

CITY OF TONKA BAY
TONKA BAY, MINNESOTA

FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2015

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CITY OF TONKA BAY, MINNESOTA

**MEMBERS OF THE CITY COUNCIL
AND OTHER OFFICIALS**

Term of
Office
Expires
December 31,

CITY COUNCIL:

Gerry De La Vega	Mayor	2016
Jeff Anderson	Council Member	2018
Elli Ansari	Council Member	2016
Jeff Clapp	Council Member	2016
Jonathan Grothe	Council Member	2018

CITY OFFICIAL:

Lindy Crawford	City Administrator
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FINANCIAL SECTION

STUART J. BONNIWELL
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Tonka Bay, Minnesota

Report on Financial Statements

I have audited the accompanying financial statements of the governmental and proprietary funds and the aggregate remaining fund information of the City of Tonka Bay, Minnesota as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Tonka Bay, Minnesota's (the City) basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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 financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my modified audit opinions on the governmental activities and the aggregate remaining fund information prepared using the regulatory basis of accounting as described more fully in Note 2 to the financial statements. I also believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unmodified audit opinion on the business-type (proprietary) activities prepared in accordance with generally accepted accounting principles using the regulatory basis of accounting.

Honorable Mayor and Members of the City Council
City of Tonka Bay, Minnesota

Basis for Qualified Opinions of the Governmental Activities

As described in Note 2 to the financial statements, the City prepares its financial statements on the regulatory basis of accounting as prescribed by the Minnesota Office of the State Auditor. This basis of accounting and financial reporting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting demonstrates compliance with and meets the reporting 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 2 and accounting principles generally accepted in the United States of America were not reasonably determinable.

Qualified Opinions of the Governmental Activities

In my opinion, because it is the City's policy to prepare financial statements of its governmental activities on the regulatory basis of accounting described in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Tonka Bay as of December 31, 2015, or the changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In my 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, 2015, and their respective cash receipts and disbursements for the year then ended, on the basis of accounting as described in Note 2. Also, in my 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, 2015, and the respective changes in financial position and cash flows for the year then ended, in accordance with the financial reporting provisions of the Minnesota Office of the State Auditor as described in Note 2.

Other Information

Information presented in the accompanying financial statements pertaining to 2014 is provided for comparative purposes. This information was derived from the financial statements of the City for the year ended December 31, 2014 and, in my report dated April 30, 2015 I expressed unmodified opinions on the governmental and proprietary funds prepared on the regulatory basis of accounting.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Tonka Bay, Minnesota's financial statements. The individual and combining fund financial statements and unaudited schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the City. The individual fund financial statements 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 and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements prepared on the regulatory basis taken as a whole.

Stuart J. Bonniwell
Certified Public Accountant

Minneapolis, Minnesota
April 22, 2016

FINANCIAL STATEMENTS – REGULATORY BASIS

CITY OF TONKA BAY
STATEMENT OF FUND BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

EXHIBIT A

(With Comparative Totals at December 31, 2014)

	General Fund	Special Revenue Funds	Capital Project Funds	Totals	
				2015	2014
ASSETS					
Cash and Investments	\$ 763,443	\$ 388,433	\$ 600,584	\$ 1,752,460	\$ 1,763,765
Prepaid Items	5,989			5,989	5,728
Totals	<u>\$ 769,432</u>	<u>\$ 388,433</u>	<u>\$ 600,584</u>	<u>\$ 1,758,449</u>	<u>\$ 1,769,493</u>
 LIABILITIES AND FUND BALANCE					
Liabilities					
Surcharge and Other Deposits	\$ 1,206			\$ 1,206	\$ 1,826
Deferred Revenue		\$ 20,034		20,034	19,961
Due to Other Funds			\$ 33,116	33,116	41,439
Total Liabilities	1,206	20,034	33,116	54,356	63,226
 Fund Balance					
Nonspendable	5,989			5,989	5,728
Assigned	50,982	368,399	600,584	1,019,965	1,041,594
Unassigned (Deficit)	711,255		(33,116)	678,139	658,945
Total Fund Balance	768,226	368,399	567,468	1,704,093	1,706,267
Totals	<u>\$ 769,432</u>	<u>\$ 388,433</u>	<u>\$ 600,584</u>	<u>\$ 1,758,449</u>	<u>\$ 1,769,493</u>

See Accompanying Notes to Financial Statements.

CITY OF TONKA BAY **EXHIBIT B**
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2015

(With Comparative Totals for the Year Ended December 31, 2014)

	General Fund	Special Revenue Funds	Capital Project Funds	Totals	
				2015	2014
Receipts					
General Property Taxes	\$ 1,001,230		\$ 53,772	\$ 1,055,002	\$ 1,049,761
Franchise Fees	18,010	\$ 4,409		22,419	17,135
Special Assessments			17,341	17,341	17,901
Licenses and Permits	59,732			59,732	77,066
Intergovernmental Revenues	24,073			24,073	1,232
Charges for Services	16,416			16,416	16,800
Fines and Forfeitures	11,271			11,271	9,884
Investment Income	6,834	6,888	5,725	19,447	13,365
Other	32,486	30,163		62,649	82,688
Total Receipts	1,170,052	41,460	76,838	1,288,350	1,285,832
Disbursements					
Current					
General Government	244,020			244,020	239,094
Public Safety	689,450			689,450	678,644
Public Works	144,599		47,046	191,645	202,055
Parks and Recreation	94,154			94,154	56,586
Other	1,502			1,502	4,584
Capital Outlay					
General Government				-	36,569
Public Works			127,974	127,974	3,383
Parks and Recreation				-	745
Other			112,072	112,072	46,337
Total Disbursements	1,173,725	-	287,092	1,460,817	1,267,997
Receipts Over (Under)					
Disbursements	(3,673)	41,460	(210,254)	(172,467)	17,835
Other Financing Sources (Uses)					
Transfers from Other Funds	47,985		170,293	218,278	209,379
Transfers to Other Funds		(47,985)		(47,985)	(52,485)
Total Other Sources (Uses)	47,985	(47,985)	170,293	170,293	156,894
Net Change in Cash Fund Balance	44,312	(6,525)	(39,961)	(2,174)	174,729
Fund Balance Beginning of Year	723,914	374,924	607,429	1,706,267	1,531,538
Fund Balance End of Year	<u>\$ 768,226</u>	<u>\$ 368,399</u>	<u>\$ 567,468</u>	<u>\$ 1,704,093</u>	<u>\$ 1,706,267</u>

See Accompanying Notes to Financial Statements.

**CITY OF TONKA BAY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

(With Comparative Totals at December 31, 2014)

	Water Fund	Sewer Fund	Garbage Fund	Recycling Fund
ASSETS				
Current Assets				
Cash and Investments	\$ 20,993	\$ 428,174	\$ 85,306	\$ 8,768
Accounts Receivable	59,381	101,722	37,593	18,503
Accrued Interest Receivable		1,227	31	
Due from Other Funds			50,000	
Inventory	5,587			
Prepaid Items	7,026	18,830	1,100	471
Total Current Assets	<u>92,987</u>	<u>549,953</u>	<u>174,030</u>	<u>27,742</u>
Capital Assets				
Land and Improvements	11,770			
Buildings and Improvements	489,110			
Distribution System	1,647,224	1,814,698		
Equipment	740,542	45,413		
	2,888,646	1,860,111		
Accumulated Depreciation	(2,059,531)	(1,328,041)		
Total Capital Assets	<u>829,115</u>	<u>532,070</u>		
Totals	<u>\$ 922,102</u>	<u>\$ 1,082,023</u>	<u>\$ 174,030</u>	<u>\$ 27,742</u>
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts Payable	\$ 19,614	\$ 5,952	\$ 6,200	\$ 6,728
Accrued Payroll and Taxes	9,539	8,436	1,593	1,661
Other Liabilities	1,531		5,367	
Deferred Revenue				
Due to Other Funds				50,000
Total Current Liabilities	<u>30,684</u>	<u>14,388</u>	<u>13,160</u>	<u>58,389</u>
Net Position				
Net Investment in Capital Assets	829,115	532,070		
Unrestricted	62,303	535,565	160,870	(30,647)
Total Net Position	<u>891,418</u>	<u>1,067,635</u>	<u>160,870</u>	<u>(30,647)</u>
Totals	<u>\$ 922,102</u>	<u>\$ 1,082,023</u>	<u>\$ 174,030</u>	<u>\$ 27,742</u>

See Accompanying Notes to Financial Statements.

EXHIBIT C

Storm Water	Dock Fund	Totals	
		2015	2014
\$ 104,066	\$ 232,278	\$ 879,585	\$ 845,005
5,425		222,624	231,385
	181	1,439	1,439
33,116		83,116	66,439
		5,587	7,209
	547	27,974	28,160
<u>142,607</u>	<u>233,006</u>	<u>1,220,325</u>	<u>1,179,637</u>
		11,770	11,770
	118,318	607,428	607,428
		3,461,922	3,430,552
		785,955	785,955
	<u>118,318</u>	<u>4,867,075</u>	<u>4,835,705</u>
	(62,118)	(3,449,690)	(3,314,260)
	<u>56,200</u>	<u>1,417,385</u>	<u>1,521,445</u>
<u>\$ 142,607</u>	<u>\$ 289,206</u>	<u>\$ 2,637,710</u>	<u>\$ 2,701,082</u>
\$ 208	\$ 3,938	\$ 42,640	\$ 32,920
	509	21,738	18,656
		6,898	6,519
	4,800	4,800	3,800
		50,000	25,000
<u>208</u>	<u>9,247</u>	<u>126,076</u>	<u>86,895</u>
	56,200	1,417,385	1,521,445
142,399	223,759	1,094,249	1,092,742
<u>142,399</u>	<u>279,959</u>	<u>2,511,634</u>	<u>2,614,187</u>
<u>\$ 142,607</u>	<u>\$ 289,206</u>	<u>\$ 2,637,710</u>	<u>\$ 2,701,082</u>

See Accompanying Notes to Financial Statements.

CITY OF TONKA BAY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2015

(With Comparative Totals for the Year Ended December 31, 2014)

	Water Fund	Sewer Fund	Garbage Fund	Recycling Fund
Operating Revenues				
Service Charges	\$ 265,803	\$ 382,174	\$ 117,800	\$ 68,256
Other Revenues				5,788
	<u>265,803</u>	<u>382,174</u>	<u>117,800</u>	<u>74,044</u>
Total Operating Revenues				
Operating Expenses				
Personal Services	111,577	95,463	16,280	17,918
Maintenance and Supplies	101,867	23,616	354	354
Contracted Services	32,206	10,490	74,847	74,448
Treatment Charges		185,093		
Other Charges	5,724	1,810		
Depreciation	67,189	62,568		
	<u>318,563</u>	<u>379,040</u>	<u>91,481</u>	<u>92,720</u>
Total Operating Expenses				
Operating Income (Loss)	<u>(52,760)</u>	<u>3,134</u>	<u>26,319</u>	<u>(18,676)</u>
Other Revenues				
Grant Reimbursement				
Permits and Other	1,167	360		
Investment Income		2,924	547	
Total Other Revenues	<u>1,167</u>	<u>3,284</u>	<u>547</u>	<u>-</u>
Income (Loss) Before Transfers	(51,593)	6,418	26,866	(18,676)
Other Financing Activities				
Transfers to Other Funds	<u>(67,592)</u>	<u>(52,701)</u>		
Net Income (Loss) after Transfers	(119,185)	(46,283)	26,866	(18,676)
Net Position Beginning of Year	1,010,603	1,082,548	134,004	(11,971)
Capital Contributions		<u>31,370</u>		
Net Position End of Year	<u>\$ 891,418</u>	<u>\$ 1,067,635</u>	<u>\$ 160,870</u>	<u>\$ (30,647)</u>

See Accompanying Notes to Financial Statements.

EXHIBIT D

Storm Water	Dock Fund	Totals	
		2015	2014
\$ 21,733	\$ 84,200	\$ 939,966 5,788	\$ 888,288 4,978
<u>21,733</u>	<u>84,200</u>	<u>945,754</u>	<u>893,266</u>
863	6,415	248,516	248,049
6,180	5,794	138,165	122,743
6,380	6,357	204,728	233,657
		185,093	136,631
		7,534	6,897
	5,673	135,430	135,536
<u>13,423</u>	<u>24,239</u>	<u>919,466</u>	<u>883,513</u>
<u>8,310</u>	<u>59,961</u>	<u>26,288</u>	<u>9,753</u>
		-	33,361
		1,527	1,690
2,541	2,543	8,555	6,630
<u>2,541</u>	<u>2,543</u>	<u>10,082</u>	<u>41,681</u>
10,851	62,504	36,370	51,434
	(50,000)	(170,293)	(156,894)
10,851	12,504	(133,923)	(105,460)
131,548	267,455	2,614,187	2,703,030
		31,370	16,617
<u>\$ 142,399</u>	<u>\$ 279,959</u>	<u>\$ 2,511,634</u>	<u>\$ 2,614,187</u>

See Accompanying Notes to Financial Statements.

CITY OF TONKA BAY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Water Fund	Sewer Fund	Garbage Fund	Recycling Fund
Cash Flows from Operating Activities				
Cash Received from:				
Customers	\$ 266,658	\$ 388,187	\$ 118,829	\$ 68,726
Other Receipts	1,167	360		5,788
	<u>267,825</u>	<u>388,547</u>	<u>118,829</u>	<u>74,514</u>
Cash Expended for:				
Personal Services	110,097	94,256	16,147	17,733
Supplies, Services and Other	123,905	216,850	74,609	74,181
	<u>234,002</u>	<u>311,106</u>	<u>90,756</u>	<u>91,914</u>
Net Cash Provided (Used) by Operating Activities	<u>33,823</u>	<u>77,441</u>	<u>28,073</u>	<u>(17,400)</u>
Cash Flows from Investing Activities				
Investment Income		<u>2,924</u>	<u>547</u>	
Cash Flows from Capital Financing Activities				
Capital Contributions Received		31,370		
Acquisition of Property and Equipment		<u>(31,370)</u>		
		<u>-</u>		
Cash Flows from Noncapital Activities				
Change in Due from (to) Other Funds			(25,000)	25,000
Transfers from (to) Other Funds	(67,592)	(52,701)		
	<u>(67,592)</u>	<u>(52,701)</u>	<u>(25,000)</u>	<u>25,000</u>
Increase (Decrease) in Cash	(33,769)	27,664	3,620	7,600
Cash and Investments Beginning of Year	<u>54,762</u>	<u>400,510</u>	<u>81,686</u>	<u>1,168</u>
Cash and Investments End of Year	<u>\$ 20,993</u>	<u>\$ 428,174</u>	<u>\$ 85,306</u>	<u>\$ 8,768</u>

See Accompanying Notes to Financial Statements.

EXHIBIT E
Sheet 1

Storm Water	Dock Fund	Totals	
		2015	2014
\$ 22,127	\$ 85,200	\$ 949,727	\$ 904,621
		7,315	39,814
<u>22,127</u>	<u>85,200</u>	<u>957,042</u>	<u>944,435</u>
863	6,338	245,434	245,488
15,809	18,259	523,613	504,610
<u>16,672</u>	<u>24,597</u>	<u>769,047</u>	<u>750,098</u>
<u>5,455</u>	<u>60,603</u>	<u>187,995</u>	<u>194,337</u>
<u>2,541</u>	<u>2,543</u>	<u>8,555</u>	<u>6,941</u>
		31,370	65,135
		<u>(31,370)</u>	<u>(19,773)</u>
		<u>-</u>	<u>45,362</u>
8,323		8,323	2,218
	(50,000)	(170,293)	(156,894)
<u>8,323</u>	<u>(50,000)</u>	<u>(161,970)</u>	<u>(154,676)</u>
16,319	13,146	34,580	91,964
<u>87,747</u>	<u>219,132</u>	<u>845,005</u>	<u>753,041</u>
<u>\$ 104,066</u>	<u>\$ 232,278</u>	<u>\$ 879,585</u>	<u>\$ 845,005</u>

See Accompanying Notes to Financial Statements.

CITY OF TONKA BAY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Water Fund	Sewer Fund	Garbage Fund	Recycling Fund
Reconciliation of income from operations to net cash provided by operating activities:				
Cash Flows from Operating Activities				
Operating Income (Loss)	\$ (52,760)	\$ 3,134	\$ 26,319	\$ (18,676)
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:				
Depreciation	67,189	62,568		
Nonoperating Revenues	1,167	360		
(Increase) Decrease in Current Assets:				
Accounts Receivable	855	6,013	1,029	470
Inventory	1,228	394		
Prepaid Items	329	(296)	89	39
Increase (Decrease) in Current Liabilities:				
Accounts Payable	14,264	4,061	195	582
Accrued Payroll and Taxes	1,480	1,207	133	185
Other Liabilities	71		308	
Net Cash Provided (Used) by Operating Activities	\$ 33,823	\$ 77,441	\$ 28,073	\$ (17,400)

See Accompanying Notes to Financial Statements.

EXHIBIT E
Sheet 2

Storm Water	Dock Fund	Totals	
		2015	2014
\$ 8,310	\$ 59,961	\$ 26,288	\$ 9,753
	5,673	135,430	135,536
		1,527	35,051
394		8,761	12,318
		1,622	(2,469)
	25	186	(3,595)
(3,249)	(6,133)	9,720	935
	77	3,082	2,894
	1,000	1,379	3,914
<u>\$ 5,455</u>	<u>\$ 60,603</u>	<u>\$ 187,995</u>	<u>\$ 194,337</u>

See Accompanying Notes to Financial Statements.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1. Significant Accounting Policies

A. General Statement

The City of Tonka Bay, Minnesota (the City) operates under 'Optional Plan A' (council-administrator plan) form of government as defined in *Minnesota Statutes* pursuant to applicable state laws and statutes. Under this plan, the City is governed by a City Council composed of an elected mayor and four other elected members. The Council exercises legislative authority, determines matters of policy and is responsible for directing the activities of the City. The Council appoints personnel responsible for the proper administration of all affairs relating to the City.

B. Reporting Entity

In accordance with generally accepted accounting principles and pronouncements of the Government Accounting Standards Board (GASB), the financial statements of the City (primary government) are required to include activities of its component units or other organizations over which the City exercises significant influence or financial accountability. Significant influence or financial accountability is based primarily on operational, the nature and significance of their relationships with the City such that exclusion of such activities would cause the City's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing the voting majority of the 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 considered all potential units and organizations for which it is financially accountable for and has determined that there are no component units or other organizations that satisfy the GASB criteria for inclusion in the accompanying financial statements.

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

The accompanying financial statements have been prepared using 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*. The regulatory basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America as applied to governmental units by GASB. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. This basis of accounting is more fully described in Note 2 to these financial statements.

The accounts of the City are organized on the basis of funds; each fund is considered a separate 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 City uses funds to report on its financial position and the results of its operations. Government resources are allocated to and accounted for in individual funds based upon the intended purpose for which resources are to be spent and the means by which spending activities are controlled.

Funds are arranged in the accompanying financial statements into two broad fund type categories: governmental and proprietary. Separate financial statements are provided for governmental and proprietary funds. Following is a description of each fund type.

Governmental Funds

Governmental funds are those funds through which most governmental functions are financed. The measurement focus of governmental funds is on the *sources, uses and balance of current financial resources*.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1. Significant Accounting Policies, continued

C. Measurement Focus, Basis of Accounting and Basis of Presentation, continued

The City reports the following governmental funds:

General Fund - The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for proceeds from specific revenue sources or internally designated amounts which are restricted to expenditures for specified purposes.

Capital Project Funds - Capital Project Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities or the acquisition of equipment other than those financed by Proprietary Funds.

Governmental funds are accounted for using the regulatory basis of accounting. Under this basis of accounting, revenues are recognized when received in cash and expenditures are recognized when disbursed in cash. The regulatory basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). Under GAAP, governmental funds use the *modified accrual basis of accounting*. The primary difference between the regulatory basis and the modified accrual basis of accounting is that under the modified accrual basis; a) revenues are recognized when they become both measurable and available as net current assets (receivables), and b) expenditures are recognized when the liability is incurred (payables). With regards to revenue recognition, measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough after to pay current liabilities.

Proprietary Funds

Proprietary funds account for the costs of providing goods and services on a continuing basis. Proprietary fund financial statements are accounted for on the *flow of economic resources (cost of service) measurement focus*.

Proprietary (enterprise) funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that determination of net income (revenues less expenses) is appropriate or useful for financial management, capital maintenance, public policy or other purposes.

The City maintains separate funds for each of its proprietary activities. These funds account for City operations pertaining to water, sewer, garbage, recycling, storm water and dock activities.

Under the regulatory basis of accounting, proprietary funds of the City are accounted for using the *accrual basis of accounting*, in accordance with generally accepted accounting principles. Under this method of accounting, revenues are recognized and recorded when earned and expenses are recognized and recorded at the time liabilities are incurred, regardless of the timing of related cash flows. With this measurement focus, all assets and all liabilities (whether current or non-current) associated with the operation of these funds are included on the statement of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1. Significant Accounting Policies, continued

C. Measurement Focus, Basis of Accounting and Basis of Presentation, continued

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary (enterprise) funds are charges to customers for sales and services. Operating expenses of proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. All revenues and expenses not meeting this definition are reported as *nonoperating* revenues and expenses.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange occurs. On the cash basis, revenue is recorded in the period in which the resources (cash) are received.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and contributions. On the regulatory basis of accounting, revenues from property taxes are recognized in the year received. Revenues from grants, entitlements and contributions are recognized in the year in which the resources (cash) are received, not necessarily when all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when 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, expenditure requirements, in which the resources are provided to the City on a reimbursement basis. For proprietary funds, revenues from grants, entitlements and contributions are recorded in the year when the susceptible to accrual criteria are met and when all eligibility requirements have been satisfied.

D. Assets, Liabilities, and Fund Equity

Deposits and Investments

Deposits and investments include cash on hand, demand deposits and short-term investments, typically certificates of deposits with varying maturity dates. Cash balances from all funds are pooled and invested to the extent available in bank demand deposits or other authorized investments. Investments are stated at cost or amortized cost, which represent their fair value. Investment income is recognized as earned and allocated among participating funds on the basis of the average cash participation by each fund throughout the year.

This cash management pool operates as a demand deposit account for participating funds. For purposes of the statement of cash flows of the Proprietary Funds, the City considers the portion of each fund's equity in the cash management pool to be cash and cash equivalents.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1. Significant Accounting Policies, continued

D. Assets, Liabilities, and Fund Equity, continued

Receivables

Accounts receivable recorded in the proprietary funds are for services provided to residents and businesses by the City throughout the year. Included in these receivables are amounts for utility services provided before year-end, but billed subsequent to year-end. All amounts reported are at gross. Management reviews the current status of receivables and annually certifies delinquent utility accounts to the County for collection in the following year to ensure collection. As a result, no allowance for doubtful accounts was deemed necessary at December 31, 2015.

Property Taxes

Property tax levies are adopted and certified to the County by the City in December of each year for collection in the following year. The County spreads all levies over taxable property and acts as collection agent (responsible for billing and collecting) of such taxes for the City. Property taxes become a lien on the property on the first day of the year collectible and are payable in two equal installments by property owners, usually in May and October. The County remits tax collections to the City three times during the year. The City has no authority or ability to enforce payment of property taxes by property owners; this authority is possessed by the County. Governmental funds recognize property taxes as revenue when it is received.

Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of improvement projects. The City normally adopts the assessment rolls when individual projects are complete or substantially complete. Assessments are collectible over a period of years generally consistent with the duration of the related bond issue or as set by City Council action. The County handles collection of annual installments (including interest) in the same manner as property taxes. Property owners are allowed to prepay total future assessment installments without interest or prepayment penalties.

Special assessments receivable include the following components:

- Unremitted – Amounts collected by the County but not remitted to the City by year-end.
- Delinquent – Amounts billed to property owners but not paid.
- Deferred – Annual installments which will be billed to property owners in future years.

Revenue from special assessments is recognized when received in the governmental funds.

In addition, the City certifies delinquent utility accounts and other services to the County for collection. Utility assessments are recorded as receivables in the respective proprietary funds at year-end. These receivables are reduced when collections from the County are received by the City under the accrual basis of accounting. These amounts are reported at gross and no allowance for uncollectible accounts is provided against these receivables.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Any residual balances are classified as 'due from other funds and 'due to other funds' in the accompanying financial statements.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1. Significant Accounting Policies, continued

D. Assets, Liabilities, and Fund Equity, continued

Interfund Receivables and Payables, continued

In addition, activity between funds that is representative of lending/borrowing arrangements outstanding at year-end are also referred to as 'due from other funds and 'due to other funds.' The amounts recorded in the financial statements represent advances made from various funds to finance an improvement project and eliminate deficit cash balance positions; these amounts will be repaid from assessments levied and future charges for services when received by the City.

Inventories

Inventory of expendable supplies held by proprietary funds is valued at the lower of cost (using the first-in, first-out method) or market. The cost of inventory is recognized as an expense when items are consumed or sold (consumption method).

Inventory of expendable supplies held by governmental funds are recorded as an expenditure when purchased (purchase method). These funds do not maintain significant amounts of inventories of supplies.

Prepaid Items

Certain payments made for services that reflect costs applicable to future periods are recorded as prepaid items in the proprietary funds. Typically, prepaid items are not recorded in governmental funds except for the amount of employee health insurance and other benefits paid in advance.

Capital Assets

Under the regulatory basis of accounting, the City does not account for capital assets used in governmental funds. Capital assets acquired or constructed by governmental funds are recorded as expenditures in these funds but are not capitalized in the accompanying individual fund financial statements. In accordance with generally accepted accounting principles these capital assets would be reported in the government-wide financial statements; however, the City has opted not to prepare these government-wide financial statements.

Capital assets of the proprietary funds, which include property, plant, buildings and improvements, and equipment, are reported in their respective funds. Capital assets are capitalized at historical cost when acquired or constructed, or estimated cost if actual cost is not available; donated capital assets are valued at their estimated fair value at the date donated. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. The cost of normal maintenance and repairs that do not extend the lives or add value to the assets are not capitalized but rather expensed as incurred.

Depreciation of all exhaustible capital assets of the proprietary funds is charged as an expense against operations. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Estimated useful lives of capital assets for depreciation purposes are:

Buildings and Structures	10-40 Years
Distribution and Collection System	10-60 Years
Furniture, Fixtures and Equipment	5-20 Years

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1. Significant Accounting Policies, continued

D. Assets, Liabilities, and Fund Equity, continued

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation time. Employees are entitled to vacation time based upon length of employment. Employees are compensated for any vested and unused vacation pay upon separation or termination of employment. In addition, the City has established a severance pay policy for its nonunion employees. This policy provides for severance payments upon termination of employment based on accumulated sick leave accrued up to a maximum amount based on length of employment. Severance pay policy for union employees is governed by individual union contracts. Employees are also allowed to accrue compensatory time, which is payable upon separation or termination of employment.

The portion of the liability for compensated absences attributed to governmental funds is reflected as part of the assigned fund balance of the General Fund. When paid these amounts are recorded as an expenditure in the General Fund. The liability associated with proprietary funds is accrued and recorded as an expense in these funds as benefits are earned.

Deferred Revenue

Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them or when grant funds are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is eliminated and revenue is recognized.

Entitlements and shared revenues are recorded at the time of receipt. In addition, revenues (receipts) from reimbursement based grants are recognized as revenue at the time funds are received. Deferred revenue in the governmental funds arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

Fund Equity

In the governmental fund financial statements, fund equity is classified as fund balance. Fund balance is divided into five classifications based primarily on the extent to which the City is obligated to observe constraints imposed on the use of resources reported in the governmental funds.

These classifications are as follows:

Nonspendable – Amounts that cannot be spent because the assets are not in spendable form, such as prepaid items.

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

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1. Significant Accounting Policies, continued

D. Assets, Liabilities, and Fund Equity, continued

Fund Equity, continued

Committed – Committed amounts are constrained for specific purposes that are internally imposed by formal action of the City Council, the City’s highest level of decision making authority. These committed amounts cannot be used for any other purpose unless the City Council modifies, rescinds or changes the specified use by taking a similar type of action.

Assigned – Assigned amounts are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, the assigned fund balance represents all remaining amounts that are not otherwise classified. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official delegated by the governing body.

Unassigned – This is the residual classification for the General Fund and also may reflect negative residual amounts in other funds.

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

Fund equity in proprietary fund financial statements is classified as net position. Net position (equity) represents the difference between assets and liabilities in these financial statements.

Net position is displayed in three components:

- a) Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation, reduced by the amount of outstanding balances of debt that are attributable to the acquisition, construction or improvement of capital assets.
- b) Restricted net position – Consists of net position balances restricted with constraints placed on their use either by 1) external groups such as creditors, grantors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position – All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets.”

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

Interfund Transactions

Quasi-external transactions (services provided) are accounted for as revenues, expenditures or expenses, as applicable to each fund. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

All other interfund transactions are reported as transfers.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1. Significant Accounting Policies, continued

E. Other Matters

Total Columns

Total columns on the governmental and proprietary fund financial statements are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation since interfund transactions have not been eliminated in the aggregation of this data.

Comparative Information

Comparative total data for the prior year have not been presented in the individual fund financial statements due to the complexity of including those statements in the accompanying report. However, financial data for the prior year is presented in the operating statement of the General Fund, which is required supplementary information, in order to provide a comparison of current year's operations with the budget and prior year's operations.

Also, certain amounts presented in the prior year's financial report may have been reclassified to be consistent with the current year's presentation.

Use of Estimates

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

Concentrations of Credit Risk

Financial instruments that potentially subject the City to credit risk are cash and cash equivalents, investments and receivables. The City attempts to limit its exposure on cash and investments by following state laws regarding types of investments, insurance and collateral. Receivables are due primarily from the City of Tonka Bay area residents, businesses, property owners and other consumers.

Note 2. Regulatory Basis of Accounting

The accompanying financial statements have been prepared using 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*.

The regulatory basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units by the Government Accounting Standards Board (GASB). Under this basis of accounting, governmental fund revenues (receipts) are recognized when received rather than when measurable and available and expenditures (disbursements) are recognized when disbursed rather than when the liability is incurred. This basis differs from generally accepted accounting principles (GAAP) because the City does not recognize governmental fund revenues and expenditures in accordance with the *modified accrual basis of accounting*.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 2. Regulatory Basis of Accounting, continued

The primary difference between the regulatory basis and the modified accrual basis of accounting is that under the modified accrual basis governmental funds recognize; a) revenues when they become both measurable and available as net current assets (receivables) and b) expenditures when the liability is incurred (payables). With regards to revenue recognition, measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough after to pay current liabilities. The measurement focus of governmental funds is on the *sources, uses and balance of current financial resources*.

Under the regulatory basis of accounting, proprietary funds of the City are accounted for using the *accrual basis of accounting*, which is in accordance with generally accepted accounting principles. Proprietary funds are accounted for on a *cost of services or flow of economic resources* measurement focus; charges for services are used to recover costs of providing services to users. With this measurement focus, all assets and all liabilities (whether current or non-current) associated with the operation of these funds are included on the balance sheet. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

In addition, the City has elected not to provide a management discussion and analysis and government-wide financial statements consisting of a statement of net position and a statement of activities in accordance with generally accepted accounting principles.

Note 3. Stewardship, Compliance and Accountability

A. Budgetary Information

A plan of financial operation for the City is established in the budget adopted by the City Council. The budget outlines proposed expenditures and the means of financing them. The budget is prepared by the City Administrator based on requests for appropriations by City departments. The proposed budget is presented to the City Council for review. The Council holds public hearings and a final budget is prepared and adopted in December. The legal level of budgetary control is at the department level. Individual line items within the budget may be overspent but the total budget cannot be changed unless approved by the City Council.

The budget adopted for the General Fund is on a basis consistent with the regulatory (cash) basis of accounting; utilizing the same basis of accounting for both budgetary purposes and actual results. Budgeted amounts shown in the accompanying financial statements are as originally adopted or amended. No budget revisions were made during the year. Budgeted expenditure appropriations lapse at year-end. In addition, the City does not use encumbrance accounting.

B. Fund Equity Deficits

The Road Improvement Fund, a capital project fund, has a deficit fund balance of \$33,116 at December 31, 2015. Funds were advanced to this fund to pay costs associated with a road improvement project. This advance was recorded as a liability since it is the intention of the City to repay these funds as assessments are collected from benefited properties.

As a result, this deficit will be eliminated over a period of years as these assessments are received. Remaining assessments to be collected in future years related to this project were \$25,843 at December 31, 2015.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 3. Stewardship, Compliance and Accountability, continued

B. Fund Equity Deficits, continued

The Recycling Fund, a proprietary fund, has a deficit net position of \$30,647 at December 31, 2015. This deficit will be eliminated with future revenues from charges for services; however, if these revenues are not sufficient a transfer from another fund may be necessary.

C. Expenditures in Excess of Budgets

For the year ended December 31, 2015, expenditures of the General Fund exceeded budgeted amounts by \$5,650.

Note 4. Deposits and Investments

A. Components of Deposits and Investments

Deposits and investments at December 31, 2015 consisted of the following:

Cash on Hand	\$ 300
Cash in Banks	
Demand Deposits	(21,640)
Time Deposits (Certificates of Deposit)	1,255,000
Investments	
Shares of Money Market Funds	<u>1,398,385</u>
	<u>\$ 2,632,045</u>

Deposits and investments are presented in the financial statements as follows:

Governmental Funds	\$ 1,752,460
Proprietary Funds	<u>879,585</u>
	<u>\$ 2,632,045</u>

B. Deposits

In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council, all of which are members of the Federal Reserve System. Deposits consist of a checking account (demand deposits) and certificates of deposits (time deposits). The following is considered the most significant risk associated with deposits.

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits and investments may not be returned, lost or the City will not be able to recover collateral securities in the possession of an outside party. *Minnesota Statutes* require that all City deposits be protected by federal deposit insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or bonds; 140% in the case of mortgage notes pledged.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 4. Deposits and Investments, continued

B. Deposits, continued

Authorized collateral includes U.S. treasury bills, notes, and bonds; issues of U.S. government agencies and instrumentalities; general obligation securities of any state or local government rated “A” or better; revenue obligations rated “AA” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank to a municipality accompanied by written evidence that the bank’s debt is rated “AA” or better; and time deposits fully insured by any federal agency. *Minnesota Statutes* require securities pledged as collateral to be placed in safekeeping in an account at the Federal Reserve Bank or at a trust department of a commercial bank or other financial institution other than the financial institution furnishing the collateral.

The City has no additional policies addressing custodial credit risk. Bank balances (before reconciling items) of demand deposits were \$0 and time deposits were \$1,255,000, which were covered by federal depository insurance.

C. Investments

Investments of the City are reported at fair value.

The City has the following investments at year-end.

Investment Type	Fair Value and Carrying Value	Cost	Credit Quality Ratings	Interest Risk - Maturity Duration in Years
Pooled Investments - Money Markets				
Minnesota Municipal (4M Fund)	\$ 1,376,138	\$ 1,376,138	N/A	Daily
Other - Financial Institutions	<u>22,247</u>	<u>22,247</u>	N/A	Daily
	<u>\$ 1,398,385</u>	<u>\$ 1,398,385</u>		

N/A - Not applicable

Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk. Interest rate risk is disclosed using the segmented time/maturity method.

The Minnesota Municipal Money Market Fund (4M Fund) is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC. The 4M Fund operates in accordance with appropriate state laws and regulations. The fair value of the position in the pool is the same as the value of the pool shares. The fair value of the other investment pools is the same as the value of the pool shares as well.

CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4. Deposits and Investments, continued

C. Investments, 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. Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. 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.
7. 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.
8. 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.

Investments are subject to various risks, the following of which are considered the most significant.

Custodial Credit Risk – For investments in securities, this is the risk that in the event of a failure of the counter-party to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy addressing this risk, but typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or the counter-party to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk.

Concentration of Credit Risk – This is the risk associated with investing a significant portion of the City’s investments (considered 5 % or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as U.S. treasuries), investment pools and mutual funds. At year-end, the City’s investments do not include 5% or more in securities of a single issuer.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which the interest rate is fixed, the greater the risk).

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

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 5. Receivables

Property tax revenue is recognized in the year of collection; with amounts due from the county and received early in the following year not recorded as unremitted taxes receivable. At December 31, 2015, there were unremitted taxes of \$5,233, which were received subsequent to year-end. Property taxes which remain unpaid at year-end are classified as delinquent taxes receivable and totaled approximately \$8,625 as of December 31, 2015.

Accounts receivable recorded in the proprietary funds are for services provided to businesses and residents by the City during the year. The amounts reported are at gross. The City considers all accounts receivable of the proprietary funds to be fully collectible and accordingly no allowance for doubtful accounts has been provided against these receivables.

Note 6. Capital Assets

A summary of changes in capital assets of the proprietary funds for the year ended December 31, 2015 is:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Capital Assets - not depreciated				
Land	\$ 11,770	\$ -	\$ -	\$ 11,770
Capital Assets - being depreciated				
Buildings and Improvements	607,428			607,428
Distribution and Collection System	3,430,552	31,370		3,461,922
Equipment and Furniture	785,955			785,955
	<u>4,823,935</u>	<u>31,370</u>	<u>-</u>	<u>4,855,305</u>
Less Accumulated Depreciation				
Buildings and Improvements	495,921	10,532		506,453
Distribution and Collection System	2,304,637	92,245		2,396,882
Equipment and Furniture	513,702	32,653		546,355
	<u>3,314,260</u>	<u>135,430</u>	<u>-</u>	<u>3,449,690</u>
Capital Assets - Net	<u>\$ 1,521,445</u>	<u>\$ (104,060)</u>	<u>\$ -</u>	<u>\$ 1,417,385</u>

Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation by business-type activities for the year ended December 31, 2014 was: Water - \$67,189; Sewer - \$62,568; and Dock - \$5,673.

As previously noted, under the regulatory basis of accounting, the City does not account for capital assets used in governmental fund types. Capital assets acquired or constructed by governmental funds are recorded as expenditures in these funds but are not capitalized in the individual governmental funds.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 7. Interfund Balances

In 2007, the City transferred \$157,712 from various funds to the Road Improvement Fund to finance the costs of a road improvement project. Costs associated with the project were assessed to the benefited property owners. Funds transferred were recorded as receivables (due from other funds) in each of the respective funds since it is the intention of the City to repay these advances from the collection of these special assessments.

Repayments of \$8,340 were made during the year reducing the outstanding balance to \$33,116 at December 31, 2015. In addition, interest of 6.5% is being paid on the outstanding balance and amounted to \$2,541. Deferred special assessments of \$25,843 remain to be collected with regards to this project at December 31, 2015.

In addition, the Garbage Fund advanced the Recycling Fund \$50,000 during the year to eliminate the Recycling Fund's deficit cash position at year-end. This amount is to be repaid from future charges for services or a transfer from another fund.

The interfund balances (Due from Other Funds) are presented in the financial statements as follows:

Proprietary Funds - Garbage Fund (Due from Recycling Fund)	\$ 50,000
Proprietary Funds - Storm Water Fund (Due from Road Improvement Fund)	<u>33,116</u>
	<u><u>\$ 83,116</u></u>

Note 8. Accrued Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation time. Employees are entitled to vacation time based upon length of employment. Employees are compensated for any vested and unused vacation pay upon separation or termination of employment. In addition, the City has established a severance pay policy for its nonunion employees. This policy provides for severance payments upon termination of employment based on accumulated sick leave accrued subject to maximum amounts based on length of employment and other conditions, which is payable upon termination of employment. Severance pay policy for City employees covered under union contracts are governed by individual union contracts.

Vested vacation and severance benefits related to activities of governmental funds totaled \$13,682 at December 31, 2015. Payment of these amounts will be recorded as expenditures in the General Fund when paid; a portion of the fund balance of the General Fund has been assigned to account for this liability. Accrued compensated absences applicable to proprietary funds totaled \$14,503 at December 31, 2015. The liability is recorded in each of these funds for its share of the unused portion of this benefit; an expense is recorded as this liability is accrued in each of the respective proprietary funds.

Note 9. Deferred Revenues - Lease Agreements

The City has entered into lease agreements with several communication companies. These companies lease space on the City's water towers; terms of each lease vary in amount and duration. Deferred revenue of \$20,034 reported in the Antenna Fund represents the pro-rata amount of lease payments received in advance. During 2015, revenues of \$30,163 were recorded from these leases.

Each of the lease agreements has a cancellation clause, assuming the leases are not cancelled future lease revenues for the next five years are estimated to be between \$52,000 and \$58,000 annually.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 10. Fund Equity

A summary of governmental fund balances by classification at December 31, 2015 is:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Nonspendable - Prepaid Items	<u>\$ 5,989</u>			<u>\$ 5,989</u>
Assigned for -				
Budget Deficit for 2016	\$ 29,500			\$ 29,500
Accrued Salaries and Absences	21,482			21,482
Special Projects		\$ 309,717		309,717
General Fund Reserve		47,053		47,053
Public Education and Publications		7,795		7,795
Southshore Center		3,834		3,834
Utility Improvement Projects			\$ 566,943	566,943
Capital Acquisitions			29,281	29,281
Park and Other Improvements			4,360	4,360
	<u>\$ 50,982</u>	<u>\$ 368,399</u>	<u>\$ 600,584</u>	<u>\$ 1,019,965</u>
Unassigned (Deficit)	<u>\$ 711,255</u>		<u>\$ (33,116)</u>	<u>\$ 678,139</u>

Net position of the proprietary funds is classified as follows:

Net Investment in Capital Assets - The equity of the City in capital assets recorded in the proprietary funds is reflected in this amount.	\$ 1,417,385
Unrestricted - These amounts reflect retained earnings net of the investment in capital assets. Retained earnings are reserved for future operations, maintenance costs of utility treatment facilities, and capital replacement requirements.	<u>1,094,249</u>
	<u>\$ 2,511,634</u>

Note 11. Commitments and Contingencies

A. Risk Management

The City is exposed to various risk 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 (the Trust), a public entity risk sharing pool with other cities and governmental units throughout Minnesota. The City pays annual premiums to the Trust for its general property and casualty, workers' compensation and other insurance coverage. The Trust agreement provides that the Trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. There have been no significant reductions in insurance coverage from the previous year. In addition, there has been no settlement of claims in excess of the City's insurance coverage in any of the prior three years. The City's management is not aware of any incurred but not reported claims.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 11. Commitments and Contingencies, continued

B. Litigation

The City is not aware of any existing or pending lawsuits, claims or other actions in which the City is a defendant.

However, the City is involved with a dispute with the City of Shorewood regarding the disposition of the Southshore Senior/Community Center, a cooperatively owned facility with other surrounding cities. The City has filed a motion seeking summary judgment that is currently pending in district court. The outcome of this action and its impact on the City's financial statements can not be determined.

C. Federal and State Funds

The City receives financial assistance in the form of grants from federal and state governmental agencies. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the City. However, in the opinion of management, any disallowed expenditures will not have a material effect on any of the financial statements of the individual fund types or on the overall financial position of the City at December 31, 2015.

D. Contractual Agreements

The City has the commitment to fulfill its obligations related to various contractual agreements.

Note 12. Transfers

Transfers between funds reflected in the financial statements during the year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	
General Fund	\$ 47,985		Antenna Fund
Special Revenue Funds			
Antenna Fund		47,985	General Fund
Capital Project Funds			
Utility Improvement Fund	120,293		Water and Sewer Funds
Capital Improvements Fund	50,000		Dock Fund
Proprietary Funds			
Water Fund		67,592	Utility Improvement Fund
Sewer Fund		52,701	Utility Improvement Fund
Dock Fund		50,000	Capital Improvement Fund
	<u>\$ 218,278</u>	<u>\$ 218,278</u>	

These transfers were approved in the budget adopted or by action of the City Council. All transfers are considered routine and consistent with past practices.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 13. Joint Powers Agreements

A. South Lake Minnetonka Police Department

The City of Tonka Bay is a member of a joint and cooperative powers agreement entered into between the Cities of Excelsior, Greenwood, Shorewood and Tonka Bay establishing the South Lake Minnetonka Police Department (the Department) which provides law enforcement protection to the member cities. The duration of the joint powers agreement between the four cities forming the Department continues until December 31, 2023. The Department is a separate entity with its own organizational structure and operations.

The Department is governed by representatives from each city, establishes its own operating budget and operates independently of the four cities. The operating budget is presented and approved by each of the member cities. Costs of providing services are allocated to the member cities based on a formula prescribed in the joint powers agreement. The City's share of the operating budget for 2015 was \$330,684.

In 2002, the Department and the Excelsior Fire District (see below) entered into a cooperative agreement with the Shorewood Economic Development Authority (EDA) for the construction of a joint public safety facility. Lease revenue bonds were issued by the EDA to provide financing of the construction project. In connection with the issuance of the bonds, the EDA, the City of Shorewood, and the Department entered into certain lease purchase agreements. The essence of these agreements is to make the Department responsible for the debt service payments related to the lease revenue bonds issued on behalf of the Department for costs associated with construction of the police portion of the facility. Debt service costs associated with the bonds issued to finance the project will be shared by the four member cities based on a 'tax capacity' formula.

In December 2015, the Department in conjunction with the City of Shorewood EDA authorized the issuance of \$2,565,000 Public Safety Police Facility Lease Revenue Refunding Bonds, Series 2016B. Bond proceeds were utilized for the purpose of retiring the outstanding balance of the current refunding bond issue, any related interest and the costs of issuance. The effect of this refunding issue was to reduce the Department's total debt service payments over the next eight years by approximately \$179,285. Previously, the Department authorized the issuance of these refunding bonds to refinance portions of the original lease revenue bonds issued.

The Department is responsible for the debt service of the refunding bonds. The Department collects and remits to the EDA the funds necessary to pay the bonds and interest associated with its share of the debt service requirements as they become due. The City's share of this debt in 2015 was \$82,220.

The City's share of the operating budget and debt service requirements in 2016 is \$423,250. Financial statements of the Department are available by writing to the South Lake Minnetonka Police Department at 24150 Smithtown Road, Shorewood, MN 55331.

B. Excelsior Fire District

The City of Tonka Bay is also a member of a joint and cooperative powers agreement entered into between the Cities of Deephaven, Excelsior, Greenwood, Shorewood and Tonka Bay establishing the Excelsior Fire District (the District) which provides fire protection services to the member cities. The duration of the joint powers agreement between the five cities forming the District continues until December 31, 2023. Similar to the South Lake Minnetonka Police Department, the District is a separate entity with its own organizational structure and operations.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 13. Joint Powers Agreements, continued

B. Excelsior Fire District, continued

The District is governed by citizens from the five communities. The District adopts its own budget and the agreement provides a cost-sharing formula to allocate the costs of providing services and debt service to the five cities. The City's share of the operating budget for 2015 was \$231,703.

As discussed previously, the District was a participant in the construction of the public safety facility. In addition, the District constructed a second fire station to serve the eastern side of the District. Similar to the Police Department, the District entered into a series of agreements with the Shorewood EDA concerning construction of the facilities.

In December 2015, the District in conjunction with the City of Shorewood EDA authorized the issuance of \$2,470,000 Public Safety Police Fire Lease Revenue Refunding Bonds, Series 2016A. Bond proceeds were utilized for the purpose of retiring the outstanding balance of the current refunding bond issue, any related interest and the costs of issuance. The effect of this refunding issue was to reduce the District's total debt service payments over the next eight years by approximately \$125,465. Previously, the Department authorized the issuance of these refunding bonds to refinance portions of the original lease revenue bonds issued.

The District is responsible for the debt service of the refunding bonds. The District collects and remits to the EDA the funds necessary to pay the bonds and interest associated with its share of the debt service requirements as they become due. The City's share of these costs is included in payments for the operating budget.

The City's share of the operating budget in 2016 is \$234,135. Financial statements of the District are available by writing to the Excelsior Fire District at 24100 Smithtown Road, Shorewood, MN 55331.

Note 14. Defined Benefit Pension Plans – Statewide

A. Plan Description

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

City employees were not eligible to participate in defined benefit pension plans offered by the Public Employees Retirement Association of Minnesota (PERA) other than the General Employees Retirement Fund (GERF).

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). 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 as the Basic Plan has been closed to new members.

CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 14. Defined Benefit Pension Plans – Statewide, continued

B. Benefits Provided

PERA provides retirement, disability and death benefits to members. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funding, or have fallen below 80%, are given 1.0% increases.

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

GERF 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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

C. Contributions

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

GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members, 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015 were \$26,990. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2015, the City's proportionate share of the GERF's net pension liability was reported to be \$316,134. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion share was 0.0061% which was a decrease of 0.0008% from its proportion measured as of June 30, 2014. There were no benefit provision changes during the measurement period.

The City does not report this liability on its financial statements because the City utilizes the regulatory (cash) basis of accounting and does not provide for government-wide financial statements required by generally accepted accounting principles.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 14. Defined Benefit Pension Plans – Statewide, continued

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1% effective every January 1st until 2034 and then 2.5% for GERF.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.90%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

F. Discount Rate

The discount rate used to measure the total pension liability was 7.90%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in state statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 14. Defined Benefit Pension Plans – Statewide, continued

G. Pension Liability Sensitivity

The following presents the City’s proportionate share of the net pension liability for the plan it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

City's Proportionate Share of the Net Pension Liability for:	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.90%)	1% Increase in Discount Rate (8.90%)
GERF	\$497,074	\$316,134	\$166,704

H. Pension Plan Fiduciary Net Position

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

Note 15. Other Information

Other Post-Employment Benefits

The City has considered the accounting pronouncement, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. The City determined the OPEB liability at December 31, 2015, is not material and therefore not recorded in these financial statements. Benefits considered to be OPEB are described in the following paragraph.

Generally, the City is required by state statute to allow retirees to continue participation in the City’s group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. All health care coverage is provided through the City’s group health insurance plans. A participating retiree is required to pay 100% of their premium cost for the City sponsored group health insurance plan in which they participate. The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City’s plan becomes secondary. **Currently there are no retirees participating in the City’s group health insurance plan.**

Subsequent Events

Management of the City has evaluated subsequent events through April 22, 2016, the date which the financial statements were available to be issued. No events were noted subsequent to December 31, 2015 which may have had an effect on the financial statements being reported on.

INDIVIDUAL AND COMBINING FINANCIAL STATEMENTS

**CITY OF TONKA BAY
GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2015 AND 2014**

Schedule 1

	2015	2014
ASSETS		
Cash and Investments	\$ 763,443	\$ 720,012
Prepaid Items - Employee Insurance	<u>5,989</u>	<u>5,728</u>
Totals	<u><u>\$ 769,432</u></u>	<u><u>\$ 725,740</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Building Surcharge and Other Deposits	<u>\$ 1,206</u>	<u>\$ 1,826</u>
Fund Balance		
Nonspendable	5,989	5,728
Assigned	50,982	17,802
Unassigned	<u>711,255</u>	<u>700,384</u>
Total Fund Balance	<u><u>768,226</u></u>	<u><u>723,914</u></u>
Totals	<u><u>\$ 769,432</u></u>	<u><u>\$ 725,740</u></u>

**CITY OF TONKA BAY
GENERAL FUND**

**Schedule 2
Sheet 1**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
COMPARISON - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

(With Comparative Amounts for the Year Ended December 31, 2014)

	2015		Variance- Favorable (Unfavorable)	2014 Actual
	Budget Original and Final	Actual		
Receipts				
General Property Taxes	\$ 994,949	\$ 1,001,230	\$ 6,281	\$ 996,007
Franchise Fees	17,600	18,010	410	13,749
Licenses and Permits				
Licenses	14,059	12,979	(1,080)	13,987
Permits	46,200	46,753	553	63,079
	<u>60,259</u>	<u>59,732</u>	<u>(527)</u>	<u>77,066</u>
Intergovernmental Revenues				
State - Road Maintenance	-	22,841	22,841	
State - PERA	1,232	1,232	-	1,232
County - Road Maintenance	3,000		(3,000)	
	<u>4,232</u>	<u>24,073</u>	<u>19,841</u>	<u>1,232</u>
Charges for Services				
General Services	1,150	2,166	1,016	1,965
Variances and Other Fees	17,500	14,250	(3,250)	14,835
	<u>18,650</u>	<u>16,416</u>	<u>(2,234)</u>	<u>16,800</u>
Fines and Forfeitures	7,000	11,271	4,271	9,884
Investment Income	6,400	6,834	434	3,857
Other Revenues				
Insurance Refunds		6,658	6,658	12,147
Insurance Dividend	6,000	7,356	1,356	5,452
Reimbursements from Variances		13,606	13,606	
Other Revenues and Reimbursements		4,866	4,866	1,190
	<u>6,000</u>	<u>32,486</u>	<u>26,486</u>	<u>18,789</u>
Total Receipts	<u>1,115,090</u>	<u>1,170,052</u>	<u>54,962</u>	<u>1,137,384</u>
Transfers from Other Funds				
Liquor	4,500	-	(4,500)	4,500
Antenna	47,985	47,985	-	47,985
Total Transfers	<u>52,485</u>	<u>47,985</u>	<u>(4,500)</u>	<u>52,485</u>
Total Receipts and Transfers	<u>1,167,575</u>	<u>1,218,037</u>	<u>50,462</u>	<u>1,189,869</u>

**CITY OF TONKA BAY
GENERAL FUND**

**Schedule 2
Sheet 2**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
COMPARISON - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

(With Comparative Amounts for the Year Ended December 31, 2014)

	2015		Variance- Favorable (Unfavorable)	2014 Actual
	Budget Original and Final	Actual		
Disbursements				
General Government				
Mayor and Council				
Personal Services	\$ 9,904	\$ 9,392	\$ 512	\$ 9,662
Contracted Services	1,160	1,926	(766)	7,097
Other Charges	9,410	8,287	1,123	4,425
	<u>20,474</u>	<u>19,605</u>	<u>869</u>	<u>21,184</u>
Elections				
Personal Services				1,160
Supplies	500	153	347	1,176
	<u>500</u>	<u>153</u>	<u>347</u>	<u>2,336</u>
Financial Administration				
Personal Services	59,827	58,611	1,216	58,687
Supplies	3,800	4,275	(475)	3,913
Assessing	20,000	20,000	-	20,000
Other Contracted Services	7,172	3,460	3,712	5,792
Insurance	21,632	19,718	1,914	20,835
Other Charges	10,800	9,573	1,227	6,634
	<u>123,231</u>	<u>115,637</u>	<u>7,594</u>	<u>115,861</u>
Legal - Contracted Services	<u>32,000</u>	<u>34,939</u>	<u>(2,939)</u>	<u>34,965</u>
Engineering - Contracted Services	<u>7,500</u>	<u>11,579</u>	<u>(4,079)</u>	<u>5,987</u>
Planning and Zoning				
Personal Services	35,562	33,254	2,308	33,796
Contracted Services	10,000	13,506	(3,506)	11,055
	<u>45,562</u>	<u>46,760</u>	<u>(1,198)</u>	<u>44,851</u>
Government Buildings				
Personal Services	3,078	2,970	108	2,923
Supplies	5,860	5,828	32	4,211
Contracted Services	6,700	6,549	151	6,776
Capital Outlay				12,880
	<u>15,638</u>	<u>15,347</u>	<u>291</u>	<u>26,790</u>
Total General Government	<u>244,905</u>	<u>244,020</u>	<u>885</u>	<u>251,974</u>

**CITY OF TONKA BAY
GENERAL FUND**

**Schedule 2
Sheet 3**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
COMPARISON - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

(With Comparative Amounts for the Year Ended December 31, 2014)

	2015			2014 Actual
	Budget Original and Final	Actual	Variance- Favorable (Unfavorable)	
Disbursements, continued				
Public Safety				
Police Protection	\$ 415,352	\$ 414,926	\$ 426	\$ 406,362
Fire Protection	231,849	231,703	146	233,566
Protective Inspection				
Personal Services	18,277	17,731	546	17,746
Contracted Services	20,000	25,090	(5,090)	20,970
Total Public Safety	<u>685,478</u>	<u>689,450</u>	<u>(3,972)</u>	<u>678,644</u>
Public Works				
Personal Services	107,427	105,514	1,913	102,832
Supplies and Other	27,900	20,120	7,780	23,043
Street Repairs and Signs	2,200	4,346	(2,146)	1,137
Snow Removal	10,100	636	9,464	6,763
Street Lighting	16,170	13,983	2,187	13,319
Total Public Works	<u>163,797</u>	<u>144,599</u>	<u>19,198</u>	<u>147,094</u>
Parks and Recreation				
Parks				
Personal Services	28,316	27,876	440	26,769
Supplies	7,050	16,989	(9,939)	7,994
Contracted Services	9,118	17,893	(8,775)	
Total Parks	<u>44,484</u>	<u>62,758</u>	<u>(18,274)</u>	<u>34,763</u>
Trees				
Personal Services	9,437	9,235	202	9,042
Supplies	4,950	7,964	(3,014)	512
Total Trees	<u>14,387</u>	<u>17,199</u>	<u>(2,812)</u>	<u>9,554</u>
Firelanes	<u>1,500</u>	<u>2,173</u>	<u>(673)</u>	<u>-</u>
Lake Minnetonka Conservation	12,024	12,024	-	12,269
Total Parks and Recreation	<u>72,395</u>	<u>94,154</u>	<u>(21,759)</u>	<u>56,586</u>
Other	<u>1,500</u>	<u>1,502</u>	<u>(2)</u>	<u>1,500</u>
Total Disbursements	<u>1,168,075</u>	<u>1,173,725</u>	<u>(5,650)</u>	<u>1,135,798</u>

**CITY OF TONKA BAY
GENERAL FUND**

**Schedule 2
Sheet 4**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
COMPARISON - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

(With Comparative Amounts for the Year Ended December 31, 2014)

	2015		Variance- Favorable (Unfavorable)	2014 Actual
	Budget Original and Final	Actual		
Receipts and Transfers Over (Under) Disbursements	\$ (500)	\$ 44,312	\$ 44,812	\$ 54,071
Fund Balance Beginning of Year		723,914		669,843
Fund Balance End of Year		\$ 768,226		\$ 723,914

**CITY OF TONKA BAY
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015**

(With Comparative Totals at December 31, 2014)

	Liquor Fund	Antenna Fund	PEG Fund	Southshore Center Fund
ASSETS				
Cash and Investments	\$ 309,717	\$ 67,087	\$ 7,795	\$ 3,834
LIABILITY AND FUND BALANCE				
Liability - Deferred Revenue		\$ 20,034		
Fund Balance - Assigned	\$ 309,717	47,053	\$ 7,795	\$ 3,834
Total	\$ 309,717	\$ 67,087	\$ 7,795	\$ 3,834

**CITY OF TONKA BAY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015**

(With Comparative Amounts for the Year Ended December 31, 2014)

	Liquor Fund	Antenna Fund	PEG Fund	Southshore Center Fund
Receipts				
Franchise Fees			\$ 4,409	
Investment Income	\$ 6,888			
Lease Revenues		\$ 30,163		
Total Receipts	6,888	30,163	4,409	\$ -
Transfers				
Transfers to Other Funds	-	47,985	-	-
Receipts Over (Under) Transfers	6,888	(17,822)	4,409	-
Fund Balance Beginning of Year	302,829	64,875	3,386	3,834
Fund Balance End of Year	\$ 309,717	\$ 47,053	\$ 7,795	\$ 3,834

Schedule 3

Totals	
<u>2015</u>	<u>2014</u>
<u>\$ 388,433</u>	<u>\$ 394,885</u>
\$ 20,034	\$ 19,961
<u>368,399</u>	<u>374,924</u>
<u>\$ 388,433</u>	<u>\$ 394,885</u>

Schedule 4

Totals	
<u>2015</u>	<u>2014</u>
\$ 4,409	\$ 3,386
6,888	5,086
<u>30,163</u>	<u>54,960</u>
41,460	63,432
<u>47,985</u>	<u>52,485</u>
(6,525)	10,947
<u>374,924</u>	<u>363,977</u>
<u>\$ 368,399</u>	<u>\$ 374,924</u>

**CITY OF TONKA BAY
CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015**

(With Comparative Totals at December 31, 2014)

	Improvement Funds			
	Utility	Capital	Road	Park
ASSETS				
Cash and Investments	<u>\$ 566,943</u>	<u>\$ 29,281</u>	<u>\$ -</u>	<u>\$ 1,632</u>
LIABILITY AND FUND BALANCE				
Liability - Due to Other Funds			<u>\$ 33,116</u>	
Fund Balance (Deficit)				
Assigned	\$ 566,943	\$ 29,281		\$ 1,632
Unassigned			(33,116)	
Total Fund Balance	<u>566,943</u>	<u>29,281</u>	<u>(33,116)</u>	<u>1,632</u>
Total	<u>\$ 566,943</u>	<u>\$ 29,281</u>	<u>\$ -</u>	<u>\$ 1,632</u>

Schedule 5

Seawall	Totals	
	2015	2014
\$ 2,728	\$ 600,584	\$ 648,868
	\$ 33,116	\$ 41,439
\$ 2,728	600,584	648,868
2,728	(33,116)	(41,439)
2,728	567,468	607,429
\$ 2,728	\$ 600,584	\$ 648,868

CITY OF TONKA BAY
CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Comparative Amounts for the Year Ended December 31, 2014)

	Improvement Funds			
	Utility	Capital	Road	Park
Receipts				
General Property Taxes		\$ 53,772		
Special Assessments		6,477	\$ 10,864	
Investment Income	\$ 5,725			
Other Revenues				
	<u>5,725</u>	<u>60,249</u>	<u>10,864</u>	<u>\$ -</u>
Transfers				
Transfers from Other Funds	120,293	50,000		
Total Receipts and Transfers	<u>126,018</u>	<u>110,249</u>	<u>10,864</u>	<u>-</u>
Disbursements				
Current				
Public Works		44,505		
Other			2,541	
Capital Outlay				
General Government				
Public Works		127,974		
Parks and Recreation				
Other - Enterprise	112,072			
Total Disbursements	<u>112,072</u>	<u>172,479</u>	<u>2,541</u>	<u>-</u>
Receipts and Transfers Over (Under)				
Disbursements	13,946	(62,230)	8,323	-
Fund Balance (Deficit) Beginning of Year	<u>552,997</u>	<u>91,511</u>	<u>(41,439)</u>	<u>1,632</u>
Fund Balance (Deficit) End of Year	<u>\$ 566,943</u>	<u>\$ 29,281</u>	<u>\$ (33,116)</u>	<u>\$ 1,632</u>

Schedule 6

<u>Seawall</u>	<u>Totals</u>	
	<u>2015</u>	<u>2014</u>
	\$ 53,772	\$ 53,754
	17,341	17,901
	5,725	4,422
	-	8,939
<u>\$ -</u>	<u>76,838</u>	<u>85,016</u>
	170,293	156,894
<u>-</u>	<u>247,131</u>	<u>241,910</u>
	44,505	54,961
	2,541	3,084
	-	23,689
	127,974	3,383
	-	745
	112,072	46,337
<u>-</u>	<u>287,092</u>	<u>132,199</u>
-	(39,961)	109,711
<u>2,728</u>	<u>607,429</u>	<u>497,718</u>
<u>\$ 2,728</u>	<u>\$ 567,468</u>	<u>\$ 607,429</u>

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OTHER INFORMATION

**CITY OF TONKA BAY
UNAUDITED SCHEDULE
DECEMBER 31, 2015**

Schedule 7

SCHEDULE OF ACCOUNTS RECEIVABLE

Fund	Source and Purpose	Amount
General	Hennepin County - Tax Settlement	\$ 4,964
	Hennepin County - Refund	1,060
	State of Minnesota - Court Fines	1,393
	Mediacom - Franchise Fees	4,454
	South Lake Minnetonka Police Department - Impound Fees	150
	Resident - Building Permit	30
	Resident - Deferred Assessments	2,071
		<u>\$ 14,122</u>
Antenna	Sprint - Lease Payment	<u>\$ 28,709</u>
PEG	Mediacom - Franchise Fees	<u>\$ 1,046</u>
Capital Improvement	Hennepin County - Tax Settlement	\$ 269
	Businesses - Assessments re: Improvement Project	28,034
		<u>\$ 28,303</u>
Road Improvement	Residents - Assessments re: Improvement Project	<u>\$ 25,843</u>
Totals		<u>\$ 98,023</u>

**CITY OF TONKA BAY
UNAUDITED SCHEDULE
DECEMBER 31, 2015**

Schedule 8

SCHEDULE OF ACCOUNTS PAYABLE

Fund	Vendor Name	Item and Purpose	Claim Number	Amount
General	AmeriPride Linen Service	Services	20699	\$ 22
	Robin Bowman	Reimbursement	20700	60
	CarQuest Auto Parts Stores	Supplies	20702	248
	Compass Minerals	Supplies	20703	2,213
	Lindy Crawford	Reimbursement	20704	60
	ECM Publishers	Services	20707	179
	Hennepin County	Supplies	20712	602
	Hoff, Barry & Kozar, P.A.	Services	20714	2,210
	Integra Telecom	Services	20716	156
	Marie Jenson	Services	20717	220
	Office Depot	Supplies	20724	86
	Omega Industries Inc	Services	20725	83
	Penberthy Law Offices	Services	20726	2,680
	Petty Cash	Supplies	20727	247
	Fleet One LLC	Supplies	20729	174
	Verizon Wireless	Services	20736	10
	WNAV Inc	Services	20737	246
	WSB & Associates, Inc.	Services	20738	3,234
	Xcel Energy	Services	20739	224
	Campbell Knutson P.A.	Services	20744	295
	CenterPoint Energy	Services	20746	135
	City of Tonka Bay	Services	20749	209
	Elder Jones	Refund	20751	67
	Hennepin County	Services	20753	32
	Navarre True Value Hardware	Supplies	20758	31
	Kenneth N. Potts, P.A.	Services	20759	833
	Praxair Distribution Inc.	Supplies	20760	54
	South Lake Minnetonka Police Dep't	Services	20762	113
	Wm Mueller & Sons inc.	Supplies	20767	1,295
	WSB & Associates, Inc.	Services	20768	1,178
	Xcel Energy	Services	20769	1,133
	Amberwood Tree	Services	20771	200
	Metro Sales Inc	Services	20785	75
Rumpca Companies Inc	Services	20792	8	
KC Stabeck	Refund	20794	1,070	
Stuart J. Bonniwell, CPA	Services	20828	3,760	
State of Minnesota	Building Surcharges	-	493	
			<u>23,935</u>	
	Metro West Inspections	Services	Unpaid	<u>22,732</u>
			<u>\$ 46,667</u>	

**CITY OF TONKA BAY
UNAUDITED SCHEDULE
DECEMBER 31, 2015**

Schedule 8

SCHEDULE OF ACCOUNTS PAYABLE, continued

Utility Improvement	WSB & Associates, Inc.	Services	20738	\$ 1,067
	WSB & Associates, Inc.	Services	20768	578
	Badger State Inspection LLC	Services	20773	13,275
	Badger State Inspection LLC	Services	Unpaid	<u>1,225</u>
				<u>\$ 16,145</u>
Capital Improvement	Leap Manufacturing LLC	Supplies	20719	<u>\$ 380</u>