City of Minnetonka Beach
Finance Committee

Steve Howarth (Treasurer) Chair
Erik Bender
Lee Goehring
Colby Skelton
Paul Sperduto
Davida Suiter
Johnny Whitaker

Council Liaison – Jill Bartel
Staff: Susanne Griffin

Meeting Agenda - AMENDED
Wednesday, February 21, 2018– 6:00 PM
City Hall

1. Call to Order

2. Approval of Agenda

3. Approval of Minutes of November 7, 2017

4. New Business

   4.1. Review of 2017 Financial Audit Report – Bonnie Schweiger, Abdo, Eick and Meyers
   4.2. Comprehensive Plan review and input – Capital Asset Financing Policy
   4.3. Investment Rollover Activity
   4.4. Planning for Capital Improvement Funding

5. Reports
   5.1. January Actual to Budget Report

6. Adjourn

City of Minnetonka Beach
Finance Committee Minutes - Unapproved
Tuesday, November 7, 2017 – 6:00 p.m.

Members:
Steve Howarth (Treasurer) Chair
Erik Bender
Lee Goehring
Colby Skelton
Paul Sperduto
Davida Suiter
Johnny Whitaker

Council Liaison – Jill Bartel

Staff: Susanne Griffin

1. Call to Order
Chair Howarth called the meeting to order at 6:05 p.m.

Members Present: Chair Steve Howarth, Colby Skelton, Davida Suiter, Paul Sperduto, Johnny Whitaker and Council Liaison Bartel. Absent: Erik Bender, Lee Goehring

Staff present: Susanne Griffin, City Administrator

2. Approval of Agenda

(Sperduto motion, Skelton second to approve agenda, all voted in favor.) Motion passed.

3. Approval of Minutes of September 6, 2017, 2017 Finance Committee meeting.

(Whitaker motion, Sperduto second to approve minutes of the September 6, 2017 Finance Committee meeting, all voted in favor.) Motion passed.

4. Old Business
4.1. Capital Improvement Program Review

Capital funding activities – Chair Howarth stated that the committee needed to review the 2018 Capital Program including two suggested changes to the previously adopted 2018 – 2022 Capital Improvement Program. The two changes Treasurer Howarth was suggesting were to switch the City Hall maintenance amount from 2019 to 2018 ($2500 and move $5000 to 2019), and move the leaf loader to 2019. These suggested changes would reduce the capital budget from $167,800 to $125,300.

Members went through each item on the 2018 CIP list. Chair Howarth mentioned that he thought that rather than replacing the Northview Road wall perhaps the area could just be graded instead of having a wall. Other members of the committee commented on whether there was a more efficient way to solve the problem.

Members discussed "Transportation Study" portion of the CIP and what the funds were to be used for. Griffin clarified that the first year of funding was for the city-wide transportation study and subsequent years was to fund things that came out of the study, including items associated with the County Road 15 Safe Crossing, speed bumps or other things that came out of the study.

Chair Howarth stated that he supports the crossing and thinks it should be funded.

The Paving Management Study was discussed, and Member Whitaker asked whether this could be done more efficiently such as by a paving company evaluate the condition of the roads for free or reduced rate. It was clarified that the study would be more comprehensive that just looking at repaving the roads.

Chair Howarth explained that the committee wasn't going to discuss the potential bonding projects on the CIP at this meeting, but they would be discussed at another meeting.

Finance Committee members discussed possibly pulling forward any unused funds from 2017 into the 2018 CIP. There was consensus that it was prudent to do so.

Whitaker discussed the possibility of not doing the city hall maintenance but would support the transportation funding. Members discussed the plan for city hall maintenance for 2018 which was to re-stain or touch up the woodwork in city hall, and most felt it was not necessary at this time.

Howarth said he thinks the Transportation/Crossing issue is well underway. While the CIP has been adopted by Council, the Finance Committee can make recommendations to the City Council for changes to the plan. If Council agreed, they could amend the 2018 – 2022 CIP.

After some discussion the members agreed that the amended 2018 Capital Improvement Program be recommended to the City Council with the exception of the $2500 for City Hall maintenance, and they recommend that the Council re-evaluate the Northview wall issue. They also agreed that unused 2017 CIP funds should be reallocated to 2018.

Suiter motion, Sperduto second to recommend approval of the 2018 CIP as amended, with the removal of the $2500 city hall maintenance for a total of $122,800 for the 2018 CIP, and that the City Council consider alternatives for the wall; all in favor. Motion passed.

Skelton motion, Sperduto second to the extent that city finances allow they recommend that the City Council use unused 2017 funds to fund 2018 CIP projects; all in favor. Motion passed.

4.2 2018 Preliminary Budget

Chair Howarth directed members to the spreadsheet in the packet that now showed 2017 actual revenues and expenses through 9/30/17, and projected 2017 revenues and expenses based on actual or estimated amounts. Chair Howarth stated that it will be important to look at 2017 projected amounts to help determine needs for the 2018 budget.

Members went through each page of the spreadsheet and made the following comments:

Page 1 – Line item 1140 – Permits increased to $75,000. Suiter expressed concern that it might be too liberal of an amount if there was a downturn in building projects. After further discussion, members agreed that the increase was appropriate after looking at the trends.

Page 2 – no changes – Griffin was asked to explain how line item 1260 worked which was road aid from the county. She stated that the county provides these funds if the city makes road improvements on city roads that abut county roads which are most of the city streets. It is a reimbursement account and if the city doesn't apply, they keep the funds up to three years. The funds could be used the city portion of the dirt paths that the Safe Crossing subcommittee is considering. This information has already been sent to Planning Commission Chair Orehek.

Page 3 – an increase in interest earnings to $12,000 was pointed out. Members felt comfortable with that increase.

Page 4 – line item 2960 – based on earlier discussion and motion to recommend a change to the 2018 CIP, this item was reduced to $122,800 for a total of 132,800 in account 2900 (including the $10,000 budget for capital reserves).

Chair Howarth pointed out that the City should be mindful of capital program expenditures and that the projects are completed if they are levied for.

Members discussed the 2017 project amount for outgoing Public Works Director's severance for unused sick leave, comp time and vacation. The final amount is $53,109.23. There was discussion about using funds from the Unfunded Liability Account (2026) to fund this liability.

Skelton motion, Suiter second to use $13,000 of funds from the Unfunded Liability account to cover the underbudgeted amount for the one-time separation expense of outgoing Public Works Director and the remainder from the general fund; all in favor. Motion passed.

Page 5 – line item 2060 – increased to $40,000 - Griffin explained increase in legal expenses which will be to fund the City's co-pay for litigation.

Line item 2080 – Increased to $40,000 based on trends.
Line item 2081 – Comprehensive Plan – reduced to $40,000 – Griffin explained that she had received new proposals from Stantec for the engineering portions of the plan that were lower than initial proposals.

Line item 2120 – Village Hall – increased to $11,930 based on projections for 2017. Chair Howarth stated for the record that he did not make a request to reduce the village hall budget to eliminate rugs and have city staff do housekeeping on purchased rugs.

Chair Howarth mentioned that there may be a change in our city attorney contract due to changes at Lindquist & Vennum. We learned that they are merging with another company and may significantly increase their rates.

Page 7 – Administrator Griffin explained that there may be a change to line item 2359 as the City of Orono who provides on-call back up service for our Public Works department is seeking a contract with the city that would include paying for each day they are on-call. The committee took no action to increase this item.

Page 8 – no changes

Page 9 – Line item 2726 - Finance Committee members discussed the additional $50,000 that was added to the 2018 Preliminary budget and levy at the September City Council meeting – Chair Howarth stated that after talking with public works staff he did not believe there is a basis for this increase. Finance Committee members were not in favor of this increase stating there didn't appear to be a basis for the increased and suggested the amount to go back to $7,500 as originally budgeted. They were unaware of any deferred maintenance that needs to be funded based on communication with public works staff.

Line item 2739 – Televising sewer lines – Griffin explained that this was reduced because sewer lines are only televised every so often and the City has completed the necessary televising in 2017.

Member Sperduto made a motion which was to adopt the changes as discussed at the meeting. After further discussion Sperduto retracted his motion. Members felt they should be more specific in their motion.

Suiter motion, Sperduto second to recommend the proposed final 2018 budget with the committee's addition changes of reducing the Capital Improvement budget to $122,800 and line item 2726 – Repairs to $7500; all in favor. Motion passed.

The following motion was passed for clarity.

Suiter motion, Skelton second to recommend reducing overall expenditures from the adopted preliminary budget of $1,472,736.28 to 1,401,066.18; all in favor. Motion passed.

5. Chair Howarth adjourned the meeting at 8:30 p.m.

Others in attendance: None

Minutes taken by Susanne Griffin, City Administrator

Management Letter

City of the Village of Minnetonka Beach

Minnetonka Beach, Minnesota

For the Year Ended
December 31, 2017

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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NEED DATE

Management, Honorable Mayor and City Council
City of the Village of Minnetonka Beach, Minnesota

We have audited each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of the Village of Minnetonka Beach, Minnesota (the City), for the year ended December 31, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated November 7, 2017. In our report, our opinion was adverse because the City prepared its financial statements on the regulatory basis, which is a special purpose framework other than accounting principles generally accepted in the United States of America. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the regulatory basis of accounting prescribed by the Minnesota Office of the State Auditor. Our audit of the financial statements does not relieve you or management of your responsibilities.

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Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control over financial reporting (internal control) of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

In planning and performing our audit of the financial statements, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described on the following page as finding 2017-001 that we consider to be a significant deficiency.

5201 Eden Avenue, Suite 250
Edina, MN 55436
952.835.9090 | Fax 952.835.3261

2017-001 **Preparation of Financial Statements**

Condition: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.

Cause: From a practical standpoint, we both prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation: Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. Although the risk of misstatement is mitigated by the Cities interim financial reporting, it is the responsibility of management and those charged with governance to make the decision to accept the degree of risk associated with this condition because of cost or other considerations. Regarding the specific situations listed above, we would offer the following recommendations: 1) Utilize a disclosure checklist to ensure that all required disclosures are present and agree to work papers, and 2) Although the following does occur during the audit, agree your accounting information from QuickBooks to the amounts reported in the financial statements.

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Management Response:

For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of Minnesota statutes, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements. The results of our tests disclosed no instances of noncompliance that are required to be reported with the *Government Auditing Standards* or Minnesota statutes.

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Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year ended December 31, 2017. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include depreciation on capital assets and the allocation of payroll.

- Management's estimate of depreciation is based on estimated useful lives of the assets. Depreciation is calculated using the straight-line method.

- Allocations of gross wages and payroll benefits are approved by City Council within the City's budget and are derived from each employee's estimated time to be spent servicing the respective functions of the City. These allocations are also used in allocating accrued compensated absences payable.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Although management has corrected all significant misstatements, there were two 2017 adjustments which we considered to be trivial, individually and in aggregate. The City's financial statements have not been adjusted for the City's portion of the Public Employer's Retirement Association (PERA) pension liability, $21,721 or the City's actuarial determined other post-employment benefit obligation, $939.

We also assisted in preparing a number of year end accounting entries. These were necessary to adjust the City's records at year end to correct ending balances. The City should establish more detailed processes and procedures to reduce the total number of entries in each category. The City will receive better and timelier information if the preparation of year end entries is completed internally.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated NEED DATE.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the supplementary information (individual fund financial schedules), which accompany the financial statements but are not required supplementary information (RSI). With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section or the unaudited supplementary information (the schedule of accounts receivable and the schedule of accounts payable and contingent liabilities), which accompanies the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on them.

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Financial Position and Results of Operations

Our principal observations and recommendations are summarized on the following pages. These recommendations resulted from our observations made in connection with our audit of the City's financial statements for the year ended December 31, 2017

General Fund

The General fund is used to account for resources traditionally associated with government, which are not required legally or by sound principal management to be accounted for in another fund. The fund balance increased $68,469 to $820,759 at
December 31, 2017. The total fund balance represents 89.3 percent of the 2018 budgeted disbursements. We recommend that the fund balance be maintained at a level sufficient to fund operations until the major revenue sources are received in June. The City's fund balance policy identifies a targeted level of an amount not less than 65 percent of the next year's budgeted disbursements. The City's ending fund balance is above this target level from the policy.

The purposes and benefits of a General fund balance are as follows:

- Disbursements are incurred somewhat evenly throughout the year. However, property tax revenues are not received until the second half of the year. An adequate fund balance will provide the cash flow required to finance the General fund disbursements until these revenue sources are received.

- Disbursements not anticipated at the time the annual budget was adopted may need immediate City Council action. These would include capital outlay, replacement, lawsuits and other items. An adequate fund balance will provide the financing needed for such disbursements.

- A strong fund balance will assist the City in maintaining, improving or obtaining a bond rating. The result will be better interest rates in future bond sales.

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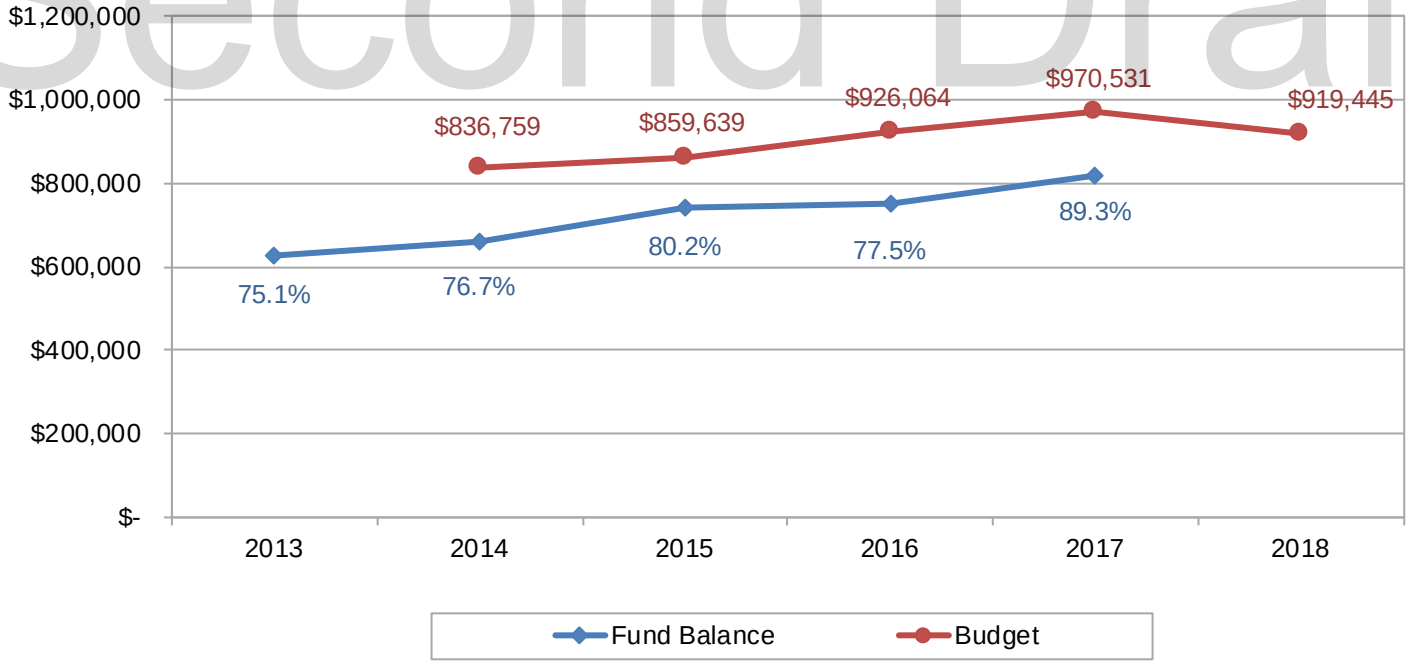
Fund Balance as a Percent of Next Year's Budgeted Disbursements



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The 2017 operations of the General fund are summarized as follows:

	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Receipts	$ 970,531	$ 1,044,138	$ 73,607
Disbursements	905,531	910,669	(5,138)
Excess of Receipts Over Disbursements	65,000	133,469	68,469
Other Financing Uses			
Transfers out	(65,000)	(65,000)	-
Net Change in Cash Fund Balances	-	68,469	68,469
Cash Fund Balances, January 1	752,290	752,290	-
Cash Fund Balances, December 31	$ 752,290	$ 820,759	$ 68,469

Some of the line items with significant variances are highlighted below:

- Receipts from nonbusiness licenses and permits were $55,425 over budget resulting in a positive budget variance.
- Receipts from state grants were $14,193 over budget, mostly due to the receipt of state maintenance aid for $8,518.
- Disbursements for general government purposes were $26,860 more than anticipated, due to the following factors:
    - In 2017, a partially unbudgeted severance payment of about $52,000 was made to the retired public works director. Although this amount was not fully budgeted for in 2017, the payment was partially funded by the assigned payroll liability balance.
    - Legal services were over budget by $16,698, due to more than anticipated legal costs.
    - Planning and zoning costs were under budget by $24,507, due to less than expected costs related to zoning administration.
- Disbursements for streets and highways were $20,792 less than anticipated. This variance is mostly due to less than expected costs for wages and other services and charges.
- The City's fund balance contains a $5,000 budgeted assignment for a payroll liability for the future payment of unused sick and vacation time. As of December 31, 2017, the accumulated balance set aside totals $10,710. This is a decrease of $9,290 from the previous year, which is mostly due to the for mentioned severance payment for the retired public works director.

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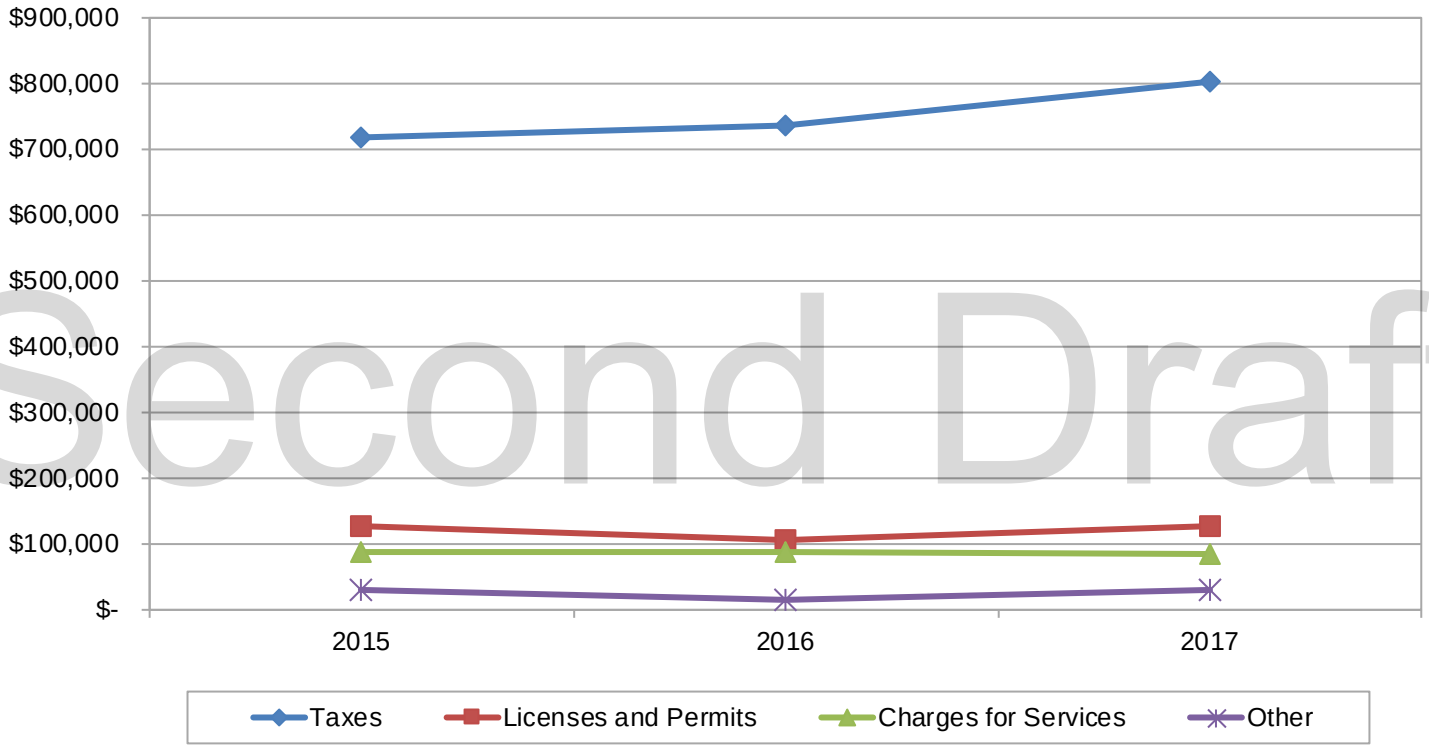
A more detailed comparison of General fund receipts is as follows:

Receipts Source	2015	2016	2017	Percent of Total	Per Capita
Taxes	$ 718,956	$ 737,055	$ 802,725	76.9 %	$ 1,512
Licenses and Permits	126,978	106,540	126,585	12.1	238
Intergovernmental	19,849	2,622	16,637	1.6	31
Charges for Services	86,531	87,353	84,313	8.1	159
Fines and Forfeitures	6,243	4,564	7,324	0.7	14
Investment Earnings	244	1,732	4,174	0.4	8
Other	3,755	5,623	2,380	0.2	4
Total Receipts	$ 962,556	$ 945,489	$ 1,044,138	100.0 %	$ 1,966

A graphical presentation of the last three years receipts follows:



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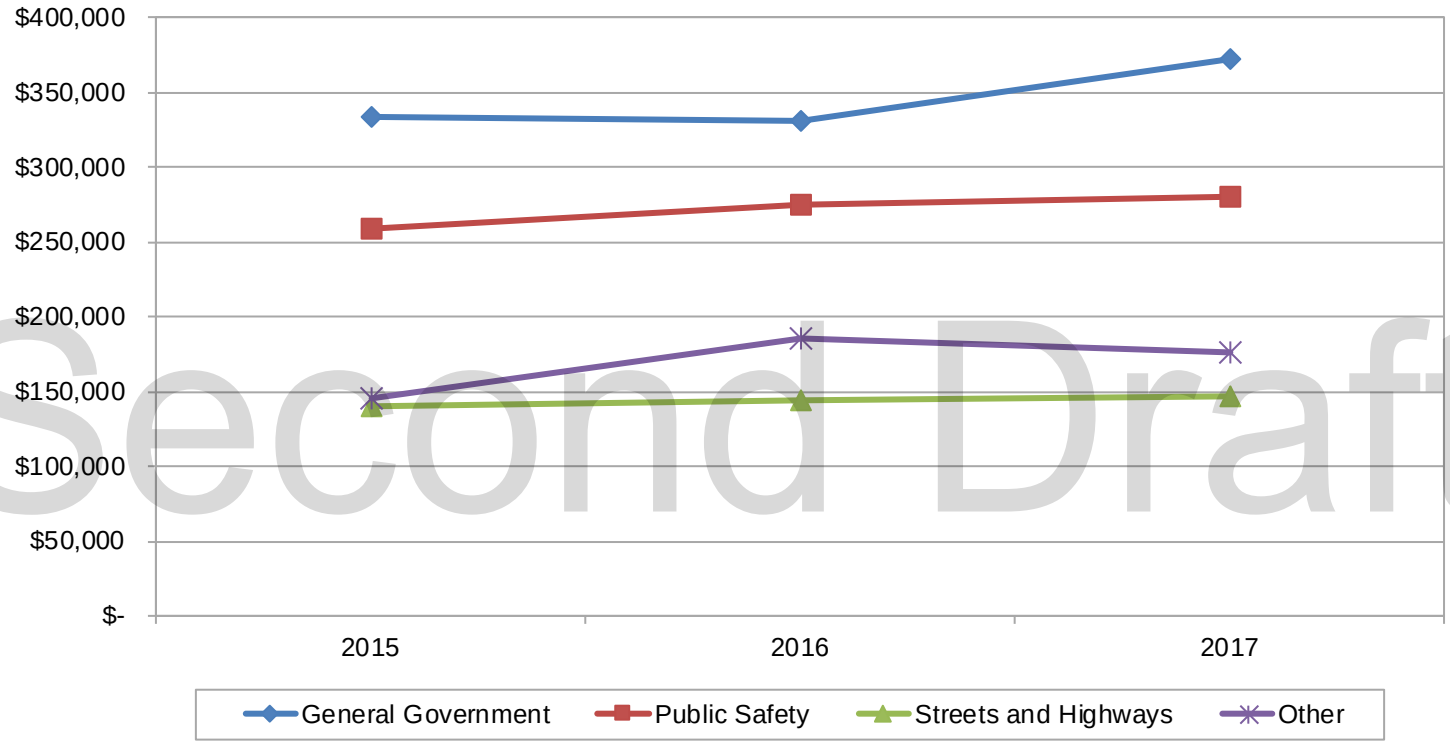
A more detailed comparison of disbursements and transfers is as follows:

Programs	2015	2016	2017	Percent of Total	Per Capita
General Government	$ 334,504	$ 331,021	$ 372,470	38.1 %	$ 701
Public Safety	258,639	274,671	280,385	28.7	528
Streets and Highways	140,560	144,691	146,907	15.1	277
Sanitation and Recycling	74,351	74,264	74,971	7.7	141
Culture and Recreation	26,010	31,715	35,936	3.7	68
Transfers Out	45,000	80,000	65,000	6.7	122
Total Disbursements and Transfers	$ 879,064	$ 936,362	$ 975,669	100.0 %	$ 1,837

A graphical presentation of the last three years disbursements and transfers follows:



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Comparative City Ratios

Ratios have been captured from the City's financial statements to give additional information for trend and peer group analysis. To provide a peer group analysis, financial information has been extracted from the cities of Woodland and Greenwood (the Peer Cities) which are of comparable size to the City of The Village of Minnetonka Beach.

General Fund Receipts Per Capita

The following table is a summary and comparison of 2016 and 2017 General fund revenues for the City and comparison of the 2016 revenues of the Peer Cities.

Receipts Source	City of the Village of Minnetonka Beach 2017	City of the Village of Minnetonka Beach 2016	City of Woodland 2016	City of Greenwood 2016
Taxes	$ 1,512	$ 1,337	$ 770	$ 913
Licenses and Permits	238	193	100	90
Intergovernmental	31	5	4	8
Charges for Services	159	159	21	90
Fines and Forfeitures	14	8	4	12
Investment Earnings	8	3	1	95
Other	4	10	3	-
Total Receipts	$ 1,966	$ 1,715	$ 903	$ 1,208
Population	531	551	460	703

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General Fund Disbursements and Transfers Per Capita

The following table is a summary and comparison of 2016 and 2017 General fund disbursements and transfers for the City and comparison of the 2016 disbursements and transfers of the Peer Cities.

Programs	City of the Village of Minnetonka Beach 2017	City of the Village of Minnetonka Beach 2016	City of Woodland 2016	City of Greenwood 2016
General Government	$ 701	$ 601	$ 175	$ 199
Public Safety	528	498	290	585
Streets and Highways	277	263	111	325
Sanitation and Recycling	141	135	-	-
Culture and Recreation	68	58	-	20
Miscellaneous	-	-	31	-
Transfers Out	122	145	240	237
Total Disbursements and transfers	$ 1,837	$ 1,700	$ 847	$ 1,366
Population	531	551	460	703

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General Fund Balance as a Percent of Next Year's Budget

The following table summarizes the General fund balance in relation to the budget for the City and the Peer Cities.

Year	Budget Year	City of the Village of Minnetonka Beach	City of Woodland	City of Greenwood
2013	2014	75.1 %	78.7 %	46.5 %
2014	2015	76.7	75.2	54.1
2015	2016	80.2	69.0	65.8
2016	2017	77.5	75.7	67.3
2017	2018	89.3	*	*

* Information not available.

Capital Projects Fund

The City maintains the following Capital Projects fund:

Fund	Fund Balance December 31, 2016	Fund Balance December 31, 2017	Increase (Decrease)
Capital Projects	$ 41,991	$ 56,637	$ 14,646

The City intends to use this fund to build reserves for future capital purchases.

- Of the $65,000 transferred from the General fund in 2017, $10,000 was identified for increasing reserves and $55,000 to Capital Projects fund.
- The Hennepin County sports grant was received in 2017 for $25,000. The grant was used to cover park and sidewalk improvement costs, which were incurred in 2016 and 2017.

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Debt Service Fund

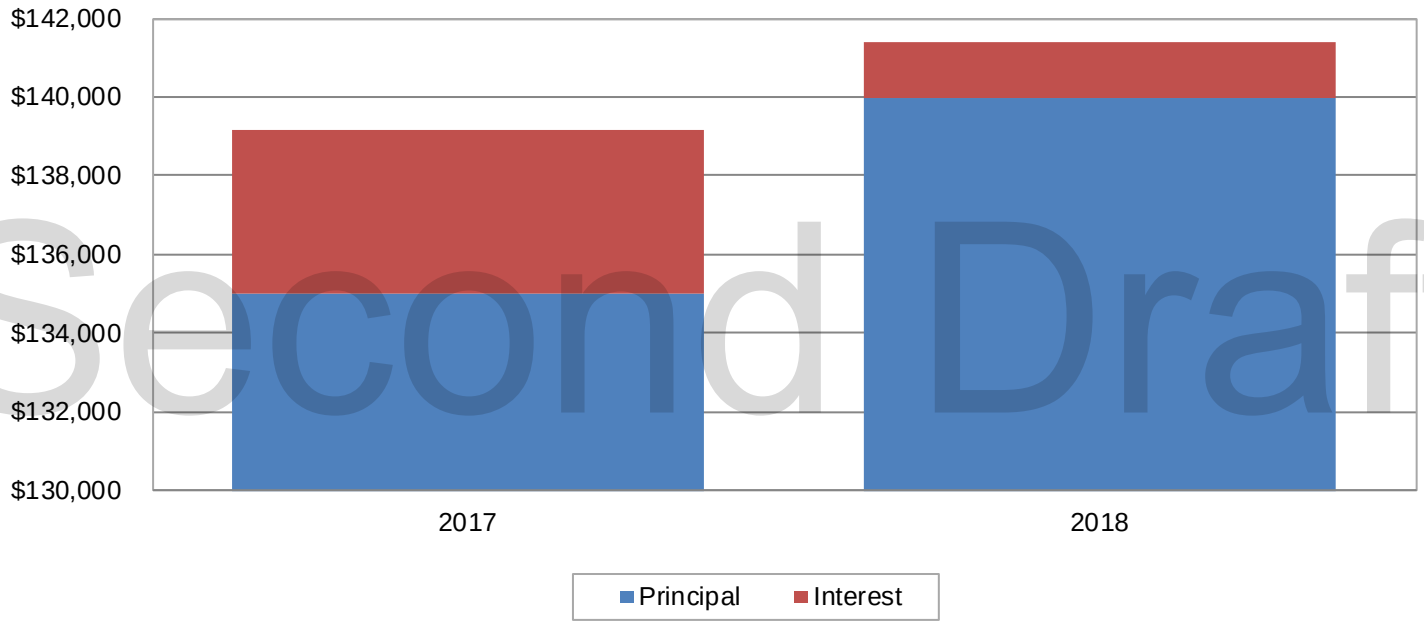
The City maintains the following Debt Service fund:

Fund	Total Cash	Bonds Outstanding	Maturity Date
General Obligation Bonds of 2012	$ 199,036	$ 140,000	2018

The City's outstanding debt is required to be funded by various resources such as property taxes, transfers from enterprise funds, etc. Tax levies need to be certified annually. We recommend management pay particular attention to annual tax levies and transfers to ensure proper funding of debt service. We also recommend a cash flow projection over the life of the bond be created to determine if tax levies and transfers are sufficient, excess or deficient. Note: the total payment due on February 1, 2018 for the governmental portion of the bonds is $141,400.

As the existing bond comes due, we recommend the City review the timing of upcoming projects and related bond issuances in relation to the changing interest rate environment.

Remaining Scheduled Governmental Debt Service



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Note: this does not include bonds reported within the Water fund.

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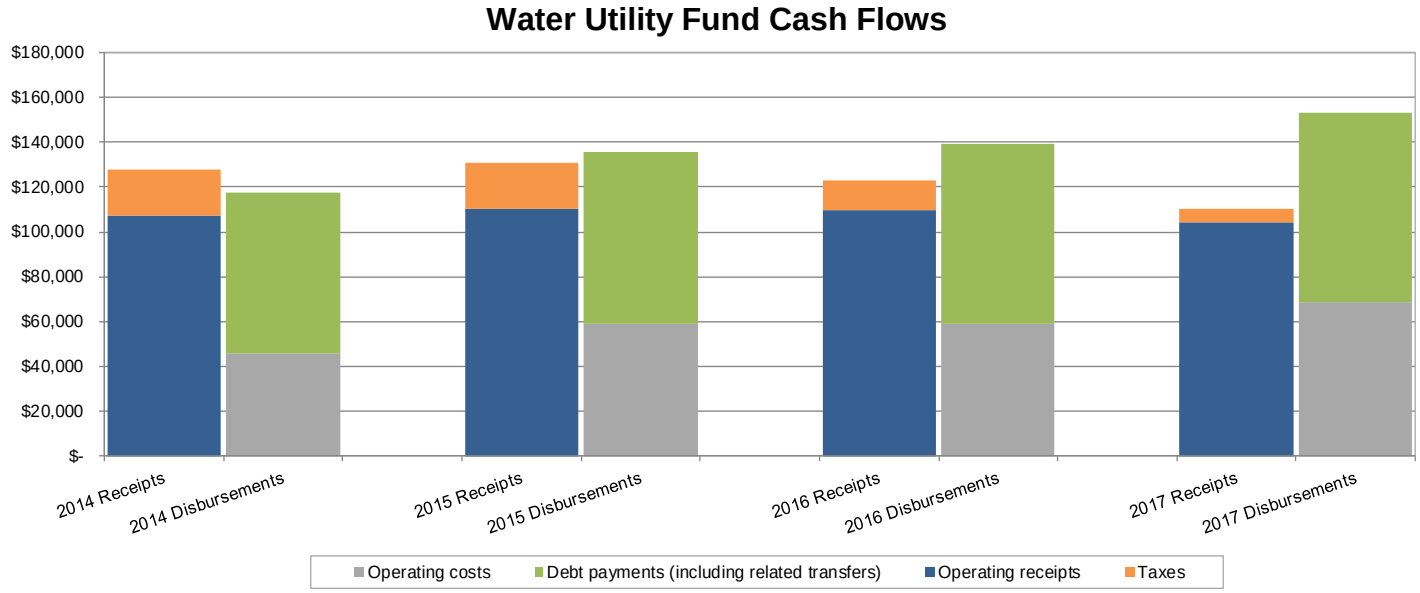
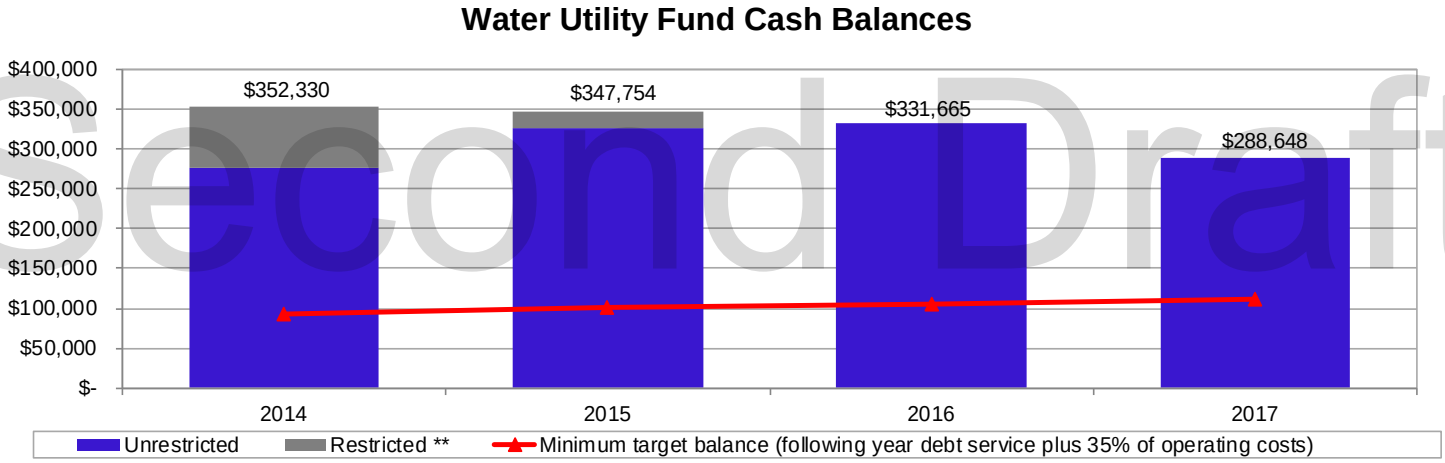
Enterprise Funds

The enterprise fund operations are those financed primarily from user charges and include the Water Utility, Sewer Utility and Storm Water Utility funds. The results of the operations in terms of cash flow and the breakdown of the cash balances for the past four years are as follows:





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** Restricted cash includes unspent bond proceeds and unspent property taxes to be used for future debt payments. The remaining restricted cash was used in 2016 to pay for a portion of the 2012A debt service payments.

	2014	2015	2016	2017
Bonds Payable	$ 1,515,000	$ 1,480,000	$ 1,395,000	$ 1,345,000

For all years presented, the operating receipts were not sufficient to cover operating costs and debt payments.

We recommend a cash flow projection be created to determine if rates and tax levies are sufficient to cover operating costs, debt payments, repairs, and future replacement/expansion.

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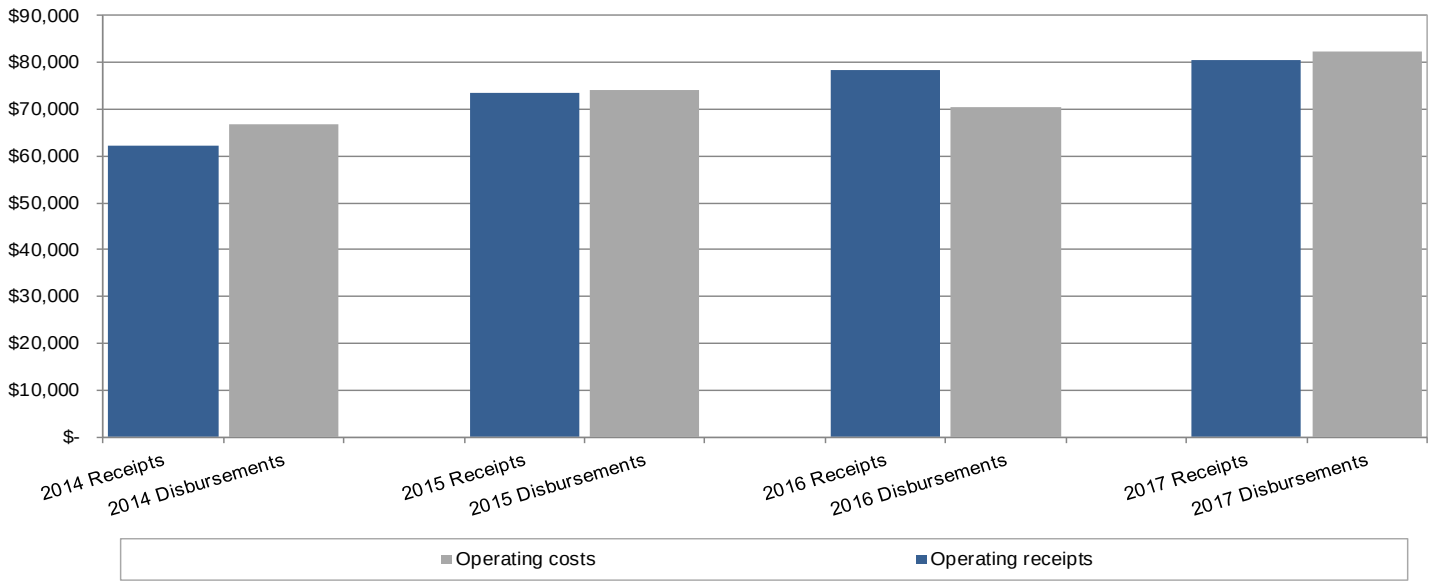
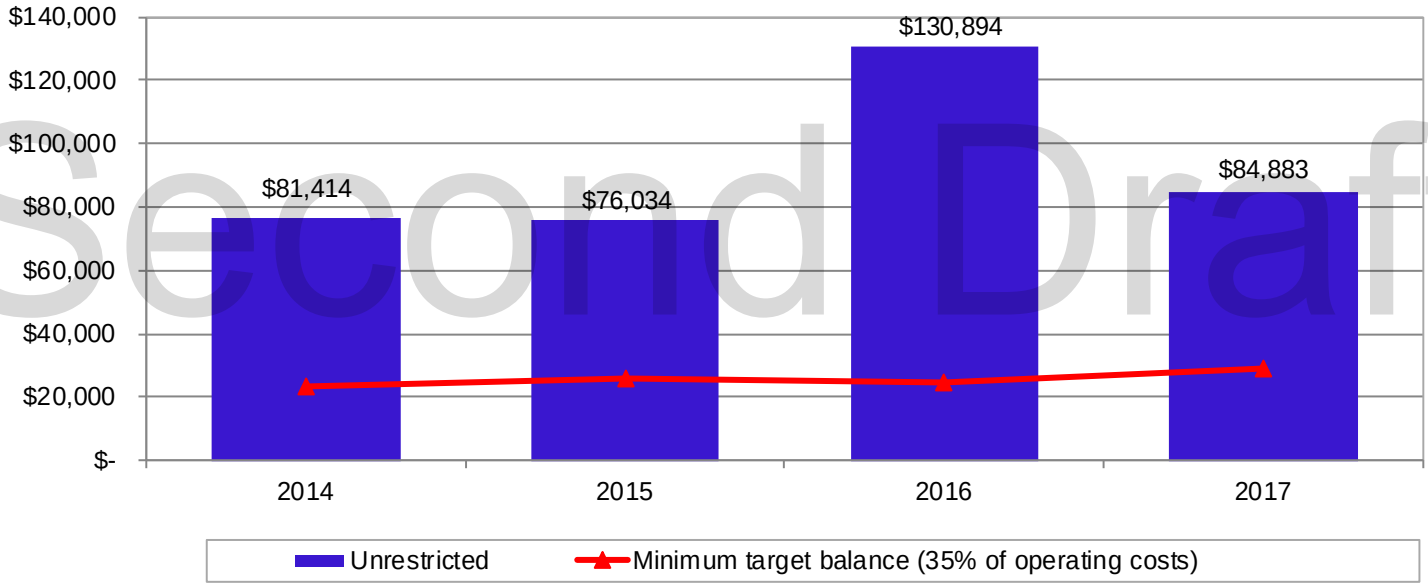
Sewer Utility Fund Cash Flows



Sewer Utility Fund Cash Balances



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In 2016, cash increased significantly due to the collection from the Lafayette club on behalf of the Metropolitan Council of sewer access connection fees. In January of 2017, these fees were remitted to the Metropolitan Council.

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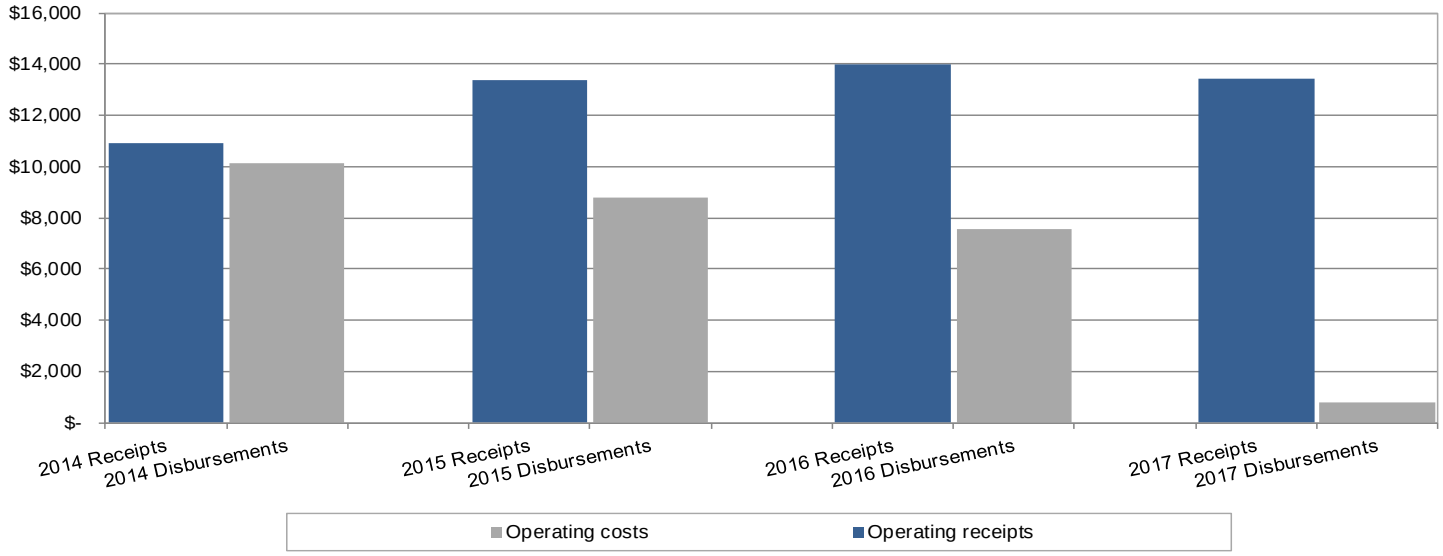
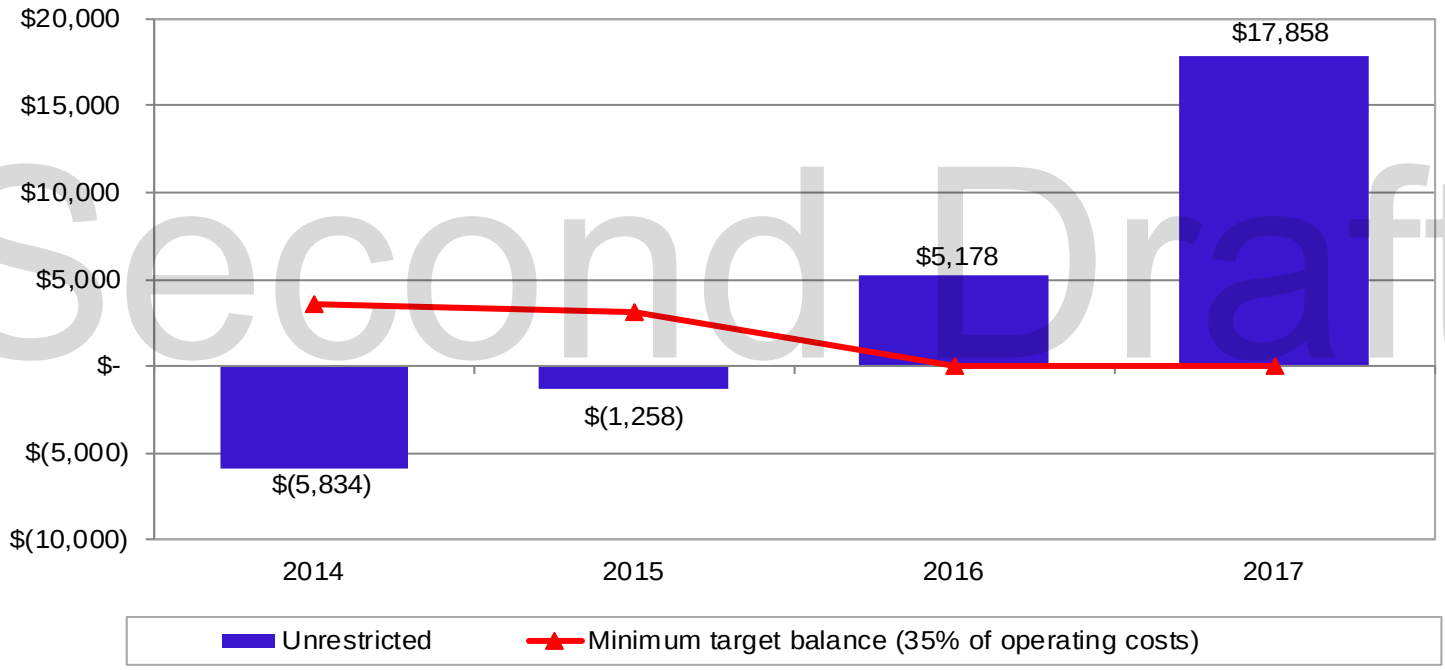
Storm Water Utility Fund Cash Flows



Storm Water Utility Fund Cash Balances



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Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future City financial statements: [(1)]

GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension*

Summary

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Second Draft

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

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Future Accounting Standard Changes (Continued)

Effective Date

This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of OPEB measurements.
- Explanations of how and why the OPEB liability changed from year to year will improve transparency.
- The summary OPEB liability information, including ratios, will offer an indication of the extent to which the total OPEB liability is covered by resources held by the OPEB plan, if any.
- For employers that provide benefits through OPEB plans that are administered through trusts that meet the specified criteria, the contribution schedules will provide measures to evaluate decisions related to contributions.

The consistency, comparability, and transparency of the information reported by employers and governmental nonemployer contributing entities about OPEB transactions will be improved by requiring:

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return.
- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations.
- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms.
- Recognition of OPEB expense that incorporates deferred outflows of resources and deferred inflows of resources related to OPEB over a defined, closed period, rather than a choice between an open or closed period.

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Future Accounting Standard Changes (Continued)

GASB Statement No. 80 - *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*

Summary

The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

Effective Date

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability.

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Future Accounting Standard Changes (Continued)

GASB Statement No. 81 - *Irrevocable Split-Interest Agreements*

Summary

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts - or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements - in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this

Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

Effective Date

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission.

Second Draft

GASB Statement No. 82 - *Pension Issues an Amendment of GASB Statements No. 67, No. 68, and No. 73*

Summary

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Presentation of Payroll-Related Measures in Required Supplementary Information

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

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Future Accounting Standard Changes (Continued)

Selection of Assumptions

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

Classification of Employer-Paid Member Contributions

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

Effective Date

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

Second Draft

GASB Statement No. 83 - *Certain Asset Retirement Obligations*

Summary

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

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Future Accounting Standard Changes (Continued)

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

Second Draft

Effective Date

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

[1] *Note*. From GASB Pronouncements Summaries. Copyright 2017 by the Financial Accounting Foundation, 401 Merritt 7, Norwalk, CT 06856, USA, and is reproduced with permission.

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Restriction on Use

This report is intended solely for the information and use of management, the City Council and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data. The comments and recommendations in the report are purely constructive in nature, and should be read in this context.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the opportunity to be of service and for the courtesy and cooperation extended to us by your staff.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
NEED DATE

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Annual Financial Report

City of the Village of Minnetonka Beach

Minnetonka Beach, Minnesota

For the Year Ended
December 31, 2017

Second Draft

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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City of the Village of Minnetonka Beach, Minnesota
Annual Financial Report
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For the Year Ended December 31, 2017

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INTRODUCTORY SECTION

CITY OF THE VILLAGE OF MINNETONKA BEACH
MINNETONKA BEACH, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of the Village of Minnetonka Beach
Elected and Appointed Officials
For the Year Ended December 31, 2017

ELECTED OFFICIALS

Name	Title	Term Expires
Mike Taylor	Mayor	12/31/18
Paul Kozloski	Council Member	12/31/18
Jill Bartel	Council Member	12/31/18
Jaci Lindstrom	Council Member	12/31/20
Andrew Myers	Council Member	12/31/20
Steve Howarth	Treasurer	12/31/18

APPOINTED OFFICIALS

Susanne Griffin	City Administrator
Heidi Honey	City Clerk

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FINANCIAL SECTION

CITY OF THE VILLAGE OF MINNETONKA BEACH
MINNETONKA BEACH, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of the Village of Minnetonka Beach, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of the Village of Minnetonka Beach, Minnesota (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's 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 the financial reporting provisions of the Minnesota Office of the State Auditor. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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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. 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.

Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Minnesota Office of the State Auditor. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City, as of December 31, 2017, the changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements of the governmental funds referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the City, as of December 31, 2017, and their respective cash receipts and disbursements, for the year then ended, on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1B. Also, in our opinion, the financial statements of the proprietary funds referred to in the first paragraph present fairly, in all material respects, the respective financial position of each fund of the City, as of December 31, 2017, and their respective changes in financial position and cash flows, for the year then ended, on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1B.

Other Matters

Other Information

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

The individual fund financial schedules 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 individual fund financial schedules are fairly stated in all material respects in relation to the basic financial statements on the regulatory basis as a whole.

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The introductory section and supplementary information 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.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
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BASIC FINANCIAL STATEMENTS - REGULATORY BASIS

CITY OF THE VILLAGE OF MINNETONKA BEACH
MINNETONKA BEACH, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

Second Draft

City of the Village of Minnetonka Beach, Minnesota
Statement of Balances Arising from Cash Transactions
Governmental Funds
December 31, 2017

	101 General	301 Debt Service	Nonmajor 401 Capital Projects	Total Governmental Funds
Assets				
Cash and temporary investments	$ 820,759	$ 199,036	$ 56,637	$ 1,076,432
Cash Fund Balances				
Restricted for debt service				
Debt service	$ -	$ 199,036	$ -	$ 199,036
Street maintenance (SCAP)	6,235	-	-	6,235
Assigned for				
Payroll liability	10,710	-	-	10,710
Capital purchases	-	-	56,637	56,637
Unassigned	803,814	-	-	803,814
Total Cash Fund Balances	$ 820,759	$ 199,036	$ 56,637	$ 1,076,432

Second Draft

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

City of the Village of Minnetonka Beach, Minnesota
Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	101 General	301 Debt Service	Nonmajor 401 Capital Projects	Total Governmental Funds
Receipts				
Taxes	$ 802,725	$ 150,472	$ -	$ 953,197
Licenses and permits	126,585	-	-	126,585
Intergovernmental	16,637	-	25,000	41,637
Charges for services	84,313	-	-	84,313
Fines and forfeitures	7,324	-	-	7,324
Investment earnings	4,174	-	198	4,372
Miscellaneous	2,380	-	-	2,380
Total Receipts	1,044,138	150,472	25,198	1,219,808
Disbursements				
Current				
General government	372,470	-	-	372,470
Public safety	280,385	-	-	280,385
Streets and highways	146,907	-	-	146,907
Sanitation and recycling	74,971	-	-	74,971
Culture and recreation	35,936	-	-	35,936
Capital outlay				
General government	-	-	54,942	54,942
Streets and highways	-	-	20,610	20,610
Debt service				
Principal payments	-	135,000	-	135,000
Interest and other fiscal charges	-	7,350	-	7,350
Total Disbursements	910,669	142,350	75,552	1,128,571
Excess (Deficiency) of Receipts Over (Under) Disbursements	133,469	8,122	(50,354)	91,237
Other Financing Sources (Uses)				
Transfers in	-	-	65,000	65,000
Transfers out	(65,000)	-	-	(65,000)
Total Other Financing Sources (Uses)	(65,000)	-	65,000	-
Net Change in Cash Fund Balances	68,469	8,122	14,646	91,237
Cash Fund Balances, January 1	752,290	190,914	41,991	985,195
Cash Fund Balances, December 31	$ 820,759	$ 199,036	$ 56,637	$ 1,076,432

Second Draft

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

City of the Village of Minnetonka Beach, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities Enterprise Funds			
	601 Water Utility	**602** Sewer Utility	Nonmajor **603** Stormwater Utility	Total
Assets				
Current Assets				
Cash and temporary investments	$ 288,648	$ 84,883	$ 17,858	$ 391,389
Accounts receivable	22,481	24,040	3,915	50,436
Total Current Assets	311,129	108,923	21,773	441,825
Noncurrent Assets				
Capital assets				
Improvements other than buildings	2,072,413	21,759	-	2,094,172
Equipment	82,857	-	-	82,857
Less accumulated depreciation	(486,051)	(4,080)	-	(490,131)
Total Capital Assets (Net of Accumulated Depreciation)	1,669,219	17,679	-	1,686,898
Total Assets	1,980,348	126,602	21,773	2,128,723
Liabilities				
Current Liabilities				
Accounts payable	1,182	-	-	1,182
Accrued salaries payable	448	149	-	597
Accrued interest payable	15,273	-	-	15,273
Current portion of bonds payable	55,000	-	-	55,000
Total Current Liabilities	71,903	149	-	72,052
Noncurrent Liabilities				
Compensated absences payable	249	83	-	332
Bonds payable	1,290,000	-	-	1,290,000
Total Noncurrent Liabilities	1,290,249	83	-	1,290,332
Total Liabilities	1,362,152	232	-	1,362,384
Net Position				
Net investment in capital assets	324,219	17,679	-	341,898
Unrestricted	293,977	108,691	21,773	424,441
Total Net Position	$ 618,196	$ 126,370	$ 21,773	$ 766,339

Second Draft

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

City of the Village of Minnetonka Beach, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities Enterprise Funds			
	601 Water Utility	**602** Sewer Utility	Nonmajor **603** Stormwater Utility	Total
Operating Revenues				
Charges for services	$ 106,569	$ 84,155	$ 13,698	$ 204,422
Operating Expenses				
Personnel services	17,497	7,138	-	24,635
Supplies	3,856	-	-	3,856
MCES charges	-	48,949	-	48,949
Depreciation	57,709	544	-	58,253
Other services and charges	43,727	24,760	765	69,252
Total Operating Expenses	122,789	81,391	765	204,945
Operating Income (Loss)	(16,220)	2,764	12,933	(523)
Nonoperating Revenues (Expenses)				
Taxes	5,627	-	-	5,627
Interest expense and other	(35,105)	-	-	(35,105)
Total Nonoperating Revenues (Expenses)	(29,478)	-	-	(29,478)
Change in Net Position	(45,698)	2,764	12,933	(30,001)
Net Position, January 1	663,894	123,606	8,840	796,340
Net Position, December 31	$ 618,196	$ 126,370	$ 21,773	$ 766,339

Second Draft

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

City of the Village of Minnetonka Beach, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities Enterprise Funds			
	601 Water Utility	**602** Sewer Utility	Nonmajor **603** Stormwater Utility	Total
Cash Flows from Operating Activities				
Receipts from customers	$ 104,430	$ 80,504	$ 13,445	$ 198,379
Payments to suppliers	(47,069)	(73,709)	(765)	(121,543)
Payments to employees	(21,650)	(8,523)	-	(30,173)
Net Cash Provided (Used) by Operating Activities	35,711	(1,728)	12,680	46,663
Cash Flows from Capital and Related Financing Activities				
Connection fees	-	(44,283)	-	(44,283)
Taxes collected	5,627	-	-	5,627
Principal paid on long-term debt	(50,000)	-	-	(50,000)
Interest paid on long-term debt	(34,355)	-	-	(34,355)
Net Cash Provided (Used) by Capital and Related Financing Activities	(78,728)	(44,283)	-	(123,011)
Net Increase (Decrease) in Cash and Cash Equivalents	(43,017)	(46,011)	12,680	(76,348)
Cash and Cash Equivalents, January 1	331,665	130,894	5,178	467,737
Cash and Cash Equivalents , December 31	$ 288,648	$ 84,883	$ 17,858	$ 391,389
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	$ (16,220)	$ 2,764	$ 12,933	$ (523)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	57,709	544	-	58,253
(Increase) in assets				
Accounts receivable	(2,139)	(3,651)	(253)	(6,043)
Increase (decrease) in liabilities				
Accounts payable	514	-	-	514
Accrued salaries payable	(102)	(34)	-	(136)
Compensated absences payable	(4,051)	(1,351)	-	(5,402)
Net Cash Provided (Used) by Operating Activities	$ 35,711	$ (1,728)	$ 12,680	$ 46,663

Second Draft

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of the Village of Minnetonka Beach, Minnesota (the City), operates under "Optional Plan A" as defined in the State of Minnesota statutes. The City is governed by an elected Mayor, a four-member City Council and an elected Treasurer. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has no component units that meet the GASB criteria.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accompanying financial statements have been prepared under the regulatory basis of accounting as described in the Minnesota Office of the State Auditor's Reporting and Publishing Requirements for Cities under 2,500 in population published in February of 2016. Under that basis, governmental fund receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. That basis differs from accounting principles generally accepted in the United States of America primarily because the City has not provided a management discussion and analysis letter, government-wide statement of net position and government-wide statement of activities and the City does not recognize governmental fund receipts and disbursements in accordance with the modified accrual basis of accounting.

Second Draft

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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.

Governmental funds are used to account for the City's general government activities and are accounted for using the regulatory basis of accounting. Their receipts is recognized when received in cash and disbursements are recognized when paid in cash. The regulatory basis of accounting is a special purpose framework other than GAAP. Under GAAP, governmental funds use the modified accrual method of accounting. The difference between the regulatory basis and modified accrual basis of accounting is that under the modified accrual basis of accounting, receipts are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On the regulatory basis, receipts from property taxes are recognized in the year the tax is collected. Receipts from grants, entitlements and donations are recognized in the year in which they are collected. For proprietary funds, revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and disbursements requirements, in which the resources are provided to the City on a reimbursement basis.

Note 1: Summary of Significant Accounting Policies (Continued)

Preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The D*ebt Service fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

The City reports the following major enterprise funds:

The *Water Utility fund* accounts for activities related to providing water to customers.

The *Sewer Utility fund* accounts for activities related to providing sanitary sewer service to customers.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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

Second Draft

C. Assets, Liabilities and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion of the cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statements of Cash Flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

Note 1: Summary of Significant Accounting Policies (Continued)

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated “A” or better; revenue obligations rated “AA” or better.

4. General obligations of the Minnesota Housing Finance Agency rated “A” or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Second Draft

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

The City has the following recurring fair value measurements as of December 31, 2017:

- US Treasury securities of $132,952 are valued using quoted market prices (Level 1 inputs)

- Negotiable Certificates of Deposit of $664,283 are valued using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City’s investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrwawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June, and December of each year.

Accounts Receivable

Accounts receivable in the enterprise funds include amounts billed for services provided before year end. The City annually certifies delinquent water and sewer accounts to the County for collection. As a result, there is no allowance for uncollectible accounts. There City has no outstanding utility receivables older than one year.

Capital Assets

Under the regulatory basis, the City does not account for capital assets used in governmental funds.

Property, plant and equipment in the proprietary funds of the City are recorded at cost. Capital assets are defined by the City as assets with an initial individual cost of more than $2,500 and an estimated useful life in excess of three years. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Second Draft

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized in the proprietary funds.

Property, plant and equipment are depreciated in the proprietary funds of the City using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Improvements Other than Buildings	20 to 50
Machinery and Equipment	4 to 20

Compensated Absences

Each regular full-time employee who terminates employment in good standing with the City after five years of full-time employment and who provides one month advance notice shall receive all accumulated vacation time and a one-time lump-sum severance payment amount equal to 50 percent of the employee's individual accumulated sick leave balance at the date of the termination, not to exceed 960 hours, compensated at the employee's normal straight-time rate of pay in effect on the employee's termination date.

In governmental funds, the cost of these benefits is recognized when payments are made to the employees.

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable proprietary fund type statement of net position. The recognition of bond premiums and discounts are delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service disbursements.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Treasurer.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when disbursements are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 65 percent of budgeted operating disbursements for cash-flow timing.

Second Draft

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the regulatory basis which is a basis of accounting that is not consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

Second Draft

In August of each year, all departments of the City submit requests for appropriations to the Administration so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments in 2017.

B. Excess of Disbursements Over Appropriations

For the year ended December 31, 2017 disbursements exceeded appropriations in the General fund by , which was funded by actual receipts in excess of budget.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

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

Soond Draft

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

At year end, the City's carrying amount of deposits was $6,814 and the bank balance was $118,154. The entire amount of the bank balance was covered by federal depository insurance.

Note 3: Detailed Notes on All Funds (Continued)

Investments

At year end, the City's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Broker Money Market	N/A	less than 6 months	$ 1,504			
4M Fund	PI	less than 6 months	662,168			
Non-pooled Investments at Fair Value						
Negotiable Certificates of Deposit	N/A	less than 6 months	-	$ -	$ -	$ -
Negotiable Certificates of Deposit	N/A	6 months to 1 year	132,927	-	132,927	-
Negotiable Certificates of Deposit	N/A	1 year to 3 years	264,759	-	264,759	-
Negotiable Certificates of Deposit	N/A	Over 3 years	266,597	-	266,597	-
U.S. Treasury Securities	N/A	less than 6 months	132,952	132,952	-	-
Total Investments			$ 1,460,907	$ 132,952	$ 664,283	$ -

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

Second Draft

The investments of the City are subject to the following risks:

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 23 of the notes.

- *Custodial Credit Risk* is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The investment in the Minnesota Municipal Money Market Mutual Fund is not subject to the custodial credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

- *Concentration of Credit Risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. The City's investments are exempt from consideration of concentration of credit risk.

- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City does not have a formal investment policy that addresses the above risks.

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and temporary investments as shown on the statements for the City follows:

Deposits	$ 6,814
Petty Cash	100
Investments	1,460,907
Total	$ 1,467,821
Governmental Funds	
Unrestricted	$ 1,076,432
Proprietary Funds	
Unrestricted	391,389
Total	$ 1,467,821

B. Capital Assets

A summary of changes in business-type activity capital assets follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets being Depreciated				
Improvements other than buildings	$ 2,094,172	$ -	$ -	$ 2,094,172
Equipment	82,857	-	-	82,857
Total Capital Assets being Depreciated	2,177,029	-	-	2,177,029
Less Accumulated Depreciation for				
Improvements other than buildings	(397,129)	(53,720)	-	(450,849)
Equipment	(34,749)	(4,533)	-	(39,282)
Total Accumulated Depreciation	(431,878)	(58,253)	-	(490,131)
Total Capital Assets being Depreciated, Net	1,745,151	(58,253)	-	1,686,898
Business-type Activities Capital Assets, Net	$ 1,745,151	$ (58,253)	$ -	$ 1,686,898

Second Draft

The depreciation expense for the Water fund and Sewer fund was $57,709 and $544 , respectively.

C. Interfund transfers

The General fund transferred $65,000 to the Capital Projects fund for current and future capital purchases.

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

General Obligation (G.O.) Bonds

The City issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for governmental and enterprise funds. In addition, refunding G.O. bonds have been issued. G.O. bonds are direct obligations and pledge the full faith and credit of the government. G.O. bonds currently outstanding for they are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds, Series 2012A	$ 765,000	2.00 - 3.00 %	05/03/12	02/01/18	$ 140,000
G.O. Bonds, Series 2012A	1,515,000	2.00 - 3.00	05/03/12	02/01/32	1,345,000
Total G.O. Bonds					$ 1,485,000

Annual debt service requirements to maturity for the G.O. bonds are as follows:

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	$ 140,000	$ 1,400	$ 141,400	$ 55,000	$ 33,305	$ 88,305
2019	-	-	-	80,000	31,955	111,955
2020	-	-	-	80,000	30,355	110,355
2021	-	-	-	85,000	28,705	113,705
2022	-	-	-	85,000	26,899	111,899
2023-2027	-	-	-	450,000	102,949	552,949
2028-2032	-	-	-	510,000	38,707	548,707
Total	$ 140,000	$ 1,400	$ 141,400	$ 1,345,000	$ 292,875	$ 1,637,875

Second Draft

Changes in Long-term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities (Unrecorded Long-term Liability)					
G.O. Bonds Payable	$ 275,000	$ -	$ (135,000)	$ 140,000	$ 140,000
Business-type Activities					
G.O. Bonds Payable	$ 1,395,000	$ -	$ (50,000)	$ 1,345,000	$ 55,000
Compensated Absences Payable	5,734	1,751	(7,153)	332	-
Business-type Activity Long-term Liabilities	$ 1,445,583	$ 1,751	$ (57,153)	$ 1,345,332	$ 55,000

Note 4: Defined Benefit Pension Plan - Statewide

A. Plan Description

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

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

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent 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 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

Second Draft

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. 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 (800) 652-9026.

B. Funding Policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2017. In 2017, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members and 7.50 percent for Coordinated Plan GERF members. The City's contributions to the GERF for the years ended December 31, 2017, 2016 and 2015 were $19,130, $16,811, and $16,167, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 5: Other Information

A. Risk Management

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The market value of taxable property within the City is $315,859,970 making the legal debt margin $9,475,799. The City currently has no debt subject to this limit.

Second Draft

INDIVIDUAL FUND FINANCIAL SCHEDULES

CITY OF THE VILLAGE OF MINNETONKA BEACH
MINNETONKA BEACH, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

Second Draft

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City of the Village of Minnetonka Beach, Minnesota
General Fund
Budgetary Comparison Schedule - Regulatory Basis (Continued on the Following Pages)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Budgetary Fund Balances, January 1	$ 752,290	$ 752,290	$ 752,290	$ -	$ 743,163
Receipts					
Taxes					
General property taxes	802,234	802,234	802,725	491	737,055
Licenses and permits					
Business	1,000	1,000	1,000	-	1,000
Nonbusiness	70,160	70,160	125,585	55,425	105,540
Total Licenses And Permits	71,160	71,160	126,585	55,425	106,540
Intergovernmental					
State					
PERA aid	540	540	540	-	540
Other	-	-	14,193	14,193	-
Total State	540	540	14,733	14,193	540
County					
Other	3,606	3,606	1,904	(1,702)	2,082
Total Intergovernmental	4,146	4,146	16,637	12,491	2,622
Charges for services					
Leaf pick-up	7,000	7,000	7,129	129	6,999
US Post Office	5,000	5,000	5,000	-	5,000
Sanitation and recycling	74,291	74,291	72,184	(2,107)	75,354
Total Charges for Services	86,291	86,291	84,313	(1,978)	87,353
Fines and forfeitures	5,000	5,000	7,324	2,324	4,564
Investment earnings	200	200	4,174	3,974	1,732
Miscellaneous					
Other	1,500	1,500	2,380	880	5,623
Total Receipts	970,531	970,531	1,044,138	73,607	945,489
Amounts Available for Appropriation	1,722,821	1,722,821	1,796,428	73,607	1,688,652

Second Draft

City of the Village of Minnetonka Beach, Minnesota
General Fund
Budgetary Comparison Schedule - Regulatory Basis (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Disbursements					
Current					
General government					
Administration and finance					
Personnel services	$ 198,010	$ 198,010	$ 229,380	$ (31,370)	$ 181,160
Elections					
Other services and charges	350	350	534	(184)	2,986
City hall					
Supplies	13,000	13,000	15,391	(2,391)	15,695
Other services and charges	23,000	23,000	27,023	(4,023)	35,749
Total	36,000	36,000	42,414	(6,414)	51,444
Assessor					
Other services and charges	11,000	11,000	9,919	1,081	9,802
Insurance					
Other services and charges	22,000	22,000	19,517	2,483	18,861
Legal					
Other services and charges	10,000	10,000	26,689	(16,689)	10,841
Audit and accounting					
Other services and charges	13,250	13,250	13,524	(274)	13,068
Planning and zoning					
Other services and charges	55,000	55,000	30,493	24,507	42,859
Total General Government	345,610	345,610	372,470	(26,860)	331,021
Public safety					
Police					
Other services and charges	162,758	162,758	162,758	-	156,027
Fire					
Other services and charges	93,858	93,858	93,858	-	87,783
Building inspection					
Other services and charges	19,000	19,000	23,769	(4,769)	30,711
Prisoner room and board					
Other services and charges	300	300	-	300	150
Animal control					
Other services and charges	100	100	-	100	-
Total Public Safety	276,016	276,016	280,385	(4,369)	274,671

Second Draft

City of the Village of Minnetonka Beach, Minnesota
General Fund
Budgetary Comparison Schedule - Regulatory Basis (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Disbursements (Continued)					
Current (continued)					
Streets and highways					
Street lighting					
Other services and charges	$ 9,000	$ 9,000	$ 8,607	$ 393	$ 8,313
Street maintenance					
Personnel services	115,467	115,467	105,927	9,540	93,816
Supplies	8,500	8,500	6,671	1,829	5,235
Other services and charges	35,125	35,125	25,702	9,423	37,327
Total	159,092	159,092	138,300	20,792	136,378
Total Streets and Highways	168,092	168,092	146,907	21,185	144,691
Sanitation and recycling					
Other services and charges	74,700	74,700	74,971	(271)	74,264
Culture and recreation					
Parks and recreation					
Supplies	500	500	216	284	-
Other services and charges	37,113	37,113	35,720	1,393	31,715
Total Culture and Recreation	37,613	37,613	35,936	1,677	31,715
Miscellaneous					
Other	500	500	-	500	-
Total Disbursements	905,531	905,531	910,669	(5,138)	856,362
Other Financing Uses					
Transfers out	65,000	65,000	65,000	-	80,000
Total Disbursements and Other Financing Uses	970,531	970,531	975,669	(5,138)	936,362
Budgetary Fund Balances, December 31	$ 752,290	$ 752,290	$ 820,759	$ 68,469	$ 752,290

Second Draft

City of the Village of Minnetonka Beach, Minnesota

Summary Financial Report

Receipts and Disbursements for General Operations - Governmental Funds

For the Years Ended December 31, 2017 and 2016

	Total		Percent Increase (Decrease)
	2017	2016	
Receipts			
Taxes	$ 953,197	$ 879,685	8.36 %
Licenses and permits	126,585	106,540	18.81
Intergovernmental	41,637	2,622	1,487.99
Charges for services	84,313	87,353	(3.48)
Fines	7,324	4,564	60.47
Investment earnings	4,372	1,777	146.03
Miscellaneous	2,380	5,623	(57.67)
Total Receipts	$ 1,219,808	$ 1,088,164	12.10 %
Per Capita	$ 2,297	$ 1,975	16.32 %
Disbursements			
Current			
General government	$ 372,470	$ 331,021	12.52 %
Public safety	280,385	274,671	2.08
Streets and highways	146,907	144,691	1.53
Sanitation and recycling	74,971	74,264	0.95
Culture and recreation	35,936	31,715	13.31
Capital outlay			
General government	54,942	83,701	(34.36)
Streets and highways	20,610	11,322	82.03
Debt service			
Principal	135,000	125,000	8.00
Interest and other charges	7,350	7,950	(7.55)
Total Disbursements	$ 1,128,571	$ 1,084,335	4.08 %
Per Capita	$ 2,125	$ 1,968	8.00 %
Total Long-term Indebtedness	$ 140,000	$ 275,000	(49.09) %
Per Capita	264	499	(47.17)
General Fund Balance - December 31	$ 820,759	$ 752,290	9.10 %
Per Capita	1,546	1,365	13.21

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The purpose of this report is to provide a summary of financial information concerning the City of the Village of Minnetonka Beach to interested citizens. The complete financial statements may be examined at City Hall, 2945 Westwood Road, Minnetonka Beach, MN 55361. Questions about this report should be directed to Susanne Griffin, City Administrator.

SUPPLEMENTARY INFORMATION - UNAUDITED

CITY OF THE VILLAGE OF MINNETONKA BEACH
MINNETONKA BEACH, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

Second Draft

City of the Village of Minnetonka Beach, Minnesota
Supplementary Information - Unaudited
December 31, 2017

Schedule of Accounts Receivable

Fund	Source of Revenue and Purpose	Amount
General	January tax settlement	$ 13,637
Debt Service	January tax settlement	2,639
General	December Court Fines	640
General	4th quarter refuse collection fees	22,835
	Total	$ 39,751

Schedule of Accounts Payable and Contingent Liabilities

Fund	Vendor Name	Item and Purpose	Claim Number	Amount
General	G & K	Rugs for city hall	Unpaid	$ 217
General	Navarre Hardware	PW supplies	Unpaid	173
General	Republic Services	Dec Trash & Recycling	Unpaid	5,732
General	ECM publishers	legal publication	Unpaid	35
General	Menards	supplies	Unpaid	706
General	Blue Tarp	supplies	Unpaid	170
General	Akay Consulting	Historical Society Grant	Unpaid	4,675
General	Ken Potts	Prosecuting Attorney	Unpaid	300
General	Gopher State	Locates	Unpaid	14
General	Henn Co IT	radio fee	Unpaid	38
General	Navarre Minnoco	gas-DEC	Unpaid	338
General	Rolf Erickson	assessor-DEC	Unpaid	812
General	Minnesota Department of Labor	Building permit surcharge 4th Qtr	Unpaid	742
General	Ballard Spahr (city atty)	December 2017 services	Unpaid	403
General	CenterPoint Energy	November/December gas	Unpaid	547
General	Perry's Truck Repair	Truck Repairs	Unpaid	134
General	Sambatek	Zoning Administration work	Unpaid	1,651
General	Stantec	Engineering Services	Unpaid	689
General	Stantec	Engineering Services	Unpaid	268
General	Stewart Plumbing	Permit Refund	Unpaid	409
General	City employees	Accrued wages and compensated absences	Unpaid Multiple	37,905
	Total			$ 55,956

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OTHER REQUIRED REPORT

CITY OF THE VILLAGE OF MINNETONKA BEACH
MINNETONKA BEACH, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of the Village of Minnetonka Beach, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of the Village of Minnetonka Beach, Minnesota (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated NEED DATE. In our report, our opinion was adverse because the City prepared its financial statements on the regulatory basis, which is a special purpose framework other than accounting principles generally accepted in the United States of America.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the City does not have any tax increment financing districts.

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In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the information and use those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
NEED DATE

5201 Eden Avenue, Suite 250
Edina, MN 55436
952.835.9090 | Fax 952.835.3261

Capital Improvement Program
Capital Asset Financing Policies

Adopted April 13, 2009

Reviewed and Approved 8/12/2013, Amended 5/8/2017

The following fiscal policies adopted by the City Council are used by the City in its fiscal management including: defining fixed assets, depreciating the assets, the allocation of resources, the extent of debt, and special allocation of reserves to pay for future projects.

Policy One: Capital Improvements are Fixed Assets defined as follows: shall be depreciated according to their useful life:

1. Fixed Asset: Equipment, property, buildings, vehicles and improvements that have an original or historic cost of $2,500 or more, have an average useful life of three years or longer or, when added to the original asset, extend the useful life of the asset, and meet the following criteria:

- Equipment

  a. the item retains its original shape and appearance with use;

  b. it is non-expendable (not a supply);

  c. it represents an investment;

  d. it does not lose its identity by incorporating it through a different or more complex item;

  e. includes furniture but excludes built-in equipment which is considered part of the building;

  f. the item is not a repair part.

- Property

  a. initial acquisition of real estate;

  b. improvements such as trees, shrubs, wells, septic systems, walkways, driveways, fences and other man-made improvements. An improvement must increase the value of the property.

- Buildings

  a. original cost of acquisition or construction of buildings including installation of heating and ventilating systems, electrical, plumbing, fire protection and other service systems, built-in equipment, paint and other interior or exterior decoration;

  b. additions to existing buildings that extend the floor area;

c. improvements that do not extend the floor area but increase the value of the building or extend its useful life by more than three years;

d. amounts paid under installment lease contracts which have a terminal date and result in the acquisition of buildings.

- Vehicles

a. original cost of all transport vehicles and trailers that are not classified as equipment and can be registered for use on public highways;

b. amounts paid under installment or lease contracts that have a terminal date and result in the acquisition of the vehicle.

- Infrastructure

a. the original cost of street or trail construction, including lighting systems, sidewalks and bridges;

b. the original cost of underground and above-ground utility systems, including water, sanitary sewer and storm sewer. This includes water towers, well houses and lift stations.

Policy Two: The Treasurer shall inventory all City fixed assets and shall determine their useful life in accord with accepted accounting principles required by the State

1. The Treasurer shall report annually on the need to replace fixed assets that have or are about to exceed their useful life
2. The Treasurer with assistance from the City Staff and Commissions shall make recommendation on which fixed assets need repair or replacement and the estimated cost of repairing or replacing the fixed asset.
3. With the assistance of the City Staff, the Treasurer shall work with adjoining communities and overlapping jurisdictions to determine if there is a cost savings to the City to purchase or lease equipment in joint or from the overlapping or adjoining jurisdiction
4. The Treasurer with the assistance of City Staff and Planning Commission shall prepare an annual capital budget and five-year capital improvement program for major repair or replacement fixed assets and for the acquisition of new fixed assets. Such budget and program shall list the asset the time it is to be replaces repaired, leased or purchased the cost and the source of financing.

Policy Three: Except in an emergency or other extenuating circumstances, all Capital Improvements must be reviewed in accord with the following process:

1. Submitted by Overlapping jurisdictions, City Council, City Commissions and Staff to the Treasurer by May prior to the year that the fixed assets are going to be purchased or constructed.
2. Reviewed by the Planning Commission for conformity to the Comprehensive Plan in accord with Minnesota Statutes by the end of June.
3. Acted on by the City Council as part of the annual budget process.

Policy Four: With few exceptions, all purchases of fixed assets shall conform to the policies of the Comprehensive Plan

1. The Comprehensive Plan shall be reviewed annually as part of the budget process

Policy Five: Funds shall be allocated according to the following priority

1. To repair and preserve existing fixed assets in such a way as to extend their useful life
2. To purchase equipment necessary for the operation of the City or to improve productivity in operating the City
3. To purchase necessary equipment in joint with other jurisdictions where a saving to the City can be demonstrated
4. To correct existing problems or eliminate and existing hazard
5. Implement the Comprehensive Plan
6. To improve the community

Policy Six: The City shall fund fixed assets from the following funds:

General Fund: This is a one-time budget allocation to pay for a fixed asset

1. Depreciation Fund: This is the funded depreciation of existing fixed assets
2. Special Dedicated Reserve Fund: This is a pay as you go fund used to save funds for the eventual purchase of a fixed asset
3. Enterprise Funds: This is a funded reserve fund from the sale of water, sewer connection charges, park dedication fees and from franchise fee charged to utility companies
4. These are reviewed by the Planning Commission for conformity to the Comprehensive Plan in accord with Minnesota Statutes by the end of June
5. Acted on by the City Council as part of the annual budget process.

Policy Seven: The City may use the following fiscal resources to fund fixed assets

1. Revenue Sources
    a. Property tax
    b. Fees and Charges: These cover an array of payments collected for services, licenses, permits and enterprise operations such as a water or electric utility, street lighting utility. These fees can be used for capital improvements as well as for debt payment, maintenance and operating costs.
    c. Minnetonka Beach is one of the few cities in the state that has the authority operate its own electric utility. As an electric utility, the City can purchase electricity from Xcel Energy or any of the Electric Cooperatives and resell it to the customer, or if it does not want to be in the energy business, it can charge a fee for undergrounding utilities and providing street lighting. As an alternative, fees can be arranged with Xcel Energy or any of the Electric Cooperatives to pay for new street lights or undergrounding utilities. The electric company would spread the cost of

the improvements against the community user base. Finance Committee recommended further review of this option.

d. Dedications: The City can require new developments to provide land for parks and storm water retention or in lieu of land cash up to 10% of the value of the land.
e. Metropolitan Council: The Council has grants for storm water improvement projects, sanitary sewer projects which reduce storm water infiltration into the sanitary system, demonstration grants for rehabilitation of structures and redevelopment
f. Minnehaha Watershed District: This agency of the County provides storm water improvement grants.
g. Hennepin County provides environmental grants to study and correct environmental problems and grants for local street improvements as well as housing and community development projects.
h. State aids are available for fire protection, traffic improvements, affordable housing and wetland preservation among other things.
i. Federal aids are available for homeland security, historic preservation, affordable housing, community development, preservation of open space economic development and environmental protection among other things
j. Private foundations has moved heavily into the funding of open space preservation, historic preservation among other things

2. The City can incur debt to maintain, replace or purchase capital fixed assets. The types of debt are:
    a. General Obligation Bonds: These bonds require a vote of the people and are generally paid for by property taxes. The amount of bonds that can be issued at any time by the City is 2% of the real estate market value.
    b. Tax Exempt Certificates of operations: These are short term certificates that can be used for equipment. They do not require a vote of the people to incur the debt but cannot be for longer than 5 years.
    c. Tax Exempt lease or lease purchase agreement for Major equipment including street lighting without the requirement of a referendum. These leases do not impact the city bond capacity. The leases can be both short or long term and can be arranged so that at the end of the lease term the asset belongs to the city.
    d. Revenue Bonds: These are tax exempt bonds or notes that pledge specific revenue for their repayment. The revenues may be funds form enterprises such as utility company franchise fees, anticipated park and recreation fees or anticipated rental income form a city asset such as docks.
    e. Special assessment bonds: These are revenue bonds that pledges anticipated revenues form special assessments levied against real property. The amount of special assessment must have a corresponding benefit to the real property. Special assessment can be established by a simple majority vote of the City Council where a petition of the benefited

properties is received or by an extra ordinary vote of the Council without a petition.

Policy Eight: The City may use the following fiscal resources to fund fixed assets

1. For large street, water and sewer projects the city will use general obligations bonds and a dedicated reserve fund as a means of financing the fixed asset
2. For replacement of an existing fixed asset the city will use the depreciation reserve fund
3. The City will use special assessment revenue bonds to make storm water improvements including creating retention sedimentation ponds in existing developments
4. The City will request grants and aids from MCWD, Hennepin County, the State or the Federal government as well as private foundations to offset the local cost of new or replaced fixed assets when the cost of obtaining the grant or aid is cost effective
5. The City may use user fees for capital fixed assets and debt for such things as street lighting, fire lane repair, park and recreation facilities, minor water improvements

~~**Policy Nine: The City Council requests the Treasurer to establish and maintain a dedicated reserve fund for specified capital improvements in the amount of not less than $250,000. Such specified long term capital improvement will be the replacement of the existing water tower. Each year the fund will be increased by the accumulated interest generated by the fund and will be increased as the Council may direct by a user fee charged to all water customers.**~~

~~**Finance Committee recommends the history of this policy be reviewed and determine when/why the tower would be replaced.**~~

Policy Nine removed by the City Council on 5/8/2017

City of the Village of Minnetonka Beach
Profit & Loss Budget vs. Actual
January 2018

Bu											
								Jan 18	Budget	$ Over Budget	% of Budget
		Income									
			1000 · TAXES								
				1010 · General Property Tax				13,685.80	864,873.72	-851,187.92	1.58%
				1011 · Fiscal Disparities				-49.33	2,799.00	-2,848.33	-1.76%
				1014 · Fiscal Disparities Debt Service				-9.57	500.00	-509.57	-1.91%
				1030 · Bond & Interest				2,649.09	118,392.75	-115,743.66	2.24%
			Total 1000 · TAXES					16,275.99	986,565.47	-970,289.48	1.65%
			1100 · LICENSES & PERMITS								
				1110 · Business							
					1115 · Liquor Licenses			1,200.00	1,200.00	0.00	100.0%
				Total 1110 · Business				1,200.00	1,200.00	0.00	100.0%
				1120 · Non-Business							
					1125 · Dock Permits			0.00	30,000.00	-30,000.00	0.0%
					1130 · Dog & Cat Licenses			5.00	160.00	-155.00	3.13%
					1140 · Bldg/Plbg/Mech/Variances			931.70	75,000.00	-74,068.30	1.24%
					1150 · Leaf Pick-Up			770.76	7,000.00	-6,229.24	11.01%
				Total 1120 · Non-Business				1,707.46	112,160.00	-110,452.54	1.52%
			Total 1100 · LICENSES & PERMITS					2,907.46	113,360.00	-110,452.54	2.57%
			1200 · INTERGOVERNMENTAL REVENUE								
				1210 · State Grants							
					1230 · Other						
						1245 · PERA AID		0.00	540.00	-540.00	0.0%
						1230 · Other - Other		0.00	25,000.00	-25,000.00	0.0%
					Total 1230 · Other			0.00	25,540.00	-25,540.00	0.0%
				Total 1210 · State Grants				0.00	25,540.00	-25,540.00	0.0%
				1250 · Hennepin County Grants							
					1260 · Road Aid			0.00	1,700.00	-1,700.00	0.0%
					1270 · Recycling			0.00	1,906.00	-1,906.00	0.0%
				Total 1250 · Hennepin County Grants				0.00	3,606.00	-3,606.00	0.0%
			Total 1200 · INTERGOVERNMENTAL REVENUE					0.00	29,146.00	-29,146.00	0.0%
			1300 · CHARGES FOR SERVICES								
				1310 · General Government							
					1320 · U.S. Post Office			0.00	5,000.00	-5,000.00	0.0%
				Total 1310 · General Government				0.00	5,000.00	-5,000.00	0.0%

City of the Village of Minnetonka Beach
Profit & Loss Budget vs. Actual
January 2018

Bu		Jan 18	Budget	$ Over Budget	% of Budget
	1330 · Garbage, Recycle, Refuse				
	1335 · Garbage Receipts	6,656.93	60,398.00	-53,741.07	11.02%
	1337 · Recycling Proceeds	967.90	8,868.90	-7,901.00	10.91%
	Total 1330 · Garbage, Recycle, Refuse	7,624.83	69,266.90	-61,642.07	11.01%
	1370 · Fines & Forfeits	640.00	5,000.00	-4,360.00	12.8%
	Total 1300 · CHARGES FOR SERVICES	8,264.83	79,266.90	-71,002.07	10.43%
	1400 · MISCELLANEOUS RECEIPTS				
	1410 · Interest Earnings - General Fun	0.00	12,000.00	-12,000.00	0.0%
	1460 · Misc Income Fees and Taxes				
	1461 · General Rate Sales Tax	0.00	1,500.00	-1,500.00	0.0%
	1462 · Garbage Tax	649.70	5,796.00	-5,146.30	11.21%
	1463 · Water Test Fee	15.16	1,462.00	-1,446.84	1.04%
	Total 1460 · Misc Income Fees and Taxes	664.86	8,758.00	-8,093.14	7.59%
	Total 1400 · MISCELLANEOUS RECEIPTS	664.86	20,758.00	-20,093.14	3.2%
	1500 · OTHER FINANCING SOURCES				
	1510 · Enterprise Fund Transfers				
	1520 · Water				
	1521 · Water Base Fee	2,311.23	21,412.14	-19,100.91	10.79%
	1520 · Water - Other	4,631.03	81,207.67	-76,576.64	5.7%
	Total 1520 · Water	6,942.26	102,619.81	-95,677.55	6.77%
	1530 · Sewer	8,181.18	75,000.00	-66,818.82	10.91%
	1531 · Stormwater Utility Fee	1,536.22	13,800.00	-12,263.78	11.13%
	1540 · Penalty/Interest - Water	163.55	800.00	-636.45	20.44%
	1550 · Penalty/Interest - Sewer	143.01	250.00	-106.99	57.2%
	Total 1510 · Enterprise Fund Transfers	16,966.22	192,469.81	-175,503.59	8.82%
	1560 · Orono Water Assessments	245.52	4,500.00	-4,254.48	5.46%
	Total 1500 · OTHER FINANCING SOURCES	17,211.74	196,969.81	-179,758.07	8.74%
	Total Income	45,324.88	1,426,066.18	-1,380,741.30	3.18%
	Gross Profit	45,324.88	1,426,066.18	-1,380,741.30	3.18%
	Expense				
	2000 · GENERAL GOVERNMENT				
	2010 · Administration & Finance				
	2015 · City Adminstrator	6,836.47	83,250.00	-76,413.53	8.21%

City of the Village of Minnetonka Beach
Profit & Loss Budget vs. Actual
January 2018

Bu								Jan 18	Budget	$ Over Budget	% of Budget
					2020 · City Clerk			4,451.12	54,202.72	-49,751.60	8.21%
					2025 · Unfunded Liability Account			0.00	5,000.00	-5,000.00	0.0%
					2030 · Post Office & Part-Time			1,098.79	16,000.00	-14,901.21	6.87%
					2040 · P/R Taxes & Benefits			6,015.77	40,000.00	-33,984.23	15.04%
				Total 2010 · Administration & Finance				18,402.15	198,452.72	-180,050.57	9.27%
				2050 · Other Government							
					2060 · Legal Fees/Prosecution			702.50	50,000.00	-49,297.50	1.41%
					2070 · Assessor			811.66	11,000.00	-10,188.34	7.38%
					2080 · Zoning Administrator						
						2081 · Comprehensive Plan		0.00	40,000.00	-40,000.00	0.0%
						2080 · Zoning Administrator - Other		0.00	40,000.00	-40,000.00	0.0%
					Total 2080 · Zoning Administrator			0.00	80,000.00	-80,000.00	0.0%
					2090 · Banking/Invest. Expense			0.00	1,000.00	-1,000.00	0.0%
					2095 · Accounting & Audits			10,400.00	13,250.00	-2,850.00	78.49%
					2100 · Office Expense			1,824.24	16,000.00	-14,175.76	11.4%
					2103 · Computer and Systems Expenses			0.00	4,000.00	-4,000.00	0.0%
					2110 · Telephone			0.00	3,500.00	-3,500.00	0.0%
					2120 · Village Hall			698.77	11,930.00	-11,231.23	5.86%
					2130 · Election Costs			572.37	3,000.00	-2,427.63	19.08%
					2140 · Membership Dues			353.00	1,500.00	-1,147.00	23.53%
					2141 · Continuing Education			0.00	1,000.00	-1,000.00	0.0%
					2150 · Reimbursable Expense			0.00	500.00	-500.00	0.0%
					2160 · Miscellaneous			0.00	500.00	-500.00	0.0%
					2170 · General Rate Sales Tax			0.00	1,500.00	-1,500.00	0.0%
				Total 2050 · Other Government				15,362.54	198,680.00	-183,317.46	7.73%
			Total 2000 · GENERAL GOVERNMENT					33,764.69	397,132.72	-363,368.03	8.5%
			2205 · PUBLIC SAFETY								
				2210 · Police							
					2220 · Contractual Services			0.00	141,000.00	-141,000.00	0.0%
				Total 2210 · Police				0.00	141,000.00	-141,000.00	0.0%
				2240 · Fire							
					2250 · Contractual Services			8,235.84	98,859.00	-90,623.16	8.33%
				Total 2240 · Fire				8,235.84	98,859.00	-90,623.16	8.33%
				2270 · Other Protection							
					2280 · Building Inspections						
						2281 · Building Permit Fees		741.61	3,000.00	-2,258.39	24.72%
						2280 · Building Inspections - Other		0.00	16,000.00	-16,000.00	0.0%

City of the Village of Minnetonka Beach
Profit & Loss Budget vs. Actual
January 2018

Bu											
								Jan 18	Budget	$ Over Budget	% of Budget
							Total 2280 · Building Inspections	741.61	19,000.00	-18,258.39	3.9%
							2290 · Animal Control	0.00	100.00	-100.00	0.0%
							2295 · Prisoner Room & Board	0.00	300.00	-300.00	0.0%
						Total 2270 · Other Protection		741.61	19,400.00	-18,658.39	3.82%
				Total 2205 · PUBLIC SAFETY				8,977.45	259,259.00	-250,281.55	3.46%
				2300 · STREETS & HIGHWAYS							
					2310 · Street Maint. & Sewers						
						2320 · Supt./Staff Salaries		4,603.46	53,114.38	-48,510.92	8.67%
						2321 · Part Time Wages		0.00	5,000.00	-5,000.00	0.0%
						2330 · Maint. P/R Taxes & Benefits		1,768.00	16,500.00	-14,732.00	10.72%
						2340 · Roads & Parks Maint.					
							2341 · Blacktop/Seal Coating	0.00	5,000.00	-5,000.00	0.0%
							2342 · Salt/Sand/Dirt/Rock	1,364.31	2,000.00	-635.69	68.22%
							2343 · Fuel	338.05	6,000.00	-5,661.95	5.63%
							2344 · Communications	75.35	1,600.00	-1,524.65	4.71%
							2345 · Street Sweeping	0.00	2,500.00	-2,500.00	0.0%
							2346 · Park Operation	259.70	5,000.00	-4,740.30	5.19%
							2347 · Repairs, Shop Parts	1,281.78	5,000.00	-3,718.22	25.64%
							2348 · Equip Rental	0.00	1,900.00	-1,900.00	0.0%
							2349 · Signage	0.00	500.00	-500.00	0.0%
							2350 · 2350 - Dues/Fees/Training	736.00	1,500.00	-764.00	49.07%
							2351 · Emerg. Siren/Exting.	276.75	525.00	-248.25	52.71%
							2353 · Gopher State/Other	95.50	600.00	-504.50	15.92%
							2355 · Equip Repair	0.00	3,000.00	-3,000.00	0.0%
							2356 · Tools	0.00	500.00	-500.00	0.0%
							2358 · Tree Removal	0.00	1,000.00	-1,000.00	0.0%
							2359 · Orono On Call	0.00	1,000.00	-1,000.00	0.0%
							2360 · Street Lights	712.25	9,000.00	-8,287.75	7.91%
							2361 · Leaf Pick up	0.00	6,000.00	-6,000.00	0.0%
							Total 2340 · Roads & Parks Maint.	5,139.69	52,625.00	-47,485.31	9.77%
					Total 2310 · Street Maint. & Sewers			11,511.15	127,239.38	-115,728.23	9.05%
				Total 2300 · STREETS & HIGHWAYS				11,511.15	127,239.38	-115,728.23	9.05%
				2400 · REFUSE & WASTE REMOVAL							
					2410 · Rubbish Removal			5,007.34	60,000.00	-54,992.66	8.35%
					2411 · Solid Waste Management Tax			125.00	6,000.00	-5,875.00	2.08%
					2420 · Recycling			724.50	8,942.40	-8,217.90	8.1%
				Total 2400 · REFUSE & WASTE REMOVAL				5,856.84	74,942.40	-69,085.56	7.82%

City of the Village of Minnetonka Beach
Profit & Loss Budget vs. Actual
January 2018

Bu								Jan 18	Budget	$ Over Budget	% of Budget
2500 · CULTURE & RECREATION											
	2510 · Parks & Recreation										
		2520 · Current Expenditures									
			2523 · Park Commission								
				2524 · Tree and Forest Maintenace				0.00	13,000.00	-13,000.00	0.0%
				2525 · General Landscape Maintenance				0.00	9,175.00	-9,175.00	0.0%
				2527 · Ray Peters Park				80.35	1,900.00	-1,819.65	4.23%
				2528 · Beach Park / Project				0.00	5,750.00	-5,750.00	0.0%
			Total 2523 · Park Commission					80.35	29,825.00	-29,744.65	0.27%
			2530 · Lakes and Docks								
				2531 · LMCD Annual Fee				0.00	6,647.00	-6,647.00	0.0%
				2532 · LMCD Application fees				0.00	1,500.00	-1,500.00	0.0%
				2533 · Dock Supplies				0.00	500.00	-500.00	0.0%
			Total 2530 · Lakes and Docks					0.00	8,647.00	-8,647.00	0.0%
			2540 · Community Education					0.00	400.00	-400.00	0.0%
		Total 2520 · Current Expenditures						80.35	38,872.00	-38,791.65	0.21%
	Total 2510 · Parks & Recreation							80.35	38,872.00	-38,791.65	0.21%
Total 2500 · CULTURE & RECREATION								80.35	38,872.00	-38,791.65	0.21%
2600 · MISCELLANEOUS EXPENDITURE											
	2610 · Insurance							0.00	22,000.00	-22,000.00	0.0%
Total 2600 · MISCELLANEOUS EXPENDITURE								0.00	22,000.00	-22,000.00	0.0%
2700 · OTHER FINANCING USES											
	2710 · Enterprise Fund Transfers										
		2715 · Water									
			2716 · FT Wages - Water					863.14	9,958.95	-9,095.81	8.67%
			2717 · Water Billing					137.35	1,853.53	-1,716.18	7.41%
			2718 · PR Taxes & Benefits - Water					349.15	2,700.00	-2,350.85	12.93%
			2719 · Engineering Studies					956.25	15,000.00	-14,043.75	6.38%
			2720 · Water Test Fee					0.00	1,462.00	-1,462.00	0.0%
			2721 · Water Meter Supplies					0.00	1,000.00	-1,000.00	0.0%
			2722 · Supplies					400.19	2,000.00	-1,599.81	20.01%
			2725 · Plant Operation					5,847.76	11,000.00	-5,152.24	53.16%
			2726 · Repairs/TV					1,390.78	7,500.00	-6,109.22	18.54%
			2727 · Dues/Fees/Training					735.00	3,000.00	-2,265.00	24.5%
			2728 · Orono Water					0.00	4,500.00	-4,500.00	0.0%
			2729 · Plant Maint.					0.00	1,000.00	-1,000.00	0.0%

City of the Village of Minnetonka Beach
Profit & Loss Budget vs. Actual
January 2018

Bu	Jan 18	Budget	$ Over Budget	% of Budget
Total 2715 · Water	10,679.62	60,974.48	-50,294.86	17.52%
2730 · Sewer				
2731 · FT Wages - Sewer	287.89	3,319.65	-3,031.76	8.67%
2732 · Sewer Billing	137.35	1,853.53	-1,716.18	7.41%
2733 · PR Taxes & Benefits - Sewer	127.95	1,100.00	-972.05	11.63%
2734 · Dues/Fees/Training	400.00			
2735 · MCES (Sludge Removal)	8,394.68	50,368.02	-41,973.34	16.67%
2737 · Repairs Sanitary Sewer	14,501.25	2,000.00	12,501.25	725.06%
2738 · Lift Stations 1-4	168.04	7,000.00	-6,831.96	2.4%
2739 · Televising Lines	0.00	1,000.00	-1,000.00	0.0%
2740 · Storm Sewer Repairs	0.00	1,000.00	-1,000.00	0.0%
Total 2730 · Sewer	24,017.16	67,641.20	-43,624.04	35.51%
Total 2710 · Enterprise Fund Transfers	34,696.78	128,615.68	-93,918.90	26.98%
Total 2700 · OTHER FINANCING USES	34,696.78	128,615.68	-93,918.90	26.98%
2800 · DEBT SERVICE FUNDS				
2801 · GO Bonds, Series 2002A				
2805 · Bond Principal pmts	195,000.00	195,000.00	0.00	100.0%
2806 · Bond interest pmts	18,327.50	34,705.00	-16,377.50	52.81%
2807 · Fiscal Charges	450.00	500.00	-50.00	90.0%
Total 2801 · GO Bonds, Series 2002A	213,777.50	230,205.00	-16,427.50	92.86%
Total 2800 · DEBT SERVICE FUNDS	213,777.50	230,205.00	-16,427.50	92.86%
2900 · CAPITAL PROJECT FUNDS				
2901 · 2002 Water/PWF projects				
2950 · Capital Reserve	0.00	10,000.00	-10,000.00	0.0%
Total 2901 · 2002 Water/PWF projects	0.00	10,000.00	-10,000.00	0.0%
2960 · Capital Improvement Program	0.00	137,800.00	-137,800.00	0.0%
Total 2900 · CAPITAL PROJECT FUNDS	0.00	147,800.00	-147,800.00	0.0%
Total Expense	308,664.76	1,426,066.18	-1,117,401.42	21.64%
Net Income	**-263,339.88**	**0.00**	**-263,339.88**	**100.0%**