



Minnetonka, Minnesota Comprehensive Annual Financial Report

For the year ended Dec. 31, 2019



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**OF THE CITY OF
MINNETONKA, MINNESOTA**

For the Year Ended December 31, 2019

Geralyn R. Barone - City Manager

Darin R. Nelson – 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**



CITY OF
MINNETONKA

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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, 2019

<u>Elected Officials</u>	<u>Position</u>	<u>Term Office Expires</u>
Brad Wiersum	Mayor	December 31, 2021
Deb Calvert	Council Member at Large	December 31, 2021
Susan Carter	Council Member at Large	December 31, 2021
Bob Ellingson	Council Member - Ward 1	December 31, 2019
Rebecca Schack	Council Member - Ward 2	December 31, 2019
Mike Happe	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
Michael S. Funk	Assistant City Manager
Darin R. Nelson	Finance Director/Treasurer
Joel W. Merry	Assistant Finance Director



CITY OF
MINNETONKA

City of Minnetonka, MN

MINNETONKA CITY COUNCIL
 (Economic Development Authority)

Mayor Brad Wiersum

Council Members at Large: Deb Calvert
 Susan Carter

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

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

City Attorney
 Corrine Heine

CITY MANAGER
 Geralyn Barone



PUBLIC SAFETY

POLICE
 Chief Scott Boerboom

Patrol
 Investigation
 9-1-1 Dispatch
 Support Services

PUBLIC WORKS

PUBLIC WORKS
 Will Manchester

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

PARKS & RECREATIONS

RECREATION SERVICES
 Kelly O'Dea

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

DEVELOPMENT SERVICES

COMMUNITY DEVELOPMENT
 Julie Wischnack

Inspections
 Environmental Health
 Licensing
 Planning & Zoning

ADMINISTRATION

ADMINISTRATIVE SERVICES
 Michael Funk

City Clerk & Elections
 Human Resources
 Information Technology
 Communications
 Risk Management

FIRE
 John Vance

Emergency Management
 Inspection
 Prevention
 Response

ENGINEERING
 Philip Olson

Street & Utility
 Planning & Design

FINANCE
 Darin Nelson

Accounting
 Budget
 Payroll
 Utility Billing
 Assessing
 Special Assessments

LEGAL
 Corrine Heine

Prosecution
 Legal advice to the city



CITY OF
MINNETONKA



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June 15, 2020

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, 2019 is hereby submitted. The report was prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and meets the requirements of the State Auditor's Office.

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

The city's financial statements have been audited by BerganKDV, Ltd. The goal of the independent audit was to provide reasonable assurance that the financial statements of the city for the year ended December 31, 2019, 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, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented in the financial section of this report.

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

THE REPORTING ENTITY AND ITS SERVICES

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

ECONOMIC CONDITION AND OUTLOOK

The city is a suburban community located eight miles west of Minneapolis in Hennepin County. The city has a land area of 28 square miles, and its 2019 population estimate of 54,141 makes it the fourteenth largest city in Minnesota. Minnetonka enjoys an excellent location, with convenient access to the Minneapolis-Saint Paul metropolitan area via interstate highways I-494 and I-394. Interstate 394 runs from Minnetonka east to Minneapolis, and is a primary 15-minute commuter route to downtown Minneapolis. The city is also just 15 minutes from the Minneapolis-Saint Paul International Airport.

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

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

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

Minnetonka is also a key location for retailing. The city is home to Ridgedale, a 1.4-million-square-foot regional shopping center. Its anchor stores include Macy's, JC Penney, and Nordstrom, the latter of which opened in 2015. A number of other retail centers are clustered near Ridgedale, including Ridgehaven Mall (which is anchored by a Target store and Lunds &

Byerlys grocery store), Ridge Square North, Ridge Square South, Ridgedale Festival, and West Marine Plaza. The Ridgedale area is also home to a Hennepin County Service Center, District Court, a Regional Library, and the Ridgedale YMCA.

In 2013, the city completed a master planning study of the Ridgedale area, and in 2017, the city developed the award winning Public Realm Guidelines for the area. These documents include both retail and residential plans encompassing land use, design, transportation, and pedestrian connections as part of a complete vision for the area. In 2016, the Highland Bank site was fully redeveloped into 134 units of apartments with ground floor retail, and in 2018, the TCF Bank site was reconstructed and redeveloped to add retail shops to its parcel. Two more sites within and adjacent to the mall are now under construction for higher density residential, a 77-unit luxury apartment building and a 168-unit active adult apartment building. During the summer of 2019, the city began reconstruction of the road around the mall to include three traffic circles, a landscaped boulevard, and extensive pedestrian and biking pathways along both sides that will connect a new 2-acre public park with improved park amenities at an adjacent public lake. This project will be completed in 2021.

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

Interest in economic development continues along the I-394 corridor in Minnetonka. Since the Crest Ridge redevelopment project completed its first phase of construction in 2008, a second phase with 150 units of multi-family senior apartments was completed in early 2019. An additional project along 394, with 174 market rate units will be completed later in 2020.

Minnetonka has worked hard to provide more affordable housing in the community and has added nearly 700 affordable units since its decision to participate actively in the Metropolitan Council's Livable Communities Program in 1996. Since 2001, the city has financially assisted the West Hennepin Affordable Housing Land Trust (WHAHLT) in preserving 58 scattered-site affordable homes in Minnetonka. In many new developments underway since 2016, the city has been successful in incorporating affordable housing within market rate multi-unit projects. These include the Overlook Apartments, At Home Apartments, Cherrywood Pointe, the RiZe, The Legends, and Applewood Pointe. The city has approved and anticipates construction completion of another 1,000 privately developed affordable units between 2019 and 2022.

Minnetonka has a history of strong construction activity, including major new buildings and the expansion of existing buildings, and this experience continues today. In 2019, building permits were issued for \$306 million of construction work. Multi-family residential accounted for over half of that value - \$178 Million. Large commercial construction included remodeling of the Carlson Towers and investments in Hopkins High School. Residential additions, new construction and remodeling also continue to be a significant part of Minnetonka's construction activity at approximately \$38 million.

The city's healthy economic base, strong investment and its sound financial condition have helped maintain its "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.

COVID-19 is having a global economic impact which the city is not immune. To date the city is not experiencing a significant amount of extraordinary expenditures. However, user fee revenue is being directly impacted. The city's Williston fitness center, ice arenas, and community center facilities were shut down mid-March 2020 with a plan phased opening not occurring until at least June 1. In addition, many of the city's summer recreational programs have either been canceled or modified. Impacts to tax delinquencies and other revenues are unknown at this time.

IMPORTANT PLANS, CURRENT PROJECTS AND FUTURE PROSPECTS

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

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

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

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

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

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

majority of the park development is funded by private development fees and donation of the park land.

Public trails, sidewalks and pedestrian features – The city currently maintains over 105 miles of trails and sidewalks throughout its boundaries and in 2016 completed an update to its long-range plan for completing and improving the system to enhance safety and sustainable transportation. In 2018, the city council authorized expansion of a current utility franchise agreement and the addition of another franchise agreement, which will garner fee revenue to support the build-out of the plan over time. The city's 2020-2024 capital improvement program incorporates that ongoing funding mechanism to pay for the construction of five more trail miles by the end of 2024.

Public Safety Facility renovation and expansion – The city's central fire station was built over 45 years ago and the adjoining police station over 30 years ago. During this time service calls volumes have increased exponentially requiring an increase in both fire and police staff. The City Council approved in September 2019 the construction of a new fire station on the city campus and repurposing the existing police and fire facility into a remodeled police station. \$25 million of capital improvement bonds were issued in January 2020 for the construction of this \$30 million project.

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. With more than 57% of the city covered by a tree canopy, natural resources staff manages a vigorous program that includes diseased tree eradication and reforestation, ecosystem restoration, enforcement of natural resource ordinances, and wetland and water body evaluation and monitoring. In addition to its ongoing efforts related to elm and oak tree diseases, in 2014 the city began a multi-year plan to prepare the community for the complete loss of all ash trees in the area due to the emerald ash borer, which was discovered to be present in the city in 2019.

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

Both economic development and the high standard of living in the community are additionally supported and enhanced by the city's concerted effort to maintain and improve its road infrastructure. In 2006 and 2007, the city and community significantly increased its property tax levy to support its local road program. The city currently has committed to spending \$6 to \$12 million annually on the ongoing components of a reconstruction and preservation program to

reconstruct and refurbish local roads and extend road life. It does not bond for nor assess residential properties for local road reconstruction.

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

Minnetonka conducts many significant cooperative programs with nearby cities, school districts, and the county. One program provides building inspection services to the cities of Deephaven, Greenwood, and Woodland. Another provides for the joint exchange of specialized building inspection services between Minnetonka, the City of St. Louis Park and the City of Bloomington. Similarly, Minnetonka provides health inspection services to the City of Wayzata. The cities of Hopkins and Minnetonka share recreation programs. Minnetonka collaborates with the Hopkins and Minnetonka school districts to provide school liaison officers through the police department. Both the city's police and fire departments have joint response agreements with neighboring communities, and beginning in 2018, the city now relies upon Hennepin County for public safety 9-1-1 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 annually met these targets.

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

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

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

Long-term Financial Planning

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

As previously mentioned the City Council passed an ordinance in 2018 that became effective January 1, 2019 assessing the private gas and electric utilities a franchise tax based on the property types served within the city. This new franchise tax increased the electric franchise tax and created a new franchise tax for the gas utility. These new franchise taxes increase the existing franchise tax funding for the underground burial of electrical lines and dedicate new funding for the expansion of the city's trail system. 2019 franchise taxes amounted to \$1,125,599 and \$1,862,217 for underground burial of electrical lines and trail expansion, respectively.

The city also 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. This analysis aids in providing a basis for strategic actions and planning. For example, this process successfully aided in navigating the city through the "Great Recession" a decade ago. This continued effort of forecasting capital and operating budgets has positioned the city to better handle the immediate and potential long-term economic impacts related to COVID-19.

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, 2018. This was the 36th consecutive year that the city has achieved this prestigious award. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that complies with rigorous standards regularly reviewed and updated by the GFOA. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

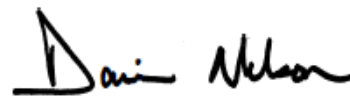
ACKNOWLEDGMENTS

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

Respectfully submitted,



Geralyn Barone
City Manager



Darin Nelson
Finance Director



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, 2018

Christopher P. Morill

Executive Director/CEO



CITY OF
MINNETONKA

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minnetonka, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minnetonka, Minnesota, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 84

As discussed in Note 6 to the financial statements, the City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Matters (Continued)

Other Information (Continued)

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

We have previously audited the City's 2018 financial statements and our report, dated June 14, 2019, 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 2018 actual column in the individual fund budget to actual schedules and the budget to actual schedule of revenues and expenditures for the General Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 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 2018 actual columns in the individual fund budget to actual schedules and the budget to actual schedule of revenues and expenditures for the General Fund are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2020, on our consideration of the City of Minnetonka's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Minnetonka's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

St. Cloud, Minnesota
June 15, 2020



CITY OF
MINNETONKA

SECTION II
FINANCIAL SECTION

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

December 31, 2019

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, 2019. 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 \$323,885,292. Of this amount, \$104,005,847 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 \$16.8 million from 2019 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 \$101,757,738.

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, 2019

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, \$200,009,021 or approximately 61.8%, 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, 2019

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, \$19,870,424 or approximately 6.1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$104,005,847 or 32.1%, 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 \$7,479,192. This fluctuation was mostly due to operating revenues exceeding expenditures by \$5,443,633 and sound fiscal control by all departments within the City's General Fund with expenditures coming in approximately \$1.3 million less than budgeted.

Capital assets increased by approximately \$6.8 million. This change is due mostly to the addition of \$4.5 million to work in progress, an additional \$3 million of new street replacements and an addition of \$3.1 million of buildings, offset by \$5.2 million in infrastructure depreciation in 2019.

Current and other liabilities decreased by approximately \$2.1 million due primarily to a \$1.9 million decrease in contracts payable. Long-term liabilities increased by approximately \$1.2 million primarily due to a \$1.2 million increase in bonds payable due in more than one year.

Business-type Activities

Current and other assets of the City's business-type activities decreased by approximately \$1.2 million compared to the prior year. This was due primarily to a decrease in overall operating income of \$1.9 million offset by increased investment income of approximately \$500,000 in the Utility Fund from the prior year.

Capital assets increased by approximately \$1.9 million over the past year. This increase is due primarily to additions to the utility system for the new capital improvement program in the Utility Fund of approximately \$7.4 million offset by approximately \$5.5 million in depreciation.

Long-term liabilities decreased by approximately \$1.3 million due primarily to the yearly reduction in other existing bonds payable.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2019

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

STATEMENT OF NET POSITION

December 31, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 119,767,698	\$ 112,288,506	\$ 39,012,842	\$ 40,299,721	\$ 158,780,540	\$ 152,588,227
Capital Assets	125,177,378	118,325,538	107,861,351	105,966,822	233,038,729	224,292,360
Total Assets	<u>244,945,076</u>	<u>230,614,044</u>	<u>146,874,193</u>	<u>146,266,543</u>	<u>391,819,269</u>	<u>376,880,587</u>
Deferred Outflows of Resources	<u>9,265,441</u>	<u>10,483,182</u>	<u>215,623</u>	<u>446,474</u>	<u>9,481,064</u>	<u>10,929,656</u>
Long-Term Liabilities						
Outstanding	23,893,225	22,661,105	28,834,387	30,198,882	52,727,612	52,859,987
Current and Other Liabilities	7,054,337	9,150,293	4,124,847	3,224,193	11,179,184	12,374,486
Total Liabilities	<u>30,947,562</u>	<u>31,811,398</u>	<u>32,959,234</u>	<u>33,423,075</u>	<u>63,906,796</u>	<u>65,234,473</u>
Deferred Inflows of Resources	<u>11,357,473</u>	<u>14,945,211</u>	<u>514,609</u>	<u>606,985</u>	<u>11,872,082</u>	<u>15,552,196</u>
Net Position:						
Net Investment in						
Capital Assets	118,124,855	112,360,020	81,884,166	83,286,653	200,009,021	195,646,673
Restricted	19,870,424	16,314,540	-	-	19,870,424	16,314,540
Unrestricted	72,292,832	65,666,057	31,713,015	29,396,304	104,005,847	95,062,361
Total Net Position	<u>\$ 210,288,111</u>	<u>\$ 194,340,617</u>	<u>\$ 113,597,181</u>	<u>\$ 112,682,957</u>	<u>\$ 323,885,292</u>	<u>\$ 307,023,574</u>

STATEMENT OF ACTIVITIES

Governmental Activities

The net position of the City's governmental activities increased by approximately \$15.9 million, or 8.2%. This increase is due to a variety of factors including an increase in franchise fees from the City's newly imposed gas franchise tax of approximately \$2.1 million, approximately \$3.5 million in tax increments, investment earnings of \$3,116,764, approximately \$2.9 million increase in charges for services and transfers in of approximately \$1.0 million. In addition, the City continued the enhanced road revitalization program started in 2006, which includes overlay or reconstruction of every local street adding approximately \$4.5 million in infrastructure assets offset by annual depreciation expense.

Property taxes increased by \$1,592,880 due to the increased tax levy from the prior year and the related additional collections. Investment earnings increased from the prior year by \$1,563,868 due to higher interest earnings from better investment market conditions.

Business-Type Activities

Business-Type Activities net position increased approximately \$914,000. The majority of this increase was due to operating revenues exceeding operating expenses by \$6.9 million, offset by depreciation expense of \$5.5 million and transfers out of \$1.3 million.

Investment income increased by \$618,190 during 2019 due to an increase in interest earnings from better investment market conditions.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2019

STATEMENT OF ACTIVITIES
December 31, 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program Revenues:						
Charges for Services	\$ 9,919,052	\$ 12,290,867	\$ 24,490,746	\$ 24,512,213	\$ 34,409,798	\$ 36,803,080
Operating Grants and Contributions	1,514,469	1,361,406	152,798	139,002	1,667,267	1,500,408
Capital Grants and Contributions	6,005,984	7,580,798	-	-	6,005,984	7,580,798
General Revenues:						
Property Taxes	39,135,526	37,542,646	-	-	39,135,526	37,542,646
Franchise Taxes	3,874,060	1,752,185	-	-	3,874,060	1,752,185
Tax Increments	3,508,134	3,426,105	-	-	3,508,134	3,426,105
Investment Earnings	3,116,764	1,552,896	1,122,884	504,694	4,239,648	2,057,590
Sale of Capital Assets	-	-	-	-	-	-
Other General Revenue	211,651	167,948	-	-	211,651	167,948
Total Revenues	67,285,640	65,674,851	25,766,428	25,155,909	93,052,068	90,830,760
Expenses						
General Government	5,631,300	5,961,700	-	-	5,631,300	5,961,700
Development Services	10,395,543	6,954,084	-	-	10,395,543	6,954,084
Public Works	13,929,489	13,069,127	-	-	13,929,489	13,069,127
Public Safety	15,255,279	13,019,341	-	-	15,255,279	13,019,341
Parks and Recreation	7,137,969	7,120,532	-	-	7,137,969	7,120,532
Unallocated Interest on Long-Term Debt	140,277	131,457	-	-	140,277	131,457
Water and Sewer Utilities	-	-	16,551,464	14,452,285	16,551,464	14,452,285
Ice Arena	-	-	1,042,307	1,028,139	1,042,307	1,028,139
Environmental	-	-	951,454	822,133	951,454	822,133
Williston Fitness Center	-	-	2,813,818	2,557,583	2,813,818	2,557,583
Grays Bay Marina	-	-	247,968	218,969	247,968	218,969
Storm Water	-	-	2,093,482	1,835,461	2,093,482	1,835,461
Total Expenses	52,489,857	46,256,241	23,700,493	20,914,570	76,190,350	67,170,811
Change in Net Position Before Transfers	14,795,783	19,418,610	2,065,935	4,241,339	16,861,718	23,659,949
Transfers	1,151,711	1,033,156	(1,151,711)	(1,033,156)	-	-
Increase in Net Position	15,947,494	20,451,766	914,224	3,208,183	16,861,718	23,659,949
Net Position - Beginning	194,340,617	174,352,218	112,682,957	109,552,652	307,023,574	283,904,870
Prior Period Adjustment	-	(463,367)	-	(77,878)	-	(541,245)
Net Position - Beginning, as Restated	194,340,617	173,888,851	112,682,957	109,474,774	307,023,574	283,363,625
Net Position - Ending	\$ 210,288,111	\$ 194,340,617	\$ 113,597,181	\$ 112,682,957	\$ 323,885,292	\$ 307,023,574



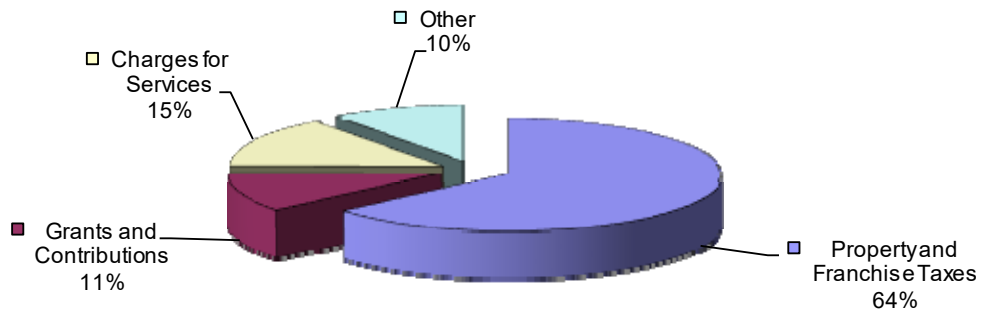
CITY OF
MINNETONKA

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2019

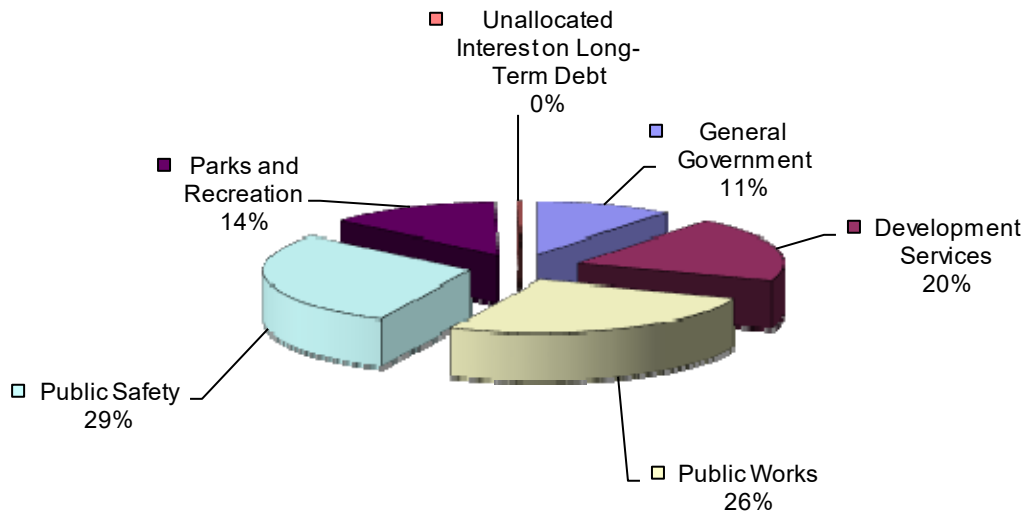
The following chart visually illustrates the City's revenue by source for its governmental activities:

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, 2019

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Funds

General Fund

In 2019, the City's General Fund fund balance decreased by \$157,786. The decreased fund balance is due to the sound fiscal control by all departments within the General Fund that resulted in actual expenditures being \$1,336,817, or 3.7% under the final budget. Originally, the budget planned to decrease fund balance by approximately \$1,238,700 before transfers.

Total actual revenues were \$1,179,748 more than budgeted mainly due to higher than expected license and permit fees collected, higher than anticipated investment earnings and intergovernmental revenues received.

License and permit fees and intergovernmental revenue were \$650,661 higher than budgeted, while investment income and property taxes collected were higher than budgeted by an additional \$660,536.

Community Investment Fund

The increase in available fund balance of \$424,683 in the Community Investment fund balance was due primarily to investment earnings of \$661,683 being offset by transfers out of \$300,000 in the current year.

Special Assessment Construction Fund

The fund balance in the Special Assessment Construction Fund decreased \$810,868 in 2019. This decrease was due primarily to a budgeted transfer out of \$1,500,000 to help fund the construction of a new public safety facility.

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 2019, the Street Improvement fund balance increased \$2,693,759.

Cloud 9 Housing Improvement

In 2019, the available fund balance of the Cloud 9 Housing Improvement Fund increased by \$76,415. This was due to bond proceeds of \$2,630,000 and special assessments of \$455,533 received, offset by expenditures of \$3,009,118 for the Cloud 9 apartment improvements.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2019

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

Proprietary Funds

Water and Sewer Utilities

In 2019, the net position of the Water and Sewer Utilities Fund increased by \$429,024. This increase was due primarily to operating income of \$1,181,784 and transfers out for direct and indirect administrative costs of \$800,000.

Ice Arena

The net position of the Ice Arena Fund decreased by \$16,380. This decrease was primarily due to an operating loss of \$183,931 which includes depreciation expense of \$191,639, offset by capital contributions and transfers in of \$212,854.

Environmental Fund

In 2019, the net position of the Environmental Fund decreased by \$139,479 due primarily to an increase in operating expenditures along with lower recycling revenues received due to current market conditions for recyclable materials.

Williston Fitness Center

The net position of the Williston Fitness Center Fund decreased by \$46,545 primarily due to an increase in personal services and other services and charges, while membership revenues remained similar to the prior year.

Gray's Bay Marina

In 2019, the net position of the Gray's Bay Marina Fund increased by \$26,385, which was \$30,248 lower than the prior years' increase, due mostly to increased personal services expense in the current year.

Storm Water

The net position of the Storm Water Fund increased by \$591,259, or 1.9%, 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 2019. These strategies include various new ways of doing business such as: cooperative services agreements with other agencies, productivity investments that help deliver core services more efficiently, and department reorganizations the reposition the City to better and more efficiently serve its constituents.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2019

CAPITAL ASSETS

At the end of 2019, the City had \$233 million invested in a broad range of capital assets. This amount represents a net increase (including additions and deductions) of approximately \$8.7 million from the prior year.

The City's fiscal year 2020 capital budget appropriates another \$28.3 million for capital projects, of which approximately \$19.7 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 \$33.6 million in bonds outstanding versus \$33.5 million last year, an increase of approximately \$100,000. This increase was due to the issuance of \$2.63 million in GO Housing Improvement Bonds 2019A and the continual annual reduction in bonds payable.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City takes a responsible long-term perspective with financial planning and management. We make decisions with the future in mind to insure our ongoing capacity to provide quality services to our residents and businesses and the 2020 budget continues to reflect this long-term perspective.

The 2020 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 2019 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 dnelson@minnetonkamn.gov.

**BASIC
FINANCIAL STATEMENTS**



CITY OF
MINNETONKA

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF NET POSITION
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Investments (Including Cash Equivalents)	\$ 107,046,917	\$ 35,371,143	\$ 142,418,060
Receivables:			
Accounts Receivable	1,337,234	2,796,367	4,133,601
Loans Receivable	211,792	-	211,792
Interest Receivable	437,340	171,498	608,838
Taxes Receivable	1,170,806	-	1,170,806
Special Assessments Receivable	4,474,972	371,442	4,846,414
Due from Other Governments	1,695,105	18,459	1,713,564
Internal Balances	(262,003)	262,003	-
Prepaid Items	557,293	-	557,293
Inventories	167,799	21,930	189,729
Net Pension Asset	2,930,443	-	2,930,443
Capital Assets, Net of Related Depreciation:			
Land - Nondepreciable	22,251,959	1,412,611	23,664,570
Construction in Progress - Nondepreciable	19,128,967	9,401,939	28,530,906
Buildings	9,235,245	10,517,669	19,752,914
Improvements Other than Buildings	1,791,753	2,337,498	4,129,251
Machinery and Equipment	5,990,662	2,553,289	8,543,951
Infrastructure	66,778,792	81,638,345	148,417,137
Total Assets	\$ 244,945,076	\$ 146,874,193	\$ 391,819,269
DEFERRED OUTFLOWS OF RESOURCES:			
OPEB	\$ 131,797	\$ 21,606	\$ 153,403
Pensions	9,133,644	194,017	9,327,661
Total Deferred Outflows of Resources	9,265,441	215,623	9,481,064

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, 2019
(Continued)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES:			
Salaries and Wages Payable	\$ 1,413,035	\$ 217,110	\$ 1,630,145
Accounts and Contracts Payable	2,259,151	2,158,631	4,417,782
Incurring but Not Reported Claims	54,055	-	54,055
Accrued Interest Payable	38,647	287,716	326,363
Other Liabilities	1,617,371	-	1,617,371
Unearned Revenue	316,640	136,653	453,293
Noncurrent Liabilities:			
Total OPEB Liability	2,339,195	383,461	2,722,656
MNPERA-Net Pension Liability	14,894,624	2,306,992	17,201,616
Bonds Payable, net:			
Due Within One Year	1,395,000	1,100,000	2,495,000
Due in More than One Year	5,138,240	26,034,988	31,173,228
Compensated Absences/ Severance Payable:			
Due Within One Year	1,577,809	224,737	1,802,546
Due in More than One Year	1,521,166	108,946	1,630,112
Total Liabilities	32,564,933	32,959,234	65,524,167
DEFERRED INFLOWS OF RESOURCES:			
OPEB	\$ 114,633	\$ 18,792	\$ 133,425
Pensions	11,242,840	514,609	11,757,449
Total Deferred Inflows of Resources	11,357,473	533,401	11,890,874
NET POSITION:			
Net Investment in Capital Assets	118,124,855	81,884,166	200,009,021
Restricted for:			
Public Safety	307,484	-	307,484
Debt Service	1,907,967	-	1,907,967
Economic Development	12,012,596	-	12,012,596
Public Works	1,049,228	-	1,049,228
Cemetery Operations	142,986	-	142,986
Grants	44,313	-	44,313
Net Pension Asset	4,405,850	-	4,405,850
Unrestricted	72,292,832	31,713,015	104,005,847
Total Net Position	\$ 210,288,111	\$ 113,597,181	\$ 323,885,292

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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 5,631,300	\$ 490	\$ 3,599	\$ -	\$ (5,627,211)	\$ -	\$ (5,627,211)
Development Services	10,395,543	5,964,010	213,906	3,057,300	(1,160,327)	-	(1,160,327)
Public Works	13,929,489	56,811	76,740	2,948,684	(10,847,254)	-	(10,847,254)
Public Safety	15,255,279	1,544,792	1,179,816	-	(12,530,671)	-	(12,530,671)
Parks and Recreation	7,137,969	2,352,949	40,408	-	(4,744,612)	-	(4,744,612)
Unallocated Interest on Long-Term Debt	140,277	-	-	-	(140,277)	-	(140,277)
Total Governmental Activities	52,489,857	9,919,052	1,514,469	6,005,984	(35,050,352)	-	(35,050,352)
Business-Type Activities:							
Water and Sewer Utilities	16,551,464	17,023,789	41,575	-	-	513,900	513,900
Ice Arena	1,042,307	864,263	-	-	-	(178,044)	(178,044)
Environmental	951,454	883,498	111,223	-	-	43,267	43,267
Williston Fitness Center	2,813,818	2,774,387	-	-	-	(39,431)	(39,431)
Grays Bay Marina	247,968	266,327	-	-	-	18,359	18,359
Storm Water	2,093,482	2,678,482	-	-	-	585,000	585,000
Total Business-type Activities	23,700,493	24,490,746	152,798	-	-	943,051	943,051
Total Governmental and Business-Type Activities	\$ 76,190,350	\$ 34,409,798	\$ 1,667,267	\$ 6,005,984	(35,050,352)	943,051	(34,107,301)
General Revenues:							
Property Taxes					39,135,526	-	39,135,526
Franchise Taxes					3,874,060	-	3,874,060
Tax Increments					3,508,134	-	3,508,134
Investment Earnings					3,116,764	1,122,884	4,239,648
Other General Revenue					211,651	-	211,651
Transfers					1,151,711	(1,151,711)	-
Total General Revenues and Transfers					50,997,846	(28,827)	50,969,019
Change in Net Position					15,947,494	914,224	16,861,718
Net Position - Beginning					194,340,617	112,682,957	307,023,574
Net Position - Ending					\$ 210,288,111	\$ 113,597,181	\$ 323,885,292

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 are 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.

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.

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



CITY OF
MINNETONKA

CITY OF MINNETONKA
Hennepin County, Minnesota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2019

	Capital Projects		
General	Community Investment	Special Assessment Construction	
ASSETS:			
Cash and Investments (Including Cash Equivalents)	\$ 25,850,658	\$ 21,539,817	\$ 5,261,641
Accounts Receivable	150,509	-	-
Loans Receivable	-	-	-
Interest Receivable	92,211	99,109	26,998
Property Taxes Receivable:			
Unremitted	649,483	-	-
Delinquent	509,816	-	-
Special Assessments Receivable:			
Unremitted	-	-	1,409
Current	-	-	176,427
Delinquent	-	-	10,891
Noncurrent	-	-	1,325,824
Due from Other Governments	44,301	-	-
Due from Other Funds	47,580	-	-
Advances to Other Funds	-	94,500	-
Prepays	467,508	-	-
Inventories	120,734	-	-
	<u>\$ 27,932,800</u>	<u>\$ 21,733,426</u>	<u>\$ 6,803,190</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Salaries and Wages Payable	\$ 1,374,504	\$ -	\$ -
Accounts and Contracts Payable	378,546	-	475
Advanced from Other Funds	-	-	-
Unearned Revenues	316,640	-	-
Due to Other Funds	-	-	-
Developer Escrow Deposits Payable	1,617,371	-	-
Total Liabilities	<u>3,687,061</u>	<u>-</u>	<u>475</u>
Deferred Inflows of Resources			
Unavailable Revenue - Taxes	509,816	-	-
Unavailable Revenue - Special Assessments	-	-	1,513,142
Unavailable Revenue - MSA	-	-	-
Total Deferred Inflows of Resources	<u>509,816</u>	<u>-</u>	<u>1,513,142</u>
Fund Balances:			
Nonspendable	588,242	-	-
Restricted	-	-	-
Committed	1,070,000	-	-
Assigned	280,900	21,733,426	5,289,573
Unassigned	21,796,781	-	-
Total Fund Balances	<u>23,735,923</u>	<u>21,733,426</u>	<u>5,289,573</u>
	<u>\$ 27,932,800</u>	<u>\$ 21,733,426</u>	<u>\$ 6,803,190</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 27,932,800</u>	<u>\$ 21,733,426</u>	<u>\$ 6,803,190</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, 2019
(Continued)

	Capital Projects		Other Governmental Funds	Total Governmental Funds
	Street Improvement	Cloud 9 Housing Improvement		
ASSETS:				
Cash and Investments (Including Cash Equivalents)	\$ 12,155,940	\$ 232,122	\$ 38,731,888	\$ 103,772,066
Accounts Receivable	19,487	-	1,167,417	1,337,413
Loans Receivable	-	-	211,792	211,792
Interest Receivable	46,307	2,135	157,440	424,200
Property Taxes Receivable:				
Unremitted	-	-	6,357	655,840
Delinquent	-	-	5,150	514,966
Special Assessments Receivable:				
Unremitted	-	-	17	1,426
Current	-	95,874	35,345	307,646
Delinquent	-	-	2,923	13,814
Noncurrent	-	2,573,987	252,275	4,152,086
Due from Other Governments	-	-	1,643,522	1,687,823
Due from Other Funds	230,028	-	-	277,608
Advances to Other Funds	-	-	502,588	597,088
Prepays	-	-	-	467,508
Inventories	-	-	-	120,734
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 12,451,762</u>	<u>\$ 2,904,118</u>	<u>\$ 42,716,714</u>	<u>\$ 114,542,010</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Salaries and Wages Payable	\$ -	\$ -	\$ 14,398	\$ 1,388,902
Accounts and Contracts Payable	1,017,282	-	786,338	2,182,641
Advanced from Other Funds	-	-	502,588	502,588
Unearned Revenues	-	-	-	316,640
Due to Other Funds	-	-	277,608	277,608
Developer Escrow Deposits Payable	-	-	-	1,617,371
Total Liabilities	<u>1,017,282</u>	<u>-</u>	<u>1,580,932</u>	<u>6,285,750</u>
Deferred Inflows of Resources				
Unavailable Revenue - Taxes	-	-	5,150	514,966
Unavailable Revenue - Special Assessments	-	2,669,861	290,543	4,473,546
Unavailable Revenue - MSA	-	-	1,510,010	1,510,010
Total Deferred Inflows of Resources	<u>-</u>	<u>2,669,861</u>	<u>1,805,703</u>	<u>6,498,522</u>
Fund Balances:				
Nonspendable	-	-	-	588,242
Restricted	-	234,257	11,586,992	11,821,249
Committed	-	-	28,245,772	29,315,772
Assigned	11,434,480	-	364	38,738,743
Unassigned	-	-	(503,049)	21,293,732
Total Fund Balances	<u>11,434,480</u>	<u>234,257</u>	<u>39,330,079</u>	<u>101,757,738</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,451,762</u>	<u>\$ 2,904,118</u>	<u>\$ 42,716,714</u>	<u>\$ 114,542,010</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, 2019

Total Fund Balances - Governmental Funds	\$ 101,757,738
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	214,248,698
Less Accumulated Depreciation	(89,071,320)
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	(6,440,000)
Unamortized Bond Discount/(Premium)	(93,240)
Compensated Absences and Severance Payable, excluding Internal Service Funds	(3,019,542)
Total OPEB Liability, excluding Internal Service Funds	(2,294,793)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
MNPERA Net Pension Liability (from pension schedules)	(14,617,033)
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in the funds.	
Deferred Outflows of Resources related to Pensions	9,110,299
Deferred Inflows of Resources related to Pensions	(11,180,919)
Deferred Outflows of Resources related to OPEB	129,295
Deferred Inflows of Resources related to OPEB	(112,457)
Governmental funds do not report the net pension asset.	
MFRA Net Pension Asset	2,930,443
Delinquent property taxes, delinquent and noncurrent special assessments receivable and municipal state aid are reported as deferred inflows of resources in the fund statements as these amounts are not available in the current year.	
	6,498,522
Governmental funds do not report a liability for accrued interest until due and payable.	
	(38,647)
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).	
	<u>2,481,067</u>
Total Net Position - Governmental Activities	<u><u>\$ 210,288,111</u></u>

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

CITY OF MINNETONKA
Hennepin County, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**
For the Year Ended December 31, 2019

	General	Capital Projects	
		Community Investment	Special Assessment Construction
REVENUES:			
Taxes:			
Property	\$ 26,410,975	\$ -	\$ -
Franchise	-	-	-
Tax Increments	-	-	-
Special Assessments	-	-	231,536
Licenses and Permits	4,887,309	-	-
Intergovernmental	1,176,052	-	-
Charges for Services	1,444,839	-	16,572
Fines and Forfeitures	323,539	-	-
Miscellaneous	1,846,734	661,683	184,185
Total Revenues	36,089,448	661,683	432,293
EXPENDITURES:			
Current:			
General Government	4,709,156	-	-
Development Services	4,022,098	-	199,427
Public Works	5,040,027	-	-
Public Safety	14,811,024	-	-
Park and Recreation	6,229,278	-	-
Debt Service	-	-	-
Capital Outlay	-	-	-
Total Expenditures	34,811,583	-	199,427
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,277,865	661,683	232,866
OTHER FINANCING SOURCES (USES):			
Transfers In	1,437,400	63,000	497,266
Transfers Out	(2,873,051)	(300,000)	(1,541,000)
GO Bonds Issued	-	-	-
Total Other Financing Sources (Uses)	(1,435,651)	(237,000)	(1,043,734)
Net Change in Fund Balances	(157,786)	424,683	(810,868)
FUND BALANCES:			
Beginning of Year	23,893,709	21,308,743	6,100,441
End of Year	\$ 23,735,923	\$ 21,733,426	\$ 5,289,573

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, 2019
(Continued)

	Capital Projects		Other Governmental Funds	Total Governmental Funds
	Street Improvement	Cloud 9 Housing Improvement		
REVENUES:				
Taxes:				
Property	\$ 5,380,000	\$ -	\$ 7,136,240	\$ 38,927,215
Franchise	-	-	3,874,061	3,874,061
Tax Increments	-	-	3,508,134	3,508,134
Special Assessments	-	-	49,509	281,045
Licenses and Permits	322,344	-	-	5,209,653
Intergovernmental	554,208	-	5,445,389	7,175,649
Charges for Services	-	-	-	1,461,411
Fines and Forfeitures	-	-	32,118	355,657
Miscellaneous	380,008	455,533	2,640,706	6,168,849
Total Revenues	<u>6,636,560</u>	<u>455,533</u>	<u>22,686,157</u>	<u>66,961,674</u>
EXPENDITURES:				
Current:				
General Government	-	-	782,608	5,491,764
Development Services	-	2,952,320	3,152,217	10,326,062
Public Works	105,552	-	19,656	5,165,235
Public Safety	-	-	210,582	15,021,606
Park and Recreation	-	-	-	6,229,278
Debt Service	-	56,798	1,504,250	1,561,048
Capital Outlay	4,630,014	-	13,093,034	17,723,048
Total Expenditures	<u>4,735,566</u>	<u>3,009,118</u>	<u>18,762,347</u>	<u>61,518,041</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,900,994</u>	<u>(2,553,585)</u>	<u>3,923,810</u>	<u>5,443,633</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	792,765	-	4,360,051	7,150,482
Transfers Out	-	-	(1,121,866)	(5,835,917)
GO Bonds Issued	-	2,630,000	-	2,630,000
Total Other Financing Sources (Uses)	<u>792,765</u>	<u>2,630,000</u>	<u>3,238,185</u>	<u>3,944,565</u>
Net Change in Fund Balances	2,693,759	76,415	7,161,995	9,388,198
FUND BALANCES:				
Beginning of Year	<u>8,740,721</u>	<u>157,842</u>	<u>32,168,084</u>	<u>92,369,540</u>
End of Year	<u>\$ 11,434,480</u>	<u>\$ 234,257</u>	<u>\$ 39,330,079</u>	<u>\$ 101,757,738</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, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 9,388,198

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	12,166,172
Depreciation Expense	(5,275,000)
Gain / (Loss) on Disposed Assets	(39,332)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 231,657

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. (1,225,696)

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	29,193
Changes in Total OPEB Liability	(173,025)
Changes in Accrued Interest Payable	16,467

Net pension obligation is not recognized in the Governmental Funds but recognized as the expense/revenue is incurred in the Statement of Activities. 496,578

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. 200,855

Internal Service Funds are used by management to charge the costs of providing insurance for the City (See Note 2.B). 131,427

Change in Net Position of Governmental Activities \$ 15,947,494

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, 2019

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Property Taxes	\$ 26,123,716	\$ 26,123,100	\$ 26,410,975	\$ 287,875
Licenses and Permits	4,441,300	4,357,500	4,887,309	529,809
Intergovernmental Revenues	1,040,200	1,055,200	1,176,052	120,852
Charges for Services	1,412,300	1,546,100	1,444,839	(101,261)
Fines and Forfeitures	455,000	458,500	323,539	(134,961)
Other Revenues	1,172,824	1,369,300	1,846,734	477,434
Total Revenues	<u>34,645,340</u>	<u>34,909,700</u>	<u>36,089,448</u>	<u>1,179,748</u>
EXPENDITURES:				
General Government	5,119,200	5,194,300	4,709,156	485,144
Development Services	4,030,300	4,240,800	4,022,098	218,702
Public Works	5,002,000	5,002,000	5,040,027	(38,027)
Public Safety	15,254,400	15,190,100	14,811,024	379,076
Park and Recreation	6,618,300	6,521,200	6,229,278	291,922
Total Expenditures	<u>36,024,200</u>	<u>36,148,400</u>	<u>34,811,583</u>	<u>1,336,817</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,378,860)</u>	<u>(1,238,700)</u>	<u>1,277,865</u>	<u>2,516,565</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	1,437,400	1,437,400	1,437,400	-
Transfers Out	(2,863,000)	(2,863,000)	(2,873,051)	(10,051)
Total Other Financing Sources (Uses)	<u>(1,425,600)</u>	<u>(1,425,600)</u>	<u>(1,435,651)</u>	<u>(10,051)</u>
Net Change in Fund Balance	(2,804,460)	(2,664,300)	(157,786)	2,506,514
FUND BALANCES:				
Beginning of Year	<u>22,119,325</u>	<u>22,119,325</u>	<u>23,893,709</u>	<u>-</u>
End of Year	<u>\$ 19,314,865</u>	<u>\$ 19,455,025</u>	<u>\$ 23,735,923</u>	<u>\$ 2,506,514</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, 2019

Business-Type Activities - Enterprise Funds

	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center	Grays Bay Marina	Storm Water	Total Enterprise Funds	Total Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES								
Current Assets:								
Cash and Investments	\$ 27,406,589	\$ -	\$ 631,582	\$ 1,700,413	\$ 738,521	\$ 4,894,038	\$ 35,371,143	\$ 3,274,851
Accounts Receivable	2,304,527	74,369	28,149	-	-	389,322	2,796,367	-
Interest Receivable	134,039	-	3,583	7,800	3,416	22,660	171,498	13,140
Special Assessments Receivable	371,442	-	-	-	-	-	371,442	-
Due from Other Funds	339,721	-	-	-	-	-	339,721	-
Due from Other Governments	-	-	18,459	-	-	-	18,459	7,282
Prepaid Items	-	-	-	-	-	-	-	89,606
Inventories	21,780	150	-	-	-	-	21,930	47,065
Total Current Assets	30,578,098	74,519	681,773	1,708,213	741,937	5,306,020	39,090,560	3,431,944
Noncurrent Assets:								
Capital Assets:								
Land - Nondepreciable	247,650	-	-	484,381	-	680,580	1,412,611	-
Construction in Progress - Nondepreciable	7,716,674	-	-	-	-	1,685,265	9,401,939	-
Buildings and Structures	7,386,583	7,961,878	-	7,976,269	-	352,240	23,676,970	-
Water Facilities	5,266,562	-	-	-	-	-	5,266,562	-
Water Mains and Lines	145,587,310	-	-	-	-	-	145,587,310	-
Sewer Lift Stations	3,987,512	-	-	-	-	-	3,987,512	-
Storm Drainage System	-	-	-	-	-	42,423,969	42,423,969	-
Improvements Other than Buildings	3,207,924	30,000	-	224,464	740,000	-	4,202,388	-
Machinery and Equipment	6,276,636	556,462	-	298,190	13,334	1,329,871	8,474,493	-
Total Cost	179,676,851	8,548,340	-	8,983,304	753,334	46,471,925	244,433,754	-
Less Accumulated Depreciation	(105,692,978)	(6,408,485)	-	(4,012,990)	(457,321)	(20,000,629)	(136,572,403)	-
Net Capital Assets	73,983,873	2,139,855	-	4,970,314	296,013	26,471,296	107,861,351	-
Total Noncurrent Assets	73,983,873	2,139,855	-	4,970,314	296,013	26,471,296	107,861,351	-
Total Assets	\$ 104,561,971	\$ 2,214,374	\$ 681,773	\$ 6,678,527	\$ 1,037,950	\$ 31,777,316	\$ 146,951,911	\$ 3,431,944
Deferred Outflows of Resources:								
OPEB	8,937	2,444	454	8,572	243	956	21,606	2,502
MNPERA Pension	85,539	20,387	3,834	74,369	1,458	8,430	194,017	23,345
Total Deferred Outflows of Resources	94,476	22,831	4,288	82,941	1,701	9,386	215,623	25,847
Total Assets and Deferred Outflows of Resources	\$ 104,656,447	\$ 2,237,205	\$ 686,061	\$ 6,761,468	\$ 1,039,651	\$ 31,786,702	\$ 147,167,534	\$ 3,457,791

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, 2019
(Continued)

	Business-Type Activities - Enterprise Funds							
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center	Grays Bay Marina	Storm Water	Total Enterprise Funds	Total Internal Service Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:								
Liabilities:								
Current Liabilities:								
Salaries and Wages Payable	\$ 96,743	\$ 25,103	\$ 3,072	\$ 81,540	\$ 1,024	\$ 9,628	\$ 217,110	\$ 24,133
Accounts Payable	1,695,376	22,001	43,027	105,647	1,123	291,457	2,158,631	76,510
Incurred but Not Reported Claims	-	-	-	-	-	-	-	54,055
Accrued Interest Payable	287,716	-	-	-	-	-	287,716	-
Due to Other Funds	-	339,721	-	-	-	-	339,721	-
Unearned Revenue	-	52,810	-	21,743	62,100	-	136,653	-
Current Portion of								
Compensated Absences	77,468	26,428	-	36,666	-	-	140,562	20,619
Bonds Payable	1,100,000	-	-	-	-	-	1,100,000	-
Total Current Liabilities	3,257,303	466,063	46,099	245,596	64,247	301,085	4,380,393	175,317
Long-Term Liabilities:								
Compensated Absences	89,268	69,195	-	34,658	-	-	193,121	58,814
Advances from Other Funds	-	-	-	94,500	-	-	94,500	-
Total OPEB Liability	158,618	43,381	8,050	152,132	4,321	16,959	383,461	44,402
MNPERA-Net Pension Liability	1,017,111	242,419	45,594	884,297	17,339	100,232	2,306,992	277,591
Revenue Bonds Payable, Net	26,034,988	-	-	-	-	-	26,034,988	-
Total Noncurrent Liabilities	27,299,985	354,995	53,644	1,165,587	21,660	117,191	29,013,062	380,807
Total Liabilities	30,557,288	821,058	99,743	1,411,183	85,907	418,276	33,393,455	556,124
Deferred Inflows of Resources:								
MNPERA Pension	226,882	54,075	10,170	197,256	3,868	22,358	514,609	61,921
OPEB	7,773	2,126	395	7,455	212	831	18,792	2,176
Total Deferred Inflows of Resources	234,655	56,201	10,565	204,711	4,080	23,189	533,401	64,097
Net Position:								
Net Investment in Capital Assets	48,006,688	2,139,855	-	4,970,314	296,013	26,471,296	81,884,166	-
Unrestricted	25,857,816	(779,909)	575,753	175,260	653,651	4,873,941	31,356,512	2,837,570
Total Net Position	73,864,504	1,359,946	575,753	5,145,574	949,664	31,345,237	113,240,678	2,837,570
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 104,656,447	\$ 2,237,205	\$ 686,061	\$ 6,761,468	\$ 1,039,651	\$ 31,786,702		\$ 3,457,791
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds (See Note 2.C)							356,503	
Total Business-Type Activities Net Position							\$ 113,597,181	

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, 2019

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
OPERATING REVENUES:				
Water Sales and Sewer Charges	\$ 15,443,376	\$ -	\$ -	\$ -
Storm Water Charges	-	-	-	-
Ice Rental Charges	-	595,008	-	-
Memberships and Fees	-	-	-	2,678,671
Recycling Charges	-	-	883,722	-
Charges to City Departments	-	-	-	-
Other Revenue	1,580,414	269,254	-	95,717
Total Operating Revenues	<u>17,023,790</u>	<u>864,262</u>	<u>883,722</u>	<u>2,774,388</u>
OPERATING EXPENSES:				
Personal Services	1,766,315	464,852	91,570	1,750,497
Supplies, Repairs and Maintenance	849,653	48,868	4,123	164,673
Other Services and Charges	9,132,516	342,834	855,984	725,136
Total Operating Expenses	<u>11,748,484</u>	<u>856,554</u>	<u>951,677</u>	<u>2,640,306</u>
Operating Income (Loss) before Depreciation	5,275,306	7,708	(67,955)	134,082
Depreciation Expense	<u>4,093,522</u>	<u>191,639</u>	<u>-</u>	<u>180,965</u>
Operating Income (Loss)	<u>1,181,784</u>	<u>(183,931)</u>	<u>(67,955)</u>	<u>(46,883)</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	889,733	(11,603)	23,053	50,938
Intergovernmental	41,575	-	111,223	-
Interest Expense	(758,803)	-	-	-
Total Nonoperating Revenues (Expenses)	<u>172,505</u>	<u>(11,603)</u>	<u>134,276</u>	<u>50,938</u>
Income (Loss) before Contributions and Transfers	1,354,289	(195,534)	66,321	4,055
Capital Contributions	-	162,854	-	-
Transfers In	-	50,000	-	-
Transfers Out	<u>(925,265)</u>	<u>(33,700)</u>	<u>(205,800)</u>	<u>(50,600)</u>
Changes in Net Position	<u>429,024</u>	<u>(16,380)</u>	<u>(139,479)</u>	<u>(46,545)</u>
NET POSITION:				
Net Position - Beginning	<u>73,435,480</u>	<u>1,376,326</u>	<u>715,232</u>	<u>5,192,119</u>
Net Position - Ending	<u>\$ 73,864,504</u>	<u>\$ 1,359,946</u>	<u>\$ 575,753</u>	<u>\$ 5,145,574</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, 2019
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Grays Bay Marina	Storm Water	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:				
Water Sales and Sewer Charges	\$ -	\$ -	\$ 15,443,376	\$ -
Storm Water Charges	-	2,678,482	2,678,482	-
Ice Rental Charges	-	-	595,008	-
Memberships and Fees	115,000	-	2,793,671	-
Recycling Charges	-	-	883,722	-
Charges to City Departments	-	-	-	2,152,139
Other Revenue	151,327	-	2,096,712	75,436
Total Operating Revenues	<u>266,327</u>	<u>2,678,482</u>	<u>24,490,971</u>	<u>2,227,575</u>
OPERATING EXPENSES:				
Personal Services	57,048	217,606	4,347,888	473,976
Supplies, Repairs and Maintenance	101,831	160,512	1,329,660	797,703
Other Services and Charges	67,280	695,478	11,819,228	846,819
Total Operating Expenses	<u>226,159</u>	<u>1,073,596</u>	<u>17,496,776</u>	<u>2,118,498</u>
Operating Income (Loss) before Depreciation	40,168	1,604,886	6,994,195	109,077
Depreciation Expense	<u>24,651</u>	<u>1,024,321</u>	<u>5,515,098</u>	<u>-</u>
Operating Income (Loss)	<u>15,517</u>	<u>580,565</u>	<u>1,479,097</u>	<u>109,077</u>
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	22,668	148,094	1,122,883	92,310
Intergovernmental	-	-	152,798	-
Interest Expense	-	-	(758,803)	-
Total Nonoperating Revenues (Expenses)	<u>22,668</u>	<u>148,094</u>	<u>516,878</u>	<u>92,310</u>
Income (Loss) before Contributions and Transfers	38,185	728,659	1,995,975	201,387
Capital Contributions	-	-	162,854	-
Transfers In	-	-	50,000	-
Transfers Out	<u>(11,800)</u>	<u>(137,400)</u>	<u>(1,364,565)</u>	<u>-</u>
Changes in Net Position	<u>26,385</u>	<u>591,259</u>	<u>844,264</u>	<u>201,387</u>
NET POSITION:				
Net Position - Beginning	<u>923,279</u>	<u>30,753,978</u>	<u>-</u>	<u>2,636,183</u>
Net Position - Ending	<u>\$ 949,664</u>	<u>\$ 31,345,237</u>	<u>-</u>	<u>\$ 2,837,570</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities to Enterprise Funds (See Note 2.D.)			<u>69,960</u>	
Change in Net Position - Business-Type Activities			<u>\$ 914,224</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, 2019

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
CASH FLOWS - OPERATING ACTIVITIES:				
Receipts from Customers and Users	\$ 15,424,232	\$ 599,218	\$ 884,819	\$ 2,670,200
Receipts from Interfund Services Provided	-	-	-	-
Other Revenues	1,580,414	269,255	-	95,717
Payments to Suppliers	(9,036,034)	(378,118)	(852,123)	(829,683)
Payments to Employees	(1,843,519)	(475,230)	(87,938)	(1,641,320)
Payments of Benefits on Behalf of Employees	-	-	-	-
Net Cash Flows - Operating Activities	6,125,093	15,125	(55,242)	294,914
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental	41,575	-	111,223	-
Due to/from Other Funds	19,821	(19,822)	-	-
Transfers to Other Funds	(925,265)	(33,700)	(205,800)	(50,600)
Transfers from Other Funds	-	50,000	-	-
Net Cash Flows - Noncapital Financing Activities	(863,869)	(3,522)	(94,577)	(50,600)
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(6,286,102)	-	-	-
Advances from Other Funds	-	-	-	(94,500)
Proceeds from Bonds Issued	-	-	-	-
Principal Paid on Capital Debt	(1,070,000)	-	-	-
Interest and Fiscal Charges Paid on Capital Debt	(855,198)	-	-	-
Net Cash Flows - Capital and Related Financing Activities	(8,211,300)	-	-	(94,500)
CASH FLOWS - INVESTING ACTIVITIES:				
Purchase of Investments	43,223,873	-	989,128	2,561,729
Sale of Investments	(36,515,700)	-	(827,063)	(2,225,529)
Interest and Dividends Received	618,742	(11,603)	17,268	34,988
Net Cash Flows - Investing Activities	7,326,915	(11,603)	179,333	371,188
Net Change in Cash and Cash Equivalents	4,376,839	-	29,514	521,002
Cash and Cash Equivalents, January 1	23,029,750	-	602,068	1,179,411
Cash and Cash Equivalents, December 31	\$ 27,406,589	\$ -	\$ 631,582	\$ 1,700,413

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, 2019
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Grays Bay Marina	Storm Water	Total Enterprise Funds	Total Internal Service Funds
CASH FLOWS - OPERATING ACTIVITIES:				
Receipts from Customers and Users	\$ 109,450	\$ 2,677,294	\$ 22,365,213	\$ -
Receipts from Interfund Services Provided	-	-	-	2,148,569
Other Revenues	151,327	-	2,096,713	75,436
Payments to Suppliers	(168,238)	(1,273,305)	(12,537,501)	(1,105,754)
Payments to Employees	(45,328)	(178,642)	(4,271,977)	(491,650)
Payments of Benefits on Behalf of Employees	-	-	-	(706,856)
Net Cash Flows - Operating Activities	<u>47,211</u>	<u>1,225,347</u>	<u>7,652,448</u>	<u>(80,255)</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental	-	-	152,798	-
Due to/from Other Funds	-	-	(1)	-
Transfers to Other Funds	(11,800)	(137,400)	(1,364,565)	-
Transfers from Other Funds	-	-	50,000	-
Net Cash Flows - Noncapital Financing Activities	<u>(11,800)</u>	<u>(137,400)</u>	<u>(1,161,768)</u>	<u>-</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	-	(960,670)	(7,246,772)	-
Advances from Other Funds	-	-	(94,500)	-
Proceeds from Bonds Issued	-	-	-	-
Principal Paid on Capital Debt	-	-	(1,070,000)	-
Interest and Fiscal Charges Paid on Capital Debt	-	-	(855,198)	-
Net Cash Flows - Capital and Related Financing Activities	<u>-</u>	<u>(960,670)</u>	<u>(9,266,470)</u>	<u>-</u>
CASH FLOWS - INVESTING ACTIVITIES:				
Purchase of Investments	1,119,128	7,439,802	55,333,660	4,984,581
Sale of Investments	(967,101)	(6,408,791)	(46,944,184)	(4,288,449)
Interest and Dividends Received	15,473	100,864	775,732	91,378
Net Cash Flows - Investing Activities	<u>167,500</u>	<u>1,131,875</u>	<u>9,165,208</u>	<u>787,510</u>
Net Change in Cash and Cash Equivalents	202,911	1,259,152	6,389,418	707,255
Cash and Cash Equivalents, January 1	<u>535,610</u>	<u>3,634,886</u>	<u>28,981,725</u>	<u>2,567,596</u>
Cash and Cash Equivalents, December 31	<u>\$ 738,521</u>	<u>\$ 4,894,038</u>	<u>\$ 35,371,143</u>	<u>\$ 3,274,851</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, 2019
(Continued)

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH FLOWS - OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 1,181,784	\$ (183,931)	\$ (67,955)	\$ (46,883)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities				
Depreciation Expense	4,093,522	191,639	-	180,965
Accounts Receivable	(3,179)	1,886	19,555	-
Prepaid Items	-	-	-	-
Due from Other Governments	-	-	(18,459)	-
Special Assessments Receivable	(15,965)	-	-	-
Inventories	2,264	-	-	-
OPEB (Deferred Outflow)	1,142	321	19	416
Pensions (Deferred Outflow)	112,938	27,550	4,173	78,723
Accounts Payable	943,871	13,584	7,985	60,126
Salaries and Wages Payable	14,851	4,085	292	20,449
Compensated Absences Payable	(30,985)	4,060	-	11,403
Unfunded OPEB Obligation	(7,260)	(2,134)	259	4,209
Net Pension	(117,841)	(31,698)	(191)	8,868
OPEB (Deferred Inflow)	7,773	2,126	395	7,455
Pensions (Deferred Inflow)	(57,822)	(14,688)	(1,315)	(22,346)
Unearned Revenue	-	2,325	-	(8,471)
Total Adjustments	4,943,309	199,056	12,713	341,797
Net Cash Flows - Operating Activities	\$ 6,125,093	\$ 15,125	\$ (55,242)	\$ 294,914
NONCASH INVESTING, CAPITAL, AND FINANCING				
ACTIVITIES				
Increase (Decline) in Fair Value of Investments	\$ 269,783	\$ (3,297)	\$ 6,452	\$ 15,444
Amortization of Bond Premium	48,685	-	-	-
Capital Contributions	-	162,854	-	-
Total Noncash Transactions	\$ 318,468	\$ 159,557	\$ 6,452	\$ 15,444
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
TO THE STATEMENT OF NET POSITION				
Cash and Investments	\$ 27,406,589	\$ -	\$ 631,582	\$ 1,700,413
Less: Investments not Meeting the Definition of Cash Equivalents	-	-	-	-
Total Cash and Cash Equivalents	\$ 27,406,589	\$ -	\$ 631,582	\$ 1,700,413

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, 2019
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Grays Bay Marina	Storm Water Fund	Total Enterprise Funds	Total Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH FLOWS - OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 15,517	\$ 580,565	\$ 1,479,097	\$ 109,077
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities				
Depreciation Expense	24,651	1,024,321	5,515,098	-
Accounts Receivable	-	(1,187)	17,075	18,116
Prepaid Items	-	-	-	(6,802)
Due from Other Governments	-	-	(18,459)	(3,570)
Special Assessments Receivable	-	-	(15,965)	-
Inventories	-	-	2,264	10,417
OPEB (Deferred Outflow)	(31)	(149)	1,718	106
Pensions (Deferred Outflow)	105	5,644	229,133	29,066
Accounts Payable	873	(417,315)	609,124	(189,819)
Salaries and Wages Payable	574	7,044	47,295	2,703
Compensated Absences Payable	-	-	(15,522)	(17,832)
Unfunded OPEB Obligation	836	3,670	(420)	1,475
Net Pension	8,399	19,753	(112,710)	(22,109)
OPEB (Deferred Inflow)	212	831	18,792	2,176
Pensions (Deferred Inflow)	1,625	2,170	(92,376)	(13,259)
Unearned Revenue	(5,550)	-	(11,696)	-
Total Adjustments	31,694	644,782	6,173,351	(189,332)
Net Cash Flows - Operating Activities	<u>\$ 47,211</u>	<u>\$ 1,225,347</u>	<u>\$ 7,652,448</u>	<u>\$ (80,255)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decline) in Fair Value of Investments	\$ 6,812	\$ 45,511	\$ 340,705	\$ 31,042
Amortization of Bond Premium	-	-	48,685	-
Capital Contributions	-	-	162,854	-
Total Noncash Transactions	<u>\$ 6,812</u>	<u>\$ 45,511</u>	<u>\$ 552,244</u>	<u>\$ 31,042</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and Investments	\$ 738,521	\$ 4,894,038	\$ 35,371,143	\$ 3,274,851
Less: Investments not Meeting the Definition of Cash Equivalents	-	-	-	-
Total Cash and Cash Equivalents	<u>\$ 738,521</u>	<u>\$ 4,894,038</u>	<u>\$ 35,371,143</u>	<u>\$ 3,274,851</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, 2019

	<u>Private-Purpose Trust</u>
ASSETS:	
Cash and Investments	\$ 308,852
Interest Receivable	<u>1,418</u>
Total Assets	310,270
LIABILITIES:	
Accounts Payable	<u>4,706</u>
Total Liabilities	<u>4,706</u>
NET POSITION:	
Net Position, Held in Trust for Other Purposes	<u><u>\$ 305,564</u></u>

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, 2019

ADDITIONS:	
Contributions from Participants	\$ 15,150
Investment Earnings	
Interest	<u>9,500</u>
Total Additions	24,650
DEDUCTIONS:	
Benefits	<u>8,417</u>
Change in Net Position	16,233
Net Position - January 1	<u>289,331</u>
Net Position - December 31	<u><u>\$ 305,564</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, 2019

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 entity. Its governing board is comprised of the City Council and city management has operational responsibility for day to day activities. The EDA provides services regarding economic development, housing and redevelopment matters in the City. Since the EDA's governing board is substantively the same as the City's governing board, it is reported as if it were part of the City and is shown as a blended component unit. In addition, all debt issued (if any) in connection with the EDA 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. The EDA has a December 31 year-end and does not issue separate 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, 2019

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 2019, the City contributed approximately \$36,900 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 2019, the City paid \$1,317,720 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 2019 was approximately \$2,390,200 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 \$1,642,728 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 2019 was approximately \$99,960, 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, 2019

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 2019 was \$ 57,600.

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 and Statement of Changes in 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, 2019

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.

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, 2019

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)

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

Cloud 9 Housing Improvement – This Fund accounts for the construction costs, bond proceeds and special assessments received for the Cloud 9 Apartments housing improvements.

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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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. At December 31, 2019, the amount assigned to the budget stabilization reserve was \$16,277,700, or 41.3% of 2020 budgeted expenditures.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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 \$2,481,067 difference are as follows:

Net Position of the Internal Service Fund	\$ 2,837,570
Subtract: Net Position Attributed to the Business-Type Activities	<u>(356,503)</u>
Net Adjustment to Increase <i>Fund Balance - Total Governmental Funds</i> to Arrive at <i>Net Position - Governmental Activities</i>	<u><u>\$ 2,481,067</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 \$(1,225,696) difference are as follows:

Bond Proceeds (including premiums and discounts)	\$ (2,630,000)
Principal Repayments:	
General Obligation Debt	1,375,000
Amortization of Bond Discounts and Premiums:	
General Obligation Debt - Net	<u>29,304</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>\$ (1,225,696)</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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 \$131,427 difference are as follows:

Change in Net Position of the Internal Service Fund	\$ 201,387
Subtract: Gain from Charges to Business-Type Activities	<u>(69,960)</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>\$ 131,427</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 \$356,503 are as follows:

Internal Payable Representing Charges in Excess of Costs to Business-Type Activities - Prior Year	\$ 286,543
Internal Payable Representing Costs in Excess of Charges to Business-Type Activities - Current Year	<u>69,960</u>
Net Adjustment to Increase <i>Net Position - Total Enterprise Funds</i> to Arrive at <i>Net Position - Business-Type Activities</i>	<u>\$ 356,503</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 \$69,960 are as follows:

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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>\$ 69,960</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>\$ 69,960</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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, 2019, expenditures exceeded appropriations in the following funds:

Grants Fund	\$ 70,200
Police Forfeiture Fund	16,881
Shady Oak Lane Cemetary	1,795

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 \$460,782 as of December 31, 2019. This fund incurred expenditures in excess of revenues and other financing sources due to various open street reconstruction projects. Future years Municipal State-Aid allocations are scheduled to cover the deficit fund balance. In addition, the Special Revenue Grants Fund had a deficit fund balance of \$42,267, due to cash flow timing that will be offset with fiscal year 2020 revenues.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of December 31, 2019, 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, 2019, the City had deposits as follows:

Checking	<u>\$ 2,774,252</u>
Total Deposits	<u><u>\$ 2,774,252</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Investments

As of December 31, 2019, 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>	
FAMC	\$ 1,100,627	\$ -	\$ 1,100,627	AAA
FHLB	20,397,082	20,397,082	-	AAA
FHLMC	21,016,006	19,013,926	2,002,080	AAA
FNMA	12,420,803	12,420,803	-	AAA
REFCORP	1,977,120	1,977,120	-	AAA
FFCB	3,776,930	3,776,930	-	AAA
Broker CD's	16,663,485	16,663,485	-	Not Rated
Municipal Bonds	23,100,746	20,965,450	2,135,296	AA/Aa2
4-M	39,481,461	39,481,461	-	Not Rated
	<u>\$ 139,934,260</u>	<u>\$ 134,696,257</u>	<u>\$ 5,238,003</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 2019, the average life of the City's portfolio was 2.03 years made up of \$134,696,257 of investments maturing in 5 years or less and \$5,238,003 maturing in excess of five years.

The \$5,238,003 of investments maturing in excess of five years is covered by \$21,539,817 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. Investments in the 4M Plus fund must be deposited for a minimum of 14 calendar days before withdrawal and investments in the 4M Term Series must have seven days' notice prior to withdrawal to avoid withdrawal fees and penalties. 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, 2019, the City's investments are rated in the above table.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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, 2019, more than 5 percent of the City’s investments are held in FHLMC, FHLB and FNMA. These investments are 15%, 15% and 9%, 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, 2019. 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, 2019:

Petty Cash	\$ 18,400
Deposits	2,774,252
Investments	139,934,260
Total	\$ 142,726,912

Cash, deposits and investments are presented in the December 31, 2019 basic financial statements as follows:

Statement of Net Position:

Cash and Investments (Including Cash Equivalents) \$ 142,418,060

Statement of Fiduciary Net Position:

Cash and Investments (Including Cash Equivalents)	
Private-Purpose Trust Funds	308,852
Total Deposits and Investments	\$ 142,726,912

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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, 2019 the City’s investments fall into the following categories of fair value and are reported using market closing prices.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S Agencies and Treasury Notes	\$ -	\$60,688,568	\$ -	\$ 60,688,568
Municipal Bonds	-	\$23,100,746	-	23,100,746
Broker Certificates of Deposit	-	12,112,112	-	12,112,112
	<u>\$ -</u>	<u>\$95,901,426</u>	<u>\$ -</u>	<u>95,901,426</u>
Investments measured at amortized cost				<u>44,032,834</u>
Total				<u>\$ 139,934,260</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance <u>January 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31, 2019</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 22,256,024	\$ -	\$ (4,065)	\$ 22,251,959
Construction in Progress	14,580,428	10,250,774	(5,702,235)	19,128,967
Total Capital Assets, Not Being Depreciated	36,836,452	10,250,774	(5,706,300)	41,380,926
Capital Assets, Being Depreciated:				
Buildings and Structures	22,491,312	3,131,382	-	25,622,694
Improvements Other Than Buildings	8,199,409	-	-	8,199,409
Furniture and Equipment	3,371,267	732,285	(29,699)	4,073,853
Machinery and Auto	11,573,952	688,850	(341,347)	11,921,455
Infrastructure:				
Streets	102,705,386	2,068,897	-	104,774,283
Park Additions	17,275,795	1,000,284	-	18,276,079
Total Capital Assets, Being Depreciated	165,617,121	7,621,698	(371,046)	172,867,773
Less Accumulated Depreciation for				
Buildings and Structures	(15,946,026)	(441,423)	-	(16,387,449)
Improvements Other Than Buildings	(6,300,388)	(107,268)	-	(6,407,656)
Furniture and Equipment	(2,464,628)	(241,556)	25,991	(2,680,193)
Machinery and Auto	(6,259,421)	(1,370,755)	305,723	(7,324,453)
Infrastructure:				
Streets	(47,476,727)	(2,591,695)	-	(50,068,422)
Park Additions	(5,680,845)	(522,303)	-	(6,203,148)
Total Accumulated Depreciation	(84,128,035)	(5,275,000)	331,714	(89,071,321)
Total Capital Assets, Being Depreciated, Net	81,489,086	2,346,698	(39,332)	83,796,452
Governmental Activities Capital Assets, Net	<u>\$ 118,325,538</u>	<u>\$12,597,472</u>	<u>\$(5,745,632)</u>	<u>\$ 125,177,378</u>

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

General Government	\$ 125,904
Development Services	35,998
Public Works	3,286,939
Public Safety	965,071
Parks and Recreation	861,088
Total Depreciation Expense	<u>\$ 5,275,000</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,412,611	\$ -	\$ -	\$ 1,412,611
Construction in Progress	6,927,279	6,881,363	(4,406,703)	9,401,939
Total Capital Assets, Not Being Depreciated	8,339,890	6,881,363	(4,406,703)	10,814,550
Capital Assets, Being Depreciated:				
Buildings and Structures	23,536,974	139,996	-	23,676,970
Improvements Other Than Buildings	4,202,388	-	-	4,202,388
Water Facilities	5,266,562	-	-	5,266,562
Machinery and Equipment	8,476,618	223,163	(225,288)	8,474,493
Sewer Lift Stations	3,987,512	-	-	3,987,512
Distribution System	141,220,001	4,367,309	-	145,587,310
Storm Sewers	42,219,470	204,499	-	42,423,969
Total Capital Assets, Being Depreciated	228,909,525	4,934,967	(225,288)	233,619,204
Less Accumulated Depreciation for				
Buildings and Structures	(12,647,570)	(511,731)	-	(13,159,301)
Improvements Other Than Buildings	(1,700,521)	(164,369)	-	(1,864,890)
Water Facilities	(3,745,341)	(83,768)	-	(3,829,109)
Machinery and Equipment	(5,594,921)	(551,571)	225,288	(5,921,204)
Sewer Lift Stations	(2,717,011)	(103,012)	-	(2,820,023)
Distribution System	(86,439,195)	(3,199,149)	-	(89,638,344)
Storm Sewers	(18,438,034)	(901,498)	-	(19,339,532)
Total Accumulated Depreciation	(131,282,593)	(5,515,098)	225,288	(136,572,403)
Total Capital Assets, Being Depreciated, Net	97,626,932	(580,131)	-	97,046,801
Business-Type Activities Capital Assets, Net	\$ 105,966,822	\$ 6,301,232	\$(4,406,703)	\$ 107,861,351

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

Water and Sewer Utilities	\$ 4,093,522
Ice Arena	191,639
Williston Fitness Center	180,965
Grays Bay Marina	24,651
Storm Water Fund	1,024,321
Total Depreciation Expense	\$ 5,515,098

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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, 2019 was \$57,600. The future minimum lease payments for the lease are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	57,600
2021	57,600
2022	57,600
2023	57,600
2024	57,600
2025-2028	<u>230,400</u>
Total	<u>\$ 518,400</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, 2019

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, 2019, was as follows:

	Interest Rates/ Final Maturity Date	Balance at January 1, 2019	Issued	Retired	Balance at December 31, 2019	Due Within One Year
Governmental Activities:						
Bonds Payable:						
General Obligation State-Aid Street Bonds, Series 2008A	3.25 - 4% / 4/1/2024	\$ 945,000	\$ -	\$ 150,000	\$ 795,000	\$ 145,000
General Obligation Open Space and Park Improvement Bonds, Series 2008B	3.25 - 4% / 2/1/2020	1,260,000	-	620,000	640,000	640,000
General Obligation Open Space and Park Refunding Bonds, Series 2012A	1.00 - 2% / 2/1/2020	750,000	-	375,000	375,000	375,000
General Obligation Open Space and Park Improvement Bonds, Series 2016B	2.00% / 2/1/2027	2,230,000	-	230,000	2,000,000	235,000
Taxable General Obligation Housing Improvement Bonds, Series 2019A	1.7 - 3.05% / 4/1/2024	-	2,630,000	-	2,630,000	-
Unamortized Bond Premium		122,624	-	29,384	93,240	-
Unamortized Bond Discount		(80)	-	(80)	-	-
Total G.O. Bonds, net		<u>5,307,544</u>	<u>2,630,000</u>	<u>1,404,304</u>	<u>6,533,240</u>	<u>1,395,000</u>
Compensated Absences		<u>3,146,000</u>	<u>1,530,784</u>	<u>1,577,809</u>	<u>3,098,975</u>	<u>1,577,809</u>
Governmental Activity Long-Term Liabilities		<u>\$ 8,453,544</u>	<u>\$ 4,160,784</u>	<u>\$ 2,982,113</u>	<u>\$ 9,632,215</u>	<u>\$ 2,972,809</u>
Business-Type Activities:						
Bonds Payable:						
General Obligation Water Revenue Refunding Bonds, Series 2012A	1.00 - 2% / 2/1/2020	\$ 570,000	\$ -	\$ 280,000	\$ 290,000	\$ 290,000
General Obligation Utility Revenue Refunding Bonds, Series 2016A	2.00 - 2.35 / 2/1/2036	9,665,000	-	450,000	9,215,000	460,000
General Obligation Utility Improvement Bonds, Series 2016B	2.00 - 2.1 / 2/1/2036	7,295,000	-	340,000	6,955,000	350,000
General Obligation Utility Improvement Bonds, Series 2018A	3.00 - 3.38 / 2/1/2040	10,000,000	-	-	10,000,000	-
Unamortized Bond Premium		723,673	-	48,685	674,988	-
Total Revenue Bonds, net		<u>28,253,673</u>	<u>-</u>	<u>1,118,685</u>	<u>27,134,988</u>	<u>1,100,000</u>
Compensated Absences		<u>349,204</u>	<u>209,216</u>	<u>224,737</u>	<u>333,683</u>	<u>224,737</u>
Business-Type Activity Long-Term Liabilities		<u>\$ 28,602,877</u>	<u>\$ 209,216</u>	<u>\$ 1,343,422</u>	<u>\$ 27,468,671</u>	<u>\$ 1,324,737</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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	
2020	1,395,000	127,665	1,100,000	823,267	\$ 3,445,932
2021	485,000	123,220	1,160,000	660,268	2,428,488
2022	490,000	110,775	1,195,000	626,868	2,422,643
2023	530,000	97,563	1,230,000	592,118	2,449,681
2024	540,000	83,423	1,265,000	556,268	2,444,691
2025-2029	1,390,000	294,026	6,880,000	2,223,888	10,787,914
2030-2034	665,000	191,340	7,735,000	1,350,504	9,941,844
2035-2039	775,000	86,544	5,225,000	461,861	6,548,405
2040	170,000	2,593	670,000	22,612	865,205
Total	\$ 6,440,000	\$ 1,117,149	\$ 26,460,000	\$ 7,317,654	\$ 41,334,803

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

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

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

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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 Refunding Bonds, Series 2012A were issued to refund both the GO Open Space and Park Improvement Bonds, Series 2004A and the 2014 to 2020 maturities of the City's G.O. Water and Revenue Bonds, Series 2004B.

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.

The Taxable G.O. Housing Improvement Bonds, Series 2019A proceeds were used to fund improvements to the Cloud 9 Sky Flats building that will be repaid through annual special assessments to each housing unit per the agreement with the Cloud 9 Sky Flats Association, Inc.

There are a number of financial limitations and restrictions contained in the various bond indentures. At December 31, 2019, 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, 2019, \$2,000,000 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, 2019, there were 19 series of Revenue Bonds outstanding, with an approximate outstanding balance of \$211,345,913.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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	\$292,900	\$288,600	\$876,092
2016A GO Utility Revenue Refunding Bonds	Refund Original Debt used for Water Utility Infrastructure	Utility Revenue	100%	n/a	2017 - 2036	\$10,961,909	\$644,958	\$1,957,875
2016B GO Utility Revenue Bonds	Water Utility Infrastructure	Utility Revenue	100%	n/a	2017 - 2036	\$8,214,530	\$483,210	\$1,466,863
2018 GO Utility Revenue Bonds	Water Utility Infrastructure	Utility Revenue	100%	n/a	2020 - 2040	\$14,308,312	\$320,974	\$974,369

F. Commitments

At December 31, 2019, the City had the following contract commitments outstanding:

Project	Contractor	Commitment
Shady Oak Road Project	Hennepin County	\$ 238,489
Co Rd 101, CR 62 - CR3	Hennepin County	208,862
Building Automation Upgrade	Metropolitan Mechanical	225,674
Williston Rd Lift Station Forcemain	Widmer Construction	503,848
CSAH 101 N Landscaping	G. Urban Companies, Inc.	6,038
CSAH 101 S Landscaping	Hoffman & McNarama Company	5,981
WTP#3 Refirbishment	Premier Electric Corp	64,489
Main Lift Station Junction	S.M. Hentges & Sons, Inc.	162,733
Williston Water Tower Rehab	Central Tank Coatings, Inc.	193,338
Plymouth Rd Trail - Phase 2	Bituminous Roadways, Inc.	343,688
Minnetonka Blvd Overhead Line Burial	Xcel Energy	56,203
WTP#6 Rehab	Shank Constructors, Inc.	955,948
Carlson Parkway	Park Construction Co.	166,077
Public Safety Facility Construction Manager	Krause Anderson Construction	1,462,500
Public Safety Facility Construction	Krause Anderson Construction	21,406,780
Crosby Rd Culvert	Minger Construction	36,819
Main Lift Station Rehab	Shank Constructors, Inc.	1,906,764
Ridgedale Park Design Services	Damon Faber Landscape Architects	500,601
Ridgedale Drive Reconstruction	Eureka Construction	6,247,668
	Total	\$ 34,692,500

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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	\$ 339,721	[1]
Street Improvement Fund	Other Nonmajor	230,028	[2]
General Fund	Other Nonmajor	47,580	[3]
	Total	\$ 617,329	

- [1] The interfund receivable and payable eliminated what would have been a negative cash balance. The City expects these interfund transactions to be settled in January 2020.
- [2] This interfund receivable and payable eliminated what would have been a negative cash balance. The negative cash in the State Municipal Aid Fund is related to current road projects that will be reimbursed by the State of Minnesota for its share of the construction costs in future years.
- [3] This interfund receivable and payable eliminated what would have been a negative cash balance. The negative cash in the Grants Fund is related to cash flow timing due to the reimbursement nature of the fund. The City expects these interfund transactions to be settled in January 2020.

2. Transfers

Transfer To	Transfer From	Amount	Purpose
General Fund	Other Nonmajor Fund	\$ 91,700	Annual budgeted transfer
General Fund	Other Nonmajor Fund	65,400	Annual budgeted transfer
General Fund	Grays Bay Marina	11,800	Annual budgeted transfer
General Fund	Environmental	205,800	Annual budgeted transfer
General Fund	Special Assessment Construction	41,000	Annual budgeted transfer
General Fund	Storm Water Fund	137,400	Annual budgeted transfer
General Fund	Water and Sewer Utilities	800,000	Annual budgeted transfer
General Fund	Williston Center	50,600	Annual budgeted transfer
General Fund	Ice Arena	33,700	Annual budgeted transfer
Special Assessment Construction	Other Nonmajor Fund	197,266	Yearly transfer for Shady Oak Road Property
Special Assessment Construction	Community Investment Fund	300,000	Construction costs
Community Investment	General Fund	63,000	Construction costs
Ice Arena	General Fund	50,000	Funding support
Street Improvement Fund	Utility Fund	125,265	Construction costs
Street Improvement Fund	Other Nonmajor Fund	667,500	Construction costs
Other Nonmajor	General Fund	10,051	Annual budgeted transfer
Other Nonmajor	Other Nonmajor Fund	100,000	Budgeted transfer for WHAHLT programs
Other Nonmajor	Special Assessment Construction	1,500,000	Public Safety Facility Transfer
Other Nonmajor	General Fund	2,750,000	Construction costs
		\$ 7,200,482	

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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 12/31/2019 was \$94,500.

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 12/31/2019 was \$502,588.

H. Segment Information

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

I. Contingencies

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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, 2019, the City has four agreements established under Minnesota Statutes 469.174 to 469.179, which resulted in property taxes totaling \$2,285,152 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 \$246,850.

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 \$630,702.

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 \$243,966.

Rowland Road: A pay as you go note to finance the cost of a 106 unit apartment complex, with 20% of the units made affordable to families at or below 50% of the area median income. The abatement amount was \$244,219.

Applewood Pointe: A pay as you go note to finance the cost of an 87 unit senior housing cooperative. The abatement amount was \$256,408.

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 \$663,007.

For the fiscal year ended December 31, 2019, the City has one agreement established under Minnesota Statutes 469.1812 to 469.1815, which resulted in property taxes totaling \$60,000 being abated. This abatement is for an agreement with General Growth Properties for an expansion to the regional Ridgedale Mall, located within the City. The expansion includes the addition of a new 138,000 square foot Nordstrom store, 84,000 additional square footage for the Macy's store and 48,000 square feet of new restaurants at the mall. Under the agreement, the developer qualifies for a maximum reimbursement of \$1,798,000 plus 5% interest calculated by completed project components.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

K. Fund Balance/Net Position

At December 31, 2019, a summary of the governmental fund balance classifications is as follows:

	General Fund	Community Investment	Special Assessment Construction	Street Improvement	Cloud 9 Housing Improvement	Other Governmental Funds	Total
Nonspendable:							
Inventory & Prepays	\$ 588,242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 588,242
Total Nonspendable	<u>588,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>588,242</u>
Restricted for:							
Cemetery Operations	-	-	-	-	-	142,986	142,986
Housing	-	-	-	-	234,257	1,882,236	2,116,493
Grants	-	-	-	-	-	86,580	86,580
Police Forfeiture	-	-	-	-	-	307,484	307,484
Tax Increment	-	-	-	-	-	7,221,092	7,221,092
Debt Service	-	-	-	-	-	1,946,614	1,946,614
Total Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,257</u>	<u>11,586,992</u>	<u>11,821,249</u>
Committed to:							
Technology Improvements	-	-	-	-	-	132,658	132,658
Cable TV Fund	-	-	-	-	-	2,470,436	2,470,436
Electric Franchise Fund	-	-	-	-	-	3,533,185	3,533,185
Compensated Absences	1,070,000	-	-	-	-	-	1,070,000
Capital Replacement	-	-	-	-	-	3,062,197	3,062,197
Public Safety	-	-	-	-	-	2,224,135	2,224,135
Development	-	-	-	-	-	4,353,542	4,353,542
Park Improvements	-	-	-	-	-	8,934,101	8,934,101
Street Improvements	-	-	-	-	-	1,099,691	1,099,691
Trails System Expansion	-	-	-	-	-	1,417,157	1,417,157
Reforestation	-	-	-	-	-	1,018,670	1,018,670
Total Committed	<u>1,070,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,245,772</u>	<u>29,315,772</u>
Assigned to:							
Fire Pensions	265,900	-	-	-	-	-	265,900
Recreation Scholarships	15,000	-	-	-	-	-	15,000
Community Investment	-	21,733,426	5,289,573	-	-	-	27,022,999
Street Improvements	-	-	-	11,434,480	-	364	11,434,844
Total Assigned	<u>280,900</u>	<u>21,733,426</u>	<u>5,289,573</u>	<u>11,434,480</u>	<u>-</u>	<u>364</u>	<u>38,738,743</u>
Unassigned	<u>21,796,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(503,049)</u>	<u>21,293,732</u>
Total	<u><u>\$23,735,923</u></u>	<u><u>\$ 21,733,426</u></u>	<u><u>\$ 5,289,573</u></u>	<u><u>\$11,434,480</u></u>	<u><u>\$ 234,257</u></u>	<u><u>\$ 39,330,079</u></u>	<u><u>\$101,757,738</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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, 2019, including an estimate for claims incurred but not reported.

Changes in the insurance claims liability during 2019 and 2018, recorded within the City’s Internal Service Fund, are as follows:

	2019	2018
Unpaid Claims at Beginning of Year	\$ 44,062	\$ 30,998
Incurred Claims	578,148	529,382
Premiums and Settlements	(568,155)	(516,318)
Unpaid Claims at End of Year	\$ 54,055	\$ 44,062

B. Employee Retirement Systems and Pension Plans

Pension Plans – Primary Government

The City participates in various pension plans. Total pension expense for the year ended December 31, 2019 was \$2,436,947. The components of pension expense are noted in the following plan summaries.

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, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

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

a. Plan Description (Continued)

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

b. Benefits Provided

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

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

1. General Employee Plan Benefits

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

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

b. Benefits Provided (Continued)

1. General Employee Plan Benefits (Continued)

Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% of average salary for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7% of average salary for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% of average salary 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

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

b. Benefits Provided (Continued)

2. Police and Fire Plan Benefits

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. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

c. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

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 2019. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2019. The City contributions to the General Employee Plan for the year ended December 31, 2019, were \$1,068,305. The City contributions were equal to the required contributions as set by state statute.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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 (Continued)

2. Police and Fire Plan Contributions

Plan members contribution rates increased from 10.8% to 11.3% of their annual covered salary in calendar year 2019. The City's contribution rate increased from 16.2% to 16.95% of pay for Police and Fire members in calendar year 2019. The City contributions to the Police and Fire Plan for the year ended December 31, 2019, were \$1,143,771. 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, 2019, the City reported a liability of \$10,980,149 for its proportionate share of the General Employee Plan's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$341,318. The net pension liability was measured as of June 30, 2019, 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 proportionate share 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the City's proportionate share was .1986%, which was a decrease of .0093% from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$ 10,980,149
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>341,318</u>
Total	<u><u>\$ 11,321,467</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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)

For the year ended December 31, 2019, the City recognized pension expense of \$1,190,190 for its proportionate share of the General Employee Plan’s pension expense. Included in the amount, the City also recognized \$25,562 for the year ended December 31, 2019, 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, 2019, 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	\$ 309,478	\$ -
Changes in Actuarial Assumptions	-	889,745
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,160,426
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	79,800	399,122
City Contributions Subsequent to the Measurement Date	534,153	-
Total	<u>\$ 923,431</u>	<u>\$ 2,449,293</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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)

\$534,153 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, 2020. 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
2020	\$ (710,141)
2021	(1,008,008)
2022	(359,561)
2023	17,695
Total	\$ (2,060,015)

2. Police and Fire Plan Pension Costs

At December 31, 2019, the City reported a liability of \$6,221,467 for its proportionate share of the Police and Fire Plan’s net pension liability. The net pension liability was measured as of June 30, 2019, 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 proportionate share 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2019, the City’s proportionate share was .5919%, which was an increase of .021% from its proportionate share measured as of June 30, 2018.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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)

For the year ended December 31, 2019, the City recognized pension expense of \$944,242. The City also recognized \$79,906 for the year ended December 31, 2019, 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 until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

At December 31, 2019, 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	\$ 256,516	\$ 906,118
Changes in Actuarial Assumptions	4,911,982	6,575,115
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,233,275
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	383,646	193,484
City Contributions Subsequent to the Measurement Date	571,886	-
Total	<u>\$ 6,124,030</u>	<u>\$ 8,907,992</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

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

d. Pension Costs (Continued)

2. Police and Fire Plan Pension Costs (Continued)

\$571,886 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, 2020. 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
2020	\$ (368,893)
2021	(803,731)
2022	(2,297,175)
2023	81,978
2024	31,973
Total	\$ (3,355,848)

e. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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)

Actuarial assumptions used in the June 30, 2019, 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 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

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

The employer supplemental contribution was charged prospectively, decreasing from \$31 million to \$21 million per year. The State’s special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

Police and Fire Fund

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

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	35.50 %	5.10 %
International Equity	25.00	5.90
Bonds	20.00	0.75
Alternative Assets	17.50	5.90
Cash	2.00	0.00
Totals	100 %	

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

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

f. Discount Rate

The discount rate used to measure the total pension liability in 2019 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 positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Pension Liability Sensitivity

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

Sensitivity of Net Pension Liability at Current Single Discount Rate				
	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	\$ 18,050,774	6.50%	\$ 13,693,725
Current Discount Rate	7.50%	\$ 10,980,149	7.50%	\$ 6,221,467
1% Higher	8.50%	\$ 5,141,943	8.50%	\$ (79,784)

h. Pension Plan Fiduciary Net Position

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Contribution Plan

Five council members of the City are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution 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. 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 defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the Plan plus investment earnings, less administrative expenses; therefore, there is no future liability to the City. *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.

The City's contributions for the years ending December 31, 2019, 2018 and 2017 were \$3,201, \$2,462, and \$2,200, respectively, and were equal to the contractually required contributions for each year as set by state statute.

2. Minnetonka Firefighters' Relief Association

a. Plan Description

Firefighters of the City of Minnetonka are members of the Minnetonka Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to *Minnesota Statutes*, Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2018, membership includes 78 active participants, 61 retired and disabled members, 15 beneficiaries and 8 terminated employees entitled to benefit but not yet receiving them. The plan issues a stand-alone financial statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters’ Relief Association (Continued)

b. Benefits Provided

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

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

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

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

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

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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)
-	
<hr/>	
=	Minimum Municipal Obligation
<hr/>	

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$391,293 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2018. Required employer contributions are calculated annually based on statutory provisions. The statutorily-required contribution to the plan for the year ended December 31, 2018 was \$79,442 which was covered by fire state aid.

d. Pension Costs

At December 31, 2019, the City reported an asset of \$2,930,443 for the Association’s net pension asset. The net pension asset was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters’ Relief Association (Continued)

d. Pension Costs (Continued)

For the year ended December 31, 2019, the City recognized pension expense of \$299,314. At December 31, 2019, 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	\$ 128,639	\$ 125,378
Changes in Actuarial Assumptions	770,215	274,786
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	976,748	-
City Contributions Subsequent to the Measurement Date	404,598	-
Total	\$ 2,280,200	\$ 400,164

\$404,598 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, 2020. 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
2020	\$ 390,545
2021	183,860
2022	249,024
2023	503,883
2024	108,122
Thereafter	40,004
Total	\$ 1,475,438

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters’ Relief Association (Continued)

e. Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2019	<u>\$12,136,722</u>	<u>\$ 17,107,975</u>	<u>\$(4,971,253)</u>
Changes for the year			
Service Cost	202,060	-	202,060
Interest	809,808	-	809,808
Differences between expected and actual experience	54,796	-	54,796
Changes of assumptions	633,940	-	633,940
Changes of benefit terms	-	-	-
Contributions - State and local	-	391,293	(391,293)
Contributions - donations and other income	-	-	-
Contributions - member	-	-	-
Net investment income	-	(697,330)	697,330
Other additions (e.g. receivables)	-	28	(28)
Benefit payments, including member contribution refunds	(683,256)	(683,256)	-
Administrative expense	-	(34,197)	34,197
Other deductions (e.g. payables)	-	-	-
Net Changes	<u>1,017,348</u>	<u>(1,023,462)</u>	<u>2,040,810</u>
Balances at December 31, 2019	<u><u>\$13,154,070</u></u>	<u><u>\$ 16,084,513</u></u>	<u><u>\$(2,930,443)</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters’ Relief Association (Continued)

f. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/18
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line
Actuarial Assumptions:	
Investment Rate of Return	6.25%
Project Salary Increases	N/A
20-Year Municipal Bond Yield	3.71%
Inflation	2.50%
Cost-of-living Adjustments	None
Age of Service Retirement	50
Mortality	Assumed life expectancies were based on RP 2014 mortality tables.
Disability	.11% disability assumed at age 20, decreasing each year until 0% at age 60
Withdrawal	3% withdrawal assumed at age 20, decreasing each year until 0% at age 60
Beneficiaries	85 percent of members assumed to have beneficiaries who will receive benefits
Age of Difference	3
Form of Payment	For members hired before 2006, 25% of retiring members choose a lump sum payment, 75% choose a monthly annuity.

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

Investments are valued using quoted market prices.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters’ Relief Association (Continued)

f. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2018:

The expected investment return and discount rate decreased from 6.75% to 6.25% to reflect updated capital market assumptions.

The mortality assumptions were updated from the rates used in the July 1, 2017 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police and Fire Plan actuarial valuation.

The inflation assumption decreased from 2.75% to 2.50%.

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	44.55%	4.95%	7.45%
International equity	12.37%	5.24%	7.74%
Fixed income	38.51%	1.99%	4.49%
Real estate and alternatives	0.21%	4.19%	6.69%
Cash and equivalents	4.36%	0.58%	3.08%
Total (weighted avg)	100.00%		6.57%
Less Investment Expense			-0.35%
Net assumed investment return (rounded to 1/4%)			6.25%

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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. Discount Rate

The discount rate used to measure the total pension liability was 6.25%. 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.

h. 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 6.25%, 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 (5.25%) or one percentage point higher (7.25%) than the current rate:

	1% Decrease	Selected Discount Rate	1% Increase
Net Pension Liability (Asset)	\$ (1,428,512)	\$ (2,930,443)	\$ (4,178,116)
Discount Rate	5.25%	6.25%	7.25%

i. Plan’s Fiduciary Net Position

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

C. Postemployment Healthcare Plan

Plan Description

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

Benefits Provided

Retirees

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

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

All regular non-disabled police and fire employees

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

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

Disabled police and fire employees

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

Contributions

Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Health Partners. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2019, the City contributed \$95,771 to the plan. As of January 1, 2018, there were approximately 19 retirees receiving health benefits from the City's health plan.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

Members

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

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

Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

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

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

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

The following changes in actuarial assumptions occurred since the prior measurement date:

The discount rate increased from 3.44% as of December 31, 2017 to 4.09% as of December 31, 2018.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

Total OPEB Liability

The city’s total OPEB liability of \$2,722,656 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

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

	<u>Total OPEB Liability</u>
Balances at January 1, 2019	<u>\$ 2,667,903</u>
Changes for the year	
Service Cost	204,287
Interest	97,156
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(150,919)
Benefit payments	<u>(95,771)</u>
Net changes	<u>54,753</u>
Balances at December 31, 2018	<u><u>\$ 2,722,656</u></u>

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

OPEB Liability Sensitivity

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

Sensitivity of the Total OPEB Liability/(Asset) to changes in the Discount Rate		
1% decrease (3.09%)	Current (4.09%)	1% increase (5.09%)
\$ 2,957,936	\$ 2,722,656	\$ 2,505,139

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

OPEB Liability Sensitivity (Continued)

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

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

1% decrease (9% decreasing to 4%)	Current (10% decreasing to 5%)	1% increase (11% decreasing to 6%)
\$ 2,396,394	\$ 2,722,656	\$ 3,107,493

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

For the year ended December 31, 2019, the city recognized OPEB expense of \$292,645. At December 31, 2019, the city reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	57,632	(133,425)
Contributions paid subsequent to measurement date	95,771	-
Total	\$ 153,403	\$ (133,425)

\$95,771 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability in the year ended December 31, 2020.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

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

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

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (8,798)
2021	(8,798)
2022	(8,798)
2023	(8,798)
2024	(8,798)
Thereafter	<u>(31,803)</u>
Total	<u><u>\$ (75,793)</u></u>

NOTE 6 – CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2019, the City adopted GASB Statement No. 84, Fiduciary Activities. The statement provides guidance regarding the identification of fiduciary activities for accounting and reporting. The changes related to this standard are reflected in the financial statements and related disclosures which resulted in the reclassification of agency fund activity from fiduciary activities to governmental activities with no cumulative effect on net position.

NOTE 7 – SUBSEQUENT EVENTS

On January 27, 2020, the City Council adopted Resolution 2020-006 providing for the issuance and sale of approximately \$25 million in General Obligation Capital Improvement Bonds, Series 2020A to fund the construction of a new public safety facility.

On March 13, 2020 a national emergency was declared for the coronavirus 19 strain outbreak (COVID-19) in the United States of America. The COVID-19 pandemic is effecting both the economy and financial markets locally and internationally. Specifically as it relates to the City of Minnetonka, COVID-19 may have both direct and indirect impacts to its 2020 operations depending on the duration of the outbreak and various other related factors that are still developing. As such, an estimate of the financial effect on the City's financial statements at December 31, 2019 cannot be determined at this time.

**CITY OF MINNETONKA
Hennepin County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019**

NOTE 8 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF MINNETONKA
Hennepin County, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2019

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

General Employee Retirement Plan

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
City's Proportion of the Net Pension Liability	0.1986%	0.2079%	0.2054%	0.2060%	0.2127%
City's Proportionate Share of the Net Pension Liability	\$ 10,980,149	\$ 11,533,440	\$ 13,112,599	\$ 16,726,178	\$ 11,023,218
State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 341,318	\$ 378,283	\$ 164,847	\$ 218,460	N/A
City's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability	\$ 11,321,467	\$ 11,911,723	\$ 13,277,446	\$ 16,944,638	\$ 11,023,218
City's Covered Payroll	\$ 14,057,853	\$ 13,973,517	\$ 13,229,625	\$ 12,780,570	\$ 12,504,232
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	78.11%	82.54%	99.12%	130.87%	88.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.23%	79.53%	75.90%	68.91%	78.19%

Police and Fire Retirement Plan

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
City's Proportion of the Net Pension Liability	0.592%	0.571%	0.549%	0.556%	0.570%
City's Proportionate Share of the Net Pension Liability	\$ 6,221,467	\$ 6,033,825	\$ 7,412,153	\$ 22,313,247	\$ 6,476,534
City's Covered Payroll	\$ 6,246,419	\$ 6,016,971	\$ 5,632,580	\$ 5,355,445	\$ 5,225,743
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	99.60%	100.28%	131.59%	416.65%	123.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.26%	88.84%	85.43%	63.88%	86.61%

Fire Relief Association

	Measurement Date December 31, 2018	Measurement Date December 31, 2017	Measurement Date December 31, 2016	Measurement Date December 31, 2015	Measurement Date December 31, 2014
City's Proportion of the Net Pension Liability (Asset)	100%	100%	100%	100%	100%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ (2,930,443)	\$ (4,971,253)	\$ (3,509,101)	\$ (3,505,596)	\$ (3,362,593)
City's Covered Payroll	N/A	N/A	N/A	N/A	N/A
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	122.28%	140.96%	129.54%	131.31%	128.69%

Note: This schedule is provided prospectively beginning with the year ended December 31, 2015 for General Employees 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, 2019

SCHEDULE OF THE CITY PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Employee Retirement Plan						
Contractually Required Contribution	\$ 1,068,305	\$ 1,007,608	\$ 1,030,108	\$ 973,347	\$ 947,280	\$ 898,056
Contributions in Relation to the Contractually Required Contribution	(1,068,305)	(1,007,608)	(1,030,108)	(973,347)	(947,280)	(898,056)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 14,244,067	\$ 13,434,773	\$ 13,734,712	\$ 12,977,907	\$ 12,630,348	\$ 12,386,837
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
Police and Fire Retirement Plan						
Contractually Required Contribution	\$ 1,034,814	\$ 974,750	\$ 959,280	\$ 886,231	\$ 859,126	\$ 791,919
Contributions in Relation to the Contractually Required Contribution	(1,034,814)	(974,750)	(959,280)	(886,231)	(859,126)	(791,919)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 6,105,097	\$ 6,016,975	\$ 5,921,484	\$ 5,470,556	\$ 5,303,246	\$ 5,175,950
Contributions as a Percentage of Covered Payroll	16.95%	16.20%	16.20%	16.20%	16.20%	15.30%
Fire Relief Association						
Statorily Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Statorily Required Contribution	-	-	-	-	-	166,438
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (166,438)</u>

Note: Information prior to 2014 is unavailable.

CITY OF MINNETONKA
Hennepin County, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2019

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

	Measurement Date December 31, 2018	Measurement Date December 31, 2017	Measurement Date December 31, 2016	Measurement Date December 31, 2015	Measurement Date December 31, 2014
Total Pension Liability					
Service Cost	\$ 202,060	\$ 209,042	\$ 213,879	\$ 198,031	\$ 192,731
Interest	809,808	790,520	772,342	753,805	733,799
Differences Between Expected and Actual Experience	54,796	(107,086)	155,621	(137,324)	-
Changes in Assumptions	633,940	119,608	295,329	(694,310)	-
Changes in Benefit Terms	-	-	-	-	-
Benefit Payments, Including Member Refunds	(683,256)	(755,451)	(753,320)	(645,860)	(602,226)
Net Change in Total Pension Liability	<u>1,017,348</u>	<u>256,633</u>	<u>683,851</u>	<u>(525,658)</u>	<u>324,304</u>
Total Pension Liability - Beginning	<u>12,136,722</u>	<u>11,880,089</u>	<u>11,196,238</u>	<u>11,721,896</u>	<u>11,397,592</u>
Total Pension Liability - Ending (a)	<u>13,154,070</u>	<u>12,136,722</u>	<u>11,880,089</u>	<u>11,196,238</u>	<u>11,721,896</u>
Plan Fiduciary Net Position					
State Contributions	391,293	382,382	376,889	366,746	511,820
Net Investment Income	(697,330)	2,122,490	1,094,716	(69,245)	836,585
Other Additions (e.g. receivables)	28	14	1,175	-	-
Benefit Payments	(683,256)	(755,451)	(753,320)	(645,860)	(602,226)
Administrative Expenses	(34,197)	(30,650)	(32,104)	(34,296)	(33,269)
Net Change in Fiduciary Net Position	<u>(1,023,462)</u>	<u>1,718,785</u>	<u>687,356</u>	<u>(382,655)</u>	<u>712,910</u>
Fiduciary Net Position - Beginning	<u>17,107,975</u>	<u>15,389,190</u>	<u>14,701,834</u>	<u>15,084,489</u>	<u>14,371,579</u>
Fiduciary Net Position - Ending (b)	<u>16,084,513</u>	<u>17,107,975</u>	<u>15,389,190</u>	<u>14,701,834</u>	<u>15,084,489</u>
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ (2,930,443)</u>	<u>\$ (4,971,253)</u>	<u>\$ (3,509,101)</u>	<u>\$ (3,505,596)</u>	<u>\$ (3,362,593)</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	122.28%	140.96%	129.54%	131.31%	128.69%
Covered Payroll	N/A	N/A	N/A	N/A	N/A

Note: Information prior to 2014 is unavailable.

CITY OF MINNETONKA
Hennepin County, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2019

**Schedule of Changes in Total OPEB Liability
and Related Ratios**

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total OPEB Liability		
Service cost	\$ 204,287	\$ 186,055
Interest	97,156	96,122
Differenced between expected and actual experience	-	-
Changes of assumptions	(150,919)	75,023
Changes of benefit terms	-	-
Benefit payments	(95,771)	(92,283)
Other changes	-	-
Net change in total OPEB liability	<u>54,753</u>	<u>264,917</u>
Beginning of year	<u>2,667,903</u>	<u>2,402,986</u>
End of Year	<u>\$ 2,722,656</u>	<u>\$ 2,667,903</u>
Covered-employee payroll	\$ 17,800,000	\$ 17,200,000
Total OPEB liability as a percentage of covered-employee payroll	15.30%	15.51%

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2019

GENERAL EMPLOYEES FUND

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

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

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2019

POLICE AND FIRE FUND

2019 Changes

Changes in Actuarial Assumptions

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

2018 Changes

Changes in Actuarial Assumptions

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

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2019

POLICE AND FIRE FUND (CONTINUED)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

MINNETONKA FIREMAN'S RELIEF ASSOCIATION

2018 Changes

Changes in Actuarial Assumptions

- The expected investment return and discount rate decreased from 6.75% to 6.25% to reflect updated capital market assumptions.
- The mortality assumptions were updated from the rates used in the July 1, 2017 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police and Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.75% to 2.50%.

OTHER POST EMPLOYMENT BENEFITS

2018 Changes

Changes in Actuarial Assumptions

- The discount rate increased from 3.44% as of December 31, 2017 to 4.09% as of December 31, 2018.



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.

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.

Trail Expansion Fund – This fund was established to account for the expansion of the city’s trail system.

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, 2019

	Special Revenue				
	Cable Television	Community Development Block Grant	Electric Franchise Fees	Grants	Housing & Redevelopment Authority
ASSETS:					
Cash and Investments	\$ 2,289,420	\$ 95,899	\$ 3,258,167	\$ -	\$ 841,277
Accounts Receivable	218,411	-	300,586	-	2,518
Loans Receivable	-	-	-	-	211,792
Interest Receivable	10,780	444	14,617	-	3,717
Property Taxes Receivable					
Unremitted	-	-	-	-	1,879
Delinquent	-	-	-	-	5,150
Special Assessments Receivable					
Unremitted	-	-	-	-	-
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Noncurrent	-	-	-	-	-
Due from Other Governments	-	-	-	19,418	-
Prepays	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-
Total Assets	\$ 2,518,611	\$ 96,343	\$ 3,573,370	\$ 19,418	\$ 1,066,333
LIABILITIES, DEFERRED INFLOWS					
OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Salaries and Wages Payable	\$ 12,102	\$ -	\$ -	\$ 1,296	\$ 1,000
Accounts and Contracts Payable	36,073	9,763	40,185	12,809	-
Advanced from Other Funds	-	-	-	-	-
Due to Other Funds	-	-	-	47,580	-
Total Liabilities	48,175	9,763	40,185	61,685	1,000
Deferred Inflows of Resources:					
Unavailable Revenue - Taxes	-	-	-	-	5,150
Unavailable Revenue - Special Assessments	-	-	-	-	-
Unavailable Revenue - MSA	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	5,150
Fund Balances:					
Restricted	-	86,580	-	-	1,060,183
Committed	2,470,436	-	3,533,185	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	(42,267)	-
Total Fund Balances	2,470,436	86,580	3,533,185	(42,267)	1,060,183
Total Liabilities, Deferred Inflows					
of Resources and Fund Balances	\$ 2,518,611	\$ 96,343	\$ 3,573,370	\$ 19,418	\$ 1,066,333

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019
(Continued)

	Special Revenue (Continued)			Debt Service		
	Police Forfeiture and Seizure	Shady Oak Lane Cemetery	Total Special Revenue Funds	Park and Open Space Bonds	2008 State-Aid Street Bonds	Total Debt Service Funds
ASSETS:						
Cash and Investments	\$ 306,185	\$ 142,334	\$ 6,933,282	\$ 1,934,028	\$ 4,926	\$ 1,938,954
Accounts Receivable	-	-	521,515	-	-	-
Loans Receivable	-	-	211,792	-	-	-
Interest Receivable	1,389	652	31,599	7,637	23	7,660
Property Taxes Receivable						
Unremitted	-	-	1,879	-	-	-
Delinquent	-	-	5,150	-	-	-
Special Assessments Receivable						
Unremitted	-	-	-	-	-	-
Current	-	-	-	-	-	-
Delinquent	-	-	-	-	-	-
Noncurrent	-	-	-	-	-	-
Due from Other Governments	-	-	19,418	-	-	-
Prepays	-	-	-	-	-	\$ -
Advances to Other Funds	-	-	-	-	-	-
Total Assets	<u>\$ 307,574</u>	<u>\$ 142,986</u>	<u>\$ 7,724,635</u>	<u>\$ 1,941,665</u>	<u>\$ 4,949</u>	<u>\$ 1,946,614</u>
LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Salaries and Wages Payable	\$ -	\$ -	\$ 14,398	\$ -	\$ -	\$ -
Accounts and Contracts Payable	90	-	98,920	-	-	-
Advanced from Other Funds	-	-	-	-	-	-
Due to Other Funds	-	-	47,580	-	-	-
Total Liabilities	<u>90</u>	<u>-</u>	<u>160,898</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:						
Unavailable Revenue - Taxes	-	-	5,150	-	-	-
Unavailable Revenue - Special Assessments	-	-	-	-	-	-
Unavailable Revenue - MSA	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>5,150</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Restricted	307,484	142,986	1,597,233	1,941,665	4,949	1,946,614
Committed	-	-	6,003,621	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	(42,267)	-	-	-
Total Fund Balances	<u>307,484</u>	<u>142,986</u>	<u>7,558,587</u>	<u>1,941,665</u>	<u>4,949</u>	<u>1,946,614</u>
Total Liabilities, Deferred Inflows						
of Resources and Fund Balances	<u>\$ 307,574</u>	<u>\$ 142,986</u>	<u>\$ 7,724,635</u>	<u>\$ 1,941,665</u>	<u>\$ 4,949</u>	<u>\$ 1,946,614</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019
(Continued)

	Capital Projects					
	Capital Replacement	Public Safety	Technology Development	Livable Communities Housing Fund	169/Bren Rd Interchange Project Fund	Parks and Trails
ASSETS:						
Cash and Investments	\$ 3,146,541	\$ 452,262	\$ 145,966	\$ 609,445	\$ 362	\$ 9,187,001
Accounts Receivable	-	-	-	95,923	-	-
Loans Receivable	-	-	-	-	-	-
Interest Receivable	7,260	1,107	210	2,591	2	36,814
Property Taxes Receivable						
Unremitted	-	-	-	-	-	-
Delinquent	-	-	-	-	-	-
Special Assessments Receivable						
Unremitted	-	-	-	-	-	-
Current	-	-	-	-	-	-
Delinquent	-	-	-	-	-	-
Noncurrent	-	-	-	-	-	-
Due from Other Governments	-	-	-	114,094	-	-
Prepays	-	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-	-
Total Assets	<u>\$ 3,153,801</u>	<u>\$ 453,369</u>	<u>\$ 146,176</u>	<u>\$ 822,053</u>	<u>\$ 364</u>	<u>\$ 9,223,815</u>
LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Salaries and Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and Contracts Payable	91,604	1	13,518	-	-	289,714
Advanced from Other Funds	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-
Total Liabilities	<u>91,604</u>	<u>1</u>	<u>13,518</u>	<u>-</u>	<u>-</u>	<u>289,714</u>
Deferred Inflows of Resources:						
Unavailable Revenue - Taxes	-	-	-	-	-	-
Unavailable Revenue - Special Assessments	-	-	-	-	-	-
Unavailable Revenue - MSA	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Restricted	-	-	-	822,053	-	-
Committed	3,062,197	453,368	132,658	-	-	8,934,101
Assigned	-	-	-	-	364	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>3,062,197</u>	<u>453,368</u>	<u>132,658</u>	<u>822,053</u>	<u>364</u>	<u>8,934,101</u>
Total Liabilities, Deferred Inflows						
of Resources and Fund Balances	<u>\$ 3,153,801</u>	<u>\$ 453,369</u>	<u>\$ 146,176</u>	<u>\$ 822,053</u>	<u>\$ 364</u>	<u>\$ 9,223,815</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019
(Continued)

Capital Projects (Continued)

	State Municipal Aid Street	Trail System Expansion Fund	Development Fund	Tax Increment Financing	Ridgedale Tax Abatement
ASSETS:					
Cash and Investments	\$ -	\$ 964,796	\$ 3,515,334	\$ 7,684,754	\$ 241,857
Accounts Receivable	-	474,298	75,082	-	420
Loans Receivable	-	-	-	-	-
Interest Receivable	-	3,894	15,300	34,463	3,019
Property Taxes Receivable					
Unremitted	-	-	-	4,478	-
Delinquent	-	-	-	-	-
Special Assessments Receivable					
Unremitted	-	-	17	-	-
Current	-	-	35,345	-	-
Delinquent	-	-	2,923	-	-
Noncurrent	-	-	252,275	-	-
Due from Other Governments	1,510,010	-	-	-	-
Prepays	-	-	-	-	-
Advances to Other Funds	-	-	502,588	-	-
Total Assets	\$ 1,510,010	\$ 1,442,988	\$ 4,398,864	\$ 7,723,695	\$ 245,296
LIABILITIES, DEFERRED INFLOWS					
OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Salaries and Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and Contracts Payable	230,754	25,831	75	15	-
Advanced from Other Funds	-	-	-	502,588	-
Due to Other Funds	230,028	-	-	-	-
Total Liabilities	460,782	25,831	75	502,603	-
Deferred Inflows of Resources:					
Unavailable Revenue - Taxes	-	-	-	-	-
Unavailable Revenue - Special Assessments	-	-	290,543	-	-
Unavailable Revenue - MSA	1,510,010	-	0	-	-
Total Deferred Inflows of Resources	1,510,010	-	290,543	-	-
Fund Balances:					
Restricted	-	-	-	7,221,092	-
Committed	-	1,417,157	4,108,246	-	245,296
Assigned	-	-	-	-	-
Unassigned	(460,782)	-	-	-	-
Total Fund Balances	(460,782)	1,417,157	4,108,246	7,221,092	245,296
Total Liabilities, Deferred Inflows					
of Resources and Fund Balances	\$ 1,510,010	\$ 1,442,988	\$ 4,398,864	\$ 7,723,695	\$ 245,296

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019
(Continued)

	Capital Projects (Continued)				
	Shady Oak Rd Oak Drive Project	Public Safety Facility Expansion	Forestry Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:					
Cash and Investments	\$ 1,094,304	\$ 1,768,419	\$ 1,048,611	\$ 29,859,652	\$ 38,731,888
Accounts Receivable	179	-	-	645,902	1,167,417
Loans Receivable	-	-	-	-	211,792
Interest Receivable	5,208	3,548	4,765	118,181	157,440
Property Taxes Receivable					
Unremitted	-	-	-	4,478	6,357
Delinquent	-	-	-	-	5,150
Special Assessments Receivable					
Unremitted	-	-	-	17	17
Current	-	-	-	35,345	35,345
Delinquent	-	-	-	2,923	2,923
Noncurrent	-	-	-	252,275	252,275
Due from Other Governments	-	-	-	1,624,104	1,643,522
Prepays	-	-	-	-	-
Advances to Other Funds	-	-	-	502,588	502,588
Total Assets	<u>\$ 1,099,691</u>	<u>\$ 1,771,967</u>	<u>\$ 1,053,376</u>	<u>\$ 33,045,465</u>	<u>\$ 42,716,714</u>
LIABILITIES, DEFERRED INFLOWS					
OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Salaries and Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ 14,398
Accounts and Contracts Payable	-	1,200	34,706	687,418	786,338
Advanced from Other Funds	-	-	-	502,588	502,588
Due to Other Funds	-	-	-	230,028	277,608
Total Liabilities	<u>-</u>	<u>1,200</u>	<u>34,706</u>	<u>1,420,034</u>	<u>1,580,932</u>
Deferred Inflows of Resources:					
Unavailable Revenue - Taxes	-	-	-	-	5,150
Unavailable Revenue - Special Assessments	-	-	-	290,543	290,543
Unavailable Revenue - MSA	-	-	-	1,510,010	1,510,010
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,800,553</u>	<u>1,805,703</u>
Fund Balances:					
Restricted	-	-	-	8,043,145	11,586,992
Committed	1,099,691	1,770,767	1,018,670	22,242,151	28,245,772
Assigned	-	-	-	364	364
Unassigned	-	-	-	(460,782)	(503,049)
Total Fund Balances	<u>1,099,691</u>	<u>1,770,767</u>	<u>1,018,670</u>	<u>29,824,878</u>	<u>39,330,079</u>
Total Liabilities, Deferred Inflows					
of Resources and Fund Balances	<u>\$ 1,099,691</u>	<u>\$ 1,771,967</u>	<u>\$ 1,053,376</u>	<u>\$ 33,045,465</u>	<u>\$ 42,716,714</u>



CITY OF
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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, 2019

	Special Revenue				
	Cable Television	Community Development Block Grant	Electric Franchise Fees	Grants	Housing & Redevelopment Authority
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ 298,985
Franchise	886,245	-	1,125,599	-	-
Tax Increments	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental:					
Federal Grants	-	3,715	-	127,099	-
State Grants	-	-	-	-	-
Local Grants	3,599	-	-	12,758	-
Miscellaneous:					
Investment Income (Loss)	70,982	2,861	98,139	(1,333)	24,206
Fines and Forfeitures	-	-	-	-	-
Other	24,065	24,669	15,490	-	16,952
Total Revenues	984,891	31,245	1,239,228	138,524	340,143
EXPENDITURES:					
Current:					
General Government	780,813	-	-	-	-
Development Services	-	28,385	-	-	92,985
Public Works	-	-	-	-	-
Public Safety	-	-	-	141,201	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay	117,836	-	871,063	-	-
Total Expenditures	898,649	28,385	871,063	141,201	92,985
Excess (Deficiency) of Revenues Over (Under) Expenditures	86,242	2,860	368,165	(2,677)	247,158
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	-	-	-
Transfers Out	(33,700)	-	-	-	(100,000)
Bond Proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	(33,700)	-	-	-	(100,000)
Net Change in Fund Balances	52,542	2,860	368,165	(2,677)	147,158
FUND BALANCES:					
Beginning of Year	2,417,894	83,720	3,165,020	(39,590)	913,025
End of Year	<u>\$ 2,470,436</u>	<u>\$ 86,580</u>	<u>\$ 3,533,185</u>	<u>\$ (42,267)</u>	<u>\$ 1,060,183</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, 2019
(Continued)

	Special Revenue (Continued)			Debt Service		
	Police Forfeiture and Seizure	Shady Oak Lane Cemetery	Total Special Revenue Funds	Park and Open Space Bonds	2008 State-Aid Street Bonds	Total Debt Service Funds
REVENUES:						
Taxes:						
Property	\$ -	\$ -	\$ 298,985	\$ 1,389,255	\$ -	\$ 1,389,255
Franchise	-	-	2,011,844	-	-	-
Tax Increments	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Intergovernmental:						
Federal Grants	-	-	130,814	-	-	-
State Grants	-	-	-	-	184,525	184,525
Local Grants	-	-	16,357	-	-	-
Miscellaneous:						
Investment Income (Loss)	9,789	4,372	209,016	48,719	543	49,262
Fines and Forfeitures	32,118	-	32,118	-	-	-
Other	-	-	81,176	-	-	-
Total Revenues	41,907	4,372	2,780,310	1,437,974	185,068	1,623,042
EXPENDITURES:						
Current:						
General Government	-	1,795	782,608	-	-	-
Development Services	-	-	121,370	-	-	-
Public Works	-	-	-	-	850	850
Public Safety	69,381	-	210,582	-	-	-
Debt Service:						
Principal	-	-	-	1,225,000	150,000	1,375,000
Interest and Fiscal Charges	-	-	-	94,725	34,525	129,250
Capital Outlay	-	-	988,899	-	-	-
Total Expenditures	69,381	1,795	2,103,459	1,319,725	185,375	1,505,100
Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,474)	2,577	676,851	118,249	(307)	117,942
OTHER FINANCING SOURCES (USES):						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	(133,700)	-	-	-
Bond Proceeds	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	(133,700)	-	-	-
Net Change in Fund Balances	(27,474)	2,577	543,151	118,249	(307)	117,942
FUND BALANCES:						
Beginning of Year	334,958	140,409	7,015,436	1,823,416	5,256	1,828,672
End of Year	\$ 307,484	\$ 142,986	\$ 7,558,587	\$ 1,941,665	\$ 4,949	\$ 1,946,614

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, 2019
(Continued)

	Capital Projects					
	Capital Replacement	Public Safety	Technology Development	Livable Communities Housing Fund	169/Bren Rd Interchange Project Fund	Parks and Trails
REVENUES:						
Taxes:						
Property	\$ 3,295,000	\$ 550,000	\$ 600,000	\$ -	\$ -	\$ 650,000
Franchise	-	-	-	-	-	-
Tax Increments	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Intergovernmental:						
Federal Grants	-	-	-	-	-	-
State Grants	-	-	-	-	-	-
Local Grants	-	-	-	208,910	-	-
Miscellaneous:						
Investment Income (Loss)	63,448	6,799	3,988	15,818	11	260,085
Fines and Forfeitures	-	-	-	-	-	-
Other	172,098	-	-	-	-	1,068,499
Total Revenues	3,530,546	556,799	603,988	224,728	11	1,978,584
EXPENDITURES:						
Current:						
General Government	-	-	-	-	-	-
Development Services	-	-	-	129,522	-	-
Public Works	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Capital Outlay	4,163,193	69,647	951,200	-	-	2,867,588
Total Expenditures	4,163,193	69,647	951,200	129,522	-	2,867,588
Excess (Deficiency) of Revenues Over (Under) Expenditures	(632,647)	487,152	(347,212)	95,206	11	(889,004)
OTHER FINANCING SOURCES (USES):						
Transfers In	1,200,000	-	-	100,000	-	1,560,051
Transfers Out	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-
Total Other Financing Sources (Uses)	1,200,000	-	-	100,000	-	1,560,051
Net Change in Fund Balances	567,353	487,152	(347,212)	195,206	11	671,047
FUND BALANCES:						
Beginning of Year	2,494,844	(33,784)	479,870	626,847	353	8,263,054
End of Year	\$ 3,062,197	\$ 453,368	\$ 132,658	\$ 822,053	\$ 364	\$ 8,934,101

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COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019
(Continued)

	Capital Projects (Continued)				
	State Municipal Aid Street	Trail Expansion Fund	Development Fund	Tax Increment Financing	Ridgedale Tax Abatement
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ 200,000	\$ -	\$ 60,000
Franchise	-	1,862,217	-	-	-
Tax Increments	-	-	-	3,508,134	-
Special Assessments	-	-	49,509	-	-
Intergovernmental:					
Federal Grants	-	-	-	-	-
State Grants	4,904,783	-	-	-	-
Local Grants	-	-	-	-	-
Miscellaneous:					
Investment Income (Loss)	(72,720)	18,551	102,838	220,573	20,656
Fines and Forfeitures	-	-	-	-	-
Other	-	-	311,875	-	15,638
Total Revenues	4,832,063	1,880,768	664,222	3,728,707	96,294
EXPENDITURES:					
Current:					
General Government	-	-	-	-	-
Development Services	-	-	141,967	2,498,145	815
Public Works	-	-	-	-	-
Public Safety	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay	3,150,812	463,611	-	-	-
Total Expenditures	3,150,812	463,611	141,967	2,498,145	815
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,681,251	1,417,157	522,255	1,230,562	95,479
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	-	-	-
Transfers Out	-	-	(262,666)	-	(667,500)
Bond Proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	(262,666)	-	(667,500)
Net Change in Fund Balances	1,681,251	1,417,157	259,589	1,230,562	(572,021)
FUND BALANCES:					
Beginning of Year	(2,142,033)	-	3,848,657	5,990,530	817,317
End of Year	\$ (460,782)	\$ 1,417,157	\$ 4,108,246	\$ 7,221,092	\$ 245,296

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COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019
(Continued)

	Capital Projects (Continued)				
	Shady Oak Rd Oak Drive Project	Public Safety Facility Expansion	Forestry Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:					
Taxes:					
Property	\$ -	\$ -	\$ 93,000	\$ 5,448,000	\$ 7,136,240
Franchise	-	-	-	1,862,217	3,874,061
Tax Increments	-	-	-	3,508,134	3,508,134
Special Assessments	-	-	-	49,509	49,509
Intergovernmental:					
Federal Grants	-	-	-	-	130,814
State Grants	-	-	-	4,904,783	5,089,308
Local Grants	-	-	-	208,910	225,267
Miscellaneous:					
Investment Income (Loss)	37,654	23,788	31,653	733,142	991,420
Fines and Forfeitures	-	-	-	-	32,118
Other	-	-	-	1,568,110	1,649,286
Total Revenues	37,654	23,788	124,653	18,282,805	22,686,157
EXPENDITURES:					
Current:					
General Government	-	-	-	-	782,608
Development Services	260,398	-	-	3,030,847	3,152,217
Public Works	-	-	18,806	18,806	19,656
Public Safety	-	-	-	-	210,582
Debt Service:					
Principal	-	-	-	-	1,375,000
Interest and Fiscal Charges	-	-	-	-	129,250
Capital Outlay:	-	438,084	-	12,104,135	13,093,034
Total Expenditures	260,398	438,084	18,806	15,153,788	18,762,347
Excess (Deficiency) of Revenues Over (Under) Expenditures	(222,744)	(414,296)	105,847	3,129,017	3,923,810
OTHER FINANCING SOURCES (USES):					
Transfers In	-	1,500,000	-	4,360,051	4,360,051
Transfers Out	-	-	(58,000)	(988,166)	(1,121,866)
Bond Proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	-	1,500,000	(58,000)	3,371,885	3,238,185
Net Change in Fund Balances	(222,744)	1,085,704	47,847	6,500,902	7,161,995
FUND BALANCES:					
Beginning of Year	1,322,435	685,063	970,823	23,323,976	32,168,084
End of Year	<u>\$ 1,099,691</u>	<u>\$ 1,770,767</u>	<u>\$ 1,018,670</u>	<u>\$ 29,824,878</u>	<u>\$ 39,330,079</u>



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CITY OF MINNETONKA
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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - CABLE TELEVISION
Year Ended December 31, 2019**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018

	2019			Variance - Positive (Negative)	2018
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Franchise Taxes	\$ 976,200	\$ 884,300	\$ 886,245	\$ 1,945	\$ 915,055
Intergovernmental:					
Local Grants	-	-	3,599	3,599	-
Miscellaneous:					
Investment Income	22,000	30,000	70,982	40,982	37,668
Other Income	7,500	21,400	24,065	2,665	16,580
Total Revenues	<u>1,005,700</u>	<u>935,700</u>	<u>984,891</u>	<u>49,191</u>	<u>969,303</u>
EXPENDITURES:					
General Government					
Personal Services	323,000	323,000	312,383	10,617	300,895
Materials and Supplies	2,500	2,500	876	1,624	1,111
Other Services and Charges	373,700	373,700	467,554	(93,854)	452,672
Total General Government	<u>699,200</u>	<u>699,200</u>	<u>780,813</u>	<u>(81,613)</u>	<u>754,678</u>
Capital Outlay - General Government	<u>286,000</u>	<u>311,000</u>	<u>117,836</u>	<u>193,164</u>	<u>137,703</u>
Total Expenditures	<u>985,200</u>	<u>1,010,200</u>	<u>898,649</u>	<u>111,551</u>	<u>892,381</u>
Excess of Revenues Over (Under) Expenditures	20,500	(74,500)	86,242	160,742	76,922
OTHER FINANCING (USES):					
Transfers to Other Funds	<u>(33,700)</u>	<u>(33,700)</u>	<u>(33,700)</u>	-	<u>(32,700)</u>
Change in Fund Balance	<u>\$ (13,200)</u>	<u>\$ (108,200)</u>	52,542	<u>\$ 160,742</u>	44,222
FUND BALANCE:					
Beginning of Year			<u>2,417,894</u>		<u>2,373,672</u>
End of Year			<u>\$ 2,470,436</u>		<u>\$ 2,417,894</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, 2019**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018

	2019			Variance - Positive (Negative)	2018
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Intergovernmental:					
Federal Grant	\$ 235,000	\$ 203,700	\$ 3,715	\$ (199,985)	\$ 34,225
Miscellaneous:					
Investment Income (Loss)	-	1,500	2,861	1,361	1,469
Other Income	-	34,556	24,669	(9,887)	39,833
Total Revenues	<u>235,000</u>	<u>239,756</u>	<u>31,245</u>	<u>(208,511)</u>	<u>75,527</u>
EXPENDITURES;					
Development Services:					
Other Services and Charges	<u>201,000</u>	<u>214,651</u>	<u>28,385</u>	<u>186,266</u>	<u>80,353</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 34,000</u>	<u>\$ 25,105</u>	2,860	<u>\$ (22,245)</u>	(4,826)
FUND BALANCE:					
Beginning of Year			<u>83,720</u>		<u>88,546</u>
End of Year			<u>\$ 86,580</u>		<u>\$ 83,720</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, 2019**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018

	2019			Variance - Positive (Negative)	2018
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Franchise Taxes	\$ 830,000	\$ 835,000	\$ 1,125,599	\$ 290,599	\$ 837,130
Intergovernmental:					
Local Cost-Share	197,235	-	-	-	-
Miscellaneous:					
Investment Income	2,000	44,000	98,139	54,139	56,363
Other	-	-	15,490	15,490	-
Total Revenues	<u>1,029,235</u>	<u>879,000</u>	<u>1,239,228</u>	<u>360,228</u>	<u>893,493</u>
EXPENDITURES:					
Capital Outlay and General Government:					
Other Services and Charges	<u>2,500,000</u>	<u>2,410,000</u>	<u>871,063</u>	<u>1,538,937</u>	<u>1,537,379</u>
Change in Fund Balance	<u><u>\$ (1,470,765)</u></u>	<u><u>\$ (1,531,000)</u></u>	368,165	<u><u>\$ 1,899,165</u></u>	(643,886)
FUND BALANCE:					
Beginning of Year			<u>3,165,020</u>		<u>3,808,906</u>
End of Year			<u><u>\$ 3,533,185</u></u>		<u><u>\$ 3,165,020</u></u>

CITY OF MINNETONKA
Hennepin County, Minnesota

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - GRANTS
Year Ended December 31, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018

	2019			Variance - Positive (Negative)	2018
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Intergovernmental:					
Federal Grants	\$ 51,000	\$ 51,000	\$ 127,099	\$ 76,099	\$ 60,928
Local Grants	-	20,000	12,758	(7,242)	-
Miscellaneous:					
Investment Income	100	-	(1,333)	(1,333)	(405)
Total Revenues	<u>51,100</u>	<u>71,000</u>	<u>138,524</u>	<u>67,524</u>	<u>60,523</u>
EXPENDITURES:					
Public Safety:					
Police:					
Personal Services	40,000	40,000	47,270	(7,270)	42,329
Materials and Supplies	11,000	11,000	9,098	1,902	4,508
Other Services and Charges	-	20,000	84,833	(64,833)	121,699
Total Public Safety	<u>51,000</u>	<u>71,000</u>	<u>141,201</u>	<u>(70,201)</u>	<u>168,536</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 100</u>	<u>\$ -</u>	<u>(2,677)</u>	<u>\$ (2,677)</u>	<u>(108,013)</u>
FUND BALANCE:					
Beginning of Year			<u>(39,590)</u>		<u>68,423</u>
End of Year			<u>\$ (42,267)</u>		<u>\$ (39,590)</u>

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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - HOUSING & REDEVELOPMENT AUTHORITY
Year Ended December 31, 2019**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018

	2019			Variance - Positive (Negative)	2018
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
General Property Taxes	\$ 300,000	\$ 300,000	\$ 298,985	\$ (1,015)	\$ 247,728
Miscellaneous:					
Investment Income	3,000	10,000	24,206	14,206	13,072
Other Income	15,000	20,000	16,952	(3,048)	1,815
Total Revenues	<u>318,000</u>	<u>330,000</u>	<u>340,143</u>	<u>10,143</u>	<u>262,615</u>
EXPENDITURES:					
Development Services:					
Other Services and Charges	<u>225,000</u>	<u>228,000</u>	<u>92,985</u>	<u>135,015</u>	<u>108,060</u>
Excess of Revenues Over (Under) Expenditures	93,000	102,000	247,158	145,158	154,555
OTHER FINANCING (USES):					
Transfers to Other Funds	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Change in Fund Balance	<u>\$ (7,000)</u>	<u>\$ 2,000</u>	147,158	<u>\$ 145,158</u>	54,555
FUND BALANCE:					
Beginning of Year			<u>913,025</u>		<u>858,470</u>
End of Year			<u>\$ 1,060,183</u>		<u>\$ 913,025</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, 2019**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018

	2019			Variance - Positive (Negative)	2018
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Miscellaneous:					
Investment Income	\$ -	\$ -	\$ 9,789	\$ 9,789	\$ 5,677
Fines and Forfeitures	55,000	55,000	32,118	(22,882)	46,291
Total Revenues	<u>55,000</u>	<u>55,000</u>	<u>41,907</u>	<u>(13,093)</u>	<u>51,968</u>
EXPENDITURES:					
Public Safety:					
Other Services and Charges	105,100	52,500	69,381	(16,881)	93,382
Total Public Safety	<u>105,100</u>	<u>52,500</u>	<u>69,381</u>	<u>(16,881)</u>	<u>93,382</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (50,100)</u>	<u>\$ 2,500</u>	(27,474)	<u>\$ (29,974)</u>	(41,414)
FUND BALANCE:					
Beginning of Year			<u>334,958</u>		<u>376,372</u>
End of Year			<u>\$ 307,484</u>		<u>\$ 334,958</u>

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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, 2019**

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018

	2019			Variance - Positive (Negative)	2018
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
Miscellaneous:					
Investment Income	\$ -	\$ -	\$ 4,372	\$ 4,372	\$ 2,330
Total Revenues	<u>-</u>	<u>-</u>	<u>4,372</u>	<u>4,372</u>	<u>2,330</u>
EXPENDITURES:					
General Government:					
Other Services and Charges	<u>-</u>	<u>-</u>	<u>1,795</u>	<u>(1,795)</u>	<u>1,150</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>2,577</u>	<u>\$ 2,577</u>	<u>1,180</u>
FUND BALANCE:					
Beginning of Year			<u>140,409</u>		<u>139,229</u>
End of Year			<u>\$ 142,986</u>		<u>\$ 140,409</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS
December 31, 2019

	Self Insurance	Fleet Maintenance	Total
ASSETS AND DEFERRED OUTFLOWS OF OF RESOURCES:			
Current Assets:			
Cash and Investments	\$ 2,520,795	\$ 754,056	\$ 3,274,851
Interest Receivable	9,919	3,221	13,140
Due From Other Governments	-	7,282	7,282
Prepaid Items	89,606	-	89,606
Inventories	-	47,065	47,065
Total Assets	<u>2,620,320</u>	<u>811,624</u>	<u>3,431,944</u>
Deferred Outflows of Resources:			
OPEB	-	2,502	2,502
MNPERA Pension	-	23,345	23,345
Total Deferred Outflows of Resources	<u>-</u>	<u>25,847</u>	<u>25,847</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:			
Liabilities:			
Current Liabilities:			
Salaries and Wages Payable	-	24,133	24,133
Accounts Payable	35,306	41,204	76,510
Incurred but Not Reported Claims	54,055	-	54,055
Current Portion of			
Compensated Absences	-	20,619	20,619
Total Current Liabilities	<u>89,361</u>	<u>85,956</u>	<u>175,317</u>
Long-Term Liabilities:			
Compensated Absences	-	58,814	58,814
Total OPEB Liability	-	44,402	44,402
MNPERA-Net Pension Liability	-	277,591	277,591
Total Noncurrent Liabilities	<u>-</u>	<u>380,807</u>	<u>380,807</u>
Total Liabilities	<u>89,361</u>	<u>466,763</u>	<u>556,124</u>
Deferred Inflows of Resources:			
OPEB	-	2,176	2,176
MNPERA Pension	-	61,921	61,921
Total Deferred Inflows of Resources	<u>-</u>	<u>64,097</u>	<u>64,097</u>
Net Position:			
Unrestricted	<u>2,530,959</u>	<u>306,611</u>	<u>2,837,570</u>
Total Net Position	<u>\$ 2,530,959</u>	<u>\$ 306,611</u>	<u>\$ 2,837,570</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, 2019**

	Self Insurance	Fleet Maintenance	Total
OPERATING REVENUES:			
Charges to City Departments	\$ 673,100	\$ 1,479,039	\$ 2,152,139
Other Revenue	28,838	46,598	75,436
Total Operating Revenues	<u>701,938</u>	<u>1,525,637</u>	<u>2,227,575</u>
OPERATING EXPENSES:			
Personal Services	-	473,976	473,976
Supplies, Repairs and Maintenance	-	797,703	797,703
Other Services and Charges	568,155	278,664	846,819
Total Operating Expenses	<u>568,155</u>	<u>1,550,343</u>	<u>2,118,498</u>
Operating Income (Loss)	133,783	(24,706)	109,077
NONOPERATING REVENUES (EXPENSES):			
Investment Income	70,547	21,763	92,310
Total Nonoperating Revenues (Expenses)	<u>70,547</u>	<u>21,763</u>	<u>92,310</u>
Change in Net Position	204,330	(2,943)	201,387
NET POSITION:			
Net Position - Beginning	<u>2,326,629</u>	<u>309,554</u>	<u>2,636,183</u>
Net Position - Ending	<u>\$ 2,530,959</u>	<u>\$ 306,611</u>	<u>\$ 2,837,570</u>

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2019

	Self Insurance	Fleet Maintenance	Total
CASH FLOWS - OPERATING ACTIVITIES:			
Receipts from Interfund Services Provided	\$ 673,100	\$ 1,475,469	\$ 2,148,569
Other Revenue	28,838	46,598	75,436
Payments to Suppliers	-	(1,105,754)	(1,105,754)
Payments to Employees	-	(491,650)	(491,650)
Payments of Benefits on Behalf of Employees	(706,856)	-	(706,856)
Net Cash Flows - Operating Activities	(4,918)	(75,337)	(80,255)
CASH FLOWS - INVESTING ACTIVITIES:			
Purchase of Investments	3,824,867	1,159,714	4,984,581
Sale of Investments	(3,301,006)	(987,443)	(4,288,449)
Interest and Dividends Received	69,658	21,720	91,378
Net Cash Flows - Investing Activities	593,519	193,991	787,510
Net Change in Cash and Cash Equivalents	588,601	118,654	707,255
Cash and Cash Equivalents, January 1	1,932,194	635,402	2,567,596
Cash and Cash Equivalents, December 31	\$ 2,520,795	\$ 754,056	\$ 3,274,851
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH FLOWS - OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 133,783	\$ (24,706)	\$ 109,077
Adjustments to Reconcile Operating Income (Loss)			
to Net Cash Flows - Operating Activities			
Due from Other Governments	-	(3,570)	(3,570)
Accounts Receivable	18,116	-	18,116
Prepaid Items	(6,802)	-	(6,802)
Inventories	-	10,417	10,417
OPEB (Deferred Outflow)	-	106	106
Pensions (Deferred Outflow)	-	29,066	29,066
Salaries and Wages Payable	-	2,703	2,703
Accounts Payable	(150,015)	(39,804)	(189,819)
Compensated Absences Payable	-	(17,832)	(17,832)
Net Pension	-	(22,109)	(22,109)
Pensions (Deferred Inflow)	-	(13,259)	(13,259)
OPEB (Deferred Inflow)	-	2,176	2,176
Total OPEB Liability	-	1,475	1,475
Total Adjustments	(138,701)	(50,631)	(189,332)
Net Cash Flows - Operating Activities	\$ (4,918)	\$ (75,337)	\$ (80,255)
NONCASH INVESTING, CAPITAL, AND FINANCING			
ACTIVITIES			
Increase (Decline) in Fair Value of Investments	\$ 23,702	\$ 7,340	\$ 31,042
Total Noncash Transactions	\$ 23,702	\$ 7,340	\$ 31,042
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
TO THE STATEMENT OF POSITION			
Cash and Investments	\$ 2,520,795	\$ 754,056	\$ 3,274,851
Less: Investments not Meeting the Definition			
of Cash Equivalents	-	-	-
Total Cash and Cash Equivalents	\$ 2,520,795	\$ 754,056	\$ 3,274,851

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
December 31, 2019

	Clarion Hills Stewardship	Meadow Woods Stewardship	Stone Trace Stewardship	Total
ASSETS:				
Cash and Investments	\$ 183,875	\$ 100,434	\$ 24,543	\$ 308,852
Interest Receivable	845	460	113	1,418
Total Assets	184,720	100,894	24,656	310,270
LIABILITIES:				
Accounts Payable	4,706	-	-	4,706
NET POSITION:				
Net Position, Held in Trust	\$ 180,014	\$ 100,894	\$ 24,656	\$ 305,564

CITY OF MINNETONKA
Hennepin County, Minnesota

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended December 31, 2019

	<u>Clarion Hills Stewardship</u>	<u>Meadow Woods Stewardship</u>	<u>Stone Trace Stewardship</u>	<u>Total</u>
ADDITIONS:				
Contributions from Participants	\$ 7,853	\$ 5,500	\$ 1,797	\$ 15,150
Investment Earnings Interest	<u>5,669</u>	<u>3,081</u>	<u>750</u>	<u>9,500</u>
Total Additions	13,522	8,581	2,547	24,650
DEDUCTIONS:				
Benefits	<u>8,417</u>	<u>-</u>	<u>-</u>	<u>8,417</u>
Change in Net Position	5,105	8,581	2,547	16,233
Net Position - January 1	<u>174,909</u>	<u>92,313</u>	<u>22,109</u>	<u>289,331</u>
Net Position - December 31	<u><u>\$ 180,014</u></u>	<u><u>\$ 100,894</u></u>	<u><u>\$ 24,656</u></u>	<u><u>\$ 305,564</u></u>

OTHER SUPPLEMENTARY INFORMATION

**GENERAL FUND – SCHEDULE OF REVENUES AND OTHER FINANCIAL SOURCES 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, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018

	2019			Variance - Positive (Negative)	2018
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
REVENUES:					
General Property Taxes	\$ 26,123,716	\$ 26,123,100	\$ 26,410,975	\$ 287,875	\$ 25,206,803
Licenses and Permits:					
Licenses:					
Liquor Licenses	220,000	234,000	245,014	11,014	210,040
Food Handlers Licenses	225,000	225,000	224,526	(474)	246,664
Building Permits	2,475,000	2,475,000	2,590,659	115,659	2,718,481
Plumbing Permits	366,300	366,300	420,290	53,990	310,693
Electrical Permits	375,000	375,000	610,739	235,739	437,825
HVAC Permits	500,000	500,000	552,270	52,270	581,969
Other Licenses and Permits	280,000	182,200	243,811	61,611	277,444
Total Licenses and Permits	4,441,300	4,357,500	4,887,309	529,809	4,783,116
Intergovernmental Revenues:					
Public Safety State Aid	859,900	859,900	899,213	39,313	858,923
Federal Grants	-	-	1,281	1,281	8,191
State Grants	103,600	118,600	164,943	46,343	124,529
Other	76,700	76,700	110,615	33,915	120,543
Total Intergovernmental Revenues	1,040,200	1,055,200	1,176,052	120,852	1,112,186
Charges for Services:					
Recreation Fees	1,235,000	1,235,000	1,162,435	(72,565)	1,254,950
Other	177,300	311,100	282,404	(28,696)	515,059
Total Charges for Services	1,412,300	1,546,100	1,444,839	(101,261)	1,770,009
Fines and Forfeitures	455,000	458,500	323,539	(134,961)	402,635
Other Revenues:					
Investment Income	225,000	475,000	847,661	372,661	464,477
Building and Equipment Rent	656,700	656,700	732,209	75,509	606,078
Other	291,124	237,600	266,864	29,264	234,057
Total Other Revenues	1,172,824	1,369,300	1,846,734	477,434	1,304,612
Total Revenues before Other Financing Sources	34,645,340	34,909,700	36,089,448	1,179,748	34,579,361
OTHER FINANCING SOURCES:					
Transfers from Other Funds	1,437,400	1,437,400	1,437,400	-	1,374,400
Total Revenues and Other Financing Sources	\$ 36,082,740	\$ 36,347,100	\$ 37,526,848	\$ 1,179,748	\$ 35,953,761

CITY OF MINNETONKA
Hennepin County, Minnesota

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

For the Year Ended December 31, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018

	2019			Variance - Positive (Negative)	2018
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES:					
General Government:					
Mayor and Council:					
Personal Services	\$ 86,900	\$ 86,900	\$ 83,728	\$ 3,172	\$ 88,432
Supplies, Repairs and Maintenance	-	-	62	(62)	161
Other Services and Charges	203,800	203,800	157,996	45,804	156,867
Total Mayor and Council	290,700	290,700	241,786	48,914	245,460
General Administration:					
Personal Services	1,510,800	1,510,800	1,319,930	190,870	1,438,203
Supplies, Repairs and Maintenance	40,800	40,800	40,897	(97)	48,239
Other Services and Charges	388,800	388,800	312,898	75,902	314,668
Total General Administration	1,940,400	1,940,400	1,673,725	266,675	1,801,110
Information Technology:					
Personal Services	570,800	570,800	570,979	(179)	460,045
Supplies, Repairs and Maintenance	1,700	1,700	951	749	827
Other Services and Charges	414,600	414,600	445,956	(31,356)	465,050
Total Information Technology	987,100	987,100	1,017,886	(30,786)	925,922
Finance:					
Personal Services	816,200	833,400	743,608	89,792	758,927
Supplies, Repairs and Maintenance	5,900	11,100	6,093	5,007	6,789
Other Services and Charges	189,700	242,400	215,128	27,272	176,380
Total Finance	1,011,800	1,086,900	964,829	122,071	942,096
Assessing:					
Personal Services	687,600	687,600	681,212	6,388	616,431
Supplies, Repairs and Maintenance	4,000	4,000	5,344	(1,344)	2,265
Other Services and Charges	147,600	147,600	124,374	23,226	111,135
Total Assessing	839,200	839,200	810,930	28,270	729,831
Contingency:					
Other Services and Charges	50,000	50,000	-	50,000	-
Total General Government	5,119,200	5,194,300	4,709,156	485,144	4,644,419
Development Services:					
Planning:					
Personal Services	667,400	667,400	624,177	43,223	586,743
Supplies, Repairs and Maintenance	4,300	4,300	3,348	952	3,165
Other Services and Charges	43,800	73,800	56,678	17,122	91,601
Total Planning	715,500	745,500	684,203	61,297	681,509

CITY OF MINNETONKA
Hennepin County, Minnesota

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

For the Year Ended December 31, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018
(Continued)

	2019			Variance - Positive (Negative)	2018
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES: (Continued)					
Development Services: (Continued)					
Engineering:					
Personal Services	\$ 1,237,300	\$ 1,237,300	\$ 1,035,987	\$ 201,313	\$ 1,195,310
Supplies, Repairs and Maintenance	19,400	19,400	9,755	9,645	10,104
Other Services and Charges	101,500	101,500	83,141	18,359	88,225
Total Engineering	<u>1,358,200</u>	<u>1,358,200</u>	<u>1,128,883</u>	<u>229,317</u>	<u>1,293,639</u>
Community Development:					
Personal Services	1,646,800	1,718,800	1,787,012	(68,212)	1,504,783
Supplies, Repairs and Maintenance	16,500	16,500	17,150	(650)	52,714
Other Services and Charges	293,300	401,800	404,850	(3,050)	319,121
Total Community Development	<u>1,956,600</u>	<u>2,137,100</u>	<u>2,209,012</u>	<u>(71,912)</u>	<u>1,876,618</u>
Total Development Services	<u>4,030,300</u>	<u>4,240,800</u>	<u>4,022,098</u>	<u>218,702</u>	<u>3,851,766</u>
Public Works:					
Street:					
Personal Services	2,096,800	2,096,800	2,161,236	(64,436)	1,926,870
Supplies, Repairs and Maintenance	390,900	390,900	474,230	(83,330)	386,029
Other Services and Charges	1,189,300	1,189,300	954,320	234,980	1,139,657
Total Street	<u>3,677,000</u>	<u>3,677,000</u>	<u>3,589,786</u>	<u>87,214</u>	<u>3,452,556</u>
Building:					
Personal Services	835,300	835,300	747,491	87,809	744,649
Supplies, Repairs and Maintenance	119,500	119,500	92,017	27,483	95,339
Other Services and Charges	370,200	370,200	610,733	(240,533)	360,993
Total Building	<u>1,325,000</u>	<u>1,325,000</u>	<u>1,450,241</u>	<u>(125,241)</u>	<u>1,200,981</u>
Total Public Works	<u>5,002,000</u>	<u>5,002,000</u>	<u>5,040,027</u>	<u>(38,027)</u>	<u>4,653,537</u>
Public Safety:					
Police:					
Personal Services	8,962,800	8,962,800	8,804,669	158,131	8,202,305
Supplies, Repairs and Maintenance	423,200	407,300	404,488	2,812	370,360
Other Services and Charges	991,700	967,600	965,315	2,285	990,347
Total Police	<u>10,377,700</u>	<u>10,337,700</u>	<u>10,174,472</u>	<u>163,228</u>	<u>9,563,012</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, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018
(Continued)

	2019			Variance - Positive (Negative)	2018
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES: (Continued)					
Public Safety: (Continued)					
Fire:					
Personal Services	\$ 2,533,600	\$ 2,533,600	\$ 2,317,838	\$ 215,762	\$ 2,011,484
Supplies, Repairs and Maintenance	185,800	185,800	221,788	(35,988)	147,922
Other Services and Charges	856,100	856,100	848,265	7,835	843,719
Total Fire	<u>3,575,500</u>	<u>3,575,500</u>	<u>3,387,891</u>	<u>187,609</u>	<u>3,003,125</u>
Legal:					
Personal Services	781,600	781,600	747,666	33,934	718,816
Supplies, Repairs and Maintenance	8,000	5,400	3,259	2,141	4,041
Other Services and Charges	87,200	65,500	59,647	5,853	46,894
Total Legal	<u>876,800</u>	<u>852,500</u>	<u>810,572</u>	<u>41,928</u>	<u>769,751</u>
Environmental Health:					
Personal Services	397,300	397,300	416,369	(19,069)	389,694
Supplies, Repairs and Maintenance	11,600	11,600	9,313	2,287	2,890
Other Services and Charges	15,500	15,500	12,407	3,093	13,668
Total Environmental Health	<u>424,400</u>	<u>424,400</u>	<u>438,089</u>	<u>(13,689)</u>	<u>406,252</u>
Total Public Safety	<u>15,254,400</u>	<u>15,190,100</u>	<u>14,811,024</u>	<u>379,076</u>	<u>13,742,140</u>
Park and Recreation:					
Joint Recreation:					
Personal Services	1,188,200	1,152,200	1,172,420	(20,220)	1,107,778
Supplies, Repairs and Maintenance	81,800	76,800	73,068	3,732	72,652
Other Services and Charges	354,200	325,100	334,326	(9,226)	357,003
Total Joint Recreation	<u>1,624,200</u>	<u>1,554,100</u>	<u>1,579,814</u>	<u>(25,714)</u>	<u>1,537,433</u>
Minnetonka Recreation:					
Personal Services	380,800	367,100	340,630	26,470	286,760
Supplies, Repairs and Maintenance	1,800	1,200	1,592	(392)	2,962
Other Services and Charges	296,900	287,000	274,589	12,411	292,570
Total Minnetonka Recreation	<u>679,500</u>	<u>655,300</u>	<u>616,811</u>	<u>38,489</u>	<u>582,292</u>
Parks and Trails:					
Personal Services	1,143,700	1,143,700	1,145,421	(1,721)	1,119,456
Supplies, Repairs and Maintenance	194,100	194,100	170,591	23,509	146,720
Other Services and Charges	478,600	478,600	425,465	53,135	384,379
Total Parks and Trails	<u>1,816,400</u>	<u>1,816,400</u>	<u>1,741,477</u>	<u>74,923</u>	<u>1,650,555</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, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018
(Continued)

	2019			Variance - Positive (Negative)	2018
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			
EXPENDITURES: (Continued)					
Park and Recreation: (Continued)					
Natural Resources:					
Personal Services	\$ 920,700	\$ 920,700	\$ 776,872	\$ 143,828	\$ 704,822
Supplies, Repairs and Maintenance	22,600	22,600	25,955	(3,355)	19,043
Other Services and Charges	579,600	579,600	604,221	(24,621)	553,312
Total Natural Resources	<u>1,522,900</u>	<u>1,522,900</u>	<u>1,407,048</u>	<u>115,852</u>	<u>1,277,177</u>
Community Facility:					
Personal Services	383,600	379,100	350,732	28,368	357,619
Supplies, Repairs and Maintenance	55,000	50,800	27,550	23,250	29,041
Other Services and Charges	131,400	127,300	79,720	47,580	115,751
Total Community Facility	<u>570,000</u>	<u>557,200</u>	<u>458,002</u>	<u>99,198</u>	<u>502,411</u>
Senior Services:					
Personal Services	270,900	268,900	268,447	453	254,095
Supplies, Repairs and Maintenance	68,700	76,500	87,703	(11,203)	85,960
Other Services and Charges	65,700	69,900	69,976	(76)	67,403
Total Senior Services	<u>405,300</u>	<u>415,300</u>	<u>426,126</u>	<u>(10,826)</u>	<u>407,458</u>
Total Park and Recreation	<u>6,618,300</u>	<u>6,521,200</u>	<u>6,229,278</u>	<u>291,922</u>	<u>5,957,326</u>
Total Expenditures before Other Financing Uses	36,024,200	36,148,400	34,811,583	1,336,817	32,849,188
OTHER FINANCING USES:					
Transfers to Other Funds	<u>2,863,000</u>	<u>2,863,000</u>	<u>2,873,051</u>	<u>(10,051)</u>	<u>1,330,189</u>
Total Expenditures and Other Financing Uses	<u><u>\$ 38,887,200</u></u>	<u><u>\$ 39,011,400</u></u>	<u><u>\$ 37,684,634</u></u>	<u><u>\$ 1,326,766</u></u>	<u><u>\$ 34,179,377</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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental Activities:										
Net Investment in										
Capital Assets	\$ 83,506,166	\$ 88,717,256	\$ 88,422,281	\$ 92,038,719	\$ 95,221,323	\$ 100,390,155	\$ 100,378,219	\$ 102,223,500	\$ 112,360,020	\$ 118,124,855
Restricted	4,709,001	2,027,278	4,861,345	5,466,893	5,859,715	6,535,559	13,027,268	14,936,260	16,314,540	19,870,424
Unrestricted	<u>57,322,293</u>	<u>60,535,626</u>	<u>56,993,967</u>	<u>57,184,342</u>	<u>60,037,739</u>	<u>50,537,717</u>	<u>51,254,752</u>	<u>57,192,458</u>	<u>65,666,057</u>	<u>72,292,832</u>
Total Governmental Activities -										
Net Position	<u>\$ 145,537,460</u>	<u>\$ 151,280,160</u>	<u>\$ 150,277,593</u>	<u>\$ 154,689,954</u>	<u>\$ 161,118,777</u>	<u>\$ 157,463,431</u>	<u>\$ 164,660,239</u>	<u>\$ 174,352,218</u>	<u>\$ 194,340,617</u>	<u>\$ 210,288,111</u>
Business-Type Activities:										
Net Investment in										
Capital Assets	\$ 93,841,761	\$ 91,497,808	\$ 94,586,334	\$ 92,673,621	\$ 92,146,383	\$ 91,801,549	\$ 89,143,255	\$ 85,755,233	\$ 83,286,653	\$ 81,884,166
Unrestricted	<u>15,336,367</u>	<u>14,967,144</u>	<u>14,743,165</u>	<u>14,664,046</u>	<u>13,147,896</u>	<u>12,411,335</u>	<u>16,783,215</u>	<u>23,797,419</u>	<u>29,396,304</u>	<u>31,713,015</u>
Total Business-Type Activities -										
Net Position	<u>\$ 109,178,128</u>	<u>\$ 106,464,952</u>	<u>\$ 109,329,499</u>	<u>\$ 107,337,667</u>	<u>\$ 105,294,279</u>	<u>\$ 104,212,884</u>	<u>\$ 105,926,470</u>	<u>\$ 109,552,652</u>	<u>\$ 112,682,957</u>	<u>\$ 113,597,181</u>
Primary Government:										
Net Investment in										
Capital Assets	\$ 177,347,927	\$ 180,215,064	\$ 183,008,615	\$ 184,712,340	\$ 187,367,706	\$ 192,191,704	\$ 189,521,474	\$ 187,978,733	\$ 195,646,673	\$ 200,009,021
Restricted	4,709,001	2,027,278	4,861,345	5,466,893	5,859,715	6,535,559	13,027,268	14,936,260	16,314,540	19,870,424
Unrestricted	<u>72,658,660</u>	<u>75,502,770</u>	<u>71,737,132</u>	<u>71,848,388</u>	<u>73,185,635</u>	<u>62,949,052</u>	<u>68,037,967</u>	<u>80,989,877</u>	<u>95,062,361</u>	<u>104,005,847</u>
Total Primary Government -										
Net Position	<u>\$ 254,715,588</u>	<u>\$ 257,745,112</u>	<u>\$ 259,607,092</u>	<u>\$ 262,027,621</u>	<u>\$ 266,413,056</u>	<u>\$ 261,676,315</u>	<u>\$ 270,586,709</u>	<u>\$ 283,904,870</u>	<u>\$ 307,023,574</u>	<u>\$ 323,885,292</u>

Source: City of Minnetonka financial records



CITY OF
MINNETONKA

CITY OF MINNETONKA
Hennepin County, Minnesota

CHANGES IN NET POSITION
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EXPENSES:										
Governmental Activities:										
General Services	\$ 4,477,560	\$ 4,149,584	\$ 4,652,864	\$ 4,702,113	\$ 4,587,302	\$ 4,422,066	\$ 4,955,580	\$ 5,300,173	\$ 5,961,700	\$ 5,631,300
Development Services	7,605,857	3,847,870	4,304,788	4,160,182	4,777,436	5,249,666	5,651,848	6,545,139	6,954,084	10,395,543
Public Works	7,142,475	24,090,987	12,563,877	12,955,778	18,494,554	15,940,119	11,333,229	12,558,277	13,069,127	13,929,489
Public Safety	12,357,201	12,409,458	12,721,528	13,220,747	13,332,150	13,289,535	16,931,334	15,681,354	13,019,341	15,255,279
Parks and Recreation	6,672,404	5,890,446	5,908,558	5,950,304	6,310,604	6,491,390	6,237,685	6,328,354	7,120,532	7,137,969
Interest on Long-Term Debt	431,771	374,044	451,720	218,800	181,439	155,506	154,234	135,221	131,457	140,277
Total Governmental Activities Expenses	38,687,268	50,762,389	40,603,335	41,207,924	47,683,485	45,548,282	45,263,910	46,548,518	46,256,241	52,489,857
Business-Type Activities:										
Water and Sewer Utility	13,114,139	13,343,368	13,599,327	12,466,738	13,478,374	14,326,946	12,831,213	13,987,474	14,452,285	16,551,464
Ice Arena	1,006,918	1,057,145	1,173,351	1,270,591	1,240,234	1,187,034	990,691	1,062,568	1,028,139	1,042,307
Environmental Operations	875,629	894,089	811,394	817,210	711,218	785,276	746,933	753,796	822,133	951,454
Williston Fitness Center	1,298,249	1,535,296	1,762,611	2,108,426	2,167,490	2,271,217	2,424,475	2,383,059	2,557,583	2,813,818
Grays Bay Marina	186,682	229,171	223,955	215,038	183,593	208,108	194,021	192,206	218,969	247,968
Storm Water Fund	1,348,729	1,404,959	1,444,796	1,367,011	1,412,203	1,297,113	1,375,187	1,622,227	1,835,461	2,093,482
Total Business-Type Activities	17,830,346	18,464,028	19,015,434	18,245,014	19,193,112	20,075,694	18,562,520	20,001,330	20,914,570	23,700,493
Total Primary Government Expenses	\$ 56,517,614	\$ 69,226,417	\$ 59,618,769	\$ 59,452,938	\$ 66,876,597	\$ 65,623,976	\$ 63,826,430	\$ 66,549,848	\$ 67,170,811	\$ 76,190,350
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services:										
General Services	\$ 240,663	\$ 265,748	\$ 5,230	\$ 11,653	\$ 40,402	\$ 2,297	\$ 4,282	\$ 11,372	\$ 639	\$ 490
Development Services	2,810,732	3,661,616	2,901,140	2,819,398	4,294,909	5,409,680	3,752,033	4,256,705	5,863,722	5,964,010
Public Works	524,274	282,005	14,498	2,065	966,685	76,776	68,764	57,260	87,461	56,811
Public Safety	1,040,938	980,840	1,246,718	1,610,621	1,643,036	1,753,883	1,709,195	1,652,345	1,674,249	1,544,792
Parks and Recreation	1,245,988	1,347,482	1,674,424	1,346,268	1,271,707	2,094,611	2,188,774	3,407,341	4,664,796	2,352,949
Operating Grants and Contributions	1,574,153	1,207,580	2,288,180	2,023,252	1,354,435	1,414,207	1,416,925	1,580,451	1,361,406	1,514,469
Capital Grants and Contributions	1,249,302	14,536,698	753,878	2,528,544	7,188,926	3,631,773	3,499,503	3,314,001	7,580,798	6,005,984
Total Governmental Activities Program Revenues	8,686,050	22,281,969	8,884,068	10,341,801	16,760,100	14,383,227	12,639,476	14,279,475	21,233,071	17,439,505

CITY OF MINNETONKA
Hennepin County, Minnesota

CHANGES IN NET POSITION
Last Ten Fiscal Years
(Continued)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
PROGRAM REVENUES (Continued)										
Business-Type Activities:										
Charges for Services:										
Water and Sewer Utility	\$ 10,513,551	\$ 11,024,675	\$ 12,613,945	\$ 11,298,120	\$ 11,477,857	\$ 14,394,358	\$ 14,137,665	\$ 17,165,306	\$ 17,196,532	\$ 17,023,789
Ice Arena	852,219	863,016	898,047	832,051	923,141	845,207	871,738	893,463	866,916	864,263
Environmental Operations	559,958	923,286	668,735	599,368	745,203	758,753	815,365	840,643	829,332	883,498
Williston Fitness Center	1,133,859	1,402,967	2,109,149	2,460,672	2,492,730	2,395,503	2,525,460	2,728,004	2,739,842	2,774,387
Grays Bay Marina	200,664	235,753	242,522	245,034	217,819	243,303	237,720	253,784	279,947	266,327
Storm Water Fund	1,967,659	2,157,297	2,162,188	2,229,863	2,297,298	2,370,289	2,440,690	2,518,112	2,599,644	2,678,482
Operating Grants and Contributions	133,780	190,021	133,903	191,739	235,986	157,548	261,693	162,055	139,002	152,798
Capital Grants and Contributions	219,371	-	-	-	-	-	-	25,000	-	-
Total Business-Type Activities Program Revenues	15,581,061	16,797,015	18,828,489	17,856,847	18,390,034	21,164,961	21,290,331	24,586,367	24,651,215	24,643,544
Total Primary Government Program Revenues	\$ 24,267,111	\$ 39,078,984	\$ 27,712,557	\$ 28,198,648	\$ 35,150,134	\$ 35,548,188	\$ 33,929,807	\$ 38,865,842	\$ 45,884,286	\$ 42,083,049
NET EXPENSE (REVENUE)										
Governmental Activities	\$ (30,001,218)	\$ (28,480,420)	\$ (31,719,267)	\$ (30,866,123)	\$ (30,923,385)	\$ (31,165,055)	\$ (32,624,434)	\$ (32,269,043)	\$ (25,023,170)	\$ (35,050,352)
Business-Type Activities	(2,249,285)	(1,667,013)	(186,945)	(388,167)	(803,078)	1,089,267	2,727,811	4,585,037	3,736,645	943,051
Total Primary Government Net Expense	\$ (32,250,503)	\$ (30,147,433)	\$ (31,906,212)	\$ (31,254,290)	\$ (31,726,463)	\$ (30,075,788)	\$ (29,896,623)	\$ (27,684,006)	\$ (21,286,525)	\$ (34,107,301)
GENERAL REVENUES AND OTHER										
CHANGES IN NET POSITION:										
Governmental Activities:										
Property Taxes	\$ 30,004,879	\$ 30,663,713	\$ 31,655,149	\$ 32,133,116	\$ 31,260,616	\$ 32,681,646	\$ 34,022,340	\$ 35,543,357	\$ 37,542,646	\$ 39,135,526
Franchise Taxes	1,477,059	1,521,278	1,599,464	1,684,671	1,715,787	1,728,394	1,772,851	1,811,774	1,752,185	3,874,060
Tax Increment	-	-	-	-	2,362,579	2,405,931	2,486,080	2,689,708	3,426,105	3,508,134
State aid - Unrestricted	89,789	85,859	44,035	42,659	-	-	-	-	-	-
Investment Earnings (Loss)	1,162,580	590,467	323,344	(254,522)	761,387	509,257	352,475	652,196	1,552,896	3,116,764
Sale of Capital Assets	131,546	-	-	43,468	54,031	21,055	28,302	-	-	-
Other General Revenue	45,167	139,503	67,443	53,933	51,063	55,717	60,050	138,918	167,948	211,651
Transfers	1,260,000	1,222,300	(2,972,865)	1,575,159	1,405,203	133,190	1,099,144	1,125,069	1,033,156	1,151,711
Total Governmental Activities	34,171,020	34,223,120	30,716,570	35,278,484	37,610,666	37,535,190	39,821,242	41,961,022	45,474,936	50,997,846
Business-Type Activities:										
Investment Earnings (Loss)	278,519	176,137	78,757	(47,516)	164,893	82,813	84,919	166,214	504,694	1,122,884
Gain on Sale of Capital Assets	-	-	-	19,010	-	-	-	-	-	-
Other	3,466	-	-	-	-	-	-	-	-	-
Transfers	(1,260,000)	(1,222,300)	2,972,865	(1,575,159)	(1,405,203)	(133,190)	(1,099,144)	(1,125,069)	(1,033,156)	(1,151,711)
Total Business-Type Activities	(978,015)	(1,046,163)	3,051,622	(1,603,665)	(1,240,310)	(50,377)	(1,014,225)	(958,855)	(528,462)	(28,827)
Total Primary Government	\$ 33,193,005	\$ 33,176,957	\$ 33,768,192	\$ 33,674,819	\$ 36,370,356	\$ 37,484,813	\$ 38,807,017	\$ 41,002,167	\$ 44,946,474	\$ 50,969,019

CITY OF MINNETONKA
Hennepin County, Minnesota

CHANGES IN NET POSITION
Last Ten Fiscal Years
(Continued)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
CHANGE IN NET POSITION:										
Governmental Activities	\$ 4,169,802	\$ 5,742,700	\$ (1,002,697)	\$ 4,412,361	\$ 6,687,281	\$ 6,370,135	\$ 7,196,808	\$ 9,691,979	\$ 20,451,766	\$ 15,947,494
Business-Type Activities	<u>(3,227,300)</u>	<u>(2,713,176)</u>	<u>2,864,677</u>	<u>(1,991,832)</u>	<u>(2,043,388)</u>	<u>1,038,890</u>	<u>1,713,586</u>	<u>3,626,182</u>	<u>3,208,183</u>	<u>914,224</u>
Total Primary Government	<u>\$ 942,502</u>	<u>\$ 3,029,524</u>	<u>\$ 1,861,980</u>	<u>\$ 2,420,529</u>	<u>\$ 4,643,893</u>	<u>\$ 7,409,025</u>	<u>\$ 8,910,394</u>	<u>\$ 13,318,161</u>	<u>\$ 23,659,949</u>	<u>\$ 16,861,718</u>

Source: City of Minnetonka financial records

CITY OF MINNETONKA
Hennepin County, Minnesota

FUND BALANCES-GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
Reserved	\$ 464,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	13,238,701	-	-	-	-	-	-	-	-	-
Nonspendable	-	112,339	77,086	142,565	104,766	263,171	333,243	417,090	414,126	588,242
Committed	-	-	1,010,000	1,040,000	1,050,000	1,000,000	1,020,000	1,000,000	1,000,000	1,070,000
Assigned	-	11,544,440	12,171,177	12,321,900	12,594,400	12,973,500	13,532,940	13,972,800	14,688,800	280,900
Unassigned	-	4,574,091	3,617,308	4,014,873	3,742,975	5,419,224	6,332,482	6,729,435	7,790,783	21,796,781
Total General Fund	13,703,616	16,230,870	16,875,571	17,519,338	17,492,141	19,655,895	21,218,665	22,119,325	23,893,709	23,735,923
All Other Governmental Funds:										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	3,480,940	-	-	-	-	-	-	-	-	-
Capital projects funds	37,522,912	-	-	-	-	-	-	-	-	-
Debt service funds	4,051,357	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	756,000	-	125,164	195,638	-	-	-	-
Restricted	-	5,475,544	7,520,420	5,553,767	5,937,290	6,603,366	7,531,670	8,001,534	10,076,003	11,821,249
Committed	-	9,451,939	8,115,749	9,089,669	11,960,779	13,049,962	14,552,450	20,618,774	24,464,977	28,245,772
Assigned	-	29,457,279	30,876,413	31,991,790	31,554,273	31,244,273	32,473,867	33,758,362	36,150,258	38,457,843
Unassigned	-	(679,189)	(1,910,345)	(3,073,099)	(2,551,669)	(6,944,033)	(786,168)	(2,029,545)	(2,215,407)	(503,049)
Total All Other Governmental Funds	45,055,209	43,705,573	45,358,237	43,562,127	47,025,837	44,149,206	53,771,819	60,349,125	68,475,831	78,021,815
Total Governmental Funds	\$ 58,758,825	\$ 59,936,443	\$ 62,233,808	\$ 61,081,465	\$ 64,517,978	\$ 63,805,101	\$ 74,990,484	\$ 82,468,450	\$ 92,369,540	\$ 101,757,738

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES:										
Property Taxes	\$ 30,631,013	\$ 30,731,107	\$ 31,655,150	\$ 32,133,116	\$ 31,305,971	\$ 32,673,521	\$ 34,012,530	\$35,568,635	\$ 37,269,654	\$ 38,927,215
Franchise Taxes	1,488,334	1,521,278	1,599,464	1,684,671	1,715,787	1,728,394	1,772,851	1,811,774	1,752,185	3,874,061
Tax Increments	-	-	-	-	2,362,579	2,405,931	2,486,080	2,689,708	3,426,105	3,508,134
Special Assessments	642,249	434,936	592,337	785,101	525,284	429,966	327,995	336,674	290,588	281,045
Licenses and Permits	2,078,031	3,347,255	2,477,856	2,817,753	3,541,462	4,796,150	3,582,252	4,082,475	4,810,556	5,209,653
Intergovernmental	2,828,175	15,144,889	2,354,216	3,817,715	8,364,633	2,730,231	5,908,576	2,536,945	9,787,815	7,175,649
Charges for Services	1,509,788	1,515,831	1,650,995	1,589,273	1,637,836	1,606,563	1,690,330	1,538,168	1,790,771	1,461,411
Fines and Forfeitures	631,304	586,092	518,422	532,303	616,154	598,478	516,087	500,868	448,926	355,657
Miscellaneous	2,120,317	2,141,861	1,707,482	1,156,691	3,273,800	2,926,666	2,379,478	4,041,452	6,826,303	6,168,849
Total Revenues	<u>41,929,211</u>	<u>55,423,249</u>	<u>42,555,922</u>	<u>44,516,623</u>	<u>53,343,506</u>	<u>49,895,900</u>	<u>52,676,179</u>	<u>53,106,699</u>	<u>66,402,903</u>	<u>66,961,674</u>
EXPENDITURES:										
General Government	4,000,524	3,677,413	4,099,224	3,879,274	4,108,370	4,191,085	4,537,134	4,904,464	5,400,246	5,491,764
Development Services	5,782,211	3,810,407	4,198,128	4,049,613	4,735,215	5,148,457	5,421,767	6,400,314	6,775,083	10,326,062
Public Works	3,885,634	4,027,507	3,983,744	4,240,857	5,460,831	4,333,820	4,318,199	4,649,107	4,711,164	5,165,235
Public Safety	12,038,778	11,899,680	12,026,437	12,535,326	12,891,804	12,843,759	13,380,168	14,298,493	14,004,058	15,021,606
Park and Recreation	5,559,757	4,777,170	4,902,026	4,974,847	5,305,820	5,316,080	5,208,278	5,409,205	5,957,326	6,229,278
Debt Service:										
Principal retirement on bonded debt	930,000	605,000	915,000	955,000	970,000	980,000	1,005,000	1,030,000	1,260,000	1,375,000
Interest and other expenditures	444,244	402,013	276,041	319,370	219,107	193,643	200,052	196,318	167,513	186,048
Capital Outlay	10,363,767	23,323,129	14,473,567	13,281,579	17,024,591	18,764,534	11,146,965	9,913,232	19,477,245	17,723,048
Total Expenditures	<u>43,004,915</u>	<u>52,522,319</u>	<u>44,874,167</u>	<u>44,235,866</u>	<u>50,715,738</u>	<u>51,771,378</u>	<u>45,217,563</u>	<u>46,801,133</u>	<u>57,752,635</u>	<u>61,518,041</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,075,704)</u>	<u>2,900,930</u>	<u>(2,318,245)</u>	<u>280,757</u>	<u>2,627,768</u>	<u>(1,875,478)</u>	<u>7,458,616</u>	<u>6,305,566</u>	<u>8,650,268</u>	<u>5,443,633</u>
OTHER FINANCING SOURCES (USES):										
Bond Proceeds	2,620,000	-	2,500,000	-	-	-	2,440,000	-	-	2,630,000
Premium on Bonds Issued	88,021	-	(60,290)	-	-	-	115,967	-	-	-
Transfers In	2,761,706	1,503,700	2,014,000	3,215,383	4,728,828	4,424,887	2,423,025	5,087,747	3,514,277	7,150,482
Transfers Out	(1,557,106)	(281,400)	(783,100)	(1,933,483)	(3,661,625)	(3,262,286)	(1,252,225)	(3,915,347)	(2,263,455)	(5,835,917)
Principal Payment on Refunded Bonds	-	(3,080,000)	-	(2,715,000)	-	-	-	-	-	-
Proceeds on Disposition of Capital Assets	-	134,388	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>3,912,621</u>	<u>(1,723,312)</u>	<u>3,670,610</u>	<u>(1,433,100)</u>	<u>1,067,203</u>	<u>1,162,601</u>	<u>3,726,767</u>	<u>1,172,400</u>	<u>1,250,822</u>	<u>3,944,565</u>
Net Change in Fund Balances	<u>\$ 2,836,917</u>	<u>\$ 1,177,618</u>	<u>\$ 1,352,365</u>	<u>\$ (1,152,343)</u>	<u>\$ 3,694,971</u>	<u>\$ (712,877)</u>	<u>\$ 11,185,383</u>	<u>\$ 7,477,966</u>	<u>\$ 9,901,090</u>	<u>\$ 9,388,198</u>
Debt Service as a Percentage of Noncapital Expenditures	3.9%	2.1%	3.3%	3.4%	2.7%	2.7%	3.2%	2.9%	3.3%	3.2%

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
2010	67,387,621	34,853,650	612,053	1,691,878	8,923,870	92,237,576	30.887%	8,275,660,200	1.11%
2011	62,980,807	34,416,696	644,196	1,649,966	9,113,094	87,278,639	33.705%	7,846,377,400	1.11%
2012	60,535,861	33,240,685	669,280	1,657,138	9,503,039	83,285,649	35.595%	7,709,987,200	1.08%
2013	56,941,172	34,805,369	767,166	1,839,866	9,625,039	81,048,802	37.213%	7,524,678,300	1.08%
2014	58,877,909	32,469,923	775,348	1,895,625	9,146,127	81,081,428	37.651%	7,539,383,700	1.08%
2015	62,778,666	34,813,987	811,925	2,026,014	9,717,859	86,660,705	36.565%	7,796,498,758	1.11%
2016	66,167,466	37,366,035	837,902	2,156,775	9,744,736	92,469,892	35.674%	8,271,102,488	1.12%
2017	69,542,646	37,054,544	901,339	2,407,233	10,748,890	94,342,406	36.378%	8,549,418,319	1.10%
2018	75,536,028	35,729,606	970,845	3,006,273	9,800,882	99,429,324	35.710%	8,965,391,893	1.11%
2019	80,365,410	37,995,645	1,007,217	3,179,163	9,809,213	106,379,896	34.676%	9,601,668,583	1.11%

Source: City of Minnetonka financial records

**CITY OF MINNETONKA
Hennepin County, Minnesota**

**PROPERTY TAX RATES PER \$10,000 OF TAX CAPACITY -
ALL DIRECT AND OVERLAPPING GOVERNMENTAL UNITS
Years 2010 Through 2019**

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
2010	30.873	0.014	30.887	23.050	18.657	23.311	42.640	9.431	106.008	101.615	106.269
2011	33.691	0.014	33.705	26.456	21.274	24.034	45.840	10.489	116.490	111.308	114.068
2012	35.581	0.014	35.595	29.270	23.015	25.325	48.231	10.911	124.007	117.752	120.062
2013	37.199	0.014	37.213	29.730	24.487	25.236	49.461	11.483	127.887	122.644	123.393
2014	37.637	0.014	37.651	32.358	24.374	24.571	49.959	10.797	130.765	122.781	122.978
2015	36.552	0.013	36.565	30.340	25.093	26.252	46.398	9.987	123.290	118.043	119.202
2016	35.661	0.013	35.674	28.514	22.887	26.106	45.356	9.719	119.263	113.636	116.855
2017	36.363	0.015	36.378	25.611	22.770	26.290	44.087	10.214	116.290	113.449	116.969
2018	35.695	0.015	35.710	29.035	23.133	25.464	42.808	9.849	117.402	111.500	113.831
2019	34.662	0.014	34.676	27.022	21.209	24.833	41.861	9.422	112.981	107.168	110.792

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

Source: Hennepin County Taxpayer Services Department

CITY OF MINNETONKA
Hennepin County, Minnesota

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	2019		2010		Rank	Percentage of Total Tax Capacity Value
		Tax Capacity Value	Rank	Tax Capacity Value	Rank		
United Health Group	Office Center	\$ 2,750,980	1	2.77%	\$ 1,739,250	3	1.89%
General Growth (Ridgedale)	Regional Shopping Center	2,105,354	2	2.12%	2,199,250	1	2.38%
Medica Health Plans	Commercial	1,388,930	3	1.40%			
KBS REIT II	Office Center	1,219,250	4	1.23%			
Cargill, Inc.	Office Center	1,023,630	5	1.03%	689,250	7	0.75%
Carlson Companies	Office Center	979,250	6	0.98%	2,088,250	2	2.26%
RREEF America REIT II Corp	Apartments	914,338	7	0.92%	575,000	10	0.62%
Wells Operating Partnership	Office Center	907,170	8	0.91%	879,250	4	0.95%
Property Reserve, Inc.	Office Center	848,810	9	0.85%	799,250	6	0.87%
CSM West Ridge, inc.	Shopping Center	735,030	10	0.74%	666,010	8	0.72%
HQ, LLC	Commercial				599,250	9	0.65%
Target Corporation	Retail						
ND Properties, Inc.	Office Center				839,250	5	0.91%
		<u>\$12,872,742</u>		<u>12.95%</u>	<u>\$ 11,074,010</u>		<u>12.00%</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
2010 *	29,060,560	28,749,479	98.93%	(53,518)	53,145	28,749,106	98.93%
2011	29,894,854	29,507,710	98.70%	(438,683)	96,590	29,165,617	97.56%
2012	30,725,399	30,340,731	98.75%	(803,243)	27,121	29,564,609	96.22%
2013	31,193,800	30,911,217	99.09%	(1,101,325)	(1,762)	29,808,130	95.56%
2014	32,053,598	31,698,445	98.89%	(778,423)	34,387	30,954,409	96.57%
2015	32,987,035	32,644,959	98.96%	(642,871)	55,242	32,057,330	97.18%
2016	34,289,440	33,836,412	98.68%	(705,749)	37,831	33,168,494	96.73%
2017	35,832,802	35,425,426	98.86%	(832,025)	28,801	34,622,202	96.62%
2018	37,212,950	36,851,292	99.03%	(201,411)	-	36,649,881	98.49%
2019	38,655,431	38,361,341	99.24%	(81,439)	-	38,279,902	99.03%

Source: Hennepin County Tax Settlement Reports

* Certified Levy less Market Value Credit Unallotment.

CITY OF MINNETONKA
Hennepin County, Minnesota

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	<u>Governmental Activities General Obligation Bonds</u>	<u>Business-type Activities Water Revenue Bonds</u>	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
2010	13,867,111	6,907,504	20,774,615	0.24%	0.72%	139	418
2011	10,188,099	6,015,372	16,203,471	0.21%	0.56%	120	324
2012	9,359,110	5,201,632	14,560,742	0.32%	0.50%	103	287
2013	8,160,741	4,250,278	12,411,019	0.27%	0.41%	84	244
2014	7,162,372	3,273,923	10,436,295	0.28%	0.41%	64	204
2015	6,154,003	12,232,568	18,386,571	0.23%	0.69%	237	356
2016	7,669,627	19,145,229	26,814,856	0.27%	0.94%	363	508
2017	6,597,892	18,836,958	25,434,850	0.23%	0.89%	353	476
2018	5,307,544	28,253,673	33,561,217	0.18%	1.14%	526	625
2019	6,533,240	27,134,988	33,668,228	0.21%	1.08%	501	622

Source: City of Minnetonka financial records

CITY OF MINNETONKA
Hennepin County, Minnesota

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less Amounts Available in Debt Service Funds	Total	General Percentage of Total Estimated Taxable Market Value of Property (1)	Total Debt as a Percentage Per Capita (2)
2009	12,089,843	1,252,169	10,837,674	0.13%	211
2010	13,867,111	4,051,357	9,815,754	0.12%	197
2011	10,188,099	1,301,371	8,886,728	0.11%	178
2012	9,359,110	3,890,389	5,468,721	0.07%	108
2013	8,160,741	1,150,271	7,010,470	0.09%	138
2014	7,162,372	1,209,111	5,953,261	0.08%	116
2015	6,154,003	1,281,887	4,872,116	0.06%	94
2016	7,669,627	1,345,268	6,324,359	0.08%	120
2017	6,597,892	1,672,330	4,925,562	0.06%	92
2018	5,307,544	1,828,672	3,478,872	0.04%	65
2019	6,533,240	1,946,614	4,586,626	0.05%	85

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, 2019

<u>Governmental Units</u>	<u>Net Debt Outstanding</u>	(1) <u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt:			
City of Minnetonka	\$ 6,533,240	100.00 %	<u>\$ 6,533,240</u>
Overlapping Debt:			
School Districts			
I.S.D. 270 - Hopkins	164,359,000	44.46	73,074,011
I.S.D. 276 - Minnetonka	107,952,509	25.00	26,988,127
I.S.D. 283 - St. Louis Park	137,122,694	0.02	27,425
I.S.D. 284 - Wayzata	211,648,736	15.00	31,747,310
Hennepin County	983,232,996	5.48	53,881,168
Hennepin County Parks	39,123,902	7.73	3,024,278
Hennepin County RR Authority	91,599,372	5.48	5,019,646
Regional:			
Metropolitan Council	142,583,705	2.79	3,978,085
Total Overlapping Debt			<u>197,740,050</u>
Total Direct and Overlapping Debt			<u><u>\$ 204,273,290</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**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Market Value (Taxable)	\$ 8,275,660,200	\$ 7,831,970,800	\$ 7,489,072,211	\$ 7,295,340,723	\$ 7,311,630,277	\$ 7,796,498,758	\$ 8,271,102,488	\$ 8,549,418,319	\$ 8,965,391,893	\$ 9,601,668,583
* Debt Limit 3% of Market Value (Note A)	<u>248,269,806</u>	<u>234,959,124</u>	<u>224,672,166</u>	<u>218,860,222</u>	<u>219,348,908</u>	<u>233,894,963</u>	<u>248,133,075</u>	<u>256,482,550</u>	<u>268,961,757</u>	<u>288,050,057</u>
Amount of Debt Applicable to Debt Limit:										
General Obligation Bonds	13,760,000	10,075,000	9,160,000	7,990,000	7,020,000	6,040,000	7,475,000	6,445,000	5,185,000	6,440,000
Available in Debt Service Funds	<u>(4,051,357)</u>	<u>(1,301,371)</u>	<u>(3,890,389)</u>	<u>(1,150,271)</u>	<u>(1,209,111)</u>	<u>(1,281,887)</u>	<u>(1,345,268)</u>	<u>(1,672,330)</u>	<u>(1,828,672)</u>	<u>(1,946,614)</u>
Total Debt Applicable to Debt Limit	<u>9,708,643</u>	<u>8,773,629</u>	<u>5,269,611</u>	<u>6,839,729</u>	<u>5,810,889</u>	<u>4,758,113</u>	<u>6,129,732</u>	<u>4,772,670</u>	<u>3,356,328</u>	<u>4,493,386</u>
Legal Debt Margin	<u>\$ 155,804,561</u>	<u>\$ 226,185,495</u>	<u>\$ 219,402,555</u>	<u>\$ 212,020,493</u>	<u>\$ 213,538,019</u>	<u>\$ 229,136,850</u>	<u>\$ 242,003,343</u>	<u>\$ 251,709,880</u>	<u>\$ 265,605,429</u>	<u>\$ 283,556,671</u>
Total net debt applicable to the limit as a percentage of debt limit	5.87%	3.73%	2.35%	3.13%	2.65%	2.03%	2.47%	1.86%	1.25%	1.56%

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

NOTE (A):

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

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

NOTE (B):

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

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

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

Source: City of Minnetonka financial records

CITY OF MINNETONKA
Hennepin County, Minnesota

PLEGGED-REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Utility Bonds					Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2010	11,308,402	8,954,086	2,354,316	840,000	246,226	2.17
2011	11,030,795	9,547,062	1,483,733	870,000	212,468	1.37
2012	12,613,585	10,001,598	2,611,987	870,000	140,527	2.58
2013	11,347,952	8,940,150	2,407,802	2,835,000 *	105,712	0.82
2014	11,477,857	9,839,913	1,637,944	945,000	64,274	1.62
2015	14,394,358	10,675,704	3,718,654	1,010,000	28,883	3.58
2016	14,137,665	9,150,361	4,987,304	11,060,000	164,698	0.44
2017	17,165,306	10,381,786	6,783,520	275,000	124,348	16.99
2018	17,196,532	10,036,771	7,159,761	875,000	320,517	5.99
2019	17,023,789	11,748,589	5,275,200	1,070,000	757,828	2.89

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
2010	49,734	26,445	5.8%	57,841	2,876,652,888	46,176
2011	50,046	26,736	4.5%	58,210	2,913,156,997	48,690
2012	50,747	26,745	4.5%	57,952	2,940,890,144	45,105
2013	50,841	27,845	3.8%	59,126	3,006,024,966	47,191
2014	51,144	28,067	3.3%	50,317	2,573,412,648	46,842
2015	51,647	28,184	2.9%	51,498	2,659,717,206	46,280
2016	52,741	28,669	3.3%	53,849	2,840,050,109	45,083
2017	53,394	29,354	2.6%	53,467	2,854,816,998	46,179
2018	53,713	29,646	2.3%	54,790	2,942,935,270	49,366
2019	54,141	29,660	2.6%	57,607	3,118,900,587	49,366

Sources:

- (1) 2010 is a regular decennial census figure. All other years are best available estimates provided by the Metropolitan Council. For 2019, an updated estimate from 2018 was not available at publication.
- (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

<u>Taxpayer</u>	<u>2019</u>			<u>2010</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
United Health Group	4,400	1	8.91%	2,681	1	5.66%
Cargill, Inc.	3,400	2	6.89%	2,200	2	4.65%
Independent School District (No. 276)	1,700	3	3.44%	1,476	6	3.12%
Rosemount Engineering	1,600	4	3.24%			
Medica Health Plans	1,300	5	2.63%	1,300	8	2.75%
Starkey Laboratories	1,300	6	2.63%	1,325	7	2.80%
St Jude Medical/Abbott	1,300	7	2.63%	1,800	4	3.80%
Super Value Stores, Inc.	1,265	8	2.56%	1,500	5	3.17%
MTS Systems Corporation	846	9	1.71%			
American Family Insurance	694	10	1.41%			
Carlson Companies				2,000	3	4.23%
Emerson Process Management, Inc.				1,100	9	2.32%
HSBC Bank Nevada, NA				900	10	1.90%
	<u>17,805</u>		<u>36.07%</u>	<u>16,282</u>		<u>34.40%</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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government:										
Mayor and City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
General Administration	8.72	8.97	8.97	8.97	9.55	10.45	9.95	10.95	11.75	11.75
Information Technology	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	4.75	4.75
Finance	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00
Assessing	5.25	5.25	5.25	5.25	5.60	5.60	5.60	5.60	5.70	5.70
Development Services:										
Planning	6.25	6.25	5.50	5.50	5.50	6.00	6.00	6.00	6.00	5.00
Engineering	10.00	9.75	9.75	9.75	9.75	9.25	9.25	9.50	9.50	9.50
Community Development	10.40	10.40	11.40	11.60	11.00	12.10	13.10	13.10	14.30	15.30
Development Fund	0.20	0.20	0.20	-	-	-	-	-	-	-
Parks and Recreation:										
Joint Recreation	6.15	6.15	5.75	5.84	5.84	5.74	6.35	6.85	6.85	6.85
Community Center	3.85	3.75	4.15	3.37	3.37	3.37	3.37	3.37	3.60	3.60
Parks and Trails	9.01	8.91	8.91	9.21	9.97	9.98	10.08	10.08	10.08	10.08
Senior Services	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.40	2.40
Minnetonka Recreation	1.15	1.15	0.75	0.84	0.84	0.84	0.75	0.75	2.00	2.00
Natural Resources	4.51	4.58	4.58	4.71	5.57	6.58	6.48	6.48	8.18	8.18
Streets and Buildings:										
Buildings and Grounds	7.00	7.40	8.31	8.18	7.37	8.38	8.38	8.38	8.38	8.38
Street	22.53	20.95	20.95	21.24	21.24	21.10	21.10	21.10	21.10	21.10
Public Safety:										
Police:										
Licensed	56.00	47.00	47.00	47.00	47.00	47.00	47.00	47.00	47.00	47.00
Other	19.35	19.35	18.95	18.95	19.45	19.45	20.45	20.45	22.69	22.69
Fire:										
Full-time	6.50	6.50	6.50	6.50	6.50	6.50	8.00	8.00	11.00	11.00
Paid on call	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00	80.00
Dispatch	-	9.00	9.00	9.00	9.00	9.00	9.00	9.00	-	-
Environmental Health	3.40	3.40	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Legal	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Cable Television	2.25	2.00	2.00	2.00	2.00	2.00	2.50	2.50	2.50	2.50
Water and Sewer Utility	16.14	16.22	16.22	16.04	16.39	18.40	18.40	18.40	18.20	18.40
Ice Arena	3.80	3.80	3.80	3.62	3.62	3.62	3.00	3.50	3.50	3.50
Williston Center	5.15	5.05	5.05	5.05	7.05	7.15	8.45	7.45	9.45	9.45
Environmental	1.53	1.58	1.58	1.51	0.47	0.48	0.48	0.48	0.48	0.48
Gray's Bay Marina	-	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Storm Water	0.50	0.50	0.50	0.50	0.50	0.50	0.50	1.50	1.50	1.50
Fleet Maintenance Internal Service	4.53	4.58	4.58	4.51	4.51	4.38	4.38	4.38	4.38	4.38
Total	319.42	318.14	318.60	318.09	321.04	326.82	331.52	333.77	338.99	339.19

Source: City of Minnetonka financial records

CITY OF MINNETONKA
Hennepin County, Minnesota

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety:										
Police:										
Calls for service	47,120	45,198	42,883	45,139	42,644	43,651	38,321	41,100	42,500	41,700
Criminal offenses	3,384	2,416	2,256	2,269	2,150	2,392	1,946	2,115	2,204	2,104
Fire:										
Number of calls	792	790	750	996	750	1,036	1,213	1,233	1,250	1,400
Legal:										
Cases opened and processed by staff	828	883	863	895	700	594	768	750	750	750
Environmental Health:										
Number of licensed establishments	730	716	711	720	735	720	750	760	750	775
Number of nuisance complaints	550	462	648	512	500	545	609	640	580	600
Development Services:										
Engineering:										
Number of construction projects underway	14	11	13	12	14	9	3	7	7	5
Number of construction projects completed	13	12	11	10	11	5	5	6	5	6
Community Development:										
Permits issued	6,250	6,757	6,301	6,761	6,800	7,924	7,800	7,250	7,150	7,000
Planning:										
Number of planning applications received	149	125	148	135	120	116	133	90	95	130
Number of building permits reviewed	1,582	1,700	1,590	1,688	1,700	1,007	1,853	1,200	1,500	1,600
Public Works:										
Street Maintenance:										
Miles of city maintained	254.9	254.9	254.9	254.9	254.9	254.9	254.9	254.9	256.9	256.9
Street Improvement:										
Miles of street rehabilitated	1.9	4.6	4.9	4.5	4.5	4.0	5.2	2.0	1.6	1.9
Average pavement condition index	78	81	82	82	82	83	83	83	81	81
Park & Recreation:										
Joint Recreation:										
Number of program participants	34,493	33,484	40,866	41,783	39,300	37,100	41,444	42,000	42,500	45,000
Senior Services:										
Number of program participants	4,004	10,381	12,881	14,305	14,500	28,513	16,861	17,100	17,100	17,100

CITY OF MINNETONKA
Hennepin County, Minnesota

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Park & Recreation: (Continued)										
Parks and Trails:										
Number of parks maintained	48	48	48	48	48	48	50	50	50	50
Park acreage:										
Active	283.9	283.9	283.9	283.9	283.9	283.9	283.9	283.9	283.9	313.5
Passive	983.5	983.5	983.5	983.5	983.5	983.5	983.5	983.5	983.5	983.5
Miles of trail and sidewalk maintained	86	94	96	96	99	99	100	104	104	105
Natural Resources:										
Number of diseased trees removed	1,215	1,422	1,204	752	900	645	677	700	700	500
Number of permits reviewed/inspected for natural resource compliance	475	550	550	725	650	712	696	745	745	750
General Government:										
Administrative Services:										
Number of registered voters	35,157	35,340	35,836	35,241	35,500	35,234	37,040	35,200	36,000	37,650
Water and Sewer Utility:										
Number of utility customer accounts	166,237	16,739	16,784	16,838	16,982	16,957	16,970	16,970	17,023	17,023
Water pumped (million gallons)	2,354	2,406	2,685	2,403	2,400	2,200	2,100	2,700	2,700	2,200
Utility locate requests completed	6,793	8,363	8,352	9,675	10,000	13,289	10,087	11,000	12,000	10,000
Ice Arena:										
Ice rental hours sold	3,150	3,300	3,312	3,020	3,200	2,750	3,071	3,100	3,100	3,000
Environmental:										
Curbside recycling picked up (tons)	5,145	5,113	5,440	5,316	5,100	4,975	4,930	4,900	4,900	4,900
Willston Center:										
Total memberships sold	1,857	3,694	6,638	8,342	8,400	8,400	8,356	9,200	9,200	9,600
Gray's Bay:										
Slip lease rate	\$ 3,800	\$ 3,800	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900	\$ 3,900
Storm Water:										
Number of storm sewer projects completed	3	4	8	11	7	7	8	2	2	3

Source: Various city departments

CITY OF MINNETONKA
Hennepin County, Minnesota

CAPITAL ASSEST STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety:										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Number of police officers	57	57	57	57	57	57	58	58	58	58
Fire Stations	5	5	5	5	5	5	5	5	5	5
Public Works:										
Streets (miles)	255	255	255	255	255	255	255	255	255	257
Streetlights	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,907	1,907
Parks and Recreation:										
Parks acreage	1,056	1,056	1,056	1,057	1,057	1,057	1,057	1,057	1,267	1,297
Parks	50	50	50	50	50	50	50	50	50	50
Water and Sewer Utilities:										
Water mains (miles)	308	308	308	308	308	308	308	308	308	309
Fire hydrants	2,577	2,577	2,577	2,577	2,577	2,577	2,577	2,577	2,853	2,860
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	278	279	280
Storm Water										
Storm sewers (miles)	88	88	88	88	88	88	88	88	88	88

Source: Various city departments