



CITY OF MINNETONKA



Photo by: Peg Carlson

Minnetonka, MN
Comprehensive Annual Financial Report
FOR THE YEAR ENDED DECEMBER 31, 2018

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**OF THE CITY OF
MINNETONKA, MINNESOTA**

For the Year Ended December 31, 2018

Geralyn R. Barone - City Manager

Merrill S. King – Finance Director/Treasurer

Joel W. Merry – Assistant Finance Director

PREPARED BY: DEPARTMENT OF FINANCE

**Members of Government Finance Officers Association
of the United States and Canada**

TABLE OF CONTENTS
AND
SECTION I
INTRODUCTORY SECTION

CITY OF MINNETONKA
Hennepin County, Minnesota

TABLE OF CONTENTS

	Page
I. INTRODUCTORY SECTION	
Elected Officials and Administration.....	1
Organizational Chart	3
Letter of Transmittal from City Manager and Finance Director.....	5
Certificate of Achievement for Excellence in Financial Reporting.....	13
II. FINANCIAL SECTION	
Independent Auditors' Report.....	15
Management's Discussion and Analysis (Unaudited)	19
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	30
Statement of Activities.....	32
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	34
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Activities.....	37
Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Activities.....	40
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	41
Proprietary Funds:	
Statement of Fund Net Position	44
Statement of Revenues, Expenses and Changes in Fund Net Position.....	46
Statement of Cash Flows	48
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	52
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund ...	53
Notes to the Financial Statements.....	55
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability.....	107
Schedule of the City Pension Contributions	108
Minnetonka Volunteer Fire Relief Association Schedule of Changes in the Net Pension Asset and Related Ratios	109
Schedule of Changes in Total OPEB Liability and Related Ratios	110
Notes to Required Supplementary Information	111

CITY OF MINNETONKA
Hennepin County, Minnesota

TABLE OF CONTENTS

Page

II. FINANCIAL SECTION (Continued)

Combining Fund Financial Statements:	
Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	115
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	121
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - Special Revenue Funds.....	127
Proprietary Funds:	
Internal Service Funds:	
Combining Statement of Net Position	134
Combining Statement of Revenues, Expenses and Changes in Net Position	135
Combining Statement of Cash Flows	136
Fiduciary Funds:	
Private-Purpose Trust Funds:	
Combining Statement of Fiduciary Net Position	137
Combining Statement of Changes in Fiduciary Net Position	138
Agency Funds:	
Combining Statement of Changes in Assets and Liabilities	139
Other Supplementary Information:	
Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund.....	141
Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund.....	142

III. STATISTICAL SECTION

Net Position by Component	147
Changes in Net Position	149
Fund Balances – Governmental Funds	152
Changes in Fund Balances – Governmental Funds.....	153
Tax Capacity and Estimated Actual Value of Taxable Property	154
Property Tax Rates per \$10,000 of Tax Capacity – All Direct and Overlapping Governmental Units.....	155
Principal Taxpayers.....	156
Property Tax Levies and Collections	157
Ratios of Outstanding Debt by Type.....	158
Ratios of Net General Bonded Debt Outstanding	159
Direct and Overlapping Governmental Activities Debt.....	160
Legal Debt Margin Information	161
Pledged-Revenue Coverage	162
Demographic and Economic Statistics.....	163
Principal Employers	164
Full-Time Equivalent City Government Employees by Function/Program.....	165
Operating Indicators by Function/Program.....	166
Capital Asset Statistics by Function/Program	168

CITY OF MINNETONKA
Hennepin County, Minnesota

ELECTED OFFICIALS AND ADMINISTRATION
As of December 31, 2018

<u>Elected Officials</u>	<u>Position</u>	<u>Term Office Expires</u>
Brad Wiersum	Mayor	December 31, 2021
Deb Calvert	Council Member at Large	December 31, 2021
Patty Acomb	Council Member at Large	December 31, 2021
Bob Ellingson	Council Member - Ward 1	December 31, 2019
Rebecca Schack	Council Member - Ward 2	December 31, 2019
Mike Happee	Council Member - Ward 3	December 31, 2019
Tim Bergstedt	Council Member - Ward 4	December 31, 2019

<u>Administration</u>	<u>Position</u>
Geralyn R. Barone	City Manager
Perry L. Vetter	Assistant City Manager
Merrill S. King	Finance Director/Treasurer
Joel W. Merry	Assistant Finance Director



CITY OF
MINNETONKA

City of Minnetonka, MN

MINNETONKA CITY COUNCIL
 (Economic Development Authority)

Mayor Brad Wiersum

Council Members at Large: Deb Calvert
 Patty Acomb

Ward Representation:
 Ward 1: Bob Ellingson
 Ward 2: Rebecca Schack
 Ward 3: Mike Happee
 Ward 4: Tim Bergstedt

BOARDS & COMMISSIONS
 Charter Commission
 Planning Commission
 Economic Development Advisory Committee
 Park Board
 Senior Citizen Advisory Board

City Attorney
 Corrine Heine

CITY MANAGER
 Geralyn Barone



PUBLIC SAFETY

PUBLIC WORKS

PARKS & RECREATIONS

DEVELOPMENT SERVICES

ADMINISTRATION

POLICE
 Chief Scott Boerboom

Patrol
 Investigation
 9-1-1 Dispatch
 Support Services

PUBLIC WORKS
 Brian Wagstrom

Streets
 Water & Sewer
 Parks, Buildings & Grounds
 Natural Resources
 Recycling

RECREATION SERVICES
 Kelly O'Dea

Recreation programs
 Ice Arena
 Williston Center
 Gray's Bay Marina
 Senior Services

COMMUNITY DEVELOPMENT
 Julie Wischnack

Inspections
 Environmental Health
 Licensing
 Planning & Zoning

ADMINISTRATIVE SERVICES
 Perry Vetter

City Clerk & Elections
 Human Resources
 Information Technology
 Communications
 Risk Management

FIRE
 John Vance

Emergency Management
 Inspection
 Prevention
 Response

ENGINEERING
 Will Manchester

Street & Utility
 Planning & Design

FINANCE
 Merrill King

Accounting
 Budget
 Payroll
 Utility Billing
 Assessing
 Special Assessments

LEGAL
 Corrine Heine

Prosecution
 Legal advice to the city



CITY OF
MINNETONKA



14600 Minnetonka Blvd. | Minnetonka, MN 55345 | 952-939-8200 | eminnetonka.com

June 14, 2019

Honorable Mayor and Members of the City Council
City of Minnetonka, Minnesota

Mayor and City Council Members:

The Comprehensive Annual Financial Report of the City of Minnetonka, Minnesota (the city) for the fiscal year ended December 31, 2018 is hereby submitted. The report was prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and meets the requirements of the State Auditor's Office.

The report consists of management's representations concerning the finances of the city. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the city has established internal controls designed to protect the city's assets from loss, theft or misuse and to provide sufficient information for the preparation of these financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the city's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that to the best of our knowledge and belief this financial report is complete and reliable in all material respects.

The city's financial statements have been audited by BerganKDV, Ltd. The goal of the independent audit was to provide reasonable assurance that the financial statements of the city for the year ended December 31, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates used by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was reasonable basis for rendering an unmodified opinion that the city's financial statements, for the year ended December 31, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented in the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The city's MD&A can be found in the financial section of this report immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

With a staff of around 252 regular, full-time equivalent employees, the city provides its residents and businesses with a full range of municipal services consisting of public safety (police, fire, and health inspection), public works, parks and recreation, development, engineering, and general administrative services. It also operates six enterprises: a public water and sewer utility, a storm water utility, a municipal ice arena, a fitness center, a marina, and an environmental recycling program.

ECONOMIC CONDITION AND OUTLOOK

The city is a suburban community located eight miles west of Minneapolis in Hennepin County. The city has a land area of 28 square miles, and its 2018 population estimate of 53,713 makes it the fourteenth largest city in Minnesota. Minnetonka enjoys an excellent location, with convenient access to the Minneapolis-Saint Paul metropolitan area via interstate highways I-494 and I-394. Interstate 394 runs from Minnetonka east to Minneapolis, and is a primary 15-minute commuter route to downtown Minneapolis. The city is also just 15 minutes from the Minneapolis-Saint Paul International Airport.

Minnetonka serves as the corporate headquarters location for many national and international businesses, including United Health Group, Cargill, Carlson Companies, American Family Insurance, Opus Northwest, Medica and others. The city has three premier business parks - Carlson Center, Opus Center, and Minnetonka Corporate Center. These offer excellent locations for business that continue to experience new development and major expansion of existing businesses. As a result, Minnetonka also enjoys a large employment base, which has remained relatively stable over the past ten years despite the recession. There are over 46,000 jobs in Minnetonka, with most jobs in the professional, managerial, and retail sectors.

Since 2002, the city has been working with the Hennepin County Regional Rail Authority and the Metropolitan Council on the Southwest Light Rail Transit (LRT) project. The Southwest LRT (Green Line Extension) will connect the southwestern suburbs with Minneapolis and St. Paul. Specifically, it will enter the eastern portion of Minnetonka near the Shady Oak Road/Excelsior Boulevard area and travel south through the Opus Business Center, before continuing into Eden Prairie, the suburb on the southern border of the city. Full engineering design plans were completed in 2016, construction began in 2019, and the route is expected to be operational in 2023.

In anticipation of LRT, the city has seen significant investment in the Opus Business Center, an area of over 640 acres. Investments since 2008 have included multiple office expansions totaling nearly 850,000 square feet, adding nearly 4,000 employees, and a \$17 million capital expansion of its only state highway interchange. Since 2016, additional developments are in different stages of planning to active construction, including redevelopment of a former office site into a 330-unit multi-family apartment project, a 482-unit senior and general occupancy apartment complex and a 256 unit multi-family apartment project. The city's multi-year capital budget includes nearly \$30 million in additional funding for other key roadway and infrastructure improvements in the Opus Business District that will be needed for the LRT and the anticipated redevelopment of the area.

Minnetonka is also a key location for retailing. The city is home to Ridgedale, a 1.4-million-square-foot regional shopping center. Its anchor stores include Macy's, JC Penney, and

Nordstrom, the latter of which opened in 2015. A number of other retail centers are clustered near Ridgedale, including Ridgehaven Mall (which is anchored by a Target store and Lunds & Byerlys grocery store), Ridge Square North, Ridge Square South, Ridgedale Festival, and West Marine Plaza. The Ridgedale area is also home to a Hennepin County Service Center, District Court, a Regional Library, and the Ridgedale YMCA.

In 2013, the city completed a master planning study of the Ridgedale area, and in 2017, the city developed award winning Public Realm Guidelines for the area. These documents include both retail and residential plans encompassing land use, design, transportation, and pedestrian connections as part of a complete vision for the area. In 2016, the Highland Bank site was fully redeveloped into 115 units of apartments with ground floor retail, and in 2018, the TCF Bank site was reconstructed and redeveloped to add retail shops to its parcel. Two more sites within and adjacent to the mall are now under construction for higher density residential, a 77-unit luxury apartment building and a 168-unit active adult apartment building. During the summer of 2019, the city began reconstruction of the road around the mall to include three traffic circles, a landscaped boulevard, and extensive pedestrian and biking pathways along both sides that will connect a new 2-acre public park with improved park amenities at an adjacent public lake.

In conjunction with all of these developments in the Ridgedale area, the city also worked with state and federal highway agencies to fund and approve a new entrance ramp from Ridgedale Drive onto westbound I-394, which was completed and opened in 2014. In 2018, the city completed significant improvements to the transportation corridor, including pedestrian improvements, from the primary mall property and I-394 into the Ridgehaven mall area. The \$11 million project was financed without debt and with the assistance of mall property owners as well as federal transportation funding. In 2019, the city will complete construction of a significant hike and bike pathway and sidewalk to safely connect single family residential properties to the south of the mall to the retail area and to support alternative transportation.

Interest in economic development continues along the I-394 corridor in Minnetonka. Since the Crest Ridge redevelopment project completed its first phase of construction in 2008, a second phase with 150 units of multi-family senior apartments was completed in early 2019.

Minnetonka has worked hard to provide more affordable housing in the community and has added nearly 700 affordable units since its decision to participate actively in the Metropolitan Council's Livable Communities Program in 1996. Since 2001, the city has financially assisted the West Hennepin Affordable Housing Land Trust (WHAHLT) in preserving 58 scattered-site affordable homes in Minnetonka. In many new developments underway since 2016, the city has been successful in incorporating affordable housing within market rate multi-unit projects. These include the Overlook Apartments, At Home Apartments, Cherrywood Point, the RiZe, Applewood Pointe, the Orchards of Minnetonka, and Havenwood. The city has approved and anticipates construction completion of another 1,084 privately developed affordable units between 2019 and 2022.

Minnetonka has a history of strong construction activity, including major new buildings and the expansion of existing buildings, and this experience continues today. In 2018, building permits were issued for \$167 million of construction work. Commercial construction of multiple projects included construction of iFly indoor skydiving facility and significant remodeling projects of the Ridgedale Target, four large office buildings owned by United Health Group, Carlson Towers, and Morrie's Mazda. Residential additions and remodeling also continue to be a significant part of Minnetonka's construction activity that currently include plans for more than six multi-family residential developments in various stages of the development process.

The city's healthy economic base and its sound financial condition have helped maintain a "Aaa" bond rating from Moody's Investors Services. This top rating from Moody's is shared by only six percent of local governments in the U.S., including school districts.

IMPORTANT PLANS, CURRENT PROJECTS AND FUTURE PROSPECTS

In 2016, the city completed a process of community engagement to update its Strategic Profile. This strategic plan articulates the city's mission, goals and strategies and thereby guides the government's organizational management, use of resources, development and capital investments. Progress in achieving the stated goals and strategies is jointly reviewed and updated annually by the city council and staff.

In lockstep with the Strategic Profile process in 2018, the city completed an update to its 20-year Comprehensive Plan, which specifically guides the city's development and land use through the year 2040. The last version of the plan, which was completed in 2008, provides detailed analysis on thirteen "village" and "regional" centers, where there are development and redevelopment opportunities to encourage vitality, promote identity and improve livability.

These plans affect a full array of city facilities, and Minnetonka has a record of adding and/or refurbishing such public facilities as they enhance the quality of life in the community. In addition to 11 athletic fields, 16 ice rinks including an ice arena with two sheets, and a boat marina, major city facilities include:

Williston Center – The city acquired its fitness center in 1995, and expansion and renovation projects were completed in 1998 as well as in 2011. Since the latest remodeling, the center has experienced unprecedented growth in its use, quadrupling membership from around 2,100 in 2009 to a current approximately 9,500 members as of 2019. Non-member daily use increased from around 200,000 during 2011 to over 310,000 annually now.

Shady Oak Beach – The beach has been operated jointly by the cities of Minnetonka and Hopkins for many decades and includes shower room facilities, concession stand, a children's play area, diving platform and picnicking facilities. In 2010, the city renovated the facility's play area and related equipment in order to meet new state standards and update some of the amenities.

Neighborhood and community parks – In 2012, Minnetonka completed a significant renewal of 42 neighborhood and community parks, which was begun a decade earlier. The parks renewal program, and related open space acquisitions, were funded through a \$15 million referendum passed in 2001. Since the program's completion, the city has incorporated into its capital program a long term, annually funded, capital maintenance plan for all of its 50 parks, to avoid the need for future such referendums.

Public trails, sidewalks and pedestrian features – The city currently maintains over 105 miles of trails and sidewalks throughout its boundaries and in 2016 completed an update to its long-range plan for completing and improving the system to enhance safety and sustainable transportation. In 2018, the city council authorized expansion of a current utility franchise agreement and the addition of another franchise agreement, which will garner fee revenue to support the build-out of the plan over time. The city's new five-

year capital plan incorporates that ongoing funding mechanism to pay for the construction of five more trail miles by the end of 2024.

The city conducts an annual community-wide survey to gauge its citizens' satisfaction of city services as well as help the organization direct its planning and services towards the goals supported by its constituency. Results of the statistically significant survey consistently indicate substantial support for prioritizing preservation of natural resources and open space. As a result, the Strategic Profile, comprehensive plan and other actions by the city emphasize its commitment to the areas of parks, the environment and open space.

The city preserves around 1,000 natural acres of public parkland and devotes substantial resources to the environmental stewardship as well as educating and assisting its citizens with natural resource conservation issues. Natural resources staff manages a vigorous program that includes diseased tree eradication and reforestation, ecosystem restoration, enforcement of natural resource ordinances, and wetland and water body evaluation and monitoring. In addition to its ongoing efforts related to elm and oak tree diseases, in 2014, the city began a multi-year plan to prepare the community for the complete loss of all ash trees in the area due to the emerald ash borer, which was discovered to be present in the city in 2019.

The municipal and sanitary sewer systems are also covered by the comprehensive plan to ensure that its capacity and funding meet future requirements over the next 20 years. In 2015, staff began implementing a newly developed long-term capital plan along with an associated financial bonding and rate plan to maintain and strategically replace the systems' valuable infrastructure, which was originally built in the mid-1970s. With the first three in the series of bonds sold between 2016 and 2018, scheduling of utility improvements under the plan align with priority road and storm drainage projects along with systemic analytics of historical water main breaks.

Both economic development and the high standard of living in the community are additionally supported and enhanced by the city's concerted effort to maintain and improve its road infrastructure. In 2006 and 2007, the city and community significantly increased its property tax levy to support its local road program. The city currently has committed to spending \$6 to \$12 million annually on the ongoing components of a reconstruction and preservation program to reconstruct and refurbish local roads and extend road life. It does not borrow nor special assess residential properties for local road reconstruction.

Additionally, the city has partnered with Hennepin County and the state to substantially upgrade some of the major transportation routes through the city. The most recent of these costly reconstruction projects include: County Road 101 north of Minnetonka Boulevard, completed in 2017; and County Road 101 south of State Highway 7 to County Road 62, which began in 2015 and its final landscaping completed spring 2018.

Minnetonka conducts many significant cooperative programs with nearby cities, school districts, and the county. One program provides building inspection services to the cities of Deephaven, Greenwood, and Woodland. Another provides for the joint exchange of specialized building inspection services between Minnetonka, the City of St. Louis Park and the City of Bloomington. Similarly, Minnetonka provides health inspection services to the City of Wayzata. The cities of Hopkins and Minnetonka share recreation programs. Minnetonka collaborates with the Hopkins and Minnetonka school districts to provide school liaison officers through the police department. Both the city's police and fire departments have joint response agreements with neighboring communities, and beginning in 2018, the city now relies upon Hennepin County for public safety

dispatch services. The city also has an innovative cost sharing arrangement with Hennepin County to house some of its trucks and road crew equipment at the city's 77,000 square foot public works facility.

OTHER FINANCIAL INFORMATION

Relevant Financial Policies

In 2011, the city updated its policy regarding general fund balances to meet the Government Accounting Standard Board's (GASB's) new rules and to continue to maintain a prudent level of financial resources to protect itself against temporary revenue shortfalls or unpredicted one-time expenses or mandates. The revised policy provides that balances are committed to reserve funding for liabilities associated with compensated absences of employees and may be assigned for special purposes. Additionally, the policy requires a balance to serve as a budget stabilization reserve, which is equal to 30 to 50 percent of the following year's operating budget. Balances otherwise available above that reserve and above 40 percent of the following year's operating budget may be appropriated by the City Council only for one-time costs that have no ongoing financial commitments. Over the last ten years, the city has met these targets and forecasts continuing to do so through the next five years.

Similarly, the City Council established policy goals for cash fund balances in the city's water and sanitary sewer enterprise fund in 2012. The goals encompass both operating and capital reserves and will continue to serve as significant benchmarks for ongoing implementation of the aforementioned infrastructure and financial plan for the systems begun in 2015.

The City Council also has established a written capital improvement policy that prioritizes funding and requires fund balance guidelines for each capital fund. Projects are ranked: first, those that are related to public health and safety and legal mandates; second, those that help maintain or make existing systems more efficient; and third, those that expand existing systems, provide new services, or are for general community betterment. The policy further provides that fund balance guidelines be established to reflect subsequent-year budget needs, annual cash flow requirements, replacement reserves and potential contingencies. The guidelines are to be used to responsibly manage balances over the future five-year planning horizon.

The city maintains an adopted investment policy that is designed to preserve capital while attaining a market-average rate yield consistent with cash flow needs. The policy prioritizes safety, liquidity and yield in that order. The policy is consistent with Minnesota Statutes §118A which governs the investment of all public funds in the state, and the city's policy further delineates the specific instruments in which it may invest and the maximum percentage of holdings for each. Speculative investments are strictly prohibited, and the maximum average life of the portfolio, excluding investable assets of the city's capital endowment fund, is capped at five years.

Long-term Financial Planning

The city annually prepares an updated five-year capital improvement plan (CIP) that supports achievement of the city's long-term strategic goals of providing and maintaining public facilities and infrastructure for its citizens and businesses, balanced against the constraint of available resources. The city charter provides that amendments to the plan, including funding changes,

require a higher threshold of approval through a five-vote majority rather than a simple four-vote majority.

Since 2012, the city prepares an annually updated five- and ten-year economic improvement program (EIP). This comprehensive strategy articulates the city's economic development priorities and allocates funding for the city's economic development programs (housing, business, transit, and redevelopment) over a multi-year planning horizon. The EIP informs the annual budget, and its development facilitates periodic review of program performance, funding gaps and any necessary policy realignment.

As part of the city's annual process in developing both its capital and operating budgets, management forecasts costs and revenues over the same five-year planning horizon as the CIP, setting initial internal goals and thresholds for budget and levy changes. The analysis led to strategic actions by the city in 2009, which resulted in setting up a balanced budget through the recession for the longer term. The actions included some significant organizational restructuring, which in turn led to a six percent reduction in the number of full-time employees, joint service delivery with other cities, and insulation of finances from direct fiscal actions by the state, which would otherwise have created a fiscal imbalance. The city does not receive any direct general-purpose state financial aid and has not since 2001.

Accounting System and Reporting

During the year, the city's accounting system is maintained primarily on a modified cash basis with certain accruals to provide financial controls. Appropriations are encumbered for major purchase amounts prior to the release of any funding to vendors. This system provides budgetary control on all operating funds at a minimum cost. At year-end, journal entries are prepared by the city's finance department staff as a preparatory step for completion of the annual financial report. The auditor's report on these financial statements accompanies the report following this letter. It should be noted that the audit was conducted in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards and an unmodified opinion was issued.

The maintenance and development of the city's accounting system requires that consideration be given to the adequacy of internal accounting controls. These controls are designed to safeguard assets against loss or unauthorized use and produce fair, reliable, and accurate financial data. The internal control structure is designed to provide reasonable but not absolute assurances. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived, and the estimation of costs and benefits requires estimates and judgments by management. We believe that the city's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Minnetonka for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This was the 35th consecutive year that the city has achieved this prestigious award. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that complies with

rigorous standards regularly reviewed and updated by the GFOA. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

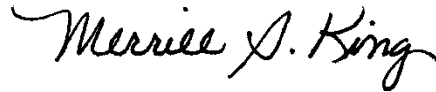
ACKNOWLEDGMENTS

We wish to express our appreciation to the Mayor and City Council for their continued interest and support in planning and conducting the financial operations of the city in a responsible and progressive manner. We also want to express our appreciation to Joel Merry, Assistant Finance Director, and the finance department staff for their work in preparing this report.

Respectfully submitted,



Geralyn Barone
City Manager



Merrill S. King
Finance Director/Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Minnetonka
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO



CITY OF
MINNETONKA

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Minnetonka
Minnetonka, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minnetonka, Minnesota, as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to in the first paragraph 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 of Minnetonka, Minnesota, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 75

As discussed in Note 6 to the financial statements, the City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter and the Required Supplementary Information as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Matters (Continued)

Other Information (Continued)

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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

The City's basic financial statements as of and for the year ended December 31, 2017 which are not presented with the accompanying financial statements were audited by a predecessor auditor in accordance with auditing standards generally accepted in the United States of America. An unmodified opinion was issued June 6, 2018 by the predecessor auditor on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The 2017 actual column in the individual fund budget to actual schedules and the budget to actual schedule of revenues and expenditures for the General Fund 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 relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2017 actual columns in the individual fund budget to actual schedules and the budget to actual schedule of revenues and expenditures for the General Fund are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2019, on our consideration of the City of Minnetonka'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 of Minnetonka's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

St. Cloud, Minnesota
June 14, 2019

SECTION II
FINANCIAL SECTION

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

This section of the City of Minnetonka’s (the City) comprehensive annual financial report presents a discussion and analysis of the City’s financial performance during the fiscal year ended December 31, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the City’s basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources of the City by \$307,023,574. Of this amount, \$95,062,361 may be used to meet the government’s ongoing obligations to citizens and creditors in accordance with the City’s fund designations and fiscal policies.
- The City’s net position increased by approximately \$23.1 million from 2018 operations. This increase was due to the City’s planned operations and sound fiscal control.
- The City’s governmental funds reported combined ending fund balances of \$92,369,540.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City’s finances. Fund financial statements are presented after the Statement of Activities. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

Our analysis of the City begins with the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the City’s finances is, “Is the City as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These Statements include *all* assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two Statements report the City’s *net position* and changes in them. You can think of the City’s net position – the difference between assets and deferred outflows and liabilities and deferred inflows – as one way to measure the City’s financial health, or *financial position*. Over time, *increases or decreases* in the City’s net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the *overall health* of the City.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

FUND FINANCIAL STATEMENTS

Our analysis of the City's major funds begins with the funds financial statements and provides detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money (like grants received). The City's three kinds of funds – *governmental*, *proprietary* and *fiduciary* – use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a separate reconciliation included after the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary funds – The City is the trustee, or *fiduciary*, for resources collected from homeowners associations to support ecological stewardship programs. Deposits are also held in trust to guarantee the installation and maintenance of erosion and sediment control measures, along with deposits for privately sponsored traffic studies. The resources held in a fiduciary capacity are reported in the Statement of Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

STATEMENT OF NET POSITION

The City's *combined* net position increased from a year ago and the City's overall financial position has remained stable and healthy. By far, the largest portion of the City of Minnetonka's net position, \$195,646,673 or approximately 63.7%, reflects its net investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure such as streets and the water and sewer systems). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

STATEMENT OF NET POSITION (CONTINUED)

Although the City's investment in 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 resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$16,314,540 or approximately 5.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$95,062,361 or 30.9%, may be used to meet the City's ongoing obligations to residents and creditors. At the end of the current fiscal year, the City is able to report positive balances in both of the categories of net position reported for the government as a whole.

Governmental Activities

Current and other assets increased \$13,799,592. This fluctuation was mostly due to operating revenues exceeding expenditures by \$8,650,424 and sound fiscal control by all departments within the City's General Fund with expenditures coming in approximately \$1.0 million less than budgeted.

Capital assets increased by approximately \$9.0 million. This change is due mostly to the addition of \$3.3 million to work in progress and an additional \$9.0 million of new street replacements, offset by \$4.7 million in infrastructure depreciation in 2018.

Current and other liabilities increased by approximately \$3.3 million due primarily to a \$3.0 million increase in contracts payable as well as a \$115,000 increase in bonds payable within one year and \$161,000 in compensated absences due within one year. Long-term liabilities decreased by approximately \$3.5 million primarily due to a \$2.9 million decrease in net pension liability for the City's proportional share of the Public Employees Retirement Association of Minnesota's multiple-employer, cost sharing, defined benefit pension plans, as well as a \$1.4 million decrease in bonds payable due in more than one year offset by a \$704,000 increase in OPEB liability.

Business-type Activities

Current and other assets of the City's business-type activities increased by approximately \$10.8 million compared to the prior year. Although overall operating income decreased approximately \$250,000 from the prior year reducing overall cash, this was offset by the issuance of \$10.0 million of GO Utility Revenue Bonds to continue funding a system wide capital improvement program in the Utility Fund.

Capital assets increased by approximately \$3.2 million over the past year. This increase is due primarily to additions to the utility system for the new capital improvement program in the Utility Fund of approximately \$6.3 million offset by approximately \$3.8 million in depreciation.

Long-term liabilities increased by approximately \$9.3 million due to the issuance of the GO Utility Revenue Bonds of \$10.0 million and the continual yearly reduction in other existing bonds payable.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

Our analysis below focuses on the net position of the City's governmental and business-type activities.

STATEMENT OF NET POSITION
December 31, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 112,288,506	\$ 98,488,914	\$ 40,299,721	\$ 29,476,325	\$ 152,588,227	\$ 127,965,239
Capital Assets	118,325,538	109,164,802	105,966,822	102,727,391	224,292,360	211,892,193
Total Assets	<u>230,614,044</u>	<u>207,653,716</u>	<u>146,266,543</u>	<u>132,203,716</u>	<u>376,880,587</u>	<u>339,857,432</u>
Deferred Outflows of Resources	10,483,182	14,024,858	446,474	621,016	10,929,656	14,645,874
Long-Term Liabilities						
Outstanding	22,661,105	26,137,899	30,198,882	20,886,011	52,859,987	47,023,910
Current and Other Liabilities	9,150,293	5,783,956	3,224,193	1,891,783	12,374,486	7,675,739
Total Liabilities	<u>31,811,398</u>	<u>31,921,855</u>	<u>33,423,075</u>	<u>22,777,794</u>	<u>65,234,473</u>	<u>54,699,649</u>
Deferred Inflows of Resources	14,945,211	15,404,501	606,985	494,286	15,552,196	15,898,787
Net Position:						
Net Investment in						
Capital Assets	112,360,020	102,223,500	83,286,653	85,755,233	195,646,673	187,978,733
Restricted	16,314,540	14,936,260	-	-	16,314,540	14,936,260
Unrestricted	65,666,057	57,192,458	29,396,304	23,797,419	95,062,361	80,989,877
Total Net Position	<u>\$ 194,340,617</u>	<u>\$ 174,352,218</u>	<u>\$ 112,682,957</u>	<u>\$ 109,552,652</u>	<u>\$ 307,023,574</u>	<u>\$ 283,904,870</u>

STATEMENT OF ACTIVITIES

Governmental Activities

The net position of the City's governmental activities increased by approximately \$19.9 million, or 11.5%. This increase is due to a variety of factors including an increase in capital grants and contributions of approximately \$4.3 million from the prior year, approximately \$3.4 million in tax increments, investment earnings of \$1,552,896, approximately \$2.9 million increase in charges for services and transfers in of approximately \$1.0 million. In addition, the City continued the enhanced road revitalization program started in 2006, which includes overlay or reconstruction of every local street adding approximately \$3.7 million in infrastructure assets offset by annual depreciation expense.

Property taxes increased by \$1,999,289 due to the increased tax levy from the prior year and the related additional collections. Investment earnings increased from the prior year by \$900,700 due to higher interest earnings from better investment market conditions.

Business-Type Activities

Business-Type Activities net position increased approximately \$3.1 million. The majority of this increase was due to operating revenues exceeding operating expenses by \$9.3 million, offset by depreciation expense of \$5.3 million and transfers out of \$1.3 million.

Investment income increased by \$338,480 during 2018 due to an increase in interest earnings.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

STATEMENT OF ACTIVITIES
December 31, 2018

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue						
Program Revenues:						
Charges for Services	\$ 12,290,867	\$ 9,385,023	\$ 24,512,213	\$ 24,399,312	\$ 36,803,080	\$ 33,784,335
Operating Grants and Contributions	1,361,406	1,580,451	139,002	162,055	1,500,408	1,742,506
Capital Grants and Contributions	7,580,798	3,314,001	-	25,000	7,580,798	3,339,001
General Revenues:						
Property Taxes	37,542,646	35,543,357	-	-	37,542,646	35,543,357
Franchise Taxes	1,752,185	1,811,774	-	-	1,752,185	1,811,774
Tax Increments	3,426,105	2,689,708	-	-	3,426,105	2,689,708
Investment Earnings	1,552,896	652,196	504,694	166,214	2,057,590	818,410
Sale of Capital Assets	-	63,445	-	-	-	63,445
Other General Revenue	167,948	75,473	-	-	167,948	75,473
Total Revenues	<u>65,674,851</u>	<u>55,115,428</u>	<u>25,155,909</u>	<u>24,752,581</u>	<u>90,830,760</u>	<u>79,868,009</u>
Expenses						
General Government	5,961,700	5,300,173	-	-	5,961,700	5,300,173
Development Services	6,954,084	6,545,139	-	-	6,954,084	6,545,139
Public Works	13,069,127	12,558,277	-	-	13,069,127	12,558,277
Public Safety	13,019,341	15,681,354	-	-	13,019,341	15,681,354
Parks and Recreation	7,120,532	6,328,354	-	-	7,120,532	6,328,354
Unallocated Interest on Long-Term Debt	131,457	135,221	-	-	131,457	135,221
Water and Sewer Utilities	-	-	14,452,285	13,987,474	14,452,285	13,987,474
Ice Arena	-	-	1,028,139	1,062,568	1,028,139	1,062,568
Environmental	-	-	822,133	753,796	822,133	753,796
Williston Fitness Center	-	-	2,557,583	2,383,059	2,557,583	2,383,059
Grays Bay Marina	-	-	218,969	192,206	218,969	192,206
Storm Water	-	-	1,835,461	1,622,227	1,835,461	1,622,227
Total Expenses	<u>46,256,241</u>	<u>46,548,518</u>	<u>20,914,570</u>	<u>20,001,330</u>	<u>67,170,811</u>	<u>66,549,848</u>
Change in Net Position Before Transfers	19,418,610	8,566,910	4,241,339	4,751,251	23,659,949	13,318,161
Transfers	1,033,156	1,125,069	(1,033,156)	(1,125,069)	-	-
Increase in Net Position	20,451,766	9,691,979	3,208,183	3,626,182	23,659,949	13,318,161
Net Position - Beginning	174,352,218	164,660,239	109,552,652	105,926,470	283,904,870	270,586,709
Prior Period Adjustment	(463,367)	-	(77,878)	-	(541,245)	-
Net Position - Beginning, as Restated	<u>173,888,851</u>	<u>164,660,239</u>	<u>109,474,774</u>	<u>105,926,470</u>	<u>283,363,625</u>	<u>270,586,709</u>
Net Position - Ending	<u>\$ 194,340,617</u>	<u>\$ 174,352,218</u>	<u>\$ 112,682,957</u>	<u>\$ 109,552,652</u>	<u>\$ 307,023,574</u>	<u>\$ 283,904,870</u>



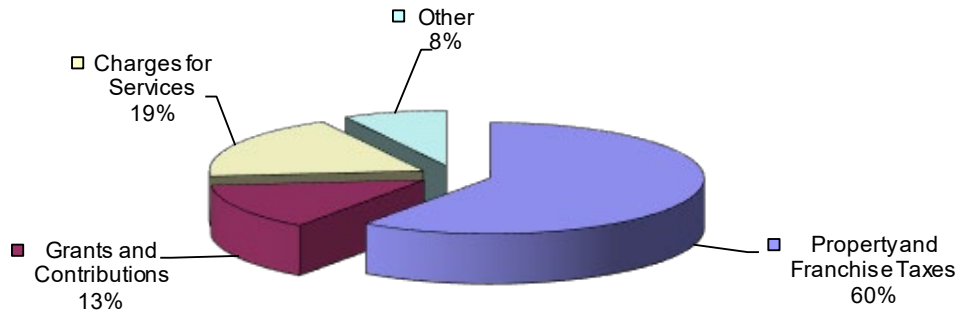
CITY OF
MINNETONKA

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

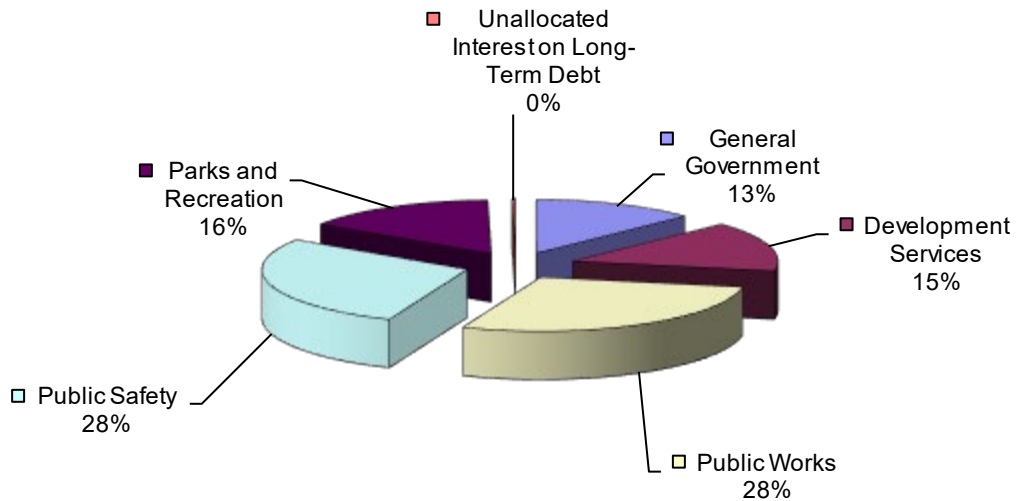
The following chart visually illustrates the City's revenue by source for its governmental activities:

Revenue by Source - Governmental Activities



The following chart visually illustrates the City's expense by function for its governmental activities:

Expense by Function - Governmental Activities



CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Funds

General Fund

In 2018, the City's General Fund fund balance increased by \$1,774,384. The increased fund balance is due to the sound fiscal control by all departments within the General Fund that resulted in actual expenditures being \$950,412, or 2.9% under the final budget. Originally, the budget planned to decrease fund balance by approximately \$1,161,500 before transfers.

Total actual revenues were \$1,941,261 more than budgeted due largely to higher than expected license and permit fees collected and intergovernmental revenues received.

License and permit fees and intergovernmental revenue were \$1,416,302 higher than budgeted, while other revenues, property taxes collected and fines and forfeitures were higher than budgeted by an additional \$524,959.

Community Investment Fund

The decrease in available fund balance of \$81,586 in the Community Investment fund balance was due primarily to investment earnings of \$355,568 being offset by transfers out of \$500,000 in the current year.

Special Assessment Construction Fund

The fund balance in the Special Assessment Construction Fund increased \$885,921 in 2018. This increase was due primarily to a budgeted transfer in from the Community Investment Fund to subsidize Ice Arena B improvements funded from the Special Assessment Construction Fund.

State Municipal Aid

In 2018, the available fund balance in the State Municipal Aid Fund decreased by \$112,488. This decrease was due primarily to timing differences of expenditures versus reimbursement from the State of Minnesota Municipal Aid Fund for the Ridgehaven street improvement project.

Street Improvement Fund

The City maintained the Street Improvement levy in order to sufficiently fund the multi-year road revitalization and preservation program. Many of the reconstruction projects cost more than the yearly street improvement levy allocation, forcing the City to build up reserves over multiple years to pay for upcoming reconstruction projects. In 2018, the Street Improvement fund balance increased \$1,587,555.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS (CONTINUED)

Proprietary Funds

Water and Sewer Utilities

In 2018, the net position of the Water and Sewer Utilities Fund increased by \$2,216,003. This increase was due primarily to operating income of \$3,161,422 and transfers out for direct and indirect administrative costs of \$800,000.

Ice Arena

The net position of the Ice Arena Fund increased by \$60,462. This increase was primarily due to an operating loss of \$168,396 which includes depreciation expense of \$168,908, offset by capital contributions and transfers in of \$267,666.

Environmental Fund

In 2018, the net position of the Environmental Fund decreased by \$48,044 due primarily to an increase in operating expenditures along with lower recycling revenues received due to current market conditions for recyclable materials.

Williston Fitness Center

The net position of the Williston Fitness Center Fund increased by \$149,752 primarily due to the yearly continuing increase in membership fees and program offerings that has occurred since the facility was significantly upgraded in 2011.

Gray's Bay Marina

In 2018, the net position of the Gray's Bay Marina Fund increased by \$56,633 due to increased fuel sales for the season.

Storm Water

The net position of the Storm Water Fund increased by \$688,875, or 2.3%, as user charges exceeded operating expenses for the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City's budget once. This revision was performed in the fall, when the City prepared next year's budget. To meet current and future service needs of the Minnetonka community, various long-term strategies were enacted and continued during 2018. In 2009, to accommodate the impact of the national recession, the City repositioned itself to meet four objectives: achieve long-term budget balance, sustain direct core services, continue infrastructure investments, and moderate property tax growth.

The strategies enacted in 2009 continue to be refined and enhanced in 2018. They include various new ways of doing business such as: cooperative services agreements with other agencies, productivity investments that help deliver core services more efficiently, and

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

department reorganizations that reposition the City to better and more efficiently serve its constituents.

CAPITAL ASSETS

At the end of 2018, the City had \$224.3 million invested in a broad range of capital assets. This amount represents a net increase (including additions and deductions) of approximately \$12.4 million from the prior year.

The City's fiscal year 2019 capital budget appropriates another \$62.7 million for capital projects, of which approximately \$31.5 million will be for infrastructure projects. The remainder will be spent on replacement vehicles, building improvements, open space and recreational amenities as well as future investments in technology and equipment.

Please refer to Note 4.C. for a schedule of the City's capital asset activity.

LONG-TERM DEBT

At year-end, the City had \$33.5 million in bonds outstanding versus \$25.4 million last year, an increase of \$8.1 million. This increase was due to the issuance of \$10 million in GO Utility Revenue Bonds 2018A and the continual annual reduction in bonds payable.

The City continues to carry an "Aaa" bond rating from Moody's Investors Services.

More detailed information about the City's long-term debt is presented in Note 4.E. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City takes a responsible long-term perspective with financial planning and management. We make decisions with the future in mind to insure our ongoing capacity to provide quality services to our residents and businesses and the 2019 budget continues to reflect this long-term perspective.

The 2019 budget continues to reflect the City's highest priorities: public safety, streets and utilities, natural resources, and parks. These functions continue to represent the focus of city programs and projects, accounting for nearly eight out of every ten dollars in the combined 2018 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Minnetonka Finance Department at 14600 Minnetonka Blvd., Minnetonka, Minnesota 55345, (952) 939-8200; or mking@eminnetonka.com.

**BASIC
FINANCIAL STATEMENTS**



CITY OF
MINNETONKA

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF NET POSITION
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Investments (Including Cash Equivalents)	\$ 97,413,202	\$ 36,840,717	\$ 134,253,919
Receivables:			
Accounts Receivable	913,761	2,813,441	3,727,202
Loans Receivable	178,486	-	178,486
Interest Receivable	405,420	168,349	573,769
Taxes Receivable	1,051,240	-	1,051,240
Special Assessments Receivable	1,805,545	355,477	2,161,022
Due from Other Governments	5,092,730	-	5,092,730
Internal Balances	(97,543)	97,543	-
Prepaid Items	314,908	-	314,908
Inventories	239,504	24,194	263,698
Net Pension Asset	4,971,253	-	4,971,253
Capital Assets, Net of Related Depreciation:			
Land - Nondepreciable	22,256,024	1,412,611	23,668,635
Construction in Progress - Nondepreciable	14,580,428	6,927,279	21,507,707
Buildings	6,545,286	10,889,404	17,434,690
Improvements Other than Buildings	1,899,021	2,501,867	4,400,888
Machinery and Equipment	6,221,170	2,881,697	9,102,867
Infrastructure	66,823,609	81,353,964	148,177,573
Total Assets	\$ 230,614,044	\$ 146,266,543	\$ 376,880,587
DEFERRED OUTFLOWS OF RESOURCES:			
OPEB	\$ 138,774	\$ 23,324	\$ 162,098
Pensions	10,344,408	423,150	10,767,558
Total Deferred Outflows of Resources	10,483,182	446,474	10,929,656

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF NET POSITION
December 31, 2018
(Continued)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND NET POSITION:			
Liabilities:			
Salaries and Wages Payable	\$ 1,208,987	\$ 169,815	\$ 1,378,802
Accounts and Contracts Payable	4,248,904	1,549,506	5,798,410
Incurred but Not Reported Claims	44,062	-	44,062
Accrued Interest Payable	55,114	148,945	204,059
Unearned Revenue	369,202	148,349	517,551
Noncurrent Liabilities:			
Total OPEB Liability	2,284,023	383,880	2,667,903
MNPERA-Net Pension Liability	15,147,562	2,419,702	17,567,264
Bonds Payable, net:			
Due Within One Year	1,375,000	1,070,000	2,445,000
Due in More than One Year	3,932,544	27,183,673	31,116,217
Compensated Absences/ Severance Payable:			
Due Within One Year	1,849,024	137,578	1,986,602
Due in More than One Year	1,296,976	211,627	1,508,603
Total Liabilities	31,811,398	33,423,075	65,234,473
 DEFERRED INFLOWS OF RESOURCES:			
Pensions	\$ 14,945,211	\$ 606,985	\$ 15,552,196
 Net Position:			
Net Investment in Capital Assets	112,360,020	83,286,653	195,646,673
Restricted for:			
Public Safety	334,958	-	334,958
Debt Service	1,773,558	-	1,773,558
Economic Development	7,688,244	-	7,688,244
Public Works	2,019,340	-	2,019,340
Cemetery Operations	140,409	-	140,409
Grants	44,130	-	44,130
Net Pension Asset	4,313,901	-	4,313,901
Unrestricted	65,666,057	29,396,304	95,062,361
Total Net Position	\$ 194,340,617	\$ 112,682,957	\$ 307,023,574

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 5,961,700	\$ 639	\$ -	\$ -	\$ (5,961,061)	\$ -	\$ (5,961,061)
Development Services	6,954,084	5,863,722	228,926	7,335,485	6,474,049	-	6,474,049
Public Works	13,069,127	87,461	76,740	245,313	(12,659,613)	-	(12,659,613)
Public Safety	13,019,341	1,674,249	1,045,744	-	(10,299,348)	-	(10,299,348)
Parks and Recreation	7,120,532	4,664,796	9,996	-	(2,445,740)	-	(2,445,740)
Unallocated Interest on Long-Term Debt	131,457	-	-	-	(131,457)	-	(131,457)
Total Governmental Activities	46,256,241	12,290,867	1,361,406	7,580,798	(25,023,170)	-	(25,023,170)
Business-Type Activities:							
Water and Sewer Utilities	14,452,285	17,196,532	9,840	-	-	2,754,087	2,754,087
Ice Arena	1,028,139	866,916	-	-	-	(161,223)	(161,223)
Environmental	822,133	829,332	129,162	-	-	136,361	136,361
Williston Fitness Center	2,557,583	2,739,842	-	-	-	182,259	182,259
Grays Bay Marina	218,969	279,947	-	-	-	60,978	60,978
Storm Water	1,835,461	2,599,644	-	-	-	764,183	764,183
Total Business-type Activities	20,914,570	24,512,213	139,002	-	-	3,736,645	3,736,645
Total Governmental and Business-Type Activities	\$ 67,170,811	\$ 36,803,080	\$ 1,500,408	\$ 7,580,798	(25,023,170)	3,736,645	(21,286,525)
General Revenues:							
Property Taxes					37,542,646	-	37,542,646
Franchise Taxes					1,752,185	-	1,752,185
Tax Increments					3,426,105	-	3,426,105
Investment Earnings					1,552,896	504,694	2,057,590
Other General Revenue					167,948	-	167,948
Transfers					1,033,156	(1,033,156)	-
Total General Revenues and Transfers					45,474,936	(528,462)	44,946,474
Change in Net Position					20,451,766	3,208,183	23,659,949
Net Position - Beginning					174,352,218	109,552,652	283,904,870
Change in Accounting Principle (See Note 6)					(463,367)	(77,878)	(541,245)
Net Position - Beginning, as Restated					173,888,851	109,474,774	283,363,625
Net Position - Ending					\$ 194,340,617	\$ 112,682,957	\$ 307,023,574

The Notes to the Financial Statements are an integral part of this statement.

MAJOR GOVERNMENTAL FUNDS

General Fund – The general fund accounts for all revenues and expenditures of a governmental unit which are not accounted for in other funds. It normally receives a greater variety and number of taxes and other general revenues than any other fund. This fund has flowing into it such revenues as general property taxes, licenses and permits, fines and penalties, intergovernmental revenues, charges for current services, and interest earnings. Most of the day-to-day operations of governmental units will be financed from this fund.

CAPITAL PROJECTS FUNDS

Community Investment Fund – This fund was established to account for residuals from special assessment funds where the bonds have been retired. Expenditures from this fund are for projects that have a City-wide benefit.

Special Assessment Construction Fund – This fund was established to account for the proceeds of bonds for the purpose of water, sewer, and street construction.

State Municipal Aid Fund – This fund was established to account for the revenues and expenditures for the construction of county state-aid roads and the municipal state-aid street system.

Street Improvement Fund – This fund was established to account for the revenues and expenditures related to the reconstruction and maintenance of the local street system.



CITY OF
MINNETONKA

CITY OF MINNETONKA
Hennepin County, Minnesota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2018

	Capital Projects		
General	Community Investment	Special Assessment Construction	
ASSETS:			
Cash and Investments (Including Cash Equivalents)	\$ 24,429,391	\$ 21,025,547	\$ 6,082,268
Accounts Receivable	56,995	-	-
Loans Receivable	-	-	-
Interest Receivable	94,777	94,196	24,779
Property Taxes Receivable:			
Unremitted	693,636	-	-
Delinquent	303,589	-	-
Special Assessments Receivable:			
Unremitted	-	-	5,510
Current	-	-	181,180
Delinquent	-	-	7,388
Noncurrent	-	-	1,281,824
Due from Other Governments	47,987	-	-
Due from Other Funds	42,596	-	-
Advances to Other Funds	-	189,000	-
Prepays	232,104	-	-
Inventories	182,022	-	-
	<u>\$ 26,083,097</u>	<u>\$ 21,308,743</u>	<u>\$ 7,582,949</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Salaries and Wages Payable	\$ 1,171,081	\$ -	\$ -
Accounts and Contracts Payable	345,516	-	12,117
Advanced from Other Funds	-	-	-
Unearned Revenues	369,202	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>1,885,799</u>	<u>-</u>	<u>12,117</u>
Deferred Inflows of Resources			
Unavailable Revenue - Taxes	303,589	-	-
Unavailable Revenue - Special Assessments	-	-	1,470,391
Unavailable Revenue - MSA	-	-	-
Total Deferred Inflows of Resources	<u>303,589</u>	<u>-</u>	<u>1,470,391</u>
Fund Balances:			
Nonspendable	414,126	-	-
Restricted	-	-	-
Committed	1,000,000	-	-
Assigned	14,688,800	21,308,743	6,100,441
Unassigned	7,790,783	-	-
Total Fund Balances	<u>23,893,709</u>	<u>21,308,743</u>	<u>6,100,441</u>
	<u>\$ 26,083,097</u>	<u>\$ 21,308,743</u>	<u>\$ 7,582,949</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 26,083,097</u>	<u>\$ 21,308,743</u>	<u>\$ 7,582,949</u>

The Notes to the Financial Statements are an integral part of this statement

CITY OF MINNETONKA
Hennepin County, Minnesota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2018
(Continued)

	Capital Projects		Other Governmental Funds	Total Governmental Funds
	State Municipal Aid	Street Improvement		
ASSETS:				
Cash and Investments (Including Cash Equivalents)	\$ -	\$ 8,374,778	\$ 34,237,490	\$ 94,149,474
Accounts Receivable	-	20,100	836,666	913,761
Loans Receivable	-	-	178,486	178,486
Interest Receivable	-	37,507	141,953	393,212
Property Taxes Receivable:				
Unremitted	-	-	50,949	744,585
Delinquent	-	-	3,066	306,655
Special Assessments Receivable:				
Unremitted	-	-	1,196	6,706
Current	-	-	35,345	216,525
Delinquent	-	-	2,104	9,492
Noncurrent	-	-	290,998	1,572,822
Due from Other Governments	4,734,229	270,807	17,879	5,070,902
Due from Other Funds	-	1,783,770	32,556	1,858,922
Advances to Other Funds	-	-	502,588	691,588
Prepays	-	-	-	232,104
Inventories	-	-	-	182,022
Total Assets	\$ 4,734,229	\$ 10,486,962	\$ 36,331,276	\$ 106,527,256
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Salaries and Wages Payable	\$ -	\$ -	\$ 16,476	\$ 1,187,557
Accounts and Contracts Payable	931,119	1,746,241	937,589	3,972,582
Advanced from Other Funds	-	-	502,588	502,588
Unearned Revenues	-	-	-	369,202
Due to Other Funds	1,783,770	-	75,152	1,858,922
Total Liabilities	2,714,889	1,746,241	1,531,805	7,890,851
Deferred Inflows of Resources				
Unavailable Revenue - Taxes	-	-	3,066	306,655
Unavailable Revenue - Special Assessments	-	-	328,446	1,798,837
Unavailable Revenue - MSA	4,161,373	-	-	4,161,373
Total Deferred Inflows of Resources	4,161,373	-	331,512	6,266,865
Fund Balances:				
Nonspendable	-	-	-	414,126
Restricted	-	-	10,076,003	10,076,003
Committed	-	-	24,464,977	25,464,977
Assigned	-	8,740,721	353	50,839,058
Unassigned	(2,142,033)	-	(73,374)	5,575,376
Total Fund Balances	(2,142,033)	8,740,721	34,467,959	92,369,540
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,734,229	\$ 10,486,962	\$ 36,331,276	\$ 106,527,256

The Notes to the Financial Statements are an integral part of this statement



CITY OF
MINNETONKA

CITY OF MINNETONKA
Hennepin County, Minnesota

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**
December 31, 2018

Total Fund Balances - Governmental Funds \$ 92,369,540

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of Capital Assets	202,453,573
Less Accumulated Depreciation	(84,128,035)

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:

Bond Principal Payable	(5,185,000)
Unamortized Bond Discount/(Premium)	(122,544)
Compensated Absences and Severance Payable, excluding Internal Service Funds	(3,048,735)
Total OPEB Liability, excluding Internal Service Funds	(1,968,764)

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

MNPERA Net Pension Liability (from pension schedules)	(14,847,862)
---	--------------

Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in the funds.

Deferred Outflows of Resources related to Pensions	10,291,997
Deferred Inflows of Resources related to Pensions	(14,870,031)
Deferred Outflows of Resources related to OPEB	(136,166)

Governmental funds do not report the net pension asset.

MFRA Net Pension Asset	4,971,253
------------------------	-----------

Delinquent property taxes, delinquent and noncurrent special assessments receivable and municipal state aid are reported as deferred inflows of resources in the fund statements as these amounts are not available in the current year.

6,266,865

Governmental funds do not report a liability for accrued interest until due and payable.

(55,114)

Internal Service Funds are used by management to charge the costs of providing insurance and fleet maintenance services for the City (See Note 2.A).

2,349,640

Total Net Position - Governmental Activities \$ 194,340,617

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018**

	General	Capital Projects	
		Community Investment	Special Assessment Construction
REVENUES:			
Taxes:			
Property	\$ 25,206,803	\$ -	\$ -
Franchise	-	-	-
Tax Increments	-	-	-
Special Assessments	-	-	236,690
Licenses and Permits	4,783,116	-	-
Intergovernmental	1,112,186	-	-
Charges for Services	1,770,009	-	20,762
Fines and Forfeitures	402,635	-	-
Miscellaneous	1,304,612	355,568	85,525
Total Revenues	<u>34,579,361</u>	<u>355,568</u>	<u>342,977</u>
EXPENDITURES:			
Current:			
General Government	4,644,419	-	-
Development Services	3,851,766	-	114,522
Public Works	4,653,537	-	-
Public Safety	13,742,140	-	-
Park and Recreation	5,957,326	-	-
Debt Service	-	-	-
Capital Outlay	-	154	-
Total Expenditures	<u>32,849,188</u>	<u>154</u>	<u>114,522</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,730,173</u>	<u>355,414</u>	<u>228,455</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	1,374,400	63,000	697,266
Transfers Out	(1,330,189)	(500,000)	(39,800)
Total Other Financing Sources (Uses)	<u>44,211</u>	<u>(437,000)</u>	<u>657,466</u>
Net Change in Fund Balances	1,774,384	(81,586)	885,921
FUND BALANCES:			
Beginning of Year	<u>22,119,325</u>	<u>21,390,329</u>	<u>5,214,520</u>
End of Year	<u>\$ 23,893,709</u>	<u>\$ 21,308,743</u>	<u>\$ 6,100,441</u>

The Notes to the Financial Statements are an integral part of this statement

CITY OF MINNETONKA
Hennepin County, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**
For the Year Ended December 31, 2018
(Continued)

	Capital Projects			
	State Municipal Aid	Street Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property	\$ -	\$ 6,300,000	\$ 5,762,851	\$ 37,269,654
Franchise	-	-	1,752,185	1,752,185
Tax Increments	-	-	3,426,105	3,426,105
Special Assessments	-	-	53,898	290,588
Licenses and Permits	-	27,440	-	4,810,556
Intergovernmental	7,243,029	886,161	546,439	9,787,815
Charges for Services	-	-	-	1,790,771
Fines and Forfeitures	-	-	46,291	448,926
Miscellaneous	(24,733)	174,664	4,930,667	6,826,303
Total Revenues	7,218,296	7,388,265	16,518,436	66,402,903
EXPENDITURES:				
Current:				
General Government	-	-	755,827	5,400,246
Development Services	-	-	2,808,795	6,775,083
Public Works	-	35,934	21,693	4,711,164
Public Safety	-	-	261,918	14,004,058
Park and Recreation	-	-	-	5,957,326
Debt Service	-	-	1,427,513	1,427,513
Capital Outlay	7,330,784	5,827,198	6,319,109	19,477,245
Total Expenditures	7,330,784	5,863,132	11,594,855	57,752,635
Excess (Deficiency) of Revenues Over (Under) Expenditures	(112,488)	1,525,133	4,923,581	8,650,268
OTHER FINANCING SOURCES (USES):				
Transfers In	-	62,422	1,317,189	3,514,277
Transfers Out	-	-	(393,466)	(2,263,455)
Total Other Financing Sources (Uses)	-	62,422	923,723	1,250,822
Net Change in Fund Balances	(112,488)	1,587,555	5,847,304	9,901,090
FUND BALANCES:				
Beginning of Year	(2,029,545)	7,153,166	28,620,655	82,468,450
End of Year	\$ (2,142,033)	\$ 8,740,721	\$ 34,467,959	\$ 92,369,540

The Notes to the Financial Statements are an integral part of this statement

CITY OF MINNETONKA
Hennepin County, Minnesota

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**
For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 9,901,090

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	14,431,794
Depreciation Expense	(5,239,833)
Gain / (Loss) on Disposed Assets	(31,069)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (773,358)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,290,348

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 governmental funds.

Changes in Compensated Absences and Severance Payable	(229,434)
Changes in Total OPEB Liability	(101,665)
Changes in Accrued Interest Payable	5,708

Net pension obligation is not recognized in the Governmental Funds but recognized as the expense/revenue is incurred in the Statement of Activities. 454,559

Some pension expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as an expenditure. 681,770

Internal Service Funds are used by management to charge the costs of providing insurance for the City (See Note 2.B). 61,856

Change in Net Position of Governmental Activities \$ 20,451,766

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND

For The Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property Taxes	\$ 25,082,828	\$ 25,092,800	\$ 25,206,803	\$ 114,003
Licenses and Permits	3,545,400	3,473,400	4,783,116	1,309,716
Intergovernmental Revenues	958,100	1,005,600	1,112,186	106,586
Charges for Services	1,493,300	1,626,800	1,770,009	143,209
Fines and Forfeitures	502,000	433,500	402,635	(30,865)
Other Revenues	1,010,922	1,006,000	1,304,612	298,612
Total Revenues	<u>32,592,550</u>	<u>32,638,100</u>	<u>34,579,361</u>	<u>1,941,261</u>
EXPENDITURES:				
General Government	4,874,800	4,855,200	4,644,419	210,781
Development Services	3,849,800	3,843,800	3,851,766	(7,966)
Public Works	4,834,100	4,829,800	4,653,537	176,263
Public Safety	14,103,100	14,036,500	13,742,140	294,360
Park and Recreation	6,244,650	6,234,300	5,957,326	276,974
Total Expenditures	<u>33,906,450</u>	<u>33,799,600</u>	<u>32,849,188</u>	<u>950,412</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(1,313,900)</u>	<u>(1,161,500)</u>	<u>1,730,173</u>	<u>2,891,673</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	1,374,400	1,374,400	1,374,400	-
Transfers Out	(1,313,000)	(1,313,000)	(1,330,189)	(17,189)
Total Other Financing Sources (Uses)	<u>61,400</u>	<u>61,400</u>	<u>44,211</u>	<u>(17,189)</u>
Net Change in Fund Balance	(1,252,500)	(1,100,100)	1,774,384	2,874,484
FUND BALANCES:				
Beginning of Year	<u>21,218,665</u>	<u>21,218,665</u>	<u>22,119,325</u>	<u>-</u>
End of Year	<u>\$ 19,966,165</u>	<u>\$ 20,118,565</u>	<u>\$ 23,893,709</u>	<u>\$ 2,874,484</u>

The Notes to the Financial Statements are an integral part of this statement.



CITY OF
MINNETONKA

PROPRIETARY FUNDS

ENTERPRISE FUNDS – These funds are established to account for the financing of self supporting activities of governmental units which render services on a user charge basis to the general public. Minnetonka’s enterprises include the public utility engaged in the provision of water and sewer services, and ice arena, an environmental fund, a fitness center, a storm water fund, and a marina and public access to Lake Minnetonka.

INTERNAL SERVICE FUNDS – The City has two internal service funds, the Self-Insurance Fund and the Fleet Maintenance Fund, that respectively account for the risk management and fleet maintenance services provided to other City departments on a cost-reimbursement basis.



CITY OF
MINNETONKA

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
December 31, 2018

Business-Type Activities - Enterprise Funds

	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center	Grays Bay Marina	Storm Water	Total Enterprise Funds	Total Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES								
Current Assets:								
Cash and Investments	\$ 29,281,750	\$ -	\$ 757,681	\$ 1,500,076	\$ 680,825	\$ 4,620,385	\$ 36,840,717	\$ 3,263,728
Accounts Receivable	2,301,348	76,253	47,705	-	-	388,135	2,813,441	18,116
Interest Receivable	132,831	-	4,250	7,294	3,033	20,941	168,349	12,208
Special Assessments Receivable	355,477	-	-	-	-	-	355,477	-
Due from Other Funds	359,542	-	-	-	-	-	359,542	-
Due from Other Governments	-	-	-	-	-	-	-	3,712
Prepaid Items	-	-	-	-	-	-	-	82,804
Inventories	24,044	150	-	-	-	-	24,194	57,482
Total Current Assets	32,454,992	76,403	809,636	1,507,370	683,858	5,029,461	40,561,720	3,438,050
Noncurrent Assets:								
Capital Assets:								
Land - Nondepreciable	247,650	-	-	484,381	-	680,580	1,412,611	-
Construction in Progress - Nondepreciable	5,998,185	-	-	-	-	929,094	6,927,279	-
Buildings and Structures	7,386,584	7,821,881	-	7,976,269	-	352,240	23,536,974	-
Water Facilities	5,266,562	-	-	-	-	-	5,266,562	-
Water Mains and Lines	141,220,001	-	-	-	-	-	141,220,001	-
Sewer Lift Stations	3,987,512	-	-	-	-	-	3,987,512	-
Storm Drainage System	-	-	-	-	-	42,219,470	42,219,470	-
Improvements Other than Buildings	3,207,924	30,000	-	224,464	740,000	-	4,202,388	-
Machinery and Equipment	6,139,981	533,605	-	298,190	13,334	1,491,508	8,476,618	-
Total Cost	173,454,399	8,385,486	-	8,983,304	753,334	45,672,892	237,249,415	-
Less Accumulated Depreciation	(101,663,107)	(6,216,846)	-	(3,832,025)	(432,670)	(19,137,945)	(131,282,593)	-
Net Capital Assets	71,791,292	2,168,640	-	5,151,279	320,664	26,534,947	105,966,822	-
Total Noncurrent Assets	71,791,292	2,168,640	-	5,151,279	320,664	26,534,947	105,966,822	-
Total Assets	\$ 104,246,284	\$ 2,245,043	\$ 809,636	\$ 6,658,649	\$ 1,004,522	\$ 31,564,408	\$ 146,528,542	\$ 3,438,050
Deferred Outflows of Resources:								
OPEB	10,079	2,765	473	8,988	212	807	23,324	2,608
MNPERA Pension	198,477	47,937	8,007	153,092	1,563	14,074	423,150	52,411
Total Deferred Outflows of Resources	208,556	50,702	8,480	162,080	1,775	14,881	446,474	55,019

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
December 31, 2018
(Continued)

Business-Type Activities - Enterprise Funds

	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center	Grays Bay Marina	Storm Water	Total Enterprise Funds	Total Internal Service Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:								
Liabilities:								
Current Liabilities:								
Salaries and Wages Payable	\$ 81,982	\$ 21,018	\$ 2,780	\$ 61,001	\$ 450	\$ 2,584	\$ 169,815	\$ 21,430
Accounts Payable	751,505	8,416	35,043	45,520	250	708,772	1,549,506	276,322
Incurred but Not Reported Claims	-	-	-	-	-	-	-	44,062
Accrued Interest Payable	148,945	-	-	-	-	-	148,945	-
Due to Other Funds	-	359,542	-	-	-	-	359,542	-
Unearned Revenue	-	50,485	-	30,214	67,650	-	148,349	-
Current Portion of								
Compensated Absences	82,554	26,907	-	28,117	-	-	137,578	21,321
Bonds Payable	1,070,000	-	-	-	-	-	1,070,000	-
Total Current Liabilities	<u>2,134,986</u>	<u>466,368</u>	<u>37,823</u>	<u>164,852</u>	<u>68,350</u>	<u>711,356</u>	<u>3,583,735</u>	<u>363,135</u>
Long-Term Liabilities:								
Compensated Absences	115,167	64,656	-	31,804	-	-	211,627	75,944
Advances from Other Funds	-	-	-	189,000	-	-	189,000	-
Total OPEB Liability	165,878	45,515	7,791	147,923	3,485	13,288	383,880	42,927
MNPERA-Net Pension Liability	1,134,952	274,117	45,785	875,429	8,940	80,479	2,419,702	299,700
Revenue Bonds Payable, Net	27,183,673	-	-	-	-	-	27,183,673	-
Total Noncurrent Liabilities	<u>28,599,670</u>	<u>384,288</u>	<u>53,576</u>	<u>1,244,156</u>	<u>12,425</u>	<u>93,767</u>	<u>30,387,882</u>	<u>418,571</u>
Total Liabilities	<u>30,734,656</u>	<u>850,656</u>	<u>91,399</u>	<u>1,409,008</u>	<u>80,775</u>	<u>805,123</u>	<u>33,971,617</u>	<u>781,706</u>
Deferred Inflows of Resources:								
MNPERA Pension	284,704	68,763	11,485	219,602	2,243	20,188	606,985	75,180
Total Deferred Inflows of Resources	<u>284,704</u>	<u>68,763</u>	<u>11,485</u>	<u>219,602</u>	<u>2,243</u>	<u>20,188</u>	<u>606,985</u>	<u>75,180</u>
Net Position:								
Net Investment in Capital Assets	49,111,123	2,168,640	-	5,151,279	320,664	26,534,948	83,286,654	-
Unrestricted	24,324,357	(792,314)	715,232	40,840	602,615	4,219,030	29,109,760	2,636,183
Total Net Position	<u>73,435,480</u>	<u>1,376,326</u>	<u>715,232</u>	<u>5,192,119</u>	<u>923,279</u>	<u>30,753,978</u>	<u>112,396,414</u>	<u>2,636,183</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 104,454,840</u>	<u>\$ 2,295,745</u>	<u>\$ 818,116</u>	<u>\$ 6,820,729</u>	<u>\$ 1,006,297</u>	<u>\$ 31,579,289</u>		<u>\$ 3,493,069</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds (See Note 2.C)							<u>286,543</u>	
Total Business-Type Activities Net Position							<u>\$ 112,682,957</u>	

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For the Year Ended December 31, 2018

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
OPERATING REVENUES:				
Water Sales and Sewer Charges	\$ 15,402,804	\$ -	\$ -	\$ -
Storm Water Charges	-	-	-	-
Ice Rental Charges	-	597,391	-	-
Memberships and Fees	-	-	-	2,648,647
Recycling Charges	-	-	827,823	-
Charges to City Departments	-	-	-	-
Other Revenue	1,793,728	269,525	1,509	91,195
Total Operating Revenues	<u>17,196,532</u>	<u>866,916</u>	<u>829,332</u>	<u>2,739,842</u>
OPERATING EXPENSES:				
Personal Services	2,015,223	487,202	76,397	1,641,238
Supplies, Repairs and Maintenance	1,039,208	59,371	632	177,552
Other Services and Charges	6,982,340	319,831	745,104	589,907
Total Operating Expenses	<u>10,036,771</u>	<u>866,404</u>	<u>822,133</u>	<u>2,408,697</u>
Operating Income (Loss) before Depreciation	7,159,761	512	7,199	331,145
Depreciation Expense	<u>3,998,339</u>	<u>168,908</u>	<u>-</u>	<u>159,019</u>
Operating Income (Loss)	<u>3,161,422</u>	<u>(168,396)</u>	<u>7,199</u>	<u>172,126</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	383,798	(6,108)	15,395	26,726
Intergovernmental	9,840	-	129,162	-
Interest Expense	(325,592)	-	-	-
Bond Issuance Costs	(151,043)	-	-	-
Total Nonoperating Revenues (Expenses)	<u>(82,997)</u>	<u>(6,108)</u>	<u>144,557</u>	<u>26,726</u>
Income (Loss) before Contributions and Transfers	3,078,425	(174,504)	151,756	198,852
Capital Contributions	-	217,666	-	-
Transfers In	-	50,000	-	-
Transfers Out	<u>(862,422)</u>	<u>(32,700)</u>	<u>(199,800)</u>	<u>(49,100)</u>
Changes in Net Position	<u>2,216,003</u>	<u>60,462</u>	<u>(48,044)</u>	<u>149,752</u>
NET POSITION:				
Net Position, Beginning, as Previously Reported	<u>71,253,129</u>	<u>1,325,098</u>	<u>764,856</u>	<u>5,072,376</u>
Change in Accounting Principle	<u>(33,652)</u>	<u>(9,234)</u>	<u>(1,580)</u>	<u>(30,009)</u>
Net Position - Beginning, as Restated	<u>71,219,477</u>	<u>1,315,864</u>	<u>763,276</u>	<u>5,042,367</u>
Net Position - Ending	<u>\$ 73,435,480</u>	<u>\$ 1,376,326</u>	<u>\$ 715,232</u>	<u>\$ 5,192,119</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Grays Bay Marina	Storm Water	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:				
Water Sales and Sewer Charges	\$ -	\$ -	\$ 15,402,804	\$ -
Storm Water Charges	-	2,599,644	2,599,644	-
Ice Rental Charges	-	-	597,391	-
Memberships and Fees	115,785	-	2,764,432	-
Recycling Charges	-	-	827,823	-
Charges to City Departments	-	-	-	2,277,695
Other Revenue	164,162	-	2,320,119	75,982
Total Operating Revenues	<u>279,947</u>	<u>2,599,644</u>	<u>24,512,213</u>	<u>2,353,677</u>
OPERATING EXPENSES:				
Personal Services	27,881	179,648	4,427,589	510,546
Supplies, Repairs and Maintenance	114,316	79,013	1,470,092	866,897
Other Services and Charges	55,985	621,455	9,314,622	875,026
Total Operating Expenses	<u>198,182</u>	<u>880,116</u>	<u>15,212,303</u>	<u>2,252,469</u>
Operating Income (Loss) before Depreciation	81,765	1,719,528	9,299,910	101,208
Depreciation Expense	24,651	959,217	5,310,134	-
Operating Income (Loss)	<u>57,114</u>	<u>760,311</u>	<u>3,989,776</u>	<u>101,208</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	11,019	73,864	504,694	45,150
Intergovernmental	-	-	139,002	-
Interest Expense	-	-	(325,592)	-
Bond Issuance Costs	-	-	(151,043)	-
Total Nonoperating Revenues (Expenses)	<u>11,019</u>	<u>73,864</u>	<u>167,061</u>	<u>45,150</u>
Income (Loss) before Contributions and Transfers	68,133	834,175	4,156,837	146,358
Capital Contributions	-	-	217,666	-
Transfers In	-	-	50,000	-
Transfers Out	(11,500)	(145,300)	(1,300,822)	-
Changes in Net Position	<u>56,633</u>	<u>688,875</u>	<u>3,123,681</u>	<u>146,358</u>
NET POSITION:				
Net Position, Beginning, as Previously Reported	<u>867,353</u>	<u>30,067,799</u>	<u>2,498,534</u>	<u>2,498,534</u>
Change in Accounting Principle	<u>(707)</u>	<u>(2,696)</u>	<u>(8,709)</u>	<u>(8,709)</u>
Net Position - Beginning, as Restated	<u>866,646</u>	<u>30,065,103</u>	<u>2,489,825</u>	<u>2,489,825</u>
Net Position - Ending	<u>\$ 923,279</u>	<u>\$ 30,753,978</u>	<u>\$ 2,636,183</u>	<u>\$ 2,636,183</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities to Enterprise Funds (See Note 2.D.)			<u>84,502</u>	
Change in Net Position - Business-Type Activities			<u>\$ 3,208,183</u>	

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2018

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
CASH FLOWS - OPERATING ACTIVITIES:				
Receipts from Customers and Users	\$ 15,265,247	\$ 629,540	\$ 821,073	\$ 2,670,293
Receipts from Interfund Services Provided	-	-	-	-
Other Revenues	1,793,728	269,525	1,509	91,195
Payments to Suppliers	(7,543,731)	(373,684)	(751,451)	(769,671)
Payments to Employees	(1,844,545)	(473,968)	(81,463)	(1,525,311)
Payments of Benefits on Behalf of Employees	-	-	-	-
Net Cash Flows - Operating Activities	<u>7,670,699</u>	<u>51,413</u>	<u>(10,332)</u>	<u>466,506</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental	9,840	-	129,162	-
Due to/from Other Funds	62,605	(62,605)	-	-
Transfers to Other Funds	(862,422)	(32,700)	(199,800)	(49,100)
Transfers from Other Funds	-	50,000	-	-
Net Cash Flows - Noncapital Financing Activities	<u>(789,977)</u>	<u>(45,305)</u>	<u>(70,638)</u>	<u>(49,100)</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(6,028,674)	-	-	(243,848)
Advances from Other Funds	-	-	-	(94,500)
Proceeds from Bonds Issued	10,000,000	-	-	-
Principal Paid on Capital Debt	(875,000)	-	-	-
Interest and Fiscal Charges Paid on Capital Debt	(397,336)	-	-	-
Net Cash Flows - Capital and Related Financing Activities	<u>2,698,990</u>	<u>-</u>	<u>-</u>	<u>(338,348)</u>
CASH FLOWS - INVESTING ACTIVITIES:				
Purchase of Investments	51,301,354	-	1,609,741	2,951,737
Sale of Investments	(40,693,101)	-	(1,048,706)	(2,054,344)
Interest and Dividends Received	306,656	(6,108)	12,621	22,034
Net Cash Flows - Investing Activities	<u>10,914,909</u>	<u>(6,108)</u>	<u>573,656</u>	<u>919,427</u>
Net Change in Cash and Cash Equivalents	20,494,621	-	492,686	998,485
Cash and Cash Equivalents, January 1	<u>2,535,129</u>	<u>-</u>	<u>109,382</u>	<u>180,926</u>
Cash and Cash Equivalents, December 31	<u>\$ 23,029,750</u>	<u>\$ -</u>	<u>\$ 602,068</u>	<u>\$ 1,179,411</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Grays Bay Marina	Storm Water	Total Enterprise Funds	Total Internal Service Funds
CASH FLOWS - OPERATING ACTIVITIES:				
Receipts from Customers and Users	\$ 109,050	\$ 2,608,322	\$ 22,103,525	\$ -
Receipts from Interfund Services Provided	-	-	-	2,281,553
Other Revenues	164,162	-	2,320,119	75,982
Payments to Suppliers	(170,375)	(55,777)	(9,664,689)	(1,182,458)
Payments to Employees	(34,358)	(134,893)	(4,094,538)	(447,180)
Payments of Benefits on Behalf of Employees	-	-	-	(492,631)
Net Cash Flows - Operating Activities	<u>68,479</u>	<u>2,417,652</u>	<u>10,664,417</u>	<u>235,266</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental	-	-	139,002	-
Due to/from Other Funds	-	-	-	-
Transfers to Other Funds	(11,500)	(145,300)	(1,300,822)	-
Transfers from Other Funds	-	-	50,000	-
Net Cash Flows - Noncapital Financing Activities	<u>(11,500)</u>	<u>(145,300)</u>	<u>(1,111,820)</u>	<u>-</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	-	(1,662,044)	(7,934,566)	-
Advances from Other Funds	-	-	(94,500)	-
Proceeds from Bonds Issued	-	-	10,000,000	-
Principal Paid on Capital Debt	-	-	(875,000)	-
Interest and Fiscal Charges Paid on Capital Debt	-	-	(397,336)	-
Net Cash Flows - Capital and Related Financing Activities	<u>-</u>	<u>(1,662,044)</u>	<u>698,598</u>	<u>-</u>
CASH FLOWS - INVESTING ACTIVITIES:				
Purchase of Investments	1,322,898	8,783,522	65,969,252	6,375,148
Sale of Investments	(932,946)	(6,331,387)	(51,060,484)	(4,472,439)
Interest and Dividends Received	9,117	61,280	405,600	40,572
Net Cash Flows - Investing Activities	<u>399,069</u>	<u>2,513,415</u>	<u>15,314,368</u>	<u>1,943,281</u>
Net Change in Cash and Cash Equivalents	456,048	3,123,723	25,565,563	2,178,547
Cash and Cash Equivalents, January 1	<u>79,562</u>	<u>511,163</u>	<u>3,416,162</u>	<u>389,049</u>
Cash and Cash Equivalents, December 31	<u>\$ 535,610</u>	<u>\$ 3,634,886</u>	<u>\$ 28,981,725</u>	<u>\$ 2,567,596</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(Continued)

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 3,161,422	\$ (168,396)	\$ 7,199	\$ 172,126
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities				
Depreciation Expense	3,998,339	168,908	-	159,019
Accounts Receivable	(77,034)	31,668	(6,750)	-
Prepaid Items	-	-	-	-
Due from Other Governments	-	-	-	-
Special Assessments Receivable	(60,523)	-	-	-
Inventories	23,340	-	-	-
OPEB (Deferred Outflow)	(43,731)	(11,999)	(2,053)	(38,997)
Pensions (Deferred Outflow)	82,012	29,205	5,227	80,272
Accounts Payable	454,477	5,518	(5,715)	(2,212)
Salaries and Wages Payable	10,686	2,283	366	628
Compensated Absences Payable	4,905	5,296	-	8,093
Unfunded OPEB Obligation	59,886	20,360	(1,581)	104,684
Net Pension	(4,533)	(39,274)	(7,977)	(72,612)
Pensions (Deferred Inflow)	61,453	7,363	952	33,859
Unearned Revenue	-	481	-	21,646
Total Adjustments	4,509,277	219,809	(17,531)	294,380
Net Cash Flows - Operating Activities	<u>\$ 7,670,699</u>	<u>\$ 51,413</u>	<u>\$ (10,332)</u>	<u>\$ 466,506</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decline) in Fair Value of Investments	\$ 5,359	\$ (793)	\$ 1,572	\$ 1,995
Amortization of Bond Premium	38,409	-	-	-
Capital Contributions	-	217,666	-	-
Total Noncash Transactions	<u>\$ 43,768</u>	<u>\$ 216,873</u>	<u>\$ 1,572</u>	<u>\$ 1,995</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and Investments	\$ 29,281,750	\$ -	\$ 757,681	\$ 1,500,076
Less: Investments not Meeting the Definition of Cash Equivalents	(6,252,000)	-	(155,613)	(320,665)
Total Cash and Cash Equivalents	<u>\$ 23,029,750</u>	<u>\$ -</u>	<u>\$ 602,068</u>	<u>\$ 1,179,411</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Grays Bay Marina	Storm Water Fund	Total Enterprise Funds	Total Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 57,114	\$ 760,310	\$ 3,989,775	\$ 101,208
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities				
Depreciation Expense	24,651	959,217	5,310,134	-
Accounts Receivable	-	8,678	(43,438)	(12,661)
Prepaid Items	-	-	-	(82,804)
Due from Other Governments	-	-	-	3,858
Special Assessments Receivable	-	-	(60,523)	-
Inventories	-	-	23,340	10,625
OPEB (Deferred Outflow)	(919)	(3,503)	(101,202)	(2,608)
Pensions (Deferred Outflow)	2,957	(1,808)	197,865	20,536
Accounts Payable	(74)	644,691	1,096,685	151,674
Salaries and Wages Payable	33	246	14,242	2,851
Compensated Absences Payable	-	-	18,294	10,473
Unfunded OPEB Obligation	2,223	8,745	194,317	11,640
Net Pension	(9,418)	30,651	(103,163)	3,355
Pensions (Deferred Inflow)	(1,353)	10,425	112,699	17,119
Unearned Revenue	(6,735)	-	15,392	-
Total Adjustments	11,365	1,657,342	6,674,642	134,058
Net Cash Flows - Operating Activities	<u>\$ 68,479</u>	<u>\$ 2,417,652</u>	<u>\$ 10,664,417</u>	<u>\$ 235,266</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decline) in Fair Value of Investments	\$ 800	\$ 4,462	\$ 13,395	\$ 4,094
Amortization of Bond Premium	-	-	38,409	-
Capital Contributions	-	-	217,666	-
Total Noncash Transactions	<u>\$ 800</u>	<u>\$ 4,462</u>	<u>\$ 269,470</u>	<u>\$ 4,094</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and Investments	\$ 680,825	\$ 4,620,385	\$ 36,840,717	\$ 3,263,728
Less: Investments not Meeting the Definition of Cash Equivalents	(145,215)	(985,499)	(7,858,992)	(696,132)
Total Cash and Cash Equivalents	<u>\$ 535,610</u>	<u>\$ 3,634,886</u>	<u>\$ 28,981,725</u>	<u>\$ 2,567,596</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
December 31, 2018

	Private-Purpose Trust	Agency
ASSETS:		
Cash and Investments	\$ 288,880	\$ 1,810,369
Interest Receivable	1,284	-
Total Assets	290,164	\$ 1,810,369
LIABILITIES:		
Accounts Payable	833	\$ 1,810,369
Total Liabilities	833	\$ 1,810,369
NET POSITION:		
Net Position, Held in Trust for Other Purposes	\$ 289,331	

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended December 31, 2018

ADDITIONS:	
Contributions from Participants	\$ 14,677
Investment Earnings	
Interest	<u>4,810</u>
Total Additions	19,487
DEDUCTIONS:	
Benefits	<u>5,549</u>
Change in Net Position	13,938
Net Position - January 1	<u>275,393</u>
Net Position - December 31	<u><u>\$ 289,331</u></u>

The Notes to the Financial Statements are an integral part of this statement.



CITY OF
MINNETONKA

**NOTES TO BASIC
FINANCIAL STATEMENTS**

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City was formed and operates pursuant to applicable Minnesota laws and statutes. The governing body consists of a mayor and a six member City Council with four members elected by wards and two members elected at large by voters of the City to serve four year staggered terms.

In accordance with Governmental Accounting Standards Board (GASB) guidance regarding *The Reporting Entity*, the financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and the City is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization, or if there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined in accordance with GASB guidance and are presented in this report as follows:

- Blended Component Unit – Reported as if they were a part of the City
- Joint Ventures and Jointly Governed Organizations – The relationship of the City with the joint venture is disclosed

For each of the categories above, the specific entities are identified as follows:

Blended Component Unit

Economic Development Authority in and for the City of Minnetonka

The Economic Development Authority (EDA) is a legally separate advisory board to the City Council regarding economic development, housing and redevelopment matters. All debt issued (if any) in connection with EDA advisory activities requires the prior approval of the City Council, all projects require City Council approval and all debt issued (if any) is solely a general obligation of the City. All of the services provided by the EDA are solely for the City; therefore, it is reported as if it were part of the City and is shown as a blended component unit. The EDA has a December 31 year-end and does not issue Financial Statements. This unit is included within the Housing & Redevelopment Authority Special Revenue Fund.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Joint Ventures and Jointly Governed Organizations

The City has several agreements with governmental and other entities which provide reduced costs, better service and additional benefits to the participants. These programs, which the City participates in, are listed below and amounts recorded within the current year financial statements are disclosed.

1. Southwest Suburban Cable Commission (a Jointly Governed Organization)

Five local cities oversee the franchise agreement with Time/Warner Cable, the local cable company. The Southwest Suburban Cable Commission (Commission) is legally separate; the City does not appoint a voting majority of the Board; and the Commission is fiscally independent of the City. During 2018, the City contributed approximately \$47,600 to the Commission, which is included as an expenditure in the Special Revenue – Cable TV Fund, a nonmajor fund included with the City’s other nonmajor governmental funds. Financial information can be obtained at 1010 First Street South, Hopkins, Minnesota 55343.

2. LOGIS (a Jointly Governed Organization)

This consortium of approximately 20 governmental entities provides computerized data processing and support services to its members. LOGIS is legally separate; the City does not appoint a voting majority of the Board; and the consortium is fiscally independent of the City. During 2018, the City paid \$1,014,203 to this organization for services provided, which is included as expenditures/expenses of the General, Water and Sewer Utility, Capital Replacement and Technology Development Funds. Financial information can be obtained at 5750 Duluth Street, Golden Valley, Minnesota 55422-4036.

3. LOGIS Insurance Group (a Jointly Governed Organization)

This group provides cooperative purchasing of health and life insurance benefits for approximately 44 governmental entities. The total amount paid in 2018 was approximately \$2,348,300 for services provided, which includes the employee’s contribution as well as the City’s contribution. Financial information can be obtained at 5750 Duluth Street, Golden Valley, Minnesota 55422-4036.

4. Independent School District 270 (Hopkins Schools) Joint Venture

The City and Hopkins Schools entered into an agreement to jointly fund the Lindbergh Activity Center that was completed in 1996 at Hopkins High School. The facility is owned jointly by Hopkins Schools and the City as tenants-in-common, 71% and 29%, respectively. The City is responsible for 29% of the operating costs. The City has included \$1,421,000 in capital assets as its share of the Lindbergh Activity Center. The City’s share of the operating costs of the Lindbergh Activity Center for 2018 was approximately \$106,900, which is included in parks and recreation expenditures of the General Fund. Financial information can be obtained at 1001 West Highway 7, Hopkins, Minnesota 55305.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Joint Ventures and Jointly Governed Organizations (Continued)

5. Independent School District 276 (Minnetonka Schools) Joint Venture

The City and Minnetonka Schools entered into an agreement to jointly fund a cultural arts center in 2000 at Minnetonka High School. At that time, the facility was jointly owned by Minnetonka Schools and the City as tenants-in-common, 55% and 45%, respectively, with the City being responsible for 50% of the annual operating costs. On July 1, 2009 the joint venture agreement was modified to accommodate Minnetonka Schools purchasing the City's share of the facility over the next seven years. In return, the City will not be responsible for any future operating and capital expenditures, and will also maintain a guaranteed number of rehearsal hours through a 20-year operating lease with Minnetonka Schools. The City's operating lease cost for 2018 was \$ 51,000.

The City accounts for this investment as a joint venture in the government-wide financial statements. The joint venture does not represent current financial resources and is therefore not reported in the governmental funds. In 2015, the final payment was made bringing the balance due in this joint venture to zero. Financial information can be obtained at 5621 County Road 101, Minnetonka, Minnesota 55345.

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. The Fiduciary Funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level. 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 fund and fiduciary fund financial statements, which include the Fiduciary Funds which utilize accrual basis but do not have a measurement focus.

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 government 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 government.

Description of Funds:

Major Governmental Funds:

General Fund – This Fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Capital Project Funds

Community Investment Fund – This Fund accounts for the government’s residuals from special assessment funds where the bond has been retired. Expenditures from this fund are for projects that have a government-wide benefit.

Special Assessment Construction Fund – This Fund accounts for the proceeds of bonds sold for the purpose of water, sewer and street construction.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Major Governmental Funds: (Continued)

Capital Project Funds (Continued)

State Municipal Aid Fund – This Fund accounts for the revenues and expenditures related to the construction of county state-aid roads and the municipal state-aid street system.

Street Improvement Fund – This Fund accounts for the revenues and expenditures related to the reconstruction and maintenance of the local street system.

Major Proprietary Funds:

Water and Sewer Utilities Fund – This Fund accounts for the operations of the City’s water and sewer services.

Ice Arena Fund – This Fund accounts for the operations of the City’s ice arena.

Environmental Fund – This Fund accounts for the operations of the City’s recycling services.

Williston Fitness Center Fund – This Fund accounts for the operations of the City’s fitness center.

Grays Bay Marina Fund – This Fund accounts for the operations of the City’s marina.

Storm Water Fund – This Fund accounts for the operations of the City’s storm drainage services.

Additionally, the City reports the following fund types:

Internal Service Funds – These Funds account for the risk management and fleet maintenance provided to other departments of the City on a cost-reimbursement basis.

Private Purpose Trust Funds – These Funds account for resources legally held in trust for others. The City’s three stewardship trust funds are used to account for the collection and remittance of contributions for the maintaining of wetlands in each specific development area.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Additionally, the City reports the following fund types: (Continued)

Agency Fund – This fund is custodial in nature and does not present results of operations or have a measurement focus. The Escrow agency fund is used to account for various deposits, mainly contractor deposits used to ensure the installment and maintenance of erosion and sediment control measures, required by the City.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. General revenues include all taxes, franchise fees and investment income.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 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 non-operating revenues and expenses.

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

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity

1. Deposits and Investments

The government'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.

Minnesota Statutes require all deposits made by cities with financial institutions to be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity (Continued)

1. Deposits and Investments (Continued)

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

The City's investment policy has addressed concentration risk as to diversification and is required to limit potential losses to no more than the income generated by the portfolio. The City's policy also addresses interest rate risk by limiting the average maturity life of the portfolio to no greater than five years unless a specific exemption is required to match specific cash flows.

Unless a specific exception is provided, the maximum average life of the portfolio, excluding investable funds from the Community Investment Fund, will be five years or below. The City will also not purchase investments that, at the time of the investment, cannot be held to maturity. In addition, the policy states the City will handle its investment transactions with several legal, competing, reputable investment security dealers. The City's policy addresses credit risk by stating investments in commercial paper must have a security rating of A-1 (Moody's), P-1 (Standard & Poor's) or F-1 (Fitch) among at least two of the three rating agencies. The City's policy also addresses exposure to custodial credit risk; stating collateral shall be government securities in the amount of 110% of the excess over the current FDIC insurance amount of \$250,000.

Investments for the government are reported at fair value. The Minnesota Municipal Investment Pool is regulated by *Minnesota Statutes* and the Board of Directors of the League of Minnesota Cities and is an unrated external investment pool that is valued at amortized cost with maturities of investments of one year or less.

2. 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 advances to/from other funds. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity (Continued)

2. Receivables and Payables (Continued)

The City levies its property tax for the subsequent year during the month of December. December 29 is the last day the City can certify a tax levy to the County Auditor for collection during the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available.

Hennepin County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment is due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

3. Inventory and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

Inventories of the governmental funds are valued at average cost using the weighted average method. Inventories of the proprietary funds are valued at the lower of average cost using the weighted average method or market. Inventories of governmental funds are recorded as expenditures when consumed rather than purchased.

4. Use of Estimates

The preparation of the basic financial statement in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

5. Capital Assets

Capital assets, which include; property, plant, equipment and infrastructure assets (i.e., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and enterprise funds in the proprietary fund statements. Capital assets are defined as assets with an initial cost of more than \$10,000 or \$100,000 depending on the asset type and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity (Continued)

5. Capital Assets (Continued)

Building and Structures	\$ 25,000
Improvements other than Buildings	100,000
Machinery and Auto; Furniture and Equipment	10,000
Infrastructure	
Streets	100,000
Parks	100,000
Storm Sewer System	100,000
Water & Sanitary Sewer Systems	100,000
Intangible Assets	100,000

Infrastructure has been capitalized retroactively to 1980. Carrying value of prior infrastructure assets is considered to be insignificant to the overall value of capital assets of the City. Donated capital assets are recorded at acquisition value at the date of donation. It is the City's policy to not capitalize computer software or equipment. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

The City's capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and Structures	40
Improvements other than Buildings	10-30
Machinery and Auto; Furniture and Equipment	5-15
Infrastructure	
Streets	35
Parks	20
Storm Sewer System	50
Water & Sanitary Sewer Systems	40

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until a future event occurs.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity (Continued)

6. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until a future event occurs.

7. Compensated Absences

Under terms of union contracts and personnel policies, the City's employees are granted vacations in varying amounts depending on length of service and union contract or employee classification. All full-time employees accumulate eight hours of sick leave per month of service. Upon termination, employees are paid for all unused vacation up to a maximum of 280 hours, depending on years of service. Severance pay is the greater of 1/3 of unused sick leave or 4 weeks of pay plus 1 week of pay for every year of service over 10 years, up to a maximum of 13 weeks, provided the employee is eligible to receive severance pay per the City's personnel policy.

8. 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. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize non-current liabilities to the extent they have matured or will be liquidated with expendable, available financial resources. Bond premiums and discounts are recognized 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.

9. 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 the PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity (Continued)

10. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Non Spendable – consists of amounts that are not in spendable form, such as inventory.

Restricted – consist of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the City Council. Only the Council can remove or change the constraints placed on committed fund balances by formal resolution.

Assigned – Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City’s intended use. The City Council authorized the City Manager and itself to assign fund balance as necessary. These constraints are established by City Council and/or the City Manager.

Unassigned – the residual classification for the General Fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the City’s policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

The City Council has formally adopted a fund balance policy for the General Fund. The City’s policy is that the City Manager will assign in the annual budget a *Budget Stabilization Reserve*, which is an amount equivalent to thirty (30) to fifty (50) percent of the following year’s operating budget. If the level of the *Budget Stabilization Reserve* falls below thirty (30) percent of the following year’s operating budget, the City will develop and implement a plan to replenish the fund.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “internal service funds are used by management to charge the costs of providing risk management and fleet maintenance for the City.” The details of this \$2,349,640 difference are as follows:

Net Position of the Internal Service Fund	\$ 2,636,183
Subtract: Net Position Attributed to the Business-Type Activities	<u>(286,543)</u>
Net Adjustment to Increase <i>Fund Balance - Total Governmental Funds</i> to Arrive at <i>Net Position - Governmental Activities</i>	<u><u>\$ 2,349,640</u></u>

B. Explanation of Certain Differences between the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balance – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$1,290,348 difference are as follows:

Principal Repayments:	
General Obligation Debt	\$ 1,260,000
Amortization of Bond Discounts and Premiums:	
General Obligation Debt - Net	<u>30,348</u>
Net Adjustment to Increase <i>Net Changes in Fund Balances - Total Governmental Funds</i> to Arrive at <i>Changes in Net Position of Governmental Activities</i>	<u><u>\$ 1,290,348</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences between the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “Internal Service Funds are used by management to charge the costs of providing risk management and fleet maintenance for the City.” The details of this \$61,856 difference are as follows:

Change in Net Position of the Internal Service Fund	\$ 146,358
Subtract: Gain from Charges to Business-Type Activities	<u>(84,502)</u>
Net Adjustment to Increase <i>Net Change in Fund Balances - Total Governmental Funds</i> to Arrive at <i>Changes in Net Position of Governmental Activities</i>	<u><u>\$ 61,856</u></u>

C. Explanation of Certain Differences between the Proprietary Fund Statements of Net Position and the Government-Wide Statement of Net Position

The proprietary fund statement of net position includes a reconciliation between net position – total enterprise funds and net position of business-type activities as reported in the government-wide statement of net position. The description of the sole reconciliation is “adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.” The details of this \$286,543 are as follows:

Internal Payable Representing Charges in Excess of Costs to Business-Type Activities - Prior Year	\$ 202,041
Internal Payable Representing Costs in Excess of Charges to Business-Type Activities - Current Year	<u>84,502</u>
Net Adjustment to Increase <i>Net Position - Total Enterprise Funds</i> to Arrive at <i>Net Position - Business-Type Activities</i>	<u><u>\$ 286,543</u></u>

D. Explanation of Certain Differences between the Proprietary Fund Statements of Revenues, Expenses, and Changes in Fund Net Position and the Government-Wide Statement of Activities

The proprietary fund statement of revenues, expenses, and changes in fund net position includes a reconciliation between change in net position – total enterprise funds and change in net position of business-type activities as reported in the government-wide statement of activities. The description of the sole reconciliation is “adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.” The details of this \$84,502 are as follows:

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

D. Explanation of Certain Differences between the Proprietary Fund Statements of Revenues, Expenses, and Changes in Fund Net Position and the Government-Wide Statement of Activities (Continued)

Gain from Charges to Business-Type Activities	<u>\$ 84,502</u>
Net Adjustment to Increase <i>Net Change in Net Position - Total Enterprise Funds</i> to Arrive at <i>Changes in Net Position of Business-Type Activities</i>	<u>\$ 84,502</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the General and Special Revenue Funds.

Budget amounts for the originally adopted budget and the final amended budget are approved by the City Council. Encumbrance accounting is employed in the governmental funds. Encumbrances outstanding at year end are reported as restrictions of fund balance and do not constitute expenditures of liabilities because the commitments will be reapportioned and honored during the subsequent year. Budgeted expenditure appropriations lapse at year-end.

The City follows these procedures in establishing the budgetary data reflected in the enclosed financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for all funds of the City. However, the General and Special Revenue Funds are the only funds that are legally adopted through the budgetary process as documented below.
2. Public hearings are conducted to obtain taxpayer comments.
3. The preliminary budget is legally enacted through passage of a City Council resolution by September 15.
4. The final budget is legally enacted through passage of a resolution by December 20.
5. The City Council may authorize transfer of budgeted amounts between funds.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

7. General and Special Revenue Funds expenditures may not legally exceed budgeted appropriations at the total fund level without City Council approval. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, other services and charges, capital outlay) within each activity. Budgetary monitoring, by departments or divisions and by category, is required by the City Charter. Management may alter the budget within a fund but cannot exceed the total budgeted expenditures for the fund that was approved by the City Council.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2018, expenditures exceeded appropriations in the following funds:

Grants Fund	\$ 22,936
Police Forfeiture Fund	41,414
Shady Oak Lane Cemetary	1,150

These over-expenditures were funded by greater than expected revenues in each of these funds and existing fund balance.

C. Deficit Fund Equity

The State Municipal Aid Capital Projects Fund had a deficit fund balance of \$2,142,033 as of December 31, 2018. This fund incurred expenditures in excess of revenues and other financing sources due to various open street reconstruction projects. Future years Municipal State-Aid allocations are scheduled to cover the deficit fund balance. In addition, the Special Revenue Grants Fund and the Public Safety Capital Project fund had deficit fund balances of \$39,590 and \$33,784, respectively, due to cash flow timing that will be offset with fiscal year 2019 revenues.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of December 31, 2018, the City’s bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution’s trust department or agent and in the government’s name.

As of December 31, 2018, the City had deposits as follows:

Checking	<u>\$ 657,957</u>
Total Deposits	<u><u>\$ 657,957</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Investments

As of December 31, 2018, the City had the following investments:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>			<u>Ratings</u>
	<u>Fair Value</u>	<u>5 Years or Less</u>	<u>Over 5 Years</u>	
FHLB	\$ 24,711,828	\$ 22,741,788	\$ 1,970,040	AAA
FHLMC	16,843,940	15,841,200	1,002,740	AAA
FNMA	16,520,898	16,520,898	-	AAA
FNMAP	1,220,493	1,220,493	-	N/A
PEFCO	1,494,015	1,494,015	-	AAA
REFCORP	1,914,820	1,914,820	-	AAA
FFCB	5,229,285	4,249,065	980,220	AAA
Broker CD's	23,221,819	23,221,819	-	Not Rated
Municipal Bonds	13,646,745	10,600,029	3,046,716	AA/Aa2
4-M	30,872,968	30,872,968	-	Not Rated
	<u>\$ 135,676,811</u>	<u>\$ 128,677,095</u>	<u>\$ 6,999,716</u>	

Interest Rate Risk: In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturities of its portfolio. Unless a specific exception is provided, the maximum average life of the portfolio, excluding investable funds from the Community Investment Fund, will be five years or below. For 2018, the average life of the City's portfolio was 1.9 years made up of \$128,677,095 of investments maturing in 5 years or less and \$6,999,716 maturing in excess of five years.

The \$6,999,716 of investments maturing in excess of five years is covered by \$21,025,547 held in the Community Investment Fund and is within the City's investment policy limit. Also, no investments have maturities of more than 10 years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The City invests with the 4M fund which is regulated by *Minnesota Statutes* and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unrated external investment pool that is valued at amortized cost and does not restrict or limit withdrawals made by the City. The City also invests in other brokered CD's and money market accounts where investments with maturities of less than one year being valued at amortized cost, and investments with maturities greater than one year being valued based on quoted prices of similar investments. As of December 31, 2018, the City's investments are rated in the above table.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk: The risk of loss attributed to the magnitude of the City’s investments in a single issuer. The City places limits on the amount that may be invested in any one issuer according to Minnesota Statute 118A. As of December 31, 2018, more than 5 percent of the City’s investments are held in FHLMC, FHLB and FNMA. These investments are 12%, 18% and 12%, respectively, of the City’s total investments and fall within the allowable 70% maximum allowable holdings of these types of investments.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investments are insured by SIPC or other supplemental insurance, held in the City's name by the counter party as of December 31, 2018. However, each investment brokerage firm may have a limit to their supplemental insurance and because of the size of the City's portfolio in relation to the brokerage firm's excess SIPC coverage limits, there is a risk the City would not receive its entire portfolio holdings if a brokerage firm should fail.

Summary of cash, deposits and investments as of December 31, 2018:

Petty Cash		\$ 18,400
Deposits		657,957
Investments		135,676,811
Total		\$ 136,353,168

Cash, deposits and investments are presented in the December 31, 2018 basic financial statements as follows:

Statement of Net Position:

Cash and Investments (Including Cash Equivalents)		\$ 134,253,919
---	--	----------------

Statement of Fiduciary Net Position:

Cash and Investments (Including Cash Equivalents)		
Private-Purpose Trust Funds		288,880
Agency Funds		1,810,369
Total Deposits and Investments		\$ 136,353,168

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Investments (Continued)

Fair Value measurement: The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and requires expanded disclosures about fair value measurements.

In accordance with this standard, the City has categorized its investments based on the priority of the inputs to the valuation technique into a three level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset.

As of December 31, 2018 the City’s investments fall into the following categories of fair value and are reported using market closing prices.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S Agencies and Treasury Notes	\$ -	\$67,935,279	\$ -	\$ 67,935,279
Municipal Bonds	-	\$13,646,745	-	13,646,745
Broker Certificates of Deposit	-	9,761,207	-	9,761,207
	<u>\$ -</u>	<u>\$91,343,231</u>	<u>\$ -</u>	<u>91,343,231</u>
Investments measured at amortized cost				<u>44,333,580</u>
Total				<u>\$ 135,676,811</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance			Balance
	<u>January 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2018</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 21,495,870	\$ 760,154	\$ -	\$ 22,256,024
Construction in Progress	11,277,820	12,054,949	(8,752,341)	14,580,428
Total Capital Assets, Not Being Depreciated	32,773,690	12,815,103	(8,752,341)	36,836,452
Capital Assets, Being Depreciated:				
Buildings and Structures	22,384,556	106,756	-	22,491,312
Improvements Other Than Buildings	8,199,409	-	-	8,199,409
Furniture and Equipment	3,355,170	16,097	-	3,371,267
Machinery and Auto	10,727,912	1,361,664	(515,624)	11,573,952
Infrastructure:				
Streets	93,821,027	8,884,359	-	102,705,386
Park Additions	17,275,795	-	-	17,275,795
Total Capital Assets, Being Depreciated	155,763,869	10,368,876	(515,624)	165,617,121
Less Accumulated Depreciation for				
Buildings and Structures	(15,507,514)	(438,512)	-	(15,946,026)
Improvements Other Than Buildings	(6,193,120)	(107,268)	-	(6,300,388)
Furniture and Equipment	(2,226,974)	(237,654)	-	(2,464,628)
Machinery and Auto	(5,522,578)	(1,221,398)	484,555	(6,259,421)
Infrastructure:				
Streets	(44,762,482)	(2,714,245)	-	(47,476,727)
Park Additions	(5,160,089)	(520,756)	-	(5,680,845)
Total Accumulated Depreciation	(79,372,757)	(5,239,833)	484,555	(84,128,035)
Total Capital Assets, Being Depreciated, Net	76,391,112	5,129,043	(31,069)	81,489,086
Governmental Activities Capital Assets, Net	<u>\$ 109,164,802</u>	<u>\$17,944,146</u>	<u>\$(8,783,410)</u>	<u>\$ 118,325,538</u>

Depreciation expense for governmental activities was charged to functions/programs of the government as follows:

General Government	\$ 126,421
Development Services	29,956
Public Works	3,360,281
Public Safety	870,021
Parks and Recreation	853,154
Total Depreciation Expense	<u>\$ 5,239,833</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,412,611	\$ -	\$ -	\$ 1,412,611
Construction in Progress	7,956,229	6,939,967	(7,968,917)	6,927,279
Total Capital Assets, Not Being Depreciated	9,368,840	6,939,967	(7,968,917)	8,339,890
Capital Assets, Being Depreciated:				
Buildings and Structures	23,056,472	480,502	-	23,536,974
Improvements Other Than Buildings	4,202,388	-	-	4,202,388
Water Facilities	5,266,562	-	-	5,266,562
Machinery and Equipment	7,663,600	1,092,953	(279,935)	8,476,618
Sewer Lift Stations	3,987,512	-	-	3,987,512
Distribution System	135,374,349	5,845,652	-	141,220,001
Storm Sewers	40,096,205	2,123,265	-	42,219,470
Total Capital Assets, Being Depreciated	219,647,088	9,542,372	(279,935)	228,909,525
Less Accumulated Depreciation for				
Buildings and Structures	(12,162,771)	(484,799)	-	(12,647,570)
Improvements Other Than Buildings	(1,536,152)	(164,369)	-	(1,700,521)
Water Facilities	(3,661,573)	(83,768)	-	(3,745,341)
Machinery and Equipment	(5,537,110)	(373,889)	316,078	(5,594,921)
Sewer Lift Stations	(2,613,999)	(103,012)	-	(2,717,011)
Distribution System	(83,240,396)	(3,198,799)	-	(86,439,195)
Storm Sewers	(17,536,536)	(901,498)	-	(18,438,034)
Total Accumulated Depreciation	(126,288,537)	(5,310,134)	316,078	(131,282,593)
Total Capital Assets, Being Depreciated, Net	93,358,551	4,232,238	36,143	97,626,932
Business-Type Activities Capital Assets, Net	<u>\$ 102,727,391</u>	<u>\$11,172,205</u>	<u>\$(7,932,774)</u>	<u>\$ 105,966,822</u>

Depreciation expense for business-type activities was charged to functions/programs of the government as follows:

Water and Sewer Utilities	\$ 3,998,339
Ice Arena	168,908
Williston Fitness Center	159,019
Grays Bay Marina	24,651
Storm Water Fund	959,217
Total Depreciation Expense	<u>\$ 5,310,134</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Leases

Effective July 1, 2009, the City entered into a 20-year operating lease with Minnetonka School District to provide space within the Arts Center for an operational home for Music Association of Minnetonka (MAM). The lease can be terminated with at least one year’s written notice. The total cost of the operating lease for the year ended December 31, 2018 was \$51,000. The future minimum lease payments for the lease are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2019	57,600
2020	57,600
2021	57,600
2022	57,600
2023	57,600
2024-2028	<u>288,000</u>
Total	<u>\$ 576,000</u>

E. Long-Term Debt

1. General Obligation Bonds

The City issues General Obligation (G.O.) Bonds to provide for financing of park improvements and municipal state-aid road improvements. G.O. Bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal debt service payments each year.

2. Revenue Bonds

The City has issued revenue bonds for water improvements. Debt service is covered through the revenue producing activities of the Water and Utilities Fund.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (Continued)

3. Components of Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Interest Rates/ Final Maturity Date	Balance at January 1, 2018	Issued	Retired	Balance at December 31, 2018	Due Within One Year
Governmental Activities:						
Bonds Payable:						
General Obligation State-Aid						
Street Bonds, Series 2008A	3.25 - 4% / 4/1/2024	\$ 1,070,000	\$ -	\$ 125,000	\$ 945,000	\$ 150,000
General Obligation Open Space and Park						
Improvement Bonds, Series 2008B	3.25 - 4% / 2/1/2020	1,410,000	-	150,000	1,260,000	620,000
General Obligation Open Space and Park						
Improvement Refunding Bonds, Series 2010A	2.00 - 3% / 2/1/2018	410,000	-	410,000	-	-
General Obligation Open Space and Park						
Refunding Bonds, Series 2012A	1.00 - 2% / 2/1/2020	1,115,000	-	365,000	750,000	375,000
General Obligation Open Space and Park						
Improvement Bonds, Series 2016B	2.00% / 2/1/2027	2,440,000	-	210,000	2,230,000	230,000
Unamortized Bond Premium						
		153,048	-	30,424	122,624	-
Unamortized Bond Discount						
		(156)	-	(76)	(80)	-
Total G.O. Bonds, net		<u>6,597,892</u>	<u>-</u>	<u>1,290,348</u>	<u>5,307,544</u>	<u>1,375,000</u>
Compensated Absences						
		2,906,092	2,088,932	1,849,024	3,146,000	1,849,024
Governmental Activity Long-Term Liabilities						
		<u>\$ 9,503,984</u>	<u>\$ 2,088,932</u>	<u>\$ 3,139,372</u>	<u>\$ 8,453,544</u>	<u>\$ 3,224,024</u>
Business-Type Activities:						
Bonds Payable:						
General Obligation Water Revenue						
Refunding Bonds, Series 2012A	1.00 - 2% / 2/1/2020	\$ 845,000	\$ -	\$ 275,000	\$ 570,000	\$ 280,000
General Obligation Utility Revenue						
Refunding Bonds, Series 2016A	2.00 - 2.35% / 2/1/2036	10,000,000	-	335,000	9,665,000	450,000
General Obligation Utility						
Improvement Bonds, Series 2016B	2.00 - 2.1% / 2/1/2036	7,560,000	-	265,000	7,295,000	340,000
General Obligation Utility						
Improvement Bonds, Series 2018A	3.00 - 3.38 % / 2/1/2040	-	10,000,000	-	10,000,000	-
Unamortized Bond Premium						
		431,957	330,125	38,409	723,673	-
Total Revenue Bonds, net		<u>18,836,957</u>	<u>10,330,125</u>	<u>913,409</u>	<u>28,253,673</u>	<u>1,070,000</u>
Compensated Absences						
		330,911	218,183	199,890	349,204	137,578
Business-Type Activity Long-Term Liabilities						
		<u>\$ 19,167,868</u>	<u>\$ 10,548,308</u>	<u>\$ 1,113,299</u>	<u>\$ 28,602,877</u>	<u>\$ 1,207,578</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (Continued)

3. Components of Long-Term Liabilities (Continued)

For the governmental activities, compensated absences, pension and postemployment obligations are generally liquidated by the General Fund.

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, compensated absences, which are reported in the internal service funds, are included in the above amounts.

Maturities of bonds payable for the next five years and in the aggregate thereafter are as follows:

Years Ending December 31	G.O. Bonds		Revenue Bonds		Total
	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	
2019	1,375,000	125,300	1,070,000	346,768	\$ 2,917,068
2020	1,395,000	83,009	1,100,000	823,267	3,401,276
2021	385,000	55,950	1,160,000	660,268	2,261,218
2022	385,000	45,300	1,195,000	626,868	2,252,168
2023	420,000	34,050	1,230,000	592,118	2,276,168
2024-2028	1,225,000	46,050	6,700,000	2,404,838	10,375,888
2029-2033	-	-	7,555,000	1,529,501	9,084,501
2034-2038	-	-	6,205,000	614,606	6,819,606
2039-2040	-	-	1,315,000	66,187	1,381,187
Total	\$ 5,185,000	\$ 389,659	\$ 27,530,000	\$ 7,664,421	\$ 40,769,080

The G.O. Utility Revenue Note, Series 2015 was issued on December 29, 2015. The proceeds from the note will be used to reimburse and additionally fund the Utilities Fund for certain capital improvement projects to upgrade the City’s utility infrastructure system.

The G.O. Utility Revenue Refunding Bonds, Series 2016A were issued in 2016 to refund the G.O. Utility Revenue Note, Series 2015. The defeasance of the 2015 Temporary Note did not result in an economic gain or loss and there was no aggregate difference in debt service between the refunding and the refunded debt.

The G.O. Utility Improvement Bonds, Series 2016B were issued in 2016 to fund certain capital improvement projects to upgrade the City’s utility infrastructure system.

The G.O. Utility Revenue Bonds, Series 2018A were issued in September of 2018 to fund certain capital improvement projects to upgrade the City’s utility infrastructure system.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (Continued)

3. Components of Long-Term Liabilities (Continued)

The G.O. State-Aid Street Bonds, Series 2008A are general obligation bonds used for the reconstruction of County State-Aid Highway 61 (Shady Oak Road) between Bren Road and Excelsior Boulevard.

The G.O. Open Space and Park Improvement Bonds, Series 2008B are general obligation bonds were used to purchase open space and make park improvements to the existing park system.

The G.O Open Space and Park Improvement Bonds, Series 2016B were issued in 2016 to reimburse the City for the purchase of property for open space preservation within the City. These bonds are the last in a series authorized by special election on September 11, 2001.

There are a number of financial limitations and restrictions contained in the various bond indentures. At December 31, 2018, the City is in compliance with all significant financial limitations and restrictions.

The voters of the City approved, by special election on September 11, 2001, the issuance and sale by the City of G.O. Bonds of the City in an aggregate amount not to exceed \$15,000,000. The purpose of the Bonds, as approved by the voters, is to provide financing for a Parks Renewal and Open Space Preservation Program. As of December 31, 2016 all authorized bonds up to the \$15,000,000 have been issued. As of December 31, 2018, \$2,230,000 of these bonds remain outstanding.

4. Conduit Debt Obligations

From time-to-time, the City has issued Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the underlying property enhanced and are payable solely from payments received from the benefited entity. Neither the City, the State of Minnesota, nor any political subdivision, thereof, is obligated in any manner for repayment of the bonds. Accordingly, the Bonds are not reported as liabilities in the basic financial statements. As of December 31, 2018, there were 20 series of Revenue Bonds outstanding, with an approximate outstanding balance of \$215,515,890.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (Continued)

5. Revenue Pledged

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Revenue Pledged				Current Year		
		Type	Percent of Total Debt Service	Debt Service as a % of Net Revenues	Taxes Payable Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
2012A GO Water Revenue Refunding Bonds	Refund Original Debt used for Water Utility Infrastructure	Utility Revenue	100%	n/a	2013 - 2020	\$581,500	\$289,150	\$1,704,067
2016A GO Utility Revenue Refunding Bonds	Refund Original Debt used for Water Utility Infrastructure	Utility Revenue	100%	n/a	2017 - 2036	\$11,606,866	\$537,808	\$3,169,499
2016B GO Utility Revenue Bonds	Water Utility Infrastructure	Utility Revenue	100%	n/a	2017 - 2036	\$8,697,740	\$414,260	\$2,441,386
2018 GO Utility Revenue Bonds	Water Utility Infrastructure	Utility Revenue	100%	n/a	2020 - 2040	\$14,308,312	\$ -	\$ -

F. Commitments

At December 31, 2018, the City had the following contract commitments outstanding:

Project	Contractor	Commitment
Shady Oak Road Project	Hennepin County	\$ 238,489
Shady Oak Road Landscaping	Southview Design	28,558
Co Rd 101, CR 62 - CR3	Hennepin County	208,862
Building Automation Upgrade	Metropolitan Mechanical	315,959
Williston Rd Lift Station Forcemain	Widmer Construction	388,839
2018 Street Rehab - Woodhill Rd	Park Construction Co.	892,482
Ridgehaven Ln / Ridgedale Dr	C.S. McCrossan Construction, Inc.	869,703
City Hall Renovation	RAM General Contracting	1,415,291
Pickelball Courts	New Look Contracting	83,559
Bren and Tanglen Water Storage Rehab	Champion Tank Services	184,620
Plymouth Rd Trail - Phase 1	Bituminous Roadways Inc.	63,719
CSAH 101 N Landscaping	G. Urban Companies, Inc.	56,751
CSAH 101 S Landscaping	Hoffman & McNarama Company	19,103
	Total	\$ 4,765,935

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Interfund Transactions

1. Interfund Receivables and Payables

Receivable Fund	Payable Fund	Amount	Purpose
Water and Sewer Utilities Fund	Ice Arena Fund	\$ 359,542	[1]
Street Improvement Fund	State Municipal Aid Fund	1,783,770	[2]
General Fund	Other Nonmajor	42,596	[3]
Capital Replacement Fund	Other Nonmajor	32,556	[4]
	Total	<u>\$ 2,218,464</u>	

- [1] The interfund receivable and payable eliminated what would have been a negative cash balance. The City expects these interfund transactions to be settled in January 2019.
- [2] This interfund receivable and payable eliminated what would have been a negative cash balance. The negative cash in the State Municipal Aid Fund is related to current road projects that will be reimbursed by the State of Minnesota for its share of the construction costs in future years.
- [3] This interfund receivable and payable eliminated what would have been a negative cash balance. The negative cash in the Grants Fund is related to cash flow timing due to the reimbursement nature of the fund. The City expects these interfund transactions to be settled in January 2019.
- [4] This interfund receivable and payable eliminated what would have been a negative cash balance. The negative cash in the Public Safety Fund is related to cash flow timing of fund expenditures. The City expects these interfund transactions to be settled in January 2019.

2. Transfers

Transfer To	Transfer From	Amount	Purpose
General Fund	Other Nonmajor	\$ 32,700	Annual budgeted transfer
General Fund	Other Nonmajor Fund	63,500	Annual budgeted transfer
General Fund	Grays Bay Marina	11,500	Annual budgeted transfer
General Fund	Environmental	199,800	Annual budgeted transfer
General Fund	Special Assessment Construction	39,800	Annual budgeted transfer
General Fund	Storm Water Fund	145,300	Annual budgeted transfer
General Fund	Water and Sewer Utilities	800,000	Annual budgeted transfer
General Fund	Williston Center	49,100	Annual budgeted transfer
General Fund	Ice Arena	32,700	Annual budgeted transfer
General Fund	Other Nonmajor	10,189	Annual budgeted transfer
Special Assessment Construction	Other Nonmajor Fund	197,266	Yearly transfer for Shady Oak Road Property
Special Assessment Construction	Community Investment Fund	500,000	Construction costs
Community Investment	General Fund	63,000	Construction costs
Ice Arena	General Fund	50,000	Funding support
Street Improvement Fund	Utility Fund	62,422	Construction costs
Other Nonmajor	Other Nonmajor	7,000	Software Costs
Other Nonmajor	Other Nonmajor	100,000	Budgeted transfer for WHAHLT programs
Other Nonmajor	General Fund	1,200,000	Construction costs
		<u>\$ 3,564,277</u>	

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Interfund Transactions (Continued)

3. Advances To/From Other Funds

The Community Investment Fund advanced \$945,000 to the Williston Fitness Center for renovation/construction purposes. This advance will be paid back to the Community Investment Fund in annual installments of \$94,500 from the Williston Center, bearing no interest through the year 2020. The amount still outstanding at 12/31/2018 was \$189,000.

The Development Fund advanced \$502,588 to the Glen Lake TIF District for relocation costs of the Alano property. This advance will be paid back to the Development Fund as tax increments are collected. The amount outstanding at 12/31/2018 was \$502,588.

H. Segment Information

The City maintains six Enterprise Funds that account for the water and sewer utility, ice arena facilities, recycling activities, a fitness center, a recreational marina and the storm water utility. The City considers each of its Enterprise Funds to be a segment. Since the required segment information is already included in the City's proprietary funds' Statement of Fund Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position balance, this information has not been repeated in the notes to the basic financial statements.

I. Contingencies

There are several lawsuits pending in which the City is involved. The City estimates the potential claims not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

J. Tax Abatements

The City enters into property tax abatement agreements through the use of tax increment financing districts with businesses under various Minnesota Statutes. Under these statutes the City annually abates taxes collected above the districts' base tax capacity which is established during adoption of the tax increment district. These agreements are established to foster economic development and redevelopment through creating jobs, removing blight and providing affordable housing. The City uses Minnesota Statutes 469.001 to 469.047 and 469.174 to 469.179 (The Tax Increment Act) to create these districts. In addition, the City also uses Minnesota Statutes 469.1812 to 469.1815 to abate property taxes to be used for development.

For the fiscal year ended December 31, 2018, the City has four agreements established under Minnesota Statutes 469.174 to 469.179, which resulted in property taxes totaling \$2,163,422 being abated. These agreements include:

Beacon Hill Housing District: A pay as you go note to finance the cost of a 110 unit rental housing facility for seniors and a 42 unit assisted living facility for seniors. The abatement amount was \$241,238.

Glenhaven TIF District: A revenue pay as you go note to finance the cost of a mixed use redevelopment including an apartment building with retail and a senior housing care facility. The abatement amount was \$474,503.

Tonka on the Creek: A pay go note to finance the cost of a 100 unit rental housing facility, with 20% of the units made affordable to families at or below 50% of the area median income. The abatement amount was \$250,153.

Rowland Road: A pay as you go note to finance the cost of a 106 unit apartment complex, with 20% of the units made affordable to families at or below 50% of the area median income. The abatement amount was \$248,367.

Applewood Pointe: A pay as you go note to finance the cost of an 87 unit senior housing cooperative. The abatement amount was \$266,716.

Boulevard Gardens TIF District: Although the original pay as you go note to finance the cost of a mixed use redevelopment including retail, affordable family and senior rental units, and condominium and townhomes has been retired, this TIF district continues to collect abated property taxes that are pooled to pay developers for other qualified affordable housing developments within the City. The abatement amount was \$682,445.

For the fiscal year ended December 31, 2018, the City has one agreement established under Minnesota Statutes 469.1812 to 469.1815, which resulted in property taxes totaling \$20,000 being abated. This abatement is for an agreement with General Growth Properties for an expansion to the regional Ridgedale Mall, located within the City. The expansion includes the addition of a new 138,000 square foot Nordstrom store, 84,000 additional square footage for the Macy's store and 48,000 square feet of new restaurants at the mall. Under the agreement, the developer qualifies for a maximum reimbursement of \$1,798,000 plus 5% interest calculated by completed project components.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

K. Fund Balance/Net Position

At December 31, 2018, a summary of the governmental fund balance classifications is as follows:

	General Fund	Community Investment	Special Assessment Construction	State Municipal Aid	Street Improvement	Other Governmental Funds	Total
Nonspendable:							
Inventory & Prepays	\$ 414,126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 414,126
Total Nonspendable	414,126	-	-	-	-	-	414,126
Restricted for:							
Cemetery Operations	-	-	-	-	-	140,409	140,409
Housing	-	-	-	-	-	1,697,714	1,697,714
Grants	-	-	-	-	-	83,720	83,720
Police Forfeiture	-	-	-	-	-	334,958	334,958
Tax Increment	-	-	-	-	-	5,990,530	5,990,530
Debt Service	-	-	-	-	-	1,828,672	1,828,672
Total Restricted	-	-	-	-	-	10,076,003	10,076,003
Committed to:							
Technology Improvements	-	-	-	-	-	479,870	479,870
Cable TV Fund	-	-	-	-	-	2,417,894	2,417,894
Electric Franchise Fund	-	-	-	-	-	3,165,020	3,165,020
Compensated Absences	1,000,000	-	-	-	-	-	1,000,000
Capital Replacement	-	-	-	-	-	2,494,844	2,494,844
Public Safety Facilities	-	-	-	-	-	685,063	685,063
Development	-	-	-	-	-	4,665,974	4,665,974
Park Improvements	-	-	-	-	-	8,263,054	8,263,054
Street Improvements	-	-	-	-	-	1,322,435	1,322,435
Reforestation	-	-	-	-	-	970,823	970,823
Total Committed	1,000,000	-	-	-	-	24,464,977	25,464,977
Assigned to:							
Budget Stabilization	14,432,900	-	-	-	-	-	14,432,900
Fire Pensions	240,900	-	-	-	-	-	240,900
Recreation Scholarships	15,000	-	-	-	-	-	15,000
Community Investment	-	21,308,743	6,100,441	-	-	-	27,409,184
Street Improvements	-	-	-	-	8,740,721	353	8,741,074
Total Assigned	14,688,800	21,308,743	6,100,441	-	8,740,721	353	50,839,058
Unassigned	7,790,783	-	-	(2,142,033)	-	(73,374)	5,575,376
Total	\$23,893,709	\$ 21,308,743	\$ 6,100,441	\$ (2,142,033)	\$ 8,740,721	\$ 34,467,959	\$ 92,369,540

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION

A. Risk Management

The City is exposed to various risks typically associated with municipal operations, including: thefts, destruction of assets, errors and omissions, employee injuries, general liability and natural disasters. Since the early 1980’s, the City has been a member of the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool. The LMCIT program best meets municipal needs from the perspective of coverage as well as cost. It is sustained through member premiums and reinsurance for catastrophic events. Coverage limits match statutory caps for claims against Minnesota cities of \$1,000,000 per claim. Insurance settlements have never exceeded coverage during the City’s membership in the LMCIT program.

Certain risk management activities of the City (i.e., premiums and deductibles) are accounted for by the Insurance Fund, an internal service fund that charges its costs to user departments. Such reimbursements are recorded as interfund services provided. The liability recorded by the Insurance Fund includes estimated deductibles/premium adjustments not settled as of December 31, 2018, including an estimate for claims incurred but not reported.

Changes in the insurance claims liability during 2018 and 2017, recorded within the City’s Internal Service Fund, are as follows:

	2018	2017
Unpaid Claims at Beginning of Year	\$ 30,998	\$ 66,703
Incurred Claims	529,382	424,617
Premiums and Settlements	(516,318)	(460,322)
Unpaid Claims at End of Year	\$ 44,062	\$ 30,998

B. Employee Retirement Systems and Pension Plans

Pension Plans – Primary Government

1. Defined Benefit Pension Plans – State-wide

a. Plan Description

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

a. Plan Description (Continued)

1. General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan. General Employee Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

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.

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

1. General Employee Plan Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

b. Benefits Provided (Continued)

1. General Employee Plan Benefits (Continued)

Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. Police and Fire Plan Benefits

Benefits for the Police and Fire members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

b. Benefits Provided (Continued)

2. Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80% for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

c. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. Total pension expense for the year ended December 31, 2018 was \$1,627,794. The components of pension expense are noted in the following summaries. The General Fund and Proprietary Funds typically liquidate the Liability related to the pensions.

1. General Employee Plan Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2018. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2018. The City contributions to the General Employee Plan for the year ended December 31, 2018, were \$1,007,608. The City contributions were equal to the required contributions as set by state statute.

2. Police and Fire Plan Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2018. The City was required to contribute 16.20% of pay for Police and Fire members in calendar year 2018. The City contributions to the Police and Fire Plan for the year ended December 31, 2018, were \$974,750. The City contributions were equal to the required contributions as set by state statute.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

d. Pension Costs

1. General Employee Plan Pension Costs

At December 31, 2018, the City reported a liability of \$11,533,440 for its proportionate share of the General Employee Plan's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contribution 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 City totaled \$378,283. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2018, the City's proportion was .2079%, which was an increase of .0025% from its proportion measured as of June 30, 2017.

City's proportionate share of the net pension liability	\$ 11,553,440
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>378,283</u>
Total	<u><u>\$ 11,931,723</u></u>

For the year ended December 31, 2018, the City recognized pension expense of \$1,051,574 for its proportionate share of the General Employee Plan's pension expense. The City also recognized \$88,215 for the year ended December 31, 2018, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contribution to the General Employee Plan.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

d. Pension Costs (Continued)

1. General Employee Plan Pension Costs (Continued)

At December 31, 2018, the City reported its proportionate share of General Employee Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 301,764	\$ 333,307
Changes in Actuarial Assumptions	1,091,662	1,285,239
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,163,467
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	119,700	111,165
City Contributions Subsequent to the Measurement Date	503,804	-
Total	<u>\$ 2,016,930</u>	<u>\$ 2,893,178</u>

\$503,804 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	\$ 341,134
2020	(591,299)
2021	(889,166)
2022	(240,721)
Total	<u>\$ (1,380,052)</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

d. Pension Costs (Continued)

2. Police and Fire Plan Pension Costs

At December 31, 2018, the City reported a liability of \$6,033,824 for its proportionate share of the Police and Fire Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2018, the City proportion was .571%, which was an increase of .022% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$637,025. The City also recognized \$51,381 for the year ended December 31, 2018, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Plan. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014.

At December 31, 2018, the City’s proportionate share of Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is as follows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 239,827	\$ 1,464,208
Changes in Actuarial Assumptions	7,367,973	8,622,392
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,239,193
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	246,395	266,816
City Contributions Subsequent to the Measurement Date	487,375	-
Total	<u>\$ 8,341,570</u>	<u>\$ 11,592,609</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

d. Pension Costs (Continued)

2. Police and Fire Plan Pension Costs (Continued)

\$487,375 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	\$ (139,550)
2020	(421,654)
2021	(856,492)
2022	(2,349,936)
2023	29,218
Total	\$ (3,738,414)

e. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.5%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Benefit increases for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

e. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Police and Fire Fund

The mortality projection scale was changed from MP-2016 to MP-2017.

As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.50 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	5.10 %
International Equity	17	5.30
Bonds	20	0.75
Alternative Assets	25	5.90
Cash	2	0.00
Totals	100 %	

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

f. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50% for both the General Employees Plan and the Police and Fire Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Pension Liability Sensitivity

The following presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City 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:

Sensitivity of Net Pension Liability at Current Single Discount Rate				
	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	\$ 18,743,316	6.50%	\$ 13,047,063
Current Discount Rate	7.50%	\$ 11,533,440	7.50%	\$ 6,033,824
1% Higher	8.50%	\$ 5,581,893	8.50%	\$ 328,039

h. 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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The Plan is established and administered in accordance with *Minnesota Statutes* Chapter 353D. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate.

The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the Plan plus investment earnings, less administrative expenses. *Minnesota Statutes* 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan. The City's contributions for the years ending December 31, 2018, 2017 and 2016 were \$2,462, \$2,200, and \$2,000, respectively, were equal to the contractually required contributions for each year as set by state statute.

2. Minnetonka Firefighters' Relief Association

a. Plan Description

Firefighters of the City of Minnetonka are members of the Minnetonka Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to *Minnesota Statutes*, Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2017, membership includes 70 active participants, 61 retired and disabled members, 14 beneficiaries and 8 terminated employees entitled to benefit but not yet receiving them. The plan issues a stand-alone financial statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters' Relief Association (Continued)

b. Benefits Provided

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age; has retired from the Minnetonka Fire Department; has served at least 10 years of active service with such department before retirement; and, has been a member of the Association in good standing for at least 10 years prior to such retirement; shall be entitled to receive a service pension based on the vested amount of service time accrued. Full vesting occurs at 10 years of service, with no provision for partial vesting. Upon retirement, an irrevocable election for one of the following two plan options must be made.

- Monthly Service Pension – Each eligible member electing this plan is entitled to receive a monthly service pension calculated by multiplying \$53.15 times each year that member has been an active firefighter in the Fire Department and member in good standing of the Relief Association.
- Lump Sum Service Pension – each eligible member electing this plan is entitled to receive a onetime lump sum service pension equal to 130 times the accrued monthly benefit.

Pursuant to Minnesota Statutes §424A.02, Subds. 2 and 4, members who retire with 10 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in Minnesota Statutes §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

Temporary disability provides that, upon disability, a benefit of \$5 per day is payable up to 100 days in any 365 day period. Permanent disability provides for a service related disability benefit of \$53.15 per month multiplied by the number of months of active service, up to a maximum of 30 years.

On the death of any member, the surviving spouse is entitled to the firefighter's normal retirement benefits for the remainder of their natural life.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters’ Relief Association (Continued)

c. Contributions

Minnesota Statutes Chapter 424A.093 specifies minimum support rates required on an annual basis. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). The minimum contribution from the City of Minnetonka and state aid is determined as follows:

	Normal Cost	
+	Amortization Payment on Unfunded Accrued Liability as reported in the Latest Actuarial Valuation	
+	Administrative Expenses for the Prior Year Multiplied by a Factor of 1.035	
-	Anticipated State Aid (not to Exceed the Fire Aid Received in the Prior Year Multiplied by a Factor of 1.035)	
=	Minimum Municipal Obligation	

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$382,382 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2017. Required employer contributions are calculated annually based on statutory provisions. The statutorily-required contribution to the plan for the year ended December 31, 2017 was \$277,525 which was covered by fire state aid.

d. Pension Costs

At December 31, 2018, the City reported an asset of \$4,971,253 for the Association’s net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters’ Relief Association (Continued)

d. Pension Costs (Continued)

For the year ended December 31, 2018, the City recognized pension expense of (\$63,267). At December 31, 2018, the City reported deferred outflows and inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 106,837	\$ 164,150
Changes in Actuarial Assumptions	302,221	379,667
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	522,592
Total	\$ 409,058	\$ 1,066,409

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ (84,497)
2019	(84,496)
2020	(291,181)
2021	(226,017)
2022	28,840
Total	\$ (657,351)

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters’ Relief Association (Continued)

e. Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2018	<u>\$11,880,089</u>	<u>\$ 15,389,190</u>	<u>\$(3,509,101)</u>
Changes for the year			
Service Cost	209,042	-	209,042
Interest	790,520	-	790,520
Differences between expected and actual experience	(107,086)	-	(107,086)
Changes of assumptions	119,608	-	119,608
Changes of benefit terms	-	-	-
Contributions - State and local	-	382,382	(382,382)
Contributions - donations and other income	-	-	-
Contributions - member	-	-	-
Net investment income	-	2,122,490	(2,122,490)
Other additions (e.g. receivables)	-	14	(14)
Benefit payments, including member contribution refunds	(755,451)	(755,451)	-
Administrative expense	-	(30,650)	30,650
Other deductions (e.g. payables)	-	-	-
	<u>256,633</u>	<u>1,718,785</u>	<u>(1,462,152)</u>
Net Changes			
Balances at December 31, 2018	<u><u>\$12,136,722</u></u>	<u><u>\$ 17,107,975</u></u>	<u><u>\$(4,971,253)</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters’ Relief Association (Continued)

f. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/17
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line
 Actuarial Assumptions:	
Investment Rate of Return	6.75%
Project Salary Increases	N/A
20-Year Municipal Bond Yield	3.31%
Inflation	2.75%
Cost-of-living Adjustments	None
Age of Service Retirement	50
Mortality	Assumed life expectancies were based on RP 2014 mortality tables.
Disability	.11% disability assumed at age 20, decreasing each year until 0% at age 60
Withdrawal	6% withdrawal assumed at age 20, decreasing each year until 0% at age 60
Beneficiaries	85 percent of members assumed to have beneficiaries who will receive benefits
Age of Difference	3
Form of Payment	For members hired before 2006, 25% of retiring members choose a lump sum payment, 75% choose a monthly annuity.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation. All results are then rounded to the nearest quarter percentage point.

Investments are valued using quoted market prices.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters’ Relief Association (Continued)

e. Actuarial Assumptions (Continued)

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best-estimates of geometric real and nominal rates of return for each major asset class included in the pension plan’s asset allocation as of the measurement date are summarized in the following table:

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	45.82%	5.39%	8.14%
International equity	12.77%	5.20%	7.95%
Fixed income	33.51%	1.98%	4.73%
Real estate and alternatives	0.20%	4.25%	7.00%
Cash and equivalents	7.70%	0.79%	3.54%
Total (weighted avg, rounded to 1/4%)	100.00%		6.99%
Less Investment Expense			-0.35%
Net assumed investment return (rounded to 1/4%)			6.75%

f. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters’ Relief Association (Continued)

g. Pension Asset Sensitivity

The following presents the City of Minnetonka’s proportionate share of the net pension asset of the Association, calculated using the discount rate of 6.75%, as well as what the Association’s net pension asset would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease	Selected Discount Rate	1% Increase
Net Pension Liability (Asset)	\$ (3,611,221)	\$ (4,971,253)	\$ (6,104,420)
Discount Rate	5.75%	6.75%	7.75%

h. Plan’s Fiduciary Net Position

Detailed information about the Plan’s fiduciary net position is available in a separately issued report. The report may be obtained by writing to Minnetonka’s Fire Relief Association 14550 Minnetonka Blvd., Minnetonka, MN 55345 or by calling (952) 939-8598.

C. Postemployment Healthcare Plan

Plan Description

The City provides a single-employer defined benefit OPEB healthcare plan to eligible retirees and their spouses. The plan offers medical coverage. Medical coverage is administered by Health Partners. It is the City’s policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees. No assets are accumulated in a trust.

Benefits Provided

Retirees

The City is required by State Statute to allow retirees to continue participation in the City’s group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Former employees who are receiving, or who have met age and service requirements to receive, an annuity from a Minnesota public pension plan and those receiving a disability benefit from such a plan are immediately eligible to participate in this Plan. Retirees may obtain dependent coverage if the employee received dependent coverage immediately before leaving employment.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

Benefits Provided (Continued)

All health care coverage is provided through the City’s group health insurance plans. The retiree is required to pay the premium as described below:

All regular non-disabled police and fire employees

The retiree is required to pay 100% of their premium cost for the City-sponsored group health insurance plan in which they participate.

The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, they are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees.

Disabled police and fire employees

The City is required to continue to pay the employer’s contribution toward health coverage for police or firefighters disabled in the line of duty per Minnesota Statute 299A.465, until age 65. Dependent coverage is included, if the dependents were covered at the time of the disability.

Contributions

Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Health Partners. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2018, the City contributed \$92,283 to the plan. As of January 1, 2018, there were approximately 19 retirees receiving health benefits from the City’s health plan.

Members

Membership in the plan consisted of the following as of the latest actuarial valuation

Retirees and beneficiaries receiving benefits	19
Active plan members	<u>224</u>
Total members	<u><u>243</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount rate	4.09%
Payroll growth rate	3.50%
Healthcare cost trend increases	10% initially, decreasing yearly to a rate of 5%
Mortality assumption	Various RP 2014 mortality tables depending on if active or retired, adjusted for white collar and mortality improvements using projection scale MP-2015, from a base year of 2014.

The actuarial assumptions used in the December 31, 2018 valuations were based on the results of an actuarial experience study for the period January 1, 2018 to December 31, 2018.

The discount rate used to measure the total OPEB liability was 4.09%.

Total OPEB Liability

The city's total OPEB liability of \$2,667,903 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

Total OPEB Liability (Continued)

Changes in the total OPEB liability for the year are as follows:

	<u>Total OPEB Liability</u>
Balances at January 1, 2018	<u>\$ 2,402,986</u>
Changes for the year	
Service Cost	186,055
Interest	96,122
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	75,023
Benefit payments	<u>(92,283)</u>
Net changes	<u>264,917</u>
Balances at December 31, 2018	<u><u>\$ 2,667,903</u></u>

The General Fund and Proprietary Funds typically liquidate the Liability related to OPEB.

OPEB Liability Sensitivity

The following presents the city’s total OPEB liability calculated using the discount rate of 4.09% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Sensitivity of the Total OPEB Liability/(Asset) to changes in the Discount Rate		
1% decrease (3.09%)	Current (4.09%)	1% increase (5.09%)
\$ 2,899,589	\$ 2,667,903	\$ 2,452,771

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the City, as well as what the city’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Sensitivity of the Total OPEB Liability/(Asset) to changes in the Healthcare Trend Rates

1% decrease (9% decreasing to 4%)	Current (10% decreasing to 5%)	1% increase (11% decreasing to 6%)
\$ 2,360,233	\$ 2,667,903	\$ 3,029,810

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the city recognized OPEB expense of \$290,873. At December 31, 2018, the city reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	66,327	-
Contributions paid subsequent to measurement date	95,771	-
Total	\$ 162,098	\$ -

\$95,771 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability in the year ended December 31, 2019.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ 8,696
2020	8,696
2021	8,696
2022	8,696
2023	8,696
Thereafter	<u>22,847</u>
Total	<u>\$ 66,327</u>

NOTE 6 – CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2018, the City adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This resulted in an adjustment to the beginning net position on the Statement of Activities of (\$541,245) to add the beginning total OPEB liability under this standard.

NOTE 7 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will be effective for the year ending December 31, 2019.

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS

General Employee Retirement Plan

	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
City's Proportion of the Net Pension Liability	0.2079%	0.2054%	0.2060%	0.2127%
City's Proportionate Share of the Net Pension Liability	\$ 11,533,440	\$ 13,112,599	\$ 16,726,178	\$ 11,023,218
State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 378,283	\$ 164,847	\$ 218,460	N/A
City's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability	\$ 11,911,723	\$ 13,277,446	\$ 16,944,638	\$ 11,023,218
City's Covered Payroll	\$ 13,973,517	\$ 13,229,625	\$ 12,780,570	\$ 12,504,232
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	82.54%	99.12%	130.87%	88.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.50%	75.90%	68.90%	78.20%

Police and Fire Retirement Plan

	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
City's Proportion of the Net Pension Liability	0.571%	0.549%	0.556%	0.570%
City's Proportionate Share of the Net Pension Liability	\$ 6,033,824	\$ 7,412,153	\$ 22,313,247	\$ 6,476,534
City's Covered Payroll	\$ 6,016,971	\$ 5,632,580	\$ 5,355,445	\$ 5,225,743
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	100.28%	131.59%	416.65%	123.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.80%	85.43%	63.90%	86.60%

Fire Relief Association

	Measurement Date December 31, 2016	Measurement Date December 31, 2016	Measurement Date December 31, 2015	Measurement Date December 31, 2014
City's Proportion of the Net Pension Liability (Asset)	100%	100%	100%	100%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ (4,971,253)	\$ (3,509,101)	\$ (3,505,596)	\$ (3,362,593)
City's Covered Payroll	N/A	N/A	N/A	N/A
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	140.96%	129.54%	131.31%	128.69%

Note: This schedule is provided prospectively beginning with the year ended December 31, 2015 for General Employees Fund and the Police and Fire Fund and December 31, 2014 for the Fire Relief Association.

CITY OF MINNETONKA
Hennepin County, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

SCHEDULE OF THE CITY PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Employee Retirement Plan					
Contractually Required Contribution	\$ 1,007,608	\$ 1,030,108	\$ 973,347	\$ 947,280	\$ 898,056
Contributions in Relation to the Contractually Required Contribution	(1,007,608)	(1,030,108)	(973,347)	(947,280)	(898,056)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 13,434,773	\$ 13,734,712	\$ 12,977,907	\$ 12,630,348	\$ 12,386,837
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.25%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Police and Fire Retirement Plan					
Contractually Required Contribution	\$ 974,750	\$ 959,280	\$ 886,231	\$ 859,126	\$ 791,919
Contributions in Relation to the Contractually Required Contribution	(974,750)	(959,280)	(886,231)	(859,126)	(791,919)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 6,090,710	\$ 5,921,484	\$ 5,470,556	\$ 5,303,246	\$ 5,175,950
Contributions as a Percentage of Covered Payroll	16.00%	16.20%	16.20%	16.20%	15.30%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fire Relief Association					
Statorily Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statorily Required Contribution	-	-	-	-	166,438
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (166,438)</u>

Note: Information prior to 2014 is unavailable.

CITY OF MINNETONKA
Hennepin County, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

MINNETONKA VOLUNTEER FIRE RELIEF ASSOCIATION
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS

	Measurement Date December 31, 2017	Measurement Date December 31, 2016	Measurement Date December 31, 2015	Measurement Date December 31, 2014
<u>Total Pension Liability</u>				
Service Cost	\$ 209,042	\$ 213,879	\$ 198,031	\$ 192,731
Interest	790,520	772,342	753,805	733,799
Differences Between Expected and Actual Experience	(107,086)	155,621	(137,324)	-
Changes in Assumptions	119,608	295,329	(694,310)	-
Changes in Benefit Terms	-	-	-	-
Benefit Payments, Including Member Refunds	(755,451)	(753,320)	(645,860)	(602,226)
Net Change in Total Pension Liability	256,633	683,851	(525,658)	324,304
Total Pension Liability - Beginning	11,880,089	11,196,238	11,721,896	11,397,592
Total Pension Liability - Ending (a)	12,136,722	11,880,089	11,196,238	11,721,896
<u>Plan Fiduciary Net Position</u>				
State Contributions	382,382	376,889	366,746	511,820
Net Investment Income	2,122,490	1,094,716	(69,245)	836,585
Other Additions (e.g. receivables)	14	1,175	-	-
Benefit Payments	(755,451)	(753,320)	(645,860)	(602,226)
Administrative Expenses	(30,650)	(32,104)	(34,296)	(33,269)
Net Change in Fiduciary Net Position	1,718,785	687,356	(382,655)	712,910
Fiduciary Net Position - Beginning	15,389,190	14,701,834	15,084,489	14,371,579
Fiduciary Net Position - Ending (b)	17,107,975	15,389,190	14,701,834	15,084,489
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (4,971,253)	\$ (3,509,101)	\$ (3,505,596)	\$ (3,362,593)
Fiduciary Net Position as a Percentage of the Total Pension Liability	140.96%	129.54%	131.31%	128.69%
Covered Payroll	N/A	N/A	N/A	N/A

Note: Information prior to 2014 is unavailable.

CITY OF MINNETONKA
Hennepin County, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>December 31, 2018</u>
Total OPEB Liability	
Service cost	\$ 186,055
Interest	96,122
Differenced between expected and actual experience	-
Changes of assumptions	75,023
Changes of benefit terms	-
Benefit payments	(92,283)
Other changes	-
Net change in total OPEB liability	264,917
Beginning of year	2,402,986
End of Year	\$ 2,667,903
Covered-employee payroll	\$ 17,200,000
Total OPEB liability as a percentage of covered-employee payroll	15.51%

Note: Schedule is provided prospectively beginning with the year ended December 31, 2018. Additional years will be reported as they become available.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

GENERAL EMPLOYEES FUND

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

POLICE AND FIRE FUND

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year, thereafter, to 1.0% for all years, with no trigger.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**CITY OF MINNETONKA
Hennepin County, Minnesota**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018**

POLICE AND FIRE FUND (CONTINUED)

2015 Changes

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.



COMBINING & INDIVIDUAL FUND STATEMENTS & SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Cable Television Fund – This fund accounts for cable TV franchise fees as well as related cable TV expenditures. All expenditures by this fund are communications or cable TV related.

Community Development Block Grant Fund – This fund was established to account for funds received under Title I of the Housing and Community Development Act of 1974.

Electric Franchise Fees – This fund was established to account for electric franchise fee revenues and the corresponding expenditures for the burial of overhead utility lines on major streets.

Grants Fund – This fund receives and expends amount for various grant programs.

Housing & Redevelopment Authority – This fund was established to account for activity of the Economic Development Authority (EDA) regarding economic development, housing and redevelopment matters.

Police Forfeiture and Seizure Fund – This fund was established to account for property and/or cash seized by police personnel. All expenditures by this fund must be public safety related.

Shady Oak Lane Cemetery Fund – This fund accounts for revenues and expenditures related to maintaining the cemetery.

DEBT SERVICE FUNDS

Park & Open Space Bonds – This fund was established to account for the revenues and debt service requirements related to the issuance of General Obligation park renewal and open space bonds.

2008 State-Aid Street Bonds – This fund was established to account for the revenues and debt service requirements related to the issuance of 2008 General Obligation state-aid street bonds.

CAPITAL PROJECTS FUNDS

Capital Replacement Fund – This fund was established for the purpose of funding replacement or repair of major capital items that are expected to exceed \$5,000.

Public Safety Fund – This fund was established to account for the revenues and expenditures relating to the replacement of fire vehicles and equipment.

Technology Development Fund – This fund was established to account for the revenues and expenditures for the adequate funding for essential investments in technology.

COMBINING & INDIVIDUAL FUND STATEMENTS & SCHEDULES (CONTINUED)

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

CAPITAL PROJECTS FUNDS (CONTINUED)

Livable Communities Housing Fund – This fund was established to account for the revenues and expenditures related to affordable housing programs, and other activities designed to better link jobs, housing, transit and the Metropolitan Livable Communities Act.

169/Bren Road Interchange Project Fund – This fund accounts for the revenues and expenditures related to the Highway 169/Bren Road Interchange Project.

Parks and Trails Fund – This fund was established to account for the purchase and development of park land throughout the City.

Cloud 9 Housing Improvement Area – This fund was established to account for the construction costs, bond proceeds and special assessments received for the Cloud 9 Apartments housing improvements.

Development Fund – This fund was established to account for the revenues and expenditures related to housing, redevelopment, and economic development project areas.

Tax Increment Financing Fund – This fund accounts for Tax Increment Financing activity in the City for TIF projects that were created on a “pay-as-you-go” basis.

Ridgedale Tax Abatement Fund – This fund accounts for the tax abatement agreement with the City and General Growth Properties for the redevelopment of the Ridgedale Mall area.

Shady Oak Road / Oak Drive Project Fund – This fund was established to account for the purchase of land and redevelopment of the Shady Oak Road and Oak Drive area within the City.

Public Safety Facility Expansion Fund – This fund was established to account for an expansion of the City’s public safety facilities.

Forestry Fund – This fund was established for the capital budget portion of the City’s Emerald Ash Borer (EAB) program, which includes tree removal, stump grinding and reforestation.

INTERNAL SERVICE FUNDS

Self Insurance Fund - This fund accounts for the risk management activities of the City.

Fleet Maintenance Fund – This fund is responsible for the maintenance and repair of the City’s motorized fleet and support equipment.

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2018

	Special Revenue				
	Cable Television	Community Development Block Grant	Electric Franchise Fees	Grants	Housing & Redevelopment Authority
ASSETS:					
Cash and Investments	\$ 2,214,509	\$ 83,289	\$ 3,413,735	\$ -	\$ 727,300
Accounts Receivable	228,273	-	210,710	-	1,909
Loans Receivable	-	-	-	-	178,486
Interest Receivable	9,965	431	14,837	-	3,513
Property Taxes Receivable					
Unremitted	-	-	-	-	1,817
Delinquent	-	-	-	-	3,066
Special Assessments Receivable					
Unremitted	-	-	-	-	-
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Noncurrent	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	17,879	-
Advances to Other Funds	-	-	-	-	-
Total Assets	<u>\$ 2,452,747</u>	<u>\$ 83,720</u>	<u>\$ 3,639,282</u>	<u>\$ 17,879</u>	<u>\$ 916,091</u>
LIABILITIES, DEFERRED INFLOWS					
OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Salaries and Wages Payable	\$ 14,930	\$ -	\$ -	\$ 1,546	\$ -
Accounts and Contracts Payable	19,923	-	474,262	13,327	-
Advanced from Other Funds	-	-	-	-	-
Due to Other Funds	-	-	-	42,596	-
Total Liabilities	<u>34,853</u>	<u>-</u>	<u>474,262</u>	<u>57,469</u>	<u>-</u>
Deferred Inflows of Resources:					
Unavailable Revenue - Taxes	-	-	-	-	3,066
Unavailable Revenue - Special Assessments	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,066</u>
Fund Balances:					
Restricted	-	83,720	-	-	913,025
Committed	2,417,894	-	3,165,020	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	(39,590)	-
Total Fund Balances	<u>2,417,894</u>	<u>83,720</u>	<u>3,165,020</u>	<u>(39,590)</u>	<u>913,025</u>
Total Liabilities, Deferred Inflows					
of Resources and Fund Balances	<u>\$ 2,452,747</u>	<u>\$ 83,720</u>	<u>\$ 3,639,282</u>	<u>\$ 17,879</u>	<u>\$ 916,091</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2018
(Continued)

	Special Revenue (Continued)			Debt Service		
	Police Forfeiture and Seizure	Shady Oak Lane Cemetery	Total Special Revenue Funds	Park and Open Space Bonds	2008 State-Aid Street Bonds	Total Debt Service Funds
ASSETS:						
Cash and Investments	\$ 337,917	\$ 139,789	\$ 6,916,539	\$ 1,817,424	\$ 5,235	\$ 1,822,659
Accounts Receivable	-	-	440,892	-	-	-
Loans Receivable	-	-	178,486	-	-	-
Interest Receivable	1,461	620	30,827	5,992	21	6,013
Property Taxes Receivable						
Unremitted	-	-	1,817	-	-	-
Delinquent	-	-	3,066	-	-	-
Special Assessments Receivable						
Unremitted	-	-	-	-	-	-
Current	-	-	-	-	-	-
Delinquent	-	-	-	-	-	-
Noncurrent	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-
Due from Other Governments	-	-	17,879	-	-	-
Advances to Other Funds	-	-	-	-	-	-
Total Assets	<u>\$ 339,378</u>	<u>\$ 140,409</u>	<u>\$ 7,589,506</u>	<u>\$ 1,823,416</u>	<u>\$ 5,256</u>	<u>\$ 1,828,672</u>
LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Salaries and Wages Payable	\$ -	\$ -	\$ 16,476	\$ -	\$ -	\$ -
Accounts and Contracts Payable	4,420	-	511,932	-	-	-
Advanced from Other Funds	-	-	-	-	-	-
Due to Other Funds	-	-	42,596	-	-	-
Total Liabilities	<u>4,420</u>	<u>-</u>	<u>571,004</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:						
Unavailable Revenue - Taxes	-	-	3,066	-	-	-
Unavailable Revenue - Special Assessments	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>3,066</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Restricted	334,958	140,409	1,472,112	1,823,416	5,256	1,828,672
Committed	-	-	5,582,914	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	(39,590)	-	-	-
Total Fund Balances	<u>334,958</u>	<u>140,409</u>	<u>7,015,436</u>	<u>1,823,416</u>	<u>5,256</u>	<u>1,828,672</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 339,378</u>	<u>\$ 140,409</u>	<u>\$ 7,589,506</u>	<u>\$ 1,823,416</u>	<u>\$ 5,256</u>	<u>\$ 1,828,672</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2018
(Continued)

	Capital Projects					
	Capital Replacement	Public Safety	Technology Development	Livable Communities Housing Fund	169/Bren Rd Interchange Project Fund	Parks and Trails
ASSETS:						
Cash and Investments	\$ 2,621,192	\$ -	\$ 559,708	\$ 336,805	\$ 351	\$ 8,287,908
Accounts Receivable	-	-	-	288,645	-	-
Loans Receivable	-	-	-	-	-	-
Interest Receivable	7,022	-	1,573	1,397	2	35,385
Property Taxes Receivable						
Unremitted	-	-	-	-	-	-
Delinquent	-	-	-	-	-	-
Special Assessments Receivable						
Unremitted	-	-	-	-	-	-
Current	-	-	-	-	-	-
Delinquent	-	-	-	-	-	-
Noncurrent	-	-	-	-	-	-
Due from Other Funds	32,556	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-	-
Total Assets	<u>\$ 2,660,770</u>	<u>\$ -</u>	<u>\$ 561,281</u>	<u>\$ 626,847</u>	<u>\$ 353</u>	<u>\$ 8,323,293</u>
LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Salaries and Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and Contracts Payable	165,926	1,228	81,411	-	-	60,239
Advanced from Other Funds	-	-	-	-	-	-
Due to Other Funds	-	32,556	-	-	-	-
Total Liabilities	<u>165,926</u>	<u>33,784</u>	<u>81,411</u>	<u>-</u>	<u>-</u>	<u>60,239</u>
Deferred Inflows of Resources:						
Unavailable Revenue - Taxes	-	-	-	-	-	-
Unavailable Revenue - Special Assessments	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Restricted	-	-	-	626,847	-	-
Committed	2,494,844	-	479,870	-	-	8,263,054
Assigned	-	-	-	-	353	-
Unassigned	-	(33,784)	-	-	-	-
Total Fund Balances	<u>2,494,844</u>	<u>(33,784)</u>	<u>479,870</u>	<u>626,847</u>	<u>353</u>	<u>8,263,054</u>
Total Liabilities, Deferred Inflows						
of Resources and Fund Balances	<u>\$ 2,660,770</u>	<u>\$ -</u>	<u>\$ 561,281</u>	<u>\$ 626,847</u>	<u>\$ 353</u>	<u>\$ 8,323,293</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2018
(Continued)

	Capital Projects (Continued)			
	Cloud 9 Housing Improvement	Development Fund	Tax Increment Financing	Ridgedale Tax Abatement
ASSETS:				
Cash and Investments	\$ 157,190	\$ 3,238,871	\$ 6,415,746	\$ 813,322
Accounts Receivable	-	106,709	-	420
Loans Receivable	-	-	-	-
Interest Receivable	652	13,603	28,240	3,575
Property Taxes Receivable				
Unremitted	-	-	49,132	-
Delinquent	-	-	-	-
Special Assessments Receivable				
Unremitted	-	1,196	-	-
Current	-	35,345	-	-
Delinquent	-	2,104	-	-
Noncurrent	-	290,998	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	-	-	-	-
Advances to Other Funds	-	502,588	-	-
Total Assets	\$ 157,842	\$ 4,191,414	\$ 6,493,118	\$ 817,317
LIABILITIES, DEFERRED INFLOWS				
OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Salaries and Wages Payable	\$ -	\$ -	\$ -	\$ -
Accounts and Contracts Payable	-	14,311	-	-
Advanced from Other Funds	-	-	502,588	-
Due to Other Funds	-	-	-	-
Total Liabilities	-	14,311	502,588	-
Deferred Inflows of Resources:				
Unavailable Revenue - Taxes	-	-	-	-
Unavailable Revenue - Special Assessments	-	328,446	-	-
Total Deferred Inflows of Resources	-	328,446	-	-
Fund Balances:				
Restricted	157,842	-	5,990,530	-
Committed	-	3,848,657	-	817,317
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	157,842	3,848,657	5,990,530	817,317
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 157,842	\$ 4,191,414	\$ 6,493,118	\$ 817,317

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2018
(Continued)

	Capital Projects (Continued)				
	Shady Oak Rd Oak Drive Project	Public Safety Facility Expansion	Forestry Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:					
Cash and Investments	\$ 1,321,006	\$ 778,963	\$ 967,230	\$ 25,498,292	\$ 34,237,490
Accounts Receivable	-	-	-	395,774	836,666
Loans Receivable	-	-	-	-	178,486
Interest Receivable	5,855	3,603	4,206	105,113	141,953
Property Taxes Receivable					
Unremitted	-	-	-	49,132	50,949
Delinquent	-	-	-	-	3,066
Special Assessments Receivable					
Unremitted	-	-	-	1,196	1,196
Current	-	-	-	35,345	35,345
Delinquent	-	-	-	2,104	2,104
Noncurrent	-	-	-	290,998	290,998
Due from Other Funds	-	-	-	32,556	32,556
Due from Other Governments	-	-	-	-	17,879
Advances to Other Funds	-	-	-	502,588	502,588
Total Assets	<u>\$ 1,326,861</u>	<u>\$ 782,566</u>	<u>\$ 971,436</u>	<u>\$ 26,913,098</u>	<u>\$ 36,331,276</u>
LIABILITIES, DEFERRED INFLOWS					
OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Salaries and Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ 16,476
Accounts and Contracts Payable	4,426	97,503	613	425,657	937,589
Advanced from Other Funds	-	-	-	502,588	502,588
Due to Other Funds	-	-	-	32,556	75,152
Total Liabilities	<u>4,426</u>	<u>97,503</u>	<u>613</u>	<u>960,801</u>	<u>1,531,805</u>
Deferred Inflows of Resources:					
Unavailable Revenue - Taxes	-	-	-	-	3,066
Unavailable Revenue - Special Assessments	-	-	-	328,446	328,446
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>328,446</u>	<u>331,512</u>
Fund Balances:					
Restricted	-	-	-	6,775,219	10,076,003
Committed	1,322,435	685,063	970,823	18,882,063	24,464,977
Assigned	-	-	-	353	353
Unassigned	-	-	-	(33,784)	(73,374)
Total Fund Balances	<u>1,322,435</u>	<u>685,063</u>	<u>970,823</u>	<u>25,623,851</u>	<u>34,467,959</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,326,861</u>	<u>\$ 782,566</u>	<u>\$ 971,436</u>	<u>\$ 26,913,098</u>	<u>\$ 36,331,276</u>



CITY OF
MINNETONKA

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	Special Revenue				
	Cable Television	Community Development Block Grant	Electric Franchise Fees	Grants	Housing & Redevelopment Authority
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ 247,728
Franchise	915,055	-	837,130	-	-
Tax Increments	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental:					
Federal Grants	-	34,225	-	60,928	-
State Grants	-	-	-	-	-
Local Grants	-	-	-	-	-
Miscellaneous:					
Investment Income (Loss)	37,668	1,469	56,363	(405)	13,072
Fines and Forfeitures	-	-	-	-	-
Other	16,580	39,833	-	-	1,815
Total Revenues	<u>969,303</u>	<u>75,527</u>	<u>893,493</u>	<u>60,523</u>	<u>262,615</u>
EXPENDITURES:					
Current:					
General Government	754,677	-	-	-	-
Development Services	-	80,353	-	-	108,060
Public Works	-	-	-	-	-
Public Safety	-	-	-	168,536	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
General Government	137,704	-	1,537,379	-	-
Public Safety	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>892,381</u>	<u>80,353</u>	<u>1,537,379</u>	<u>168,536</u>	<u>108,060</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	76,922	(4,826)	(643,886)	(108,013)	154,555
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out	(32,700)	-	-	-	(100,000)
Total Other Financing Sources (Uses)	<u>(32,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Net Change in Fund Balances	<u>44,222</u>	<u>(4,826)</u>	<u>(643,886)</u>	<u>(108,013)</u>	<u>54,555</u>
FUND BALANCES					
Beginning of Year	<u>2,373,672</u>	<u>88,546</u>	<u>3,808,906</u>	<u>68,423</u>	<u>858,470</u>
End of Year	<u>\$ 2,417,894</u>	<u>\$ 83,720</u>	<u>\$ 3,165,020</u>	<u>\$ (39,590)</u>	<u>\$ 913,025</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018
(Continued)

	Special Revenue (Continued)			Debt Service		
	Police Forfeiture and Seizure	Shady Oak Lane Cemetery	Total Special Revenue Funds	Park and Open Space Bonds	2008 State-Aid Street Bonds	Total Debt Service Funds
REVENUES:						
Taxes:						
Property	\$ -	\$ -	\$ 247,728	\$ 1,400,123	\$ -	\$ 1,400,123
Franchise	-	-	1,752,185	-	-	-
Tax Increments	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Intergovernmental:						
Federal Grants	-	-	95,153	-	-	-
State Grants	-	-	-	-	164,775	164,775
Local Grants	-	-	-	-	-	-
Miscellaneous:						
Investment Income (Loss)	5,677	2,330	116,174	18,643	314	18,957
Fines and Forfeitures	46,291	-	46,291	-	-	-
Other	-	-	58,228	-	-	-
Total Revenues	<u>51,968</u>	<u>2,330</u>	<u>2,315,759</u>	<u>1,418,766</u>	<u>165,089</u>	<u>1,583,855</u>
EXPENDITURES:						
Current:						
General Government	-	1,150	755,827	-	-	-
Development Services	-	-	188,413	-	-	-
Public Works	-	-	-	-	-	-
Public Safety	93,382	-	261,918	-	-	-
Debt Service:						
Principal	-	-	-	1,135,000	125,000	1,260,000
Interest and Fiscal Charges	-	-	-	127,738	39,775	167,513
Capital Outlay:						
General Government	-	-	1,675,083	-	-	-
Public Safety	-	-	-	-	-	-
Park and Recreation	-	-	-	-	-	-
Total Expenditures	<u>93,382</u>	<u>1,150</u>	<u>2,881,241</u>	<u>1,262,738</u>	<u>164,775</u>	<u>1,427,513</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,414)	1,180	(565,482)	156,028	314	156,342
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	(132,700)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(132,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(41,414)	1,180	(698,182)	156,028	314	156,342
FUND BALANCES						
Beginning of Year	<u>376,372</u>	<u>139,229</u>	<u>7,713,618</u>	<u>1,667,388</u>	<u>4,942</u>	<u>1,672,330</u>
End of Year	<u>\$ 334,958</u>	<u>\$ 140,409</u>	<u>\$ 7,015,436</u>	<u>\$ 1,823,416</u>	<u>\$ 5,256</u>	<u>\$ 1,828,672</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018
(Continued)

Capital Projects

	Capital Replacement	Public Safety	Technology Development	Livable Communities Housing Fund	169/Bren Rd Interchange Project Fund	Parks and Trails
REVENUES:						
Taxes:						
Property	\$ 2,045,000	\$ 650,000	\$ 580,000	\$ -	\$ -	\$ 560,000
Franchise	-	-	-	-	-	-
Tax Increments	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Intergovernmental:						
Federal Grants	-	-	-	-	-	-
State Grants	-	-	-	-	-	-
Local Grants	-	-	-	286,511	-	-
Miscellaneous:						
Investment Income (Loss)	19,650	(5,171)	5,445	6,223	6	105,021
Fines and Forfeitures	-	-	-	-	-	-
Other	149,329	-	-	300,000	-	3,289,604
Total Revenues	<u>2,213,979</u>	<u>644,829</u>	<u>585,445</u>	<u>592,734</u>	<u>6</u>	<u>3,954,625</u>
EXPENDITURES:						
Current:						
General Government	-	-	-	-	-	-
Development Services	-	-	-	316,745	-	-
Public Works	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Outlay:						
General Government	-	-	-	-	-	-
Public Safety	1,922,296	724,153	446,292	-	-	-
Park and Recreation	-	-	-	-	-	1,132,558
Total Expenditures	<u>1,922,296</u>	<u>724,153</u>	<u>446,292</u>	<u>316,745</u>	<u>-</u>	<u>1,132,558</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	291,683	(79,324)	139,153	275,989	6	2,822,067
OTHER FINANCING SOURCES (USES)						
Transfers In	1,200,000	-	-	100,000	-	10,189
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>10,189</u>
Net Change in Fund Balances	1,491,683	(79,324)	139,153	375,989	6	2,832,256
FUND BALANCES						
Beginning of Year	1,003,161	45,540	340,717	250,858	347	5,430,798
End of Year	<u>\$ 2,494,844</u>	<u>\$ (33,784)</u>	<u>\$ 479,870</u>	<u>\$ 626,847</u>	<u>\$ 353</u>	<u>\$ 8,263,054</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018
(Continued)

	Capital Projects (Continued)			
	Cloud 9 Housing Improvement	Development Fund	Tax Increment Financing	Ridgedale Tax Abatement
REVENUES:				
Taxes:				
Property	\$ -	\$ 200,000	\$ -	\$ 20,000
Franchise	-	-	-	-
Tax Increments	-	-	3,426,105	-
Special Assessments	-	53,898	-	-
Intergovernmental:				
Federal Grants	-	-	-	-
State Grants	-	-	-	-
Local Grants	-	-	-	-
Miscellaneous:				
Investment Income (Loss)	1,196	49,712	97,360	13,368
Fines and Forfeitures	-	-	-	-
Other	156,646	485,675	2,035	-
Total Revenues	<u>157,842</u>	<u>789,285</u>	<u>3,525,500</u>	<u>33,368</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Development Services	-	193,701	2,082,276	99
Public Works	-	-	-	-
Public Safety	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Capital Outlay:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Park and Recreation	-	-	-	-
Total Expenditures	<u>-</u>	<u>193,701</u>	<u>2,082,276</u>	<u>99</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	157,842	595,584	1,443,224	33,269
OTHER FINANCING SOURCES (USES)				
Transfers In	-	7,000	-	-
Transfers Out	-	(260,766)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(253,766)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	157,842	341,818	1,443,224	33,269
FUND BALANCES				
Beginning of Year	<u>-</u>	<u>3,506,839</u>	<u>4,547,306</u>	<u>784,048</u>
End of Year	<u>\$ 157,842</u>	<u>\$ 3,848,657</u>	<u>\$ 5,990,530</u>	<u>\$ 817,317</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018
(Continued)

	Capital Projects (Continued)			Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Shady Oak Rd Oak Drive Project	Public Safety Facility Expansion	Forestry Fund		
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ 60,000	\$ 4,115,000	\$ 5,762,851
Franchise	-	-	-	-	1,752,185
Tax Increments	-	-	-	3,426,105	3,426,105
Special Assessments	-	-	-	53,898	53,898
Intergovernmental:					
Federal Grants	-	-	-	-	95,153
State Grants	-	-	-	-	164,775
Local Grants	-	-	-	286,511	286,511
Miscellaneous:					
Investment Income (Loss)	22,225	19,411	15,578	350,024	485,155
Fines and Forfeitures	-	-	-	-	46,291
Other	3,995	-	-	4,387,284	4,445,512
Total Revenues	<u>26,220</u>	<u>19,411</u>	<u>75,578</u>	<u>12,618,822</u>	<u>16,518,436</u>
EXPENDITURES:					
Current:					
General Government	-	-	-	-	755,827
Development Services	27,561	-	-	2,620,382	2,808,795
Public Works	-	-	21,693	21,693	21,693
Public Safety	-	-	-	-	261,918
Debt Service:					
Principal	-	-	-	-	1,260,000
Interest and Fiscal Charges	-	-	-	-	167,513
Capital Outlay:					
General Government	-	-	-	-	1,675,083
Public Safety	-	418,727	-	3,511,468	3,511,468
Park and Recreation	-	-	-	1,132,558	1,132,558
Total Expenditures	<u>27,561</u>	<u>418,727</u>	<u>21,693</u>	<u>7,286,101</u>	<u>11,594,855</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,341)	(399,316)	53,885	5,332,721	4,923,581
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	1,317,189	1,317,189
Transfers Out	-	-	-	(260,766)	(393,466)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,056,423</u>	<u>923,723</u>
Net Change in Fund Balances	(1,341)	(399,316)	53,885	6,389,144	5,847,304
FUND BALANCES					
Beginning of Year	<u>1,323,776</u>	<u>1,084,379</u>	<u>916,938</u>	<u>19,234,707</u>	<u>28,620,655</u>
End of Year	<u>\$ 1,322,435</u>	<u>\$ 685,063</u>	<u>\$ 970,823</u>	<u>\$ 25,623,851</u>	<u>\$ 34,467,959</u>



CITY OF
MINNETONKA

CITY OF MINNETONKA
Hennepin County, Minnesota

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - CABLE TELEVISION
Year Ended December 31, 2018**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017

	2018			Variance - Positive (Negative)	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Franchise Taxes	\$ 941,000	\$ 941,000	\$ 915,055	\$ (25,945)	\$ 976,253
Intergovernmental:					
Local Grants	-	-	-	-	1,000
Miscellaneous:					
Investment Income	20,000	20,000	37,668	17,668	18,717
Other Income	7,500	7,500	16,580	9,080	8,524
Total Revenues	<u>968,500</u>	<u>968,500</u>	<u>969,303</u>	<u>803</u>	<u>1,004,494</u>
EXPENDITURES:					
General Government					
Personal Services	312,400	312,400	300,895	11,505	304,025
Materials and Supplies	3,500	2,500	1,111	1,389	11,557
Other Services and Charges	329,400	365,950	452,671	(86,721)	413,261
Total General Government	<u>645,300</u>	<u>680,850</u>	<u>754,677</u>	<u>(73,827)</u>	<u>728,843</u>
Capital Outlay - General Government	261,400	261,400	137,704	123,696	330,582
Total Expenditures	<u>906,700</u>	<u>942,250</u>	<u>892,381</u>	<u>49,869</u>	<u>1,059,425</u>
Excess of Revenues Over (Under) Expenditures	61,800	26,250	76,922	50,672	(54,931)
OTHER FINANCING (USES):					
Transfers to Other Funds	<u>(32,700)</u>	<u>(32,700)</u>	<u>(32,700)</u>	-	<u>(31,500)</u>
Change in Fund Balance	<u>\$ 29,100</u>	<u>\$ (6,450)</u>	44,222	<u>\$ 50,672</u>	(86,431)
FUND BALANCE:					
Beginning of Year			<u>2,373,672</u>		<u>2,460,103</u>
End of Year			<u>\$ 2,417,894</u>		<u>\$ 2,373,672</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT BLOCK GRANT
Year Ended December 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017

	2018			Variance - Positive (Negative)	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Intergovernmental:					
Federal Grant	\$ 98,900	\$ 55,430	\$ 34,225	\$ (21,205)	\$ 86,051
Miscellaneous:					
Investment Income (Loss)	600	-	1,469	1,469	587
Other Income	20,000	32,434	39,833	7,399	-
Total Revenues	<u>119,500</u>	<u>87,864</u>	<u>75,527</u>	<u>(12,337)</u>	<u>86,638</u>
EXPENDITURES;					
Development Services:					
Other Services and Charges	<u>98,900</u>	<u>93,939</u>	<u>80,353</u>	<u>13,586</u>	<u>62,952</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 20,600</u>	<u>\$ (6,075)</u>	(4,826)	<u>\$ 1,249</u>	23,686
FUND BALANCE:					
Beginning of Year			<u>88,546</u>		<u>64,860</u>
End of Year			<u>\$ 83,720</u>		<u>\$ 88,546</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
IN FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - ELECTRIC FRANCHISE FEES
Year Ended December 31, 2018**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017

	2018			Variance - Positive (Negative)	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Franchise Taxes	\$ 830,000	\$ 835,000	\$ 837,130	\$ 2,130	\$ 835,521
Intergovernmental:					
Local Cost-Share	197,235	-	-	-	633,207
Miscellaneous:					
Investment Income	2,000	44,000	56,363	12,363	24,382
Other	-	-	-	-	4,337
Total Revenues	<u>1,029,235</u>	<u>879,000</u>	<u>893,493</u>	<u>14,493</u>	<u>1,497,447</u>
EXPENDITURES:					
Capital Outlay and General Government:					
Other Services and Charges	<u>2,500,000</u>	<u>2,410,000</u>	<u>1,537,379</u>	<u>872,621</u>	<u>495,400</u>
Change in Fund Balance	<u><u>\$ (1,470,765)</u></u>	<u><u>\$ (1,531,000)</u></u>	<u>(643,886)</u>	<u><u>\$ 887,114</u></u>	<u>1,002,047</u>
FUND BALANCE:					
Beginning of Year			<u>3,808,906</u>		<u>2,806,859</u>
End of Year			<u><u>\$ 3,165,020</u></u>		<u><u>\$ 3,808,906</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - GRANTS
Year Ended December 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017

	2018			Variance - Positive (Negative)	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Intergovernmental:					
Federal Grants	\$ 51,600	\$ 51,600	\$ 60,928	\$ 9,328	\$ 52,881
Local Grants	-	-	-	-	173,275
Miscellaneous:					
Investment Income	100	100	(405)	(505)	230
Total Revenues	<u>51,700</u>	<u>51,700</u>	<u>60,523</u>	<u>8,823</u>	<u>226,386</u>
EXPENDITURES:					
Public Safety:					
Police:					
Personal Services	40,600	40,600	42,329	(1,729)	35,769
Materials and Supplies	11,000	11,000	4,508	6,492	28,037
Other Services and Charges	50,841	94,000	121,699	(27,699)	233,885
Total Public Safety	<u>102,441</u>	<u>145,600</u>	<u>168,536</u>	<u>(22,936)</u>	<u>297,691</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (50,741)</u>	<u>\$ (93,900)</u>	(108,013)	<u>\$ (14,113)</u>	(71,305)
FUND BALANCE:					
Beginning of Year			<u>68,423</u>		<u>139,728</u>
End of Year			<u>\$ (39,590)</u>		<u>\$ 68,423</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - HOUSING & REDEVELOPMENT AUTHORITY
Year Ended December 31, 2018**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017

	2018			Variance - Positive (Negative)	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
General Property Taxes	\$ 250,000	\$ 250,000	\$ 247,728	\$ (2,272)	\$ 171,734
Miscellaneous:					
Investment Income	3,000	7,588	13,072	5,484	3,872
Other Income	-	-	1,815	1,815	2,071
Total Revenues	<u>253,000</u>	<u>257,588</u>	<u>262,615</u>	<u>5,027</u>	<u>177,677</u>
EXPENDITURES:					
Development Services:					
Other Services and Charges	<u>150,000</u>	<u>58,285</u>	<u>108,060</u>	<u>(49,775)</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	103,000	199,303	154,555	(44,748)	177,677
OTHER FINANCING (USES):					
Transfers to Other Funds	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	<u>\$ 3,000</u>	<u>\$ 99,303</u>	54,555	<u>\$ (44,748)</u>	177,677
FUND BALANCE:					
Beginning of Year			<u>858,470</u>		<u>680,793</u>
End of Year			<u>\$ 913,025</u>		<u>\$ 858,470</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - POLICE FORFEITURE/SEIZURE FUND
Year Ended December 31, 2018**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017

	2018			Variance - Positive (Negative)	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Miscellaneous:					
Investment Income	\$ -	\$ -	\$ 5,677	\$ 5,677	\$ 3,390
Fines and Forfeitures	105,100	52,500	46,291	(6,209)	65,871
Total Revenues	<u>105,100</u>	<u>52,500</u>	<u>51,968</u>	<u>(532)</u>	<u>69,261</u>
EXPENDITURES:					
Public Safety:					
Other Services and Charges	105,100	52,500	93,382	(40,882)	102,800
Capital Outlay	-	-	-	-	17,601
Total Public Safety	<u>105,100</u>	<u>52,500</u>	<u>93,382</u>	<u>(40,882)</u>	<u>120,401</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	(41,414)	<u>\$ (41,414)</u>	(51,140)
FUND BALANCE:					
Beginning of Year			<u>376,372</u>		<u>427,512</u>
End of Year			<u>\$ 334,958</u>		<u>\$ 376,372</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - SHADY OAK LANE CEMETERY
Year Ended December 31, 2018**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017

	2018			Variance - Positive (Negative)	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Miscellaneous:					
Investment Income	\$ -	\$ -	\$ 2,330	\$ 2,330	\$ 1,154
Total Revenues	<u>-</u>	<u>-</u>	<u>2,330</u>	<u>2,330</u>	<u>1,154</u>
EXPENDITURES:					
General Government:					
Other Services and Charges	<u>-</u>	<u>-</u>	<u>1,150</u>	<u>(1,150)</u>	<u>1,100</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	1,180	<u>\$ 1,180</u>	54
FUND BALANCE:					
Beginning of Year			<u>139,229</u>		<u>139,175</u>
End of Year			<u>\$ 140,409</u>		<u>\$ 139,229</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS
December 31, 2018

	Self Insurance	Fleet Maintenance	Total
ASSETS AND DEFERRED OUTFLOWS OF OF RESOURCES:			
Current Assets:			
Cash and Investments	\$ 2,456,055	\$ 807,673	\$ 3,263,728
Accounts Receivable	18,116	-	18,116
Interest Receivable	9,030	3,178	12,208
Due From Other Governments	-	3,712	3,712
Prepaid Items	82,804	-	82,804
Inventories	-	57,482	57,482
Total Assets	2,566,005	872,045	3,438,050
Deferred Outflows of Resources:			
OPEB	\$ -	2,608	2,608
MNPERA Pension	-	52,411	52,411
Total Deferred Outflows of Resources	-	55,019	55,019
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:			
Liabilities:			
Current Liabilities:			
Salaries and Wages Payable	-	21,430	21,430
Accounts Payable	195,314	81,008	276,322
Incurred but Not Reported Claims	44,062	-	44,062
Current Portion of			
Compensated Absences	-	21,321	21,321
Total Current Liabilities	239,376	123,759	363,135
Long-Term Liabilities:			
Compensated Absences	-	75,944	75,944
Total OPEB Liability	-	42,927	42,927
MNPERA-Net Pension Liability	-	299,700	299,700
Total Noncurrent Liabilities	-	418,571	418,571
Total Liabilities	239,376	542,330	781,706
Deferred Inflows of Resources:			
MNPERA Pension	-	75,180	75,180
Total Deferred Inflows of Resources	-	75,180	75,180
Net Position:			
Unrestricted	2,326,629	309,554	2,636,183
Total Net Position	\$ 2,326,629	\$ 309,554	\$ 2,636,183

CITY OF MINNETONKA
Hennepin County, Minnesota

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2018**

	Self Insurance	Fleet Maintenance	Total
OPERATING REVENUES:			
Charges to City Departments	\$ 673,100	\$ 1,604,595	\$ 2,277,695
Other Revenue	25,101	50,881	75,982
Total Operating Revenues	<u>698,201</u>	<u>1,655,476</u>	<u>2,353,677</u>
OPERATING EXPENSES:			
Personal Services	-	510,546	510,546
Supplies, Repairs and Maintenance	-	866,897	866,897
Other Services and Charges	516,319	358,707	875,026
Total Operating Expenses	<u>516,319</u>	<u>1,736,150</u>	<u>2,252,469</u>
Operating Income (Loss)	181,882	(80,674)	101,208
NONOPERATING REVENUES (EXPENSES):			
Investment Income	33,728	11,422	45,150
Intergovernmental	-	-	-
Total Nonoperating Revenues (Expenses)	<u>33,728</u>	<u>11,422</u>	<u>45,150</u>
Change in Net Position	215,610	(69,252)	146,358
NET POSITION:			
Net Position - Beginning	<u>2,111,019</u>	<u>387,515</u>	<u>2,498,534</u>
Change in Accounting Principle	<u>-</u>	<u>(8,709)</u>	<u>(8,709)</u>
Net Position - Beginning, as Restated	<u>2,111,019</u>	<u>378,806</u>	<u>2,489,825</u>
Net Position - Ending	<u><u>\$ 2,326,629</u></u>	<u><u>\$ 309,554</u></u>	<u><u>\$ 2,636,183</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2018

	Self Insurance	Fleet Maintenance	Total
CASH FLOWS - OPERATING ACTIVITIES:			
Receipts from Interfund Services Provided	\$ 673,100	\$ 1,608,453	\$ 2,281,553
Other Revenue	25,101	50,881	75,982
Payments to Suppliers	-	(1,182,458)	(1,182,458)
Payments to Employees	-	(447,180)	(447,180)
Payments of Benefits on Behalf of Employees	(492,631)	-	(492,631)
Net Cash Flows - Operating Activities	205,570	29,696	235,266
CASH FLOWS - INVESTING ACTIVITIES:			
Purchase of Investments	4,773,693	1,601,455	6,375,148
Sale of Investments	(3,365,671)	(1,106,768)	(4,472,439)
Interest and Dividends Received	30,153	10,419	40,572
Net Cash Flows - Investing Activities	1,438,175	505,106	1,943,281
Net Change in Cash and Cash Equivalents	1,643,745	534,802	2,178,547
Cash and Cash Equivalents, January 1	288,449	100,600	389,049
Cash and Cash Equivalents, December 31	\$ 1,932,194	\$ 635,402	\$ 2,567,596
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH FLOWS - OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 181,882	\$ (80,674)	\$ 101,208
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities			
Due from Other Governments	-	3,858	3,858
Accounts Receivable	(12,661)	-	(12,661)
Prepaid Items	(82,804)	-	(82,804)
Inventories	-	10,625	10,625
OPEB (Deferred Outflow)	-	(2,608)	(2,608)
Pensions (Deferred Outflow)	-	20,536	20,536
Salaries and Wages Payable	-	2,851	2,851
Accounts Payable	119,153	32,521	151,674
Compensated Absences Payable	-	10,473	10,473
Net Pension	-	3,355	3,355
Pensions (Deferred Inflow)	-	17,119	17,119
Unfunded OPEB Obligation	-	11,640	11,640
Total Adjustments	23,688	110,370	134,058
Net Cash Flows - Operating Activities	\$ 205,570	\$ 29,696	\$ 235,266
NONCASH INVESTING, CAPITAL, AND FINANCING			
ACTIVITIES			
Increase (Decline) in Fair Value of Investments	\$ 2,935	\$ 1,159	\$ 4,094
Total Noncash Transactions	\$ 2,935	\$ 1,159	\$ 4,094
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
TO THE STATEMENT OF POSITION			
Cash and Investments	\$ 2,456,055	\$ 807,673	\$ 3,263,728
Less: Investments not Meeting the Definition of Cash Equivalents	(523,861)	(172,271)	(696,132)
Total Cash and Cash Equivalents	\$ 1,932,194	\$ 635,402	\$ 2,567,596

CITY OF MINNETONKA
Hennepin County, Minnesota

**COMBINING STATEMENT OF FIDUCIARY NET POSITION -
PRIVATE-PURPOSE TRUST FUNDS**
December 31, 2018

	Clarion Hills Stewardship	Meadow Woods Stewardship	Stone Trace Stewardship	Total
ASSETS:				
Cash and Investments	\$ 174,966	\$ 91,906	\$ 22,008	\$ 288,880
Interest Receivable	776	407	101	1,284
Total Assets	175,742	92,313	22,109	290,164
LIABILITIES:				
Accounts Payable	833	-	-	833
NET POSITION:				
Net Position, Held in Trust	\$ 174,909	\$ 92,313	\$ 22,109	\$ 289,331

CITY OF MINNETONKA
Hennepin County, Minnesota

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended December 31, 2018**

	<u>Clarion Hills Stewardship</u>	<u>Meadow Woods Stewardship</u>	<u>Stone Trace Stewardship</u>	<u>Total</u>
ADDITIONS:				
Contributions from Participants	\$ 7,853	\$ 5,000	\$ 1,824	\$ 14,677
Investment Earnings Interest	<u>2,910</u>	<u>1,514</u>	<u>386</u>	<u>4,810</u>
Total Additions	10,763	6,514	2,210	19,487
DEDUCTIONS:				
Benefits	<u>3,819</u>	<u>-</u>	<u>1,730</u>	<u>5,549</u>
Change in Net Position	6,944	6,514	480	13,938
Net Position - January 1	<u>167,965</u>	<u>85,799</u>	<u>21,629</u>	<u>275,393</u>
Net Position - December 31	<u>\$ 174,909</u>	<u>\$ 92,313</u>	<u>\$ 22,109</u>	<u>\$ 289,331</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
Year Ended December 31, 2018

	<u>Balance at January 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31, 2018</u>
ESCROW FUND:				
ASSETS:				
Cash and Investments	<u>\$ 1,942,945</u>	<u>\$ 1,668,136</u>	<u>\$ 1,800,712</u>	<u>\$ 1,810,369</u>
LIABILITIES:				
Accounts Payable	<u>\$ 1,942,945</u>	<u>\$ 1,668,136</u>	<u>\$ 1,800,712</u>	<u>\$ 1,810,369</u>



CITY OF
MINNETONKA

OTHER SUPPLEMENTARY INFORMATION

**GENERAL FUND – SCHEDULE OF REVENUES AND OTHER FINANCIAL SERVICES AND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES – BUDGET TO ACTUAL**

CITY OF MINNETONKA
Hennepin County, Minnesota

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017

	2018			Variance - Positive (Negative)	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
General Property Taxes	\$ 25,082,828	\$ 25,092,800	\$ 25,206,803	\$ 114,003	\$ 24,005,382
Licenses and Permits:					
Licenses:					
Liquor Licenses	220,000	234,000	210,040	(23,960)	237,335
Food Handlers Licenses	215,000	225,000	246,664	21,664	236,966
Building Permits	1,800,000	1,800,000	2,718,481	918,481	2,218,984
Plumbing Permits	280,000	280,000	310,693	30,693	269,730
Electrical Permits	325,000	325,000	437,825	112,825	428,203
HVAC Permits	420,000	420,000	581,969	161,969	461,828
Other Licenses and Permits	285,400	189,400	277,444	88,044	187,227
Total Licenses and Permits	<u>3,545,400</u>	<u>3,473,400</u>	<u>4,783,116</u>	<u>1,309,716</u>	<u>4,040,273</u>
Intergovernmental Revenues:					
Public Safety State Aid	831,400	858,900	858,923	23	880,748
Federal Grants	-	-	8,191	8,191	28,284
State Grants	50,000	70,000	124,529	54,529	160,856
Other	76,700	76,700	120,543	43,843	82,213
Total Intergovernmental Revenues	<u>958,100</u>	<u>1,005,600</u>	<u>1,112,186</u>	<u>106,586</u>	<u>1,152,101</u>
Charges for Services:					
Recreation Fees	1,218,000	1,218,000	1,254,950	36,950	1,095,719
Other	275,300	408,800	515,059	106,259	432,719
Total Charges for Services	<u>1,493,300</u>	<u>1,626,800</u>	<u>1,770,009</u>	<u>143,209</u>	<u>1,528,438</u>
Fines and Forfeitures	502,000	433,500	402,635	(30,865)	434,997
Other Revenues:					
Investment Income	150,000	200,000	464,477	264,477	202,597
Building and Equipment Rent	585,200	585,200	606,078	20,878	559,170
Other	275,722	220,800	234,057	13,257	226,272
Total Other Revenues	<u>1,010,922</u>	<u>1,006,000</u>	<u>1,304,612</u>	<u>298,612</u>	<u>988,039</u>
Total Revenues before Other Financing Sources	<u>32,592,550</u>	<u>32,638,100</u>	<u>34,579,361</u>	<u>1,941,261</u>	<u>32,149,230</u>
OTHER FINANCING SOURCES:					
Transfers from Other Funds	<u>1,374,400</u>	<u>1,374,400</u>	<u>1,374,400</u>	<u>-</u>	<u>1,353,400</u>
Total Revenues and Other Financing Sources	<u>\$ 33,966,950</u>	<u>\$ 34,012,500</u>	<u>\$ 35,953,761</u>	<u>\$ 1,941,261</u>	<u>\$ 33,502,630</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017

	2018			Variance - Positive (Negative)	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES:					
General Government:					
Mayor and Council:					
Personal Services	\$ 86,900	\$ 86,900	\$ 88,432	\$ (1,532)	\$ 80,390
Supplies, Repairs and Maintenance	-	-	161	(161)	15
Other Services and Charges	173,600	173,000	156,867	16,133	140,732
Total Mayor and Council	260,500	259,900	245,460	14,440	221,137
General Administration:					
Personal Services	1,470,000	1,437,400	1,438,203	(803)	1,256,743
Supplies, Repairs and Maintenance	36,000	36,000	48,239	(12,239)	36,854
Other Services and Charges	331,100	331,100	314,668	16,432	233,929
Total General Administration	1,837,100	1,804,500	1,801,110	3,390	1,527,526
Information Technology:					
Personal Services	562,000	529,300	460,045	69,255	443,842
Supplies, Repairs and Maintenance	1,500	1,500	827	673	5,889
Other Services and Charges	401,800	433,800	465,050	(31,250)	415,827
Total Information Technology	965,300	964,600	925,922	38,678	865,558
Finance:					
Personal Services	788,800	785,800	758,927	26,873	666,159
Supplies, Repairs and Maintenance	4,900	7,000	6,789	211	3,362
Other Services and Charges	173,300	188,500	176,380	12,120	173,160
Total Finance	967,000	981,300	942,096	39,204	842,681
Assessing:					
Personal Services	648,000	648,000	616,431	31,569	589,151
Supplies, Repairs and Maintenance	4,000	3,400	2,265	1,135	2,655
Other Services and Charges	142,900	143,500	111,135	32,365	125,813
Total Assessing	794,900	794,900	729,831	65,069	717,619
Contingency:					
Other Services and Charges	50,000	50,000	-	50,000	-
Total General Government	4,874,800	4,855,200	4,644,419	210,781	4,174,521
Development Services:					
Planning:					
Personal Services	623,900	623,900	586,743	37,157	599,429
Supplies, Repairs and Maintenance	3,800	3,800	3,165	635	2,183
Other Services and Charges	118,500	112,500	91,601	20,899	117,667
Capital Outlay	-	-	-	-	-
Total Planning	746,200	740,200	681,509	58,691	719,279

CITY OF MINNETONKA
Hennepin County, Minnesota

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017
(Continued)

	2018			Variance - Positive (Negative)	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES: (Continued)					
Development Services: (Continued)					
Engineering:					
Personal Services	\$ 1,198,300	\$ 1,198,300	\$ 1,195,310	\$ 2,990	\$ 1,145,481
Supplies, Repairs and Maintenance	16,700	16,900	10,104	6,796	11,499
Other Services and Charges	110,200	110,000	88,225	21,775	82,534
Total Engineering	<u>1,325,200</u>	<u>1,325,200</u>	<u>1,293,639</u>	<u>31,561</u>	<u>1,239,514</u>
Community Development:					
Personal Services	1,535,700	1,439,000	1,504,783	(65,783)	1,460,568
Supplies, Repairs and Maintenance	16,500	41,181	52,714	(11,533)	19,731
Other Services and Charges	226,200	298,219	319,121	(20,902)	237,486
Total Community Development	<u>1,778,400</u>	<u>1,778,400</u>	<u>1,876,618</u>	<u>(98,218)</u>	<u>1,717,785</u>
Total Development Services	<u>3,849,800</u>	<u>3,843,800</u>	<u>3,851,766</u>	<u>(7,966)</u>	<u>3,676,578</u>
Public Works:					
Street:					
Personal Services	2,045,400	2,045,400	1,926,870	118,530	1,927,491
Supplies, Repairs and Maintenance	390,900	390,900	386,029	4,871	408,440
Other Services and Charges	1,105,300	1,101,200	1,139,657	(38,457)	1,033,275
Total Street	<u>3,541,600</u>	<u>3,537,500</u>	<u>3,452,556</u>	<u>84,944</u>	<u>3,369,206</u>
Building:					
Personal Services	816,800	816,800	744,649	72,151	755,341
Supplies, Repairs and Maintenance	120,400	120,400	95,339	25,061	87,453
Other Services and Charges	355,300	355,100	360,993	(5,893)	369,011
Total Building	<u>1,292,500</u>	<u>1,292,300</u>	<u>1,200,981</u>	<u>91,319</u>	<u>1,211,805</u>
Total Public Works	<u>4,834,100</u>	<u>4,829,800</u>	<u>4,653,537</u>	<u>176,263</u>	<u>4,581,011</u>
Public Safety:					
Police:					
Personal Services	8,291,000	8,291,000	8,202,305	88,695	7,690,370
Supplies, Repairs and Maintenance	409,700	371,700	370,360	1,340	339,546
Other Services and Charges	1,042,200	1,027,700	990,347	37,353	946,031
Total Police	<u>9,742,900</u>	<u>9,690,400</u>	<u>9,563,012</u>	<u>127,388</u>	<u>8,975,947</u>
Dispatch:					
Personal Services	-	-	-	-	948,251
Supplies, Repairs and Maintenance	-	-	-	-	668
Other Services and Charges	-	-	-	-	2,003
Total Dispatch	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>950,922</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017
(Continued)

	2018			Variance - Positive (Negative)	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES: (Continued)					
Public Safety: (Continued)					
Fire:					
Personal Services	\$ 2,079,400	\$ 2,079,400	\$ 2,011,484	\$ 67,916	\$ 1,903,656
Supplies, Repairs and Maintenance	171,600	159,900	147,922	11,978	128,670
Other Services and Charges	875,700	873,300	843,719	29,581	783,615
Total Fire	<u>3,126,700</u>	<u>3,112,600</u>	<u>3,003,125</u>	109,475	<u>2,815,941</u>
Legal:					
Personal Services	763,800	763,800	718,816	44,984	714,243
Supplies, Repairs and Maintenance	6,000	6,000	4,041	1,959	3,900
Other Services and Charges	57,600	57,600	46,894	10,706	44,390
Total Legal	<u>827,400</u>	<u>827,400</u>	<u>769,751</u>	57,649	<u>762,533</u>
Environmental Health:					
Personal Services	385,600	385,600	389,694	(4,094)	378,051
Supplies, Repairs and Maintenance	5,000	5,800	2,890	2,910	2,513
Other Services and Charges	15,500	14,700	13,668	1,032	12,095
Total Environmental Health	<u>406,100</u>	<u>406,100</u>	<u>406,252</u>	(152)	<u>392,659</u>
Total Public Safety	<u>14,103,100</u>	<u>14,036,500</u>	<u>13,742,140</u>	294,360	<u>13,898,002</u>
Park and Recreation:					
Joint Recreation:					
Personal Services	1,128,300	1,128,300	1,107,778	20,522	1,030,531
Supplies, Repairs and Maintenance	78,900	75,800	72,652	3,148	77,170
Other Services and Charges	344,750	310,400	358,246	(47,846)	326,811
Total Joint Recreation	<u>1,551,950</u>	<u>1,514,500</u>	<u>1,538,676</u>	(24,176)	<u>1,434,512</u>
Minnetonka Recreation:					
Personal Services	357,400	357,400	286,760	70,640	243,165
Supplies, Repairs and Maintenance	2,300	1,200	2,962	(1,762)	973
Other Services and Charges	293,700	294,700	291,327	3,373	262,868
Total Minnetonka Recreation	<u>653,400</u>	<u>653,300</u>	<u>581,049</u>	72,251	<u>507,006</u>
Parks and Trails:					
Personal Services	1,103,600	1,103,600	1,119,456	(15,856)	1,012,062
Supplies, Repairs and Maintenance	192,300	192,300	146,720	45,580	156,931
Other Services and Charges	465,900	464,900	384,379	80,521	350,497
Total Parks and Trails	<u>1,761,800</u>	<u>1,760,800</u>	<u>1,650,555</u>	110,245	<u>1,519,490</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017
(Continued)

	2018			Variance - Positive (Negative)	2017
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES: (Continued)					
Park and Recreation: (Continued)					
Natural Resources:					
Personal Services	\$ 786,800	\$ 786,800	\$ 704,822	\$ 81,978	\$ 613,691
Supplies, Repairs and Maintenance	18,600	24,400	19,043	5,357	14,470
Other Services and Charges	566,400	560,600	553,312	7,288	456,345
Total Natural Resources	<u>1,371,800</u>	<u>1,371,800</u>	<u>1,277,177</u>	<u>94,623</u>	<u>1,084,506</u>
Community Facility:					
Personal Services	340,300	340,800	357,619	(16,819)	357,688
Supplies, Repairs and Maintenance	54,500	54,500	29,041	25,459	25,762
Other Services and Charges	127,900	125,700	115,751	9,949	84,697
Total Community Facility	<u>522,700</u>	<u>521,000</u>	<u>502,411</u>	<u>18,589</u>	<u>468,147</u>
Senior Services:					
Personal Services	267,100	267,600	254,095	13,505	243,540
Supplies, Repairs and Maintenance	55,500	77,800	85,960	(8,160)	69,954
Other Services and Charges	60,400	67,500	67,403	97	82,050
Total Senior Services	<u>383,000</u>	<u>412,900</u>	<u>407,458</u>	<u>5,442</u>	<u>395,544</u>
Total Park and Recreation	<u>6,244,650</u>	<u>6,234,300</u>	<u>5,957,326</u>	<u>276,974</u>	<u>5,409,205</u>
Total Expenditures before Other Financing Uses	33,906,450	33,799,600	32,849,188	950,412	31,739,317
OTHER FINANCING USES:					
Transfers to Other Funds	<u>1,313,000</u>	<u>1,313,000</u>	<u>1,330,189</u>	<u>(17,189)</u>	<u>862,653</u>
Total Expenditures and Other Financing Uses	<u>\$ 35,219,450</u>	<u>\$ 35,112,600</u>	<u>\$ 34,179,377</u>	<u>\$ 933,223</u>	<u>\$ 32,601,970</u>



CITY OF
MINNETONKA

SECTION III

STATISTICAL SECTION

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about overall financial health. The following are the categories of the various schedules that are included in this section.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant revenue source.

Debt Capacity

These schedules help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF MINNETONKA
Hennepin County, Minnesota

NET POSITION BY COMPONENT
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Net Investment in										
Capital Assets										
Restricted	\$ 83,655,961	\$ 83,506,166	\$ 88,717,256	\$ 88,422,281	\$ 92,038,719	\$ 95,221,323	\$ 100,390,155	\$ 100,378,219	\$ 102,223,500	\$ 112,360,020
Unrestricted	1,868,249	4,709,001	2,027,278	4,861,345	5,466,893	5,859,715	6,535,559	13,027,268	14,936,260	16,314,540
	<u>55,735,299</u>	<u>57,322,293</u>	<u>60,535,626</u>	<u>56,993,967</u>	<u>57,184,342</u>	<u>60,037,739</u>	<u>50,537,717</u>	<u>51,254,752</u>	<u>57,192,458</u>	<u>65,666,057</u>
Total Governmental Activities -										
Net Position	<u>\$ 141,259,509</u>	<u>\$ 145,537,460</u>	<u>\$ 151,280,160</u>	<u>\$ 150,277,593</u>	<u>\$ 154,689,954</u>	<u>\$ 161,118,777</u>	<u>\$ 157,463,431</u>	<u>\$ 164,660,239</u>	<u>\$ 174,352,218</u>	<u>\$ 194,340,617</u>
Business-Type Activities:										
Net Investment in										
Capital Assets										
Unrestricted	\$ 96,506,196	\$ 93,841,761	\$ 91,497,808	\$ 94,586,334	\$ 92,673,621	\$ 92,146,383	\$ 91,801,549	\$ 89,143,255	\$ 85,755,233	\$ 83,286,653
	<u>15,207,652</u>	<u>15,336,367</u>	<u>14,967,144</u>	<u>14,743,165</u>	<u>14,664,046</u>	<u>13,147,896</u>	<u>12,411,335</u>	<u>16,783,215</u>	<u>23,797,419</u>	<u>29,396,304</u>
Total Business-Type Activities -										
Net Position	<u>\$ 111,713,848</u>	<u>\$ 109,178,128</u>	<u>\$ 106,464,952</u>	<u>\$ 109,329,499</u>	<u>\$ 107,337,667</u>	<u>\$ 105,294,279</u>	<u>\$ 104,212,884</u>	<u>\$ 105,926,470</u>	<u>\$ 109,552,652</u>	<u>\$ 112,682,957</u>
Primary Government:										
Net Investment in										
Capital Assets										
Restricted	\$ 180,162,157	\$ 177,347,927	\$ 180,215,064	\$ 183,008,615	\$ 184,712,340	\$ 187,367,706	\$ 192,191,704	\$ 189,521,474	\$ 187,978,733	\$ 195,646,673
Unrestricted	1,868,249	4,709,001	2,027,278	4,861,345	5,466,893	5,859,715	6,535,559	13,027,268	14,936,260	16,314,540
	<u>70,942,951</u>	<u>72,658,660</u>	<u>75,502,770</u>	<u>71,737,132</u>	<u>71,848,388</u>	<u>73,185,635</u>	<u>62,949,052</u>	<u>68,037,967</u>	<u>80,989,877</u>	<u>95,062,361</u>
Total Primary Government -										
Net Position	<u>\$ 252,973,357</u>	<u>\$ 254,715,588</u>	<u>\$ 257,745,112</u>	<u>\$ 259,607,092</u>	<u>\$ 262,027,621</u>	<u>\$ 266,413,056</u>	<u>\$ 261,676,315</u>	<u>\$ 270,586,709</u>	<u>\$ 283,904,870</u>	<u>\$ 307,023,574</u>

Source: City of Minnetonka financial records



CITY OF
MINNETONKA

CITY OF MINNETONKA
Hennepin County, Minnesota

CHANGES IN NET POSITION
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXPENSES:										
Governmental Activities:										
General Services	\$ 4,628,824	\$ 4,477,560	\$ 4,149,584	\$ 4,652,864	\$ 4,702,113	\$ 4,587,302	\$ 4,422,066	\$ 4,955,580	\$ 5,300,173	\$ 5,961,700
Development Services	5,871,573	7,605,857	3,847,870	4,304,788	4,160,182	4,777,436	5,249,666	5,651,848	6,545,139	6,954,084
Public Works	9,591,740	7,142,475	24,090,987	12,563,877	12,955,778	18,494,554	15,940,119	11,333,229	12,558,277	13,069,127
Public Safety	11,988,138	12,357,201	12,409,458	12,721,528	13,220,747	13,332,150	13,289,535	16,931,334	15,681,354	13,019,341
Parks and Recreation	6,052,694	6,672,404	5,890,446	5,908,558	5,950,304	6,310,604	6,491,390	6,237,685	6,328,354	7,120,532
Interest on Long-Term Debt	458,436	431,771	374,044	451,720	218,800	181,439	155,506	154,234	135,221	131,457
Total Governmental Activities Expenses	38,591,405	38,687,268	50,762,389	40,603,335	41,207,924	47,683,485	45,548,282	45,263,910	46,548,518	46,256,241
Business-Type Activities:										
Water and Sewer Utility	12,764,705	13,114,139	13,343,368	13,599,327	12,466,738	13,478,374	14,326,946	12,831,213	13,987,474	14,452,285
Ice Arena	1,018,502	1,006,918	1,057,145	1,173,351	1,270,591	1,240,234	1,187,034	990,691	1,062,568	1,028,139
Environmental Operations	848,867	875,629	894,089	811,394	817,210	711,218	785,276	746,933	753,796	822,133
Williston Fitness Center	1,180,890	1,298,249	1,535,296	1,762,611	2,108,426	2,167,490	2,271,217	2,424,475	2,383,059	2,557,583
Grays Bay Marina	173,979	186,682	229,171	223,955	215,038	183,593	208,108	194,021	192,206	218,969
Storm Water Fund	1,161,573	1,348,729	1,404,959	1,444,796	1,367,011	1,412,203	1,297,113	1,375,187	1,622,227	1,835,461
Total Business-Type Activities	17,148,516	17,830,346	18,464,028	19,015,434	18,245,014	19,193,112	20,075,694	18,562,520	20,001,330	20,914,570
Total Primary Government Expenses	\$ 55,739,921	\$ 56,517,614	\$ 69,226,417	\$ 59,618,769	\$ 59,452,938	\$ 66,876,597	\$ 65,623,976	\$ 63,826,430	\$ 66,549,848	\$ 67,170,811
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services:										
General Services	\$ 280,815	\$ 240,663	\$ 265,748	\$ 5,230	\$ 11,653	\$ 40,402	\$ 2,297	\$ 4,282	\$ 11,372	\$ 639
Development Services	2,213,535	2,810,732	3,661,616	2,901,140	2,819,398	4,294,909	5,409,680	3,752,033	4,256,705	5,863,722
Public Works	1,772,247	524,274	282,005	14,498	2,065	966,685	76,776	68,764	57,260	87,461
Public Safety	1,027,156	1,040,938	980,840	1,246,718	1,610,621	1,643,036	1,753,883	1,709,195	1,652,345	1,674,249
Parks and Recreation	1,228,146	1,245,988	1,347,482	1,674,424	1,346,268	1,271,707	2,094,611	2,188,774	3,407,341	4,664,796
Operating Grants and Contributions	905,041	1,574,153	1,207,580	2,288,180	2,023,252	1,354,435	1,414,207	1,416,925	1,580,451	1,361,406
Capital Grants and Contributions	3,386,878	1,249,302	14,536,698	753,878	2,528,544	7,188,926	3,631,773	3,499,503	3,314,001	7,580,798
Total Governmental Activities Program Revenues	10,813,818	8,686,050	22,281,969	8,884,068	10,341,801	16,760,100	14,383,227	12,639,476	14,279,475	21,233,071

CITY OF MINNETONKA
Hennepin County, Minnesota

CHANGES IN NET POSITION
Last Ten Fiscal Years
(Continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PROGRAM REVENUES (Continued)										
Business-Type Activities:										
Charges for Services:										
Water and Sewer Utility	\$ 10,389,772	\$ 10,513,551	\$ 11,024,675	\$ 12,613,945	\$ 11,298,120	\$ 11,477,857	\$ 14,394,358	\$ 14,137,665	\$ 17,165,306	\$ 17,196,532
Ice Arena	876,255	852,219	863,016	898,047	832,051	923,141	845,207	871,738	893,463	866,916
Environmental Operations	994,102	559,958	923,286	668,735	599,368	745,203	758,753	815,365	840,643	829,332
Williston Fitness Center	1,105,237	1,133,859	1,402,967	2,109,149	2,460,672	2,492,730	2,395,503	2,525,460	2,728,004	2,739,842
Grays Bay Marina	225,851	200,664	235,753	242,522	245,034	217,819	243,303	237,720	253,784	279,947
Storm Water Fund	1,853,346	1,967,659	2,157,297	2,162,188	2,229,863	2,297,298	2,370,289	2,440,690	2,518,112	2,599,644
Operating Grants and Contributions	134,845	133,780	190,021	133,903	191,739	235,986	157,548	261,693	162,055	139,002
Capital Grants and Contributions	538,747	219,371	-	-	-	-	-	-	25,000	-
Total Business-Type Activities Program Revenues	16,118,155	15,581,061	16,797,015	18,828,489	17,856,847	18,390,034	21,164,961	21,290,331	24,586,367	24,651,215
Total Primary Government Program Revenues	\$ 26,931,973	\$ 24,267,111	\$ 39,078,984	\$ 27,712,557	\$ 28,198,648	\$ 35,150,134	\$ 35,548,188	\$ 33,929,807	\$ 38,865,842	\$ 45,884,286
NET EXPENSE (REVENUE)										
Governmental Activities	\$ (27,777,587)	\$ (30,001,218)	\$ (28,480,420)	\$ (31,719,267)	\$ (30,866,123)	\$ (30,923,385)	\$ (31,165,055)	\$ (32,624,434)	\$ (32,269,043)	\$ (25,023,170)
Business-Type Activities	(1,030,361)	(2,249,285)	(1,667,013)	(186,945)	(388,167)	(803,078)	1,089,267	2,727,811	4,585,037	3,736,645
Total Primary Government Net Expense	\$ (28,807,948)	\$ (32,250,503)	\$ (30,147,433)	\$ (31,906,212)	\$ (31,254,290)	\$ (31,726,463)	\$ (30,075,788)	\$ (29,896,623)	\$ (27,684,006)	\$ (21,286,525)
GENERAL REVENUES AND OTHER										
CHANGES IN NET POSITION:										
Governmental Activities:										
Property Taxes	\$ 28,384,529	\$ 30,004,879	\$ 30,663,713	\$ 31,655,149	\$ 32,133,116	\$ 31,260,616	\$ 32,681,646	\$ 34,022,340	\$ 35,543,357	\$ 37,542,646
Franchise Taxes	1,483,731	1,477,059	1,521,278	1,599,464	1,684,671	1,715,787	1,728,394	1,772,851	1,811,774	1,752,185
Tax Increment	-	-	-	-	-	2,362,579	2,405,931	2,486,080	2,689,708	3,426,105
State aid - Unrestricted	322,000	89,789	85,859	44,035	42,659	-	-	-	-	-
Investment Earnings (Loss)	2,744,051	1,162,580	590,467	323,344	(254,522)	761,387	509,257	352,475	652,196	1,552,896
Sale of Capital Assets	-	131,546	-	-	43,468	54,031	21,055	28,302	-	-
Other General Revenue	50,678	45,167	139,503	67,443	53,933	51,063	55,717	60,050	138,918	167,948
Transfers	1,064,600	1,260,000	1,222,300	(2,972,865)	1,575,159	1,405,203	133,190	1,099,144	1,125,069	1,033,156
Total Governmental Activities	34,049,589	34,171,020	34,223,120	30,716,570	35,278,484	37,610,666	37,535,190	39,821,242	41,961,022	45,474,936
Business-Type Activities:										
Investment Earnings (Loss)	823,429	278,519	176,137	78,757	(47,516)	164,893	82,813	84,919	166,214	504,694
Gain on Sale of Capital Assets	-	-	-	-	19,010	-	-	-	-	-
Other	-	3,466	-	-	-	-	-	-	-	-
Transfers	(1,064,600)	(1,260,000)	(1,222,300)	2,972,865	(1,575,159)	(1,405,203)	(133,190)	(1,099,144)	(1,125,069)	(1,033,156)
Total Business-Type Activities	(241,171)	(978,015)	(1,046,163)	3,051,622	(1,603,665)	(1,240,310)	(50,377)	(1,014,225)	(958,855)	(528,462)
Total Primary Government	\$ 33,808,418	\$ 33,193,005	\$ 33,176,957	\$ 33,768,192	\$ 33,674,819	\$ 36,370,356	\$ 37,484,813	\$ 38,807,017	\$ 41,002,167	\$ 44,946,474

CITY OF MINNETONKA
Hennepin County, Minnesota

CHANGES IN NET POSITION
Last Ten Fiscal Years
(Continued)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
CHANGE IN NET POSITION:										
Governmental Activities	\$ 6,272,002	\$ 4,169,802	\$ 5,742,700	\$ (1,002,697)	\$ 4,412,361	\$ 6,687,281	\$ 6,370,135	\$ 7,196,808	\$ 9,691,979	\$ 20,451,766
Business-Type Activities	<u>(1,271,532)</u>	<u>(3,227,300)</u>	<u>(2,713,176)</u>	<u>2,864,677</u>	<u>(1,991,832)</u>	<u>(2,043,388)</u>	<u>1,038,890</u>	<u>1,713,586</u>	<u>3,626,182</u>	<u>3,208,183</u>
Total Primary Government	<u>\$ 5,000,470</u>	<u>\$ 942,502</u>	<u>\$ 3,029,524</u>	<u>\$ 1,861,980</u>	<u>\$ 2,420,529</u>	<u>\$ 4,643,893</u>	<u>\$ 7,409,025</u>	<u>\$ 8,910,394</u>	<u>\$ 13,318,161</u>	<u>\$ 23,659,949</u>

Source: City of Minnetonka financial records

CITY OF MINNETONKA
Hennepin County, Minnesota

FUND BALANCES-GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved	\$ 548,795	\$ 464,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	13,263,687	13,238,701	-	-	-	-	-	-	-	-
Nonspendable	-	-	112,339	77,086	142,565	104,766	263,171	333,243	417,090	414,126
Committed	-	-	-	1,010,000	1,040,000	1,050,000	1,000,000	1,020,000	1,000,000	1,000,000
Assigned	-	-	11,544,440	12,171,177	12,321,900	12,594,400	12,973,500	13,532,940	13,972,800	14,688,800
Unassigned	-	-	4,574,091	3,617,308	4,014,873	3,742,975	5,419,224	6,332,482	6,729,435	7,790,783
Total General Fund	<u>13,812,482</u>	<u>13,703,616</u>	<u>16,230,870</u>	<u>16,875,571</u>	<u>17,519,338</u>	<u>17,492,141</u>	<u>19,655,895</u>	<u>21,218,665</u>	<u>22,119,325</u>	<u>23,893,709</u>
All Other Governmental Funds:										
Reserved	725,463	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	2,098,383	3,480,940	-	-	-	-	-	-	-	-
Capital projects funds	38,582,206	37,522,912	-	-	-	-	-	-	-	-
Debt service funds	1,252,169	4,051,357	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	756,000	-	125,164	195,638	-	-	-
Restricted	-	-	5,475,544	7,520,420	5,553,767	5,937,290	6,603,366	7,531,670	8,001,534	10,076,003
Committed	-	-	9,451,939	8,115,749	9,089,669	11,960,779	13,049,962	14,552,450	20,618,774	24,464,977
Assigned	-	-	29,457,279	30,876,413	31,991,790	31,554,273	31,244,273	32,473,867	33,758,362	36,150,258
Unassigned	-	-	(679,189)	(1,910,345)	(3,073,099)	(2,551,669)	(6,944,033)	(786,168)	(2,029,545)	(2,215,407)
Total All Other Governmental Funds	<u>42,658,221</u>	<u>45,055,209</u>	<u>43,705,573</u>	<u>45,358,237</u>	<u>43,562,127</u>	<u>47,025,837</u>	<u>44,149,206</u>	<u>53,771,819</u>	<u>60,349,125</u>	<u>68,475,831</u>
Total Governmental Funds	<u>\$ 56,470,703</u>	<u>\$ 58,758,825</u>	<u>\$ 59,936,443</u>	<u>\$ 62,233,808</u>	<u>\$ 61,081,465</u>	<u>\$ 64,517,978</u>	<u>\$ 63,805,101</u>	<u>\$ 74,990,484</u>	<u>\$ 82,468,450</u>	<u>\$ 92,369,540</u>

Source: City of Minnetonka financial records

Note: The City implemented GASB Statement 54 in 2011, resulting in significant reclassification of the components of fund balance. Years prior to 2011 have not been restated.

CITY OF MINNETONKA
Hennepin County, Minnesota

CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES:										
Property Taxes	\$ 30,088,341	\$ 30,631,013	\$ 30,731,107	\$ 31,655,150	\$ 32,133,116	\$ 31,305,971	\$ 32,673,521	\$ 34,012,530	\$35,568,635	\$ 37,269,654
Franchise Taxes	1,477,059	1,488,334	1,521,278	1,599,464	1,684,671	1,715,787	1,728,394	1,772,851	1,811,774	1,752,185
Tax Increments	-	-	-	-	-	2,362,579	2,405,931	2,486,080	2,689,708	3,426,105
Special Assessments	454,492	642,249	434,936	592,337	785,101	525,284	429,966	327,995	336,674	290,588
Licenses and Permits	1,876,184	2,078,031	3,347,255	2,477,856	2,817,753	3,541,462	4,796,150	3,582,252	4,082,475	4,810,556
Intergovernmental	4,077,426	2,828,175	15,144,889	2,354,216	3,817,715	8,364,633	2,730,231	5,908,576	2,536,945	9,787,815
Charges for Services	1,469,808	1,509,788	1,515,831	1,650,995	1,589,273	1,637,836	1,606,563	1,690,330	1,538,168	1,790,771
Fines and Forfeitures	665,907	631,304	586,092	518,422	532,303	616,154	598,478	516,087	500,868	448,926
Miscellaneous	2,059,364	2,120,317	2,141,861	1,707,482	1,156,691	3,273,800	2,926,666	2,379,478	4,041,452	6,826,303
Total Revenues	<u>42,168,581</u>	<u>41,929,211</u>	<u>55,423,249</u>	<u>42,555,922</u>	<u>44,516,623</u>	<u>53,343,506</u>	<u>49,895,900</u>	<u>52,676,179</u>	<u>53,106,699</u>	<u>66,402,903</u>
EXPENDITURES:										
General Government	3,984,884	4,000,524	3,677,413	4,099,224	3,879,274	4,108,370	4,191,085	4,537,134	4,904,464	5,400,246
Development Services	5,913,107	5,782,211	3,810,407	4,198,128	4,049,613	4,735,215	5,148,457	5,421,767	6,400,314	6,775,083
Public Works	4,919,395	3,885,634	4,027,507	3,983,744	4,240,857	5,460,831	4,333,820	4,318,199	4,649,107	4,711,164
Public Safety	11,372,566	12,038,778	11,899,680	12,026,437	12,535,326	12,891,804	12,843,759	13,380,168	14,298,493	14,004,058
Park and Recreation	5,062,868	5,559,757	4,777,170	4,902,026	4,974,847	5,305,820	5,316,080	5,208,278	5,409,205	5,957,326
Debt Service:										
Principal retirement on bonded debt	595,000	930,000	605,000	915,000	955,000	970,000	980,000	1,005,000	1,030,000	1,260,000
Interest and other expenditures	475,020	444,244	402,013	276,041	319,370	219,107	193,643	200,052	196,318	167,513
Capital Outlay	11,945,616	10,363,767	23,323,129	14,473,567	13,281,579	17,024,591	18,764,534	11,146,965	9,913,232	19,477,245
Total Expenditures	<u>44,268,456</u>	<u>43,004,915</u>	<u>52,522,319</u>	<u>44,874,167</u>	<u>44,235,866</u>	<u>50,715,738</u>	<u>51,771,378</u>	<u>45,217,563</u>	<u>46,801,133</u>	<u>57,752,635</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,099,875)</u>	<u>(1,075,704)</u>	<u>2,900,930</u>	<u>(2,318,245)</u>	<u>280,757</u>	<u>2,627,768</u>	<u>(1,875,478)</u>	<u>7,458,616</u>	<u>6,305,566</u>	<u>8,650,268</u>
OTHER FINANCING SOURCES (USES):										
Bond Proceeds	-	2,620,000	-	2,500,000	-	-	-	2,440,000	-	-
Premium on Bonds Issued	-	88,021	-	(60,290)	-	-	-	115,967	-	-
Transfers In	3,161,800	2,761,706	1,503,700	2,014,000	3,215,383	4,728,828	4,424,887	2,423,025	5,087,747	3,514,277
Transfers Out	(1,901,800)	(1,557,106)	(281,400)	(783,100)	(1,933,483)	(3,661,625)	(3,262,286)	(1,252,225)	(3,915,347)	(2,263,455)
Principal Payment on Refunded Bonds	-	-	(3,080,000)	-	(2,715,000)	-	-	-	-	-
Proceeds on Disposition of Capital Assets	131,546	-	134,388	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,391,546</u>	<u>3,912,621</u>	<u>(1,723,312)</u>	<u>3,670,610</u>	<u>(1,433,100)</u>	<u>1,067,203</u>	<u>1,162,601</u>	<u>3,726,767</u>	<u>1,172,400</u>	<u>1,250,822</u>
Net Change in Fund Balances	<u>\$ (708,329)</u>	<u>\$ 2,836,917</u>	<u>\$ 1,177,618</u>	<u>\$ 1,352,365</u>	<u>\$ (1,152,343)</u>	<u>\$ 3,694,971</u>	<u>\$ (712,877)</u>	<u>\$ 11,185,383</u>	<u>\$ 7,477,966</u>	<u>\$ 9,901,090</u>
Debt Service as a Percentage of Noncapital Expenditures	3.1%	3.9%	2.1%	3.3%	3.4%	2.7%	2.7%	3.2%	2.9%	3.3%

Source: City of Minnetonka financial records

CITY OF MINNETONKA
Hennepin County, Minnesota

TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Industrial Property	Other Property	Less: Tax Increment Property	Less: Net Fiscal Disparities	Net Taxable Tax Capacity	Total Direct Tax Rate	Estimated Taxable Market Value	Taxable Tax Capacity as a Percentage of Estimated Market Value
2009	67,304,037	34,937,234	621,716	1,720,058	8,387,874	92,755,055	27.567%	8,585,903,400	1.08%
2010	67,387,621	34,853,650	612,053	1,691,878	8,923,870	92,237,576	30.887%	8,275,660,200	1.11%
2011	62,980,807	34,416,696	644,196	1,649,966	9,113,094	87,278,639	33.705%	7,846,377,400	1.11%
2012	60,535,861	33,240,685	669,280	1,657,138	9,503,039	83,285,649	35.595%	7,709,987,200	1.08%
2013	56,941,172	34,805,369	767,166	1,839,866	9,625,039	81,048,802	37.213%	7,524,678,300	1.08%
2014	58,877,909	32,469,923	775,348	1,895,625	9,146,127	81,081,428	37.651%	7,539,383,700	1.08%
2015	62,778,666	34,813,987	811,925	2,026,014	9,717,859	86,660,705	36.565%	7,796,498,758	1.11%
2016	66,167,466	37,366,035	837,902	2,156,775	9,744,736	92,469,892	35.674%	8,271,102,488	1.12%
2017	69,542,646	37,054,544	901,339	2,407,233	10,748,890	94,342,406	36.378%	8,549,418,319	1.10%
2018	75,536,028	35,729,606	970,845	3,006,273	9,800,882	99,429,324	35.710%	8,965,391,893	1.11%

Source: City of Minnetonka financial records

**CITY OF MINNETONKA
Hennepin County, Minnesota**

**PROPERTY TAX RATES PER \$10,000 OF TAX CAPACITY -
ALL DIRECT AND OVERLAPPING GOVERNMENTAL UNITS
Years 2009 Through 2018**

Year Collectible	City Direct Rate			Overlapping					Totals		
	Operating	Debt Service	Total	Hopkins School District No. 270	Minnetonka School District No. 276	Wayzata School District No. 284	Hennepin County	Misc. *	School District No. 270	School District No. 276	School District No. 284
2009	27.553	0.014	27.567	19.218	17.980	19.668	38.571	8.546	93.902	92.664	94.352
2010	30.873	0.014	30.887	23.050	18.657	23.311	42.640	9.431	106.008	101.615	106.269
2011	33.691	0.014	33.705	26.456	21.274	24.034	45.840	10.489	116.490	111.308	114.068
2012	35.581	0.014	35.595	29.270	23.015	25.325	48.231	10.911	124.007	117.752	120.062
2013	37.199	0.014	37.213	29.730	24.487	25.236	49.461	11.483	127.887	122.644	123.393
2014	37.637	0.014	37.651	32.358	24.374	24.571	49.959	10.797	130.765	122.781	122.978
2015	36.552	0.013	36.565	30.340	25.093	26.252	46.398	9.987	123.290	118.043	119.202
2016	35.661	0.013	35.674	28.514	22.887	26.106	45.356	9.719	119.263	113.636	116.855
2017	36.363	0.015	36.378	25.611	22.770	26.290	44.087	10.214	116.290	113.449	116.969
2018	35.695	0.015	35.710	29.035	23.133	25.464	42.808	9.849	117.402	111.500	113.831

* - Includes Metropolitan Mosquito Control, Metropolitan Council, Metropolitan Transit Debt, Park Museum, Hennepin Parks, Hennepin HRA, Hennepin County Regional Railroad Authority, Watershed Districts, Minnetonka HRA.

Source: Hennepin County Taxpayer Services Department

CITY OF MINNETONKA
Hennepin County, Minnesota

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	2018			2009		
		Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value	Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
United Health Group	Office Center	\$ 2,750,980	1	2.77%	\$ 1,739,250	4	1.88%
General Growth (Ridgedale)	Regional Shopping Center	2,119,250	2	2.13%	2,299,250	1	2.48%
Medica Health Plans	Commercial	1,388,930	3	1.40%	635,500	9	0.69%
KBS REIT II	Office Center	1,219,250	4	1.23%			
Carlson Companies	Office Center	979,250	5	0.98%	2,104,566	2	2.27%
RREEF America REIT II Corp	Apartments	900,963	6	0.91%			
Wells Operating Partnership	Office Center	876,130	7	0.88%	879,325	6	0.95%
Property Reserve, Inc.	Office Center	848,810	8	0.85%	799,250	7	0.86%
CSM West Ridge, inc.	Shopping Center	771,822	9	0.78%	932,180	5	1.00%
Cargill, Inc.	Office Center	673,190	10	0.68%	977,131	3	1.05%
Target Corporation	Retail				682,500	10	0.74%
Teachers Insurance	Office Center				839,250	8	0.90%
		<u>\$12,528,575</u>		<u>12.60%</u>	<u>\$ 11,888,202</u>		<u>12.82%</u>

Source: City of Minnetonka Assessor's Office

CITY OF MINNETONKA
Hennepin County, Minnesota

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Year Collected	Taxes Levied for the Fiscal Year	Collection within the Fiscal Year of the Levy		Additions/ (Abatements)	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2009 *	28,344,019	28,121,687	99.22%	(10,456)	161,378	28,272,609	99.75%
2010 *	29,060,560	28,749,479	98.93%	(53,518)	53,145	28,749,106	98.93%
2011	29,894,854	29,507,710	98.70%	(438,683)	96,590	29,165,617	97.56%
2012	30,725,399	30,340,731	98.75%	(803,243)	27,121	29,564,609	96.22%
2013	31,193,800	30,911,217	99.09%	(1,101,325)	(1,762)	29,808,130	95.56%
2014	32,053,598	31,698,445	98.89%	(778,423)	34,387	30,954,409	96.57%
2015	32,987,035	32,644,959	98.96%	(642,871)	55,242	32,057,330	97.18%
2016	34,289,440	33,836,412	98.68%	(705,749)	37,831	33,168,494	96.73%
2017	35,832,802	35,425,426	98.86%	(832,025)	28,801	34,622,202	96.62%
2018	37,212,950	36,851,292	99.03%	(201,411)	-	36,649,881	98.49%

Source: Hennepin County Tax Settlement Reports

* Certified Levy less Market Value Credit Unallotment.

CITY OF MINNETONKA
Hennepin County, Minnesota

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities <u>General Obligation Bonds</u>	Business-type Activities <u>Water Revenue Bonds</u>	Total Primary Government	General Obligation as a Percentage of Personal Income	Total Debt as a Percentage of Personal Income	General Obligation Debt Per Capita	Total Debt Per Capita
2009	12,089,843	7,769,636	19,859,479	0.27%	0.68%	151	386
2010	13,867,111	6,907,504	20,774,615	0.24%	0.72%	139	418
2011	10,188,099	6,015,372	16,203,471	0.21%	0.56%	120	324
2012	9,359,110	5,201,632	14,560,742	0.32%	0.50%	103	287
2013	8,160,741	4,250,278	12,411,019	0.27%	0.41%	84	244
2014	7,162,372	3,273,923	10,436,295	0.28%	0.41%	64	204
2015	6,154,003	12,232,568	18,386,571	0.23%	0.69%	237	356
2016	7,669,627	19,145,229	26,814,856	0.27%	0.94%	363	508
2017	6,597,892	18,836,958	25,434,850	0.23%	0.89%	352.79	476
2018	5,307,544	28,253,673	33,561,217	0.18%	1.14%	526.01	625

Source: City of Minnetonka financial records

CITY OF MINNETONKA
Hennepin County, Minnesota

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less Amounts Available in Debt Service Funds	Total	General Percentage of Total Estimated Taxable Market Value of Property (1)	Total Debt as a Percentage Per Capita (2)
2009	12,089,843	1,252,169	10,837,674	0.13%	211
2010	13,867,111	4,051,357	9,815,754	0.12%	197
2011	10,188,099	1,301,371	8,886,728	0.11%	178
2012	9,359,110	3,890,389	5,468,721	0.07%	108
2013	8,160,741	1,150,271	7,010,470	0.09%	138
2014	7,162,372	1,209,111	5,953,261	0.08%	116
2015	6,154,003	1,281,887	4,872,116	0.06%	94
2016	7,669,627	1,345,268	6,324,359	0.08%	120
2017	6,597,892	1,672,330	4,925,562	0.06%	92
2018	5,307,544	1,828,672	3,478,872	0.04%	65

Source: City of Minnetonka financial records

(1) Market Value can be found in the schedule of tax capacity and estimated actual value of taxable property

(2) Population data can be found in the schedule of demographic and economic statistics

CITY OF MINNETONKA
Hennepin County, Minnesota

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2018

<u>Governmental Units</u>	<u>Net Debt Outstanding</u>	<u>(1) Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt:			
City of Minnetonka	\$ 5,307,544	100.00 %	<u>\$ 5,307,544</u>
Overlapping Debt:			
School Districts			
I.S.D. 270 - Hopkins	178,684,351	45.06	80,515,169
I.S.D. 276 - Minnetonka	102,587,953	24.87	25,513,624
I.S.D. 283 - St. Louis Park	120,593,922	0.01	12,059
I.S.D. 284 - Wayzata	209,336,194	15.57	32,593,645
Hennepin County	1,056,890,798	6.03	63,730,515
Hennepin County Parks	43,575,708	8.42	3,669,075
Hennepin County RR Authority	24,600,380	8.42	2,071,352
Regional:			
Metropolitan Council	75,902,689	2.86	2,170,817
Total Overlapping Debt			<u>210,276,256</u>
Total Direct and Overlapping Debt			<u><u>\$ 215,583,800</u></u>

Source: Hennepin County Taxpayer Services Department

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Minnetonka. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Minnetonka. This process recognizes that, when considering the City of Minnetonka's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each government.

(1) The percentage of overlapping debt is estimated using tax capacity. Applicable percentages were estimated by determining the portion of Hennepin County's tax capacity that is within the City of Minnetonka's boundaries and dividing it by Hennepin County's total tax capacity.

CITY OF MINNETONKA
Hennepin County, Minnesota

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Market Value (Taxable)	\$8,231,108,300	\$8,275,660,200	\$7,831,970,800	\$7,489,072,211	\$7,295,340,723	\$7,311,630,277	\$7,796,498,758	\$8,271,102,488	\$8,549,418,319	\$8,965,391,893
* Debt Limit 3% of Market Value (Note A)	<u>246,933,249</u>	<u>248,269,806</u>	<u>234,959,124</u>	<u>224,672,166</u>	<u>218,860,222</u>	<u>219,348,908</u>	<u>233,894,963</u>	<u>248,133,075</u>	<u>256,482,550</u>	<u>268,961,757</u>
Amount of Debt Applicable to Debt Limit:										
General Obligation Bonds Available in Debt Service Funds	12,070,000 <u>(1,252,169)</u>	13,760,000 <u>(4,051,357)</u>	10,075,000 <u>(1,301,371)</u>	9,160,000 <u>(3,890,389)</u>	7,990,000 <u>(1,150,271)</u>	7,020,000 <u>(1,209,111)</u>	6,040,000 <u>(1,281,887)</u>	7,475,000 <u>(1,345,268)</u>	6,445,000 <u>(1,672,330)</u>	5,185,000 <u>(1,828,672)</u>
Total Debt Applicable to Debt Limit	<u>10,817,831</u>	<u>9,708,643</u>	<u>8,773,629</u>	<u>5,269,611</u>	<u>6,839,729</u>	<u>5,810,889</u>	<u>4,758,113</u>	<u>6,129,732</u>	<u>4,772,670</u>	<u>3,356,328</u>
Legal Debt Margin	<u>\$ 153,804,335</u>	<u>\$ 155,804,561</u>	<u>\$ 226,185,495</u>	<u>\$ 219,402,555</u>	<u>\$ 212,020,493</u>	<u>\$ 213,538,019</u>	<u>\$ 229,136,850</u>	<u>\$ 242,003,343</u>	<u>\$ 251,709,880</u>	<u>\$ 265,605,429</u>
Total net debt applicable to the limit as a percentage of debt limit	6.57%	5.87%	3.73%	2.35%	3.13%	2.65%	2.03%	2.47%	1.86%	1.25%

* The debt limit went from 2% to 3% in 2008, therefore from 2008 and forward, the debt limit is calculated at 3% instead of 2%.

NOTE (A):

M.S.A. Section 475.53 (Limit on Net Debt)

Subdivision 1. Generally, except of otherwise provided in Sections 475.51 to 475.75, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of two percent of the market value of taxable property in the municipality.

NOTE (B):

M.S.A. Section 475.51 Definitions: Subdivision 4. "Net debt" means the amount remaining after deduction from its gross debt the aggregate of the principal of the following

- (1) Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments
- (2) Warrants or orders having no definite or fixed maturity
- (3) Obligations payable wholly from the income of revenue-producing conveniences
- (4) Obligations issued to create or maintain a permanent improvement revolving fund
- (5) Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems and on any combination thereof or for any other public convenience from which a revenue is or may be derived
- (6) Amount of all money and the face value of all securities held as a sinking fund for the extinguishment of obligations other than those deductible under this subdivision

M.S.A. Section 469.178, subdivision 1. (tax increment bonds)"...The bonds are not included for purposes of computing the net debt of any municipality

Source: City of Minnetonka financial records

CITY OF MINNETONKA
Hennepin County, Minnesota

PLEGGED-REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Utility Bonds					Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2009	10,513,551	9,042,034	1,471,517	775,000	282,485	1.39
2010	11,308,402	8,954,086	2,354,316	840,000	246,226	2.17
2011	11,030,795	9,547,062	1,483,733	870,000	212,468	1.37
2012	12,613,585	10,001,598	2,611,987	870,000	140,527	2.58
2013	11,347,952	8,940,150	2,407,802	2,835,000 *	105,712	0.82
2014	11,477,857	9,839,913	1,637,944	945,000	64,274	1.62
2015	14,394,358	10,675,704	3,718,654	1,010,000	28,883	3.58
2016	14,137,665	9,150,361	4,987,304	11,060,000	164,698	0.44
2017	17,165,306	10,381,786	6,783,520	275,000	124,348	16.99
2018	17,196,532	9,881,580	7,314,952	875,000	320,517	6.12

Note: Operating expenses do not include depreciation.

* This amount includes \$1,940,000 retired by the GO Water Revenue Refunding Bonds, Series 2012A.
Normal debt service for the current year would have been \$895,000 for a coverage percentage of 2.41.

Source: City of Minnetonka financial records

CITY OF MINNETONKA
Hennepin County, Minnesota

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

Calendar Year	(1) Population	(2) School Enrollment	(3) Unemployment Rate	(4) Per Capita Income	Total Personal Income	(1) Total Employment
2009	51,451	26,174	5.8%	56,564	2,910,274,364	47,329
2010	49,734	26,445	5.8%	57,841	2,876,652,888	46,176
2011	50,046	26,736	4.5%	58,210	2,913,156,997	48,690
2012	50,747	26,745	4.5%	57,952	2,940,890,144	45,105
2013	50,841	27,845	3.8%	59,126	3,006,024,966	47,191
2014	51,144	28,067	3.3%	50,317	2,573,412,648	46,842
2015	51,647	28,184	2.9%	51,498	2,659,717,206	46,280
2016	52,741	28,669	3.3%	53,849	2,840,050,109	45,083
2017	53,394	29,354	2.6%	53,467	2,854,816,998	46,179
2018	53,713	29,646	2.3%	54,790	2,942,935,270	49,366

Sources:

(1) 2010 is a regular decennial census figure. All other years are best available estimates provided by the Metropolitan Council.

(2) School enrollment is the total number of students in schools located in Minnetonka for Independent School District No. 270 (Hopkins), 276 (Minnetonka), and 284 (Wayzata), each of which serves a portion of the City as well as other communities. Enrollment numbers obtained from the Minnesota Department of Education.

(3) Unemployment rates were compiled by the Minnesota Department of Economic Security, Research and Statistics Department, for Hennepin County.

(4) 2010 is a regular decennial census figure. All other years are best available estimates provided by the Minnesota State Demographic Center.

CITY OF MINNETONKA
Hennepin County, Minnesota

PRINCIPAL EMPLOYERS
Prior Year and Nine Years Ago

Taxpayer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
United Health Group	4,400	1	8.91%	1,150	5	2.43%
Cargill, Inc.	3,400	2	6.89%	3,400	1	7.18%
Independent School District (No. 276)	1,700	3	3.44%			
Rosemount Engineering	1,600	4	3.24%			
Medica Health Plans	1,300	5	2.63%			
Starkey Laboratories	1,300	6	2.63%			
St Jude Medical/Abbott	1,300	7	2.63%	1,300	3	2.75%
Super Value Stores, Inc.	1,265	8	2.56%			
MTS Systems Corporation	846	9	1.71%			
Carlson Companies	500	10	1.01%	3,100	2	6.55%
Allina Health System				1,200	4	2.54%
DataCard Corp				1,000	6	2.11%
Advantek Inc.				600	7	1.27%
GE Osmonics, Inc.				520	8	1.10%
American Medical Systems				500	9	1.06%
Opportunity Partners				500	10	1.06%
	<u>17,611</u>		<u>35.67%</u>	<u>13,270</u>		<u>28.04%</u>

Source: City of Minnetonka Community Development Department

CITY OF MINNETONKA
Hennepin County, Minnesota

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government:										
Mayor and City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
General Administration	8.72	8.72	8.97	8.97	8.97	9.55	10.45	9.95	10.95	11.75
Information Technology	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	4.75
Finance	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00
Assessing	5.25	5.25	5.25	5.25	5.25	5.60	5.60	5.60	5.60	5.70
Development Services:										
Planning	6.25	6.25	6.25	5.50	5.50	5.50	6.00	6.00	6.00	6.00
Engineering	10.25	10.00	9.75	9.75	9.75	9.75	9.25	9.25	9.50	9.50
Community Development	10.40	10.40	10.40	11.40	11.60	11.00	12.10	13.10	13.10	14.30
Development Fund	0.20	0.20	0.20	0.20	-	-	-	-	-	-
Parks and Recreation:										
Joint Recreation	5.90	6.15	6.15	5.75	5.84	5.84	5.74	6.35	6.85	6.85
Community Center	4.35	3.85	3.75	4.15	3.37	3.37	3.37	3.37	3.37	3.60
Parks and Trails	9.51	9.01	8.91	8.91	9.21	9.97	9.98	10.08	10.08	10.08
Senior Services	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.40
Minnetonka Recreation	0.90	1.15	1.15	0.75	0.84	0.84	0.84	0.75	0.75	2.00
Natural Resources	4.51	4.51	4.58	4.58	4.71	5.57	6.58	6.48	6.48	8.18
Streets and Buildings:										
Buildings and Grounds	5.50	7.00	7.40	8.31	8.18	7.37	8.38	8.38	8.38	8.38
Street	22.53	22.53	20.95	20.95	21.24	21.24	21.10	21.10	21.10	21.10
Public Safety:										
Police:										
Licensed	57.00	56.00	47.00	47.00	47.00	47.00	47.00	47.00	47.00	47.00
Other	19.35	19.35	19.35	18.95	18.95	19.45	19.45	20.45	20.45	22.69
Fire:										
Full-time	6.50	6.50	6.50	6.50	6.50	6.50	6.50	8.00	8.00	11.00
Paid on call	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00
Dispatch	-	-	9.00	9.00	9.00	9.00	9.00	9.00	9.00	-
Environmental Health	3.40	3.40	3.40	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Legal	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Cable Television	2.25	2.25	2.00	2.00	2.00	2.00	2.00	2.50	2.50	2.50
Water and Sewer Utility	16.14	16.14	16.22	16.22	16.04	16.39	18.40	18.40	18.40	18.20
Ice Arena	3.80	3.80	3.80	3.80	3.62	3.62	3.62	3.00	3.50	3.50
Williston Center	6.95	5.15	5.05	5.05	5.05	7.05	7.15	8.45	7.45	9.45
Environmental	1.53	1.53	1.58	1.58	1.51	0.47	0.48	0.48	0.48	0.48
Gray's Bay Marina	-	-	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Storm Water	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	1.50	1.50
Fleet Maintenance Internal Service	4.53	4.53	4.58	4.58	4.51	4.51	4.38	4.38	4.38	4.38
Total	321.47	319.42	318.14	318.60	318.09	321.04	326.82	331.52	333.77	338.99

Source: City of Minnetonka financial records

CITY OF MINNETONKA
Hennepin County, Minnesota

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety:										
Police:										
Calls for service	44,305	47,120	45,198	42,883	45,139	42,644	43,651	38,321	41,100	42,500
Criminal offenses	2,372	3,384	2,416	2,256	2,269	2,150	2,392	1,946	2,115	2,204
Fire:										
Number of calls	768	792	790	750	996	750	1,036	1,213	1,233	1,250
Legal:										
Cases opened and processed by staff	959	828	883	863	895	700	594	768	750	750
Environmental Health:										
Number of licensed establishments	721	730	716	711	720	735	720	750	760	750
Number of nuisance complaints	602	550	462	648	512	500	545	609	640	580
Development Services:										
Engineering:										
Number of construction projects underway	17	14	11	13	12	14	9	3	7	7
Number of construction projects completed	11	13	12	11	10	11	5	5	6	5
Community Development:										
Permits issued	5,431	6,250	6,757	6,301	6,761	6,800	7,924	7,800	7,250	7,150
Planning:										
Number of planning applications received	110	149	125	148	135	120	116	133	90	95
Number of building permits reviewed	1,304	1,582	1,700	1,590	1,688	1,700	1,007	1,853	1,200	1,500
Public Works:										
Street Maintenance:										
Miles of city maintained	254.9	254.9	254.9	254.9	254.9	254.9	254.9	254.9	254.9	256.9
Street Improvement:										
Miles of street rehabilitated	4.5	1.9	4.6	4.9	4.5	4.5	4.0	5.2	2.0	1.6
Average pavement condition index	78	78	81	82	82	82	83	83	83	81
Park & Recreation:										
Joint Recreation:										
Number of program participants	37,492	34,493	33,484	40,866	41,783	39,300	37,100	41,444	42,000	42,500
Senior Services:										
Number of program participants	4,147	4,004	10,381	12,881	14,305	14,500	28,513	16,861	17,100	17,100

**CITY OF MINNETONKA
Hennepin County, Minnesota**

**OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Continued)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Park & Recreation: (Continued)										
Parks and Trails:										
Number of parks maintained	48	48	48	48	48	48	48	50	50	50
Park acreage:										
Active	283.9	283.9	283.9	283.9	283.9	283.9	283.9	283.9	283.9	283.9
Passive	983.5	983.5	983.5	983.5	983.5	983.5	983.5	983.5	983.5	983.5
Miles of trail and sidewalk maintained	86	86	94	96	96	99	99	100	104	104
Natural Resources:										
Number of diseased trees removed	1,794	1,215	1,422	1,204	752	900	645	677	700	700
Number of permits reviewed/inspected for natural resource compliance	465	475	550	550	725	650	712	696	745	745
General Government:										
Administrative Services:										
Number of registered voters	35,124	35,157	35,340	35,836	35,241	35,500	35,234	37,040	35,200	36,000
Water and Sewer Utility:										
Number of utility customer accounts	16,598	166,237	16,739	16,784	16,838	16,982	16,957	16,970	16,970	17,023
Water pumped (million gallons)	2,678	2,354	2,406	2,685	2,403	2,400	2,200	2,100	2,700	2,700
Utility locate requests completed	6,869	6,793	8,363	8,352	9,675	10,000	13,289	10,087	11,000	12,000
Ice Arena:										
Ice rental hours sold	3,134	3,150	3,300	3,312	3,020	3,200	2,750	3,071	3,100	3,100
Environmental:										
Curbside recycling picked up (tons)	5,256	5,145	5,113	5,440	5,316	5,100	4,975	4,930	4,900	4,900
Willston Center:										
Total memberships sold	1,985	1,857	3,694	6,638	8,342	8,400	8,400	8,356	9,200	9,200
Gray's Bay:										
Slip lease rate	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900
Storm Water:										
Number of storm sewer projects completed	4	3	4	8	11	7	7	8	2	2

Source: Various city departments

CITY OF MINNETONKA
Hennepin County, Minnesota

CAPITAL ASSEST STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety:										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Number of police officers	57	57	57	57	57	57	57	58	58	58
Fire Stations	5	5	5	5	5	5	5	5	5	5
Public Works:										
Streets (miles)	255	255	255	255	255	255	255	255	255	255
Streetlights	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,907
Parks and Recreation:										
Parks acreage	1,056	1,056	1,056	1,056	1,057	1,057	1,057	1,057	1,057	1,267
Parks	50	50	50	50	50	50	50	50	50	50
Water and Sewer Utilities:										
Water mains (miles)	308	308	308	308	308	308	308	308	308	308
Fire hydrants	2,577	2,577	2,577	2,577	2,577	2,577	2,577	2,577	2,577	2,853
Water plant daily capacity	18,400,000	18,400,000	18,400,000	18,400,000	18,400,000	18,400,000	18,400,000	18,400,000	18,400,000	18,400,000
Storage capacity (gallons)	12,900,000	12,900,000	12,900,000	12,900,000	12,900,000	12,900,000	12,900,000	12,900,000	12,900,000	12,900,000
Sanitary sewers (miles)	256	256	256	256	256	256	256	256	278	279
Storm Water										
Storm sewers (miles)	88	88	88	88	88	88	88	88	88	88

Source: Various city departments