



CITY OF  
**MINNETONKA**



Photo by: Terri Zuehlke

Minnetonka, MN  
**Comprehensive Annual Financial Report**  
*FOR THE YEAR ENDED DECEMBER 31, 2017*

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**OF THE CITY OF  
MINNETONKA, MINNESOTA**

*For the Year Ended December 31, 2017*

**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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**SECTION I**  
**INTRODUCTORY SECTION**

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

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**Hennepin County, Minnesota**

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**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**ELECTED OFFICIALS AND ADMINISTRATION**  
**As of December 31, 2017**

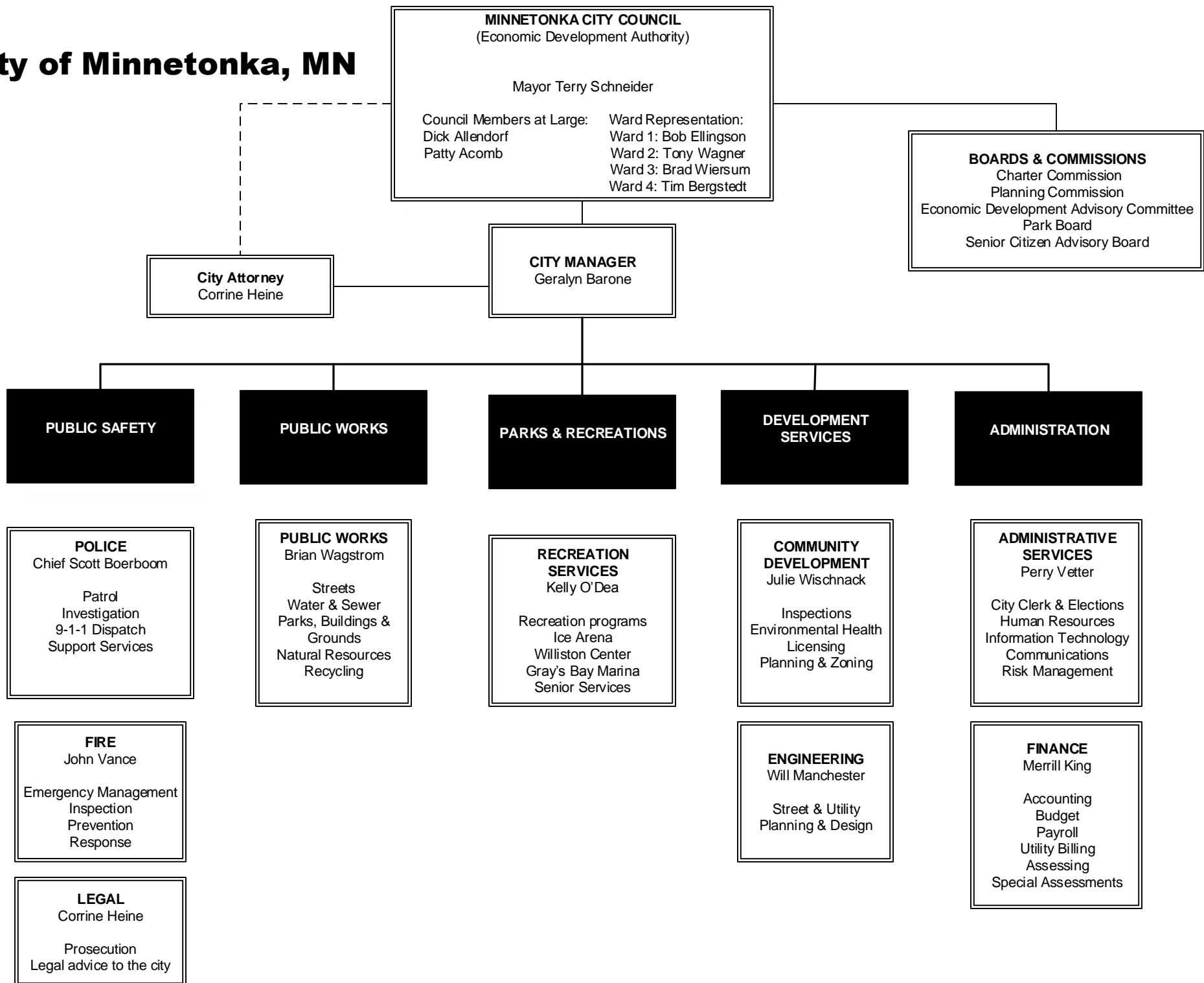
<u>Elected Officials</u>	<u>Position</u>	<u>Term Office Expires</u>
Terry Schneider	Mayor	December 31, 2017
Dick Allendorf	Council Member at Large	December 31, 2017
Patty Acomb	Council Member at Large	December 31, 2017
Bob Ellingson	Council Member - Ward 1	December 31, 2019
Tony Wagner	Council Member - Ward 2	December 31, 2019
Brad Wiersum	Council Member - Ward 3	December 31, 2019
Tim Bergstedt	Council Member - Ward 4	December 31, 2019

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



CITY OF  
**MINNETONKA**

# City of Minnetonka, MN







CITY OF  
**MINNETONKA**



14600 Minnetonka Blvd. | Minnetonka, MN 55345 | 952-939-8200 | [eminnetonka.com](http://eminnetonka.com)

June 6, 2018

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, 2017 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, 2017, 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, 2017, 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 247 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 2016 population estimate of 52,741 makes it the fourteenth largest City in Minnesota. Minnetonka enjoys an excellent location, with convenient access to the Minneapolis-Saint Paul metropolitan area via interstate highways I-494 and I-394. Interstate 394 runs from Minnetonka east to Minneapolis, and is a primary 15-minute commuter route to downtown Minneapolis. The City is also just 15 minutes from the Minneapolis-Saint Paul International Airport.

Minnetonka serves as the corporate headquarters location for many national and international businesses, including United Health Group, Cargill, Carlson Companies, American Medical Systems, GE Osmonics, Opus Northwest, Medica and others. The City has three premier business parks - Carlson Center, Opus Center, and Minnetonka Corporate Center. These offer excellent locations for business that continue to experience new development and major expansion of existing businesses. As a result, Minnetonka also enjoys a large employment base, which has remained relatively stable over the past ten years despite the recession. There are 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 (Green Line Extension) will connect the southwestern suburbs with Minneapolis and St. Paul. Specifically, it will enter the eastern portion of Minnetonka near the Shady Oak Road/Excelsior Boulevard area and travel south through the Opus Business Center, before continuing into Eden Prairie, the suburb on the southern border of the City. Full engineering design plans were completed in 2016 and the route is expected to be operational in 2023.

In anticipation of LRT, the City has seen significant investment in the Opus Business Center, an area of over 640 acres. Investments since 2008 have included multiple office expansions totaling nearly 850,000 square feet, adding nearly 4,000 employees, and a \$17 million capital expansion of its only state highway interchange. 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. Since 2016, several additional developments are in different stages of planning to active construction, including redevelopment of a former office site into a 330-unit multi-family apartment project, a 482-unit senior and general occupancy apartment complex and a 256 unit multi-family apartment project. The City 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 1.4-million-square-foot regional shopping center. Its anchor stores include Macy's, J. C. Penney, Sears, and

Nordstrom, the latter of which opened in 2015. A number of other retail centers are clustered near Ridgedale, including Ridgehaven Mall (which is anchored by a Target store and Lunds & Byerlys grocery store), Ridge Square North, Ridge Square South, Ridgedale Festival, and 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, and in 2017, the City developed award winning Public Realm Guidelines for the area. These documents include both retail and residential plans encompassing land use, design, transportation, and pedestrian connections as part of a complete vision for the area. As of early 2018, much of 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, the new Nordstrom store, and additional high-end restaurants, has been completed. In 2016, the Highland Bank site was fully redeveloped into 115 units of apartments with ground floor retail. As of early 2018, the TCF Bank site has almost completed its reconstruction and redevelopment of its parcel with added retail shops. Two more sites within and adjacent to the mall are now in the planning and City review stages for higher density residential, including a 77-unit luxury apartment building and a 168-unit active adult apartment building.

In conjunction with all of these developments in the Ridgedale area, the City also worked with state and federal highway agencies to fund and approve a new entrance ramp from Ridgedale Drive onto westbound I-394, which was completed and opened in 2014. In 2018, the City broke ground on significant improvements to the transportation corridor, including pedestrian improvements, from the primary mall property and I-394 into the Ridgehaven mall area. The \$11 million project will be completed this year without debt and with the assistance of mall property owners as well as federal transportation funding.

Economic development continues to expand along the I-394 corridor in Minnetonka. The Crest Ridge redevelopment project completed its first phase of construction in 2008. A second phase with 150 units of multi-family senior apartments broke ground in 2017. Additionally, Total Wine, a significant national liquor outlet, reinvested in vacant retail space on the corridor.

Minnetonka has worked hard to provide more affordable housing in the community and has added 454 affordable units since its decision to participate actively in the Metropolitan Council's Livable Communities Program in 1996. Since 2001, the City has financially assisted the West Hennepin Affordable Housing Land Trust (WHAHLT) in preserving 58 scattered-site affordable homes in Minnetonka. In many new developments underway since 2016, the City has been successful in incorporating affordable housing within market rate multi-unit projects. These include the Overlook Apartments, At Home Apartments, Cherrywood Point, the RiZe, and Applewood Pointe.

Minnetonka has a history of strong construction activity, including major new buildings and the expansion of existing buildings, and this experience continues today. In 2017, building permits were issued for \$189 million of construction work. Commercial construction of multiple projects included buildout of the Cheesecake Factory, remodeling of Hennepin County Library -Ridgedale Branch, significant additions to a community church, and various other retail investments. Residential additions and remodeling also continue to be a significant part of Minnetonka's construction activity that currently includes plans for at least four multi-family 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 PLANS, CURRENT PROJECTS AND FUTURE PROSPECTS**

In 2016, the City completed a process of community engagement to update its Strategic Profile. This strategic plan articulates the City's mission, goals and strategies and thereby guides the government's organizational management, use of resources, development and capital investments.

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

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

Williston Center – The City acquired its fitness center in 1995, and expansion and renovation projects were completed in 1998 as well as in 2011. Since the latest remodeling, the center has experienced unprecedented growth in its use, quadrupling membership from around 2,100 in 2009 to a current +9,100 members as of 2018. Non-member daily use increased from around 200,000 during 2011 to over 310,000 annually now.

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

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

Public trails, sidewalks and pedestrian features – The City currently maintains over 105 miles of trails and sidewalks throughout its boundaries and in 2016 completed an update to its long-range plan for completing and improving the system to enhance safety and sustainable transportation. The City's new five-year capital plan incorporates an ongoing funding mechanism that will pay for the construction of nearly seven more trail miles to be completed by the end of 2023 and that the City can continue to realize its full plan of needed trail segments in future years.

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

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

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. With the first two in the series of bonds sold in 2016 and more sales planned in 2018, scheduling of utility improvements under the plan align with priority road and storm drainage projects along with systemic analytics of historical water main breaks.

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

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

Minnetonka conducts many significant cooperative programs with nearby cities, school districts, and the county. One program provides building inspection services to the cities of Deephaven, Greenwood, and Woodland. Another provides for the joint exchange of specialized building inspection services between Minnetonka, the City of St. Louis Park and the City of Bloomington. Similarly, Minnetonka provides health inspection services to the City of Wayzata. The cities of Hopkins and Minnetonka share recreation programs. Minnetonka collaborates with the Hopkins and Minnetonka school districts to provide school liaison officers through the police department. Both the City's police and fire departments have joint response agreements with neighboring communities, and beginning in 2018, the City now relies upon Hennepin County for dispatch services. The City also has an innovative cost sharing arrangement with Hennepin County to house some of its trucks and road crew equipment at the City's 77,000 square foot public works facility.

## **OTHER FINANCIAL INFORMATION**

### Relevant Financial Policies

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

Similarly, the City Council established policy goals for cash fund balances in the City's water and sanitary sewer enterprise fund in 2012. The goals encompass both operating and capital reserves and will continue to serve as significant benchmarks for ongoing implementation of the aforementioned infrastructure and financial plan for the systems begun in 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 are for general community betterment. The policy further provides that fund balance guidelines be established to reflect subsequent-year budget needs, annual cash flow requirements, replacement reserves and potential contingencies. The guidelines are to be used to responsibly manage balances over the future five-year planning horizon.

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

### Long-term Financial Planning

The City annually prepares an updated five-year capital improvement plan (CIP) that supports achievement of the City's long-term strategic goals of providing and maintaining public facilities and infrastructure for its citizens and businesses, balanced against the constraint of available resources. The City charter provides that amendments to the plan, including funding changes, require a higher threshold of approval through a five-vote majority rather than a simple four-vote majority.

Since 2012, the City prepares an annually updated five- and ten-year economic improvement program (EIP). This comprehensive strategy articulates the City's economic development priorities and allocates funding for the City's economic development programs (housing, business,

transit, and redevelopment) over a multi-year planning horizon. The EIP informs the annual budget, and its development facilitates periodic review of program performance, funding gaps and any necessary policy realignment.

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

### Accounting System and Reporting

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

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

### **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Minnetonka for its comprehensive annual financial report for the fiscal year ended December 31, 2016. This was the 34th consecutive year that the City has achieved this prestigious award. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that complies with rigorous standards regularly reviewed and updated by the GFOA. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



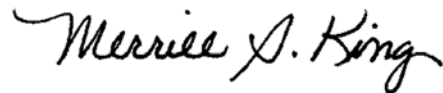
## ACKNOWLEDGMENTS

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

Respectfully submitted,



Geralyn 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, 2016**

*Christopher P. Morill*

Executive Director/CEO



CITY OF  
**MINNETONKA**

**SECTION II**  
**FINANCIAL SECTION**

## 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, 2017, 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.

### ***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, 2017, the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the City's proportionate share of the net pension liability, schedule of the City's pension contributions, schedule of the Minnetonka volunteer fire relief association changes in the net pension asset and related ratios, and the schedule of funding progress for the retiree health plan information on pages 19 through 28, and 105 through 108, 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.

**Other Matters (continued)**

*Other Information (continued)*

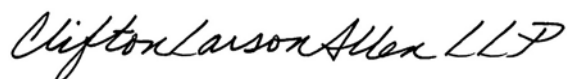
In our opinion, the combining and individual nonmajor fund financial statements, individual fund budget to actual schedules and the budget to actual schedule of revenues and expenditures by department for the General Fund are fairly stated in all material respects in relation to the basic financial statements 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, 2016, 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 2016 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 2016 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 2016 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 6, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
June 6, 2018



CITY OF  
**MINNETONKA**



**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2017**

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, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the City's basic financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources of the City by \$283,904,870. Of this amount, \$80,989,887 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's net position increased by approximately \$13.3 million from 2017 operations. This increase was due to the City's planned operations and sound fiscal control.
- The City's governmental funds reported combined ending fund balances of \$82,468,450.

**USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

**STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

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

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**December 31, 2017**

**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, \$187,978,733 or approximately 66.2%, 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, 2017**

**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, \$14,936,260 or approximately 5.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$80,989,877 or 28.5%, 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 \$8,666,517. This fluctuation was mostly due to operating revenues exceeding expenditures by \$6,305,556 and sound fiscal control by all departments within the City's General Fund with expenditures coming in approximately \$1.4 million less than budgeted.

Capital assets increased by approximately \$215,000. This change is due to the addition of \$2.8 million to work in progress, offset by \$3.0 million in infrastructure depreciation in 2017.

Current and other liabilities decreased by approximately \$622,000 due primarily to a \$1,000,000 decrease in contracts payable offset by an increase of \$230,000 in bonds payable within one year and \$158,000 in compensated absences due within one year. Long-term liabilities decreased by approximately \$19 million primarily due to a decrease in net pension liability for the City's proportional share of the Public Employees Retirement Association of Minnesota's multiple-employer, cost sharing, defined benefit pension plans, due to many actuarial assumption changes including combined service annuity loads, assumed post-retirement benefits, and mortality tables. Please refer to note 5.B.1.e for a complete listing of changes.

**Business-type Activities**

Current and other assets of the City's business-type activities increased by approximately \$2.9 million compared to the prior year. Overall operating income increased approximately \$3.4 million from the prior year which increased overall cash.

Capital assets decreased by approximately \$1.2 million over the past year. This decrease is due primarily to additions to the utility system for the new capital improvement program in the Utility Fund of approximately \$1.6 million offset by approximately \$2.8 million in depreciation.

Long-term liabilities decreased by approximately \$1.7 million due primarily to the yearly reduction in existing bonds payable.

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2017**

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

**STATEMENT OF NET POSITION**

December 31, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 98,488,914	\$ 89,822,397	\$ 29,476,325	\$ 26,565,662	\$ 127,965,239	\$ 116,388,059
Capital Assets	109,164,802	108,949,228	102,727,391	103,914,138	211,892,193	212,863,366
Total Assets	<u>207,653,716</u>	<u>198,771,625</u>	<u>132,203,716</u>	<u>130,479,800</u>	<u>339,857,432</u>	<u>329,251,425</u>
Deferred Outflows of Resources	<u>14,024,858</u>	<u>22,568,409</u>	<u>621,016</u>	<u>1,357,198</u>	<u>14,645,874</u>	<u>23,925,607</u>
Long-Term Liabilities						
Outstanding	26,137,899	45,172,236	20,886,011	22,544,747	47,023,910	67,716,983
Current and Other Liabilities	5,783,956	6,406,325	1,891,783	2,965,821	7,675,739	9,372,146
Total Liabilities	<u>31,921,855</u>	<u>51,578,561</u>	<u>22,777,794</u>	<u>25,510,568</u>	<u>54,699,649</u>	<u>77,089,129</u>
Deferred Inflows of Resources	<u>15,404,501</u>	<u>5,101,234</u>	<u>494,286</u>	<u>399,960</u>	<u>15,898,787</u>	<u>5,501,194</u>
Net Position:						
Net Investment in						
Capital Assets	102,223,500	100,378,219	85,755,233	89,143,255	187,978,733	189,521,474
Restricted	14,936,260	13,027,268	-	-	14,936,260	13,027,268
Unrestricted	57,192,458	51,254,752	23,797,419	16,783,215	80,989,877	68,037,967
Total Net Position	<u>\$ 174,352,218</u>	<u>\$ 164,660,239</u>	<u>\$ 109,552,652</u>	<u>\$ 105,926,470</u>	<u>\$ 283,904,870</u>	<u>\$ 270,586,709</u>

**STATEMENT OF ACTIVITIES**

**Governmental Activities**

The net position of the City's governmental activities increased by approximately \$9.7 million, or 5.9%. This increase is due to a variety of factors including an increase in property and franchise taxes of approximately \$3.3 million from the prior year, approximately \$2.7 million in tax increments, investment earnings of \$652,196 and transfers in of approximately \$1.1 million. In addition, the City continued the enhanced road revitalization program started in 2006, which includes overlay or reconstruction of every local street adding approximately \$3.5 million in infrastructure assets offset by annual depreciation expense.

Property taxes increased by \$1,521,017 due to the increased tax levy from the prior year and the related additional collections.

Investment earnings increased from the prior year by \$299,721 due to higher interest earnings from better investment market conditions.

**Business-Type Activities**

Business-Type Activities net position increased approximately \$3.6 million. The majority of this increase was due to operating revenues exceeding operating expenses by \$9.2 million, offset by depreciation expense of \$4.9 million and transfers out of \$1.2 million.

Investment income increased by \$81,925 during 2017 due to an increase in interest earnings.

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2017**

**STATEMENT OF ACTIVITIES**  
December 31, 2017

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenue</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 9,385,023	\$ 7,723,048	\$ 24,399,312	\$ 21,028,638	\$ 33,784,335	\$ 28,751,686
Operating Grants and Contributions	1,580,451	1,416,925	162,055	261,693	1,742,506	1,678,618
Capital Grants and Contributions	3,314,001	3,499,503	25,000	-	3,339,001	3,499,503
<b>General Revenues:</b>						
Property Taxes	35,543,357	34,022,340	-	-	35,543,357	34,022,340
Franchise Taxes	1,811,774	1,772,851	-	-	1,811,774	1,772,851
Tax Increments	2,689,708	2,486,080	-	-	2,689,708	2,486,080
Investment Earnings	652,196	352,475	166,214	84,919	818,410	437,394
Sale of Capital Assets	63,445	28,302	-	-	63,445	28,302
Other General Revenue	75,473	60,050	-	-	75,473	60,050
<b>Total Revenues</b>	<b>55,115,428</b>	<b>51,361,574</b>	<b>24,752,581</b>	<b>21,375,250</b>	<b>79,868,009</b>	<b>72,736,824</b>
<b>Expenses</b>						
General Government	5,300,173	4,955,580	-	-	5,300,173	4,955,580
Development Services	6,545,139	5,651,848	-	-	6,545,139	5,651,848
Public Works	12,558,277	11,333,229	-	-	12,558,277	11,333,229
Public Safety	15,681,354	16,931,334	-	-	15,681,354	16,931,334
Parks and Recreation	6,328,354	6,237,685	-	-	6,328,354	6,237,685
Unallocated Interest on Long-Term Debt	135,221	154,234	-	-	135,221	154,234
Water and Sewer Utilities	-	-	13,987,474	12,831,213	13,987,474	12,831,213
Ice Arena	-	-	1,062,568	990,691	1,062,568	990,691
Environmental	-	-	753,796	746,933	753,796	746,933
Williston Fitness Center	-	-	2,383,059	2,424,475	2,383,059	2,424,475
Grays Bay Marina	-	-	192,206	194,021	192,206	194,021
Storm Water	-	-	1,622,227	1,375,187	1,622,227	1,375,187
<b>Total Expenses</b>	<b>46,548,518</b>	<b>45,263,910</b>	<b>20,001,330</b>	<b>18,562,520</b>	<b>66,549,848</b>	<b>63,826,430</b>
Change in Net Position Before Transfers	8,566,910	6,097,664	4,751,251	2,812,730	13,318,161	8,910,394
Transfers	1,125,069	1,099,144	(1,125,069)	(1,099,144)	-	-
Increase in Net Position	9,691,979	7,196,808	3,626,182	1,713,586	13,318,161	8,910,394
Net Position - Beginning	164,660,239	157,463,431	105,926,470	104,212,884	270,586,709	261,676,315
Net Position - Ending	<b>\$ 174,352,218</b>	<b>\$ 164,660,239</b>	<b>\$ 109,552,652</b>	<b>\$ 105,926,470</b>	<b>\$ 283,904,870</b>	<b>\$ 270,586,709</b>



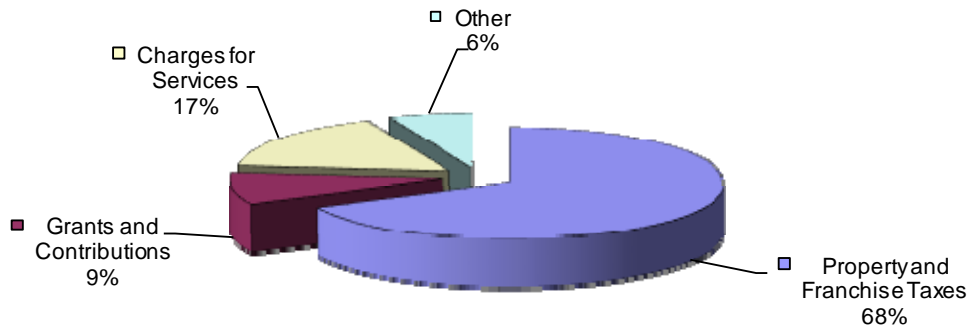
CITY OF  
**MINNETONKA**

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2017**

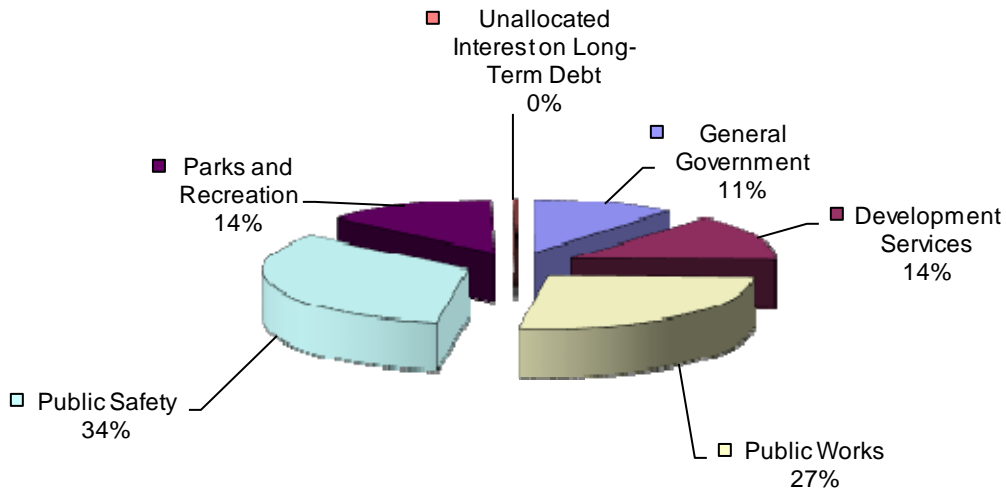
The following chart visually illustrates the City's revenue by source for its governmental activities:

**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, 2017**

**FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS**

**Governmental Funds**

*General Fund*

In 2017, the City's General Fund fund balance increased by \$900,660. The increased fund balance is due to the sound fiscal control by all departments within the General Fund that resulted in actual expenditures being \$1,397,283, or 4.2% under the final budget. Originally, the budget planned to decrease fund balance by approximately \$1,206,600 before transfers.

Total actual revenues were \$219,230 more than budgeted due largely to higher than expected license and permit fees collected and intergovernmental revenues received.

License and permit fees and intergovernmental revenue were \$552,374 higher than budgeted, while other revenues, property taxes collected and fines and forfeitures were lower than budgeted by \$333,144.

*Community Investment Fund*

The increase in available fund balance of \$235,625 in the Community Investment fund balance was due primarily to investment earnings in the current year.

*Special Assessment Construction Fund*

The fund balance in the Special Assessment Construction Fund decreased \$1,076,212 in 2017. This decrease was due primarily to a budgeted transfer out to the Public Facilities Expansion Capital Projects Fund.

*State Municipal Aid*

In 2017, the available fund balance in the State Municipal Aid Fund decreased by \$1,243,377. This decrease was due primarily to \$580,000 in costs for Ridgedale area street improvements and a \$650,000 transfer to the Shady Oak Rd Capital Projects Fund.

*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 2017, the Street Improvement fund balance increased \$2,125,079.



**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2017**

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

**Proprietary Funds**

*Water and Sewer Utilities*

In 2017, the net position of the Water and Sewer Utilities Fund increased by \$2,415,401. This increase was due primarily to operating income of \$3,064,864 and transfers out for direct and indirect administrative costs of \$800,000.

*Ice Arena*

The net position of the Ice Arena Fund decreased by \$167,190. This decrease was primarily due to an operating loss of \$182,983, which includes depreciation expense of \$169,628.

*Environmental Fund*

In 2017, the net position of the Environmental Fund increased by \$51,354 due primarily to an increase in recycling charges.

*Williston Fitness Center*

The net position of the Williston Fitness Center Fund increased by \$296,676 primarily due to the yearly continuing increase in membership fees and program offerings that has occurred since the facility was significantly upgraded in 2011.

*Gray's Bay Marina*

In 2017, the net position of the Gray's Bay Marina Fund increased by \$50,048 due to reduced operating expenses from a decrease in fuel prices.

*Storm Water*

The net position of the Storm Water Fund increased by \$816,590, or 2.8%, as user charges exceeded operating expenses for the current year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City Council revised the City's budget once. This revision was performed in the fall, when the City prepared next year's budget. To meet current and future service needs of the Minnetonka community, various long-term strategies were enacted and continued during 2017. 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 2017. They include various new ways of doing business such as: cooperative services agreements with other agencies, productivity investments that help deliver core services more efficiently, and

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2017**

**GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)**

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

**CAPITAL ASSETS**

At the end of 2017, the City had \$211.9 million invested in a broad range of capital assets. This amount represents a net decrease (including additions and deductions) of approximately \$1.0 million from the prior year.

The City's fiscal year 2018 capital budget appropriates another \$27.3 million for capital projects, of which approximately \$21.7 million will be for infrastructure projects. The remainder will be spent on replacement vehicles, building improvements, open space and recreational amenities as well as future investments in technology and equipment.

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

**LONG-TERM DEBT**

At year-end, the City had \$25.4 million in bonds outstanding versus \$26.8 million last year, a decrease of \$1.4 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 and the 2018 budget continues to reflect this long-term perspective.

The 2018 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 2017 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](mailto:mking@eminnetonka.com).

**BASIC  
FINANCIAL STATEMENTS**



CITY OF  
**MINNETONKA**

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and Investments (Including Cash Equivalents)	\$ 84,806,065	\$ 26,361,850	\$ 111,167,915
Receivables:			
Accounts Receivable	772,786	2,770,003	3,542,789
Loans Receivable	189,747	-	189,747
Interest Receivable	242,197	83,443	325,640
Taxes Receivable	752,774	-	752,774
Special Assessments Receivable	1,841,664	294,954	2,136,618
Due from Other Governments	5,807,924	-	5,807,924
Internal Balances	81,459	(81,459)	-
Prepaid Items	246,862	-	246,862
Inventories	238,335	47,534	285,869
Net Pension Asset	3,509,101	-	3,509,101
Capital Assets, Net of Related Depreciation:			
Land - Nondepreciable	21,495,870	1,412,611	22,908,481
Construction in Progress - Nondepreciable	11,277,820	7,956,229	19,234,049
Buildings	6,877,042	10,893,700	17,770,742
Improvements Other than Buildings	2,006,289	2,666,236	4,672,525
Machinery and Equipment	6,333,530	2,126,491	8,460,021
Infrastructure	61,174,251	77,672,124	138,846,375
Total Assets	<u>\$ 207,653,716</u>	<u>\$ 132,203,716</u>	<u>\$ 339,857,432</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions	<u>\$ 14,024,858</u>	<u>\$ 621,016</u>	<u>\$ 14,645,874</u>

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, 2017**  
**(Continued)**

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES AND NET POSITION:</b>			
<b>Liabilities:</b>			
Salaries and Wages Payable	\$ 1,029,450	\$ 155,483	\$ 1,184,933
Accounts and Contracts Payable	1,229,947	452,821	1,682,768
Incurred but Not Reported Claims	30,998	-	30,998
Accrued Interest Payable	60,822	156,236	217,058
Unearned Revenue	484,870	132,957	617,827
<b>Noncurrent Liabilities:</b>			
Unfunded OPEB Obligation	1,579,894	189,564	1,769,458
MNPERA-Net Pension Liability	18,001,889	2,522,865	20,524,754
<b>Bonds Payable, net:</b>			
Due Within One Year	1,260,000	875,000	2,135,000
Due in More than One Year	5,337,892	17,961,957	23,299,849
<b>Compensated Absences/ Severance Payable:</b>			
Due Within One Year	1,687,869	119,286	1,807,155
Due in More than One Year	1,218,224	211,625	1,429,849
<b>Total Liabilities</b>	<b>31,921,855</b>	<b>22,777,794</b>	<b>54,699,649</b>
 <b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions	\$ 15,404,501	\$ 494,286	\$ 15,898,787
 <b>Net Position:</b>			
Net Investment in Capital Assets	102,223,500	85,755,233	187,978,733
<b>Restricted for:</b>			
Public Safety	376,372	-	376,372
Debt Service	1,603,508	-	1,603,508
Economic Development	5,656,634	-	5,656,634
Public Works	3,144,206	-	3,144,206
Cemetery Operations	139,229	-	139,229
Grants	156,969	-	156,969
Net Pension Asset	3,859,342	-	3,859,342
Unrestricted	57,192,458	23,797,419	80,989,877
<b>Total Net Position</b>	<b>\$ 174,352,218</b>	<b>\$ 109,552,652</b>	<b>\$ 283,904,870</b>

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, 2017**

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
<b>Governmental Activities:</b>							
General Government	\$ 5,300,173	\$ 11,372	\$ 2,000	\$ -	\$ (5,286,801)	\$ -	\$ (5,286,801)
Development Services	6,545,139	4,256,705	265,250	855,039	(1,168,145)	-	(1,168,145)
Public Works	12,558,277	57,260	76,740	2,368,962	(10,055,315)	-	(10,055,315)
Public Safety	15,681,354	1,652,345	1,116,708	-	(12,912,301)	-	(12,912,301)
Parks and Recreation	6,328,354	3,407,341	119,753	90,000	(2,711,260)	-	(2,711,260)
Unallocated Interest on Long-Term Debt	135,221	-	-	-	(135,221)	-	(135,221)
<b>Total Governmental Activities</b>	<b>46,548,518</b>	<b>9,385,023</b>	<b>1,580,451</b>	<b>3,314,001</b>	<b>(32,269,043)</b>	<b>-</b>	<b>(32,269,043)</b>
<b>Business-Type Activities:</b>							
Water and Sewer Utilities	13,987,474	17,165,306	2,856	-	-	3,180,688	3,180,688
Ice Arena	1,062,568	893,463	785	-	-	(168,320)	(168,320)
Environmental	753,796	840,643	149,587	-	-	236,434	236,434
Williston Fitness Center	2,383,059	2,728,004	2,376	-	-	347,321	347,321
Grays Bay Marina	192,206	253,784	46	-	-	61,624	61,624
Storm Water	1,622,227	2,518,112	6,405	25,000	-	927,290	927,290
<b>Total Business-type Activities</b>	<b>20,001,330</b>	<b>24,399,312</b>	<b>162,055</b>	<b>25,000</b>	<b>-</b>	<b>4,585,037</b>	<b>4,585,037</b>
<b>Total Governmental and Business-Type Activities</b>	<b>\$ 66,549,848</b>	<b>\$ 33,784,335</b>	<b>\$ 1,742,506</b>	<b>\$ 3,339,001</b>	<b>(32,269,043)</b>	<b>4,585,037</b>	<b>(27,684,006)</b>
<b>General Revenues:</b>							
Property Taxes					35,543,357	-	35,543,357
Franchise Taxes					1,811,774	-	1,811,774
Tax Increments					2,689,708	-	2,689,708
Investment Earnings					652,196	166,214	818,410
Other General Revenue					138,918	-	138,918
Transfers					1,125,069	(1,125,069)	-
<b>Total General Revenues and Transfers</b>					<b>41,961,022</b>	<b>(958,855)</b>	<b>41,002,167</b>
<b>Change in Net Position</b>					<b>9,691,979</b>	<b>3,626,182</b>	<b>13,318,161</b>
<b>Net Position - Beginning</b>					<b>164,660,239</b>	<b>105,926,470</b>	<b>270,586,709</b>
<b>Net Position - Ending</b>					<b>\$ 174,352,218</b>	<b>\$ 109,552,652</b>	<b>\$ 283,904,870</b>

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

## **MAJOR GOVERNMENTAL FUNDS**

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

### **CAPITAL PROJECTS FUNDS**

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

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

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

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





CITY OF  
**MINNETONKA**

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2017**

	Capital Projects		
General	Community Investment	Special Assessment Construction	
<b>ASSETS:</b>			
Cash and Investments (Including Cash Equivalents)	\$ 22,440,217	\$ 21,042,298	\$ 5,187,547
Accounts Receivable	133,293	-	-
Loans Receivable	-	-	-
Interest Receivable	57,475	64,531	18,625
Property Taxes Receivable:			
Unremitted	704,513	-	-
Delinquent	33,327	-	-
Special Assessments Receivable:			
Unremitted	-	-	8,393
Current	-	-	157,774
Delinquent	-	-	8,743
Noncurrent	-	-	1,302,173
Due from Other Governments	36,651	-	-
Due from Other Funds	-	-	-
Advances to Other Funds	-	283,500	-
Prepays	246,862	-	-
Inventories	170,228	-	-
	<u>\$ 23,822,566</u>	<u>\$ 21,390,329</u>	<u>\$ 6,683,255</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
Salaries and Wages Payable	\$ 1,000,877	\$ -	\$ -
Accounts and Contracts Payable	184,167	-	45
Advanced from Other Funds	-	-	-
Unearned Revenues	484,870	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>1,669,914</u>	<u>-</u>	<u>45</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue - Taxes	33,327	-	-
Unavailable Revenue - Special Assessments	-	-	1,468,690
Unavailable Revenue - MSA	-	-	-
Total Deferred Inflows of Resources	<u>33,327</u>	<u>-</u>	<u>1,468,690</u>
<b>Fund Balances:</b>			
Nonspendable	417,090	-	-
Restricted	-	-	-
Committed	1,000,000	-	-
Assigned	13,972,800	21,390,329	5,214,520
Unassigned	6,729,435	-	-
Total Fund Balances	<u>22,119,325</u>	<u>21,390,329</u>	<u>5,214,520</u>
	<u>\$ 23,822,566</u>	<u>\$ 21,390,329</u>	<u>\$ 6,683,255</u>

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2017**  
**(Continued)**

	Capital Projects			
	State Municipal Aid	Street Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Investments (Including Cash Equivalents)	\$ -	\$ 5,476,813	\$ 27,657,136	\$ 81,804,011
Accounts Receivable	-	19,910	621,248	774,451
Loans Receivable	-	-	189,747	189,747
Interest Receivable	-	17,876	76,060	234,567
Property Taxes Receivable:				
Unremitted	-	-	14,598	719,111
Delinquent	-	-	336	33,663
Special Assessments Receivable:				
Unremitted	-	-	617	9,010
Current	-	-	35,345	193,119
Delinquent	-	-	2,276	11,019
Noncurrent	-	-	326,343	1,628,516
Due from Other Governments	5,173,751	-	589,952	5,800,354
Due from Other Funds	-	1,963,993	-	1,963,993
Advances to Other Funds	-	-	502,588	786,088
Prepays	-	-	-	246,862
Inventories	-	-	-	170,228
	<u>\$ 5,173,751</u>	<u>\$ 7,478,592</u>	<u>\$ 30,016,246</u>	<u>\$ 94,564,739</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Salaries and Wages Payable	\$ -	\$ -	\$ 9,994	\$ 1,010,871
Accounts and Contracts Payable	65,552	325,426	518,710	1,093,900
Advanced from Other Funds	-	-	502,588	502,588
Unearned Revenues	-	-	-	484,870
Due to Other Funds	1,963,993	-	-	1,963,993
Total Liabilities	<u>2,029,545</u>	<u>325,426</u>	<u>1,031,292</u>	<u>5,056,222</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Taxes	-	-	336	33,663
Unavailable Revenue - Special Assessments	-	-	363,963	1,832,653
Unavailable Revenue - MSA	5,173,751	-	-	5,173,751
Total Deferred Inflows of Resources	<u>5,173,751</u>	<u>-</u>	<u>364,299</u>	<u>7,040,067</u>
<b>Fund Balances:</b>				
Nonspendable	-	-	-	417,090
Restricted	-	-	8,001,534	8,001,534
Committed	-	-	20,618,774	21,618,774
Assigned	-	7,153,166	347	47,731,162
Unassigned	(2,029,545)	-	-	4,699,890
Total Fund Balances	<u>(2,029,545)</u>	<u>7,153,166</u>	<u>28,620,655</u>	<u>82,468,450</u>
	<u>\$ 5,173,751</u>	<u>\$ 7,478,592</u>	<u>\$ 30,016,246</u>	<u>\$ 94,564,739</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,173,751</u>	<u>\$ 7,478,592</u>	<u>\$ 30,016,246</u>	<u>\$ 94,564,739</u>

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



CITY OF  
**MINNETONKA**

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**December 31, 2017**

Total Fund Balances - Governmental Funds	\$ 82,468,450
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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	188,537,559
Less Accumulated Depreciation	(79,372,757)

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	(6,445,000)
Unamortized Bond Discount/(Premium)	(152,892)
Compensated Absences and Severance Payable, excluding Internal Service Funds	(2,819,301)
Other Postemployment Benefits Payable, excluding Internal Service Funds	(1,548,607)

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
MNPERA Net Pension Liability (from pension schedules)	(17,705,544)

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources related to Pensions	13,951,911
Deferred Inflows of Resources related to Pensions	(15,346,440)

Governmental funds do not report the net pension asset.	
MFRA Net Pension Asset	3,509,101

Delinquent property taxes, delinquent and noncurrent special assessments receivable and municipal state aid are reported as deferred inflows of resources in the fund statements as these amounts are not available in the current year.	
	7,040,067

Governmental funds do not report a liability for accrued interest until due and payable.	
	(60,822)

Internal Service Funds are used by management to charge the costs of providing insurance and fleet maintenance services for the City (See Note 2.A).	
	2,296,493

Total Net Position - Governmental Activities	\$ 174,352,218
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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, 2017**

	General	Capital Projects	
		Community Investment	Special Assessment Construction
<b>REVENUES:</b>			
Taxes:			
Property	\$ 24,005,382	\$ -	\$ -
Franchise	-	-	-
Tax Increments	-	-	-
Special Assessments	-	-	284,304
Licenses and Permits	4,040,273	-	-
Intergovernmental	1,152,101	-	-
Charges for Services	1,528,438	-	9,730
Fines and Forfeitures	434,997	-	-
Miscellaneous	988,039	172,625	56,755
Total Revenues	<u>32,149,230</u>	<u>172,625</u>	<u>350,789</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	4,174,521	-	-
Development Services	3,676,578	-	54,967
Public Works	4,581,011	-	-
Public Safety	13,898,002	-	-
Park and Recreation	5,409,205	-	-
Debt Service	-	-	-
Capital Outlay:			
General Government	-	-	-
Public Works	-	-	-
Public Safety	-	-	-
Park and Recreation	-	-	-
Total Expenditures	<u>31,739,317</u>	<u>-</u>	<u>54,967</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>409,913</u>	<u>172,625</u>	<u>295,822</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	1,353,400	63,000	197,266
Transfers Out	(862,653)	-	(1,569,300)
Total Other Financing Sources (Uses)	<u>490,747</u>	<u>63,000</u>	<u>(1,372,034)</u>
Net Change in Fund Balances	900,660	235,625	(1,076,212)
<b>FUND BALANCES:</b>			
Beginning of Year	<u>21,218,665</u>	<u>21,154,704</u>	<u>6,290,732</u>
End of Year	<u>\$ 22,119,325</u>	<u>\$ 21,390,329</u>	<u>\$ 5,214,520</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, 2017**  
**(Continued)**

	Capital Projects		Other Governmental Funds	Total Governmental Funds
	State Municipal Aid	Street Improvement		
<b>REVENUES:</b>				
Taxes:				
Property	\$ -	\$ 6,200,000	\$ 5,363,253	\$ 35,568,635
Franchise	-	-	1,811,774	1,811,774
Tax Increments	-	-	2,689,708	2,689,708
Special Assessments	-	-	52,370	336,674
Licenses and Permits	-	42,202	-	4,082,475
Intergovernmental	-	-	1,384,844	2,536,945
Charges for Services	-	-	-	1,538,168
Fines and Forfeitures	-	-	65,871	500,868
Miscellaneous	(12,480)	87,539	2,748,974	4,041,452
Total Revenues	<u>(12,480)</u>	<u>6,329,741</u>	<u>14,116,794</u>	<u>53,106,699</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	729,943	4,904,464
Development Services	-	-	2,668,769	6,400,314
Public Works	-	49,240	18,856	4,649,107
Public Safety	-	-	400,491	14,298,493
Park and Recreation	-	-	-	5,409,205
Debt Service	-	-	1,226,318	1,226,318
Capital Outlay:				
General Government	-	-	825,982	825,982
Public Works	580,897	4,155,422	-	4,736,319
Public Safety	-	-	3,598,625	3,598,625
Park and Recreation	-	-	752,306	752,306
Total Expenditures	<u>580,897</u>	<u>4,204,662</u>	<u>10,221,290</u>	<u>46,801,133</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(593,377)</u>	<u>2,125,079</u>	<u>3,895,504</u>	<u>6,305,566</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	3,474,081	5,087,747
Transfers Out	(650,000)	-	(833,394)	(3,915,347)
Total Other Financing Sources (Uses)	<u>(650,000)</u>	<u>-</u>	<u>2,640,687</u>	<u>1,172,400</u>
Net Change in Fund Balances	(1,243,377)	2,125,079	6,536,191	7,477,966
<b>FUND BALANCES:</b>				
Beginning of Year	<u>(786,168)</u>	<u>5,028,087</u>	<u>22,084,464</u>	<u>74,990,484</u>
End of Year	<u>\$ (2,029,545)</u>	<u>\$ 7,153,166</u>	<u>\$ 28,620,655</u>	<u>\$ 82,468,450</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 OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**  
**For the Year Ended December 31, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ 7,477,966

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	5,201,911
Depreciation Expense	(4,954,153)
Gain / (Loss) on Disposed Assets	(32,184)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 1,991,143

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,071,735

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	(102,027)
Changes in Other Postemployment Benefits Payable	(88,371)
Changes in Accrued Interest Payable	19,362

Net pension obligation is not recognized in the Governmental Funds but recognized as the expense/revenue is incurred in the Statement of Activities. 233,018

Some pension expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as an expenditure. (1,307,121)

Internal Service Funds are used by management to charge the costs of providing insurance for the City (See Note 2.B). 180,700

Change in Net Position of Governmental Activities \$ 9,691,979

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, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES:</b>				
Property Taxes	\$ 24,201,283	\$ 24,201,283	\$ 24,005,382	\$ (195,901)
Licenses and Permits	3,690,000	3,608,400	4,040,273	431,873
Intergovernmental Revenues	951,000	1,031,600	1,152,101	120,501
Charges for Services	1,563,900	1,651,500	1,528,438	(123,062)
Fines and Forfeitures	510,000	437,400	434,997	(2,403)
Other Revenues	1,048,017	999,817	988,039	(11,778)
Total Revenues	<u>31,964,200</u>	<u>31,930,000</u>	<u>32,149,230</u>	<u>219,230</u>
<b>EXPENDITURES:</b>				
General Government	4,474,500	4,446,200	4,174,521	271,679
Development Services	3,644,800	3,652,000	3,676,578	(24,578)
Public Works	4,888,900	4,888,900	4,581,011	307,889
Public Safety	14,223,700	14,212,400	13,898,002	314,398
Park and Recreation	5,970,700	5,937,100	5,409,205	527,895
Capital Outlay:				
Development Services	2,000	-	-	-
Total Expenditures	<u>33,204,600</u>	<u>33,136,600</u>	<u>31,739,317</u>	<u>1,397,283</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(1,240,400)</u>	<u>(1,206,600)</u>	<u>409,913</u>	<u>1,616,513</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,353,400	1,353,400	1,353,400	-
Transfers Out	<u>(853,000)</u>	<u>(853,000)</u>	<u>(862,653)</u>	<u>(9,653)</u>
Total Other Financing Sources (Uses)	<u>500,400</u>	<u>500,400</u>	<u>490,747</u>	<u>(9,653)</u>
Net Change in Fund Balance	(740,000)	(706,200)	900,660	1,606,860
<b>FUND BALANCES:</b>				
Beginning of Year	<u>21,218,665</u>	<u>21,218,665</u>	<u>21,218,665</u>	<u>-</u>
End of Year	<u>\$ 20,478,665</u>	<u>\$ 20,512,465</u>	<u>\$ 22,119,325</u>	<u>\$ 1,606,860</u>

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



CITY OF  
**MINNETONKA**

## **PROPRIETARY FUNDS**

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

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



CITY OF  
**MINNETONKA**

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS**  
**December 31, 2017**

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
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>								
<b>Current Assets:</b>								
Cash and Investments	\$ 19,582,140	\$ -	\$ 824,458	\$ 1,396,987	\$ 613,929	\$ 3,944,336	\$ 26,361,850	\$ 3,002,054
Accounts Receivable	2,224,314	107,921	40,955	-	-	396,813	2,770,003	-
Interest Receivable	61,048	-	3,048	4,597	1,931	12,819	83,443	7,630
Special Assessments Receivable	294,954	-	-	-	-	-	294,954	-
Due from Other Funds	422,147	-	-	-	-	-	422,147	-
Due from Other Governments	-	-	-	-	-	-	-	7,570
Inventories	47,384	150	-	-	-	-	47,534	68,107
Total Current Assets	<u>22,631,987</u>	<u>108,071</u>	<u>868,461</u>	<u>1,401,584</u>	<u>615,860</u>	<u>4,353,968</u>	<u>29,979,931</u>	<u>3,085,361</u>
<b>Noncurrent Assets:</b>								
<b>Capital Assets:</b>								
Land - Nondepreciable	247,650	-	-	484,381	-	680,580	1,412,611	-
Construction in Progress - Nondepreciable	6,067,887	-	-	-	-	1,888,342	7,956,229	-
Buildings and Structures	7,196,491	7,604,215	-	7,903,526	-	352,240	23,056,472	-
Water Facilities	5,266,562	-	-	-	-	-	5,266,562	-
Water Mains and Lines	135,374,349	-	-	-	-	-	135,374,349	-
Sewer Lift Stations	3,987,512	-	-	-	-	-	3,987,512	-
Storm Drainage System	-	-	-	-	-	40,096,205	40,096,205	-
Improvements Other than Buildings	3,207,924	30,000	-	224,464	740,000	-	4,202,388	-
Machinery and Equipment	5,846,467	533,605	-	127,087	13,334	1,143,107	7,663,600	-
Total Cost	<u>167,194,842</u>	<u>8,167,820</u>	<u>-</u>	<u>8,739,458</u>	<u>753,334</u>	<u>44,160,474</u>	<u>229,015,928</u>	<u>-</u>
Less Accumulated Depreciation	<u>(97,831,219)</u>	<u>(6,047,938)</u>	<u>-</u>	<u>(3,673,006)</u>	<u>(408,019)</u>	<u>(18,328,355)</u>	<u>(126,288,537)</u>	<u>-</u>
Net Capital Assets	<u>69,363,623</u>	<u>2,119,882</u>	<u>-</u>	<u>5,066,452</u>	<u>345,315</u>	<u>25,832,119</u>	<u>102,727,391</u>	<u>-</u>
Total Noncurrent Assets	<u>69,363,623</u>	<u>2,119,882</u>	<u>-</u>	<u>5,066,452</u>	<u>345,315</u>	<u>25,832,119</u>	<u>102,727,391</u>	<u>-</u>
Total Assets	<u>\$ 91,995,610</u>	<u>\$ 2,227,953</u>	<u>\$ 868,461</u>	<u>\$ 6,468,036</u>	<u>\$ 961,175</u>	<u>\$ 30,186,087</u>	<u>\$ 132,707,322</u>	<u>\$ 3,085,361</u>
<b>Deferred Outflows of Resources:</b>								
MNPERA Pension	280,490	77,142	13,234	233,364	4,520	12,266	621,016	72,947
Total Deferred Outflows of Resources	<u>280,490</u>	<u>77,142</u>	<u>13,234</u>	<u>233,364</u>	<u>4,520</u>	<u>12,266</u>	<u>621,016</u>	<u>72,947</u>

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, 2017**  
**(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
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:</b>								
<b>Liabilities:</b>								
<b>Current Liabilities:</b>								
Salaries and Wages Payable	\$ 71,206	\$ 18,735	\$ 2,414	\$ 60,373	\$ 417	\$ 2,338	\$ 155,483	\$ 18,579
Accounts Payable	297,028	2,898	40,758	47,732	324	64,081	452,821	133,005
Incurred but Not Reported Claims	-	-	-	-	-	-	-	35,705
Accrued Interest Payable	156,236	-	-	-	-	-	156,236	-
Due to Other Funds	-	422,147	-	-	-	-	422,147	-
Unearned Revenue	-	50,004	-	8,568	74,385	-	132,957	-
Current Portion of								
Compensated Absences	67,917	25,867	-	25,502	-	-	119,286	18,098
Bonds Payable	875,000	-	-	-	-	-	875,000	-
<b>Total Current Liabilities</b>	<u>1,467,387</u>	<u>519,651</u>	<u>43,172</u>	<u>142,175</u>	<u>75,126</u>	<u>66,419</u>	<u>2,313,930</u>	<u>205,387</u>
<b>Long-Term Liabilities:</b>								
Compensated Absences	124,899	60,400	-	26,326	-	-	211,625	68,694
Advances from Other Funds	-	-	-	283,500	-	-	283,500	-
Unfunded OPEB Obligation	105,992	25,155	9,372	43,239	1,262	4,544	189,564	31,287
MNPERA-Net Pension Liability	1,139,485	313,391	53,762	948,041	18,358	49,828	2,522,865	296,345
Revenue Bonds Payable, Net	17,961,957	-	-	-	-	-	17,961,957	-
<b>Total Noncurrent Liabilities</b>	<u>19,332,333</u>	<u>398,946</u>	<u>63,134</u>	<u>1,301,106</u>	<u>19,620</u>	<u>54,372</u>	<u>21,169,511</u>	<u>396,326</u>
<b>Total Liabilities</b>	<u>20,799,720</u>	<u>918,597</u>	<u>106,306</u>	<u>1,443,281</u>	<u>94,746</u>	<u>120,791</u>	<u>23,483,441</u>	<u>601,713</u>
<b>Deferred Inflows of Resources:</b>								
MNPERA Pension	223,251	61,400	10,533	185,743	3,596	9,763	494,286	58,061
<b>Total Deferred Inflows of Resources</b>	<u>223,251</u>	<u>61,400</u>	<u>10,533</u>	<u>185,743</u>	<u>3,596</u>	<u>9,763</u>	<u>494,286</u>	<u>58,061</u>
<b>Net Position:</b>								
Net Investment in Capital Assets	52,391,464	2,119,882	-	5,066,452	345,315	25,832,120	85,755,233	-
Unrestricted	18,861,665	(794,784)	764,856	5,924	522,038	4,235,679	23,595,378	2,498,534
<b>Total Net Position</b>	<u>71,253,129</u>	<u>1,325,098</u>	<u>764,856</u>	<u>5,072,376</u>	<u>867,353</u>	<u>30,067,799</u>	<u>109,350,611</u>	<u>2,498,534</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 92,276,100</u>	<u>\$ 2,305,095</u>	<u>\$ 881,695</u>	<u>\$ 6,701,400</u>	<u>\$ 965,695</u>	<u>\$ 30,198,353</u>		<u>\$ 3,158,308</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds (See Note 2.C)							<u>202,041</u>	
<b>Total Business-Type Activities Net Position</b>							<u>\$ 109,552,652</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, 2017**

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
<b>OPERATING REVENUES:</b>				
Water Sales and Sewer Charges	\$ 15,315,474	\$ -	\$ -	\$ -
Storm Water Charges	-	-	-	-
Ice Rental Charges	-	618,984	-	-
Memberships and Fees	-	-	-	2,646,817
Recycling Charges	-	-	814,770	-
Charges to City Departments	-	-	-	-
Other Revenue	1,849,832	274,479	25,873	81,187
Total Operating Revenues	<u>17,165,306</u>	<u>893,463</u>	<u>840,643</u>	<u>2,728,004</u>
<b>OPERATING EXPENSES:</b>				
Personal Services	1,728,728	475,556	81,105	1,477,576
Supplies, Repairs and Maintenance	779,235	83,572	4,172	156,441
Other Services and Charges	7,873,888	347,690	668,519	608,228
Total Operating Expenses	<u>10,381,851</u>	<u>906,818</u>	<u>753,796</u>	<u>2,242,245</u>
Operating Income (Loss) before Depreciation	6,783,455	(13,355)	86,847	485,759
Depreciation Expense	<u>3,718,591</u>	<u>169,628</u>	<u>-</u>	<u>154,876</u>
Operating Income (Loss)	<u>3,064,864</u>	<u>(182,983)</u>	<u>86,847</u>	<u>330,883</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment Income (Loss)	116,625	(3,492)	7,420	10,717
Intergovernmental	2,856	785	149,587	2,376
Interest Expense	(1,275)	-	-	-
Total Nonoperating Revenues (Expenses)	<u>118,206</u>	<u>(2,707)</u>	<u>157,007</u>	<u>13,093</u>
Income (Loss) before Contributions and Transfers	3,183,070	(185,690)	243,854	343,976
Capital Contributions	32,331	-	-	-
Transfers In	-	50,000	-	-
Transfers Out	(800,000)	(31,500)	(192,500)	(47,300)
Changes in Net Position	<u>2,415,401</u>	<u>(167,190)</u>	<u>51,354</u>	<u>296,676</u>
<b>NET POSITION:</b>				
Net Position, Beginning	<u>68,837,728</u>	<u>1,492,288</u>	<u>713,502</u>	<u>4,775,700</u>
Net Position - Ending	<u>\$ 71,253,129</u>	<u>\$ 1,325,098</u>	<u>\$ 764,856</u>	<u>\$ 5,072,376</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, 2017**  
**(Continued)**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Grays Bay Marina	Storm Water	Total Enterprise Funds	Total Internal Service Funds
<b>OPERATING REVENUES:</b>				
Water Sales and Sewer Charges	\$ -	\$ -	\$ 15,315,474	\$ -
Storm Water Charges	-	2,518,112	2,518,112	-
Ice Rental Charges	-	-	618,984	-
Memberships and Fees	114,885	-	2,761,702	-
Recycling Charges	-	-	814,770	-
Charges to City Departments	-	-	-	2,093,595
Other Revenue	138,899	-	2,370,270	68,470
Total Operating Revenues	<u>253,784</u>	<u>2,518,112</u>	<u>24,399,312</u>	<u>2,162,065</u>
<b>OPERATING EXPENSES:</b>				
Personal Services	34,300	87,941	3,885,206	419,661
Supplies, Repairs and Maintenance	88,796	146,016	1,258,232	667,734
Other Services and Charges	49,821	499,931	10,048,077	748,997
Total Operating Expenses	<u>172,917</u>	<u>733,888</u>	<u>15,191,515</u>	<u>1,836,392</u>
Operating Income (Loss) before Depreciation	80,867	1,784,224	9,207,797	325,673
Depreciation Expense	<u>24,651</u>	<u>904,096</u>	<u>4,971,842</u>	<u>-</u>
Operating Income (Loss)	<u>56,216</u>	<u>880,128</u>	<u>4,235,955</u>	<u>325,673</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment Income (Loss)	4,886	30,057	166,213	17,587
Intergovernmental	46	31,405	187,055	743
Interest Expense	-	-	(1,275)	-
Total Nonoperating Revenues (Expenses)	<u>4,932</u>	<u>61,462</u>	<u>351,993</u>	<u>18,330</u>
Income (Loss) before Contributions and Transfers	61,148	941,590	4,587,948	344,003
Capital Contributions	-	15,000	47,331	-
Transfers In	-	-	50,000	-
Transfers Out	<u>(11,100)</u>	<u>(140,000)</u>	<u>(1,222,400)</u>	<u>-</u>
Changes in Net Position	<u>50,048</u>	<u>816,590</u>	<u>3,462,879</u>	<u>344,003</u>
<b>NET POSITION:</b>				
Net Position, Beginning	<u>817,305</u>	<u>29,251,209</u>	<u>2,154,531</u>	<u>2,154,531</u>
Net Position - Ending	<u>\$ 867,353</u>	<u>\$ 30,067,799</u>	<u>\$ 2,498,534</u>	<u>\$ 2,498,534</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities to Enterprise Funds (See Note 2.D.)			<u>163,303</u>	
Change in Net Position - Business-Type Activities			<u>\$ 3,626,182</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, 2017**

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
<b>CASH FLOWS - OPERATING ACTIVITIES:</b>				
Receipts from Customers and Users	\$ 15,095,867	\$ 645,272	\$ 832,495	\$ 2,649,600
Receipts from Interfund Services Provided	-	-	-	-
Other Revenues	1,849,832	274,479	25,873	81,187
Payments to Suppliers	(10,293,975)	(453,140)	(673,165)	(777,902)
Payments to Employees	(1,704,542)	(468,929)	(79,232)	(1,450,368)
Payments of Benefits on Behalf of Employees	-	-	-	-
Net Cash Flows - Operating Activities	<u>4,947,182</u>	<u>(2,318)</u>	<u>105,971</u>	<u>502,517</u>
<b>CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:</b>				
Intergovernmental	2,856	785	149,587	2,376
Due to/from Other Funds	13,475	(13,475)	-	-
Transfers to Other Funds	(800,000)	(31,500)	(192,500)	(47,300)
Transfers from Other Funds	-	50,000	-	-
Net Cash Flows - Noncapital Financing Activities	<u>(783,669)</u>	<u>5,810</u>	<u>(42,913)</u>	<u>(44,924)</u>
<b>CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	(2,625,449)	-	-	(48,325)
Advances from Other Funds	-	-	-	(94,500)
Principal Paid on Capital Debt	(275,000)	-	-	-
Interest and Fiscal Charges Paid on Capital Debt	(367,610)	-	-	-
Net Cash Flows - Capital and Related Financing Activities	<u>(3,268,059)</u>	<u>-</u>	<u>-</u>	<u>(142,825)</u>
<b>CASH FLOWS - INVESTING ACTIVITIES:</b>				
Purchase of Investments	37,484,166	-	1,578,687	2,433,200
Sale of Investments	(39,281,548)	-	(1,674,189)	(2,769,224)
Interest and Dividends Received	124,154	(3,492)	7,229	11,010
Net Cash Flows - Investing Activities	<u>(1,673,228)</u>	<u>(3,492)</u>	<u>(88,273)</u>	<u>(325,014)</u>
Net Change in Cash and Cash Equivalents	(777,774)	-	(25,215)	(10,246)
Cash and Cash Equivalents, January 1	<u>3,312,903</u>	<u>-</u>	<u>134,597</u>	<u>191,172</u>
Cash and Cash Equivalents, December 31	<u>\$ 2,535,129</u>	<u>\$ -</u>	<u>\$ 109,382</u>	<u>\$ 180,926</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, 2017**  
**(Continued)**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Grays Bay Marina	Storm Water	Total Enterprise Funds	Total Internal Service Funds
<b>CASH FLOWS - OPERATING ACTIVITIES:</b>				
Receipts from Customers and Users	\$ 115,570	\$ 2,472,543	\$ 21,811,347	\$ -
Receipts from Interfund Services Provided	-	-	-	2,092,825
Other Revenues	138,899	-	2,370,270	68,470
Payments to Suppliers	(138,740)	(637,232)	(12,974,154)	(999,076)
Payments to Employees	(36,918)	(83,076)	(3,823,065)	(415,919)
Payments of Benefits on Behalf of Employees	-	-	-	(243,083)
Net Cash Flows - Operating Activities	<u>78,811</u>	<u>1,752,235</u>	<u>7,384,398</u>	<u>503,217</u>
<b>CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:</b>				
Intergovernmental	46	82,960	238,610	-
Due to/from Other Funds	-	-	-	-
Transfers to Other Funds	(11,100)	(140,000)	(1,222,400)	-
Transfers from Other Funds	-	-	50,000	-
Net Cash Flows - Noncapital Financing Activities	<u>(11,054)</u>	<u>(57,040)</u>	<u>(933,790)</u>	<u>-</u>
<b>CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	-	(746,554)	(3,420,328)	-
Advances from Other Funds	-	-	(94,500)	-
Principal Paid on Capital Debt	-	-	(275,000)	-
Interest and Fiscal Charges Paid on Capital Debt	-	-	(367,610)	-
Net Cash Flows - Capital and Related Financing Activities	<u>-</u>	<u>(746,554)</u>	<u>(4,157,438)</u>	<u>-</u>
<b>CASH FLOWS - INVESTING ACTIVITIES:</b>				
Purchase of Investments	1,128,091	6,774,199	49,398,343	5,279,825
Sale of Investments	(1,217,766)	(7,823,835)	(52,766,562)	(5,850,003)
Interest and Dividends Received	4,867	30,885	174,653	13,356
Net Cash Flows - Investing Activities	<u>(84,808)</u>	<u>(1,018,751)</u>	<u>(3,193,566)</u>	<u>(556,822)</u>
Net Change in Cash and Cash Equivalents	(17,051)	(70,110)	(900,396)	(53,605)
Cash and Cash Equivalents, January 1	<u>96,613</u>	<u>581,273</u>	<u>4,316,558</u>	<u>442,654</u>
Cash and Cash Equivalents, December 31	<u>\$ 79,562</u>	<u>\$ 511,163</u>	<u>\$ 3,416,162</u>	<u>\$ 389,049</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, 2017**  
**(Continued)**

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>				
<b>TO NET CASH FLOWS - OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 3,064,864	\$ (182,983)	\$ 86,847	\$ 330,883
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities				
Depreciation Expense	3,718,591	169,628	-	154,876
Accounts Receivable	(234,293)	19,029	11,950	-
Prepaid Items	-	-	-	-
Due from Other Governments	-	-	5,775	-
Special Assessments Receivable	14,686	-	-	-
Inventories	(16,612)	-	-	-
Pensions (Deferred Outflow)	328,651	96,502	15,938	275,063
Accounts Payable	(1,624,241)	(21,878)	(474)	(13,233)
Salaries and Wages Payable	(2,858)	(174)	270	1,446
Compensated Absences Payable	(24,147)	3,761	-	(11,590)
Unfunded OPEB Obligation	6,201	1,073	217	2,692
Net Pension	(327,401)	(104,763)	(16,488)	(276,315)
Pensions (Deferred Inflow)	43,740	10,228	1,936	35,912
Unearned Revenue	-	7,259	-	2,783
Total Adjustments	<u>1,882,317</u>	<u>180,665</u>	<u>19,124</u>	<u>171,634</u>
Net Cash Flows - Operating Activities	<u>\$ 4,947,181</u>	<u>\$ (2,318)</u>	<u>\$ 105,971</u>	<u>\$ 502,517</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING</b>				
<b>ACTIVITIES</b>				
Increase (Decline) in Fair Value of Investments	\$ (34,187)	\$ 443	\$ (1,357)	\$ (2,789)
Amortization of Bond Premium	33,271	-	-	-
Capital Contributions	32,331	-	-	-
Total Noncash Transactions	<u>\$ 31,415</u>	<u>\$ 443</u>	<u>\$ (1,357)</u>	<u>\$ (2,789)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>				
<b>TO THE STATEMENT OF NET POSITION</b>				
Cash and Investments	\$ 19,582,140	\$ -	\$ 824,458	\$ 1,396,987
Less: Investments not Meeting the Definition of Cash Equivalents	<u>(17,047,011)</u>	<u>-</u>	<u>(715,076)</u>	<u>(1,216,061)</u>
Total Cash and Cash Equivalents	<u>\$ 2,535,129</u>	<u>\$ -</u>	<u>\$ 109,382</u>	<u>\$ 180,926</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, 2017**  
**(Continued)**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Grays Bay Marina	Storm Water Fund	Total Enterprise Funds	Total Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 56,216	\$ 880,128	\$ 4,235,955	\$ 325,673
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities				
Depreciation Expense	24,651	904,096	4,971,842	-
Accounts Receivable	-	(45,569)	(248,883)	-
Prepaid Items	-	-	-	172,956
Due from Other Governments	-	-	5,775	(770)
Special Assessments Receivable	-	-	14,686	-
Inventories	-	-	(16,612)	(5,009)
Pensions (Deferred Outflow)	7,289	12,739	736,182	92,361
Accounts Payable	(123)	8,715	(1,651,234)	6,625
Salaries and Wages Payable	16	(165)	(1,465)	(291)
Compensated Absences Payable	-	-	(31,976)	2,460
Unfunded OPEB Obligation	38	283	10,504	1,604
Net Pension	(10,077)	(10,386)	(745,430)	(101,738)
Pensions (Deferred Inflow)	116	2,394	94,326	9,346
Unearned Revenue	685	-	10,727	-
Total Adjustments	<u>22,595</u>	<u>872,107</u>	<u>3,148,442</u>	<u>177,544</u>
Net Cash Flows - Operating Activities	<u>\$ 78,811</u>	<u>\$ 1,752,235</u>	<u>\$ 7,384,397</u>	<u>\$ 503,217</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
Increase (Decline) in Fair Value of Investments	\$ (1,010)	\$ (8,062)	\$ (46,962)	\$ (5,452)
Amortization of Bond Premium	-	-	33,271	-
Capital Contributions	-	15,000	47,331	-
Total Noncash Transactions	<u>\$ (1,010)</u>	<u>\$ 6,938</u>	<u>\$ 33,640</u>	<u>\$ (5,452)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>				
Cash and Investments	\$ 613,929	\$ 3,944,336	\$ 26,361,850	\$ 3,002,054
Less: Investments not Meeting the Definition of Cash Equivalents	<u>(534,367)</u>	<u>(3,433,173)</u>	<u>(22,945,688)</u>	<u>(2,613,005)</u>
Total Cash and Cash Equivalents	<u>\$ 79,562</u>	<u>\$ 511,163</u>	<u>\$ 3,416,162</u>	<u>\$ 389,049</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, 2017**

	<b>Private-Purpose Trust</b>	<b>Agency</b>
<b>ASSETS:</b>		
Cash and Investments	\$ 274,544	\$ 1,942,945
Interest Receivable	849	-
	275,393	\$ 1,942,945
<b>LIABILITIES:</b>		
Accounts Payable	-	\$ 1,942,945
	-	\$ 1,942,945
<b>NET POSITION:</b>		
Net Position, Held in Trust for Other Purposes	\$ 275,393	

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, 2017**

ADDITIONS:	
Contributions from Participants	\$ 14,622
Investment Earnings	
Interest	<u>2,296</u>
Total Additions	16,918
DEDUCTIONS:	
Benefits	<u>9,517</u>
Change in Net Position	7,401
Net Position - January 1	<u>267,992</u>
Net Position - December 31	<u><u>\$ 275,393</u></u>

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



CITY OF  
**MINNETONKA**

**NOTES TO BASIC  
FINANCIAL STATEMENTS**



**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

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

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

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

**Blended Component Unit**

**Economic Development Authority in and for the City of Minnetonka**

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**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 2017, the City contributed approximately \$37,200 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 2017, the City paid \$912,340 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 2017 was approximately \$2,462,000 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 2017 was approximately \$103,000, 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, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

**Joint Ventures and Jointly Governed Organizations (Continued)**

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

The City and Minnetonka Schools entered into an agreement to jointly fund a cultural arts center in 2000 at Minnetonka High School. At that time, the facility was jointly owned by Minnetonka Schools and the City as tenants-in-common, 55% and 45%, respectively, with the City being responsible for 50% of the annual operating costs. On July 1, 2009 the joint venture agreement was modified to accommodate Minnetonka Schools purchasing the City's share of the facility over the next seven years. In return, the City will not be responsible for any future operating and capital expenditures, and will also maintain a guaranteed number of rehearsal hours through a 20-year operating lease with Minnetonka Schools. The City's operating lease cost for 2017 was \$ 51,000.

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

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. The Fiduciary Funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Major Governmental Funds: (Continued)

Capital Project Funds (Continued)

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

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

Major Proprietary Funds:

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

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

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

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

**1. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**1. Deposits and Investments (Continued)**

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

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

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

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

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as advances to/from other funds. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances are reported in the government-wide financial statements as "internal balances."

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**2. Receivables and Payables (Continued)**

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

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

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

**3. Inventory and Other Assets**

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

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

**4. Use of Estimates**

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

**5. Capital Assets**

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



**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**5. Capital Assets (Continued)**

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

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

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

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

**6. Deferred Outflows/Inflows of Resources**

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**6. Deferred Outflows/Inflows of Resources (Continued)**

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

**7. Compensated Absences**

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

**8. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize non-current liabilities to the extent they have matured or will be liquidated with expendable, available financial resources. Bond premiums and discounts are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**9. Pensions**

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**10. Fund Balance Classifications**

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

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

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

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

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

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

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

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “internal service funds are used by management to charge the costs of providing risk management and fleet maintenance for the City.” The details of this \$2,296,493 difference are as follows:

Net Position of the Internal Service Fund	\$ 2,498,534
Subtract: Net Position Attributed to the Business-Type Activities	<u>(202,041)</u>
Net Adjustment to Increase <i>Fund Balance - Total Governmental Funds</i> to Arrive at <i>Net Position - Governmental Activities</i>	<u><u>\$ 2,296,493</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balance – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$1,071,735 difference are as follows:

Principal Repayments:	
General Obligation Debt	\$ 1,030,000
Amortization of Bond Discounts and Premiums:	
General Obligation Debt - Net	<u>41,735</u>
Net Adjustment to Increase <i>Net Changes in Fund Balances - Total Governmental Funds</i> to Arrive at <i>Changes in Net Position of Governmental Activities</i>	<u><u>\$ 1,071,735</u></u>

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**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 \$180,700 difference are as follows:

Change in Net Position of the Internal Service Fund	\$ 344,003
Subtract: Gain from Charges to Business-Type Activities	<u>(163,303)</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>\$ 180,700</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 \$202,041 are as follows:

Internal Payable Representing Charges in Excess of Costs to Business-Type Activities - Prior Year	\$ 38,738
Internal Payable Representing Costs in Excess of Charges to Business-Type Activities - Current Year	<u>163,303</u>
Net Adjustment to Increase <i>Net Position - Total Enterprise Funds</i> to Arrive at <i>Net Position - Business-Type Activities</i>	<u><u>\$ 202,041</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 \$163,303 are as follows:

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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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

Gain from Charges to Business-Type Activities	<u>\$ 163,303</u>
Net Adjustment to Increase <i>Net Change in Net Position - Total Enterprise Funds</i> to Arrive at <i>Changes in Net Position of Business-Type Activities</i>	<u>\$ 163,303</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**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2017, expenditures exceeded appropriations in the following fund:

Cable Television	\$ 14,175
Police Forfeiture Fund	15,301
Shady Oak Lane Cemetary	1,100

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

**C. Deficit Fund Equity**

The State Municipal Aid Capital Projects Fund had a deficit fund balance of \$2,029,545 as of December 31, 2017. This fund incurred expenditures in excess of revenues and other financing sources due mostly 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.

**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, 2017, 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, 2017, the City had deposits as follows:

Checking	\$ 505,286
Savings	1,781,621
Certificates of Deposit	1,500,000
Total Deposits	<u>\$ 3,786,907</u>

**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Investments**

As of December 31, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>			<u>Ratings</u>
	<u>Fair Value</u>	<u>5 Years or Less</u>	<u>Over 5 Years</u>	
FHLB	\$ 18,125,962	\$ 15,143,842	\$ 2,982,120	AAA
FHLMC	17,837,450	17,837,450	-	AAA
FNMA	15,779,750	15,779,750	-	AAA
FNMAP	1,196,803	1,196,803	-	N/A
PEFCO	1,505,460	1,505,460	-	AAA
REFCORP	1,891,070	1,891,070	-	AAA
FFCB	1,986,940	996,640	990,300	AAA
FICO Strips	1,509,025	1,509,025	-	N/A
Broker CD's	19,582,819	19,582,819	-	Not Rated
4-M	30,164,916	30,164,916	-	Not Rated
	<u>\$ 109,580,195</u>	<u>\$ 105,607,775</u>	<u>\$ 3,972,420</u>	

**Interest Rate Risk:** In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturities of its portfolio. Unless a specific exception is provided, the maximum average life of the portfolio, excluding investable funds from the Community Investment Fund, will be five years or below. For 2017, the average life of the City's portfolio was 1.8 years made up of \$105,607,775 of investments maturing in 5 years or less and \$3,972,420 maturing in excess of five years.

The \$3,972,420 of investments maturing in excess of five years is covered by \$21,042,298 held in the Community Investment Fund and is within the City's investment policy limit. Also, no investments have maturities of more than 10 years.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The City invests with the 4M fund which is regulated by *Minnesota Statutes* and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unrated external investment pool that is valued at amortized cost and does not restrict or limit withdrawals made by the City. The City also invests in other brokered CD's and money market accounts where investments with maturities of less than one year being valued at amortized cost, and investments with maturities greater than one year being valued based on quoted prices of similar investments. As of December 31, 2017, the City's investments are rated in the above table.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Investments (Continued)**

Concentration of Credit Risk: The risk of loss attributed to the magnitude of the City’s investments in a single issuer. The City places limits on the amount that may be invested in any one issuer according to Minnesota Statute 118A. As of December 31, 2017, more than 5 percent of the City’s investments are held in FHLMC, FHLB and FNMA. These investments are 16%, 17% and 14%, respectively, of the City’s total investments and fall within the allowable 70% maximum allowable holdings of these types of investments.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investments are insured by SIPC or other supplemental insurance, held in the City's name by the counter party as of December 31, 2017. 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, 2017:

Petty Cash		\$ 18,300
Deposits		3,786,909
Investments		109,580,195
Total		\$ 113,385,404

Cash, deposits and investments are presented in the December 31, 2017 basic financial statements as follows:

Statement of Net Position:

Cash and Investments (Including Cash Equivalents)		\$ 111,167,915
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Statement of Fiduciary Net Position:

Cash and Investments (Including Cash Equivalents)		
Private-Purpose Trust Funds		274,544
Agency Funds		1,942,945
Total Deposits and Investments		\$ 113,385,404

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**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Investments (Continued)**

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

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

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

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

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

As of December 31, 2017 the City’s investments fall into the following categories of fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S Agencies and Treasury Notes	\$ -	\$59,832,460	\$ -	\$ 59,832,460
Broker Certificates of Deposit	-	3,702,295	-	3,702,295
	<u>\$ -</u>	<u>\$63,534,755</u>	<u>\$ -</u>	<u>63,534,755</u>
Investments measured at amortized cost				<u>46,045,440</u>
Total				<u>\$ 109,580,195</u>

**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance <u>January 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31, 2017</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 21,495,870	\$ -	\$ -	\$ 21,495,870
Construction in Progress	8,433,846	3,531,930	(687,956)	11,277,820
Total Capital Assets, Not Being Depreciated	29,929,716	3,531,930	(687,956)	32,773,690
Capital Assets, Being Depreciated:				
Buildings and Structures	21,536,985	847,571	-	22,384,556
Improvements Other Than Buildings	8,199,409	-	-	8,199,409
Furniture and Equipment	3,108,070	270,552	(23,452)	3,355,170
Machinery and Auto	10,223,045	1,239,814	(734,947)	10,727,912
Infrastructure:				
Streets	93,821,027	-	-	93,821,027
Park Additions	17,275,795	-	-	17,275,795
Total Capital Assets, Being Depreciated	154,164,331	2,357,937	(758,399)	155,763,869
Less Accumulated Depreciation for				
Buildings and Structures	(15,115,333)	(392,181)	-	(15,507,514)
Improvements Other Than Buildings	(6,084,220)	(108,900)	-	(6,193,120)
Furniture and Equipment	(1,995,725)	(246,888)	15,639	(2,226,974)
Machinery and Auto	(5,089,790)	(1,143,364)	710,576	(5,522,578)
Infrastructure:				
Streets	(42,220,417)	(2,542,065)	-	(44,762,482)
Park Additions	(4,639,334)	(520,755)	-	(5,160,089)
Total Accumulated Depreciation	(75,144,819)	(4,954,153)	726,215	(79,372,757)
Total Capital Assets, Being Depreciated, Net	79,019,512	(2,596,216)	(32,184)	76,391,112
Governmental Activities Capital Assets, Net	<u>\$ 108,949,228</u>	<u>\$ 935,714</u>	<u>\$ (720,140)</u>	<u>\$ 109,164,802</u>

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

General Government	\$ 157,874
Development Services	27,402
Public Works	3,140,486
Public Safety	814,895
Parks and Recreation	813,496
Total Depreciation Expense	<u>\$ 4,954,153</u>

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets (Continued)**

	Balance <u>January 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31, 2017</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,412,611	\$ -	\$ -	\$ 1,412,611
Construction in Progress	<u>9,129,480</u>	<u>2,470,825</u>	<u>(3,644,076)</u>	<u>7,956,229</u>
Total Capital Assets, Not Being Depreciated	10,542,091	2,470,825	(3,644,076)	9,368,840
Capital Assets, Being Depreciated:				
Buildings and Structures	22,535,348	521,124	-	23,056,472
Improvements Other Than Buildings	2,740,797	1,461,591	-	4,202,388
Water Facilities	5,266,561	1	-	5,266,562
Machinery and Equipment	7,250,065	692,608	(279,073)	7,663,600
Sewer Lift Stations	3,462,855	524,657	-	3,987,512
Distribution System	133,615,984	1,758,365	-	135,374,349
Storm Sewers	<u>40,096,205</u>	<u>-</u>	<u>-</u>	<u>40,096,205</u>
Total Capital Assets, Being Depreciated	214,967,815	4,958,346	(279,073)	219,647,088
Less Accumulated Depreciation for				
Buildings and Structures	(11,695,678)	(467,093)	-	(12,162,771)
Improvements Other Than Buildings	(1,412,101)	(124,051)	-	(1,536,152)
Water Facilities	(3,577,806)	(83,767)	-	(3,661,573)
Machinery and Equipment	(5,409,872)	(406,311)	279,073	(5,537,110)
Sewer Lift Stations	(2,535,097)	(78,902)	-	(2,613,999)
Distribution System	(80,266,148)	(2,974,248)	-	(83,240,396)
Storm Sewers	<u>(16,699,066)</u>	<u>(837,470)</u>	<u>-</u>	<u>(17,536,536)</u>
Total Accumulated Depreciation	<u>(121,595,768)</u>	<u>(4,971,842)</u>	<u>279,073</u>	<u>(126,288,537)</u>
Total Capital Assets, Being Depreciated, Net	<u>93,372,047</u>	<u>(13,496)</u>	<u>-</u>	<u>93,358,551</u>
Business-Type Activities Capital Assets, Net	<u>\$ 103,914,138</u>	<u>\$ 2,457,329</u>	<u>\$(3,644,076)</u>	<u>\$ 102,727,391</u>

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

Water and Sewer Utilities	\$ 3,718,591
Ice Arena	169,628
Williston Fitness Center	154,876
Grays Bay Marina	24,651
Storm Water Fund	<u>904,096</u>
Total Depreciation Expense	<u>\$ 4,971,842</u>

In 2017, the Water and Sewer Utilities Fund capitalized net interest costs of \$317,435. Total interest expense in the Water and Sewer Utilities Fund before capitalization was \$374,072.

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2017 was \$51,000. The future minimum lease payments for the lease are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2018	\$ 51,000
2019	57,600
2020	57,600
2021	57,600
2022	57,600
2023-2027	288,000
2028	<u>57,600</u>
Total	<u><u>\$ 627,000</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, 2017**

**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, 2017, was as follows:

	Interest Rates/ Final Maturity Date	Balance at January 1, 2017	Issued	Retired	Balance at December 31, 2017	Due Within One Year
Governmental Activities:						
Bonds Payable:						
General Obligation State-Aid Street Bonds, Series 2008A	3.25 - 4% / 4/1/2024	\$ 1,195,000	\$ -	\$ 125,000	\$ 1,070,000	\$ 125,000
General Obligation Open Space and Park Improvement Bonds, Series 2008B	3.25 - 4% / 2/1/2020	1,560,000	-	150,000	1,410,000	150,000
General Obligation Open Space and Park Improvement Refunding Bonds, Series 2010A	2.00 - 3% / 2/1/2018	810,000	-	400,000	410,000	410,000
General Obligation Open Space and Park Refunding Bonds, Series 2012A	1.00 - 2% / 2/1/2020	1,470,000	-	355,000	1,115,000	365,000
General Obligation Open Space and Park Improvement Bonds, Series 2016B	2.00% / 2/1/2027	2,440,000	-	-	2,440,000	210,000
Unamortized Bond Premium		194,859	-	41,811	153,048	-
Unamortized Bond Discount		(232)	-	(76)	(156)	-
Total G.O. Bonds, net		<u>7,669,627</u>	<u>-</u>	<u>1,071,735</u>	<u>6,597,892</u>	<u>1,260,000</u>
Compensated Absences		<u>2,801,606</u>	<u>1,792,355</u>	<u>1,687,869</u>	<u>2,906,092</u>	<u>1,687,869</u>
Governmental Activity Long-Term Liabilities		<u>\$ 10,471,233</u>	<u>\$ 1,792,355</u>	<u>\$ 2,759,604</u>	<u>\$ 9,503,984</u>	<u>\$ 2,947,869</u>
Business-Type Activities:						
Bonds Payable:						
General Obligation Water Revenue Refunding Bonds, Series 2012A	1.00 - 2% / 2/1/2020	\$ 1,120,000	\$ -	\$ 275,000	\$ 845,000	\$ 275,000
General Obligation Utility Revenue Refunding Bonds, Series 2016A	2.00 - 2.35 / 2/1/2036	10,000,000	-	-	10,000,000	335,000
General Obligation Utility Improvement Bonds, Series 2016B	2.00 - 2.1 / 2/1/2036	7,560,000	-	-	7,560,000	265,000
Unamortized Bond Premium		465,228	-	33,271	431,957	-
Total Revenue Bonds, net		<u>19,145,228</u>	<u>-</u>	<u>308,271</u>	<u>18,836,957</u>	<u>875,000</u>
Compensated Absences		<u>362,887</u>	<u>160,357</u>	<u>192,333</u>	<u>330,911</u>	<u>119,286</u>
Business-Type Activity Long-Term Liabilities		<u>\$ 19,508,115</u>	<u>\$ 160,357</u>	<u>\$ 500,604</u>	<u>\$ 19,167,868</u>	<u>\$ 994,286</u>

**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**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	
2018	\$ 1,260,000	\$ 162,937	\$ 875,000	\$ 366,218	\$ 2,664,155
2019	1,375,000	125,300	1,070,000	346,768	2,917,068
2020	1,395,000	83,009	1,100,000	325,068	2,903,077
2021	385,000	55,950	825,000	305,818	1,571,768
2022	385,000	45,300	840,000	289,168	1,559,468
2023-2027	1,645,000	80,100	4,470,000	1,183,838	7,378,938
2028-2032	-	-	4,920,000	714,591	5,634,591
2033-2037	-	-	4,305,000	190,858	4,495,858
Total	\$ 6,445,000	\$ 552,596	\$ 18,405,000	\$ 3,722,327	\$ 29,124,923

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

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

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Debt (Continued)**

**3. Components of Long-Term Liabilities (Continued)**

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

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

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

There are a number of financial limitations and restrictions contained in the various bond indentures. At December 31, 2017, the City is in compliance with all significant financial limitations and restrictions.

The voters of the City approved, by special election on September 11, 2001, the issuance and sale by the City of G.O. Bonds of the City in an aggregate amount not to exceed \$15,000,000. The purpose of the Bonds, as approved by the voters, is to provide financing for a Parks Renewal and Open Space Preservation Program. As of December 31, 2016 all authorized bonds up to the \$15,000,000 have been issued. As of December 31, 2017, \$2,440,000 of these bonds remain outstanding.

**4. Conduit Debt Obligations**

From time-to-time, the City has issued Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the underlying property enhanced and are payable solely from payments received from the benefited entity. Neither the City, the State of Minnesota, nor any political subdivision, thereof, is obligated in any manner for repayment of the bonds. Accordingly, the Bonds are not reported as liabilities in the basic financial statements. As of December 31, 2017, there were 13 series of Revenue Bonds outstanding, with an approximate outstanding balance of \$101,421,022.



**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Debt (Continued)**

**5. Revenue Pledged**

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

Bond Issue	Use of Proceeds	Revenue Pledged				Current Year		
		Type	Percent of Total Debt Service	Debt Service as a % of Net Revenues	Taxes Payable Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
2012A GO Water Revenue Refunding Bonds	Refund Original Debt used for Water Utility Infrastructure	Utility Revenue	100%	n/a	2013 - 2020	\$870,650	\$294,650	\$2,988,931
2016A GO Utility Revenue Refunding Bonds	Refund Original Debt used for Water Utility Infrastructure	Utility Revenue	100%	n/a	2017 - 2036	\$12,144,677	\$220,474	\$2,236,490
2016B GO Utility Revenue Bonds	Water Utility Infrastructure	Utility Revenue	100%	n/a	2017 - 2036	\$9,112,000	\$153,598	\$1,558,099

**F. Commitments**

At December 31, 2017, the City had the following contract commitments outstanding:

Project	Contractor	Commitment
Shady Oak Road Project	Hennepin County	\$ 238,489
Shady Oak Road Landscaping	Southview Design	45,990
Co Rd 101, CR 62 - CR3	Hennepin County	208,862
2015 Street Rehabilitation	Valley Paving, Inc.	792,008
Building Automation Upgrade	Metropolitan Mechanical	315,959
2016 Street Rehab-Libbs Lake	GMH Asphalt Corp	102,819
Excelsior Blvd Pond Outlet	New Look Contracting	55,317
Manhole Rehab Phase VII	Hydro-Klean	6,940
2017 Street Rehab-Crosby	GMH Asphalt Corp	732,088
Clarion Hills Storm Drainage	G.F. Jedlicki, Inc.	7,884
	Total	\$ 2,506,356

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Interfund Transactions**

**1. Interfund Receivables and Payables**

Receivable Fund	Payable Fund	Amount	Purpose
Water and Sewer Utilities Fund	Ice Arena Fund	\$ 422,147	[1]
Street Improvement Fund	State Municipal Aid Fund	1,963,993	[2]
	Total	<u>\$ 2,386,140</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 2018.
- [2] This interfund receivable and payable eliminated what would have been a negative cash balance. The negative cash in the State Municipal Aid Fund is related to current road projects that will be reimbursed by the State of Minnesota for its share of the construction costs. The City expects these transactions to be completed sometime in 2018.

**2. Transfers**

Transfer To	Transfer From	Amount	Purpose
General Fund	Other Nonmajor	\$ 31,500	Administrative costs
General Fund	Other Nonmajor Fund	61,200	Administrative costs
General Fund	Grays Bay Marina	11,100	Administrative costs
General Fund	Environmental	192,500	Administrative costs
General Fund	Special Assessment Construction	38,300	Administrative costs
General Fund	Storm Water Fund	140,000	Administrative costs
General Fund	Water and Sewer Utilities	800,000	Administrative costs
General Fund	Williston Center	47,300	Administrative costs
General Fund	Ice Arena	31,500	Administrative costs and funding support
Special Assessment Construction	Other Nonmajor Fund	197,266	Yearly transfer for Shady Oak Road Property
Other Nonmajor	Special Assessment Construction	1,531,000	Budgeted transfer for Public Safety Building Fund
Community Investment	General Fund	63,000	Construction costs
Ice Arena	General Fund	50,000	Funding support
Other Nonmajor	State Municipal Aid Fund	650,000	Construction costs
Other Nonmajor	Other Nonmajor	502,588	Construction costs
Other Nonmajor	Other Nonmajor Debt Service	40,840	Close remaining balance from construction
Other Nonmajor	General Fund	749,653	Construction costs
		<u>\$ 5,137,747</u>	

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Interfund Transactions (Continued)**

**3. Advances To/From Other Funds**

The Community Investment Fund advanced \$945,000 to the Williston Fitness Center for renovation/construction purposes. This advance will be paid back to the Community Investment Fund in annual installments of \$94,500 from the Williston Center, bearing no interest through the year 2020. The amount still outstanding at 12/31/2017 was \$283,500.

The Development Fund advanced \$502,588 to the Glen Lake TIF District for relocation costs of the Alano property. This advance will be paid back to the Development Fund as tax increments are collected. The amount outstanding at 12/31/2017 was \$502,588.

**H. Segment Information**

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

**I. Contingencies**

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. On July 13, 2015 the City Council adopted a resolution approving the City's commitment of \$2 million towards the Metropolitan Council's Southwest Light Rail Transit (SWLRT) Project (METRO Green Line Extension) for construction activities anticipated to occur between 2017 and 2020 to extend the Metropolitan Council's Light Rail System through the City. At the time of adoption, a funding source for this commitment had not yet been identified. On January 9, 2017, the City Council adopted a resolution modifying the City's Capital Improvement Program and designating the funding sources of this \$2 million commitment. The funding will be \$475,000 from the Street Improvement Fund, \$475,000 from the Electric Franchise Fund, \$300,000 from the Storm Water Fund and \$750,000 from the Housing and Redevelopment Authority levy. In addition, the Council action also approved subordinate funding agreements with the Metropolitan Council for an additional \$1,571,478 in funding for changes to design, materials and construction to bring the improvements in line to City standards for similar infrastructure across the City.

**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**J. Tax Abatements**

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

For the fiscal year ended December 31, 2017, the City has four agreements established under Minnesota Statutes 469.174 to 469.179, which resulted in property taxes totaling \$1,510,023 being abated. These agreements include:

Beacon Hill Housing District: A pay as you go note to finance the cost of a 110 unit rental housing facility for seniors and a 42 unit assisted living facility for seniors. The abatement amount was \$229,796.

Glenhaven TIF District: A revenue pay as you go note to finance the cost of a mixed use redevelopment including an apartment building with retail and a senior housing care facility. The abatement amount was \$431,121.

Tonka on the Creek: A pay go note to finance the cost of a 100 unit rental housing facility, with 20% of the units made affordable to families at or below 50% of the area median income. The abatement amount was \$200,701.

Boulevard Gardens TIF District: Although the original pay as you go note to finance the cost of a mixed use redevelopment including retail, affordable family and senior rental units, and condominium and townhomes has been retired, this TIF district continues to collect abated property taxes that are pooled to pay developers for other qualified affordable housing developments within the City. The abatement amount was \$648,405.

For the fiscal year ended December 31, 2017, the City has one agreement established under Minnesota Statutes 469.1812 to 469.1815, which resulted in property taxes totaling \$81,000 being abated. This abatement is for an agreement with General Growth Properties for an expansion to the regional Ridgedale Mall, located within the City. The expansion includes the addition of a new 138,000 square foot Nordstrom store, 84,000 additional square footage for the Macy's store and 48,000 square feet of new restaurants at the mall. Under the agreement, the developer qualifies for a maximum reimbursement of \$1,798,000 plus 5% interest calculated by completed project components.

**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**K. Fund Balance/Net Position**

At December 31, 2017, a summary of the governmental fund balance classifications is as follows:

	General Fund	Community Investment	Special Assessment Construction	State Municipal Aid	Street Improvement	Other Governmental Funds	Total
<b>Nonspendable:</b>							
Inventory & Prepays	\$ 417,090	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 417,090
Total Nonspendable	417,090	-	-	-	-	-	417,090
<b>Restricted for:</b>							
Cemetery Operations	-	-	-	-	-	139,229	139,229
Housing	-	-	-	-	-	1,109,328	1,109,328
Grants	-	-	-	-	-	156,969	156,969
Police Forfeiture	-	-	-	-	-	376,372	376,372
Tax Increment	-	-	-	-	-	4,547,306	4,547,306
Debt Service	-	-	-	-	-	1,672,330	1,672,330
Total Restricted	-	-	-	-	-	8,001,534	8,001,534
<b>Committed to:</b>							
Technology Improvements	-	-	-	-	-	340,717	340,717
Cable TV	-	-	-	-	-	2,373,672	2,373,672
Electric Franchise Fees	-	-	-	-	-	3,808,906	3,808,906
Compensated Absences	1,000,000	-	-	-	-	-	1,000,000
Capital Replacement	-	-	-	-	-	1,048,701	1,048,701
Public Safety Facilities	-	-	-	-	-	1,084,379	1,084,379
Development	-	-	-	-	-	4,290,887	4,290,887
Park Improvements	-	-	-	-	-	5,430,798	5,430,798
Street Improvements	-	-	-	-	-	1,323,776	1,323,776
Reforestation	-	-	-	-	-	916,938	916,938
Total Committed	1,000,000	-	-	-	-	20,618,774	21,618,774
<b>Assigned to:</b>							
Budget Stabilization	13,766,900	-	-	-	-	-	13,766,900
Fire Pensions	190,900	-	-	-	-	-	190,900
Recreation Scholarships	15,000	-	-	-	-	-	15,000
Community Investment	-	21,390,329	5,214,520	-	-	-	26,604,849
Street Improvements	-	-	-	-	7,153,166	347	7,153,513
Total Assigned	13,972,800	21,390,329	5,214,520	-	7,153,166	347	47,731,162
Unassigned	6,729,435	-	-	(2,029,545)	-	-	4,699,890
<b>Total</b>	<b>\$22,119,325</b>	<b>\$ 21,390,329</b>	<b>\$ 5,214,520</b>	<b>\$ (2,029,545)</b>	<b>\$ 7,153,166</b>	<b>\$ 28,620,655</b>	<b>\$ 82,468,450</b>

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2017, including an estimate for claims incurred but not reported.

Changes in the insurance claims liability during 2017 and 2016, recorded within the City’s Internal Service Fund, are as follows:

	<u>2017</u>	<u>2016</u>
Unpaid Claims at Beginning of Year	\$ 66,703	\$ 98,462
Incurred Claims	424,617	468,242
Premiums and Settlements	<u>(460,322)</u>	<u>(500,001)</u>
Unpaid Claims at End of Year	<u>\$ 30,998</u>	<u>\$ 66,703</u>

**B. Employee Retirement Systems and Pension Plans**

**Pension Plans – Primary Government**

**1. Defined Benefit Pension Plans – State-wide**

**a. Plan Description**

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

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

**a. Plan Description (Continued)**

**1. General Employees Retirement Plan**

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

**2. Public Employees Police and Fire Plan**

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

**b. Benefits Provided**

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80% for one year or 85% for two consecutive years, are given 1% increases.

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

**1. General Employee Plan Benefits**

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

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

**b. Benefits Provided (Continued)**

**1. General Employee Plan Benefits (Continued)**

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2).

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

**2. Police and Fire Plan Benefits**

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



**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**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)**

**c. Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. Governmental activities and business-type activities recognized pension expense of \$3,114,234 and \$319,078, respectively for the year ended December 31, 2017. Total pension expense for all of the City's plans was \$3,433,312 for the year ended December 31, 2017.

**1. General Employee Plan Contributions**

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The City contributions to the General Employee Plan for the year ended December 31, 2017, were \$1,030,108. The City contributions were equal to the required contributions as set by state statute.

**2. Police and Fire Plan Contributions**

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The City was required to contribute 16.20% of pay for Police and Fire members in calendar year 2017. The City contributions to the Police and Fire Plan for the year ended December 31, 2017, were \$959,280. The City contributions were equal to the required contributions as set by state statute.

**d. Pension Costs**

**1. General Employee Plan Pension Costs**

At December 31, 2017, the City reported a liability of \$13,112,599 for its proportionate share of the General Employee Plan's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contribution entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$164,847. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City contributions received by PERA during the

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

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

**d. Pension Costs (Continued)**

**1. General Employee Plan Pension Costs (Continued)**

measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA’s participating employers.

At June 30, 2017, the City’s proportion was .2054%, which was a decrease of .0006% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$1,658,409 for its proportionate share of the General Employee Plan’s pension expense. The City also recognized \$32,864 for the year ended December 31, 2017, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s on-behalf contribution to the General Employee Plan.

At December 31, 2017, the City reported its proportionate share of General Employee Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 432,152	\$ 843,566
Changes in Actuarial Assumptions	2,176,977	1,314,537
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	84,690	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	410,957
City Contributions Subsequent to the Measurement Date	533,904	-
Total	<u>\$ 3,227,723</u>	<u>\$ 2,569,060</u>

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

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

**d. Pension Costs (Continued)**

**1. General Employee Plan Pension Costs (Continued)**

\$533,904 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 269,822
2019	668,324
2020	(256,787)
2021	(556,605)

**2. Police and Fire Plan Pension Costs**

At December 31, 2017, the City reported a liability of \$7,412,153 for its proportionate share of the Police and Fire Plan’s net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2017, the City proportion was .549%, which was a decrease of .007% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$1,774,903. The City also recognized \$49,410 for the year ended December 31, 2017, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Plan. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014.

**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

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

**d. Pension Costs (Continued)**

**2. Police and Fire Plan Pension Costs (Continued)**

At December 31, 2017, the City’s proportionate share of Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is as follows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 170,611	\$ 1,981,557
Changes in Actuarial Assumptions	9,700,281	10,523,420
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	101,799	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	244,366
City Contributions Subsequent to the Measurement Date	514,835	-
Total	<u>\$ 10,487,526</u>	<u>\$ 12,749,343</u>

\$514,835 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 69,171
2019	69,171
2020	(202,542)
2021	(622,611)
2020	(2,089,841)

**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

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

**e. Actuarial Assumptions**

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% per year for the General Employees Plan through 2044 and the Police and Fire Plan through 2064 and then 2.5% thereafter for both plans.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four year experience study for the General Employees Plan was completed in 2015. The most recent five-year experience study for the Police and Fire Plan was completed in 2016. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2017:

**General Employees Fund**

The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0 percent per year through 2044 and 2.5% per year thereafter.

**Police and Fire Fund**

Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

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

**e. Actuarial Assumptions (Continued)**

Police and Fire Fund (Continued)

Assumed rates of retirement were changed, resulting in fewer retirements.

The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.

The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

Assumed percentage of married female members was decreased from 65 percent to 60 percent.

Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

The assumed percentage of female members electing Joint and Survivor annuities was increased.

The assumed post-retirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.

**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

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

**e. Actuarial Assumptions (Continued)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39 %	5.10 %
International Equity	19	5.30
Bonds	20	0.75
Alternative Assets	20	5.90
Cash	2	0.00
Totals	100 %	

**f. Discount Rate**

The discount rate used to measure the total pension liability in 2017 was 7.50% for both the General Employees Plan and the Police and Fire Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**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)**

**g. Pension Liability Sensitivity**

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

Sensitivity of Net Pension Liability at Current Single Discount Rate				
	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	\$ 20,338,618	6.50%	\$ 13,959,247
Current Discount Rate	7.50%	\$ 13,112,599	7.50%	\$ 7,412,153
1% Higher	8.50%	\$ 7,196,793	8.50%	\$ 2,007,166

**h. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

**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.

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, 2017, 2016 and 2015 were \$2,200, \$2,000, and \$1,800, respectively, were equal to the contractually required contributions for each year as set by state statute.

**3. Minnetonka Firefighters' Relief Association**

**a. Plan Description**

Firefighters of the City of Minnetonka are members of the Minnetonka Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to *Minnesota Statutes*, Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2016, membership includes 74 active participants, 60 retired and disabled members, 16 beneficiaries and 10 terminated employees entitled to benefit but not yet receiving them. The plan issues a stand-alone financial statement.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

**3. Minnetonka Firefighters' Relief Association (Continued)**

**b. Benefits Provided**

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

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

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

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

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

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

**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

**3. Minnetonka Firefighters’ Relief Association (Continued)**

**c. Contributions**

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

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

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$376,889 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2016. Required employer contributions are calculated annually based on statutory provisions. The statutorily-required contribution to the plan for the year ended December 31, 2016 was \$190,887 which was covered by fire state aid.

**d. Pension Costs**

At December 31, 2016, the City reported an asset of \$3,509,101 for the Association’s net pension asset. The net pension asset was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

**3. Minnetonka Firefighters’ Relief Association (Continued)**

**d. Pension Costs (Continued)**

As there was no required contribution, the City did not recognize expense for the year ended December 31, 2017. At December 31, 2017, the City reported deferred outflows and inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 131,229	\$ 95,836
Changes in Actuarial Assumptions	249,039	484,548
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	550,357	-
Total	\$ 930,625	\$ 580,384

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

Year Ended December 31	Pension Expense Amount
2017	\$ 134,317
2018	134,317
2019	134,318
2020	(72,367)
2021	(7,202)
Thereafter	26,858

**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

**3. Minnetonka Firefighters’ Relief Association (Continued)**

**e. Actuarial Assumptions**

The actuarial total pension liability was determined as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/16
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line
Actuarial Assumptions:	
Investment Rate of Return	6.75%
Project Salary Increases	N/A
20-Year Municipal Bond Yield	3.78%
Inflation	2.75%
Cost-of-living Adjustments	None
Age of Service Retirement	50
Mortality	Assumed life expectancies were based on RP 2000 mortality tables.
Disability	.11% disability assumed at age 20, decreasing each year until 0% at age 60
Withdrawal	6% withdrawal assumed at age 20, decreasing each year until 0% at age 60
Beneficiaries	85 percent of members assumed to have beneficiaries who will receive benefits
Age of Difference	3
Form of Payment	For members hired before 2006, 25% of retiring members choose a lump sum payment, 75% choose a monthly annuity.

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

**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

**3. Minnetonka Firefighters’ Relief Association (Continued)**

**e. Actuarial Assumptions (Continued)**

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

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

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	52.16%	5.58%	8.33%
International equity	6.97%	5.71%	8.46%
Fixed income	33.77%	2.27%	5.02%
Real estate and alternatives	0.41%	4.44%	7.19%
Cash and equivalents	6.69%	0.84%	3.59%
Total (weighted avg, rounded to 1/4%)	100.00%		7.24%
Less Investment Expense			-0.39%
Net assumed investment return (rounded to 1/4%)			6.75%

**f. Discount Rate**

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

**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Plans – Primary Government (Continued)**

**3. Minnetonka Firefighters’ Relief Association (Continued)**

**g. Pension Asset Sensitivity**

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

	1% Decrease	Selected Discount Rate	1% Increase
Net Pension Liability (Asset)	\$ (2,182,770)	\$ (3,509,101)	\$ (4,616,720)
Discount Rate	5.75%	6.75%	7.75%

**h. Plan’s Fiduciary Net Position**

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

**C. Postemployment Healthcare Plan**

**Plan Description**

The City provides a single-employer defined benefit 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 2017, the City contributed \$102,511 to the plan. As of January 1, 2017, there were approximately 20 retirees receiving health benefits from the City’s health plan.

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**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	\$	193,039
Interest on Net OPEB Obligation		75,104
Adjustment to Annual Required Contribution		(65,153)
Annual OPEB Cost (Expense)		202,990
Contributions Made		(102,511)
Increase in Net OPEB Obligation		100,479
Net OPEB Obligation - Beginning of Year		1,668,979
Net OPEB Obligation - End of Year	\$	1,769,458

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
12/31/2017	\$ 202,990	\$ 102,511	51.0	\$ 1,769,458
12/31/2016	196,577	56,779	41.0	1,668,979
12/31/2015	277,857	125,296	45.0	1,529,181



**CITY OF MINNETONKA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – OTHER INFORMATION (CONTINUED)**

**C. Postemployment Healthcare Plan (Continued)**

**Funded Status and Funding Progress**

As of January 1, 2016, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$1,833,559 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,833,559. The covered payroll (annual payroll of active employees covered by the plan) was \$15,758,000, and the ratio of the UAAL to the covered payroll was 12 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, 2016, 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).

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.



CITY OF  
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**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2017**

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

**General Employee Retirement Plan**

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

**Police and Fire Retirement Plan**

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

**Fire Relief Association**

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

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2017**

**SCHEDULE OF THE CITY PENSION CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS**

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

Note: Information prior to 2014 is unavailable.

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2017**

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

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

Note: Information prior to 2014 is unavailable.

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2017**

**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, 2016	\$ -	\$ 1,833,559	\$ 1,833,559	- %	\$ 15,758,000	11.6 %
January 1, 2014	-	2,658,860	2,658,860	-	15,114,532	17.6
January 1, 2012	-	1,945,043	1,945,043	-	14,469,086	13.4







CITY OF  
**MINNETONKA**

## **COMBINING & INDIVIDUAL FUND STATEMENTS & SCHEDULES**

### **NON-MAJOR GOVERNMENTAL FUNDS**

#### **SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

#### **DEBT SERVICE FUNDS**

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

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

#### **CAPITAL PROJECTS FUNDS**

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

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

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

## **COMBINING & INDIVIDUAL FUND STATEMENTS & SCHEDULES (CONTINUED)**

### **NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

#### **CAPITAL PROJECTS FUNDS (CONTINUED)**

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

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

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

**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.

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

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

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

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

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

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

#### **INTERNAL SERVICE FUNDS**

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

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2017**

	Special Revenue				
	Cable Television	Community Development Block Grant	Electric Franchise Fees	Grants	Housing & Redevelopment Authority
<b>ASSETS:</b>					
Cash and Investments	\$ 2,184,925	\$ 60,504	\$ 3,214,920	\$ 45,266	\$ 643,963
Accounts Receivable	243,900	-	209,101	4,200	21,595
Loans Receivable	-	-	-	-	189,747
Interest Receivable	6,987	227	10,210	132	1,758
Property Taxes Receivable					
Unremitted	-	-	-	-	1,407
Delinquent	-	-	-	-	336
Special Assessments Receivable					
Unremitted	-	-	-	-	-
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Noncurrent	-	-	-	-	-
Due from Other Governments	-	28,955	393,517	119,193	-
Advances to Other Funds	-	-	-	-	-
Total Assets	<u>\$ 2,435,812</u>	<u>\$ 89,686</u>	<u>\$ 3,827,748</u>	<u>\$ 168,791</u>	<u>\$ 858,806</u>
<b>LIABILITIES, DEFERRED INFLOWS</b>					
<b>OF RESOURCES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Salaries and Wages Payable	\$ 8,930	\$ -	\$ -	\$ 1,064	\$ -
Accounts and Contracts Payable	53,210	1,140	18,842	99,304	-
Advanced from Other Funds	-	-	-	-	-
Total Liabilities	<u>62,140</u>	<u>1,140</u>	<u>18,842</u>	<u>100,368</u>	<u>-</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenue - Taxes	-	-	-	-	336
Unavailable Revenue - Special Assessments	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336</u>
<b>Fund Balances:</b>					
Restricted	-	88,546	-	68,423	858,470
Committed	2,373,672	-	3,808,906	-	-
Assigned	-	-	-	-	-
Total Fund Balances	<u>2,373,672</u>	<u>88,546</u>	<u>3,808,906</u>	<u>68,423</u>	<u>858,470</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,435,812</u>	<u>\$ 89,686</u>	<u>\$ 3,827,748</u>	<u>\$ 168,791</u>	<u>\$ 858,806</u>

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2017**  
**(Continued)**

	Special Revenue (Continued)			Debt Service		
	Police Forfeiture and Seizure	Shady Oak Lane Cemetery	Total Special Revenue Funds	Park and Open Space Bonds	2008 State-Aid Street Bonds	Total Debt Service Funds
<b>ASSETS:</b>						
Cash and Investments	\$ 373,561	\$ 138,801	\$ 6,661,940	\$ 1,663,628	\$ 4,927	\$ 1,668,555
Accounts Receivable	1,665	-	480,461	-	-	-
Loans Receivable	-	-	189,747	-	-	-
Interest Receivable	1,146	428	20,888	3,760	15	3,775
Property Taxes Receivable						
Unremitted	-	-	1,407	-	-	-
Delinquent	-	-	336	-	-	-
Special Assessments Receivable						
Unremitted	-	-	-	-	-	-
Current	-	-	-	-	-	-
Delinquent	-	-	-	-	-	-
Noncurrent	-	-	-	-	-	-
Due from Other Governments	-	-	541,665	-	-	-
Advances to Other Funds	-	-	-	-	-	-
Total Assets	<u>\$ 376,372</u>	<u>\$ 139,229</u>	<u>\$ 7,896,444</u>	<u>\$ 1,667,388</u>	<u>\$ 4,942</u>	<u>\$ 1,672,330</u>
<b>LIABILITIES, DEFERRED INFLOWS</b>						
<b>OF RESOURCES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Salaries and Wages Payable	\$ -	\$ -	\$ 9,994	\$ -	\$ -	\$ -
Accounts and Contracts Payable	-	-	172,496	-	-	-
Advanced from Other Funds	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>182,490</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources:</b>						
Unavailable Revenue - Taxes	-	-	336	-	-	-
Unavailable Revenue - Special Assessments	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>336</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>						
Restricted	376,372	139,229	1,531,040	1,667,388	4,942	1,672,330
Committed	-	-	6,182,578	-	-	-
Assigned	-	-	-	-	-	-
Total Fund Balances	<u>376,372</u>	<u>139,229</u>	<u>7,713,618</u>	<u>1,667,388</u>	<u>4,942</u>	<u>1,672,330</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 376,372</u>	<u>\$ 139,229</u>	<u>\$ 7,896,444</u>	<u>\$ 1,667,388</u>	<u>\$ 4,942</u>	<u>\$ 1,672,330</u>

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2017**  
**(Continued)**

	Capital Projects					
	Capital Replacement	Public Safety	Technology Development	Livable Communities Housing Fund	169/Bren Rd Interchange Project Fund	Parks and Trails
<b>ASSETS:</b>						
Cash and Investments	\$ 1,139,002	\$ 74,285	\$ 351,017	\$ 177,804	\$ 346	\$ 5,475,784
Accounts Receivable	-	-	-	24,618	-	-
Loans Receivable	-	-	-	-	-	-
Interest Receivable	1,310	-	540	149	1	15,079
Property Taxes Receivable						
Unremitted	-	-	-	-	-	-
Delinquent	-	-	-	-	-	-
Special Assessments Receivable						
Unremitted	-	-	-	-	-	-
Current	-	-	-	-	-	-
Delinquent	-	-	-	-	-	-
Noncurrent	-	-	-	-	-	-
Due from Other Governments	-	-	-	48,287	-	-
Advances to Other Funds	-	-	-	-	-	-
Total Assets	<u>\$ 1,140,312</u>	<u>\$ 74,285</u>	<u>\$ 351,557</u>	<u>\$ 250,858</u>	<u>\$ 347</u>	<u>\$ 5,490,863</u>
<b>LIABILITIES, DEFERRED INFLOWS</b>						
<b>OF RESOURCES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Salaries and Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and Contracts Payable	137,151	28,745	10,840	-	-	60,065
Advanced from Other Funds	-	-	-	-	-	-
Total Liabilities	<u>137,151</u>	<u>28,745</u>	<u>10,840</u>	<u>-</u>	<u>-</u>	<u>60,065</u>
<b>Deferred Inflows of Resources:</b>						
Unavailable Revenue - Taxes	-	-	-	-	-	-
Unavailable Revenue - Special Assessments	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>						
Restricted	-	-	-	250,858	-	-
Committed	1,003,161	45,540	340,717	-	-	5,430,798
Assigned	-	-	-	-	347	-
Total Fund Balances	<u>1,003,161</u>	<u>45,540</u>	<u>340,717</u>	<u>250,858</u>	<u>347</u>	<u>5,430,798</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,140,312</u>	<u>\$ 74,285</u>	<u>\$ 351,557</u>	<u>\$ 250,858</u>	<u>\$ 347</u>	<u>\$ 5,490,863</u>

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2017**  
**(Continued)**

	Capital Projects (Continued)			
	Park and Open Space Bonds	Development Fund	Tax Increment Financing	Ridgedale Tax Abatement
<b>ASSETS:</b>				
Cash and Investments	\$ -	\$ 2,889,046	\$ 5,043,532	\$ 781,302
Accounts Receivable	-	115,749	-	420
Loans Receivable	-	-	-	-
Interest Receivable	-	8,881	15,708	2,326
Property Taxes Receivable				
Unremitted	-	-	13,191	-
Delinquent	-	-	-	-
Special Assessments Receivable				
Unremitted	-	617	-	-
Current	-	35,345	-	-
Delinquent	-	2,276	-	-
Noncurrent	-	326,343	-	-
Due from Other Governments	-	-	-	-
Advances to Other Funds	-	502,588	-	-
Total Assets	\$ -	\$ 3,880,845	\$ 5,072,431	\$ 784,048
<b>LIABILITIES, DEFERRED INFLOWS</b>				
<b>OF RESOURCES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Salaries and Wages Payable	\$ -	\$ -	\$ -	\$ -
Accounts and Contracts Payable	-	10,043	22,537	-
Advanced from Other Funds	-	-	502,588	-
Total Liabilities	-	10,043	525,125	-
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue - Taxes	-	-	-	-
Unavailable Revenue - Special Assessments	-	363,963	-	-
Total Deferred Inflows of Resources	-	363,963	-	-
<b>Fund Balances:</b>				
Restricted	-	-	4,547,306	-
Committed	-	3,506,839	-	784,048
Assigned	-	-	-	-
Total Fund Balances	-	3,506,839	4,547,306	784,048
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ -	\$ 3,880,845	\$ 5,072,431	\$ 784,048

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2017**  
**(Continued)**

	Capital Projects (Continued)				
	Shady Oak Rd Oak Drive Project	Public Safety Facility Expansion	Forestry Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS:</b>					
Cash and Investments	\$ 1,329,941	\$ 1,144,802	\$ 919,780	\$ 19,326,641	\$ 27,657,136
Accounts Receivable	-	-	-	140,787	621,248
Loans Receivable	-	-	-	-	189,747
Interest Receivable	4,085	526	2,792	51,397	76,060
Property Taxes Receivable					
Unremitted	-	-	-	13,191	14,598
Delinquent	-	-	-	-	336
Special Assessments Receivable					
Unremitted	-	-	-	617	617
Current	-	-	-	35,345	35,345
Delinquent	-	-	-	2,276	2,276
Noncurrent	-	-	-	326,343	326,343
Due from Other Governments	-	-	-	48,287	589,952
Advances to Other Funds	-	-	-	502,588	502,588
Total Assets	<u>\$ 1,334,026</u>	<u>\$ 1,145,328</u>	<u>\$ 922,572</u>	<u>\$ 20,447,472</u>	<u>\$ 30,016,246</u>
<b>LIABILITIES, DEFERRED INFLOWS</b>					
<b>OF RESOURCES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Salaries and Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ 9,994
Accounts and Contracts Payable	10,250	60,949	5,634	346,214	518,710
Advanced from Other Funds	-	-	-	502,588	502,588
Total Liabilities	<u>10,250</u>	<u>60,949</u>	<u>5,634</u>	<u>848,802</u>	<u>1,031,292</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenue - Taxes	-	-	-	-	336
Unavailable Revenue - Special Assessments	-	-	-	363,963	363,963
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>363,963</u>	<u>364,299</u>
<b>Fund Balances:</b>					
Restricted	-	-	-	4,798,164	8,001,534
Committed	1,323,776	1,084,379	916,938	14,436,196	20,618,774
Assigned	-	-	-	347	347
Total Fund Balances	<u>1,323,776</u>	<u>1,084,379</u>	<u>916,938</u>	<u>19,234,707</u>	<u>28,620,655</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,334,026</u>	<u>\$ 1,145,328</u>	<u>\$ 922,572</u>	<u>\$ 20,447,472</u>	<u>\$ 30,016,246</u>





CITY OF  
**MINNETONKA**

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

	Special Revenue				
	Cable Television	Community Development Block Grant	Electric Franchise Fees	Grants	Housing & Redevelopment Authority
<b>REVENUES:</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ 171,734
Franchise	976,253	-	835,521	-	-
Tax Increments	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental:					
Federal Grants	-	86,051	-	52,881	-
State Grants	-	-	-	-	-
Local Grants	1,000	-	633,207	173,275	-
Miscellaneous:					
Investment Income (Loss)	18,717	587	24,382	230	3,872
Fines and Forfeitures	-	-	-	-	-
Other	8,524	-	4,337	-	2,071
Total Revenues	<u>1,004,494</u>	<u>86,638</u>	<u>1,497,447</u>	<u>226,386</u>	<u>177,677</u>
<b>EXPENDITURES:</b>					
Current:					
General Government	728,843	-	-	-	-
Development Services	-	62,952	-	-	-
Public Works	-	-	-	-	-
Public Safety	-	-	-	297,691	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay:					
General Government	330,582	-	495,400	-	-
Public Safety	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>1,059,425</u>	<u>62,952</u>	<u>495,400</u>	<u>297,691</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(54,931)	23,686	1,002,047	(71,305)	177,677
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	-	-
Transfers Out	(31,500)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(31,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(86,431)	23,686	1,002,047	(71,305)	177,677
<b>FUND BALANCES</b>					
Beginning of Year	<u>2,460,103</u>	<u>64,860</u>	<u>2,806,859</u>	<u>139,728</u>	<u>680,793</u>
End of Year	<u>\$ 2,373,672</u>	<u>\$ 88,546</u>	<u>\$ 3,808,906</u>	<u>\$ 68,423</u>	<u>\$ 858,470</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, 2017**  
**(Continued)**

	Special Revenue (Continued)			Debt Service		
	Police Forfeiture and Seizure	Shady Oak Lane Cemetery	Total Special Revenue Funds	Park and Open Space Bonds	2008 State-Aid Street Bonds	Total Debt Service Funds
<b>REVENUES:</b>						
Taxes:						
Property	\$ -	\$ -	\$ 171,734	\$ 1,336,519	\$ -	\$ 1,336,519
Franchise	-	-	1,811,774	-	-	-
Tax Increments	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Intergovernmental:						
Federal Grants	-	-	138,932	-	-	-
State Grants	-	-	-	-	169,463	169,463
Local Grants	-	-	807,482	-	-	-
Miscellaneous:						
Investment Income (Loss)	3,390	1,154	52,332	6,423	135	6,558
Fines and Forfeitures	65,871	-	65,871	-	-	-
Other	-	-	14,932	-	-	-
Total Revenues	<u>69,261</u>	<u>1,154</u>	<u>3,063,057</u>	<u>1,342,942</u>	<u>169,598</u>	<u>1,512,540</u>
<b>EXPENDITURES:</b>						
Current:						
General Government	-	1,100	729,943	-	-	-
Development Services	-	-	62,952	-	-	-
Public Works	-	-	-	-	-	-
Public Safety	102,800	-	400,491	-	-	-
Debt Service:						
Principal	-	-	-	905,000	125,000	1,030,000
Interest and Fiscal Charges	-	-	-	151,855	44,463	196,318
Capital Outlay:						
General Government	-	-	825,982	-	-	-
Public Safety	17,601	-	17,601	-	-	-
Park and Recreation	-	-	-	-	-	-
Total Expenditures	<u>120,401</u>	<u>1,100</u>	<u>2,036,969</u>	<u>1,056,855</u>	<u>169,463</u>	<u>1,226,318</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,140)	54	1,026,088	286,087	135	286,222
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	-	40,840	-	40,840
Transfers Out	-	-	(31,500)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(31,500)</u>	<u>40,840</u>	<u>-</u>	<u>40,840</u>
Net Change in Fund Balances	(51,140)	54	994,588	326,927	135	327,062
<b>FUND BALANCES</b>						
Beginning of Year	<u>427,512</u>	<u>139,175</u>	<u>6,719,030</u>	<u>1,340,461</u>	<u>4,807</u>	<u>1,345,268</u>
End of Year	<u>\$ 376,372</u>	<u>\$ 139,229</u>	<u>\$ 7,713,618</u>	<u>\$ 1,667,388</u>	<u>\$ 4,942</u>	<u>\$ 1,672,330</u>

**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, 2017**  
**(Continued)**

Capital Projects

	Capital Replacement	Public Safety	Technology Development	Livable Communities Housing Fund	169/Bren Rd Interchange Project Fund	Parks and Trails
<b>REVENUES:</b>						
Taxes:						
Property	\$ 1,730,000	\$ 650,000	\$ 580,000	\$ -	\$ -	\$ 560,000
Franchise	-	-	-	-	-	-
Tax Increments	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Intergovernmental:						
Federal Grants	-	-	-	-	-	-
State Grants	-	-	-	-	-	-
Local Grants	-	-	-	178,967	-	90,000
Miscellaneous:						
Investment Income (Loss)	1,701	(348)	(148)	112	3	26,018
Fines and Forfeitures	-	-	-	-	-	-
Other	130,394	-	-	-	-	2,190,922
Total Revenues	<u>1,862,095</u>	<u>649,652</u>	<u>579,852</u>	<u>179,079</u>	<u>3</u>	<u>2,866,940</u>
<b>EXPENDITURES:</b>						
Current:						
General Government	-	-	-	-	-	-
Development Services	-	-	-	342,820	-	-
Public Works	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Outlay:						
General Government	-	-	-	-	-	-
Public Safety	1,946,432	861,009	331,472	-	-	-
Park and Recreation	-	-	-	-	-	752,306
Total Expenditures	<u>1,946,432</u>	<u>861,009</u>	<u>331,472</u>	<u>342,820</u>	<u>-</u>	<u>752,306</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(84,337)	(211,357)	248,380	(163,741)	3	2,114,634
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	355,000	-	-	-	-	394,653
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>355,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>394,653</u>
Net Change in Fund Balances	270,663	(211,357)	248,380	(163,741)	3	2,509,287
<b>FUND BALANCES</b>						
Beginning of Year	<u>732,498</u>	<u>256,897</u>	<u>92,337</u>	<u>414,599</u>	<u>344</u>	<u>2,921,511</u>
End of Year	<u>\$ 1,003,161</u>	<u>\$ 45,540</u>	<u>\$ 340,717</u>	<u>\$ 250,858</u>	<u>\$ 347</u>	<u>\$ 5,430,798</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, 2017**  
**(Continued)**

	Capital Projects (Continued)			
	Park and Open Space Bonds	Development Fund	Tax Increment Financing	Ridgedale Tax Abatement
<b>REVENUES:</b>				
Taxes:				
Property	\$ -	\$ 200,000	\$ -	\$ 81,000
Franchise	-	-	-	-
Tax Increments	-	-	2,689,708	-
Special Assessments	-	52,370	-	-
Intergovernmental:				
Federal Grants	-	-	-	-
State Grants	-	-	-	-
Local Grants	-	-	-	-
Miscellaneous:				
Investment Income (Loss)	-	23,317	38,281	5,868
Fines and Forfeitures	-	-	-	-
Other	-	190,929	-	-
Total Revenues	-	466,616	2,727,989	86,868
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	-	-
Development Services	-	155,126	1,997,830	1,926
Public Works	-	-	-	-
Public Safety	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Capital Outlay:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Park and Recreation	-	-	-	-
Total Expenditures	-	155,126	1,997,830	1,926
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	311,490	730,159	84,942
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	502,588	-	-
Transfers Out	(40,840)	(258,466)	(502,588)	-
Total Other Financing Sources (Uses)	(40,840)	244,122	(502,588)	-
Net Change in Fund Balances	(40,840)	555,612	227,571	84,942
<b>FUND BALANCES</b>				
Beginning of Year	40,840	2,951,227	4,319,735	699,106
End of Year	\$ -	\$ 3,506,839	\$ 4,547,306	\$ 784,048

**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, 2017**  
**(Continued)**

	Capital Projects (Continued)			Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Shady Oak Rd Oak Drive Project	Public Safety Facility Expansion	Forestry Fund		
<b>REVENUES:</b>					
<b>Taxes:</b>					
Property	\$ -	\$ -	\$ 54,000	\$ 3,855,000	\$ 5,363,253
Franchise	-	-	-	-	1,811,774
Tax Increments	-	-	-	2,689,708	2,689,708
Special Assessments	-	-	-	52,370	52,370
<b>Intergovernmental:</b>					
Federal Grants	-	-	-	-	138,932
State Grants	-	-	-	-	169,463
Local Grants	-	-	-	268,967	1,076,449
<b>Miscellaneous:</b>					
Investment Income (Loss)	9,874	(4,510)	7,094	107,262	166,152
Fines and Forfeitures	-	-	-	-	65,871
Other	55,645	-	-	2,567,890	2,582,822
Total Revenues	<u>65,519</u>	<u>(4,510)</u>	<u>61,094</u>	<u>9,541,197</u>	<u>14,116,794</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
General Government	-	-	-	-	729,943
Development Services	108,115	-	-	2,605,817	2,668,769
Public Works	-	-	18,856	18,856	18,856
Public Safety	-	-	-	-	400,491
<b>Debt Service:</b>					
Principal	-	-	-	-	1,030,000
Interest and Fiscal Charges	-	-	-	-	196,318
<b>Capital Outlay:</b>					
General Government	-	-	-	-	825,982
Public Safety	-	442,111	-	3,581,024	3,598,625
Park and Recreation	-	-	-	752,306	752,306
Total Expenditures	<u>108,115</u>	<u>442,111</u>	<u>18,856</u>	<u>6,958,003</u>	<u>10,221,290</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,596)	(446,621)	42,238	2,583,194	3,895,504
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	650,000	1,531,000	-	3,433,241	3,474,081
Transfers Out	-	-	-	(801,894)	(833,394)
Total Other Financing Sources (Uses)	<u>650,000</u>	<u>1,531,000</u>	<u>-</u>	<u>2,631,347</u>	<u>2,640,687</u>
Net Change in Fund Balances	607,404	1,084,379	42,238	5,214,541	6,536,191
<b>FUND BALANCES</b>					
Beginning of Year	<u>716,372</u>	<u>-</u>	<u>874,700</u>	<u>14,020,166</u>	<u>22,084,464</u>
End of Year	<u>\$ 1,323,776</u>	<u>\$ 1,084,379</u>	<u>\$ 916,938</u>	<u>\$ 19,234,707</u>	<u>\$ 28,620,655</u>



CITY OF  
**MINNETONKA**

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCE - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUND - CABLE TELEVISION  
Year Ended December 31, 2017**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016**

	2017			Variance - Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
<b>REVENUES:</b>					
Franchise Taxes	\$ 922,000	\$ 942,000	\$ 976,253	\$ 34,253	\$ 947,067
Intergovernmental:					
Local Grants	-	-	1,000	1,000	-
Miscellaneous:					
Investment Income	10,000	16,000	18,717	2,717	13,252
Other Income	7,500	7,500	8,524	1,024	7,393
Total Revenues	<u>939,500</u>	<u>965,500</u>	<u>1,004,494</u>	<u>38,994</u>	<u>967,712</u>
<b>EXPENDITURES:</b>					
General Government					
Personal Services	296,900	296,900	304,025	(7,125)	284,656
Materials and Supplies	3,500	3,500	11,557	(8,057)	2,721
Other Services and Charges	339,400	404,150	413,261	(9,111)	400,145
Total General Government	<u>639,800</u>	<u>704,550</u>	<u>728,843</u>	<u>(24,293)</u>	<u>687,522</u>
Capital Outlay - General Government	<u>340,700</u>	<u>340,700</u>	<u>330,582</u>	<u>10,118</u>	<u>398,462</u>
Total Expenditures	<u>980,500</u>	<u>1,045,250</u>	<u>1,059,425</u>	<u>(14,175)</u>	<u>1,085,984</u>
Excess of Revenues Over (Under) Expenditures	(41,000)	(79,750)	(54,931)	24,819	(118,272)
<b>OTHER FINANCING (USES):</b>					
Transfers to Other Funds	<u>(31,500)</u>	<u>(31,500)</u>	<u>(31,500)</u>	-	<u>(31,200)</u>
Change in Fund Balance	<u>\$ (72,500)</u>	<u>\$ (111,250)</u>	(86,431)	<u>\$ 24,819</u>	(149,472)
<b>FUND BALANCE:</b>					
Beginning of Year			<u>2,460,103</u>		<u>2,609,575</u>
End of Year			<u>\$ 2,373,672</u>		<u>\$ 2,460,103</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, 2017**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016**

	2017			Variance - Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
<b>REVENUES:</b>					
Intergovernmental:					
Federal Grant	\$ 160,000	\$ 157,386	\$ 86,051	\$ (71,335)	\$ 128,359
Miscellaneous:					
Investment Income (Loss)	800	400	587	187	415
Other Income	20,000	53,407	-	(53,407)	30,917
Total Revenues	<u>180,800</u>	<u>211,193</u>	<u>86,638</u>	<u>(124,555)</u>	<u>159,691</u>
<b>EXPENDITURES;</b>					
Development Services:					
Other Services and Charges	<u>157,000</u>	<u>157,386</u>	<u>62,952</u>	<u>94,434</u>	<u>141,998</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 23,800</u>	<u>\$ 53,807</u>	23,686	<u>\$ (30,121)</u>	17,693
<b>FUND BALANCE:</b>					
Beginning of Year			<u>64,860</u>		<u>47,167</u>
End of Year			<u>\$ 88,546</u>		<u>\$ 64,860</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, 2017**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016**

	2017			Variance - Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
<b>REVENUES:</b>					
Franchise Taxes	\$ 823,000	\$ 830,000	\$ 835,521	\$ 5,521	\$ 825,784
Intergovernmental:					
Local Cost-Share	1,232,000	1,161,500	633,207	(528,293)	-
Miscellaneous:					
Investment Income	15,000	12,000	24,382	12,382	13,220
Other	-	-	4,337	4,337	-
Total Revenues	<u>2,070,000</u>	<u>2,003,500</u>	<u>1,497,447</u>	<u>(506,053)</u>	<u>839,004</u>
<b>EXPENDITURES:</b>					
Capital Outlay and General Government:					
Other Services and Charges	<u>2,260,000</u>	<u>2,290,000</u>	<u>495,400</u>	<u>1,794,600</u>	<u>554,182</u>
Change in Fund Balance	<u>\$ (190,000)</u>	<u>\$ (286,500)</u>	1,002,047	<u>\$ 1,288,547</u>	284,822
<b>FUND BALANCE:</b>					
Beginning of Year			<u>2,806,859</u>		<u>2,522,037</u>
End of Year			<u>\$ 3,808,906</u>		<u>\$ 2,806,859</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, 2017**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016**

	2017			Variance - Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
<b>REVENUES:</b>					
Intergovernmental:					
Federal Grants	\$ 64,000	\$ 64,000	\$ 52,881	\$ (11,119)	\$ 46,397
Local Grants	195,000	161,000	173,275	12,275	189,011
Miscellaneous:					
Investment Income	-	200	230	30	88
Total Revenues	<u>259,000</u>	<u>225,200</u>	<u>226,386</u>	<u>1,186</u>	<u>235,496</u>
<b>EXPENDITURES:</b>					
Public Safety:					
Police:					
Personal Services	47,000	47,000	35,769	11,231	31,627
Materials and Supplies	17,000	17,000	28,037	(11,037)	18,661
Other Services and Charges	133,000	264,000	233,885	30,115	17,154
Total Public Safety	<u>197,000</u>	<u>328,000</u>	<u>297,691</u>	<u>30,309</u>	<u>67,442</u>
Capital Outlay	-	-	-	-	53,518
Total Expenditures	<u>197,000</u>	<u>328,000</u>	<u>297,691</u>	<u>30,309</u>	<u>120,960</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 62,000</u>	<u>\$ (102,800)</u>	(71,305)	<u>\$ 31,495</u>	114,536
<b>FUND BALANCE:</b>					
Beginning of Year			<u>139,728</u>		<u>25,192</u>
End of Year			<u>\$ 68,423</u>		<u>\$ 139,728</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, 2017**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016**

	2017			Variance - Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
<b>REVENUES:</b>					
General Property Taxes	\$ 175,000	\$ 175,000	\$ 171,734	\$ (3,266)	\$ 171,508
Miscellaneous:					
Investment Income	2,000	2,000	3,872	1,872	1,045
Other Income	-	-	2,071	2,071	2,335
Total Revenues	<u>177,000</u>	<u>177,000</u>	<u>177,677</u>	<u>677</u>	<u>174,888</u>
<b>EXPENDITURES:</b>					
Development Services:					
Other Services and Charges	<u>175,000</u>	<u>114,000</u>	<u>-</u>	<u>114,000</u>	<u>51,888</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 2,000</u>	<u>\$ 63,000</u>	177,677	<u>\$ 114,677</u>	<u>123,000</u>
<b>FUND BALANCE:</b>					
Beginning of Year			<u>680,793</u>		<u>557,793</u>
End of Year			<u>\$ 858,470</u>		<u>\$ 680,793</u>

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCE - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUND - POLICE FORFEITURE/SEIZURE FUND  
Year Ended December 31, 2017**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016**

	2017			Variance - Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
<b>REVENUES:</b>					
Miscellaneous:					
Investment Income	\$ -	\$ -	\$ 3,390	\$ 3,390	\$ 2,061
Fines and Forfeitures	77,100	105,100	65,871	(39,229)	80,939
Total Revenues	<u>77,100</u>	<u>105,100</u>	<u>69,261</u>	<u>(35,839)</u>	<u>83,000</u>
<b>EXPENDITURES:</b>					
Public Safety:					
Other Services and Charges	77,100	105,100	102,800	2,300	47,879
Capital Outlay	-	-	17,601	(17,601)	-
Total Public Safety	<u>77,100</u>	<u>105,100</u>	<u>120,401</u>	<u>(15,301)</u>	<u>47,879</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	(51,140)	<u>\$ (51,140)</u>	35,121
<b>FUND BALANCE:</b>					
Beginning of Year			<u>427,512</u>		<u>392,391</u>
End of Year			<u>\$ 376,372</u>		<u>\$ 427,512</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, 2017**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016**

	2017			Variance - Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
<b>REVENUES:</b>					
Miscellaneous:					
Investment Income	\$ -	\$ -	\$ 1,154	\$ 1,154	\$ 700
Total Revenues	-	-	1,154	1,154	700
<b>EXPENDITURES:</b>					
General Government:					
Other Services and Charges	-	-	1,100	(1,100)	-
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	54	<u>\$ 54</u>	700
<b>FUND BALANCE:</b>					
Beginning of Year			<u>139,175</u>		<u>138,475</u>
End of Year			<u>\$ 139,229</u>		<u>\$ 139,175</u>

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS**  
**December 31, 2017**

	<u>Self Insurance</u>	<u>Fleet Maintenance</u>	<u>Total</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF OF RESOURCES:</b>			
Current Assets:			
Cash and Investments	\$ 2,225,787	\$ 776,267	\$ 3,002,054
Interest Receivable	5,455	2,175	7,630
Due From Other Governments	-	7,570	7,570
Inventories	-	68,107	68,107
Total Assets	<u>2,231,242</u>	<u>854,119</u>	<u>3,085,361</u>
Deferred Outflows of Resources:			
MNPERA Pension	-	72,947	72,947
Total Deferred Outflows of Resources	<u>-</u>	<u>72,947</u>	<u>72,947</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:</b>			
Liabilities:			
Current Liabilities:			
Salaries and Wages Payable	-	18,579	18,579
Accounts Payable	89,225	48,487	137,712
Incurred but Not Reported Claims	30,998	-	30,998
Current Portion of			
Compensated Absences	-	18,098	18,098
Total Current Liabilities	<u>120,223</u>	<u>85,164</u>	<u>205,387</u>
Long-Term Liabilities:			
Compensated Absences	-	68,694	68,694
Unfunded OPEB Obligation	-	31,287	31,287
MNPERA-Net Pension Liability	-	296,345	296,345
Total Noncurrent Liabilities	<u>-</u>	<u>396,326</u>	<u>396,326</u>
Total Liabilities	<u>120,223</u>	<u>481,490</u>	<u>601,713</u>
Deferred Inflows of Resources:			
MNPERA Pension	-	58,061	58,061
Total Deferred Inflows of Resources	<u>-</u>	<u>58,061</u>	<u>58,061</u>
Net Position:			
Unrestricted	<u>2,111,019</u>	<u>387,515</u>	<u>2,498,534</u>
Total Net Position	<u>\$ 2,111,019</u>	<u>\$ 387,515</u>	<u>\$ 2,498,534</u>

**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, 2017**

	Self Insurance	Fleet Maintenance	Total
<b>OPERATING REVENUES:</b>			
Charges to City Departments	\$ 673,100	\$ 1,420,495	\$ 2,093,595
Other Revenue	39,634	28,836	68,470
Total Operating Revenues	<u>712,734</u>	<u>1,449,331</u>	<u>2,162,065</u>
<b>OPERATING EXPENSES:</b>			
Personal Services	-	419,661	419,661
Supplies, Repairs and Maintenance	-	667,734	667,734
Other Services and Charges	460,322	288,675	748,997
Total Operating Expenses	<u>460,322</u>	<u>1,376,070</u>	<u>1,836,392</u>
Operating Income (Loss)	252,412	73,261	325,673
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment Income	12,396	5,191	17,587
Intergovernmental	-	743	743
Total Nonoperating Revenues (Expenses)	<u>12,396</u>	<u>5,934</u>	<u>18,330</u>
Change in Net Position	264,808	79,195	344,003
<b>NET POSITION:</b>			
Net Position - Beginning	<u>1,846,211</u>	<u>308,320</u>	<u>2,154,531</u>
Net Position - Ending	<u>\$ 2,111,019</u>	<u>\$ 387,515</u>	<u>\$ 2,498,534</u>



**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS**  
**For the Year Ended December 31, 2017**

	Self Insurance	Fleet Maintenance	Total
<b>CASH FLOWS - OPERATING ACTIVITIES:</b>			
Receipts from Interfund Services Provided	\$ 673,100	\$ 1,419,725	\$ 2,092,825
Other Revenue	39,634	28,836	68,470
Payments to Suppliers	-	(999,076)	(999,076)
Payments to Employees	-	(415,919)	(415,919)
Payments of Benefits on Behalf of Employees	(243,083)	-	(243,083)
Net Cash Flows - Operating Activities	469,651	33,566	503,217
<b>CASH FLOWS - INVESTING ACTIVITIES:</b>			
Purchase of Investments	3,825,011	1,454,814	5,279,825
Sale of Investments	(4,326,699)	(1,523,304)	(5,850,003)
Interest and Dividends Received	9,286	4,070	13,356
Net Cash Flows - Investing Activities	(492,402)	(64,420)	(556,822)
Net Change in Cash and Cash Equivalents	(22,751)	(30,854)	(53,605)
Cash and Cash Equivalents, January 1	311,200	131,454	442,654
Cash and Cash Equivalents, December 31	\$ 288,449	\$ 100,600	\$ 389,049
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>			
<b>TO NET CASH FLOWS - OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ 252,412	\$ 73,261	\$ 325,673
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities			
Due from Other Governments	-	(770)	(770)
Prepaid Items	172,956	-	172,956
Inventories	-	(5,009)	(5,009)
Pensions (Deferred Outflow)	-	92,361	92,361
Salaries and Wages Payable	-	(291)	(291)
Accounts Payable	44,283	(37,658)	6,625
Compensated Absences Payable	-	2,460	2,460
Net Pension	-	(101,738)	(101,738)
Pensions (Deferred Inflow)	-	9,346	9,346
Unfunded OPEB Obligation	-	1,604	1,604
Total Adjustments	217,239	(39,695)	177,544
Net Cash Flows - Operating Activities	\$ 469,651	\$ 33,566	\$ 503,217
<b>NONCASH INVESTING, CAPITAL, AND FINANCING</b>			
<b>ACTIVITIES</b>			
Increase (Decline) in Fair Value of Investments	\$ (4,336)	\$ (1,116)	\$ (5,452)
Total Noncash Transactions	\$ (4,336)	\$ (1,116)	\$ (5,452)
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
<b>TO THE STATEMENT OF POSITION</b>			
Cash and Investments	\$ 2,225,787	\$ 776,267	\$ 3,002,054
Less: Investments not Meeting the Definition of Cash Equivalents	(1,937,338)	(675,667)	(2,613,005)
Total Cash and Cash Equivalents	\$ 288,449	\$ 100,600	\$ 389,049

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION -**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**December 31, 2017**

	Clarion Hills Stewardship	Meadow Woods Stewardship	Stone Trace Stewardship	Total
<b>ASSETS:</b>				
Cash and Investments	\$ 167,446	\$ 85,535	\$ 21,563	\$ 274,544
Interest Receivable	519	264	66	849
Total Assets	167,965	85,799	21,629	275,393
<b>NET POSITION:</b>				
Net Position, Held in Trust	\$ 167,965	\$ 85,799	\$ 21,629	\$ 275,393

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
PRIVATE-PURPOSE TRUST FUNDS**  
**For the Year Ended December 31, 2017**

	<u>Clarion Hills Stewardship</u>	<u>Meadow Woods Stewardship</u>	<u>Stone Trace Stewardship</u>	<u>Total</u>
<b>ADDITIONS:</b>				
Contributions from Participants	\$ 7,853	\$ 5,000	\$ 1,769	\$ 14,622
Investment Earnings Interest	<u>1,428</u>	<u>695</u>	<u>173</u>	<u>2,296</u>
Total Additions	9,281	5,695	1,942	16,918
<b>DEDUCTIONS:</b>				
Benefits	<u>9,517</u>	<u>-</u>	<u>-</u>	<u>9,517</u>
Change in Net Position	(236)	5,695	1,942	7,401
Net Position - January 1	<u>168,201</u>	<u>80,104</u>	<u>19,687</u>	<u>267,992</u>
Net Position - December 31	<u><u>\$ 167,965</u></u>	<u><u>\$ 85,799</u></u>	<u><u>\$ 21,629</u></u>	<u><u>\$ 275,393</u></u>

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -**  
**AGENCY FUNDS**  
**Year Ended December 31, 2017**

	Balance at January 1, 2017	Additions	Deductions	Balance at December 31, 2017
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ESCROW FUND:</b>				
<b>ASSETS:</b>				
Cash and Investments	\$ 1,593,240	\$ 1,622,444	\$ 1,272,739	\$ 1,942,945
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 1,593,240	\$ 1,622,444	\$ 1,272,739	\$ 1,942,945
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



CITY OF  
**MINNETONKA**

**OTHER SUPPLEMENTARY INFORMATION**

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

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

**For the Year Ended December 31, 2017**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016**

	2017			Variance - Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
<b>REVENUES:</b>					
General Property Taxes	\$ 24,201,283	\$ 24,201,283	\$ 24,005,382	\$ (195,901)	\$ 23,122,382
<b>Licenses and Permits:</b>					
<b>Licenses:</b>					
Liquor Licenses	225,000	240,000	237,335	(2,665)	248,604
Food Handlers Licenses	210,000	210,000	236,966	26,966	213,884
Building Permits	1,995,000	1,995,000	2,218,984	223,984	1,817,794
Plumbing Permits	295,000	295,000	269,730	(25,270)	283,815
Electrical Permits	295,000	295,000	428,203	133,203	336,610
HVAC Permits	390,000	390,000	461,828	71,828	434,575
Other Licenses and Permits	280,000	183,400	187,227	3,827	206,202
<b>Total Licenses and Permits</b>	<b>3,690,000</b>	<b>3,608,400</b>	<b>4,040,273</b>	<b>431,873</b>	<b>3,541,484</b>
<b>Intergovernmental Revenues:</b>					
Public Safety State Aid	829,700	831,400	880,748	49,348	879,713
Federal Grants	-	-	28,284	28,284	5,904
State Grants	50,000	123,500	160,856	37,356	147,900
Other	71,300	76,700	82,213	5,513	76,740
<b>Total Intergovernmental Revenues</b>	<b>951,000</b>	<b>1,031,600</b>	<b>1,152,101</b>	<b>120,501</b>	<b>1,110,257</b>
<b>Charges for Services:</b>					
Recreation Fees	1,200,000	1,190,000	1,095,719	(94,281)	1,172,058
Other	363,900	461,500	432,719	(28,781)	504,379
<b>Total Charges for Services</b>	<b>1,563,900</b>	<b>1,651,500</b>	<b>1,528,438</b>	<b>(123,062)</b>	<b>1,676,437</b>
<b>Fines and Forfeitures</b>	<b>510,000</b>	<b>437,400</b>	<b>434,997</b>	<b>(2,403)</b>	<b>435,148</b>
<b>Other Revenues:</b>					
Investment Income	150,000	130,000	202,597	72,597	115,477
Building and Equipment Rent	607,800	597,100	559,169	(37,931)	540,622
Other	290,217	272,717	226,273	(46,444)	248,856
<b>Total Other Revenues</b>	<b>1,048,017</b>	<b>999,817</b>	<b>988,039</b>	<b>(11,778)</b>	<b>904,955</b>
<b>Total Revenues before Other Financing Sources</b>	<b>31,964,200</b>	<b>31,930,000</b>	<b>32,149,230</b>	<b>219,230</b>	<b>30,790,663</b>
<b>OTHER FINANCING SOURCES:</b>					
Transfers from Other Funds	1,353,400	1,353,400	1,353,400	-	1,350,500
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 33,317,600</b>	<b>\$ 33,283,400</b>	<b>\$ 33,502,630</b>	<b>\$ 219,230</b>	<b>\$ 32,141,163</b>

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

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

**For the Year Ended December 31, 2017**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016**

	2017			Variance - Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
<b>EXPENDITURES:</b>					
<b>General Government:</b>					
<b>Mayor and Council:</b>					
Personal Services	\$ 86,900	\$ 86,900	\$ 80,390	\$ 6,510	\$ 86,977
Supplies, Repairs and Maintenance	-	-	15	(15)	5
Other Services and Charges	155,800	155,800	140,732	15,068	134,019
Total Mayor and Council	<u>242,700</u>	<u>242,700</u>	<u>221,137</u>	<u>21,563</u>	<u>221,001</u>
<b>General Administration:</b>					
Personal Services	1,323,600	1,323,600	1,256,743	66,857	\$ 1,152,786
Supplies, Repairs and Maintenance	29,000	29,000	36,854	(7,854)	29,667
Other Services and Charges	330,200	302,200	233,929	68,271	191,576
Total General Administration	<u>1,682,800</u>	<u>1,654,800</u>	<u>1,527,526</u>	<u>127,274</u>	<u>1,374,029</u>
<b>Information Technology:</b>					
Personal Services	442,000	442,000	443,842	(1,842)	\$ 419,269
Supplies, Repairs and Maintenance	1,400	1,700	5,889	(4,189)	1,886
Other Services and Charges	415,600	415,000	415,827	(827)	362,082
Total Information Technology	<u>859,000</u>	<u>858,700</u>	<u>865,558</u>	<u>(6,858)</u>	<u>783,237</u>
<b>Finance:</b>					
Personal Services	699,000	702,000	666,159	35,841	\$ 643,329
Supplies, Repairs and Maintenance	5,800	4,900	3,362	1,538	4,111
Other Services and Charges	168,000	175,900	173,160	2,740	145,895
Total Finance	<u>872,800</u>	<u>882,800</u>	<u>842,681</u>	<u>40,119</u>	<u>793,335</u>
<b>Assessing:</b>					
Personal Services	621,900	621,900	589,151	32,749	\$ 563,264
Supplies, Repairs and Maintenance	4,500	2,900	2,655	245	2,354
Other Services and Charges	140,800	132,400	125,813	6,587	112,392
Total Assessing	<u>767,200</u>	<u>757,200</u>	<u>717,619</u>	<u>39,581</u>	<u>678,010</u>
<b>Contingency:</b>					
Other Services and Charges	50,000	50,000	-	50,000	-
Total General Government	<u>4,474,500</u>	<u>4,446,200</u>	<u>4,174,521</u>	<u>271,679</u>	<u>3,849,612</u>
<b>Development Services:</b>					
<b>Planning:</b>					
Personal Services	608,000	610,000	599,429	10,571	\$ 546,283
Supplies, Repairs and Maintenance	3,800	3,800	2,183	1,617	2,911
Other Services and Charges	107,500	100,300	117,667	(17,367)	29,980
Capital Outlay	2,000	-	-	-	5,316
Total Planning	<u>721,300</u>	<u>714,100</u>	<u>719,279</u>	<u>(5,179)</u>	<u>584,490</u>



**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

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

**For the Year Ended December 31, 2017**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016**  
**(Continued)**

	2017			Variance - Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES: (Continued)					
Development Services: (Continued)					
Engineering:					
Personal Services	\$ 1,120,500	\$ 1,120,500	\$ 1,145,481	\$ (24,981)	\$ 1,049,458
Supplies, Repairs and Maintenance	17,300	17,300	11,499	5,801	7,338
Other Services and Charges	101,000	101,000	82,534	18,466	56,927
Total Engineering	<u>1,238,800</u>	<u>1,238,800</u>	<u>1,239,514</u>	<u>(714)</u>	<u>1,113,723</u>
Community Development:					
Personal Services	1,462,200	1,463,200	1,460,568	2,632	1,344,111
Supplies, Repairs and Maintenance	19,300	19,300	19,731	(431)	41,251
Other Services and Charges	205,200	216,600	237,486	(20,886)	218,156
Total Community Development	<u>1,686,700</u>	<u>1,699,100</u>	<u>1,717,785</u>	<u>(18,685)</u>	<u>1,603,518</u>
Total Development Services	<u>3,646,800</u>	<u>3,652,000</u>	<u>3,676,578</u>	<u>(24,578)</u>	<u>3,301,731</u>
Public Works:					
Street:					
Personal Services	1,952,600	1,957,600	1,927,491	30,109	1,766,253
Supplies, Repairs and Maintenance	454,000	429,700	408,440	21,260	242,794
Other Services and Charges	1,198,200	1,217,500	1,033,275	184,225	1,044,097
Total Street	<u>3,604,800</u>	<u>3,604,800</u>	<u>3,369,206</u>	<u>235,594</u>	<u>3,053,144</u>
Building:					
Personal Services	788,000	788,000	755,341	32,659	730,206
Supplies, Repairs and Maintenance	114,700	122,700	87,453	35,247	109,080
Other Services and Charges	381,400	373,400	369,011	4,389	341,608
Total Building	<u>1,284,100</u>	<u>1,284,100</u>	<u>1,211,805</u>	<u>72,295</u>	<u>1,180,894</u>
Total Public Works	<u>4,888,900</u>	<u>4,888,900</u>	<u>4,581,011</u>	<u>307,889</u>	<u>4,234,038</u>
Public Safety:					
Police:					
Personal Services	7,754,500	7,623,500	7,690,370	(66,870)	7,420,313
Supplies, Repairs and Maintenance	409,700	405,200	339,546	65,654	359,578
Other Services and Charges	990,500	995,000	946,031	48,969	904,711
Total Police	<u>9,154,700</u>	<u>9,023,700</u>	<u>8,975,947</u>	<u>47,753</u>	<u>8,684,602</u>
Dispatch:					
Personal Services	867,700	987,700	948,251	39,449	880,931
Supplies, Repairs and Maintenance	9,700	9,700	668	9,032	6,724
Other Services and Charges	16,700	16,700	2,003	14,697	4,070
Total Dispatch	<u>894,100</u>	<u>1,014,100</u>	<u>950,922</u>	<u>63,178</u>	<u>891,725</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, 2017**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016**  
**(Continued)**

	2017			Variance - Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES: (Continued)					
Public Safety: (Continued)					
Fire:					
Personal Services	\$ 2,006,400	\$ 2,006,400	\$ 1,903,656	\$ 102,744	\$ 1,627,203
Supplies, Repairs and Maintenance	168,300	172,500	128,670	43,830	174,046
Other Services and Charges	797,300	790,600	783,615	6,985	785,829
Capital Outlay	-	-	-	-	42,192
Total Fire	<u>2,972,000</u>	<u>2,969,500</u>	<u>2,815,941</u>	<u>153,559</u>	<u>2,629,270</u>
Legal:					
Personal Services	739,800	739,800	714,243	25,557	695,335
Supplies, Repairs and Maintenance	6,700	6,500	3,900	2,600	9,829
Other Services and Charges	58,500	58,500	44,390	14,110	37,860
Capital Outlay	-	-	-	-	236
Total Legal	<u>805,000</u>	<u>804,800</u>	<u>762,533</u>	<u>42,267</u>	<u>743,260</u>
Environmental Health:					
Personal Services	376,200	380,200	378,051	2,149	351,348
Supplies, Repairs and Maintenance	5,200	4,900	2,513	2,387	3,207
Other Services and Charges	16,500	15,200	12,095	3,105	3,863
Total Environmental Health	<u>397,900</u>	<u>400,300</u>	<u>392,659</u>	<u>7,641</u>	<u>358,418</u>
Total Public Safety	<u>14,223,700</u>	<u>14,212,400</u>	<u>13,898,002</u>	<u>314,398</u>	<u>13,307,275</u>
Park and Recreation:					
Joint Recreation:					
Personal Services	1,024,300	1,024,300	1,030,531	(6,231)	949,312
Supplies, Repairs and Maintenance	84,300	71,100	77,170	(6,070)	71,698
Other Services and Charges	311,800	306,900	326,811	(19,911)	289,674
Total Joint Recreation	<u>1,420,400</u>	<u>1,402,300</u>	<u>1,434,512</u>	<u>(32,212)</u>	<u>1,310,684</u>
Minnetonka Recreation:					
Personal Services	224,600	225,600	243,165	(17,565)	166,861
Supplies, Repairs and Maintenance	2,100	1,000	973	27	3,930
Other Services and Charges	294,700	278,700	262,868	15,832	269,923
Total Minnetonka Recreation	<u>521,400</u>	<u>505,300</u>	<u>507,006</u>	<u>(1,706)</u>	<u>440,714</u>
Parks and Trails:					
Personal Services	1,072,400	1,072,400	1,012,062	60,338	947,714
Supplies, Repairs and Maintenance	191,500	197,700	156,931	40,769	152,634
Other Services and Charges	476,400	470,200	350,497	119,703	393,617
Total Parks and Trails	<u>1,740,300</u>	<u>1,740,300</u>	<u>1,519,490</u>	<u>220,810</u>	<u>1,493,965</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, 2017**

**WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2016**  
**(Continued)**

	2017			Variance - Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES: (Continued)					
Park and Recreation: (Continued)					
Natural Resources:					
Personal Services	\$ 721,600	\$ 721,600	\$ 613,691	\$ 107,909	\$ 602,121
Supplies, Repairs and Maintenance	19,200	20,300	14,470	5,830	35,693
Other Services and Charges	617,900	604,800	456,345	148,455	451,013
Total Natural Resources	<u>1,358,700</u>	<u>1,346,700</u>	<u>1,084,506</u>	<u>262,194</u>	<u>1,088,827</u>
Community Facility:					
Personal Services	356,300	355,800	357,688	(1,888)	327,839
Supplies, Repairs and Maintenance	56,000	52,800	25,762	27,038	54,464
Other Services and Charges	132,700	121,700	84,697	37,003	109,543
Total Community Facility	<u>545,000</u>	<u>530,300</u>	<u>468,147</u>	<u>62,153</u>	<u>491,846</u>
Senior Services:					
Personal Services	267,300	269,300	243,540	25,760	244,025
Supplies, Repairs and Maintenance	42,600	60,000	69,954	(9,954)	49,286
Other Services and Charges	75,000	82,900	82,050	850	88,931
Total Senior Services	<u>384,900</u>	<u>412,200</u>	<u>395,544</u>	<u>16,656</u>	<u>382,242</u>
Total Park and Recreation	<u>5,970,700</u>	<u>5,937,100</u>	<u>5,409,205</u>	<u>527,895</u>	<u>5,208,278</u>
Total Expenditures before Other Financing Uses	33,204,600	33,136,600	31,739,317	1,397,283	29,900,934
OTHER FINANCING USES:					
Transfers to Other Funds	<u>853,000</u>	<u>853,000</u>	<u>862,653</u>	<u>(9,653)</u>	<u>677,459</u>
Total Expenditures and Other Financing Uses	<u><u>\$ 34,057,600</u></u>	<u><u>\$ 33,989,600</u></u>	<u><u>\$ 32,601,970</u></u>	<u><u>\$ 1,387,630</u></u>	<u><u>\$ 30,578,393</u></u>



CITY OF  
**MINNETONKA**

## **SECTION III**

### **STATISTICAL SECTION**

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

#### **Financial Trends**

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

#### **Revenue Capacity**

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

#### **Debt Capacity**

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

#### **Demographic and Economic Information**

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

#### **Operating Information**

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

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities:</b>										
Net Investment in										
Capital Assets	\$ 77,534,541	\$ 83,655,961	\$ 83,506,166	\$ 88,717,256	\$ 88,422,281	\$ 92,038,719	\$ 95,221,323	\$ 100,390,155	\$ 100,378,219	\$ 102,223,500
Restricted	3,024,656	1,868,249	4,709,001	2,027,278	4,861,345	5,466,893	5,859,715	6,535,559	13,027,268	14,936,260
Unrestricted	54,306,879	55,735,299	57,322,293	60,535,626	56,993,967	57,184,342	60,037,739	50,537,717	51,254,752	57,192,458
<b>Total Governmental Activities -</b>										
Net Position	<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>	<u>\$ 157,463,431</u>	<u>\$ 164,660,239</u>	<u>\$ 174,352,218</u>
<b>Business-Type Activities:</b>										
Net Investment in										
Capital Assets	\$ 97,954,844	\$ 96,506,196	\$ 93,841,761	\$ 91,497,808	\$ 94,586,334	\$ 92,673,621	\$ 92,146,383	\$ 91,801,549	\$ 89,143,255	\$ 85,755,233
Unrestricted	16,304,474	15,207,652	15,336,367	14,967,144	14,743,165	14,664,046	13,147,896	12,411,335	16,783,215	23,797,419
<b>Total Business-Type Activities -</b>										
Net Position	<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>	<u>\$ 104,212,884</u>	<u>\$ 105,926,470</u>	<u>\$ 109,552,652</u>
<b>Primary Government:</b>										
Net Investment in										
Capital Assets	\$ 175,489,385	\$ 180,162,157	\$ 177,347,927	\$ 180,215,064	\$ 183,008,615	\$ 184,712,340	\$ 187,367,706	\$ 192,191,704	\$ 189,521,474	\$ 187,978,733
Restricted	3,024,656	1,868,249	4,709,001	2,027,278	4,861,345	5,466,893	5,859,715	6,535,559	13,027,268	14,936,260
Unrestricted	70,611,353	70,942,951	72,658,660	75,502,770	71,737,132	71,848,388	73,185,635	62,949,052	68,037,967	80,989,877
<b>Total Primary Government -</b>										
Net Position	<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>	<u>\$ 261,676,315</u>	<u>\$ 270,586,709</u>	<u>\$ 283,904,870</u>

Source: City of Minnetonka financial records



CITY OF  
**MINNETONKA**

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>EXPENSES:</b>										
<b>Governmental Activities:</b>										
General Services	\$ 5,396,909	\$ 4,628,824	\$ 4,477,560	\$ 4,149,584	\$ 4,652,864	\$ 4,702,113	\$ 4,587,302	\$ 4,422,066	\$ 4,955,580	\$ 5,300,173
Development Services	6,003,544	5,871,573	7,605,857	3,847,870	4,304,788	4,160,182	4,777,436	5,249,666	5,651,848	6,545,139
Public Works	12,157,209	9,591,740	7,142,475	24,090,987	12,563,877	12,955,778	18,494,554	15,940,119	11,333,229	12,558,277
Public Safety	12,977,197	11,988,138	12,357,201	12,409,458	12,721,528	13,220,747	13,332,150	13,289,535	16,931,334	15,681,354
Parks and Recreation	5,673,979	6,052,694	6,672,404	5,890,446	5,908,558	5,950,304	6,310,604	6,491,390	6,237,685	6,328,354
Interest on Long-Term Debt	466,715	458,436	431,771	374,044	451,720	218,800	181,439	155,506	154,234	135,221
<b>Total Governmental Activities Expenses</b>	<b>42,675,553</b>	<b>38,591,405</b>	<b>38,687,268</b>	<b>50,762,389</b>	<b>40,603,335</b>	<b>41,207,924</b>	<b>47,683,485</b>	<b>45,548,282</b>	<b>45,263,910</b>	<b>46,548,518</b>
<b>Business-Type Activities:</b>										
Water and Sewer Utility	13,252,488	12,764,705	13,114,139	13,343,368	13,599,327	12,466,738	13,478,374	14,326,946	12,831,213	13,987,474
Ice Arena	1,037,482	1,018,502	1,006,918	1,057,145	1,173,351	1,270,591	1,240,234	1,187,034	990,691	1,062,568
Environmental Operations	879,639	848,867	875,629	894,089	811,394	817,210	711,218	785,276	746,933	753,796
Williston Fitness Center	1,180,776	1,180,890	1,298,249	1,535,296	1,762,611	2,108,426	2,167,490	2,271,217	2,424,475	2,383,059
Grays Bay Marina	240,170	173,979	186,682	229,171	223,955	215,038	183,593	208,108	194,021	192,206
Storm Water Fund	1,139,945	1,161,573	1,348,729	1,404,959	1,444,796	1,367,011	1,412,203	1,297,113	1,375,187	1,622,227
<b>Total Business-Type Activities</b>	<b>17,730,500</b>	<b>17,148,516</b>	<b>17,830,346</b>	<b>18,464,028</b>	<b>19,015,434</b>	<b>18,245,014</b>	<b>19,193,112</b>	<b>20,075,694</b>	<b>18,562,520</b>	<b>20,001,330</b>
<b>Total Primary Government Expenses</b>	<b>\$ 60,406,053</b>	<b>\$ 55,739,921</b>	<b>\$ 56,517,614</b>	<b>\$ 69,226,417</b>	<b>\$ 59,618,769</b>	<b>\$ 59,452,938</b>	<b>\$ 66,876,597</b>	<b>\$ 65,623,976</b>	<b>\$ 63,826,430</b>	<b>\$ 66,549,848</b>
<b>PROGRAM REVENUES</b>										
<b>Governmental Activities:</b>										
<b>Charges for Services:</b>										
General Services	\$ 242,723	\$ 280,815	\$ 240,663	\$ 265,748	\$ 5,230	\$ 11,653	\$ 40,402	\$ 2,297	\$ 4,282	\$ 11,372
Development Services	2,950,072	2,213,535	2,810,732	3,661,616	2,901,140	2,819,398	4,294,909	5,409,680	3,752,033	4,256,705
Public Works	1,094,941	1,772,247	524,274	282,005	14,498	2,065	966,685	76,776	68,764	57,260
Public Safety	1,032,899	1,027,156	1,040,938	980,840	1,246,718	1,610,621	1,643,036	1,753,883	1,709,195	1,652,345
Parks and Recreation	1,405,871	1,228,146	1,245,988	1,347,482	1,674,424	1,346,268	1,271,707	2,094,611	2,188,774	3,407,341
Operating Grants and Contributions	1,463,367	905,041	1,574,153	1,207,580	2,288,180	2,023,252	1,354,435	1,414,207	1,416,925	1,580,451
Capital Grants and Contributions	3,733,640	3,386,878	1,249,302	14,536,698	753,878	2,528,544	7,188,926	3,631,773	3,499,503	3,314,001
<b>Total Governmental Activities Program Revenues</b>	<b>11,923,513</b>	<b>10,813,818</b>	<b>8,686,050</b>	<b>22,281,969</b>	<b>8,884,068</b>	<b>10,341,801</b>	<b>16,760,100</b>	<b>14,383,227</b>	<b>12,639,476</b>	<b>14,279,475</b>



**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(Continued)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>PROGRAM REVENUES (Continued)</b>										
Business-Type Activities:										
Charges for Services:										
Water and Sewer Utility	\$ 10,170,646	\$ 10,389,772	\$ 10,513,551	\$ 11,024,675	\$ 12,613,945	\$ 11,298,120	\$ 11,477,857	\$ 14,394,358	\$ 14,137,665	\$ 17,165,306
Ice Arena	854,833	876,255	852,219	863,016	898,047	832,051	923,141	845,207	871,738	893,463
Environmental Operations	1,024,257	994,102	559,958	923,286	668,735	599,368	745,203	758,753	815,365	840,643
Williston Fitness Center	935,528	1,105,237	1,133,859	1,402,967	2,109,149	2,460,672	2,492,730	2,395,503	2,525,460	2,728,004
Grays Bay Marina	204,056	225,851	200,664	235,753	242,522	245,034	217,819	243,303	237,720	253,784
Storm Water Fund	1,702,692	1,853,346	1,967,659	2,157,297	2,162,188	2,229,863	2,297,298	2,370,289	2,440,690	2,518,112
Operating Grants and Contributions	173,747	134,845	133,780	190,021	133,903	191,739	235,986	157,548	261,693	162,055
Capital Grants and Contributions	668,389	538,747	219,371	-	-	-	-	-	-	25,000
<b>Total Business-Type Activities Program Revenues</b>	<b>15,734,148</b>	<b>16,118,155</b>	<b>15,581,061</b>	<b>16,797,015</b>	<b>18,828,489</b>	<b>17,856,847</b>	<b>18,390,034</b>	<b>21,164,961</b>	<b>21,290,331</b>	<b>24,586,367</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 27,657,661</b>	<b>\$ 26,931,973</b>	<b>\$ 24,267,111</b>	<b>\$ 39,078,984</b>	<b>\$ 27,712,557</b>	<b>\$ 28,198,648</b>	<b>\$ 35,150,134</b>	<b>\$ 35,548,188</b>	<b>\$ 33,929,807</b>	<b>\$ 38,865,842</b>
<b>NET EXPENSE (REVENUE)</b>										
Governmental Activities	\$ (30,752,040)	\$ (27,777,587)	\$ (30,001,218)	\$ (28,480,420)	\$ (31,719,267)	\$ (30,866,123)	\$ (30,923,385)	\$ (31,165,055)	\$ (32,624,434)	\$ (32,269,043)
Business-Type Activities	(1,996,352)	(1,030,361)	(2,249,285)	(1,667,013)	(186,945)	(388,167)	(803,078)	1,089,267	2,727,811	4,585,037
<b>Total Primary Government Net Expense</b>	<b>\$ (32,748,392)</b>	<b>\$ (28,807,948)</b>	<b>\$ (32,250,503)</b>	<b>\$ (30,147,433)</b>	<b>\$ (31,906,212)</b>	<b>\$ (31,254,290)</b>	<b>\$ (31,726,463)</b>	<b>\$ (30,075,788)</b>	<b>\$ (29,896,623)</b>	<b>\$ (27,684,006)</b>
<b>GENERAL REVENUES AND OTHER</b>										
<b>CHANGES IN NET POSITION:</b>										
Governmental Activities:										
Property Taxes	\$ 28,749,045	\$ 28,384,529	\$ 30,004,879	\$ 30,663,713	\$ 31,655,149	\$ 32,133,116	\$ 31,260,616	\$ 32,681,646	\$ 34,022,340	\$ 35,543,357
Franchise Taxes	-	1,483,731	1,477,059	1,521,278	1,599,464	1,684,671	1,715,787	1,728,394	1,772,851	1,811,774
Tax Increment	-	-	-	-	-	-	2,362,579	2,405,931	2,486,080	2,689,708
State aid - Unrestricted	586,787	322,000	89,789	85,859	44,035	42,659	-	-	-	-
Investment Earnings (Loss)	2,745,739	2,744,051	1,162,580	590,467	323,344	(254,522)	761,387	509,257	352,475	652,196
Sale of Capital Assets	-	-	131,546	-	-	43,468	54,031	21,055	28,302	-
Other General Revenue	45,228	50,678	45,167	139,503	67,443	53,933	51,063	55,717	60,050	138,918
Transfers	1,042,984	1,064,600	1,260,000	1,222,300	(2,972,865)	1,575,159	1,405,203	133,190	1,099,144	1,125,069
<b>Total Governmental Activities</b>	<b>33,169,783</b>	<b>34,049,589</b>	<b>34,171,020</b>	<b>34,223,120</b>	<b>30,716,570</b>	<b>35,278,484</b>	<b>37,610,666</b>	<b>37,535,190</b>	<b>39,821,242</b>	<b>41,961,022</b>
Business-Type Activities:										
Investment Earnings (Loss)	906,162	823,429	278,519	176,137	78,757	(47,516)	164,893	82,813	84,919	166,214
Gain on Sale of Capital Assets	-	-	-	-	-	19,010	-	-	-	-
Other	2,778	-	3,466	-	-	-	-	-	-	-
Transfers	(1,042,984)	(1,064,600)	(1,260,000)	(1,222,300)	2,972,865	(1,575,159)	(1,405,203)	(133,190)	(1,099,144)	(1,125,069)
<b>Total Business-Type Activities</b>	<b>(134,044)</b>	<b>(241,171)</b>	<b>(978,015)</b>	<b>(1,046,163)</b>	<b>3,051,622</b>	<b>(1,603,665)</b>	<b>(1,240,310)</b>	<b>(50,377)</b>	<b>(1,014,225)</b>	<b>(958,855)</b>
<b>Total Primary Government</b>	<b>\$ 33,035,739</b>	<b>\$ 33,808,418</b>	<b>\$ 33,193,005</b>	<b>\$ 33,176,957</b>	<b>\$ 33,768,192</b>	<b>\$ 33,674,819</b>	<b>\$ 36,370,356</b>	<b>\$ 37,484,813</b>	<b>\$ 38,807,017</b>	<b>\$ 41,002,167</b>

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(Continued)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
CHANGE IN NET POSITION:										
Governmental Activities	\$ 2,417,743	\$ 6,272,002	\$ 4,169,802	\$ 5,742,700	\$ (1,002,697)	\$ 4,412,361	\$ 6,687,281	\$ 6,370,135	\$ 7,196,808	\$ 9,691,979
Business-Type Activities	<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>	<u>1,038,890</u>	<u>1,713,586</u>	<u>3,626,182</u>
Total Primary Government	<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>	<u>\$ 7,409,025</u>	<u>\$ 8,910,394</u>	<u>\$ 13,318,161</u>

Source: City of Minnetonka financial records

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**FUND BALANCES-GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$ 525,579	\$ 548,795	\$ 464,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	12,792,693	13,263,687	13,238,701	-	-	-	-	-	-	-
Nonspendable	-	-	-	112,339	77,086	142,565	104,766	263,171	333,243	417,090
Committed	-	-	-	-	1,010,000	1,040,000	1,050,000	1,000,000	1,020,000	1,000,000
Assigned	-	-	-	11,544,440	12,171,177	12,321,900	12,594,400	12,973,500	13,532,940	13,972,800
Unassigned	-	-	-	4,574,091	3,617,308	4,014,873	3,742,975	5,419,224	6,332,482	6,729,435
Total General Fund	<u>13,318,272</u>	<u>13,812,482</u>	<u>13,703,616</u>	<u>16,230,870</u>	<u>16,875,571</u>	<u>17,519,338</u>	<u>17,492,141</u>	<u>19,655,895</u>	<u>21,218,665</u>	<u>22,119,325</u>
All Other Governmental Funds:										
Reserved	1,147,636	725,463	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	1,179,875	2,098,383	3,480,940	-	-	-	-	-	-	-
Capital projects funds	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	195,638	-	-
Restricted	-	-	-	5,475,544	7,520,420	5,553,767	5,937,290	6,603,366	7,531,670	8,001,534
Committed	-	-	-	9,451,939	8,115,749	9,089,669	11,960,779	13,049,962	14,552,450	20,618,774
Assigned	-	-	-	29,457,279	30,876,413	31,991,790	31,554,273	31,244,273	32,473,867	33,758,362
Unassigned	-	-	-	(679,189)	(1,910,345)	(3,073,099)	(2,551,669)	(6,944,033)	(786,168)	(2,029,545)
Total All Other Governmental Funds	<u>43,837,544</u>	<u>42,658,221</u>	<u>45,055,209</u>	<u>43,705,573</u>	<u>45,358,237</u>	<u>43,562,127</u>	<u>47,025,837</u>	<u>44,149,206</u>	<u>53,771,819</u>	<u>60,349,125</u>
Total Governmental Funds	<u>\$ 57,155,816</u>	<u>\$ 56,470,703</u>	<u>\$ 58,758,825</u>	<u>\$ 59,936,443</u>	<u>\$ 62,233,808</u>	<u>\$ 61,081,465</u>	<u>\$ 64,517,978</u>	<u>\$ 63,805,101</u>	<u>\$ 74,990,484</u>	<u>\$82,468,450</u>

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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>REVENUES:</b>										
Property Taxes	\$ 28,221,316	\$ 30,088,341	\$ 30,631,013	\$ 30,731,107	\$ 31,655,150	\$ 32,133,116	\$ 31,305,971	\$ 32,673,521	\$ 34,012,530	\$ 35,568,635
Franchise Taxes	1,483,731	1,477,059	1,488,334	1,521,278	1,599,464	1,684,671	1,715,787	1,728,394	1,772,851	1,811,774
Tax Increments	-	-	-	-	-	-	2,362,579	2,405,931	2,486,080	2,689,708
Special Assessments	430,278	454,492	642,249	434,936	592,337	785,101	525,284	429,966	327,995	336,674
Licenses and Permits	2,574,866	1,876,184	2,078,031	3,347,255	2,477,856	2,817,753	3,541,462	4,796,150	3,582,252	4,082,475
Intergovernmental	3,827,767	4,077,426	2,828,175	15,144,889	2,354,216	3,817,715	8,364,633	2,730,231	5,908,576	2,536,945
Charges for Services	1,534,637	1,469,808	1,509,788	1,515,831	1,650,995	1,589,273	1,637,836	1,606,563	1,690,330	1,538,168
Fines and Forfeitures	644,680	665,907	631,304	586,092	518,422	532,303	616,154	598,478	516,087	500,868
Miscellaneous	4,877,252	2,059,364	2,120,317	2,141,861	1,707,482	1,156,691	3,273,800	2,926,666	2,379,478	4,041,452
Total Revenues	<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>	<u>49,895,900</u>	<u>52,676,179</u>	<u>53,106,699</u>
<b>EXPENDITURES:</b>										
General Government	4,690,725	3,984,884	4,000,524	3,677,413	4,099,224	3,879,274	4,108,370	4,191,085	4,537,134	4,904,464
Development Services	5,926,346	5,913,107	5,782,211	3,810,407	4,198,128	4,049,613	4,735,215	5,148,457	5,421,767	6,400,314
Public Works	5,365,413	4,919,395	3,885,634	4,027,507	3,983,744	4,240,857	5,460,831	4,333,820	4,318,199	4,649,107
Public Safety	10,897,161	11,372,566	12,038,778	11,899,680	12,026,437	12,535,326	12,891,804	12,843,759	13,380,168	14,298,493
Park and Recreation	4,855,598	5,062,868	5,559,757	4,777,170	4,902,026	4,974,847	5,305,820	5,316,080	5,208,278	5,409,205
Debt Service:										
Principal retirement on bonded debt	575,000	595,000	930,000	605,000	915,000	955,000	970,000	980,000	1,005,000	1,030,000
Interest and other expenditures	406,959	475,020	444,244	402,013	276,041	319,370	219,107	193,643	200,052	196,318
Capital Outlay	12,685,903	11,945,616	10,363,767	23,323,129	14,473,567	13,281,579	17,024,591	18,764,534	11,146,965	9,913,232
Total Expenditures	<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>	<u>51,771,378</u>	<u>45,217,563</u>	<u>46,801,133</u>
Excess of Revenues Over (Under) Expenditures	<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>	<u>(1,875,478)</u>	<u>7,458,616</u>	<u>6,305,566</u>
<b>OTHER FINANCING SOURCES (USES):</b>										
Bond Proceeds	4,705,000	-	2,620,000	-	2,500,000	-	-	-	2,440,000	-
Premium on Bonds Issued	52,042	-	88,021	-	(60,290)	-	-	-	115,967	-
Transfers In	1,443,370	3,161,800	2,761,706	1,503,700	2,014,000	3,215,383	4,728,828	4,424,887	2,423,025	5,087,747
Transfers Out	(378,770)	(1,901,800)	(1,557,106)	(281,400)	(783,100)	(1,933,483)	(3,661,625)	(3,262,286)	(1,252,225)	(3,915,347)
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>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>	<u>1,162,601</u>	<u>3,726,767</u>	<u>1,172,400</u>
Net Change in Fund Balances	<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>	<u>\$ (712,877)</u>	<u>\$ 11,185,383</u>	<u>\$ 7,477,966</u>
Debt Service as a Percentage of Noncapital Expenditures	2.6%	3.1%	3.9%	2.1%	3.3%	3.4%	2.7%	2.7%	3.2%	2.9%

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
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%
2015	62,778,666	34,813,987	811,925	2,026,014	9,717,859	86,660,705	36.565%	7,796,498,758	1.11%
2016	66,167,466	37,366,035	837,902	2,156,775	9,744,736	92,469,892	35.674%	8,271,102,488	1.12%
2017	69,542,646	37,054,544	901,339	2,407,233	10,748,890	94,342,406	36.363%	8,549,418,319	1.10%

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 2008 Through 2017**

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
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
2015	36.552	0.013	36.565	30.340	25.093	26.252	46.398	9.987	123.290	118.043	119.202
2016	35.661	0.013	35.674	28.514	22.887	26.106	45.356	9.719	119.263	113.636	116.855
2017	36.363	0.015	36.378	25.611	22.770	26.290	44.087	10.214	116.290	113.449	116.969

\* - 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	2017			2008		
		Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value	Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
United Health Group	Office Center	\$ 2,750,980	1	2.92%	\$ 1,380,910	4	1.42%
General Growth (Ridgedale)	Regional Shopping Center	2,119,250	2	2.25%	2,199,250	1	2.26%
Medica Health Plans	Commercial	1,388,930	3	1.47%	665,300	9	0.68%
KBS REIT II	Office Center	1,328,550	4	1.41%			
Carlson Companies	Office Center	979,250	5	1.04%	2,185,730	2	2.25%
Wells Operating Partnership	Office Center	937,230	6	0.99%	935,250	6	0.96%
Property Reserve, Inc.	Office Center	848,810	7	0.90%	935,250	7	0.96%
CSM West Ridge, inc.	Shopping Center	768,602	8	0.81%	1,175,860	5	1.21%
RREEF America REIT II Corp	Apartments	761,250	9	0.81%			
OPUS Hotel LLC	Hotel	567,730	10	0.60%			
Cargill, Inc.	Office Center				1,971,263	3	2.03%
Target Corporation	Retail				652,000	10	0.67%
Teachers Insurance	Office Center				893,350	8	0.92%
		<u>\$12,450,582</u>		<u>13.20%</u>	<u>\$ 12,994,163</u>		<u>13.36%</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
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)	34,387	30,954,409	96.57%
2015	32,987,035	32,644,959	98.96%	(642,871)	55,242	32,057,330	97.18%
2016	34,289,440	33,836,412	98.68%	(705,749)	37,831	33,168,494	96.73%
2017	35,832,802	35,425,426	98.86%	(832,025)	-	34,593,401	96.54%

Source: Hennepin County Tax Settlement Reports

\* Certified Levy less Market Value Credit Unallotment.



**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities <u>General Obligation Bonds</u>	Business-type Activities <u>Water Revenue Bonds</u>	Total Primary Government	General Obligation as a Percentage of Personal Income	Total Debt as a Percentage of Personal Income	General Obligation Debt Per Capita	Total Debt Per Capita
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	0.28%	0.41%	64	204
2015	6,154,003	12,232,568	18,386,571	0.23%	0.69%	237	356
2016	7,669,627	19,145,229	26,814,856	0.27%	0.94%	363	508
2017	6,597,892	18,836,958	25,434,850	0.23%	0.90%	357.16	482

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)
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
2015	6,154,003	1,281,887	4,872,116	0.06%	94
2016	7,669,627	1,345,268	6,324,359	0.08%	120
2017	6,597,892	1,672,330	4,925,562	0.06%	93

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, 2017**

<u>Governmental Units</u>	<u>Net Debt Outstanding</u>	<u>(1) Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt:			
City of Minnetonka	\$ 4,925,562	100.00 %	<u>\$ 4,925,562</u>
Overlapping Debt:			
School Districts			
I.S.D. 270 - Hopkins	140,286,562	45.06	63,213,125
I.S.D. 276 - Minnetonka	121,300,944	24.31	29,488,259
I.S.D. 283 - St. Louis Park	33,819,742	0.01	3,382
I.S.D. 284 - Wayzata	148,128,583	15.71	23,271,000
Hennepin County	911,083,511	5.64	51,385,110
Hennepin County Parks	45,784,829	7.88	3,607,845
Hennepin County RR Authority	26,942,546	7.88	2,123,073
Regional:			
Metropolitan Council	12,606,580	2.89	364,330
Total Overlapping Debt			<u>173,456,124</u>
Total Direct and Overlapping Debt			<u><u>\$ 178,381,686</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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Market Value (Taxable)	\$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	\$7,796,498,758	\$8,271,102,488	\$8,549,418,319
* Debt Limit 3% of Market Value (Note A)	257,458,224	246,933,249	248,269,806	234,959,124	224,672,166	218,860,222	219,348,908	233,894,963	248,133,075	256,482,550
Amount of Debt Applicable to Debt Limit:										
General Obligation Bonds Available in Debt Service Funds	12,665,000 (1,022,355)	12,070,000 (1,252,169)	13,760,000 (4,051,357)	10,075,000 (1,301,371)	9,160,000 (3,890,389)	7,990,000 (1,150,271)	7,020,000 (1,209,111)	6,040,000 (1,281,887)	7,475,000 (1,345,268)	6,445,000 (1,672,330)
Total Debt Applicable to Debt Limit	11,642,645	10,817,831	9,708,643	8,773,629	5,269,611	6,839,729	5,810,889	4,758,113	6,129,732	4,772,670
Legal Debt Margin	\$ 159,996,171	\$ 153,804,335	\$ 155,804,561	\$ 226,185,495	\$ 219,402,555	\$ 212,020,493	\$ 213,538,019	\$ 229,136,850	\$ 242,003,343	\$ 251,709,880
Total net debt applicable to the limit as a percentage of debt limit	6.78%	6.57%	5.87%	3.73%	2.35%	3.13%	2.65%	2.03%	2.47%	1.86%

\* 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**

**PLEGDED-REVENUE COVERAGE**  
**Last Ten Fiscal Years**

Fiscal Year	Utility Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
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	
2015	14,394,358	10,675,704	3,718,654	1,010,000	28,883	3.58	
2016	14,137,665	9,150,361	4,987,304	11,060,000	164,698	0.44	
2017	17,165,306	10,381,786	6,783,520	275,000	124,348	16.99	

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
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%	50,317	2,573,412,648	46,842
2015	51,647	28,184	2.9%	51,498	2,659,717,206	46,280
2016	52,741	28,669	3.3%	53,849	2,840,050,109	45,083
2017	52,741	29,354	2.6%	53,467	2,819,903,047	46,179

Sources:

- (1) 2010 is a regular decennial census figure. All other years are best available estimates provided by the Metropolitan Council.
- (2) School enrollment is the total number of students in schools located in Minnetonka for Independent School District No. 270 (Hopkins), 276 (Minnetonka), and 284 (Wayzata), each of which serves a portion of the City as well as other communities. Enrollment numbers obtained from the Minnesota Department of Education.
- (3) Unemployment rates were compiled by the Minnesota Department of Economic Security, Research and Statistics Department, for Hennepin County.
- (4) 2010 is a regular decennial census figure. All other years are best available estimates provided by the Minnesota State Demographic Center.

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**PRINCIPAL EMPLOYERS**  
**Prior Year and Nine Years Ago**

Taxpayer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
United Health Group	4,400	1	9.53%	1,150	5	2.42%
Cargill, Inc.	3,400	2	7.36%	3,400	1	7.15%
Carlson Companies	3,100	3	6.71%	3,100	2	6.52%
Independent School District (No. 276)	1,671	4	3.62%			
Rosemount Engineering	1,600	5	3.46%			
Medica Health Plans	1,300	6	2.82%			
Starkey Laboratories	1,300	7	2.82%			
St Jude Medical	1,300	8	2.82%	1,300	3	2.73%
Super Value Stores, Inc.	1,265	9	2.74%			
MTS Systems Corporation	800	10	1.73%			
Allina Health System				1,200	4	2.52%
DataCard Corp				1,000	6	2.10%
Advantek Inc.				600	7	1.26%
GE Osmonics, Inc.				520	8	1.09%
American Medical Systems				500	9	1.05%
Opportunity Partners				500	10	1.05%
	<u>20,136</u>		<u>43.60%</u>	<u>13,270</u>		<u>27.90%</u>

Source: City of Minnetonka Community Development Department

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	9.00	8.72	8.72	8.97	8.97	8.97	9.55	10.45	9.95	10.95
Information Technology	3.75	3.75	3.75	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	6.20	5.25	5.25	5.25	5.25	5.25	5.60	5.60	5.60	5.60
Development Services:										
Planning	6.97	6.25	6.25	6.25	5.50	5.50	5.50	6.00	6.00	6.00
Engineering	10.78	10.25	10.00	9.75	9.75	9.75	9.75	9.25	9.25	9.50
Community Development	15.55	10.40	10.40	10.40	11.40	11.60	11.00	12.10	13.10	13.10
Development Fund	0.20	0.20	0.20	0.20	0.20	-	-			
Parks and Recreation:										
Joint Recreation	6.70	5.90	6.15	6.15	5.75	5.84	5.84	5.74	6.35	6.85
Community Center	4.60	4.35	3.85	3.75	4.15	3.37	3.37	3.37	3.37	3.37
Parks and Trails	9.51	9.51	9.01	8.91	8.91	9.21	9.97	9.98	10.08	10.08
Senior Services	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Minnetonka Recreation	0.90	0.90	1.15	1.15	0.75	0.84	0.84	0.84	0.75	0.75
Natural Resources	4.51	4.51	4.51	4.58	4.58	4.71	5.57	6.58	6.48	6.48
Streets and Buildings:										
Buildings and Grounds	6.50	5.50	7.00	7.40	8.31	8.18	7.37	8.38	8.38	8.38
Street	22.53	22.53	22.53	20.95	20.95	21.24	21.24	21.10	21.10	21.10
Public Safety:										
Police:										
Licensed	58.00	57.00	56.00	47.00	47.00	47.00	47.00	47.00	47.00	47.00
Other	20.35	19.35	19.35	19.35	18.95	18.95	19.45	19.45	20.45	20.45
Fire:										
Full-time	7.00	6.50	6.50	6.50	6.50	6.50	6.50	6.50	8.00	8.00
Paid on call	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00
Dispatch	-	-	-	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Environmental Health	3.40	3.40	3.40	3.40	3.50	3.50	3.50	3.50	3.50	3.50
Legal	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Cable Television	2.25	2.25	2.25	2.00	2.00	2.00	2.00	2.00	2.50	2.50
Water and Sewer Utility	15.54	16.14	16.14	16.22	16.22	16.04	16.39	18.40	18.40	18.40
Ice Arena	3.80	3.80	3.80	3.80	3.80	3.62	3.62	3.62	3.00	3.50
Williston Center	6.95	6.95	5.15	5.05	5.05	5.05	7.05	7.15	8.45	7.45
Environmental	1.53	1.53	1.53	1.58	1.58	1.51	0.47	0.48	0.48	0.48
Gray's Bay Marina	-	-	-	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Storm Water	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	1.50
Fleet Maintenance Internal Service	5.53	4.53	4.53	4.58	4.58	4.51	4.51	4.38	4.38	4.38
<b>Total</b>	<b>334.05</b>	<b>321.47</b>	<b>319.42</b>	<b>318.14</b>	<b>318.60</b>	<b>318.09</b>	<b>321.04</b>	<b>326.82</b>	<b>331.52</b>	<b>333.77</b>

Source: City of Minnetonka financial records



**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Public Safety:</b>										
<b>Police:</b>										
Calls for service	43,532	44,305	47,120	45,198	42,883	45,139	42,644	43,651	38,321	41,100
Criminal offenses	3,006	2,372	3,384	2,416	2,256	2,269	2,150	2,392	1,946	2,115
<b>Fire:</b>										
Number of calls	566	768	792	790	750	996	750	1,036	1,213	1,233
<b>Legal:</b>										
Cases opened and processed by staff	1,009	959	828	883	863	895	700	594	768	750
<b>Environmental Health:</b>										
Number of licensed establishments	721	721	730	716	711	720	735	720	750	760
Number of nuisance complaints	473	602	550	462	648	512	500	545	609	640
<b>Development Services:</b>										
<b>Engineering:</b>										
Number of construction projects underway	13	17	14	11	13	12	14	9	3	7
Number of construction projects completed	8	11	13	12	11	10	11	5	5	6
<b>Community Development:</b>										
Permits issued	6,424	5,431	6,250	6,757	6,301	6,761	6,800	7,924	7,800	7,250
<b>Planning:</b>										
Number of planning applications received	153	110	149	125	148	135	120	116	133	90
Number of building permits reviewed	1,686	1,304	1,582	1,700	1,590	1,688	1,700	1,007	1,853	1,200
<b>Public Works:</b>										
<b>Street Maintenance:</b>										
Miles of city maintained	254.9	254.9	254.9	254.9	254.9	254.9	254.9	254.9	254.9	254.9
<b>Street Improvement:</b>										
Miles of street rehabilitated	2.4	4.5	1.9	4.6	4.9	4.5	4.5	4.0	5.2	2.0
Average pavement condition index	78	78	78	81	82	82	82	83	83	83
<b>Park &amp; Recreation:</b>										
<b>Joint Recreation:</b>										
Number of program participants	38,684	37,492	34,493	33,484	40,866	41,783	39,300	37,100	41,444	42,000
<b>Senior Services:</b>										
Number of program participants	5,484	4,147	4,004	10,381	12,881	14,305	14,500	28,513	16,861	17,100

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Park & Recreation: (Continued)										
Parks and Trails:										
Number of parks maintained	50	48	48	48	48	48	48	48	50	50
Park acreage:										
Active	315.3	315.3	315.3	315.3	315.3	316.0	316.0	316.0	315.3	315.3
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	86	86	86	94	96	96	99	99	100	104
Natural Resources:										
Number of diseased trees removed	2,055	1,794	1,215	1,422	1,204	752	900	645	677	700
Number of permits reviewed/inspected for natural resource compliance	530	465	475	550	550	725	650	712	696	745
General Government:										
Administrative Services:										
Number of registered voters	35,354	35,124	35,157	35,340	35,836	35,241	35,500	35,234	37,040	35,200
Water and Sewer Utility:										
Number of utility customer accounts	16,610	16,598	166,237	16,739	16,784	16,838	16,982	16,957	16,970	16,970
Water pumped (million gallons)	2,586	2,678	2,354	2,406	2,685	2,403	2,400	2,200	2,100	2,700
Utility locate requests completed	7,425	6,869	6,793	8,363	8,352	9,675	10,000	13,289	10,087	11,000
Ice Arena:										
Ice rental hours sold	3,302	3,134	3,150	3,300	3,312	3,020	3,200	2,750	3,071	3,100
Environmental:										
Curbside recycling picked up (tons)	5,655	5,256	5,145	5,113	5,440	5,316	5,100	4,975	4,930	4,900
Willston Center:										
Total memberships sold	2,047	1,985	1,857	3,694	6,638	8,342	8,400	8,400	8,356	9,200
Gray's Bay:										
Slip lease rate	\$ 3,700	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900
Storm Water:										
Number of storm sewer projects completed	4	4	3	4	8	11	7	7	8	2

Source: Various city departments

**CITY OF MINNETONKA**  
**Hennepin County, Minnesota**

**CAPITAL ASSEST STATISTICS BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Public Safety:</b>										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Number of police officers	58	57	57	57	57	57	57	57	58	58
Fire Stations	5	5	5	5	5	5	5	5	5	5
<b>Public Works:</b>										
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
<b>Parks and Recreation:</b>										
Parks acreage	1,056	1,056	1,056	1,056	1,056	1,057	1,057	1,057	1,057	1,057
Parks	50	50	50	50	50	50	50	50	50	50
<b>Water and Sewer Utilities:</b>										
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	18,400,000	18,400,000	18,400,000	18,400,000	18,400,000	18,400,000	18,400,000	18,400,000	18,400,000	18,400,000
Storage capacity (gallons)	12,900,000	12,900,000	12,900,000	12,900,000	12,900,000	12,900,000	12,900,000	12,900,000	12,900,000	12,900,000
Sanitary sewers (miles)	256	256	256	256	256	256	256	256	256	256
<b>Storm Water</b>										
Storm sewers (miles)	88	88	88	88	88	88	88	88	88	88

Source: Various city departments