000	1,137,375	1,822,375
2036 - 2040	1,070,000	936,300	2,006,300
2041 - 2045	1,175,000	567,500	1,742,500
2046 - 2050	1,105,000	287,700	1,392,700
2051	1,830,000	152,000	1,982,000
Total	$ 6,325,000	$ 4,353,625	$ 10,678,625

Note 3: Detailed Notes on All Funds (Continued)

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	Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
MPFA - 2014A Water Revenue Bonds	$ 920,313	$ 784,785	1.00	06/02/14	08/20/34	$ 399,000

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

Year Ending December 31,	General Obligation Revenue Bonds Business-type Activities Principal	Interest	Total
2026	$ 43,000	$ 3,990	$ 46,990
2027	43,000	3,560	46,560
2028	43,000	3,130	46,130
2029	44,000	2,700	46,700
2030	44,000	2,260	46,260
2031 - 2034	182,000	5,480	187,480
Total	$ 399,000	$ 21,120	$ 420,120

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable					
General obligation bonds	$ 5,235,000	$ -	$ (510,000)	$ 4,725,000	$ 530,000
General obligation improvement bonds	7,645,738	-	(493,090)	7,152,648	510,247
General obligation tax Increment bonds	6,325,000	-	-	6,325,000	120,000
Bond premium	931,979	-	(68,009)	863,970	-
Compensated absences payable*	66,369	23,120	-	89,489	26,847
Governmental Activity Long-term Liabilities	$ 20,204,086	$ 23,120	$ (1,071,099)	$ 19,156,107	$ 1,187,094
Business-type Activities					
Bonds payable					
General obligation revenue bonds	$ 441,000	$ -	$ (42,000)	$ 399,000	$ 43,000
General obligation improvement bonds	8,299,262	-	(561,910)	7,737,352	574,753
Bond premium	534,086	-	(37,726)	496,360	-
Compensated absences payable*	59,836	-	(19,629)	40,207	12,062
Business-type Activity Long-term Liabilities	$ 9,334,184	$ -	$ (661,265)	$ 8,672,919	$ 629,815

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

The 0 participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. 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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the 0 was required to contribute 7.50% for General Plan members. The 0’s contributions to the General Employees Fund for the year ended December 31, 2025, were $108,641. The 0's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2025, the 0 reported a liability of $497,015 for its proportionate share of the General Employees Fund’s net pension liability. The 0’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the 0 totaled $11,990.

0’s proportionate share of the net pension liability	$	497,015
State of Minnesota's proportionate share of the net pension liability associated with the 0		11,990
Total	$	509,005

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 0's proportion of the net pension liability was based on the 0's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The 0's proportionate share was 0.015% at the end of the measurement period and 0.0157% for the beginning of the period.

For the year ended December 31, 2025, the recognized pension expense of negative $12,565 for its proportionate share of the General Employees Plan's pension expense. In addition, the recognized an additional negative $1,839 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At December 31, 2025, the 0 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 47,354	$ -
Changes in actuarial assumptions	11,975	114,361
Net difference between projected and actual investment earnings	-	197,767
Changes in proportion	44,715	31,107
Employer contributions subsequent to the measurement date	55,275	-
Total	$ 159,319	$ 343,235

The $55,275 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026	$ (34,392)
2027	(90,979)
2028	(78,492)
2029	(35,328)

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

E. Long-term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Return on Investment
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

General Employees Fund

Changes in Actuarial Assumptions:
- The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:
- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current plan members. 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.

H. Pension Liability Sensitivity

The following presents the 0’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 0’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
General Employees Fund	$ 1,207,170	$ 497,015	$ (79,082)

I. Pension Plan Fiduciary Net Position

Detailed information about each 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.

Note 5: 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. According to a formula in the agreement, the City's share of the Department's budget is 28.1 percent on operation and 14.92 percent on capital. Payments to the Department in 2025 totaled $1,133,640. 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.

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 2025 totaled $308,635. 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. 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 6: Other Information

A. Risk Management

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

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

B. Legal Debt Margin

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

C. Tax Increment Districts

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

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

Note 7: Adjustments to Beginning Balances

<u>Change within Major and Nonmajor Fund Reporting</u>

During fiscal year 2025, the Parking Lot Maintenance fund was determined to be major. The effects of the changes within the financial reporting entity are shown in the financial statements.

Note 8: Subsequent Events

On February 2, 2026, the City authorized the issuance and awarded the sale of the $5,065,000 General Obligation Bonds, Series 2026A, and the $2,490,000 General Obligation Capital Improvement Bonds, Series 2026B. The 2026A bonds will be used to finance projects related to pavement maintenance improvements, utility improvements and acquisition of a new city hall building . and the 2026B bonds will be used to finance a portion of the costs associated with the acquisition of a new city hall building.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Excelsior, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2025

Schedule of Employer’s Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	's Proportion of the Net Pension Liability	's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the (b)	Total (a+b)	's Covered Payroll (c)	's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.0150 %	$ 497,014	$ 11,990	$ 509,004	$ 1,358,371	36.6 %	90.8 %
6/30/2024	0.0157	580,797	15,018	595,815	1,329,640	43.7	89.1
6/30/2023	0.0149	833,191	22,952	856,143	1,183,589	70.4	83.1
6/30/2022	0.0136	1,077,124	31,581	1,108,705	1,021,407	105.5	76.7
6/30/2021	0.0124	529,536	16,198	545,734	862,230	61.4	87.0
6/30/2020	0.0111	665,496	20,446	685,942	819,414	81.2	79.1
6/30/2019	0.0095	525,234	16,333	541,567	670,076	78.4	80.2
6/30/2018	0.0099	549,211	17,972	567,183	663,082	82.8	79.5
6/30/2017	0.0101	644,777	8,104	652,881	650,346	99.1	75.9
6/30/2016	0.0102	828,189	10,886	839,075	635,783	130.3	68.9

Schedule of Employer’s PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2025	$ 108,641	$ 108,641	$ -	$ 1,448,552	7.50 %
12/31/2024	98,665	98,665	-	1,315,531	7.50
12/31/2023	95,502	95,502	-	1,273,365	7.50
12/31/2022	85,298	85,298	-	1,137,305	7.50
12/31/2021	67,423	67,423	-	898,969	7.50
12/31/2020	64,238	64,238	-	856,513	7.50
12/31/2019	54,253	54,253	-	723,374	7.50
12/31/2018	50,273	50,273	-	670,312	7.50
12/31/2017	49,164	49,164	-	655,520	7.50
12/31/2016	47,992	47,992	-	639,888	7.50

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2025 - The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023 - The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)

Changes in Plan Provisions

2025 - The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 - An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024 was eliminated. A one-time non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 - There were no changes in plan provisions since the previous valuation.

City of Excelsior, Minnesota
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	General Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,163,017	$ 2,163,017	$ 2,058,774	$ (104,243)
Licenses and permits	358,345	358,345	321,038	(37,307)
Intergovernmental	55,000	55,000	22,739	(32,261)
Charges for services	522,300	522,300	170,669	(351,631)
Fines and forfeitures	50,000	50,000	32,887	(17,113)
Special assessments	-	-	33	33
Interest on investments	81,000	81,000	95,560	14,560
Miscellaneous	2,000	2,000	25,779	23,779
Total Revenues	3,231,662	3,231,662	2,727,479	(504,183)
Expenditures				
Current				
General government	1,012,508	1,012,508	977,321	35,187
Public safety	1,314,353	1,314,353	1,392,011	(77,658)
Public works	345,352	345,352	327,555	17,797
Culture and recreation	469,624	469,624	501,386	(31,762)
Miscellaneous	186,725	186,725	164,994	21,731
Capital outlay	17,500	17,500	15,127	2,373
Total Expenditures	3,346,062	3,346,062	3,378,394	(32,332)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(114,400)	(114,400)	(650,915)	(536,515)
Other Financing Sources (Uses)				
Transfers in	255,000	255,000	605,000	350,000
Transfers out	-	-	(237,596)	(237,596)
Total Other Financing Sources (Uses)	255,000	255,000	367,404	112,404
Net Change in Fund Balances	140,600	140,600	(283,511)	(424,111)
Fund Balances, January 1	1,949,906	1,949,906	1,949,906	-
Fund Balances, December 31	$ 2,090,506	$ 2,090,506	$ 1,666,395	$ (424,111)

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

Notes to the Required Supplementary Information - Budgetary Reporting

A. Budgetary Comparison Schedule

The budgetary comparison schedule presents the comparison of the original and legally amended budget with actual amounts on a departmental level for the General and Special Revenue funds. The departmental level budgets are adopted on a basis consistent with generally accepted accounting principles. The fund balance reports revenue in the period in which they become measurable and available.

B. Excess of expenditures over appropriations

General fund expenditures exceeded budgeted amounts by $32,332. This excess was funded by transfers in from other funds and available fund balance.

C. Summary of Significant Budget Variances

The General fund revenues and expenditures varied significantly from final budget amounts as noted below:

<u>Revenues</u>

- Charges for services were less then budget due to the reclassification of parking fees to a separate fund. Transfers in were over budget due to additional transfers in from other funds, to cover the shortfall created by reclassifying revenues.

C. Budgetary Compliance

There were no budgetary compliance violations for the fiscal year ending December 31, 2025.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Excelsior, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2025

	Capital Projects	Debt Service	Total Nonmajor Funds
Assets			
Cash and temporary investments	$ 1,065,851	$ 888,261	$ 1,954,112
Receivables			
Accounts	21,096	-	21,096
Special assessments	-	587,630	587,630
Total Assets	$ 1,086,947	$ 1,475,891	$ 2,562,838
Liabilities			
Accounts payable	$ 231,912	$ 575	$ 232,487
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	586,846	586,846
Fund Balances			
Restricted for			
Debt service	-	888,470	888,470
Tax increment financing district	68,865	-	68,865
Park improvements	375,534	-	375,534
Assigned for			
Park improvements	410,636	-	410,636
Parking lot maintenance	-	-	-
Unassigned	-	-	-
Total Fund Balances	855,035	888,470	1,743,505
Total Liabilities, Deferred Inflows and Fund Balances	$ 1,086,947	$ 1,475,891	$ 2,562,838

City of Excelsior, Minnesota

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2025

	Formally Nonmajor Special Revenue **205** Parking Lot Maintenance	Capital Projects	Debt Service	Total Nonmajor Funds
Revenues				
Taxes		$ 256,495	$ 662,385	$ 918,880
Intergovernmental		46,496	5,248	51,744
Fines and forfeitures				
Special assessments		-	97,046	97,046
Interest on investments		24,791	22,829	47,620
Miscellaneous				
Refunds and reimbursements		15,590	-	15,590
Contributions and donations		51,873	251	52,124
Total Revenues	-	395,245	787,759	1,183,004
Expenditures				
Current				
Capital outlay				
Culture and recreation		143,434	-	143,434
Housing and economic development		188,878	-	188,878
Debt service				
Principal		-	1,003,090	1,003,090
Interest and other		-	655,609	655,609
Total Expenditures	-	332,312	1,658,699	1,991,011
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	62,933	(870,940)	(808,007)
Other Financing Sources (Uses)				
Transfers in		3,462	865,739	869,201
Transfers out		(65,791)	-	(65,791)
Total Other Financing Sources (Uses)	-	(62,329)	865,739	803,410
Net Change in Fund Balances	-	604	(5,201)	(4,597)
Fund Balances, January 1, as previously reported	116,135	854,431	893,671	1,864,237
Changes within the reporting entity				
Major to Nonmajor Fund	(116,135)	-	-	(116,135)
Fund Balances, January 1, as adjusted	-	854,431	893,671	1,748,102
Fund Balances, December 31	$ -	$ 855,035	$ 888,470	$ 1,743,505

City of Excelsior, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2025

	403 Park Improvement	407 TIF 1-1 Project	408 TIF 1-2 Project	410 TIF 2-1 Project	414 TIF 3 Project	Escrows	Total
Assets							
Cash and temporary investments	$ 777,645	$ 7,965	$ 4,875	$ 112,625	$ 35,847	$ 126,894	$ 1,065,851
Receivables							
Accounts	20,596	-	-	-	-	500	21,096
Total Assets	$ 798,241	$ 7,965	$ 4,875	$ 112,625	$ 35,847	$ 127,394	$ 1,086,947
Liabilities							
Accounts payable	$ 12,071	$ -	$ -	$ 92,447	$ -	$ 127,394	$ 231,912
Fund Balances							
Restricted for							
Tax increment financing district	-	7,965	4,875	20,178	35,847	-	68,865
Park improvements	375,534	-	-	-	-	-	375,534
Assigned for							
Park improvements	410,636	-	-	-	-	-	410,636
Total Fund Balances	786,170	7,965	4,875	20,178	35,847	-	855,035
Total Liabilities and Fund Balances	$ 798,241	$ 7,965	$ 4,875	$ 112,625	$ 35,847	$ 127,394	$ 1,086,947

City of Excelsior, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2025

	403 Park Improvement	407 TIF 1-1 Project	408 TIF 1-2 Project	410 TIF 2-1 Project	414 TIF 3 Project	Escrows	Total
Revenues							
Taxes	$ -	$ -	$ -	$ 187,282	$ 69,213	$ -	$ 256,495
Intergovernmental	46,496	-	-	-	-		46,496
Interest on investments	20,740	249	81	2,808	913	-	24,791
Miscellaneous							
Refunds and reimbursements	15,590	-	-	-	-	-	15,590
Contributions and donations	51,873	-	-	-	-	-	51,873
Total Revenues	134,699	249	81	190,090	70,126	-	395,245
Expenditures							
Capital outlay							
Culture and recreation	143,434	-	-	-	-	-	143,434
Housing and economic development	-	-	-	186,928	1,950	-	188,878
Total Expenditures	143,434	-	-	186,928	1,950	-	332,312
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,735)	249	81	3,162	68,176	-	62,933
Other Financing Sources (Uses)							
Transfers in	-	-	3,462	-	-	-	3,462
Transfers out	(30,000)	(3,462)	-	-	(32,329)	-	(65,791)
Total Other Financing Sources (Uses)	(30,000)	(3,462)	3,462	-	(32,329)	-	(62,329)
Net Change in Fund Balances	(38,735)	(3,213)	3,543	3,162	35,847	-	604
Fund Balances, January 1	824,905	11,178	1,332	17,016	-	-	854,431
Fund Balances, December 31	$ 786,170	$ 7,965	$ 4,875	$ 20,178	$ 35,847	$ -	$ 855,035

City of Excelsior, Minnesota
Nonmajor Debt Service Funds
Combining Balance Sheet
December 31, 2025

	G.O. Bonds 2010A	G.O. Bonds 2017A	G.O. Bonds 2019A	G.O. Bonds 2020A	G.O. Bonds 2021A	G.O. Bonds 2022A	TIF Bonds 2023A	Total
Assets								
Cash and temporary investments	$ 19,402	$ 275,747	$ 272,619	$ 63,526	$ 256,967	$ -	$ -	$ 888,261
Receivables								
Special assessments	2,309	180,936	96,382	148	307,855	-	-	587,630
Total Assets	$ 21,711	$ 456,683	$ 369,001	$ 63,674	$ 564,822	$ -	$ -	$ 1,475,891
Liabilities								
Accounts payable	$ -	$ -	$ 575	$ -	$ -	$ -	$ -	$ 575
Deferred Inflows of Resources								
Unavailable revenue - special assessments	2,308	180,936	96,382	-	307,220	-	-	586,846
Fund Balances								
Restricted for								
Debt service	19,403	275,747	272,044	63,674	257,602	-	-	888,470
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 21,711	$ 456,683	$ 369,001	$ 63,674	$ 564,822	$ -	$ -	$ 1,475,891

City of Excelsior, Minnesota
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2025

	G.O. Bonds 2010A	G.O. Bonds 2017A	G.O. Bonds 2019A	G.O. Bonds 2020A	G.O. Bonds 2021A	G.O. Bonds 2022A	TIF Bonds 2023A	Total
Revenues								
Taxes	$ 100,000	$ 80,188	$ 152,486	$ 96,635	$ 233,076	$ -	$ -	$ 662,385
Intergovernmental	5,248	-	-	-	-	-	-	5,248
Special assessments	4,608	32,357	13,251	-	46,830	-	-	97,046
Interest on investments	669	7,197	6,991	1,746	6,226	-	-	22,829
Miscellaneous								
Contributions and donations	-	-	-	-	251	-	-	251
Total Revenues	110,525	119,742	172,728	98,381	286,383	-	-	787,759
Expenditures								
Debt service								
Principal	114,070	95,000	106,743	57,277	155,000	475,000	-	1,003,090
Interest and other	9,252	27,088	60,946	36,123	97,330	158,195	266,675	655,609
Total Expenditures	123,322	122,088	167,689	93,400	252,330	633,195	266,675	1,658,699
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,797)	(2,346)	5,039	4,981	34,053	(633,195)	(266,675)	(870,940)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	702,410	163,329	865,739
Net Change in Fund Balances	(12,797)	(2,346)	5,039	4,981	34,053	69,215	(103,346)	(5,201)
Fund Balances, January 1	32,200	278,093	267,005	58,693	223,549	(69,215)	103,346	893,671
Fund Balances, December 31	$ 19,403	$ 275,747	$ 272,044	$ 63,674	$ 257,602	$ -	$ -	$ 888,470

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City of Excelsior, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Net Position
December 31, 2025

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Assets			
Current Assets			
Cash and temporary investments	$ (26,341)	$ 123,228	$ 96,887
Accounts receivable	3,117	19,340	22,457
Special assessments	1,347	-	1,347
Total Current Assets	(21,877)	142,568	120,691
Capital Assets, at Cost	12,665	20,638	33,303
Less Accumulated Depreciation	(12,665)	(21,243)	(33,908)
Net Capital Assets	-	(605)	(605)
Total Assets	(21,877)	141,963	120,086
Deferred Outflows of Resources			
Deferred pension resources	-	1,868	1,868
Liabilities			
Current Liabilities			
Accounts payable	2	2,849	2,851
Due to other governments	(1,835)	-	(1,835)
Accrued salaries payable	-	984	984
Compensated absences payable	-	716	716
Total Current Liabilities	(1,833)	4,549	2,716
Noncurrent Liabilities			
Compensated absences payable	-	1,670	1,670
Net pension liability	-	5,824	5,824
Total Noncurrent Liabilities	-	7,494	7,494
Total Liabilities	(1,833)	12,043	10,210
Deferred Inflows of Resources			
Deferred pension resources	-	4,023	4,023
Net Position			
Invested in capital assets	-	(605)	(605)
Unrestricted	(20,044)	128,370	108,326
Total Net Position	$ (20,044)	$ 127,765	$ 107,721

City of Excelsior, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Operating Revenues			
Charges for services	$ -	$ 76,481	$ 76,481
Operating Expenses			
Personnel services	(3,789)	20,259	16,470
Supplies	-	1,999	1,999
Other services and charges	-	40,731	40,731
Depreciation	-	4,099	4,099
Total Operating Expenses	(3,789)	67,088	63,299
Operating Income	3,789	9,393	13,182
Nonoperating Revenues			
Interest on investments	-	2,991	2,991
Special assessments	994	-	994
Total Nonoperating Revenues	994	2,991	3,985
Change in Net Position	4,783	12,384	17,167
Net Position, January 1	(24,827)	115,381	90,554
Net Position, December 31	$ (20,044)	$ 127,765	$ 107,721

City of Excelsior, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds		
	Solid Waste	Street Lighting	Total
Cash Flows from Operating Activities			
Receipts from customers	$ 440	$ 76,257	$ 76,697
Payments to suppliers	(4,114)	(40,487)	(44,601)
Payments to employees	-	(22,151)	(22,151)
Net Cash Provided (Used) by Operating Activities	(3,674)	13,619	9,945
Cash Flows from Investing Activities			
Interest on investments	-	2,991	2,991
Net Increase (Decrease) in Cash and Cash Equivalents	(3,674)	16,610	12,936
Cash and Cash Equivalents, January 1	(22,667)	106,618	83,951
Cash and Cash Equivalents, December 31	$ (26,341)	$ 123,228	$ 96,887
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ 3,789	$ 9,393	$ 13,182
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Other income related to operations	994	-	994
Depreciation	-	4,099	4,099
(Increase) decrease in assets/deferred outflows of resources			
Receivables			
Accounts	(1,954)	(224)	(2,178)
Special assessments	1,400	-	1,400
Deferred pension resources	178	190	368
Increase (decrease) in liabilities/deferred inflows of resources			
Accounts payable	-	2,243	2,243
Accrued salaries payable	-	139	139
Compensated absences payable	(2,856)	800	(2,056)
Due to other governments	(4,114)	-	(4,114)
Net pension liability	(676)	(2,003)	(2,679)
Deferred pension resources	(435)	(1,018)	(1,453)
Net Cash Provided (Used) by Operating Activities	$ (3,674)	$ 13,619	$ 9,945

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, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes				
Property	$ 2,092,267	$ 2,092,267	$ 1,997,687	$ (94,580)
Franchise	70,750	70,750	61,087	(9,663)
Total taxes	2,163,017	2,163,017	2,058,774	(104,243)
Licenses and permits				
Business	189,675	189,675	153,544	(36,131)
Nonbusiness	168,670	168,670	167,494	(1,176)
Total licenses and permits	358,345	358,345	321,038	(37,307)
Intergovernmental				
State				
Other	45,000	45,000	19,712	(25,288)
County				
Highway aid	10,000	10,000	3,027	(6,973)
Total intergovernmental	55,000	55,000	22,739	(32,261)
Charges for services				
General government	140,200	140,200	127,686	(12,514)
Public works	350,400	350,400	125	(350,275)
Culture and recreation	29,700	29,700	26,418	(3,282)
Other charges	2,000	2,000	16,440	14,440
Total charges for services	522,300	522,300	170,669	(351,631)
Fines and forfeitures	50,000	50,000	32,887	(17,113)
Special assessments	-	-	33	33
Interest on investments	81,000	81,000	95,560	14,560
Miscellaneous				
Other	-	-	6,183	6,183
Contributions and donations	-	-	10,000	10,000
Refunds and reimbursements	2,000	2,000	9,596	7,596
Total miscellaneous	2,000	2,000	25,779	23,779
Total Revenues	3,231,662	3,231,662	2,727,479	(504,183)

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, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current				
General government				
Legislative				
Personal services	$ 14,211	$ 14,211	$ 13,995	$ 216
Supplies	2,000	2,000	173	1,827
Other services and charges	7,650	7,650	4,216	3,434
Total legislative	23,861	23,861	18,384	5,477
City manager / clerk				
Personal services	258,860	258,860	214,933	43,927
Other services and charges	10,950	10,950	8,244	2,706
Total city manager / clerk	269,810	269,810	223,177	46,633
Elections and voter registration				
Supplies	500	500	-	500
Other services and charges	500	500	-	500
Total elections and voter registration	1,000	1,000	-	1,000
Finance				
Personal services	80,631	80,631	77,452	3,179
Other services and charges	1,880	1,880	399	1,481
Total finance	82,511	82,511	77,851	4,660
Planning and zoning				
Personal services	226,753	226,753	213,714	13,039
Other services and charges	7,790	7,790	48,046	(40,256)
Total planning and zoning	234,543	234,543	261,760	(27,217)
Administration				
Supplies	4,700	4,700	3,389	1,311
Other services and charges	369,783	369,783	371,484	(1,701)
Total administration	374,483	374,483	374,873	(390)
Heritage preservation				
Other services and charges	26,300	26,300	21,276	5,024
Total general government	1,012,508	1,012,508	977,321	35,187

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, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Current (continued)				
Public safety				
Police protection				
Other services and charges	965,576	965,576	1,001,977	(36,401)
Fire protection				
Other services and charges	293,777	293,777	293,777	-
Protective inspection				
Other services and charges	55,000	55,000	96,257	(41,257)
Total public safety	1,314,353	1,314,353	1,392,011	(77,658)
Public works				
Engineering				
Other services and charges	47,250	47,250	68,545	(21,295)
Streets				
Personal services	186,402	186,402	173,254	13,148
Supplies	73,700	73,700	54,411	19,289
Other services and charges	38,000	38,000	31,345	6,655
Total streets	298,102	298,102	259,010	39,092
Total public works	345,352	345,352	327,555	17,797
Culture and recreation				
Parks				
Personal services	357,321	357,321	379,574	(22,253)
Supplies	29,900	29,900	32,177	(2,277)
Other services and charges	82,403	82,403	89,635	(7,232)
Total culture and recreation	469,624	469,624	501,386	(31,762)
Miscellaneous				
Cemetery				
Personal services	39,125	39,125	36,404	2,721
Supplies	2,400	2,400	2,868	(468)
Other services and charges	1,200	1,200	1,350	(150)
Total miscellaneous	42,725	42,725	40,622	2,103
Total current	3,328,562	3,328,562	3,363,267	(34,705)

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, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Capital outlay				
General government	$ 17,500	$ 17,500	$ 15,127	$ 2,373
Total Expenditures	3,346,062	3,346,062	3,378,394	(32,332)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(114,400)	(114,400)	(650,915)	(536,515)
Other Financing Sources (Uses)				
Transfers in	255,000	255,000	605,000	350,000
Transfers out	-	-	(237,596)	(237,596)
Total Other Financing Sources (Uses)	255,000	255,000	367,404	112,404
Net Change in Fund Balances	140,600	140,600	(283,511)	(424,111)
Fund Balances, January 1	1,949,906	1,949,906	1,949,906	-
Fund Balances, December 31	$ 2,090,506	$ 2,090,506	$ 1,666,395	$ (424,111)

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OTHER REQUIRED REPORTS

CITY OF EXCELSIOR
EXCELSIOR, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Excelsior, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Excelsior, Minnesota (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2026.

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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

Abdo

Abdo
Minneapolis, Minnesota
June 25, 2026

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2026.

Report on 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) as a basis for designing 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.

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, we identified any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002 to be significant deficiencies.

Report on 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 financial statements. 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 Responses to the Findings

The City's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Abdo
Minneapolis, Minnesota
June 25, 2026

City of Excelsior, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2025

Finding	Description
2025- 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 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 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.

Finding	Description
2025-002	**Preparation of Financial Statements**
Condition:	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
Criteria:	Internal controls should be in place to provide reasonable assurance over financial reporting.
Cause:	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
Effect:	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
Recommendation:	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements, we recommend the City agree its financial software to the numbers reported in the financial statements.

Management Response:

The finding will be reviewed in future years with a new Finance Director in place.

PROPOSAL FORM

TO: City of Excelsior, Minnesota
C/O Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Phone: 612-851-5900
Email: PublicSale@northlandsecurities.com

Sale Date: August 3, 2026

For all or none of the $7,030,000* General Obligation Bonds, Series 2026A, in accordance with the Notice of Sale, we will pay you $____________________________, (not less than $6,942,125) plus accrued interest, if any, to date of delivery (estimated to be August 20, 2026) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

Year	Interest Rate	Yield	Year	Interest Rate	Yield	Year	Interest Rate	Yield	Year	Interest Rate	Yield
2028	%	%	2033	%	%	2038	%	%	2043	%	%
2029	%	%	2034	%	%	2039	%	%	2044	%	%
2030	%	%	2035	%	%	2040	%	%	2045	%	%
2031	%	%	2036	%	%	2041	%	%	2046	%	%
2032	%	%	2037	%	%	2042	%	%	2047	%	%

True interest percentage:________________________% Net interest cost: $___________________________

Term Bond Option: Bonds maturing in the years:	To be accumulated into a Term Bond maturing in year:
________ through ________	________.
________ through ________	________.
________ through ________	________.
________ through ________	________.
________ through ________	________.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in the bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Notice of Sale, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The City may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Notice of Sale).

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

A Good Faith Deposit in the amount as stated in the Notice of Sale in the form of a federal wire transfer payable to the order of the City will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:
Account Manager: _______________________________ By: ____________________________________

The foregoing proposal is hereby duly accepted by and on behalf of the City of Excelsior, Minnesota at 6:30 PM on August 3, 2026.

______________________________________ ______________________________________

Finance Director Mayor

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.