



City of
minnetonka

Where quality is our nature



Photo by Cheryl Miller

Minnetonka, MN
Comprehensive Annual Financial Report
FOR THE YEAR ENDED DECEMBER 31, 2014

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**OF THE CITY OF
MINNETONKA, MINNESOTA**

For the Year Ended December 31, 2014

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**

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AND
SECTION I
INTRODUCTORY SECTION

CITY OF MINNETONKA
Hennepin County, Minnesota

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CITY OF MINNETONKA
Hennepin County, Minnesota

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**CITY OF MINNETONKA
Hennepin County, Minnesota**

**ELECTED OFFICIALS AND ADMINISTRATION
As of December 31, 2014**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Office Expires</u>
Terry Schneider	Mayor	December 31, 2017
Dick Allendorf	Council Member at Large	December 31, 2017
Patty Acomb	Council Member at Large	December 31, 2017
Bob Ellingson	Council Member - Ward 1	December 31, 2015
Tony Wagner	Council Member - Ward 2	December 31, 2015
Brad Wiersum	Council Member - Ward 3	December 31, 2015
Tim Bergstedt	Council Member - Ward 4	December 31, 2015

<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, MN

MINNETONKA CITY COUNCIL
(Economic Development Authority)

Mayor Terry Schneider

Council Members at Large: Dick Allendorf
Patty Acomb

Ward Representation:
Ward 1: Bob Ellingson
Ward 2: Tony Wagner
Ward 3: Brad Wiersum
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

POLICE
Chief Mark Raquet

- Patrol
- Investigation
- 9-1-1 Dispatch
- Support Services

PUBLIC WORKS

PUBLIC WORKS
Brian Wagstrom

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

PARKS & RECREATIONS

RECREATION SERVICES
Dave Johnson

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

DEVELOPMENT SERVICES

COMMUNITY DEVELOPMENT
Julie Wischnack

- Inspections
- Environmental Health
- Licensing
- Planning & Zoning

ADMINISTRATION

ADMINISTRATIVE SERVICES
Perry Vetter

- City Clerk & Elections
- Human Resources
- Information Technology
- Communications
- Risk Management

FIRE
John Vance

- Emergency Management
- Inspection
- Prevention
- Response

ENGINEERING
Lee Gustafson

- Street & Utility
- Planning & Design

FINANCE
Merrill King

- Accounting
- Budget
- Payroll
- Utility Billing
- Assessing
- Special Assessments

LEGAL
Corrine Heine

- Prosecution
- Legal advice to the city



June 17, 2015

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, 2014 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 CliftonLarsonAllen LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2014, 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, 2014, 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 235 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, 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 2014 population estimate of 51,144 makes it the seventeenth 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. Its reversible high-occupancy vehicle/toll lanes create a priority route for vehicles during peak traffic hours. The City is also just 15 minutes from the Minneapolis-Saint Paul International Airport as well.

Minnetonka serves as the corporate headquarters location for many national and international businesses, including United Health Group, Cargill, Carlson Companies, American Medical Systems, GE Osmonics, Opus Northwest, Medica, Digital River 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 approximately 47,000 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 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 Park, before continuing into Eden Prairie, the suburb on the southern border of the city. Full engineering design plans are expected by early 2016, and the route is expected to be operational in 2020.

In anticipation of LRT, the City has seen investment in the Opus Business Park, which is located in the extreme southeast corner of the City at the crossroads of Highways 169 and 62. Investments since 2008 have included multiple office expansions totaling nearly 850,000 square feet and adding nearly 4,000 employees. In 2010, the City created a unique funding partnership based on traffic generated by new commercial development in the Opus Business District. The partnership financed a \$17 million capital expansion of its only state highway interchange entrance in conjunction with multiple public and private resources. The interchange now provides capacity for an estimated twenty years of increased traffic and the economic development likely to be generated by the Southwest LRT. The city is also planning 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 1.2-million-square-foot regional shopping center. Its anchor stores include Macy's, J. C. Penney, Sears, and a new Nordstrom store, which is set to open this year. A number of other retail centers are clustered near Ridgedale, including Ridgehaven Mall (which is anchored by a Target store and a Byerly's supermarket), Ridge Square North, Ridge Square South, Ridgedale Festival, and Sportmart 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, which encompassed land use, design, transportation, and pedestrian connections as part of a vision for the area. Following the study, a master

plan for the Ridgedale Center property, including consolidation of the two Macy's stores into one, expansion of the remaining Macy's store, a mall expansion, a new Nordstrom store, and other pedestrian connections around the mall property was proposed and approved. In conjunction with all of these plans, the City 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. Additionally, in late 2014, the Highland Bank site, also in the Ridgedale area, was approved for a mixed use redevelopment, with 16,000 square feet of retail and 115 residential units. Construction on this is expected to begin later this year.

Across Interstate 394 from the Ridgedale retail area other significant redevelopment has taken place in Minnetonka. With the assistance of using tax increment financing through the City's Economic Development Authority, the West Ridge Market project includes over 250,000 square feet of retail space and more than 400 townhomes, condominiums, and apartments. The nearby Crescent Ridge and Ridgebury office and housing redevelopments were completed soon after West Ridge, and include 550,000 square feet of office space and more than 160 townhomes and condominiums. These redevelopments reflect the metro-area livable communities principles of linking housing, jobs, and transit.

Economic development continues to expand along the Interstate 394 corridor in Minnetonka. The Crest Ridge redevelopment project completed construction in 2008 of phase one of a two-phase office complex to primarily house Syngenta, an agricultural R&D firm, in a location previously containing residential parcels. In 2010, BMW finished construction of a new large car dealership along the corridor, and a new Hampton Inn hotel was constructed on a redeveloped site and opened in 2014.

Minnetonka has worked hard to provide more affordable housing in the community and has added or preserved over 700 affordable units since its decision to actively participate 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 53 scattered-site affordable homes in Minnetonka. In 2014, the city approved Tonka on the Creek, which will provide 100 new residential units, 20 of which will be affordable, when it opens later this year.

Minnetonka has a history of strong construction activity, including major new buildings and the expansion of existing buildings, and this experience continues today. In 2014, building permits were issued for \$165.5 million of construction work. Commercial construction included multiple projects at Ridgedale Center including the new Nordstrom store and mall expansion, the tenant finish at the Minnetonka Medical Center, and a remodel of Tanglen Elementary school.. Residential additions and remodeling also continue to be a significant part of Minnetonka's current construction activity that currently includes plans for at least three multi-unit residential developments in various stages of the process for seeking city approvals.

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 EVENTS AND FUTURE PROSPECTS

In 2008, Minnetonka completed an update of its 20-year Comprehensive Plan which will guide the City's development, land use and how city services are structured and delivered through the year 2030. The plan provides detailed analysis on thirteen "village" and "regional" centers, where there is development and redevelopment opportunities to encourage vitality, promote identity and improve livability. A diversity of land uses, greater density and intensity, and sustainable and cohesive design are amongst the goals of these areas. The City is in the beginning stages of updating this plan through the year 2040, and over the next few years will be engaging the community to provide input as the plan is developed.

Since completion of the plan, the City has embarked on a series of village center studies to more specifically guide development in each of focus areas within the comprehensive plan. As of 2014, four have been

completed, including Minnetonka Mill, the Opus area, Highway 7 and County Road 101 area, and the Ridgedale Mall area. . In 2014, the city carried out a study in the western portion of the Glen Lake area, and an analysis of the entire Glen Lake area will be completed in 2015. Also to be completed in 2015 is a joint study with the City of Hopkins on the Shady Oak/Excelsior Boulevard area, which is adjoins one of the planned light rail station areas.

The City's plans impact a full array of City facilities. Minnetonka has a record of adding and/or refurbishing such major community 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, these facilities include:

Williston Center – The fitness center was acquired in 1995, and initial expansion and renovation projects were completed in 1998. In 2011, the City substantially upgraded the facility's infrastructure with new amenities to accommodate and retain families in the community including young children, which aligns with goals of the comprehensive plan. Since the remodeling, the center has experienced unprecedented growth in its use, quadrupling membership from around 2,100 in 2009 to a stable 8,400 members in 2013 and 2014 as well as its non-member daily use 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 several 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.

Burwell Park – The park is designated on the National Register of Historic Places and represents the City's pride in its rich past as a community cultural site. The buildings were restored with great attention to historical accuracy. The City continues plans for integration of natural areas and amenities along the Minnehaha Creek corridor include an expansion of Burwell Park begun in 2009 which incorporates new trails, bridges, and the creation of a botanical garden west, all of which are to lead to gateway entrance to the city off of I494 along the creek.

Neighborhood and Community Parks – In 2011, Minnetonka substantially completed a significant parks renewal effort begun a decade earlier. The program was a city-wide, neighborhood-based initiative to renovate and update all of Minnetonka's 42 neighborhood and community parks. 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 the parks to avoid the need for future such referendums.

The City conducts an annual community-wide survey to gauge its citizens' satisfaction of city services as well as help the organization direct those 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 comprehensive plan and other actions by the City emphasize its commitment to the areas of parks, the environment and open space.

For example, a source of great community pride, the City-wide trail system continues to be expanded. This interconnected system of trails provides safe, off-road pedestrian and bicycle access throughout the City. The system also includes trailhead buildings, which have restrooms, drinking water, and trail information at each of Minnetonka's four large community parks. The trail system now includes approximately 99 miles of trail, and the most recently adopted Capital Improvement Program continues the City's commitment to the system by dedicating resources to the construction of an additional 4.9 miles over five years.

The City also devotes substantial resources to the environmental stewardship of its 310 acres of natural public land 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.

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 2014, 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. Scheduling of projects under the plan align with priority road and storm drainage projects along with systemic analytics of historical water main breaks. The City has also instituted an ongoing program successfully begun in 2006 to monitor specifically and correct the sanitary sewer system to decrease clear water inflow and infiltration.

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 program's first phase, which was completed in 2012, included an innovative thin overlay pavement process and had a goal to reconstruct or overlay all streets that had not received major maintenance in the prior twenty years. The City currently has committed to spending an average of well over \$6 million annually on the ongoing components of the program to reconstruct 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 costly reconstruction projects have included: County Road 101 between State Highway 7 and Minnetonka Boulevard in 2008-09; Shady Oak Road (CR61) from Excelsior Boulevard to County Road 62 in 2009-10; and the addition of the previously mentioned west bound on-ramp to Interstate 394 at Ridgedale. Similar major projects under current construction include: Shady Oak Road (CR61) from Excelsior Boulevard to State Highway 7, which began in 2014; County Road 101 north of Minnetonka Boulevard, also begun in 2014; and County Road 101 south of State Highway 7 to County Road 62, which began this year.

Minnetonka conducts several 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 and the City of St. Louis Park. Similarly, Minnetonka provides health inspection services to the city of Wayzata. The cities of Hopkins and Minnetonka also share recreation programs. Facilities and registrations are handled on a joint basis, allowing more efficient use of personnel and recreational facilities. Minnetonka also collaborates with the Hopkins and Minnetonka school districts to provide school liaison officers through the Police Department. 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 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 reserves 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 nine 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 analysis of the systems begun in 2014.

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 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. Speculative investments are strictly prohibited, and the longevity of maturities is capped at ten years. Furthermore, no more than fifty percent of the dollar value of investments may mature more than two years from the date of purchase, excluding investable assets of the City's capital endowment fund.

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.

In 2012, the City began preparing 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 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

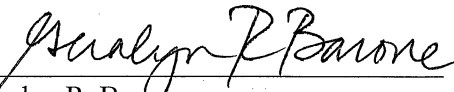
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Minnetonka for its comprehensive annual financial report for the fiscal year ended December 31, 2013. This was the 31st consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A 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.

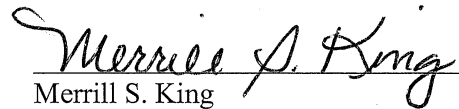
ACKNOWLEDGMENTS

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 R. 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, 2013

Executive Director/CEO



SECTION II
FINANCIAL SECTION



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' 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 City of Minnetonka (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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.

Report on the Financial Statements (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2014, the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 6 to the financial statements, the 2013 financial statements have been restated to correct a misstatement. 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 and the Schedules of Funding Progress information on pages 19 through 29, and 95, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, individual fund budget to actual schedules and the budget to actual Schedule of Revenues and Expenditures by Department for the General Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, individual fund budget to actual schedules and the budget to actual Schedule of Revenues and Expenditures by Department for the General Fund 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Honorable Mayor and Members
of the City Council
City of Minnetonka

Other Matters (Continued)

Other Information (Continued)

In our opinion, the combining and individual nonmajor fund financial statements, individual fund budget to actual schedules and the budget to actual Schedule of Revenues and Expenditures by Department for the General Fund are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections 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 it.

We have also previously audited in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements for the year ended December 31, 2013, which are not presented with the accompanying financial statements and we expressed unmodified opinions 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 2013 actual column in the individual fund budget to actual schedules and the budget to actual Schedule of Revenues and Expenditures by Department 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 2013 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 2013 actual columns in the individual fund budget to actual schedules and the budget to actual Schedule of Revenues and Expenditures by Department 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 17, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Brainerd, Minnesota
June 17, 2015



CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2014

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, 2014. 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 of the City exceeded liabilities by \$266,413,056. Of this amount, \$73,185,635 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 total net position increased by approximately \$4.6 million.
- The City's governmental funds reported combined ending fund balances of \$64,517,978.

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 and liabilities 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 liabilities – 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, 2014

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, \$187,367,706 or approximately 70.3%, 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, 2014

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, \$5,859,715 or approximately 2.2%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$73,185,635 or 27.5%, 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 \$4,756,508. This fluctuation is mainly attributed to sound fiscal control by all departments within the City's General Fund. Actual expenditures came in approximately \$835,000 less than budgeted.

Capital assets increased by approximately \$2.2 million. This change is mostly due to the City's implementation of a street reconstruction program implemented a number of years ago. The City is making a concerted effort to maintain and update its infrastructure investments.

Current and other liabilities increased by approximately \$1.3 million due primarily to an increase in contracts payable in the new Shady Oak Rd/Oak Drive Fund. Long-term liabilities decreased by approximately \$800,000 primarily due to annual bond debt service payments.

Business-type Activities

Current and other assets of the City's business-type activities decreased by approximately \$1.7 million compared to the prior year. This decrease is due primarily to capital asset acquisitions and debt payments totaling \$2.8 million exceeding operating cash flows of approximately 1.5 million.

Capital assets decreased by \$1,503,589 over the past year. The decrease is due to annual depreciation expense of \$4,985,930 exceeding new asset additions of \$3,482,341.

Long-term liabilities decreased by approximately \$936,000 due to the continual yearly reduction in bonds payable.

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

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2014

STATEMENT OF NET POSITION
December 31, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 77,025,639	\$ 72,269,131	\$ 14,216,913	\$ 15,920,304	\$ 91,242,552	\$ 88,189,435
Capital Assets	102,383,695	100,199,460	95,420,308	96,923,897	197,804,003	197,123,357
Total Assets	<u>179,409,334</u>	<u>172,468,591</u>	<u>109,637,221</u>	<u>112,844,201</u>	<u>289,046,555</u>	<u>285,312,792</u>
Long-Term Liabilities						
Outstanding	8,580,894	9,416,167	3,773,878	4,710,268	12,354,772	14,126,435
Current and Other Liabilities	9,709,663	8,362,470	569,064	796,299	10,278,727	9,158,769
Total Liabilities	<u>18,290,557</u>	<u>17,778,637</u>	<u>4,342,942</u>	<u>5,506,567</u>	<u>22,633,499</u>	<u>23,285,204</u>
Net Position:						
Net Investment in						
Capital Assets	95,221,323	92,038,719	92,146,383	92,673,621	187,367,706	184,712,340
Restricted	5,859,715	5,466,893	-	-	5,859,715	5,466,893
Unrestricted	60,037,739	57,184,342	13,147,896	14,664,046	73,185,635	71,848,388
Total Net Position	<u>\$ 161,118,777</u>	<u>\$ 154,689,954</u>	<u>\$ 105,294,279</u>	<u>\$ 107,337,667</u>	<u>\$ 266,413,056</u>	<u>\$ 262,027,621</u>

STATEMENT OF ACTIVITIES

Governmental Activities

The net position of the City's governmental activities increased by approximately \$6.4 million, or 4.2%. The City is in the eighth year of an enhanced road revitalization program beginning in 2006, which includes overlay or reconstruction of every local street. As a result, the City experienced and will continue to experience increases in infrastructure outlay.

Property taxes decreased by \$872,500 due to reclassifying tax increments out of the property taxes line item and moving it to a separate line item.

Investment earnings increased from the prior year by \$1,015,909 due to increased investment income and an increase in the market value of investments.

Business-Type Activities

Business-Type Activities net position decreased approximately \$2.0 million. While day-to-day operations provided a positive cash flow of approximately \$3.9 million, recognized depreciation expense was \$5 million.

Investment income increased by \$212,409 during 2014 due to increased interest income and an increase in the market value of investments.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2014

STATEMENT OF ACTIVITIES

December 31, 2014

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue						
Program Revenues:						
Charges for Services	\$ 8,216,739	\$ 5,790,005	\$ 18,154,048	\$ 17,665,108	\$ 26,370,787	\$ 23,455,113
Operating Grants and Contributions	1,354,435	2,023,252	235,986	191,739	1,590,421	2,214,991
Capital Grants and Contributions	7,188,926	2,528,544	-	-	7,188,926	2,528,544
General Revenues:						
Property Taxes	31,260,616	32,133,116	-	-	31,260,616	32,133,116
Franchise Taxes	1,715,787	1,684,671	-	-	1,715,787	1,684,671
Tax Increments	2,362,579	-	-	-	2,362,579	-
State Aid - Unrestricted	-	42,659	-	-	-	42,659
Investment Earnings (Loss)	761,387	(254,522)	164,893	(47,516)	926,280	(302,038)
Sale of Capital Assets	54,031	43,468	-	19,010	54,031	62,478
Other General Revenue	51,063	53,933	-	-	51,063	53,933
Total Revenues	52,965,563	44,045,126	18,554,927	17,828,341	71,520,490	61,873,467
Expenses						
General Government	4,587,302	4,702,113	-	-	4,587,302	4,702,113
Development Services	4,777,436	4,160,182	-	-	4,777,436	4,160,182
Public Works	18,494,554	12,955,778	-	-	18,494,554	12,955,778
Public Safety	13,332,150	13,220,747	-	-	13,332,150	13,220,747
Parks and Recreation	6,310,604	5,950,304	-	-	6,310,604	5,950,304
Unallocated Interest on Long-Term Debt	181,439	218,800	-	-	181,439	218,800
Water and Sewer Utilities	-	-	13,478,374	12,466,738	13,478,374	12,466,738
Ice Arena	-	-	1,240,234	1,270,591	1,240,234	1,270,591
Environmental	-	-	711,218	817,210	711,218	817,210
Williston Fitness Center	-	-	2,167,490	2,108,426	2,167,490	2,108,426
Grays Bay Marina	-	-	183,593	215,038	183,593	215,038
Storm Water	-	-	1,412,203	1,367,011	1,412,203	1,367,011
Total Expenses	47,683,485	41,207,924	19,193,112	18,245,014	66,876,597	59,452,938
Change in Net Position Before Transfers	5,282,078	2,837,202	(638,185)	(416,673)	4,643,893	2,420,529
Transfers	1,405,203	1,575,159	(1,405,203)	(1,575,159)	-	-
Increase (Decrease) in Net Position	6,687,281	4,412,361	(2,043,388)	(1,991,832)	4,643,893	2,420,529
Net Position - Beginning	154,689,954	150,277,593	107,337,667	109,329,499	262,027,621	259,607,092
Prior Period Adjustment	(258,458)	-	-	-	(258,458)	-
Net Position - Beginning, as Restated	154,431,496	150,277,593	107,337,667	109,329,499	261,769,163	259,607,092
Net Position - Ending	\$ 161,118,777	\$ 154,689,954	\$ 105,294,279	\$ 107,337,667	\$ 266,413,056	\$ 262,027,621

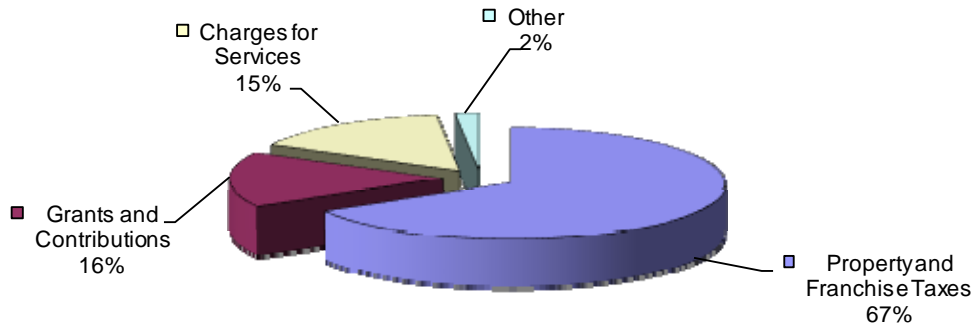


CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2014

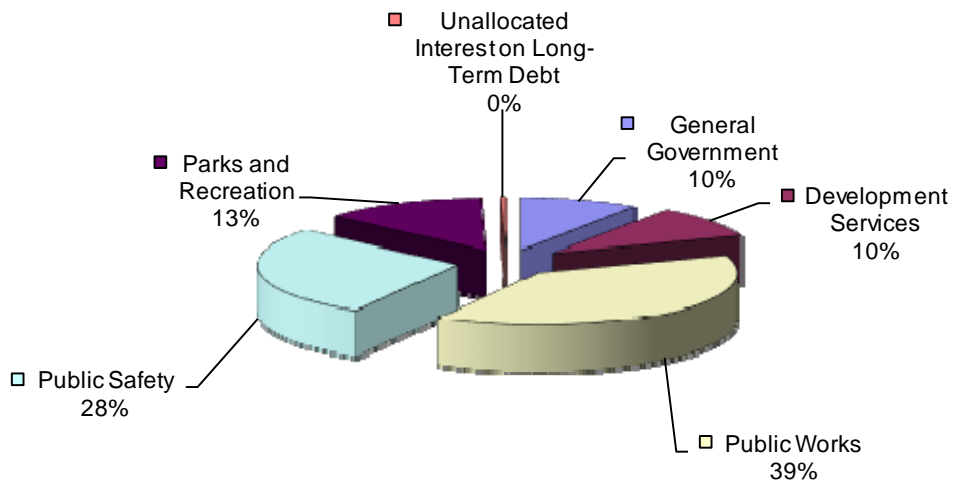
The following chart visually illustrates the City's revenue by source for its governmental activities:

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, 2014

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Funds

General Fund

In 2014, the City's General Fund fund balance decreased by \$27,197, with actual expenditures \$835,000 or 2.8%, under the final budget.

Total actual revenues were \$305,923 less than budgeted due largely to reduced property tax collections and lower than expected license and permit fees.

Property tax collections and license and permit fees were \$339,730 and \$157,223 lower than budgeted, respectively, while other revenues exceeded budget by \$210,257.

Community Investment Fund

The increase in available fund balance of \$295,086 in the Community Investment Fund balance was due primarily to investment earnings including an increase in the fair market value of investments in the current year.

Special Assessment Construction Fund

The fund balance in the Special Assessment Construction Fund decreased \$1,386,961 in 2014. This decrease was due primarily to a \$1,600,000 transfer to the new Shady Oak/Oak Drive Project Fund, offset somewhat by an increase in investment earnings and fair market value of investments.

State Municipal Aid

In 2014, the available fund balance in the State Municipal Aid Fund increased by \$951,027. This increase was due primarily to reimbursements for costs incurred in prior years for the I-394 Ridgedale Ramp Project. Other project costs in this fund will be reimbursed in future years through Municipal State-Aid received from the State of Minnesota, which is not received every year.

169/Bren Road Interchange Project Fund

The final project costs related to the Highway 169/Bren Road Interchange Project occurred in 2014.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2014

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

Governmental Funds (Continued)

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 2014, the Street Improvement fund balance increased \$675,643.

Development Fund

In 2014, the Development fund balance increased by \$681,679. This increase can be attributed to a \$200,000 tax levy, \$60,000 in special assessments received to reimburse expenditures made for a home improvement area district, \$125,000 in tax increment administration fees and other miscellaneous income relating to economic development within the City.

Shady Oak / Oak Drive Project Fund

In 2014, the City established the Shady Oak/Oak Drive Project Fund to account for the redevelopment of the Shady Oak and Oak Drive areas within the City. The fund balance of this new fund decreased by \$429,379 due to expenditures for this project that will be recovered through future municipal state aid allocations.

Proprietary Funds

Water and Sewer Utilities

In 2014, net position of the Water and Sewer Utilities Fund decreased by \$2,924,785. This decrease was due primarily to depreciation expense of \$3.5 million and transfers out for utility infrastructure project costs of \$1,131,100.

Ice Arena

The net position of the Ice Arena Fund decreased by \$181,863. This decrease was primarily due to operating expense exceeding user fees by \$15,930 and depreciation expense of \$297,426.

Environmental Fund

In 2014, the net position of the Environmental Fund decreased by \$3,945.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2014

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

Proprietary Funds (Continued)

Williston Fitness Center

The net position of the Williston Fitness Center Fund increased by \$254,725 primarily due to the yearly continuing increase in membership fees that has occurred since the facility was significantly upgraded in 2011.

Gray's Bay Marina

In 2014, the net position of the Gray's Bay Marina Fund increased by approximately \$17,000 or just 2%.

Storm Water

The net position of the Storm Water Fund increased by \$836,077, or 3%, as user charges exceeded operating expenditures 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 2014. 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 2014. 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 department reorganizations that reposition the City to better and more efficiently serve its constituents.

CAPITAL ASSETS

At the end of 2014, the City had \$197.8 million invested in a broad range of capital assets. This amount represents a net decrease (including additions and deductions) of approximately \$700,000 from the prior year.

The City's fiscal year 2015 capital budget appropriates another \$25.9 million for capital projects, of which approximately \$19.9 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.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2014

LONG-TERM DEBT

At year-end, the City had \$10.4 million in bonds outstanding versus \$12.4 million last year, a decrease of \$2 million. This decrease was due to 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. Despite the challenges of the lingering effects of the 2008 economic recession and added fiscal pressures created by the State of Minnesota, the 2015 budget continues to reflect this long-term perspective.

The 2015 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 2014 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
Hennepin County, Minnesota

STATEMENT OF NET POSITION
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Investments (Including Cash Equivalents)	\$ 70,383,374	\$ 12,363,969	\$ 82,747,343
Receivables:			
Accounts Receivable	1,740,922	2,156,042	3,896,964
Loans Receivable	125,164	-	125,164
Interest Receivable	182,564	38,457	221,021
Taxes Receivable	49,470	-	49,470
Special Assessments Receivable	2,352,075	288,444	2,640,519
Due from Other Governments	84,516	-	84,516
Internal Balances	658,387	(658,387)	-
Prepaid Items	125,978	-	125,978
Inventories	161,810	28,388	190,198
Investment in Joint Venture	348,572	-	348,572
Net Pension Asset	812,807	-	812,807
Capital Assets, Net of Related Depreciation:			
Land - Nondepreciable	18,821,379	1,186,484	20,007,863
Construction in Progress - Nondepreciable	5,755,041	129,319	5,884,360
Buildings	6,278,531	10,081,466	16,359,997
Improvements Other than Buildings	2,229,759	1,659,762	3,889,521
Machinery and Equipment	5,666,879	1,631,660	7,298,539
Infrastructure	63,632,106	80,731,617	144,363,723
Total Assets	\$ 179,409,334	\$ 109,637,221	\$ 289,046,555

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, 2014
(Continued)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND NET POSITION			
Liabilities:			
Salaries and Wages Payable	\$ 765,099	\$ 111,415	\$ 876,514
Accounts and Contracts Payable	5,853,165	340,708	6,193,873
Incurring but Not Reported Claims	12,660	-	12,660
Accrued Interest Payable	77,575	38,250	115,825
Unearned Revenue	424,002	78,691	502,693
Noncurrent Liabilities:			
Unfunded OPEB Obligation	1,229,431	147,189	1,376,620
Bonds Payable, net:			
Due Within One Year	980,000	1,010,000	1,990,000
Due in More than One Year	6,182,372	2,263,923	8,446,295
Compensated Absences/ Severance Payable:			
Due Within One Year	1,597,162	135,979	1,733,141
Due in More than One Year	1,169,091	216,787	1,385,878
Total Liabilities	18,290,557	4,342,942	22,633,499
Net Position:			
Net Investment in Capital Assets	95,221,323	92,146,383	187,367,706
Restricted for:			
Public Safety	361,757	-	361,757
Debt Service	1,130,654	-	1,130,654
Economic Development	3,983,535	-	3,983,535
Cemetery Operations	137,586	-	137,586
Grants	246,183	-	246,183
Unrestricted	60,037,739	13,147,896	73,185,635
Total Net Position	161,118,777	105,294,279	266,413,056

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, 2014

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	\$ 4,587,302	\$ 40,402	\$ 979	\$ -	\$ (4,545,921)	\$ -	\$ (4,545,921)
Development Services	4,777,436	4,294,909	266,371	6,967,667	6,751,511	-	6,751,511
Public Works	18,494,554	966,685	71,310	221,259	(17,235,300)	-	(17,235,300)
Public Safety	13,332,150	1,643,036	1,009,843	-	(10,679,271)	-	(10,679,271)
Parks and Recreation	6,310,604	1,271,707	5,932	-	(5,032,965)	-	(5,032,965)
Unallocated Interest on Long-Term Debt	181,439	-	-	-	(181,439)	-	(181,439)
Total Governmental Activities	47,683,485	8,216,739	1,354,435	7,188,926	(30,923,385)	-	(30,923,385)
Business-Type Activities:							
Water and Sewer Utilities	13,478,374	11,477,857	35,757	-	-	(1,964,760)	(1,964,760)
Ice Arena	1,240,234	923,141	-	-	-	(317,093)	(317,093)
Environmental	711,218	745,203	135,629	-	-	169,614	169,614
Williston Fitness Center	2,167,490	2,492,730	-	-	-	325,240	325,240
Grays Bay Marina	183,593	217,819	-	-	-	34,226	34,226
Storm Water	1,412,203	2,297,298	64,600	-	-	949,695	949,695
Total Business-type Activities	19,193,112	18,154,048	235,986	-	-	(803,078)	(803,078)
Total Governmental and Business-Type Activities	\$ 66,876,597	\$ 26,370,787	\$ 1,590,421	\$ 7,188,926	(30,923,385)	(803,078)	(31,726,463)
General Revenues:							
Property Taxes					31,260,616	-	31,260,616
Franchise Taxes					1,715,787	-	1,715,787
Tax Increments					2,362,579	-	2,362,579
Investment Earnings					761,387	164,893	926,280
Gain on Sale of Capital Assets					54,031	-	54,031
Other General Revenue					51,063	-	51,063
Transfers					1,405,203	(1,405,203)	-
Total General Revenues and Transfers					37,610,666	(1,240,310)	36,370,356
Change in Net Position					6,687,281	(2,043,388)	4,643,893
Net Position - Beginning					154,689,954	107,337,667	262,027,621
Prior Period Adjustment (See Note 6)					(258,458)	-	(258,458)
Net Position - Beginning, as Restated					154,431,496	107,337,667	261,769,163
Net Position - Ending					\$ 161,118,777	\$ 105,294,279	\$ 266,413,056

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.

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

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.

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

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



CITY OF MINNETONKA
Hennepin County, Minnesota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2014

	Capital Projects				
	General	Community Investment	Special Assessment Construction	State Municipal Aid	169/Bren Rd Interchange Project Fund
ASSETS:					
Cash and Investments (Including Cash Equivalents)	\$ 18,902,173	\$ 20,135,321	\$ 6,762,086	\$ 67,157	\$ 1,384
Accounts Receivable	25,247	-	-	-	-
Loans Receivable	-	-	-	-	-
Interest Receivable	47,513	57,765	22,693	780	-
Property Taxes Receivable:					
Unremitted	-	-	-	-	-
Delinquent	40,597	-	-	-	-
Special Assessments Receivable:					
Unremitted	-	-	893	-	-
Current	-	-	201,839	-	-
Delinquent	-	-	4,125	-	-
Noncurrent	-	-	1,673,902	-	-
Due from Other Governments	51,703	-	-	-	-
Due from Other Funds	-	-	-	-	-
Advances to Other Funds	-	567,000	-	-	-
Prepays	26,847	-	-	-	-
Inventories	77,919	-	-	-	-
	<u>\$ 19,171,999</u>	<u>\$ 20,760,086</u>	<u>\$ 8,665,538</u>	<u>\$ 67,937</u>	<u>\$ 1,384</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Salaries and Wages Payable	\$ 745,238	\$ -	\$ -	\$ -	\$ -
Accounts and Contracts Payable	470,021	-	10,724	2,190,009	1,384
Unearned Revenues	424,002	-	-	-	-
Due to Other Funds	-	-	-	-	-
Total Liabilities	<u>1,639,261</u>	<u>-</u>	<u>10,724</u>	<u>2,190,009</u>	<u>1,384</u>
Deferred Inflows of Resources					
Unavailable Revenue - Taxes	40,597	-	-	-	-
Unavailable Revenue - Special Assessments	-	-	1,879,866	-	-
Total Deferred Inflows of Resources	<u>40,597</u>	<u>-</u>	<u>1,879,866</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable	104,766	-	-	-	-
Restricted	-	-	-	-	-
Committed	1,050,000	-	-	-	-
Assigned	12,594,400	20,760,086	6,774,948	-	-
Unassigned	3,742,975	-	-	(2,122,072)	-
Total Fund Balances	<u>17,492,141</u>	<u>20,760,086</u>	<u>6,774,948</u>	<u>(2,122,072)</u>	<u>-</u>
	<u>\$ 19,171,999</u>	<u>\$ 20,760,086</u>	<u>\$ 8,665,538</u>	<u>\$ 67,937</u>	<u>\$ 1,384</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances					

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, 2014
(Continued)

	Capital Projects			Other Governmental Funds	Total Governmental Funds
	Street Improvement	Development Fund	Shady Oak Rd Oak Drive Project		
ASSETS:					
Cash and Investments (Including Cash Equivalents)	\$ 4,970,854	\$ 2,188,174	\$ 1,562,659	\$ 14,073,233	\$ 68,663,041
Accounts Receivable	-	3,807	-	1,711,868	1,740,922
Loans Receivable	-	-	-	125,164	125,164
Interest Receivable	7,108	5,603	1,479	34,937	177,878
Property Taxes Receivable:					
Unremitted	-	-	-	8,463	8,463
Delinquent	-	-	-	410	41,007
Special Assessments Receivable:					
Unremitted	-	749	-	-	1,642
Current	-	35,345	-	-	237,184
Delinquent	-	2,846	-	-	6,971
Noncurrent	-	432,376	-	-	2,106,278
Due from Other Governments	-	-	-	24,229	75,932
Due from Other Funds	-	360,895	-	-	360,895
Advances to Other Funds	-	-	-	-	567,000
Prepays	-	-	-	-	26,847
Inventories	-	-	-	-	77,919
	<u>\$ 4,977,962</u>	<u>\$ 3,029,795</u>	<u>\$ 1,564,138</u>	<u>\$ 15,978,304</u>	<u>\$ 74,217,143</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Salaries and Wages Payable	\$ -	\$ -	\$ -	\$ 4,973	\$ 750,211
Accounts and Contracts Payable	958,723	8,534	1,993,517	139,706	5,772,618
Unearned Revenues	-	-	-	-	424,002
Due to Other Funds	-	-	-	360,895	360,895
Total Liabilities	<u>958,723</u>	<u>8,534</u>	<u>1,993,517</u>	<u>505,574</u>	<u>7,307,726</u>
Deferred Inflows of Resources					
Unavailable Revenue - Taxes	-	-	-	410	41,007
Unavailable Revenue - Special Assessments	-	470,566	-	-	2,350,432
Total Deferred Inflows of Resources	<u>-</u>	<u>470,566</u>	<u>-</u>	<u>410</u>	<u>2,391,439</u>
Fund Balances:					
Nonspendable	-	-	-	125,164	229,930
Restricted	-	-	-	5,937,290	5,937,290
Committed	-	2,550,695	-	9,410,084	13,010,779
Assigned	4,019,239	-	-	-	44,148,673
Unassigned	-	-	(429,379)	(218)	1,191,306
Total Fund Balances	<u>4,019,239</u>	<u>2,550,695</u>	<u>(429,379)</u>	<u>15,472,320</u>	<u>64,517,978</u>
	<u>\$ 4,977,962</u>	<u>\$ 3,029,795</u>	<u>\$ 1,564,138</u>	<u>\$ 15,978,304</u>	<u>\$ 74,217,143</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances					

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



CITY OF MINNETONKA
Hennepin County, Minnesota

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS**
December 31, 2014

Total Fund Balances - Governmental Funds	\$ 64,517,978
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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	168,615,568
Less Accumulated Depreciation	(66,231,873)

Long-term investments in joint ventures are not available financial resources and, therefore, are not reported as assets in governmental funds.

348,572

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	(7,020,000)
Unamortized Bond Discount/(Premium)	(142,372)
Compensated Absences and Severance Payable	(2,687,720)
Other Postemployment Benefits Payable	(1,204,597)

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

2,391,439

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

(77,575)

Governmental funds do not report the net pension asset.

812,807

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).

1,796,550

Total Net Position - Governmental Activities

\$ 161,118,777

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, 2014**

	Capital Projects				
	General	Community Investment	Special Assessment Construction	State Municipal Aid	169/Bren Rd Interchange Project Fund
REVENUES:					
Taxes:					
Property	\$ 21,332,619	\$ -	\$ -	\$ -	\$ -
Franchise	-	-	-	-	-
Tax Increments	-	-	-	-	-
Special Assessments	-	-	467,539	-	-
Licenses and Permits	3,507,177	-	-	-	-
Intergovernmental	923,281	-	-	5,178,823	-
Charges for Services	1,591,070	-	19,146	-	-
Fines and Forfeitures	467,622	-	-	-	-
Miscellaneous	934,108	232,086	104,245	(7,773)	(2,425)
Total Revenues	<u>28,755,877</u>	<u>232,086</u>	<u>590,930</u>	<u>5,171,050</u>	<u>(2,425)</u>
EXPENDITURES:					
Current:					
General Government	3,642,092	-	-	-	-
Development Services	3,046,278	-	74,532	-	-
Public Works	4,440,704	-	-	-	-
Public Safety	12,670,789	-	-	-	-
Park and Recreation	5,305,820	-	-	-	-
Debt Service	-	-	-	-	-
Capital Outlay:					
General Government	-	-	-	-	-
Development Services	-	-	-	-	-
Public Works	-	-	-	4,436,144	185,722
Public Safety	-	-	-	-	-
Park and Recreation	21,703	-	-	-	-
Total Expenditures	<u>29,127,386</u>	<u>-</u>	<u>74,532</u>	<u>4,436,144</u>	<u>185,722</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(371,509)</u>	<u>232,086</u>	<u>516,398</u>	<u>734,906</u>	<u>(188,147)</u>
OTHER FINANCING SOURCES (USES):					
Transfers In	1,391,900	63,000	-	238,852	166,862
Transfers Out	(1,047,588)	-	(1,903,359)	(22,731)	-
Total Other Financing Sources (Uses)	<u>344,312</u>	<u>63,000</u>	<u>(1,903,359)</u>	<u>216,121</u>	<u>166,862</u>
Net Change in Fund Balances	(27,197)	295,086	(1,386,961)	951,027	(21,285)
FUND BALANCES:					
Beginning of Year, as Previously Reported	17,519,338	20,465,000	8,161,909	(3,073,099)	21,285
Prior Period Adjustment (See Note 6)	-	-	-	-	-
Beginning of Year	<u>17,519,338</u>	<u>20,465,000</u>	<u>8,161,909</u>	<u>(3,073,099)</u>	<u>21,285</u>
End of Year	<u>\$ 17,492,141</u>	<u>\$ 20,760,086</u>	<u>\$ 6,774,948</u>	<u>\$ (2,122,072)</u>	<u>\$ -</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, 2014
(Continued)

	Capital Projects			Other Governmental Funds	Total Governmental Funds
	Street Improvement	Development Fund	Shady Oak Rd Oak Drive Project		
REVENUES:					
Taxes:					
Property	\$ 6,000,000	\$ 200,000	\$ -	\$ 3,773,352	\$ 31,305,971
Franchise	-	-	-	1,715,787	1,715,787
Tax Increments	-	-	-	2,362,579	2,362,579
Special Assessments	-	57,745	-	-	525,284
Licenses and Permits	34,285	-	-	-	3,541,462
Intergovernmental	1,606,099	17,948	-	638,482	8,364,633
Charges for Services	6,250	21,370	-	-	1,637,836
Fines and Forfeitures	-	-	-	148,532	616,154
Miscellaneous	55,457	306,733	(4,798)	1,656,167	3,273,800
Total Revenues	<u>7,702,091</u>	<u>603,796</u>	<u>(4,798)</u>	<u>10,294,899</u>	<u>53,343,506</u>
EXPENDITURES:					
Current:					
General Government	-	-	-	466,278	4,108,370
Development Services	-	224,812	-	1,389,593	4,735,215
Public Works	1,020,127	-	-	-	5,460,831
Public Safety	-	-	-	221,015	12,891,804
Park and Recreation	-	-	-	-	5,305,820
Debt Service	-	-	-	1,189,107	1,189,107
Capital Outlay:					
General Government	-	-	-	1,623,900	1,623,900
Development Services	-	-	-	518,434	518,434
Public Works	5,790,200	-	2,024,581	38,000	12,474,647
Public Safety	-	-	-	2,118,841	2,118,841
Park and Recreation	-	-	-	267,066	288,769
Total Expenditures	<u>6,810,327</u>	<u>224,812</u>	<u>2,024,581</u>	<u>7,832,234</u>	<u>50,715,738</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>891,764</u>	<u>378,984</u>	<u>(2,029,379)</u>	<u>2,462,665</u>	<u>2,627,768</u>
OTHER FINANCING SOURCES (USES):					
Transfers In	22,731	360,895	1,600,000	884,588	4,728,828
Transfers Out	(238,852)	(58,200)	-	(390,895)	(3,661,625)
Total Other Financing Sources (Uses)	<u>(216,121)</u>	<u>302,695</u>	<u>1,600,000</u>	<u>493,693</u>	<u>1,067,203</u>
Net Change in Fund Balances	675,643	681,679	(429,379)	2,956,358	3,694,971
FUND BALANCES:					
Beginning of Year, as Previously Reported	3,343,596	1,869,016	-	12,774,420	61,081,465
Prior Period Adjustment (See Note 6)	-	-	-	(258,458)	(258,458)
Beginning of Year	<u>3,343,596</u>	<u>1,869,016</u>	<u>-</u>	<u>12,515,962</u>	<u>60,823,007</u>
End of Year	<u>\$ 4,019,239</u>	<u>\$ 2,550,695</u>	<u>\$ (429,379)</u>	<u>\$ 15,472,320</u>	<u>\$ 64,517,978</u>

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 TO
THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ 3,694,971

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	6,546,831
Depreciation Expense	(4,362,596)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (391,912)

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. 998,369

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	(107,452)
Changes in Other Postemployment Benefits Payable	(138,274)
Changes in Accrued Interest Payable	9,299

Investment in Joint Venture activity is not recognized in the Governmental Funds but recognized as the expense/revenue is incurred in the Statement of Activities. (348,571)

Net pension obligation activity is not recognized in the Governmental Funds but recognized as the expense/revenue is incurred in the Statement of Activities. 317,381

Internal Service Funds are used by management to charge the costs of providing insurance for the City (See Note 2.B). 469,235

Change in Net Position of Governmental Activities \$ 6,687,281

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		(Negative)
REVENUES:				
Property Taxes	\$ 22,103,849	\$ 21,672,349	\$ 21,332,619	\$ (339,730)
Licenses and Permits	2,640,000	3,664,400	3,507,177	(157,223)
Intergovernmental Revenues	852,300	879,800	923,281	43,481
Charges for Services	1,633,500	1,671,400	1,591,070	(80,330)
Fines and Forfeitures	550,000	450,000	467,622	17,622
Other Revenues	726,151	723,851	934,108	210,257
Total Revenues	28,505,800	29,061,800	28,755,877	(305,923)
EXPENDITURES:				
General Government	3,905,400	3,906,100	3,642,092	264,008
Development Services	3,061,500	3,050,700	3,046,278	4,422
Public Works	4,269,000	4,279,000	4,440,704	(161,704)
Public Safety	13,018,100	13,128,300	12,670,789	457,511
Park and Recreation	5,580,700	5,598,700	5,305,820	292,880
Capital Outlay:				
Park and Recreation	-	-	21,703	(21,703)
Total Expenditures	29,834,700	29,962,800	29,127,386	835,414
Excess of Revenues Over (Under)				
Expenditures	(1,328,900)	(901,000)	(371,509)	529,491
OTHER FINANCING SOURCES (USES):				
Transfers In	1,391,900	1,391,900	1,391,900	-
Transfers Out	(838,000)	(1,038,000)	(1,047,588)	(9,588)
Total Other Financing Sources (Uses)	553,900	353,900	344,312	(9,588)
Net Change in Fund Balance	(775,000)	(547,100)	(27,197)	519,903
FUND BALANCES:				
Beginning of Year	16,399,571	16,399,771	17,519,338	-
End of Year	\$ 15,624,571	\$ 15,852,671	\$ 17,492,141	\$ 519,903

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



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
Hennepin County, Minnesota

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
December 31, 2014

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:								
Current Assets:								
Cash and Investments	\$ 7,768,761	\$ -	\$ 722,301	\$ 883,698	\$ 431,078	\$ 2,558,131	\$ 12,363,969	\$ 1,720,333
Accounts Receivable	1,662,636	19,652	77,646	47,680	-	348,430	2,156,044	-
Interest Receivable	24,464	-	2,229	1,454	1,168	9,142	38,457	4,686
Special Assessments Receivable	288,444	-	-	-	-	-	288,444	-
Due from Other Funds	383,051	-	-	-	-	-	383,051	-
Due from Other Governments	-	-	-	-	-	-	-	8,584
Prepaid Items	-	-	-	-	-	-	-	99,131
Inventories	28,238	150	-	-	-	-	28,388	83,891
Total Current Assets	10,155,594	19,802	802,176	932,832	432,246	2,915,703	15,258,353	1,916,625
Noncurrent Assets:								
Capital Assets:								
Land - Nondepreciable	247,650	-	-	484,381	-	454,453	1,186,484	-
Construction in Progress - Nondepreciable	-	-	-	129,319	-	-	129,319	-
Buildings and Structures	6,675,368	6,143,148	-	7,434,912	-	352,240	20,605,668	-
Water Facilities	4,700,591	-	-	-	-	-	4,700,591	-
Water Mains and Lines	129,719,640	-	-	-	-	-	129,719,640	-
Sewer Lift Stations	3,146,681	-	-	-	-	-	3,146,681	-
Storm Drainage System	-	-	-	-	-	38,501,205	38,501,205	-
Improvements Other than Buildings	1,746,333	30,000	-	224,464	740,000	-	2,740,797	-
Machinery and Equipment	5,095,390	533,605	-	182,226	13,334	794,186	6,618,741	-
Total Cost	151,331,653	6,706,753	-	8,455,302	753,334	40,102,084	207,349,126	-
Less Accumulated Depreciation	(87,347,508)	(5,408,450)	-	(3,200,683)	(333,999)	(15,638,180)	(111,928,820)	-
Net Capital Assets	63,984,145	1,298,303	-	5,254,619	419,335	24,463,904	95,420,306	-
Total Noncurrent Assets	63,984,145	1,298,303	-	5,254,619	419,335	24,463,904	95,420,306	-
Total Assets	\$ 74,139,739	\$ 1,318,105	\$ 802,176	\$ 6,187,451	\$ 851,581	\$ 27,379,607	\$ 110,678,659	\$ 1,916,625

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, 2014
(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 AND NET POSITION:								
Liabilities:								
Current Liabilities:								
Salaries and Wages Payable	\$ 52,193	\$ 16,746	\$ 1,721	\$ 37,947	\$ 630	\$ 2,178	\$ 111,415	\$ 14,888
Accounts Payable	275,200	8,846	8,002	32,588	132	15,940	340,708	80,547
Incurred but Not Reported Claims	-	-	-	-	-	-	-	12,660
Accrued Interest Payable	38,250	-	-	-	-	-	38,250	-
Due to Other Funds	-	383,051	-	-	-	-	383,051	-
Unearned Revenue	-	10,825	-	15,116	52,750	-	78,691	-
Current Portion of Compensated Absences	74,046	24,456	3,785	33,692	-	-	135,979	18,034
Bonds Payable	1,010,000	-	-	-	-	-	1,010,000	-
Total Current Liabilities	1,449,689	443,924	13,508	119,343	53,512	18,118	2,098,094	126,129
Long-Term Liabilities:								
Compensated Absences	122,559	50,387	16,335	27,506	-	-	216,787	60,499
Advances from Other Funds	-	-	-	567,000	-	-	567,000	-
Unfunded OPEB Obligation	81,158	20,625	8,358	32,360	1,011	3,677	147,189	24,834
Revenue Bonds Payable, Net	2,263,923	-	-	-	-	-	2,263,923	-
Total Noncurrent Liabilities	2,467,640	71,012	24,693	626,866	1,011	3,677	3,194,899	85,333
Total Liabilities	3,917,329	514,936	38,201	746,209	54,523	21,795	5,292,993	211,462
Net Position:								
Net Investment in Capital Assets	60,710,222	1,298,303	-	5,254,619	419,335	24,463,904	92,146,383	-
Unrestricted	9,512,188	(495,134)	763,975	186,623	377,723	2,893,908	13,239,283	1,705,163
Total Net Position	70,222,410	803,169	763,975	5,441,242	797,058	27,357,812	105,385,666	1,705,163
Total Liabilities and Net Position	\$ 74,139,739	\$ 1,318,105	\$ 802,176	\$ 6,187,451	\$ 851,581	\$ 27,379,607		\$ 1,916,625
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds (See Note 2.C)							(91,387)	
Total Business-Type Activities Net Position							\$ 105,294,279	

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, 2014

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
OPERATING REVENUES:				
Water Sales and Sewer Charges	\$ 10,534,391	\$ -	\$ -	\$ -
Storm Water Charges	-	-	-	-
Ice Rental Charges	-	611,597	-	-
Memberships and Fees	-	-	-	2,417,411
Recycling Charges	-	-	697,174	-
Charges to City Departments	-	-	-	-
Other Revenue	943,466	311,544	48,029	75,319
Total Operating Revenues	<u>11,477,857</u>	<u>923,141</u>	<u>745,203</u>	<u>2,492,730</u>
OPERATING EXPENSES:				
Personal Services	1,578,832	534,436	76,301	1,238,298
Supplies, Repairs and Maintenance	781,296	65,764	3,041	166,845
Other Services and Charges	7,479,786	338,871	631,877	472,354
Total Operating Expenses	<u>9,839,914</u>	<u>939,071</u>	<u>711,219</u>	<u>1,877,497</u>
Operating Income (Loss) before Depreciation	1,637,943	(15,930)	33,984	615,233
Depreciation Expense	<u>3,540,726</u>	<u>297,426</u>	<u>-</u>	<u>283,274</u>
Operating Income (Loss)	<u>(1,902,783)</u>	<u>(313,356)</u>	<u>33,984</u>	<u>331,959</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	120,615	(6,707)	9,642	5,266
Intergovernmental	35,757	-	135,629	-
Interest Expense	(64,274)	-	-	-
Total Nonoperating Revenues (Expenses)	<u>92,098</u>	<u>(6,707)</u>	<u>145,271</u>	<u>5,266</u>
Income (Loss) before Contributions and Transfers	(1,810,685)	(320,063)	179,255	337,225
Capital Contributions	17,000	-	-	-
Transfers In	-	200,000	-	-
Transfers Out	(1,131,100)	(61,800)	(183,200)	(82,500)
Changes in Net Position	<u>(2,924,785)</u>	<u>(181,863)</u>	<u>(3,945)</u>	<u>254,725</u>
NET POSITION:				
Net Position - Beginning	<u>73,147,195</u>	<u>985,032</u>	<u>767,920</u>	<u>5,186,517</u>
Net Position - Ending	<u>\$ 70,222,410</u>	<u>\$ 803,169</u>	<u>\$ 763,975</u>	<u>\$ 5,441,242</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, 2014
(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	\$ -	\$ -	\$ 10,534,391	\$ -
Storm Water Charges	-	2,297,298	2,297,298	-
Ice Rental Charges	-	-	611,597	-
Memberships and Fees	111,650	-	2,529,061	-
Recycling Charges	-	-	697,174	-
Charges to City Departments	-	-	-	2,240,005
Other Revenue	106,169	-	1,484,527	135,815
Total Operating Revenues	<u>217,819</u>	<u>2,297,298</u>	<u>18,154,048</u>	<u>2,375,820</u>
OPERATING EXPENSES:				
Personal Services	42,174	61,673	3,531,714	402,182
Supplies, Repairs and Maintenance	82,263	149,293	1,248,502	962,101
Other Services and Charges	31,943	367,661	9,322,492	976,476
Total Operating Expenses	<u>156,380</u>	<u>578,627</u>	<u>14,102,708</u>	<u>2,340,759</u>
Operating Income (Loss) before Depreciation	61,439	1,718,671	4,051,340	35,061
Depreciation Expense	<u>24,651</u>	<u>839,852</u>	<u>4,985,929</u>	<u>-</u>
Operating Income (Loss)	<u>36,788</u>	<u>878,819</u>	<u>(934,589)</u>	<u>35,061</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	4,720	31,358	164,894	13,969
Intergovernmental	-	64,600	235,986	-
Interest Expense	-	-	(64,274)	-
Total Nonoperating Revenues (Expenses)	<u>4,720</u>	<u>95,958</u>	<u>336,606</u>	<u>13,969</u>
Income (Loss) before Contributions and Transfers	41,508	974,777	(597,983)	49,030
Capital Contributions	-	25,000	42,000	-
Transfers In	-	-	200,000	380,000
Transfers Out	<u>(24,900)</u>	<u>(163,700)</u>	<u>(1,647,200)</u>	<u>-</u>
Changes in Net Position	<u>16,608</u>	<u>836,077</u>	<u>(2,003,183)</u>	<u>429,030</u>
NET POSITION:				
Net Position - Beginning	<u>780,450</u>	<u>26,521,735</u>	<u>-</u>	<u>1,276,133</u>
Net Position - Ending	<u>\$ 797,058</u>	<u>\$ 27,357,812</u>	<u>-</u>	<u>\$ 1,705,163</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities to Enterprise Funds (See Note 2.D.)			<u>(40,205)</u>	
Change in Net Position - Business-Type Activities			<u>\$ (2,043,388)</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, 2014

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
CASH FLOWS - OPERATING ACTIVITIES:				
Receipts from Customers and Users	\$ 10,542,535	\$ 582,105	\$ 666,753	\$ 2,439,112
Receipts from Interfund Services Provided	-	-	-	-
Other Revenues	943,466	311,544	48,029	75,319
Payments to Suppliers	(8,355,877)	(421,353)	(677,969)	(648,964)
Payments to Employees	(1,558,261)	(525,889)	(73,933)	(1,224,248)
Payments of Benefits on Behalf of Employees	-	-	-	-
Net Cash Flows - Operating Activities	<u>1,571,863</u>	<u>(53,593)</u>	<u>(37,120)</u>	<u>641,219</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental	35,757	2,625	135,629	-
Due to/from Other Funds	80,526	(80,526)	-	-
Transfers to Other Funds	(1,131,100)	(61,800)	(183,200)	(82,500)
Transfers from Other Funds	-	200,000	-	-
Net Cash Flows - Noncapital Financing Activities	<u>(1,014,817)</u>	<u>60,299</u>	<u>(47,571)</u>	<u>(82,500)</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(1,824,235)	-	-	(276,466)
Advances from Other Funds	-	-	-	(94,500)
Principal Paid on Capital Debt	(945,000)	-	-	-
Interest and Fiscal Charges Paid on Capital Debt	(109,213)	-	-	-
Net Cash Flows - Capital and Related Financing Activities	<u>(2,878,448)</u>	<u>-</u>	<u>-</u>	<u>(370,966)</u>
CASH FLOWS - INVESTING ACTIVITIES:				
Purchase of Investments	14,431,394	-	1,222,395	1,285,051
Sale of Investments	(12,668,754)	-	(1,162,990)	(1,421,409)
Interest and Dividends Received	56,493	(6,706)	4,992	1,713
Net Cash Flows - Investing Activities	<u>1,819,133</u>	<u>(6,706)</u>	<u>64,397</u>	<u>(134,645)</u>
Net Change in Cash and Cash Equivalents	(502,269)	-	(20,294)	53,108
Cash and Cash Equivalents, January 1	<u>2,732,655</u>	<u>-</u>	<u>218,609</u>	<u>189,274</u>
Cash and Cash Equivalents, December 31	<u>\$ 2,230,386</u>	<u>\$ -</u>	<u>\$ 198,315</u>	<u>\$ 242,382</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, 2014
(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	\$ 105,900	\$ 2,285,121	\$ 16,621,526	\$ -
Receipts from Interfund Services Provided	-	-	-	2,252,169
Other Revenues	106,169	-	1,484,527	135,815
Payments to Suppliers	(114,696)	(513,409)	(10,732,268)	(1,448,243)
Payments to Employees	(42,008)	(60,925)	(3,485,264)	(394,696)
Payments of Benefits on Behalf of Employees	-	-	-	(451,868)
Net Cash Flows - Operating Activities	<u>55,365</u>	<u>1,710,787</u>	<u>3,888,521</u>	<u>93,177</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental	-	64,600	238,611	-
Due to/from Other Funds	-	-	-	-
Transfers to Other Funds	(24,900)	(163,700)	(1,647,200)	-
Transfers from Other Funds	-	-	200,000	380,000
Net Cash Flows - Noncapital Financing Activities	<u>(24,900)</u>	<u>(99,100)</u>	<u>(1,208,589)</u>	<u>380,000</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	-	(1,339,639)	(3,440,340)	-
Advances from Other Funds	-	-	(94,500)	-
Principal Paid on Capital Debt	-	-	(945,000)	-
Interest and Fiscal Charges Paid on Capital Debt	-	-	(109,213)	-
Net Cash Flows - Capital and Related Financing Activities	<u>-</u>	<u>(1,339,639)</u>	<u>(4,589,053)</u>	<u>-</u>
CASH FLOWS - INVESTING ACTIVITIES:				
Purchase of Investments	670,884	3,937,518	21,547,242	2,421,947
Sale of Investments	(694,086)	(4,118,893)	(20,066,132)	(2,769,941)
Interest and Dividends Received	2,495	17,841	76,828	8,608
Net Cash Flows - Investing Activities	<u>(20,707)</u>	<u>(163,534)</u>	<u>1,557,938</u>	<u>(339,386)</u>
Net Change in Cash and Cash Equivalents	9,758	108,514	(351,183)	133,791
Cash and Cash Equivalents, January 1	<u>108,599</u>	<u>618,848</u>	<u>3,867,985</u>	<u>338,545</u>
Cash and Cash Equivalents, December 31	<u>\$ 118,357</u>	<u>\$ 727,362</u>	<u>\$ 3,516,802</u>	<u>\$ 472,336</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, 2014
(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)	\$ (1,902,783)	\$ (313,356)	\$ 33,984	\$ 331,959
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities				
Depreciation Expense	3,540,727	297,426	-	283,274
Accounts Receivable	10,644	(6,577)	(30,421)	11,646
Prepaid Items	-	-	-	-
Due from Other Governments	-	-	-	-
Special Assessments Receivable	(2,500)	-	-	-
Inventories	41,648	-	-	-
Accounts Payable	(136,444)	(16,718)	(43,051)	(9,765)
Salaries and Wages Payable	(599)	2,437	225	4,120
Compensated Absences Payable	11,206	3,874	1,737	5,638
Unfunded OPEB Obligation	9,964	2,236	406	4,292
Unearned Revenue	-	(22,915)	-	10,055
Total Adjustments	<u>3,474,646</u>	<u>259,763</u>	<u>(71,104)</u>	<u>309,260</u>
Net Cash Flows - Operating Activities	<u>\$ 1,571,863</u>	<u>\$ (53,593)</u>	<u>\$ (37,120)</u>	<u>\$ 641,219</u>
NONCASH INVESTING, CAPITAL, AND FINANCING				
ACTIVITIES				
Increase (Decline) in Fair Value of Investments	\$ 66,445	\$ (2,871)	\$ 4,675	\$ 2,998
Capital Contributions	17,000	-	-	-
Total Noncash Transactions	<u>\$ 83,445</u>	<u>\$ (2,871)</u>	<u>\$ 4,675</u>	<u>\$ 2,998</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
TO THE STATEMENT OF NET POSITION				
Cash and Investments	\$ 7,768,761	\$ -	\$ 722,301	\$ 883,698
Less: Investments not Meeting the Definition of Cash Equivalents	<u>(5,538,375)</u>	<u>-</u>	<u>(523,986)</u>	<u>(641,316)</u>
Total Cash and Cash Equivalents	<u>\$ 2,230,386</u>	<u>\$ -</u>	<u>\$ 198,315</u>	<u>\$ 242,382</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, 2014
(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)	\$ 36,788	\$ 878,819	\$ (934,589)	\$ 35,061
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities				
Depreciation Expense	24,651	839,852	4,985,930	-
Accounts Receivable	-	(12,177)	(26,885)	-
Prepaid Items	-	-	-	85,005
Due from Other Governments	-	-	-	12,163
Special Assessments Receivable	-	-	(2,500)	-
Inventories	-	-	41,648	(7,174)
Accounts Payable	(490)	3,545	(202,923)	(39,364)
Salaries and Wages Payable	20	282	6,485	1,882
Compensated Absences Payable	-	-	22,455	2,973
Unfunded OPEB Obligation	146	466	17,510	2,631
Unearned Revenue	(5,750)	-	(18,610)	-
Total Adjustments	18,577	831,968	4,823,110	58,116
Net Cash Flows - Operating Activities	<u>\$ 55,365</u>	<u>\$ 1,710,787</u>	<u>\$ 3,888,521</u>	<u>\$ 93,177</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decline) in Fair Value of Investments	\$ 2,028	\$ 11,140	84,415	\$ 4,785
Capital Contributions	-	25,000	42,000	-
Total Noncash Transactions	<u>\$ 2,028</u>	<u>\$ 36,140</u>	<u>\$ 84,415</u>	<u>\$ 4,785</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and Investments	\$ 431,078	\$ 2,558,131	\$ 12,363,969	\$ 1,720,333
Less: Investments not Meeting the Definition of Cash Equivalents	(312,721)	(1,830,769)	(8,847,167)	(1,247,997)
Total Cash and Cash Equivalents	<u>\$ 118,357</u>	<u>\$ 727,362</u>	<u>\$ 3,516,802</u>	<u>\$ 472,336</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, 2014

	Private-Purpose Trust	Agency
ASSETS:		
Cash and Investments	\$ 259,338	\$ 1,387,655
Interest Receivable	750	-
	260,088	\$ 1,387,655
Total Assets		\$ 1,387,655
LIABILITIES:		
Accounts Payable	-	\$ 1,387,655
	-	\$ 1,387,655
Total Liabilities		\$ 1,387,655
NET POSITION:		
Net Position, Held in Trust for Other Purposes	\$ 260,088	

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, 2014

ADDITIONS:	
Contributions from Participants	\$ 14,137
Investment Earnings	
Interest	<u>3,254</u>
Total Additions	17,391
DEDUCTIONS:	
Benefits	<u>25,027</u>
Change in Net Position	(7,636)
Net Position - January 1	<u>267,724</u>
Net Position - December 31	<u><u>\$ 260,088</u></u>

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



**NOTES TO BASIC
FINANCIAL STATEMENTS**

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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

1. 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, 2014

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 2014, the City contributed approximately \$29,200 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 2014, the City paid \$1,057,644 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 2014 was approximately \$1,928,000 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 2014 was \$117,136, 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, 2014

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. The facility is 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. 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 2014 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. 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, 2014

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, 2014

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.

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

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

Development Fund – This Fund accounts for the revenues and expenditures related to housing, redevelopment, and economic development project areas.

Shady Oak Road / Oak Drive Project – This Fund accounts for the purchase and improvements to land associated with the Shady Oak Road reconstruction project.

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, 2014

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 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, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred 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 not allowing the City to invest in securities maturing more than ten years from the date of purchase unless directly matched to a specific cash flow.

No more than 50% of the dollar value of the City's investments will mature more than two years from the date of purchase, excluding investable funds from the Community Investment Fund. 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 external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

All 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, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred 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, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred 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 estimated fair market 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. 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.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. 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.

8. Deferred Inflows of Resources

The City's governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position of fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis accounting. The City does not have deferred inflows of resources to report in its proprietary fund financial statements in the current year.

9. 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.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Balance Classifications (Continued)

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, 2014

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 \$1,796,550 difference are as follows:

Net Position of the Internal Service Fund	\$ 1,705,163
Add: Net Position Attributed to the Business-Type Activities	<u>91,387</u>
Net Adjustment to Increase <i>Fund Balance - Total Governmental Funds</i> to Arrive at <i>Net Position - Governmental Activities</i>	<u><u>\$ 1,796,550</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 \$998,369 difference are as follows:

Principal Repayments:	
General Obligation Debt	\$ 970,000
Amortization of Bond Discounts and Premiums:	
General Obligation Debt - Net	<u>28,369</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>\$ 998,369</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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 \$469,235 difference are as follows:

Change in Net Position of the Internal Service Fund	\$ 429,030
Add: Loss from Charges to Business-Type Activities	<u>40,205</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>\$ 469,235</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 \$91,387 are as follows:

Internal Payable Representing Charges in Excess of Costs to Business-Type Activities - Prior Year	\$ (51,182)
Internal Payable Representing Costs in Excess of Charges to Business-Type Activities - Current Year	<u>(40,205)</u>
Net Adjustment to Decrease <i>Net Position - Total Enterprise Funds</i> to Arrive at <i>Net Position - Business-Type Activities</i>	<u><u>\$ (91,387)</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 \$40,205 are as follows:

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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)

Loss from Charges to Business-Type Activities	<u>\$ (40,205)</u>
Net Adjustment to Decrease <i>Net Change in Net Position - Total Enterprise Funds</i> to Arrive at <i>Changes in Net Position of Business-Type Activities</i>	<u>\$ (40,205)</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, 2014

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, 2014, expenditures exceeded appropriations in the following funds:

Community Development Block Grant Fund	\$ 67,723
Grants Fund	85,467
Shady Oak Lane Cemetary	1,201

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

C. Deficit Fund Equity

The State Municipal Aid Capital Projects Fund had a deficit fund balance of \$2,122,072 as of December 31, 2014. This fund incurred expenditures in excess of revenues and other financing sources due to the reconstruction of County State-Aid Road 61 (Shady Oak Road), which is a joint project with Hennepin County. Future years Municipal State-Aid allocations are scheduled to cover the deficit fund balance.

The Shady Oak Road / Oak Drive Project Fund had a deficit fund balance of \$429,379 as of December 31, 2014. This fund incurred expenditures in excess of revenues and other financing sources due to the purchase of land associated with the Shady Oak Road reconstruction project with Hennepin County. Future years Hennepin County cost participation reimbursements and Municipal State-Aid allocations are scheduled to cover the deficit fund balance.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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, 2014, 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, 2014, the City had deposits as follows:

Checking	\$ 601,949
Savings	1,746,363
Certificates of Deposit	<u>1,500,000</u>
Total Deposits	<u><u>\$ 3,848,312</u></u>

B. Investments

As of December 31, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>			<u>Ratings</u>
	<u>Fair Value</u>	<u>2 Years or Less</u>	<u>2-10</u>	
FHLB	\$ 18,367,237	\$ 1,051,900	\$ 17,315,337	AAA
FHLMC	7,077,507	1,097,586	5,979,921	AAA
FNMA	21,447,929	1,012,660	20,435,269	AAA
FAMC	897,479	897,479	-	AAA
FICO Strips	3,181,470	-	3,181,470	N/A
Broker CD's	6,598,369	6,352,994	245,375	Not Rated
4-M	22,890,778	22,890,778	-	Not Rated
Money Market	<u>66,955</u>	<u>66,955</u>	<u>-</u>	Not Rated
	<u><u>\$ 80,527,724</u></u>	<u><u>\$ 33,370,352</u></u>	<u><u>\$ 47,157,372</u></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. No more than 50% of its portfolio, excluding investable funds from the Community Investment Fund, may mature at more than two years from the date of purchase. The \$47,157,372 of investments with maturities from 2 to 10 years includes \$20,135,321 of investable funds from the Community Investment Fund.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk (Continued): The remaining amount of \$27,022,051 equates to 45% of total investments and is within the City’s investment policy limit of no more than 50% of total investments maturing over 2 years from the date of purchase. 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 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 2a7-like pool and the fair value of the position in the pool is the same as the value of the pool shares. The City also invests in brokered CD’s and money market which are both unrated. As of December 31, 2014, the City’s investments are rated in the above table.

Concentration of Credit Risk: The risk of loss attributed to the magnitude of the City’s investments in a single issuer. The City places no limit on the amount that may be invested in any one issuer. As of December 31, 2014, more than 5 percent of the City’s investments are in FHLMC, FHLB and FNMA. These investments are 9%, 23% and 27%, respectively, of the City’s total 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, 2014. 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, 2014:

Petty Cash	\$ 18,300
Deposits	3,848,312
Investments	<u>80,527,724</u>
Total	<u><u>\$ 84,394,336</u></u>

Cash, deposits and investments are presented in the December 31, 2014 basic financial statements as follows:

Statement of Net Position:

Cash and Investments (Including Cash Equivalents) \$ 82,747,343

Statement of Fiduciary Net Position:

Cash and Investments (Including Cash Equivalents)	
Private-Purpose Trust Funds	259,338
Agency Funds	<u>1,387,655</u>
Total Deposits and Investments	<u><u>\$ 84,394,336</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

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

	Balance January 1, 2014	Additions	Retirements	Balance December 31, 2014
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 16,464,855	\$ 2,356,524	\$ -	\$ 18,821,379
Work in Progress	5,421,353	2,594,150	(2,260,462)	5,755,041
Total Capital Assets, Not Being Depreciated	21,886,208	4,950,674	(2,260,462)	24,576,420
Capital Assets, Being Depreciated:				
Buildings and Structures	20,497,195	133,600	-	20,630,795
Improvements Other Than Buildings	8,038,366	-	-	8,038,366
Furniture and Equipment	3,063,424	79,121	(24,596)	3,117,949
Machinery and Auto	7,780,387	928,703	(678,798)	8,030,292
Infrastructure:				
Streets	87,070,526	574,808	-	87,645,334
Park Additions	14,449,549	2,126,863	-	16,576,412
Total Capital Assets, Being Depreciated	140,899,447	3,843,095	(703,394)	144,039,148
Less Accumulated Depreciation for				
Buildings and Structures	(13,780,724)	(571,540)	-	(14,352,264)
Improvements Other Than Buildings	(5,662,733)	(145,874)	-	(5,808,607)
Furniture and Equipment	(1,317,900)	(253,677)	9,029	(1,562,548)
Machinery and Auto	(3,835,641)	(791,062)	707,889	(3,918,814)
Infrastructure:				
Streets	(34,736,887)	(2,221,000)	-	(36,957,887)
Park Additions	(3,252,310)	(379,443)	-	(3,631,753)
Total Accumulated Depreciation	(62,586,195)	(4,362,596)	716,918	(66,231,873)
Total Capital Assets, Being Depreciated, Net	78,313,252	(519,501)	13,524	77,807,275
Governmental Activities Capital Assets, Net	<u>\$ 100,199,460</u>	<u>\$ 4,431,173</u>	<u>\$ (2,246,938)</u>	<u>\$ 102,383,695</u>

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

General Government	\$ 352,000
Developer Services	16,838
Public Works	2,680,591
Public Safety	659,849
Parks and Recreation	653,318
Total Depreciation Expense	<u>\$ 4,362,596</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

	Balance January 1, 2014	Additions	Retirements	Balance December 31, 2014
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,050,103	\$ 136,381	\$ -	\$ 1,186,484
Construction in Progress	243,002	161,665	(275,348)	129,319
Total Capital Assets, Not Being Depreciated	1,293,105	298,046	(275,348)	1,315,803
Capital Assets, Being Depreciated:				
Buildings and Structures	20,594,901	10,766	-	20,605,667
Improvements Other Than Buildings	2,465,447	275,350	-	2,740,797
Water Facilities	4,700,591	-	-	4,700,591
Machinery and Equipment	6,152,103	466,638	-	6,618,741
Sewer Lift Stations	3,013,697	132,985	-	3,146,682
Distribution System	128,245,737	1,473,903	-	129,719,640
Storm Sewers	37,401,205	1,100,000	-	38,501,205
Total Capital Assets, Being Depreciated	202,573,681	3,459,642	-	206,033,323
Less Accumulated Depreciation for				
Buildings and Structures	(9,804,492)	(719,709)	-	(10,524,201)
Improvements Other Than Buildings	(874,712)	(206,323)	-	(1,081,035)
Water Facilities	(3,367,546)	(69,629)	-	(3,437,175)
Machinery and Equipment	(4,735,434)	(251,647)	-	(4,987,081)
Sewer Lift Stations	(2,293,841)	(75,850)	-	(2,369,691)
Distribution System	(71,610,084)	(2,868,550)	-	(74,478,634)
Storm Sewers	(14,256,780)	(794,221)	-	(15,051,001)
Total Accumulated Depreciation	(106,942,889)	(4,985,929)	-	(111,928,818)
Total Capital Assets, Being Depreciated, Net	95,630,792	(1,526,287)	-	94,104,505
Business-Type Activities Capital Assets, Net	\$ 96,923,897	\$ (1,228,241)	\$ (275,348)	\$ 95,420,308

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

Water and Sewer Utilities	\$ 3,540,726
Ice Arena	297,426
Williston Fitness Center	283,274
Grays Bay Marina	24,651
Storm Water Fund	839,852
Total Depreciation Expense	<u>\$ 4,985,929</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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, 2014 was \$51,000. The future minimum lease payments for the lease are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2015	\$ 51,000
2016	51,000
2017	51,000
2018	51,000
2019	57,600
2020-2024	288,000
2025-2028	<u>230,400</u>
Total	<u><u>\$ 780,000</u></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, 2014

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, 2014, was as follows:

	Interest Rates/ Final Maturity Date	Balance at January 1, 2014	Issued	Retired	Balance at December 31, 2014	Due Within One Year
Governmental Activities:						
Bonds Payable:						
General Obligation State-Aid Street Bonds, Series 2008A	3.25 - 4% / 4/1/2024	\$ 1,570,000	\$ -	\$ 125,000	\$ 1,445,000	\$ 125,000
General Obligation Open Space and Park Improvement Bonds, Series 2008B	3.25 - 4% / 2/1/2020	1,995,000	-	145,000	1,850,000	145,000
General Obligation Open Space and Park Improvement Refunding Bonds, Series 2010A	2.00 - 3% / 2/1/2018	1,925,000	-	360,000	1,565,000	370,000
General Obligation Open Space and Park Refunding Bonds, Series 2012A	1.00 - 2% / 2/1/2020	2,500,000	-	340,000	2,160,000	340,000
Unamortized Bond Premium		171,201	-	28,445	142,756	-
Unamortized Bond Discount		(460)	-	(76)	(384)	-
Total G.O. Bonds, net		<u>8,160,741</u>	<u>-</u>	<u>998,369</u>	<u>7,162,372</u>	<u>980,000</u>
Compensated Absences		<u>2,655,828</u>	<u>1,707,587</u>	<u>1,597,162</u>	<u>2,766,253</u>	<u>1,597,162</u>
Governmental Activity Long-Term Liabilities		<u>\$ 10,816,569</u>	<u>\$ 1,707,587</u>	<u>\$ 2,595,531</u>	<u>\$ 9,928,625</u>	<u>\$ 2,577,162</u>
Business-Type Activities:						
Bonds Payable:						
General Obligation Water Revenue Refunding Bonds, Series 2008C	4.00% / 2/1/2016	\$ 2,220,000	\$ -	\$ 685,000	\$ 1,535,000	\$ 745,000
General Obligation Water Revenue Refunding Bonds, Series 2012A	1.00 - 2% / 2/1/2020	1,915,000	-	260,000	1,655,000	265,000
Unamortized Bond Premium		115,278	-	31,355	83,923	-
Total Revenue Bonds, net		<u>4,250,278</u>	<u>-</u>	<u>976,355</u>	<u>3,273,923</u>	<u>1,010,000</u>
Compensated Absences		<u>330,311</u>	<u>195,648</u>	<u>173,193</u>	<u>352,766</u>	<u>135,979</u>
Business-Type Activity Long-Term Liabilities		<u>\$ 4,580,589</u>	<u>\$ 195,648</u>	<u>\$ 1,149,548</u>	<u>\$ 3,626,689</u>	<u>\$ 1,145,979</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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	
2015	\$ 980,000	\$ 192,507	\$ 1,010,000	\$ 74,250	\$ 2,256,757
2016	1,005,000	142,412	1,060,000	39,550	2,246,962
2017	1,030,000	144,900	275,000	19,650	1,469,550
2018	1,050,000	116,237	275,000	14,150	1,455,387
2019	1,145,000	83,000	280,000	8,600	1,516,600
2020-2024	1,810,000	99,759	290,000	2,900	2,202,659
Total	\$ 7,020,000	\$ 778,815	\$ 3,190,000	\$ 159,100	\$ 11,147,915

The G.O. Water Revenue Refunding Bonds of 2008C are general obligations of the City backed by the full faith, credit and taxing power of the City. However, these Bonds were obtained for the specific purpose of repairing and replacing the utility system. For this reason, this liability is included within the Utility Enterprise Fund.

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.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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.

There are a number of financial limitations and restrictions contained in the various bond indentures. At December 31, 2014, 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, 2014 \$2,500,000 of the original authorized \$15,000,000 remain to be issued.

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, 2014, there were 13 series of Revenue Bonds outstanding, with an approximate outstanding balance of \$86,045,186.

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
2008C GO Water Revenue Refunding Bonds	Refund Original Debt used for Water Utility Infrastructure	Utility Revenue	100%	n/a	2009 - 2016	\$1,597,300	\$727,081	\$1,179,975
2012A GO Water Revenue Refunding Bonds	Refund Original Debt used for Water Utility Infrastructure	Utility Revenue	100%	n/a	2013 - 2020	\$1,751,800	\$282,193	\$457,969

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Commitments

At December 31, 2014, the City had the following contract commitments outstanding:

Project	Contractor	Commitment
Shady Oak Road Project	Hennepin County	\$ 367,879
Shady Oak Road Trail Project	New Look Contracting	95,565
2013 Street Rehab Project	GMH Asphalt Corp.	108,230
Rainbow Drive & Lilac Lane Reconstruction	GMH Asphalt Corp.	10,935
I-394 Ridgedale Ramp	Lunda Construction Company	149,265
2014 Street Rehab Project	Valley Paving, Inc.	784,057
Commercial Water Meter Upgrades	Metering and Technology Solutions	8,821
Williston Center Roofing Project	Diverse Construction Services LLC	75,301
Manhole Rehab Phase VI	Infrastructure Technologies, Inc.	166,528
Shady Oak Street Lighting	Egan Company	248,296
Police Vehicles Recording System	WatchGuard	1,630
	Total	<u>\$ 2,016,507</u>

G. Interfund Transactions

1. Interfund Receivables and Payables

Receivable Fund	Payable Fund	Amount	Purpose
Water Fund	Ice Arena Fund	\$ 383,051	[1]
Development Fund	Tax Increment Financing Fund	360,895	[2]
	Total	<u>\$ 743,946</u>	

- [1] The interfund receivables and payables eliminated what would have been a negative cash balance. The City expects these interfund transactions to be settled in January 2015.
- [2] This interfund receivable and payable is for reimbursement of TIF development costs for the Glenn Lake TIF District that were paid for by the Development Fund as part of the TIF plan. The City expects these transactions to be completed sometime in 2015.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Interfund Transactions (Continued)

2. Transfers

Transfer To	Transfer From	Amount	Purpose
General Fund	Other Nonmajor	\$ 30,000	Administrative costs
General Fund	Development Fund	58,200	Administrative costs
General Fund	Grays Bay Marina	10,600	Administrative costs
General Fund	Environmental	183,200	Administrative costs
General Fund	Special Assessment Construction Fund	36,500	Administrative costs
General Fund	Storm Water Fund	135,700	Administrative costs
General Fund	Water and Sewer Utilities	862,700	Administrative costs
General Fund	Williston Center	45,000	Administrative costs
General Fund	Ice Arena	230,000	Administrative costs and funding support
Internal Service Fund	Grays Bay Marina	14,300	Payment to Internal Service Fund for insurance costs
Internal Service Fund	Ice Arena	31,800	Payment to Internal Service Fund for insurance costs
Internal Service Fund	Water and Sewer Utilities	268,400	Payment to Internal Service Fund for insurance costs
Internal Service Fund	Williston Center	37,500	Payment to Internal Service Fund for insurance costs
Internal Service Fund	Storm Water Fund	28,000	Payment to Internal Service Fund for insurance costs
State Municipal Aid Fund	Street Improvement Fund	238,852	Construction costs
Street Improvement Fund	State Municipal Aid Fund	22,731	Construction costs
169 / Bren Rd Interchange	Special Assessment Construction Fund	166,862	Construction costs
Community Investment	General Fund	63,000	Construction costs
Development Fund	Glenhaven TIF District	360,895	Construction costs
Shady Oak Road/Oak Dr	Special Assessment Construction Fund	1,600,000	Construction costs
Other Nonmajor	Special Assessment Construction Fund	100,000	Construction costs
Other Nonmajor	General Fund	784,588	Construction costs
		<u>\$ 5,308,828</u>	

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 12/31/2014 was \$567,000.

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.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Contingencies

1. 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.

2. The City entered into a purchase agreement dated August 28, 2004 for the purchase of real property. The purchase price of the property is \$2,600,000, of which the City has paid \$100,000 in earnest money that will be applied towards the total purchase price. The closing date of the purchase will take place on or before 30 days after the seller's estate or heirs give notice to the City of the seller's death, or at such earlier or later date as mutually agreed upon by the seller and the City.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

J. Fund Balance/Net Position

At December 31, 2014, a summary of the governmental fund balance classifications is as follows:

	General Fund	Community Investment	Special Assessment Construction	State Municipal Aid	Hwy 169/ Bren Road Interchange	Street Improvement	Development Fund	Shady Oak Oak Drive Project	Other Governmental Funds	Total
Nonspendable:										
Inventory & Prepays	\$ 104,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,766
Loans Receivable	-	-	-	-	-	-	-	-	125,164	125,164
Total Nonspendable	104,766	-	-	-	-	-	-	-	125,164	229,930
Restricted for:										
Cemetery Operations	-	-	-	-	-	-	-	-	137,586	137,586
Housing	-	-	-	-	-	-	-	-	1,352,079	1,352,079
Grants	-	-	-	-	-	-	-	-	246,183	246,183
Police Forfeiture	-	-	-	-	-	-	-	-	361,757	361,757
Tax Increment	-	-	-	-	-	-	-	-	2,631,456	2,631,456
Debt Service	-	-	-	-	-	-	-	-	1,208,229	1,208,229
Total Restricted	-	-	-	-	-	-	-	-	5,937,290	5,937,290
Committed to:										
Technology Improvements	-	-	-	-	-	-	-	-	128,516	128,516
Cable TV	-	-	-	-	-	-	-	-	2,545,284	2,545,284
Electric Franchise Fees	-	-	-	-	-	-	-	-	2,615,360	2,615,360
Compensated Absences	1,050,000	-	-	-	-	-	-	-	-	1,050,000
Fire Equipment	-	-	-	-	-	-	-	-	710,003	710,003
Capital Replacement	-	-	-	-	-	-	-	-	997,865	997,865
Development	-	-	-	-	-	-	2,550,695	-	664,448	3,215,143
Park Improvements	-	-	-	-	-	-	-	-	778,216	778,216
Reforestation	-	-	-	-	-	-	-	-	970,392	970,392
Total Committed	1,050,000	-	-	-	-	-	2,550,695	-	9,410,084	13,010,779
Assigned to:										
Budget Stabilization	12,413,500	-	-	-	-	-	-	-	-	12,413,500
Fire Pensions	165,900	-	-	-	-	-	-	-	-	165,900
Recreation Scholarships	15,000	-	-	-	-	-	-	-	-	15,000
Community Investment	-	20,760,086	6,774,948	-	-	-	-	-	-	27,535,034
Street Improvements	-	-	-	-	-	4,019,239	-	-	-	4,019,239
Total Assigned	12,594,400	20,760,086	6,774,948	-	-	4,019,239	-	-	-	44,148,673
Unassigned	3,742,975	-	-	(2,122,072)	-	-	-	(429,379)	(218)	1,191,306
Total	\$17,492,141	\$ 20,760,086	\$ 6,774,948	\$ (2,122,072)	\$ -	\$ 4,019,239	\$ 2,550,695	\$ (429,379)	\$15,472,320	\$ 64,517,978

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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, 2014, including an estimate for claims incurred but not reported.

Changes in the insurance claims liability during 2014 and 2013, recorded within the City's Internal Service Fund, are as follows:

	<u>2014</u>	<u>2013</u>
Unpaid Claims at Beginning of Year	\$ 9,594	\$ 5,473
Incurred Claims	467,735	594,497
Premiums and Settlements	<u>(464,669)</u>	<u>(590,376)</u>
Unpaid Claims at End of Year	<u>\$ 12,660</u>	<u>\$ 9,594</u>

B. Employee Retirement Systems and Pension Plans

Pension Plans – Primary Government

1. Defined Benefit Pension Plans – State-wide

a. Plan Description

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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)

All employees of the City in GERS are members of the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and provides benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's 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 GERS's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for Basic Plan members is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years 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 PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all PEPFF and GERS members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced social security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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)

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERS and PEPFF. That report may be obtained on the web at mnpers.org, by writing to PERA at 60, Empire Drive No. 200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

b. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. *Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes.

GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.2% of their annual covered salary in 2014. The City was required to contribute the following percentages of annual covered payroll: 9.10% for Basic Plan members, 7.25% for Coordinated Plan members, and 15.3% for PEPFF members.

The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$898,018, \$863,303, and \$840,867, respectively. The City's contributions to Public Employees Police and Fire Fund for the years ending December 31, 2014, 2013 and 2012 were \$791,919, \$729,076, and \$723,287, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the coordinated plan (to 6.5% for members and 7.5% for employers) and the Police and Fire Fund (to 10.8% for members and 16.2% for employers).

2. 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.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

2. Defined Contribution Plan (Continued)

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, 2014, 2013 and 2012 were \$1,800, \$2,250, and \$2,175, respectively, were equal to the contractually required contributions for each year as set by state statute.

3. Minnetonka Firefighters' Relief Association

a. Plan Description

The City contributes to a single-employer, public employee defined benefit retirement plan operated by the Minnetonka Firefighters' Relief Association (MFRA) for certain firefighters. Since volunteer firefighters of the City are members of the MFRA, contributions to the MFRA are not based on payroll, but rather on years of active service.

MFRA's actuarial accrued liability is determined as part of an actuarial valuation performed every other year on January 1. Significant methods are as follows:

1. The most recent actuarial valuation date is January 1, 2014.
2. Actuarial cost is determined using the Entry Age Normal Cost Method.
3. Actuarial value of assets is market value.
4. Any changes in the unfunded accrued liability are amortized at a level dollar amount over a 20 year open period.

Significant actuarial assumptions are as follows:

1. Investment rate of return is 6.0% per annum.
2. Discount rate used to determine the present value of plan benefits is 6.0% per annum.
3. Mortality assumptions are based upon the RP-2000 Blue Collar Fully Generational Mortality Table.
4. Inflation rate, and projected salary increases are not applicable and there is no cost of living adjustment.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters' Relief Association (Continued)

a. Plan Description (Continued)

A detailed financial report for the MFRA, including financial statements and required disclosures, is available from the City upon request.

The MFRA provides retirement benefits as well as death and disability benefits. At 10 years, members are 50% vested with 5% increases each year to 100% vesting at 20 years. Members who retire at or after age 50 with 10 years of credited service are entitled to an annual benefit, payable monthly for life, in an amount equal to the applicable vesting percentage times the full service pension available to a member with 20 years of service. Benefits for member with greater than 20 years of credited service are equal to 30 times the number of years of active service, to a maximum of 30 years.

Commencing January 1, 1997, at the time of application for pension members may elect to receive a lump sum payment equal to 130 times the earned monthly pension benefit in lieu of any other benefits. Commencing January 1, 2006, new members to the MFRA may only receive a lump sum payment at time of application for pension equal to 130 times the earned monthly pension benefit in lieu of any other benefits.

b. Funding Policy

Contribution requirements of the MFRA are determined on an actuarial basis using the entry age normal actuarial cost method. Normal cost is funded on a current basis. The minimum tax levy obligation of the City is the financial requirement for the year less anticipated member contributions and state aid. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay MFRA benefits on a timely basis. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The MFRA is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations.)

Total contributions to the MFRA Plan for the years ended December 31, 2014, 2013 and 2012 were \$511,820, \$350,367, and \$328,487, respectively. In 2014, the City made contributions of \$166,438. The remaining \$345,382 of contributions were made on-behalf of the State of Minnesota. The City receives the state aid contribution and is required by state statute to pass this through as a payment to the MFRA. This transaction is recorded as a revenue and an expenditure in the City's financial statements.

CITY OF MINNETONKA
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters’ Relief Association (Continued)

a. Funding Policy (Continued)

The contributed amounts were actuarially determined as described above and were based on an actuarial valuation as of the beginning of the respective fiscal year. The contributions were for funding the normal cost for the years ended December 31, 2014, 2013 and 2012 of \$ 233,568, \$231,274, and \$273,835, respectively, and do not apply toward funding the amortization of any unfunded actuarial accrued liability.

Significant actuarial assumptions used to compute pension contribution requirements are substantially the same as those used to determine the standardized measure of the pension obligation. The computation of the pension contribution requirements for 2014, excluding the discount rate, was based on the same actuarial assumptions, benefit provision, actuarial funding method and other significant factors used to determine pension contribution requirements in previous years.

b. Annual Pension Cost and Net Pension Obligation

The City’s annual pension cost and net position obligation for the year ended December 31, 2014 were as follows:

Annual Required Contribution	\$ 219,210
Interest on Net Pension Obligation	<u>(24,771)</u>
Annual Pension Cost	194,439
Contributions Made	<u>(511,820)</u>
Increase (decrease) in Net Pension Obligation	(317,381)
Net Pension Obligation (Asset) Beginning of Year	<u>(495,426)</u>
Net Pension Obligation (Asset) End of Year	<u><u>\$ (812,807)</u></u>

The City’s net pension obligation for the Relief Association for the years ended December 31, 2014, 2013 and 2012 are as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contributions			Percentage Contributed	Net Pension Obligation (Asset)
		City	State	Total		
December 31, 2014	\$ 194,439	\$ 166,438	\$ 345,382	511,820	263.23%	\$ (812,807)
December 31, 2013	392,506	-	350,367	350,367	89.26%	(495,426)
December 31, 2012	415,085	84,143	244,343	328,486	79.14%	(537,565)

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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. Schedule of Funding Progress

As of January 1, 2014, the Plan was over funded by \$525,002. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded (Unfunded) AAL (b-a)	Funded Ratio (a/b)
January 1, 2014	\$14,371,579	\$13,846,577	\$ 525,002	103.8 %

C. Postemployment Healthcare Plan

Plan Description

The City provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical coverage. Medical coverage is administered by Blue Cross Blue Shield. 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.

Funding Policy

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 Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2014, the City contributed \$111,879 to the plan. As of January 1, 2014, there were approximately 23 retirees receiving health benefits from the City’s health plan.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost of the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the plan.

For the governmental activities, other post-employment benefits are generally liquidated through the General Fund.

Annual Required Contribution	\$	261,466
Interest on Net OPEB Obligation		54,819
Adjustment to Annual Required Contribution		(45,991)
Annual OPEB Cost (Expense)		270,294
Contributions Made		(111,879)
Increase in net OPEB Obligation		158,415
Net OPEB Obligation - Beginning of Year		1,218,205
Net OPEB Obligation - End of Year	\$	1,376,620

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	\$ 270,294	\$ 111,879	41.0	\$ 1,376,620
12/31/2013	249,261	55,223	22.0	1,218,205
12/31/2012	240,425	50,162	21.0	1,024,167

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$2,658,000 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,658,000. The covered payroll (annual payroll of active employees covered by the plan) was \$15,114,532, and the ratio of the UAAL to the covered payroll was 18 percent.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the January 1, 2014, the actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5%, shorter term, based on City's general assets).

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

Actuarial Methods and Assumptions (Continued)

The City currently does not plan to prefund this benefit. At the actuarial valuation date, the annual healthcare cost trend rate was calculated to be 9 percent initially, reduced incrementally to an ultimate rate of 5 percent after ten years. Both rates included a 3.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over a 30-year period.

NOTE 6 – PRIOR PERIOD ADJUSTMENTS

Beginning fund balance and net position were restated for errors in the previously issued financial statements. In prior years, expenditures were recorded in the Livable Communities Fund that should have been recorded in the Housing and Redevelopment Authority Fund in the amount of \$57,936. The result of the prior period adjustment decreased the Housing and Redevelopment Authority's beginning fund balance by \$57,937 and increased the Livable Communities net position by \$57,937.

Also, beginning fund balance and net position were restated for errors in the previously issued financial statements. In prior years, transactions related to the Livable Communities affordable housing programs were recorded improperly. The result of the prior period adjustment, net of the \$57,937 increase described above, decreased the Livable Communities beginning fund balance by \$200,522.



**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF MINNETONKA
Hennepin County, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014

Schedule of Funding Progress for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Estimated Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2014	\$ -	\$ 2,658,860	\$ 2,658,860	- %	\$ 15,114,532	17.6 %
January 1, 2013	-	2,142,425	2,142,425	-	15,011,677	14.3
January 1, 2012	-	1,945,043	1,945,043	-	14,469,086	13.4

Schedule of Funding Progress for the Minnetonka Fire Relief

Fiscal Year Ending	Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Benefit per Year of Service
January 1, 2014	\$ 14,371,579	\$ 13,846,577	\$ (525,002)	103.8 %	\$ 638
January 1, 2013	12,999,764	13,377,305	377,541	97.2	638
January 1, 2012	11,937,087	12,902,731	965,644	92.5	638



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.

COMBINING & INDIVIDUAL FUND STATEMENTS & SCHEDULES (CONTINUED)

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

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.

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.

Park and Open Space Bonds – This fund was established to account for the proceeds of bonds sold in 2002 and 2004 for the purpose of park renovations and open space purchases.

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

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.

Ice Arena Improvement Fund – This fund was established to account for major system improvements to the City’s Ice Arena.

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, 2014

	Special Revenue				
	Cable TV	Community Development Block Grant	Electric Franchise Fees	Grants	Housing & Redevelopment Authority
ASSETS:					
Cash and Investments	\$ 2,330,010	\$ 102,363	\$ 2,406,222	\$ 144,559	\$ 399,308
Accounts Receivable	226,399	-	203,382	-	-
Loans Receivable	-	-	-	-	125,164
Interest Receivable	6,758	301	6,730	416	914
Property Taxes Receivable					
Unremitted	-	-	-	-	-
Delinquent	-	-	-	-	410
Due from Other Governments	-	-	-	24,229	-
Total Assets	<u>\$ 2,563,167</u>	<u>\$ 102,664</u>	<u>\$ 2,616,334</u>	<u>\$ 169,204</u>	<u>\$ 525,796</u>
LIABILITIES, DEFERRED INFLOWS					
OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Salaries and Wages Payable	\$ 3,451	\$ -	\$ -	\$ 1,522	\$ -
Accounts and Contracts Payable	14,432	23,193	974	970	3,298
Due to Other Funds	-	-	-	-	-
Total Liabilities	<u>17,883</u>	<u>23,193</u>	<u>974</u>	<u>2,492</u>	<u>3,298</u>
Deferred Inflows of Resources:					
Unavailable Revenue - Taxes	-	-	-	-	410
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>410</u>
Fund Balances:					
Nonspendable	-	-	-	-	125,164
Restricted	-	79,471	-	166,712	396,924
Committed	2,545,284	-	2,615,360	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>2,545,284</u>	<u>79,471</u>	<u>2,615,360</u>	<u>166,712</u>	<u>522,088</u>
Total Liabilities, Deferred Inflows					
of Resources and Fund Balances	<u>\$ 2,563,167</u>	<u>\$ 102,664</u>	<u>\$ 2,616,334</u>	<u>\$ 169,204</u>	<u>\$ 525,796</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2014
(Continued)

	Special Revenue (Continued)			Debt Service		
	Police Forfeiture/ 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	\$ 376,885	\$ 137,192	\$ 5,896,539	\$ 1,206,564	\$ 82	\$ 1,206,646
Accounts Receivable	-	-	429,781	-	-	-
Loans Receivable	-	-	125,164	-	-	-
Interest Receivable	1,084	394	16,597	2,465	-	2,465
Property Taxes Receivable						-
Unremitted	-	-	-	-	-	-
Delinquent	-	-	410	-	-	-
Due from Other Governments	-	-	24,229	-	-	-
Total Assets	<u>\$ 377,969</u>	<u>\$ 137,586</u>	<u>\$ 6,492,720</u>	<u>\$ 1,209,029</u>	<u>\$ 82</u>	<u>\$ 1,209,111</u>
LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Salaries and Wages Payable	\$ -	\$ -	\$ 4,973	\$ -	\$ -	\$ -
Accounts and Contracts Payable	16,212	-	59,079	800	300	1,100
Due to Other Funds	-	-	-	-	-	-
Total Liabilities	<u>16,212</u>	<u>-</u>	<u>64,052</u>	<u>800</u>	<u>300</u>	<u>1,100</u>
Deferred Inflows of Resources:						
Unavailable Revenue - Taxes	-	-	410	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>410</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Nonspendable	-	-	125,164	-	-	-
Restricted	361,757	137,586	1,142,450	1,208,229	-	1,208,229
Committed	-	-	5,160,644	-	-	-
Unassigned	-	-	-	-	(218)	(218)
Total Fund Balances	<u>361,757</u>	<u>137,586</u>	<u>6,428,258</u>	<u>1,208,229</u>	<u>(218)</u>	<u>1,208,011</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 377,969</u>	<u>\$ 137,586</u>	<u>\$ 6,492,720</u>	<u>\$ 1,209,029</u>	<u>\$ 82</u>	<u>\$ 1,209,111</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2014
(Continued)

	Capital Projects					
	Capital Replacement	Public Safety	Technology Development	Livable Communities Housing Fund	Park and Open Space Bonds	Park Dedication
ASSETS:						
Cash and Investments	\$ 926,280	\$ 708,680	\$ 130,532	\$ 323,864	\$ 7,099	\$ 776,069
Accounts Receivable	-	-	-	650,618	-	-
Loans Receivable	-	-	-	-	-	-
Interest Receivable	2,190	1,323	20	674	21	1,974
Property Taxes Receivable						
Unremitted	-	-	-	-	-	-
Delinquent	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-
Total Assets	<u>\$ 928,470</u>	<u>\$ 710,003</u>	<u>\$ 130,552</u>	<u>\$ 975,156</u>	<u>\$ 7,120</u>	<u>\$ 778,043</u>
LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Salaries and Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and Contracts Payable	30,301	-	2,036	20,001	-	6,947
Due to Other Funds	-	-	-	-	-	-
Total Liabilities	<u>30,301</u>	<u>-</u>	<u>2,036</u>	<u>20,001</u>	<u>-</u>	<u>6,947</u>
Deferred Inflows of Resources:						
Unavailable Revenue - Taxes	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	955,155	-	-
Committed	898,169	710,003	128,516	-	7,120	771,096
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>898,169</u>	<u>710,003</u>	<u>128,516</u>	<u>955,155</u>	<u>7,120</u>	<u>771,096</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 928,470</u>	<u>\$ 710,003</u>	<u>\$ 130,552</u>	<u>\$ 975,156</u>	<u>\$ 7,120</u>	<u>\$ 778,043</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2014
(Continued)

	Capital Projects (Continued)					
	Tax Increment Financing	Ridgedale Tax Abatement	Ice Arena Improvement Fund	Forestry Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:						
Cash and Investments	\$ 2,997,360	\$ 662,542	\$ 99,600	\$ 338,022	\$ 6,970,048	\$ 14,073,233
Accounts Receivable	-	-	-	631,469	1,282,087	1,711,868
Loans Receivable	-	-	-	-	-	125,164
Interest Receivable	6,770	1,906	96	901	15,875	34,937
Property Taxes Receivable						
Unremitted	8,463	-	-	-	8,463	8,463
Delinquent	-	-	-	-	-	410
Due from Other Governments	-	-	-	-	-	24,229
Total Assets	<u>\$ 3,012,593</u>	<u>\$ 664,448</u>	<u>\$ 99,696</u>	<u>\$ 970,392</u>	<u>\$ 8,276,473</u>	<u>\$ 15,978,304</u>
LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Salaries and Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,973
Accounts and Contracts Payable	20,242	-	-	-	79,527	139,706
Due to Other Funds	360,895	-	-	-	360,895	360,895
Total Liabilities	<u>381,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>440,422</u>	<u>505,574</u>
Deferred Inflows of Resources:						
Unavailable Revenue - Taxes	-	-	-	-	-	410
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>410</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	125,164
Restricted	2,631,456	-	-	-	3,586,611	5,937,290
Committed	-	664,448	99,696	970,392	4,249,440	9,410,084
Unassigned	-	-	-	-	-	(218)
Total Fund Balances	<u>2,631,456</u>	<u>664,448</u>	<u>99,696</u>	<u>970,392</u>	<u>7,836,051</u>	<u>15,472,320</u>
Total Liabilities, Deferred Inflows						
of Resources and Fund Balances	<u>\$ 3,012,593</u>	<u>\$ 664,448</u>	<u>\$ 99,696</u>	<u>\$ 970,392</u>	<u>\$ 8,276,473</u>	<u>\$ 15,978,304</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, 2014

	Special Revenue				
	Cable TV	Community Development Block Grant	Electric Franchise Fees	Grants	Housing & Redevelopment Authority
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ 168,603
Franchise	901,954	-	813,833	-	-
Tax Increments	-	-	-	-	-
Intergovernmental:					
Federal Grants	979	183,515	-	141,301	-
State Grants	-	-	-	-	-
Local Grants	-	-	-	72,943	-
Miscellaneous:					
Investment Income (Loss)	26,853	997	29,523	1,362	5,386
Fines and Forfeitures	-	-	-	-	-
Other	16,124	19,999	-	-	1,586
Total Revenues	<u>945,910</u>	<u>204,511</u>	<u>843,356</u>	<u>215,606</u>	<u>175,575</u>
EXPENDITURES:					
Current:					
General Government	465,077	-	-	-	-
Development Services	-	227,823	-	-	41,046
Public Safety	-	-	-	165,467	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
General Government	376,942	-	1,044,771	-	-
Development Services	-	-	-	-	-
Public Works	-	-	-	-	-
Public Safety	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>842,019</u>	<u>227,823</u>	<u>1,044,771</u>	<u>165,467</u>	<u>41,046</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	103,891	(23,312)	(201,415)	50,139	134,529
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out	(30,000)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>73,891</u>	<u>(23,312)</u>	<u>(201,415)</u>	<u>50,139</u>	<u>134,529</u>
FUND BALANCES					
Beginning of Year, as previously reported	2,471,393	102,783	2,816,775	116,573	445,495
Prior Period Adjustment	-	-	-	-	(57,936)
Beginning of Year, as Restated	<u>2,471,393</u>	<u>102,783</u>	<u>2,816,775</u>	<u>116,573</u>	<u>387,559</u>
End of Year	<u>\$ 2,545,284</u>	<u>\$ 79,471</u>	<u>\$ 2,615,360</u>	<u>\$ 166,712</u>	<u>\$ 522,088</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, 2014
(Continued)

	Special Revenue (Continued)			Debt Service		
	Police Forfeiture/ 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	\$ -	\$ -	\$ 168,603	\$ 1,054,449	\$ -	\$ 1,054,449
Franchise	-	-	1,715,787	-	-	-
Tax Increments	-	-	-	-	-	-
Intergovernmental:						
Federal Grants	-	-	325,795	-	-	-
State Grants	-	-	-	-	182,744	182,744
Local Grants	-	-	72,943	-	-	-
Miscellaneous:						
Investment Income (Loss)	3,418	1,608	69,147	9,553	101	9,654
Fines and Forfeitures	148,532	-	148,532	-	-	-
Other	-	-	37,709	-	-	-
Total Revenues	151,950	1,608	2,538,516	1,064,002	182,845	1,246,847
EXPENDITURES:						
Current:						
General Government	-	1,201	466,278	-	-	-
Development Services	-	-	268,869	-	-	-
Public Safety	55,548	-	221,015	-	-	-
Debt Service:						
Principal	-	-	-	845,000	125,000	970,000
Interest and Fiscal Charges	-	-	-	160,713	58,394	219,107
Capital Outlay:						
General Government	-	-	1,421,713	-	-	-
Development Services	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Park and Recreation	-	-	-	-	-	-
Total Expenditures	55,548	1,201	2,377,875	1,005,713	183,394	1,189,107
Excess (Deficiency) of Revenues Over (Under) Expenditures	96,402	407	160,641	58,289	(549)	57,740
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	(30,000)	-	-	-
Total Other Financing Sources (Uses)	-	-	(30,000)	-	-	-
Net Change in Fund Balances	96,402	407	130,641	58,289	(549)	57,740
FUND BALANCES						
Beginning of Year, as previously reported	265,355	137,179	6,355,553	1,149,940	331	1,150,271
Prior Period Adjustment	-	-	(57,936)	-	-	-
Beginning of Year, as Restated	265,355	137,179	6,297,617	1,149,940	331	1,150,271
End of Year	<u>\$ 361,757</u>	<u>\$ 137,586</u>	<u>\$ 6,428,258</u>	<u>\$ 1,208,229</u>	<u>\$ (218)</u>	<u>\$ 1,208,011</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, 2014
(Continued)

	Capital Projects					
	Capital Replacement	Public Safety	Technology Development	Livable Communities Housing Fund	Park and Open Space Bonds	Park Dedication
REVENUES:						
Taxes:						
Property	\$ 860,000	\$ 650,000	\$ 405,000	\$ -	\$ -	\$ 560,000
Franchise	-	-	-	-	-	-
Tax Increments	-	-	-	-	-	-
Intergovernmental:						
Federal Grants	-	-	-	-	-	-
State Grants	-	-	-	-	-	-
Local Grants	-	-	-	57,000	-	-
Miscellaneous:						
Investment Income (Loss)	6,139	5,411	1,496	8,007	405	6,508
Fines and Forfeitures	-	-	-	-	-	-
Other	88,969	-	-	-	-	26,954
Total Revenues	<u>955,108</u>	<u>655,411</u>	<u>406,496</u>	<u>65,007</u>	<u>405</u>	<u>593,462</u>
EXPENDITURES:						
Current:						
General Government	-	-	-	-	-	-
Development Services	-	-	-	115,433	-	-
Public Safety	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Outlay:						
General Government	-	-	202,187	-	-	-
Development Services	-	-	-	-	-	-
Public Works	-	-	38,000	-	-	-
Public Safety	1,461,602	274,171	383,068	-	-	-
Park and Recreation	-	-	-	-	-	267,066
Total Expenditures	<u>1,461,602</u>	<u>274,171</u>	<u>623,255</u>	<u>115,433</u>	<u>-</u>	<u>267,066</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(506,494)	381,240	(216,759)	(50,426)	405	326,396
OTHER FINANCING SOURCES (USES)						
Transfers In	775,000	-	-	-	-	9,588
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>775,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,588</u>
Net Change in Fund Balances	268,506	381,240	(216,759)	(50,426)	405	335,984
FUND BALANCES						
Beginning of Year, as previously reported	629,663	328,763	345,275	1,206,103	6,715	435,112
Prior Period Adjustment	-	-	-	(200,522)	-	-
Beginning of Year, as Restated	<u>629,663</u>	<u>328,763</u>	<u>345,275</u>	<u>1,005,581</u>	<u>6,715</u>	<u>435,112</u>
End of Year	<u>\$ 898,169</u>	<u>\$ 710,003</u>	<u>\$ 128,516</u>	<u>\$ 955,155</u>	<u>\$ 7,120</u>	<u>\$ 771,096</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, 2014
(Continued)

	Capital Projects (Continued)					
	Tax Increment Financing	Ridgedale Tax Abatement	Ice Arena Improvement Fund	Forestry Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ 75,300	\$ 2,550,300	\$ 3,773,352
Franchise	-	-	-	-	-	1,715,787
Tax Increments	2,362,579	-	-	-	2,362,579	2,362,579
Intergovernmental:						
Federal Grants	-	-	-	-	-	325,795
State Grants	-	-	-	-	-	182,744
Local Grants	-	-	-	-	57,000	129,943
Miscellaneous:						
Investment Income (Loss)	23,415	7,702	(304)	(420)	58,359	137,160
Fines and Forfeitures	-	-	-	-	-	148,532
Other	-	469,863	-	895,512	1,481,298	1,519,007
Total Revenues	<u>2,385,994</u>	<u>477,565</u>	<u>(304)</u>	<u>970,392</u>	<u>6,509,536</u>	<u>10,294,899</u>
EXPENDITURES:						
Current:						
General Government	-	-	-	-	-	466,278
Development Services	1,005,217	74	-	-	1,120,724	1,389,593
Public Safety	-	-	-	-	-	221,015
Debt Service:						
Principal	-	-	-	-	-	970,000
Interest and Fiscal Charges	-	-	-	-	-	219,107
Capital Outlay:						
General Government	-	-	-	-	202,187	1,623,900
Development Services	518,434	-	-	-	518,434	518,434
Public Works	-	-	-	-	38,000	38,000
Public Safety	-	-	-	-	2,118,841	2,118,841
Park and Recreation	-	-	-	-	267,066	267,066
Total Expenditures	<u>1,523,651</u>	<u>74</u>	<u>-</u>	<u>-</u>	<u>4,265,252</u>	<u>7,832,234</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	862,343	477,491	(304)	970,392	2,244,284	2,462,665
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	100,000	-	884,588	884,588
Transfers Out	(360,895)	-	-	-	(360,895)	(390,895)
Total Other Financing Sources (Uses)	<u>(360,895)</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>523,693</u>	<u>493,693</u>
Net Change in Fund Balances	501,448	477,491	99,696	970,392	2,767,977	2,956,358
FUND BALANCES						
Beginning of Year, as previously reported	2,130,008	186,957	-	-	5,268,596	12,774,420
Prior Period Adjustment	-	-	-	-	(200,522)	(258,458)
Beginning of Year, as Restated	<u>2,130,008</u>	<u>186,957</u>	<u>-</u>	<u>-</u>	<u>5,068,074</u>	<u>12,515,962</u>
End of Year	<u>\$ 2,631,456</u>	<u>\$ 664,448</u>	<u>\$ 99,696</u>	<u>\$ 970,392</u>	<u>\$ 7,836,051</u>	<u>\$ 15,472,320</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - CABLE TV
Year Ended December 31, 2014**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2013

	2014			Variance - Positive (Negative)	2013
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Franchise Taxes	\$ 852,100	\$ 890,400	\$ 901,954	\$ 11,554	\$ 875,299
Intergovernmental:					
Federal Grants	-	-	979	979	1,319
Miscellaneous:					
Investment Income (Loss)	15,000	15,000	26,853	11,853	(6,562)
Other Income	8,700	15,000	16,124	1,124	10,057
Total Revenues	<u>875,800</u>	<u>920,400</u>	<u>945,910</u>	<u>25,510</u>	<u>880,113</u>
EXPENDITURES:					
General Government					
Personal Services	195,200	170,400	167,604	2,796	176,782
Materials and Supplies	3,500	3,500	4,189	(689)	2,745
Other Services and Charges	299,700	324,500	293,284	31,216	265,054
Total General Government	<u>498,400</u>	<u>498,400</u>	<u>465,077</u>	<u>33,323</u>	<u>444,581</u>
Capital Outlay - General Government	<u>595,300</u>	<u>617,800</u>	<u>376,942</u>	<u>240,858</u>	<u>176,806</u>
Total Expenditures	<u>1,093,700</u>	<u>1,116,200</u>	<u>842,019</u>	<u>274,181</u>	<u>621,387</u>
Excess of Revenues Over (Under) Expenditures	(217,900)	(195,800)	103,891	299,691	258,726
OTHER FINANCING (USES):					
Transfers to Other Funds	<u>(30,400)</u>	<u>(30,400)</u>	<u>(30,000)</u>	<u>(400)</u>	<u>(29,300)</u>
Change in Fund Balance	<u>\$ (248,300)</u>	<u>\$ (226,200)</u>	73,891	<u>\$ 300,091</u>	229,426
FUND BALANCE:					
Beginning of Year			<u>2,471,393</u>		<u>2,241,967</u>
End of Year			<u>\$ 2,545,284</u>		<u>\$ 2,471,393</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, 2014**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2013

	2014			Variance - Positive (Negative)	2013
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Intergovernmental:					
Federal Grant	\$ 150,000	\$ 137,775	\$ 183,515	\$ 45,740	\$ 182,559
Local Grant	10,000	-	-	-	8,362
Miscellaneous:					
Investment Income (Loss)	-	-	997	997	(92)
Other Income	-	-	19,999	19,999	-
Total Revenues	<u>160,000</u>	<u>137,775</u>	<u>204,511</u>	<u>66,736</u>	<u>190,829</u>
EXPENDITURES;					
Development Services:					
Other Services and Charges	<u>160,000</u>	<u>160,100</u>	<u>227,823</u>	<u>(67,723)</u>	<u>161,893</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (22,325)</u>	(23,312)	<u>\$ (987)</u>	28,936
FUND BALANCE:					
Beginning of Year			<u>102,783</u>		<u>73,847</u>
End of Year			<u>\$ 79,471</u>		<u>\$ 102,783</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, 2014**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2013

	2014			Variance - Positive (Negative)	2013
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Franchise Taxes	\$ 802,000	\$ 802,000	\$ 813,833	\$ 11,833	\$ 809,372
Intergovernmental:					
Local Cost-Share	-	-	-	-	117,880
Miscellaneous:					
Investment Income (Loss)	15,000	10,000	29,523	19,523	(7,929)
Total Revenues	<u>817,000</u>	<u>812,000</u>	<u>843,356</u>	<u>31,356</u>	<u>919,323</u>
EXPENDITURES:					
Capital Outlay and General Government:					
Other Services and Charges	<u>1,230,000</u>	<u>1,125,000</u>	<u>1,044,771</u>	<u>80,229</u>	<u>391,393</u>
Excess of Revenues Over (Under) Expenditures	\$ (413,000)	\$ (313,000)	(201,415)	\$ 111,585	527,930
OTHER FINANCING SOURCES (USES):					
Transfers to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,110)</u>
Change in Fund Balance	<u>\$ (413,000)</u>	<u>\$ (313,000)</u>	(201,415)	<u>\$ 111,585</u>	492,820
FUND BALANCE:					
Beginning of Year			<u>2,816,775</u>		<u>2,323,955</u>
End of Year			<u>\$ 2,615,360</u>		<u>\$ 2,816,775</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, 2014

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2013

	2014			Variance - Positive (Negative)	2013
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Intergovernmental:					
Federal Grants	\$ 50,000	\$ 50,000	\$ 141,301	\$ 91,301	\$ 547,420
State Grants	-	-	-	-	69,539
Local Grants	67,000	67,000	72,943	5,943	47,936
Miscellaneous:					
Investment Income (Loss)	100	100	1,362	1,262	(662)
Total Revenues	<u>117,100</u>	<u>117,100</u>	<u>215,606</u>	<u>98,506</u>	<u>664,233</u>
EXPENDITURES:					
Public Safety:					
Police:					
Personal Services	50,000	50,000	66,277	(16,277)	39,561
Materials and Supplies	-	-	4,272	(4,272)	62,418
Other Services and Charges	30,000	30,000	94,918	(64,918)	132,086
Total Public Safety	<u>80,000</u>	<u>80,000</u>	<u>165,467</u>	<u>(85,467)</u>	<u>234,065</u>
Capital Outlay	-	-	-	-	7,861
Total Expenditures	<u>80,000</u>	<u>80,000</u>	<u>165,467</u>	<u>(85,467)</u>	<u>241,926</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 37,100</u>	<u>\$ 37,100</u>	50,139	<u>\$ 13,039</u>	422,307
FUND BALANCE:					
Beginning of Year			<u>116,573</u>		<u>(305,734)</u>
End of Year			<u>\$ 166,712</u>		<u>\$ 116,573</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, 2014**

	2014			Variance - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES:				
General Property Taxes	\$ 175,000	\$ 175,000	\$ 168,603	\$ (6,397)
Miscellaneous:				
Investment Income (Loss)	-	-	5,386	5,386
Other Income	-	-	1,586	1,586
Total Revenues	175,000	175,000	175,575	575
EXPENDITURES:				
Development Services:				
Other Services and Charges	175,000	410,250	41,046	369,204
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (235,250)	134,529	\$ 369,779
FUND BALANCE:				
Beginning of Year, as Previously Reported			445,495	
Prior Period Adjustment			(57,936)	
Beginning of Year, as Restated			387,559	
End of Year			\$ 522,088	

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, 2014**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2013

	2014			Variance - Positive (Negative)	2013
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Miscellaneous:					
Investment Income (Loss)	\$ -	\$ -	\$ 3,418	\$ 3,418	\$ (904)
Fines and Forfeitures	15,000	120,400	148,532	28,132	74,140
Total Revenues	<u>15,000</u>	<u>120,400</u>	<u>151,950</u>	<u>31,550</u>	<u>73,236</u>
EXPENDITURES:					
Public Safety:					
Personal Services	-	-	-	-	10,500
Materials and Supplies	-	-	-	-	29,255
Other Services and Charges	15,000	81,000	55,548	25,452	28,846
Total Public Safety	<u>15,000</u>	<u>81,000</u>	<u>55,548</u>	<u>25,452</u>	<u>68,601</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 39,400</u>	96,402	<u>\$ 57,002</u>	4,635
FUND BALANCE:					
Beginning of Year			<u>265,355</u>		<u>260,720</u>
End of Year			<u>\$ 361,757</u>		<u>\$ 265,355</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, 2014**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2013

	2014			Variance - Positive (Negative)	2013
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Miscellaneous:					
Investment Income (Loss)	\$ -	\$ -	\$ 1,608	\$ 1,608	\$ (438)
Other Revenue	-	-	-	-	50
Total Revenues	<u>-</u>	<u>-</u>	<u>1,608</u>	<u>1,608</u>	<u>(388)</u>
EXPENDITURES:					
General Government:					
Other Services and Charges	<u>-</u>	<u>-</u>	<u>1,201</u>	<u>(1,201)</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	407	<u>\$ 407</u>	(388)
FUND BALANCE:					
Beginning of Year			<u>137,179</u>		<u>137,567</u>
End of Year			<u>\$ 137,586</u>		<u>\$ 137,179</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS
December 31, 2014

	Self Insurance	Fleet Maintenance	Total
ASSETS:			
Current Assets:			
Cash and Investments	\$ 1,173,745	\$ 546,588	\$ 1,720,333
Interest Receivable	3,482	1,204	4,686
Due From Other Governments	-	8,584	8,584
Prepaid Items	99,131	-	99,131
Inventories	-	83,891	83,891
Total Assets	\$ 1,276,358	\$ 640,267	\$ 1,916,625
 LIABILITIES AND NET POSITION:			
Liabilities:			
Current Liabilities:			
Salaries and Wages Payable	\$ -	\$ 14,888	\$ 14,888
Accounts Payable	-	80,547	80,547
Incurred but Not Reported Claims	12,660	-	12,660
Current Portion of			
Compensated Absences	-	18,034	18,034
Total Current Liabilities	12,660	113,469	126,129
 Long-Term Liabilities:			
Compensated Absences	-	60,499	60,499
Unfunded OPEB Obligation	-	24,834	24,834
Total Noncurrent Liabilities	-	85,333	85,333
Total Liabilities	12,660	198,802	211,462
 Net Position:			
Unrestricted	1,263,698	441,465	1,705,163
Total Net Position	1,263,698	441,465	1,705,163
Total Liabilities and Net Position	\$ 1,276,358	\$ 640,267	\$ 1,916,625

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, 2014**

	Self Insurance	Fleet Maintenance	Total
OPERATING REVENUES:			
Charges to City Departments	\$ 355,152	\$ 1,884,853	\$ 2,240,005
Other Revenue	64,187	71,628	135,815
Total Operating Revenues	<u>419,339</u>	<u>1,956,481</u>	<u>2,375,820</u>
OPERATING EXPENSES:			
Personal Services	-	402,182	402,182
Supplies, Repairs and Maintenance	-	962,101	962,101
Other Services and Charges	539,938	436,538	976,476
Total Operating Expenses	<u>539,938</u>	<u>1,800,821</u>	<u>2,340,759</u>
Operating Income (Loss)	(120,599)	155,660	35,061
NONOPERATING REVENUES (EXPENSES):			
Investment Income	<u>9,810</u>	<u>4,159</u>	<u>13,969</u>
Income (Loss) before Transfers	(110,789)	159,819	49,030
Transfers In	<u>380,000</u>	<u>-</u>	<u>380,000</u>
Change in Net Position	269,211	159,819	429,030
NET POSITION:			
Net Position - Beginning	<u>994,487</u>	<u>281,646</u>	<u>1,276,133</u>
Net Position - Ending	<u>\$ 1,263,698</u>	<u>\$ 441,465</u>	<u>\$ 1,705,163</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2014

	Self Insurance	Fleet Maintenance	Total
CASH FLOWS - OPERATING ACTIVITIES:			
Receipts from Interfund Services Provided	\$ 355,153	\$ 1,897,016	\$ 2,252,169
Other Revenue	64,187	71,628	135,815
Payments to Suppliers	-	(1,448,243)	(1,448,243)
Payments to Employees	-	(394,696)	(394,696)
Payments of Benefits on Behalf of Employees	(451,868)	-	(451,868)
Net Cash Flows - Operating Activities	(32,528)	125,705	93,177
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:			
Transfers from Other Funds	380,000	-	380,000
CASH FLOWS - INVESTING ACTIVITIES:			
Purchase of Investments	1,633,821	788,126	2,421,947
Sale of Investments	(1,889,869)	(880,072)	(2,769,941)
Interest and Dividends Received	6,682	1,926	8,608
Net Cash Flows - Investing Activities	(249,366)	(90,020)	(339,386)
Net Change in Cash and Cash Equivalents	98,106	35,685	133,791
Cash and Cash Equivalents, January 1	224,158	114,387	338,545
Cash and Cash Equivalents, December 31	\$ 322,264	\$ 150,072	\$ 472,336
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH FLOWS - OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (120,599)	\$ 155,660	\$ 35,061
Adjustments to Reconcile Operating Income (Loss)			
to Net Cash Flows - Operating Activities			
Due from Other Governments	-	12,163	12,163
Prepaid Items	85,005	-	85,005
Inventories	-	(7,174)	(7,174)
Salaries and Wages Payable	-	1,882	1,882
Accounts Payable	3,066	(42,430)	(39,364)
Compensated Absences Payable	-	2,973	2,973
Unfunded OPEB Obligation	-	2,631	2,631
Total Adjustments	88,071	(29,955)	58,116
Net Cash Flows - Operating Activities	\$ (32,528)	\$ 125,705	\$ 93,177
NONCASH INVESTING, CAPITAL, AND FINANCING			
ACTIVITIES			
Increase (Decline) in Fair Value of Investments	\$ 3,027	\$ 1,758	\$ 4,785
Total Noncash Transactions	\$ 3,027	\$ 1,758	\$ 4,785
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
TO THE STATEMENT OF POSITION			
Cash and Investments	\$ 1,173,745	\$ 546,588	\$ 1,720,333
Less: Investments not Meeting the Definition			
of Cash Equivalents	(851,481)	(396,516)	(1,247,997)
Total Cash and Cash Equivalents	\$ 322,264	\$ 150,072	\$ 472,336

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

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF FIDUCIARY NET POSITION -
PRIVATE-PURPOSE TRUST FUNDS
December 31, 2014

	Clarion Hills Stewardship	Meadow Woods Stewardship	Stone Trace Stewardship	Total
ASSETS:				
Cash and Investments	\$ 170,999	\$ 70,888	\$ 17,451	\$ 259,338
Interest Receivable	492	204	54	750
Total Assets	171,491	71,092	17,505	260,088
NET POSITION:				
Net Position, Held in Trust	\$ 171,491	\$ 71,092	\$ 17,505	\$ 260,088

CITY OF MINNETONKA
Hennepin County, Minnesota

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PRIVATE-PURPOSE TRUST FUNDS**
For the Year Ended December 31, 2014

	<u>Clarion Hills Stewardship</u>	<u>Meadow Woods Stewardship</u>	<u>Stone Trace Stewardship</u>	<u>Total</u>
ADDITIONS:				
Contributions from Participants	\$ 7,018	\$ 4,000	\$ 3,119	\$ 14,137
Investment Earnings Interest	<u>2,206</u>	<u>795</u>	<u>253</u>	<u>3,254</u>
Total Additions	9,224	4,795	3,372	17,391
DEDUCTIONS:				
Benefits	<u>18,564</u>	<u>-</u>	<u>6,463</u>	<u>25,027</u>
Change in Net Position	(9,340)	4,795	(3,091)	(7,636)
Net Position - January 1	<u>180,831</u>	<u>66,297</u>	<u>20,596</u>	<u>267,724</u>
Net Position - December 31	<u><u>\$ 171,491</u></u>	<u><u>\$ 71,092</u></u>	<u><u>\$ 17,505</u></u>	<u><u>\$ 260,088</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
Year Ended December 31, 2014

	Balance at January 1, 2013	Additions	Deductions	Balance at December 31, 2014
ESCROW FUND:				
ASSETS:				
Cash and Investments	<u>\$ 1,195,363</u>	<u>\$ 1,409,881</u>	<u>\$ 1,217,589</u>	<u>\$ 1,387,655</u>
LIABILITIES:				
Accounts Payable	<u>\$ 1,195,363</u>	<u>\$ 1,409,881</u>	<u>\$ 1,217,589</u>	<u>\$ 1,387,655</u>

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, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2013

	2014			Variance - Positive (Negative)	2013
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
General Property Taxes	\$ 22,103,849	\$ 21,672,349	\$ 21,332,619	\$ (339,730)	\$ 21,165,213
Licenses and Permits:					
Licenses:					
Liquor Licenses	210,000	228,900	237,632	8,732	192,297
Food Handlers Licenses	175,000	190,000	202,358	12,358	186,601
Building Permits	1,460,000	2,300,000	1,874,766	(425,234)	1,477,669
Plumbing Permits	150,000	230,000	218,739	(11,261)	211,950
Electrical Permits	220,000	250,000	379,634	129,634	260,885
HVAC Permits	265,000	285,000	412,751	127,751	297,505
Other Licenses and Permits	160,000	180,500	181,297	797	190,846
Total Licenses and Permits	<u>2,640,000</u>	<u>3,664,400</u>	<u>3,507,177</u>	<u>(157,223)</u>	<u>2,817,753</u>
Intergovernmental Revenues:					
Homestead / Market Value Credit	-	-	93	93	220
Public Safety State Aid	731,000	758,500	759,549	1,049	732,988
Federal Grants	-	-	7,908	7,908	105,361
State Grants	50,000	50,000	84,421	34,421	71,310
Other	71,300	71,300	71,310	10	116,340
Total Intergovernmental Revenues	<u>852,300</u>	<u>879,800</u>	<u>923,281</u>	<u>43,481</u>	<u>1,026,219</u>
Charges for Services:					
Recreation Fees	1,312,000	1,215,000	1,125,655	(89,345)	1,151,205
Other	321,500	456,400	465,415	9,015	438,068
Total Charges for Services	<u>1,633,500</u>	<u>1,671,400</u>	<u>1,591,070</u>	<u>(80,330)</u>	<u>1,589,273</u>
Fines and Forfeitures	550,000	450,000	467,622	17,622	532,303
Other Revenues:					
Investment Income (Loss)	100,000	100,000	227,919	127,919	(77,031)
Building and Equipment Rent	471,200	473,200	476,608	3,408	447,794
Other	154,951	150,651	229,581	78,930	159,053
Total Other Revenues	<u>726,151</u>	<u>723,851</u>	<u>934,108</u>	<u>210,257</u>	<u>529,816</u>
Total Revenues before Other Financing Sources	<u>28,505,800</u>	<u>29,061,800</u>	<u>28,755,877</u>	<u>(305,923)</u>	<u>27,660,577</u>
OTHER FINANCING SOURCES:					
Transfers from Other Funds	<u>1,391,900</u>	<u>1,391,900</u>	<u>1,391,900</u>	<u>-</u>	<u>1,368,600</u>
Total Revenues and Other Financing Sources	<u>\$ 29,897,700</u>	<u>\$ 30,453,700</u>	<u>\$ 30,147,777</u>	<u>\$ (305,923)</u>	<u>\$ 29,029,177</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, 2014

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2013

	2014			Variance - Positive (Negative)	2013
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES:					
General Government:					
Mayor and Council:					
Personal Services	\$ 70,800	\$ 70,800	\$ 72,091	\$ (1,291)	\$ 70,672
Supplies, Repairs and Maintenance	-	-	92	(92)	-
Other Services and Charges	144,400	147,300	138,548	8,752	131,020
Total Mayor and Council	<u>215,200</u>	<u>218,100</u>	<u>210,731</u>	<u>7,369</u>	<u>201,692</u>
General Administration:					
Personal Services	1,060,900	1,060,900	1,061,301	(401)	978,834
Supplies, Repairs and Maintenance	27,750	27,500	17,049	10,451	22,067
Other Services and Charges	279,250	278,800	208,208	70,592	222,990
Total General Administration	<u>1,367,900</u>	<u>1,367,200</u>	<u>1,286,558</u>	<u>80,642</u>	<u>1,223,891</u>
Information Technology:					
Personal Services	390,600	390,600	388,458	2,142	376,573
Supplies, Repairs and Maintenance	1,700	1,700	1,263	437	1,578
Other Services and Charges	405,000	405,000	362,368	42,632	355,906
Total Information Technology	<u>797,300</u>	<u>797,300</u>	<u>752,089</u>	<u>45,211</u>	<u>734,057</u>
Finance:					
Personal Services	647,600	646,800	608,662	38,138	567,330
Supplies, Repairs and Maintenance	5,800	6,300	5,848	452	4,844
Other Services and Charges	130,100	128,900	126,147	2,753	129,233
Total Finance	<u>783,500</u>	<u>782,000</u>	<u>740,657</u>	<u>41,343</u>	<u>701,407</u>
Assessing:					
Personal Services	560,400	560,400	538,877	21,523	464,708
Supplies, Repairs and Maintenance	6,500	6,500	7,299	(799)	4,990
Other Services and Charges	124,600	124,600	105,881	18,719	100,905
Total Assessing	<u>691,500</u>	<u>691,500</u>	<u>652,057</u>	<u>39,443</u>	<u>570,603</u>
Contingency:					
Other Services and Charges	50,000	50,000	-	50,000	-
Total General Government	<u>3,905,400</u>	<u>3,906,100</u>	<u>3,642,092</u>	<u>264,008</u>	<u>3,431,650</u>
Development Services:					
Planning:					
Personal Services	520,400	520,400	519,717	683	482,576
Supplies, Repairs and Maintenance	5,800	3,300	2,639	661	4,172
Other Services and Charges	22,200	22,800	21,471	1,329	18,735
Total Planning	<u>548,400</u>	<u>546,500</u>	<u>543,827</u>	<u>2,673</u>	<u>505,483</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, 2014

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2013
(Continued)

	2014			Variance - Positive (Negative)	2013
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES: (Continued)					
Development Services: (Continued)					
Engineering:					
Personal Services	\$ 1,064,200	\$ 1,077,300	\$ 1,003,137	\$ 74,163	\$ 1,014,798
Supplies, Repairs and Maintenance	23,400	21,400	11,703	9,697	11,909
Other Services and Charges	106,500	75,200	48,444	26,756	65,545
Total Engineering	<u>1,194,100</u>	<u>1,173,900</u>	<u>1,063,284</u>	<u>110,616</u>	<u>1,092,252</u>
Community Development:					
Personal Services	1,141,500	1,159,700	1,232,747	(73,047)	1,140,867
Supplies, Repairs and Maintenance	22,050	20,600	18,646	1,954	26,141
Other Services and Charges	155,450	150,000	187,774	(37,774)	165,078
Total Community Development	<u>1,319,000</u>	<u>1,330,300</u>	<u>1,439,167</u>	<u>(108,867)</u>	<u>1,332,086</u>
Total Development Services	<u>3,061,500</u>	<u>3,050,700</u>	<u>3,046,278</u>	<u>4,422</u>	<u>2,929,821</u>
Public Works:					
Street:					
Personal Services	1,805,700	1,805,700	1,663,281	142,419	1,665,837
Supplies, Repairs and Maintenance	463,200	463,200	530,971	(67,771)	402,307
Other Services and Charges	954,700	957,500	1,222,200	(264,700)	1,154,628
Total Street	<u>3,223,600</u>	<u>3,226,400</u>	<u>3,416,452</u>	<u>(190,052)</u>	<u>3,222,772</u>
Building:					
Personal Services	568,500	568,500	503,840	64,660	521,025
Supplies, Repairs and Maintenance	106,400	108,000	117,715	(9,715)	135,036
Other Services and Charges	370,500	376,100	402,697	(26,597)	362,024
Total Building	<u>1,045,400</u>	<u>1,052,600</u>	<u>1,024,252</u>	<u>28,348</u>	<u>1,018,085</u>
Total Public Works	<u>4,269,000</u>	<u>4,279,000</u>	<u>4,440,704</u>	<u>(161,704)</u>	<u>4,240,857</u>
Public Safety:					
Police:					
Personal Services	7,157,000	7,157,000	7,027,742	129,258	6,835,704
Supplies, Repairs and Maintenance	472,100	513,600	452,773	60,827	343,261
Other Services and Charges	1,011,100	967,600	882,605	84,995	856,261
Total Police	<u>8,640,200</u>	<u>8,638,200</u>	<u>8,363,120</u>	<u>275,080</u>	<u>8,035,226</u>
Dispatch:					
Personal Services	771,200	771,200	794,766	(23,566)	752,934
Supplies, Repairs and Maintenance	7,000	6,000	2,709	3,291	490
Other Services and Charges	18,200	13,900	8,595	5,305	4,364
Total Dispatch	<u>796,400</u>	<u>791,100</u>	<u>806,070</u>	<u>(14,970)</u>	<u>757,788</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, 2014

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2013
(Continued)

	2014			Variance - Positive (Negative)	2013
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES: (Continued)					
Public Safety: (Continued)					
Fire:					
Personal Services	\$ 1,509,200	\$ 1,509,200	\$ 1,427,172	\$ 82,028	\$ 1,398,984
Supplies, Repairs and Maintenance	215,700	215,700	106,748	108,952	180,261
Other Services and Charges	700,800	842,200	897,994	(55,794)	723,057
Total Fire	<u>2,425,700</u>	<u>2,567,100</u>	<u>2,431,914</u>	<u>135,186</u>	<u>2,302,302</u>
Legal:					
Personal Services	704,600	704,600	679,581	25,019	739,195
Supplies, Repairs and Maintenance	8,750	7,000	3,409	3,591	4,263
Other Services and Charges	74,350	53,400	39,116	14,284	41,662
Total Legal	<u>787,700</u>	<u>765,000</u>	<u>722,106</u>	<u>42,894</u>	<u>785,120</u>
Environmental Health:					
Personal Services	350,700	350,700	337,613	13,087	342,983
Supplies, Repairs and Maintenance	7,600	6,700	4,052	2,648	4,945
Other Services and Charges	9,800	9,500	5,914	3,586	4,296
Total Environmental Health	<u>368,100</u>	<u>366,900</u>	<u>347,579</u>	<u>19,321</u>	<u>352,224</u>
Total Public Safety	<u>13,018,100</u>	<u>13,128,300</u>	<u>12,670,789</u>	<u>457,511</u>	<u>12,232,660</u>
Park and Recreation:					
Joint Recreation:					
Personal Services	906,500	906,500	914,925	(8,425)	716,222
Supplies, Repairs and Maintenance	86,900	87,300	61,320	25,980	79,600
Other Services and Charges	387,300	347,200	367,442	(20,242)	511,413
Capital Outlay	-	-	1,480	(1,480)	2,029
Total Joint Recreation	<u>1,380,700</u>	<u>1,341,000</u>	<u>1,345,167</u>	<u>(4,167)</u>	<u>1,309,264</u>
Minnetonka Recreation:					
Personal Services	215,000	215,000	174,515	40,485	210,676
Supplies, Repairs and Maintenance	1,000	3,000	6,522	(3,522)	1,654
Other Services and Charges	262,100	281,900	303,620	(21,720)	265,790
Capital Outlay	-	-	20,223	(20,223)	-
Total Minnetonka Recreation	<u>478,100</u>	<u>499,900</u>	<u>504,880</u>	<u>(4,980)</u>	<u>478,120</u>
Parks and Trails:					
Personal Services	990,900	990,900	955,964	34,936	875,299
Supplies, Repairs and Maintenance	200,200	210,200	160,269	49,931	175,277
Other Services and Charges	536,600	520,800	482,297	38,503	333,992
Total Parks and Trails	<u>1,727,700</u>	<u>1,721,900</u>	<u>1,598,530</u>	<u>123,370</u>	<u>1,384,568</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, 2014

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2013
(Continued)

	2014			Variance - Positive (Negative)	2013
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES: (Continued)					
Park and Recreation: (Continued)					
Natural Resources:					
Personal Services	\$ 594,300	\$ 594,300	\$ 532,360	\$ 61,940	\$ 483,119
Supplies, Repairs and Maintenance	18,800	18,800	6,071	12,729	6,562
Other Services and Charges	519,300	539,300	518,473	20,827	476,308
Total Natural Resources	<u>1,132,400</u>	<u>1,152,400</u>	<u>1,056,904</u>	<u>95,496</u>	<u>965,989</u>
Community Facility:					
Personal Services	332,200	329,200	321,343	7,857	326,234
Supplies, Repairs and Maintenance	55,700	51,200	39,668	11,532	20,876
Other Services and Charges	119,200	148,400	117,221	31,179	139,314
Capital Outlay	-	-	-	-	2,164
Total Community Facility	<u>507,100</u>	<u>528,800</u>	<u>478,232</u>	<u>50,568</u>	<u>488,588</u>
Senior Services:					
Personal Services	231,700	231,700	220,836	10,864	200,937
Supplies, Repairs and Maintenance	43,000	43,000	45,003	(2,003)	49,312
Other Services and Charges	80,000	80,000	77,971	2,029	102,262
Total Senior Services	<u>354,700</u>	<u>354,700</u>	<u>343,810</u>	<u>10,890</u>	<u>352,511</u>
Total Park and Recreation	<u>5,580,700</u>	<u>5,598,700</u>	<u>5,327,523</u>	<u>271,177</u>	<u>4,979,040</u>
Total Expenditures before Other Financing Uses	29,834,700	29,962,800	29,127,386	835,414	27,814,028
OTHER FINANCING USES:					
Transfers to Other Funds	<u>838,000</u>	<u>1,038,000</u>	<u>1,047,588</u>	<u>(9,588)</u>	<u>571,382</u>
Total Expenditures and Other Financing Uses	<u>\$ 30,672,700</u>	<u>\$ 31,000,800</u>	<u>\$ 30,174,974</u>	<u>\$ 825,826</u>	<u>\$ 28,385,410</u>



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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities:										
Net Investment in										
Capital Assets	\$ 68,094,182	\$ 71,804,372	\$ 74,653,377	\$ 77,534,541	\$ 83,655,961	\$ 83,506,166	\$ 88,717,256	\$ 88,422,281	\$ 92,038,719	\$ 95,221,323
Restricted	3,049,919	2,219,295	3,607,401	3,024,656	1,868,249	4,709,001	2,027,278	4,861,345	5,466,893	5,859,715
Unrestricted	42,987,244	49,882,234	53,307,749	54,306,879	55,735,299	57,322,293	60,535,626	56,993,967	57,184,342	60,037,739
Total Governmental Activities -										
Net Position	<u>\$ 114,131,345</u>	<u>\$ 123,905,901</u>	<u>\$ 131,568,527</u>	<u>\$ 134,866,076</u>	<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>
Business-Type Activities:										
Net Investment in										
Capital Assets	\$ 100,522,318	\$ 100,741,167	\$ 99,698,437	\$ 97,954,844	\$ 96,506,196	\$ 93,841,761	\$ 91,497,808	\$ 94,586,334	\$ 92,673,621	\$ 92,146,383
Unrestricted	16,184,568	16,232,539	16,414,397	16,304,474	15,207,652	15,336,367	14,967,144	14,743,165	14,664,046	13,147,896
Total Business-Type Activities -										
Net Position	<u>\$ 116,706,886</u>	<u>\$ 116,973,706</u>	<u>\$ 116,112,834</u>	<u>\$ 114,259,318</u>	<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>
Primary Government:										
Net Investment in										
Capital Assets	\$ 168,616,500	\$ 172,545,539	\$ 174,351,814	\$ 175,489,385	\$ 180,162,157	\$ 177,347,927	\$ 180,215,064	\$ 183,008,615	\$ 184,712,340	\$ 187,367,706
Restricted	3,049,919	2,219,295	3,607,401	3,024,656	1,868,249	4,709,001	2,027,278	4,861,345	5,466,893	5,859,715
Unrestricted	59,171,812	66,114,773	69,722,146	70,611,353	70,942,951	72,658,660	75,502,770	71,737,132	71,848,388	73,185,635
Total Primary Government -										
Net Position	<u>\$ 230,838,231</u>	<u>\$ 240,879,607</u>	<u>\$ 247,681,361</u>	<u>\$ 249,125,394</u>	<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>

Source: City of Minnetonka financial records



CITY OF MINNETONKA
Hennepin County, Minnesota

CHANGES IN NET POSITION
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EXPENSES:										
Governmental Activities:										
General Services	\$ 3,845,767	\$ 5,008,340	\$ 6,123,720	\$ 5,396,909	\$ 4,628,824	\$ 4,477,560	\$ 4,149,584	\$ 4,652,864	\$ 4,702,113	\$ 4,587,302
Development Services	4,273,501	7,374,899	6,516,066	6,003,544	5,871,573	7,605,857	3,847,870	4,304,788	4,160,182	4,777,436
Public Works	7,976,618	5,953,730	7,259,467	12,157,209	9,591,740	7,142,475	24,090,987	12,563,877	12,955,778	18,494,554
Public Safety	9,182,954	10,576,665	10,986,149	12,977,197	11,988,138	12,357,201	12,409,458	12,721,528	13,220,747	13,332,150
Parks and Recreation	4,435,720	4,845,665	5,581,150	5,673,979	6,052,694	6,672,404	5,890,446	5,908,558	5,950,304	6,310,604
Interest on Long-Term Debt	356,151	343,799	330,724	466,715	458,436	431,771	374,044	451,720	218,800	181,439
Total Governmental Activities Expenses	30,070,711	34,103,098	36,797,276	42,675,553	38,591,405	38,687,268	50,762,389	40,603,335	41,207,924	47,683,485
Business-Type Activities:										
Water and Sewer Utility	10,111,076	10,686,176	12,076,575	13,252,488	12,764,705	13,114,139	13,343,368	13,599,327	12,466,738	13,478,374
Ice Arena	935,561	1,014,955	1,010,791	1,037,482	1,018,502	1,006,918	1,057,145	1,173,351	1,270,591	1,240,234
Environmental Operations	823,820	841,137	765,423	879,639	848,867	875,629	894,089	811,394	817,210	711,218
Williston Fitness Center	746,017	603,103	1,016,659	1,180,776	1,180,890	1,298,249	1,535,296	1,762,611	2,108,426	2,167,490
Grays Bay Marina	136,179	162,618	221,473	240,170	173,979	186,682	229,171	223,955	215,038	183,593
Storm Water Fund	952,982	1,001,338	1,370,055	1,139,945	1,161,573	1,348,729	1,404,959	1,444,796	1,367,011	1,412,203
Total Business-Type Activities	13,705,635	14,309,327	16,460,976	17,730,500	17,148,516	17,830,346	18,464,028	19,015,434	18,245,014	19,193,112
Total Primary Government Expenses	\$ 43,776,346	\$ 48,412,425	\$ 53,258,252	\$ 60,406,053	\$ 55,739,921	\$ 56,517,614	\$ 69,226,417	\$ 59,618,769	\$ 59,452,938	\$ 66,876,597
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services:										
General Services	\$ 585,079	\$ 505,749	\$ 244,369	\$ 242,723	\$ 280,815	\$ 240,663	\$ 265,748	\$ 5,230	\$ 11,653	\$ 40,402
Development Services	3,088,246	2,993,453	3,689,544	2,950,072	2,213,535	2,810,732	3,661,616	2,901,140	2,819,398	4,294,909
Public Works	606,946	766,629	545,023	1,094,941	1,772,247	524,274	282,005	14,498	2,065	966,685
Public Safety	682,324	852,120	963,542	1,032,899	1,027,156	1,040,938	980,840	1,246,718	1,610,621	1,643,036
Parks and Recreation	1,127,661	1,177,864	1,345,236	1,405,871	1,228,146	1,245,988	1,347,482	1,674,424	1,346,268	1,271,707
Operating Grants and Contributions	440,468	1,022,470	1,487,496	1,463,367	905,041	1,574,153	1,207,580	2,288,180	2,023,252	1,354,435
Capital Grants and Contributions	3,421,232	2,713,064	3,014,909	3,733,640	3,386,878	1,249,302	14,536,698	753,878	2,528,544	7,188,926
Total Governmental Activities Program Revenues	9,951,956	10,031,349	11,290,119	11,923,513	10,813,818	8,686,050	22,281,969	8,884,068	10,341,801	16,760,100

CITY OF MINNETONKA
Hennepin County, Minnesota

CHANGES IN NET POSITION
Last Ten Fiscal Years
(Continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
PROGRAM REVENUES (Continued)										
Business-Type Activities:										
Charges for Services:										
Water and Sewer Utility	\$ 8,588,548	\$ 8,977,363	\$ 9,535,859	\$ 10,170,646	\$ 10,389,772	\$ 10,513,551	\$ 11,024,675	\$ 12,613,945	\$ 11,298,120	\$ 11,477,857
Ice Arena	707,204	744,882	772,935	854,833	876,255	852,219	863,016	898,047	832,051	923,141
Environmental Operations	711,790	653,323	727,241	1,024,257	994,102	559,958	923,286	668,735	599,368	745,203
Williston Fitness Center	894,223	833,233	802,312	935,528	1,105,237	1,133,859	1,402,967	2,109,149	2,460,672	2,492,730
Grays Bay Marina	157,224	165,361	182,397	204,056	225,851	200,664	235,753	242,522	245,034	217,819
Storm Water Fund	1,342,290	1,483,231	1,420,923	1,702,692	1,853,346	1,967,659	2,157,297	2,162,188	2,229,863	2,297,298
Operating Grants and Contributions	134,421	123,662	121,721	173,747	134,845	133,780	190,021	133,903	191,739	235,986
Capital Grants and Contributions	-	-	118,900	668,389	538,747	219,371	-	-	-	-
Total Business-Type Activities Program Revenues	12,535,700	12,981,055	13,682,288	15,734,148	16,118,155	15,581,061	16,797,015	18,828,489	17,856,847	18,390,034
Total Primary Government Program Revenues	\$ 22,487,656	\$ 23,012,404	\$ 24,972,407	\$ 27,657,661	\$ 26,931,973	\$ 24,267,111	\$ 39,078,984	\$ 27,712,557	\$ 28,198,648	\$ 35,150,134
NET EXPENSE (REVENUE)										
Governmental Activities	\$ (18,851,767)	\$ (20,118,755)	\$ (25,507,157)	\$ (30,752,040)	\$ (27,777,587)	\$ (30,001,218)	\$ (28,480,420)	\$ (31,719,267)	\$ (30,866,123)	\$ (30,923,385)
Business-Type Activities	146,759	(724,580)	(2,778,688)	(1,996,352)	(1,030,361)	(2,249,285)	(1,667,013)	(186,945)	(388,167)	(803,078)
Total Primary Government Net Expense	\$ (18,705,008)	\$ (20,843,335)	\$ (28,285,845)	\$ (32,748,392)	\$ (28,807,948)	\$ (32,250,503)	\$ (30,147,433)	\$ (31,906,212)	\$ (31,254,290)	\$ (31,726,463)
GENERAL REVENUES AND OTHER										
CHANGES IN NET POSITION:										
Governmental Activities:										
Property Taxes	\$ 19,858,800	\$ 21,853,159	\$ 27,585,892	\$ 28,749,045	\$ 28,384,529	\$ 30,004,879	\$ 30,663,713	\$ 31,655,149	\$ 32,133,116	\$ 31,260,616
Franchise Taxes	-	-	-	-	1,483,731	1,477,059	1,521,278	1,599,464	1,684,671	1,715,787
Tax Increment	-	-	-	-	-	-	-	-	-	2,362,579
State aid - Unrestricted	147,100	144,540	96,700	586,787	322,000	89,789	85,859	44,035	42,659	-
Investment Earnings (Loss)	717,525	975,889	2,032,157	2,745,739	2,744,051	1,162,580	590,467	323,344	(254,522)	761,387
Sale of Capital Assets	-	-	-	-	-	131,546	-	-	43,468	54,031
Other General Revenue	192,154	62,975	69,805	45,228	50,678	45,167	139,503	67,443	53,933	51,063
Transfers	727,000	695,000	895,100	1,042,984	1,064,600	1,260,000	1,222,300	(2,972,865)	1,575,159	1,405,203
Total Governmental Activities	21,642,579	23,731,563	30,679,654	33,169,783	34,049,589	34,171,020	34,223,120	30,716,570	35,278,484	37,610,666
Business-Type Activities:										
Property Taxes	-	-	-	-	-	-	-	-	-	-
Investment Earnings (Loss)	291,698	369,673	715,829	906,162	823,429	278,519	176,137	78,757	(47,516)	164,893
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-	19,010	-
Other	77,809	32,496	3,357	2,778	-	3,466	-	-	-	-
Transfers	(727,000)	(695,000)	(895,100)	(1,042,984)	(1,064,600)	(1,260,000)	(1,222,300)	2,972,865	(1,575,159)	(1,405,203)
Total Business-Type Activities	(357,493)	(292,831)	(175,914)	(134,044)	(241,171)	(978,015)	(1,046,163)	3,051,622	(1,603,665)	(1,240,310)
Total Primary Government	\$ 21,285,086	\$ 23,438,732	\$ 30,503,740	\$ 33,035,739	\$ 33,808,418	\$ 33,193,005	\$ 33,176,957	\$ 33,768,192	\$ 33,674,819	\$ 36,370,356

CITY OF MINNETONKA
Hennepin County, Minnesota

CHANGES IN NET POSITION
Last Ten Fiscal Years
(Continued)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
CHANGE IN NET POSITION:										
Governmental Activities	\$ 2,790,812	\$ 3,612,808	\$ 5,172,497	\$ 2,417,743	\$ 6,272,002	\$ 4,169,802	\$ 5,742,700	\$ (1,002,697)	\$ 4,412,361	\$ 6,687,281
Business-Type Activities	<u>(210,734)</u>	<u>(1,017,411)</u>	<u>(2,954,602)</u>	<u>(2,130,396)</u>	<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>
Total Primary Government	<u>\$ 2,580,078</u>	<u>\$ 2,595,397</u>	<u>\$ 2,217,895</u>	<u>\$ 287,347</u>	<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>

Source: City of Minnetonka financial records

CITY OF MINNETONKA
Hennepin County, Minnesota

FUND BALANCES-GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Reserved	\$ 334,709	\$ 550,755	\$ 440,696	\$ 525,579	\$ 548,795	\$ 464,915	\$ -	\$ -	\$ -	\$ -
Unreserved	7,966,059	9,137,243	11,304,419	12,792,693	13,263,687	13,238,701	-	-	-	-
Nonspendable	-	-	-	-	-	-	112,339	77,086	142,565	104,766
Committed	-	-	-	-	-	-	-	1,010,000	1,040,000	1,050,000
Assigned	-	-	-	-	-	-	11,544,440	12,171,177	12,321,900	12,594,400
Unassigned	-	-	-	-	-	-	4,574,091	3,617,308	4,014,873	3,742,975
Total General Fund	8,300,768	9,687,998	11,745,115	13,318,272	13,812,482	13,703,616	16,230,870	16,875,571	17,519,338	17,492,141
All Other Governmental Funds:										
Reserved	2,861,788	1,809,299	2,185,193	1,147,636	725,463	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	1,422,669	1,403,032	480,475	1,179,875	2,098,383	3,480,940	-	-	-	-
Capital projects funds	32,063,930	35,144,773	38,206,390	40,487,678	38,582,206	37,522,912	-	-	-	-
Debt service funds	-	-	-	1,022,355	1,252,169	4,051,357	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	756,000	-	125,164
Restricted	-	-	-	-	-	-	5,475,544	7,520,420	5,553,767	5,937,290
Committed	-	-	-	-	-	-	9,451,939	8,115,749	9,089,669	11,960,779
Assigned	-	-	-	-	-	-	29,457,279	30,876,413	31,991,790	31,554,273
Unassigned	-	-	-	-	-	-	(679,189)	(1,910,345)	(3,073,099)	(2,551,669)
Total All Other Governmental Funds	36,348,387	38,357,104	40,872,058	43,837,544	42,658,221	45,055,209	43,705,573	45,358,237	43,562,127	47,025,837
Total Governmental Funds	\$ 44,649,155	\$ 48,045,102	\$ 52,617,173	\$ 57,155,816	\$ 56,470,703	\$ 58,758,825	\$ 59,936,443	\$ 62,233,808	\$ 61,081,465	\$ 64,517,978

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES:										
Property Taxes	\$ 20,987,277	\$ 26,402,902	\$ 27,423,837	\$ 28,221,316	\$ 30,088,341	\$ 30,631,013	\$ 30,731,107	\$ 31,655,150	\$ 32,133,116	\$ 31,305,971
Franchise Taxes	865,882	1,118,887	1,229,276	1,483,731	1,477,059	1,488,334	1,521,278	1,599,464	1,684,671	1,715,787
Tax Increments	-	-	-	-	-	-	-	-	-	2,362,579
Special Assessments	829,712	502,429	496,359	430,278	454,492	642,249	434,936	592,337	785,101	525,284
Licenses and Permits	2,893,336	2,804,370	3,306,961	2,574,866	1,876,184	2,078,031	3,347,255	2,477,856	2,817,753	3,541,462
Intergovernmental	3,949,865	3,467,784	3,575,400	3,827,767	4,077,426	2,828,175	15,144,889	2,354,216	3,817,715	8,364,633
Charges for Services	1,745,159	1,933,531	1,501,794	1,534,637	1,469,808	1,509,788	1,515,831	1,650,995	1,589,273	1,637,836
Fines and Forfeitures	379,902	422,886	550,567	644,680	665,907	631,304	586,092	518,422	532,303	616,154
Miscellaneous	1,808,192	3,183,990	3,890,910	4,877,252	2,059,364	2,120,317	2,141,861	1,707,482	1,156,691	3,273,800
Total Revenues	<u>33,459,325</u>	<u>39,836,779</u>	<u>41,975,104</u>	<u>43,594,527</u>	<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>
EXPENDITURES:										
General Government	3,486,289	4,660,672	5,569,967	4,690,725	3,984,884	4,000,524	3,677,413	4,099,224	3,879,274	4,108,370
Development Services	4,166,237	7,266,134	6,394,870	5,926,346	5,913,107	5,782,211	3,810,407	4,198,128	4,049,613	4,735,215
Public Works	3,549,570	3,381,581	4,699,136	5,365,413	4,919,395	3,885,634	4,027,507	3,983,744	4,240,857	5,460,831
Public Safety	8,493,005	9,940,505	10,192,352	10,897,161	11,372,566	12,038,778	11,899,680	12,026,437	12,535,326	12,891,804
Park and Recreation	3,984,170	4,243,892	4,718,183	4,855,598	5,062,868	5,559,757	4,777,170	4,902,026	4,974,847	5,305,820
Debt Service:										
Principal retirement on bonded debt	270,000	470,000	560,000	575,000	595,000	930,000	605,000	915,000	955,000	970,000
Interest and other expenditures	340,376	346,392	334,605	406,959	475,020	444,244	402,013	276,041	319,370	219,107
Capital Outlay	12,572,522	8,888,421	6,249,304	12,685,903	11,945,616	10,363,767	23,323,129	14,473,567	13,281,579	17,024,591
Total Expenditures	<u>36,862,169</u>	<u>39,197,597</u>	<u>38,718,417</u>	<u>45,403,105</u>	<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>
Excess of Revenues Over (Under) Expenditures	<u>(3,402,844)</u>	<u>639,182</u>	<u>3,256,687</u>	<u>(1,808,578)</u>	<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>
OTHER FINANCING SOURCES (USES):										
Bond Proceeds	-	-	-	4,705,000	-	2,620,000	-	2,500,000	-	-
Premium on Bonds Issued	-	-	-	52,042	-	88,021	-	(60,290)	-	-
Transfers In	2,414,500	2,589,378	3,394,121	1,443,370	3,161,800	2,761,706	1,503,700	2,014,000	3,215,383	4,728,828
Transfers Out	(1,719,500)	(1,694,278)	(2,078,737)	(378,770)	(1,901,800)	(1,557,106)	(281,400)	(783,100)	(1,933,483)	(3,661,625)
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>695,000</u>	<u>895,100</u>	<u>1,315,384</u>	<u>5,821,642</u>	<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>
Net Change in Fund Balances	<u>\$ (2,707,844)</u>	<u>\$ 1,534,282</u>	<u>\$ 4,572,071</u>	<u>\$ 4,013,064</u>	<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>
Debt Service as a Percentage of Noncapital Expenditures	2.3%	2.6%	2.7%	2.6%	3.1%	3.9%	2.1%	3.3%	3.4%	2.7%

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
2005	\$ 55,905,178	\$ 26,245,084	\$ 620,634	\$ 3,407,742	\$ 7,438,384	\$ 71,924,770	28.810%	\$ 7,447,046,100	0.97%
2006	61,265,869	28,329,946	631,282	3,786,433	6,851,418	79,589,246	28.597%	8,113,917,400	0.98%
2007	70,730,520	24,476,432	651,972	2,856,552	7,442,502	85,559,870	28.428%	8,542,466,300	1.00%
2008	70,876,684	35,226,221	604,330	1,760,011	7,685,098	97,262,126	27.578%	8,577,525,900	1.13%
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%

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 2005 Through 2014

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
2005	28.810	-	28.810	19.176	21.989	22.762	44.172	8.889	101.047	103.860	104.633
2006	28.597	-	28.597	21.565	22.952	21.893	41.016	8.389	99.567	100.954	99.895
2007	28.416	0.012	28.428	19.157	24.931	20.392	39.110	8.417	95.112	100.886	96.347
2008	27.567	0.011	27.578	19.218	17.980	19.668	38.571	8.546	93.913	92.675	94.363
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

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

** - The 2001 Omnibus tax bill enacted sweeping reforms to the Minnesota state/local finance system, including continuation of compression of tax classification, the State takeover of the general education property taxes for school districts and the State takeover of transit levies.

Source: Hennepin County Taxpayer Services Department

CITY OF MINNETONKA
Hennepin County, Minnesota

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	2014		2005		Rank	Percentage of Total Tax Capacity Value
		Tax Capacity Value	Rank	Tax Capacity Value	Rank		
United Health Group	Office Center	\$ 2,596,478	1	3.20%	\$ 824,020	5	1.15%
General Growth (Ridgedale)	Regional Shopping Center	2,137,500	2	2.64%	2,134,950	1	2.97%
Medica Health Plans	Commercial	1,389,446	3	1.71%	495,400	10	0.69%
KBS REIT II	Office Center	982,408	4	1.21%			
Carlson Companies	Office Center	909,064	5	1.12%	1,646,040	3	2.29%
Wells Operating Partnership	Office Center	810,960	6	1.00%	667,390	8	0.93%
CSM West Ridge, inc.	Shopping Center	768,616	7	0.95%	965,200	4	1.34%
Property Reserve, Inc.	Office Center	716,070	8	0.88%	662,970	7	0.92%
RREEF America REIT II Corp	Apartments	678,125	9	0.84%			
Cargill, Inc.	Office Center	652,350	10	0.80%	2,025,402	2	2.82%
Target Corporation	Retail				561,680	9	0.78%
Teachers Insurance	Office Center				701,350	6	0.98%
		<u>\$11,641,017</u>		<u>14.36%</u>	<u>\$ 10,684,402</u>		<u>14.85%</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
2005	\$21,696,431	\$ 21,527,970	99.22%	\$ (100,826)	\$ 123,936	\$ 21,551,080	99.33%
2006	23,819,419	23,486,300	98.60%	(159,328)	93,918	23,420,890	98.33%
2007	26,043,106	25,736,868	98.82%	(130,863)	102,634	25,708,639	98.72%
2008 *	26,796,051	26,625,195	99.36%	(179,256)	221,547	26,667,486	99.52%
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)	-	30,920,022	96.46%

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	<u>Governmental Activities General Obligation Bonds</u>	<u>Business-type Activities Water Revenue Bonds</u>	<u>Total Primary Government</u>	<u>General Obligation as a Percentage of Personal Income</u>	<u>Total Debt as a Percentage of Personal Income</u>	<u>General Obligation Debt Per Capita</u>	<u>Total Debt Per Capita</u>
2005	\$ 9,565,000	\$ 10,550,000	\$ 20,115,000	0.41%	0.77%	204	389
2006	9,095,000	9,920,000	19,015,000	0.36%	0.70%	193	369
2007	8,535,000	9,205,000	17,740,000	0.34%	0.65%	179	344
2008	12,665,000	8,410,000	21,075,000	0.29%	0.73%	162	407
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	0.24%	0.35%	64	204

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)
2005	\$ 9,565,000	\$ 758,782	\$ 8,806,218	0.12%	170
2006	9,095,000	898,014	8,196,986	0.10%	159
2007	8,535,000	963,645	7,571,355	0.09%	147
2008	12,665,000	1,022,355	11,642,645	0.14%	225
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

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, 2014

<u>Governmental Units</u>	<u>Net Debt Outstanding</u>	(1) <u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt:			
City of Minnetonka	\$ 7,162,372	100.00 %	<u>\$ 7,162,372</u>
Overlapping Debt:			
School Districts			
I.S.D. 270 - Hopkins	160,989,283	46.97	75,616,666
I.S.D. 276 - Minnetonka	95,419,347	24.63	23,501,785
I.S.D. 283 - St. Louis Park	48,184,573	0.01	4,818
I.S.D. 284 - Wayzata	173,945,096	16.38	28,492,207
Hennepin County	753,266,880	6.14	46,250,586
Hennepin County Parks	52,209,049	8.37	4,369,897
Hennepin County RR Authority	35,200,157	8.37	2,946,253
Regional:			
Metropolitan Council	93,953,739	3.15	2,959,543
Total Overlapping Debt			<u>184,141,756</u>
Total Direct and Overlapping Debt			<u><u>\$ 191,304,128</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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Market Value (Taxable)	\$ 8,113,917,400	\$ 8,542,466,300	\$ 8,581,940,800	\$ 8,581,940,800	\$ 8,231,108,300	\$ 8,275,660,200	\$ 7,831,970,800	\$ 7,489,072,211	\$ 7,295,340,723	\$ 7,311,630,277
* Debt Limit 3% of Market Value (Note A)	<u>148,306,200</u>	<u>170,849,326</u>	<u>171,638,816</u>	<u>257,458,224</u>	<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>
Amount of Debt Applicable to Debt Limit:										
General Obligation Bonds	9,565,000	9,095,000	8,535,000	12,665,000	12,070,000	13,760,000	10,075,000	9,160,000	7,990,000	7,020,000
Available in Debt Service Funds	<u>(758,782)</u>	<u>(898,014)</u>	<u>(963,645)</u>	<u>(1,022,355)</u>	<u>(1,252,169)</u>	<u>(4,051,357)</u>	<u>(1,301,371)</u>	<u>(3,890,389)</u>	<u>(1,150,271)</u>	<u>(1,209,111)</u>
Total Debt Applicable to Debt Limit	<u>8,806,218</u>	<u>8,196,986</u>	<u>7,571,355</u>	<u>11,642,645</u>	<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>
Legal Debt Margin	<u>\$ 139,499,982</u>	<u>\$ 162,652,340</u>	<u>\$ 164,067,461</u>	<u>\$ 159,996,171</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	5.94%	4.80%	4.41%	6.78%	6.57%	5.87%	3.73%	2.35%	3.13%	2.65%

* 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		
2005	\$ 8,977,363	\$ 6,503,383	\$ 2,473,980	\$ 475,000	\$ 474,404	2.61	
2006	9,535,859	6,905,401	2,630,458	630,000	446,949	2.44	
2007	10,170,646	8,280,625	1,890,021	715,000	418,179	1.67	
2008	10,389,772	9,365,605	1,024,167	745,000	488,037	0.83	
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	

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
2005	51,657	25,583	3.7%	\$ 50,412	\$ 2,604,132,684	46,980
2006	51,519	25,633	3.5%	52,905	2,725,612,695	46,832
2007	51,499	25,636	2.9%	52,905	2,724,554,595	47,546
2008	51,756	25,769	5.3%	55,819	2,888,968,164	47,329
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%	59,126 *	3,023,940,144	46,842

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.

*The 2014 estimate was not available at the time of this report.

CITY OF MINNETONKA
Hennepin County, Minnesota

PRINCIPAL EMPLOYERS
Prior Year and Nine Years Ago

Taxpayer	2013*			2004*		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
United Health Group	4,400	1	9.32%			
Cargill, Inc.	3,400	2	7.20%	2,000	4	4.32%
Carlson Companies	3,100	3	6.57%	3,100	2	6.70%
St Jude Medical	1,300	4	2.75%			
Allina Health System	1,200	5	2.54%	1,200	6	2.59%
Medica Health Plans	1,200	6	2.54%			
Independent School District (No. 276)	1,050	7	2.23%			
DataCard Corp	1,000	8	2.12%			
Digital River	800	9	1.70%			
Advantek Inc.	600	10	1.27%			
Starkey Laboratories				1,200	8	2.59%
Super Valu Stores, Inc.				1,100	10	2.38%
Ridgedale Shopping Center				2,575	3	5.56%
Advanced Circuits				1,200	5	2.59%
Metris				1,100	9	2.38%
Best Buy				4,310	1	9.31%
Rosemount Engineering				1,200	7	2.59%
	<u>18,050</u>		<u>38.25%</u>	<u>18,985</u>		<u>41.02%</u>

Source: City of Minnetonka Community Development Department

* - 2013 information is the most current information available.

CITY OF MINNETONKA
Hennepin County, Minnesota

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	8.50	8.50	9.00	9.00	8.72	8.72	8.97	8.97	8.97	9.55
Information Technology	2.75	2.75	2.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Finance	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Assessing	6.00	6.20	6.20	6.20	5.25	5.25	5.25	5.25	5.25	5.60
Development Services:										
Planning	5.88	6.97	6.97	6.97	6.25	6.25	6.25	5.50	5.50	5.50
Engineering	9.88	10.78	10.78	10.78	10.25	10.00	9.75	9.75	9.75	9.75
Community Development	14.55	14.55	15.55	15.55	10.40	10.40	10.40	11.40	11.60	11.00
Development Fund	-	-	0.20	0.20	0.20	0.20	0.20	0.20	-	-
Parks and Recreation:										
Joint Recreation	6.80	6.70	6.70	6.70	5.90	6.15	6.15	5.75	5.84	5.84
Community Center	4.60	4.60	4.60	4.60	4.35	3.85	3.75	4.15	3.37	3.37
Parks and Trails	9.60	9.63	9.51	9.51	9.51	9.01	8.91	8.91	9.21	9.97
Senior Services	0.50	0.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Minnetonka Recreation	-	0.90	0.90	0.90	0.90	1.15	1.15	0.75	0.84	0.84
Natural Resources	3.60	4.63	4.51	4.51	4.51	4.51	4.58	4.58	4.71	5.57
Streets and Buildings:										
Buildings and Grounds	6.50	6.50	6.50	6.50	5.50	7.00	7.40	8.31	8.18	7.37
Street	22.60	22.63	22.53	22.53	22.53	22.53	20.95	20.95	21.24	21.24
Equipment	5.60	5.63	-	-	-	-	-	-	-	-
Public Safety:										
Police:										
Licensed	56.00	56.00	56.00	58.00	57.00	56.00	47.00	47.00	47.00	47.00
Other	20.20	20.35	20.35	20.35	19.35	19.35	19.35	18.95	18.95	19.45
Fire:										
Full-time	7.00	7.00	7.00	7.00	6.50	6.50	6.50	6.50	6.50	6.50
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
Environmental Health	2.50	3.00	3.00	3.40	3.40	3.40	3.40	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	2.75	2.75	2.25	2.25	2.25	2.25	2.00	2.00	2.00	2.00
Forestry	-	-	-	-	-	-	-	-	-	-
Water and Sewer Utility	14.60	15.63	15.54	15.54	16.14	16.14	16.22	16.22	16.04	16.39
Ice Arena	4.60	4.60	4.60	3.80	3.80	3.80	3.80	3.80	3.62	3.62
Williston Center	3.90	3.90	3.95	6.95	6.95	5.15	5.05	5.05	5.05	7.05
Environmental	1.20	1.20	1.53	1.53	1.53	1.53	1.58	1.58	1.51	0.47
Gray's Bay Marina	-	-	-	-	-	-	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	0.50	0.50
Fleet Maintenance Internal Service	-	-	5.53	5.53	4.53	4.53	4.58	4.58	4.51	4.51
Total	319.60	325.40	328.45	334.05	321.47	319.42	318.14	318.60	318.09	321.04

Source: City of Minnetonka financial records

CITY OF MINNETONKA
Hennepin County, Minnesota

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety:										
Police:										
Calls for service	34,721	34,364	35,133	43,532	44,305	47,120	45,198	42,883	45,139	42,644
Criminal offenses	3,233	3,225	3,366	3,006	2,372	3,384	2,416	2,256	2,269	2,150
Fire:										
Number of calls	603	549	568	566	768	792	790	750	996	750
Legal:										
Cases opened and processed by staff	1,313	1,371	1,218	1,009	959	828	883	863	895	700
Environmental Health:										
Number of licensed establishments	768	762	778	721	721	730	716	711	720	735
Number of nuisance complaints	532	526	562	473	602	550	462	648	512	500
Development Services:										
Engineering:										
Number of construction projects underway	1	12	14	13	17	14	11	13	12	14
Number of construction projects completed	5	6	9	8	11	13	12	11	10	11
Community Development:										
Permits issued	7,588	7,495	7,094	6,424	5,431	6,250	6,757	6,301	6,761	6,800
Planning:										
Number of planning applications received	168	164	149	153	110	149	125	148	135	120
Number of building permits reviewed	1,120	1,675	1,680	1,686	1,304	1,582	1,700	1,590	1,688	1,700
Public Works:										
Street Maintenance:										
Miles of city maintained	254.0	254.7	254.7	254.9	254.9	254.9	254.9	254.9	254.9	254.9
Street Improvement:										
Miles of street rehabilitated	2.9	2.5	2.7	2.4	4.5	1.9	4.6	4.9	4.5	4.5
Average pavement condition index	77	77	80	78	78	78	81	82	82	82
Park & Recreation:										
Joint Recreation:										
Number of program participants	33,385	35,243	42,369	38,684	37,492	34,493	33,484	40,866	41,783	39,300
Senior Services:										
Number of program participants	5,590	4,200	4,225	5,484	4,147	4,004	10,381	12,881	14,305	14,500

CITY OF MINNETONKA
Hennepin County, Minnesota

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Park & Recreation: (Continued)										
Parks and Trails:										
Number of parks maintained	49	50	50	50	48	48	48	48	48	48
Park acreage:										
Active	313.5	315.3	315.3	315.3	315.3	315.3	315.3	315.3	316.0	316.0
Passive	740.9	740.9	740.9	740.9	740.9	740.9	740.9	740.9	740.9	740.9
Miles of trail and sidewalk maintained	79	86	86	86	86	86	94	96	96	99
Natural Resources:										
Number of diseased trees removed	2,406	2,520	1,977	2,055	1,794	1,215	1,422	1,204	752	900
Number of permits reviewed/inspected for natural resource compliance	302	319	225	530	465	475	550	550	725	650
General Government:										
Administrative Services:										
Number of registered voters	35,548	34,636	34,656	35,354	35,124	35,157	35,340	35,836	35,241	35,500
Water and Sewer Utility:										
Number of utility customer accounts	16,622	16,925	17,061	16,610	16,598	166,237	16,739	16,784	16,838	16,982
Water pumped (million gallons)	2,605	2,695	2,802	2,586	2,678	2,354	2,406	2,685	2,403	2,400
Utility locate requests completed	10,651	9,745	9,349	7,425	6,869	6,793	8,363	8,352	9,675	10,000
Ice Arena:										
Ice rental hours sold	3,255	3,220	3,283	3,302	3,134	3,150	3,300	3,312	3,020	3,200
Environmental:										
Curbside recycling picked up (tons)	6,417	6,356	5,672	5,655	5,256	5,145	5,113	5,440	5,316	5,100
Willston Center:										
Total memberships sold	1,777	1,981	2,021	2,047	1,985	1,857	3,694	6,638	8,342	8,400
Gray's Bay:										
Slip lease rate	\$ 2,800	\$ 2,940	\$ 3,524	\$ 3,700	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,900	\$ 3,900	\$ 3,900
Storm Water:										
Number of storm sewer projects completed	5	4	5	4	4	3	4	8	11	7

Source: Various city departments

CITY OF MINNETONKA
Hennepin County, Minnesota

CAPITAL ASSEST STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety:										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Number of police officers	56	56	56	58	57	57	57	57	57	57
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	1,670
Parks and Recreation:										
Parks acreage	1,054	1,054	1,056	1,056	1,056	1,056	1,056	1,056	1,057	1,057
Parks	49	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	2,577
Water plant daily capacity	18,500,000	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)	12,950,000	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	256	256
Storm Water										
Storm sewers (miles)	86	87	88	88	88	88	88	88	88	88

Source: Various city departments