

CITY OF TONKA BAY
TONKA BAY, MINNESOTA

FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2014

TABLE OF CONTENTS

	Page
Members of the City Council	-
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Financial Statements - Regulatory Basis	
Exhibit	
A - Statement of Fund Balances Arising from Cash Transactions - Governmental Funds	4
B - Statement of Receipts, Disbursements and Changes in Fund Balances - Governmental Funds	5
C - Statement of Net Position - Proprietary Funds	6-7
D - Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	8-9
E - Statement of Cash Flows - Proprietary Funds	10-13
Notes to Financial Statements	14-33
Individual and Combining Financial Statements	
Schedule	
General Fund	
1 - Balance Sheet	36
2 - Statement of Receipts, Disbursements and Changes in Fund Balance	36-39
Special Revenue Funds	
3 - Combining Balance Sheet	40-41
4 - Combining Statement of Receipts, Disbursements and Changes in Fund Balance	40-41
Capital Project Funds	
5 - Combining Balance Sheet	42-43
6 - Combining Statement of Revenues, Disbursements and Changes in Fund Balance	44-45
Other Information	
Unaudited Schedules	
7 - Schedule of Accounts Receivable	47
8 - Schedule of Accounts Payable	48

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	2014
Jeff Anderson	Council Member	2014
Elli Ansari	Council Member	2016
Jeff Clapp	Council Member	2016
Jonathan Grothe	Council Member	2014

CITY OFFICIAL:

Joseph Kohlmann	City Administrator
-----------------	--------------------

Effective January 1, 2015

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

FINANCIAL SECTION

STUART J. BONNIWELL
Certified Public Accountant

7101 York Avenue South
Suite 346
Minneapolis, Minnesota 55435

Office: (952) 921-3325
Fax: (952) 921-3331
e-mail: sbonniwell@unique-software.com

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, 2014, 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, 2014, 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, 2014, 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, 2014, 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 2013 is provided for comparative purposes. This information was derived from the financial statements of the City for the year ended December 31, 2013 and, in my report dated April 25, 2014 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 30, 2015

FINANCIAL STATEMENTS – REGULATORY BASIS

CITY OF TONKA BAY
STATEMENT OF FUND BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

EXHIBIT A

(With Comparative Totals at December 31, 2013)

	General Fund	Special Revenue Funds	Capital Project Funds	Totals	
				2014	2013
ASSETS					
Cash and Investments	\$ 720,012	\$ 394,885	\$ 648,868	\$ 1,763,765	\$ 1,590,522
Due from Other Funds					6,122
Prepaid Items	5,728	—	—	5,728	6,080
Totals	\$ 725,740	\$ 394,885	\$ 648,868	\$ 1,769,493	\$ 1,602,724
LIABILITIES AND FUND BALANCE					
Liabilities					
Surcharge and Other Deposits	\$ 1,826			\$ 1,826	\$ 1,515
Deferred Revenue		\$ 19,961		19,961	19,892
Due to Other Funds			\$ 41,439	41,439	49,779
Total Liabilities	1,826	19,961	41,439	63,226	71,186
Fund Balance					
Nonspendable	5,728			5,728	6,080
Assigned	17,802	374,924	648,868	1,041,594	927,937
Unassigned (Deficit)	700,384	—	(41,439)	658,945	597,521
Total Fund Balance	723,914	374,924	607,429	1,706,267	1,531,538
Totals	\$ 725,740	\$ 394,885	\$ 648,868	\$ 1,769,493	\$ 1,602,724

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, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	General Fund	Special Revenue Funds	Capital Project Funds	Totals	
				2014	2013
Receipts					
General Property Taxes	\$ 996,007		\$ 53,754	\$ 1,049,761	\$ 1,041,789
Franchise Fees	13,749	\$ 3,386		17,135	
Special Assessments			17,901	17,901	18,461
Licenses and Permits	77,066			77,066	78,569
Intergovernmental Revenues	1,232			1,232	7,790
Charges for Services	16,800			16,800	11,021
Fines and Forfeitures	9,884			9,884	5,806
Investment Income	3,857	5,086	4,422	13,365	19,646
Other	18,789	54,960	8,939	82,688	61,982
Total Receipts	<u>1,137,384</u>	<u>63,432</u>	<u>85,016</u>	<u>1,285,832</u>	<u>1,245,064</u>
Disbursements					
Current					
General Government	239,094			239,094	204,908
Public Safety	678,644			678,644	678,644
Public Works	147,094		54,961	202,055	225,290
Parks and Recreation	56,586			56,586	65,068
Other	1,500		3,084	4,584	5,051
Capital Outlay					
General Government	12,880		23,689	36,569	10,155
Public Works			3,383	3,383	
Parks and Recreation			745	745	1,214
Other			46,337	46,337	
Total Disbursements	<u>1,135,798</u>	<u>-</u>	<u>132,199</u>	<u>1,267,997</u>	<u>1,190,330</u>
Receipts Over (Under)					
Disbursements	<u>1,586</u>	<u>63,432</u>	<u>(47,183)</u>	<u>17,835</u>	<u>54,734</u>
Other Financing Sources (Uses)					
Transfers from Other Funds	52,485		156,894	209,379	228,944
Transfers to Other Funds		(52,485)		(52,485)	(297,135)
Total Other Sources (Uses)	<u>52,485</u>	<u>(52,485)</u>	<u>156,894</u>	<u>156,894</u>	<u>(68,191)</u>
Net Change in Cash Fund Balance	54,071	10,947	109,711	174,729	(13,457)
Fund Balance Beginning of Year	<u>669,843</u>	<u>363,977</u>	<u>497,718</u>	<u>1,531,538</u>	<u>1,544,995</u>
Fund Balance End of Year	<u>\$ 723,914</u>	<u>\$ 374,924</u>	<u>\$ 607,429</u>	<u>\$ 1,706,267</u>	<u>\$ 1,531,538</u>

See Accompanying Notes to Financial Statements.

**CITY OF TONKA BAY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014**

(With Comparative Totals at December 31, 2013)

	Water Fund	Sewer Fund	Garbage Fund	Recycling Fund
ASSETS				
Current Assets				
Cash and Investments	\$ 54,762	\$ 400,510	\$ 81,686	\$ 1,168
Accounts Receivable	60,236	107,735	38,622	18,973
Other Receivable				
Accrued Interest Receivable		1,227	31	
Due from Other Funds			25,000	
Inventory	6,815	394		
Prepaid Items	7,355	18,534	1,189	510
Total Current Assets	<u>129,168</u>	<u>528,400</u>	<u>146,528</u>	<u>20,651</u>
Capital Assets				
Land and Buildings	11,770			
Buildings and Improvements	489,110			
Distribution System	1,647,224	1,783,328		
Equipment	740,542	45,413		
	<u>2,888,646</u>	<u>1,828,741</u>		
Accumulated Depreciation	<u>(1,992,342)</u>	<u>(1,265,473)</u>		
Total Capital Assets	<u>896,304</u>	<u>563,268</u>		
Totals	<u>\$ 1,025,472</u>	<u>\$ 1,091,668</u>	<u>\$ 146,528</u>	<u>\$ 20,651</u>
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts Payable	\$ 5,350	\$ 1,891	\$ 6,005	\$ 6,146
Accrued Payroll and Taxes	8,059	7,229	1,460	1,476
Other Liabilities	1,460		5,059	
Deferred Revenue				
Due to Other Funds				25,000
Total Current Liabilities	<u>14,869</u>	<u>9,120</u>	<u>12,524</u>	<u>32,622</u>
Net Position				
Net Investment in Capital Assets	896,304	563,268		
Unrestricted	114,299	519,280	134,004	(11,971)
Total Net Position	<u>1,010,603</u>	<u>1,082,548</u>	<u>134,004</u>	<u>(11,971)</u>
Totals	<u>\$ 1,025,472</u>	<u>\$ 1,091,668</u>	<u>\$ 146,528</u>	<u>\$ 20,651</u>

See Accompanying Notes to Financial Statements.

EXHIBIT C

Storm Water	Dock Fund	Totals	
		2014	2013
\$ 87,747	\$ 219,132	\$ 845,005	\$ 753,041
5,819		231,385	243,703
			48,518
	181	1,439	1,750
41,439		66,439	43,657
		7,209	4,740
	572	28,160	24,565
<u>135,005</u>	<u>219,885</u>	<u>1,179,637</u>	<u>1,119,974</u>
		11,770	11,770
	118,318	607,428	604,272
		3,430,552	3,430,552
		785,955	780,017
	<u>118,318</u>	<u>4,835,705</u>	<u>4,826,611</u>
	<u>(56,445)</u>	<u>(3,314,260)</u>	<u>(3,178,724)</u>
	<u>61,873</u>	<u>1,521,445</u>	<u>1,647,887</u>
<u>\$ 135,005</u>	<u>\$ 281,758</u>	<u>\$ 2,701,082</u>	<u>\$ 2,767,861</u>
\$ 3,457	\$ 10,071	\$ 32,920	\$ 42,664
	432	18,656	15,762
		6,519	6,405
	3,800	3,800	
		25,000	
<u>3,457</u>	<u>14,303</u>	<u>86,895</u>	<u>64,831</u>
	61,873	1,521,445	1,647,887
131,548	205,582	1,092,742	1,055,143
<u>131,548</u>	<u>267,455</u>	<u>2,614,187</u>	<u>2,703,030</u>
<u>\$ 135,005</u>	<u>\$ 281,758</u>	<u>\$ 2,701,082</u>	<u>\$ 2,767,861</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, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Water Fund	Sewer Fund	Garbage Fund	Recycling Fund
Operating Revenues				
Service Charges	\$ 231,965	\$ 370,578	\$ 111,918	\$ 64,609
Other Revenues				4,978
Total Operating Revenues	<u>231,965</u>	<u>370,578</u>	<u>111,918</u>	<u>69,587</u>
Operating Expenses				
Personal Services	110,808	95,211	16,576	18,182
Maintenance and Supplies	68,814	19,867	484	483
Contracted Services	44,486	14,467	72,507	71,537
Treatment Charges		136,631		
Other Charges	4,868	2,029		
Depreciation	69,390	60,473		
Total Operating Expenses	<u>298,366</u>	<u>328,678</u>	<u>89,567</u>	<u>90,202</u>
Operating Income (Loss)	<u>(66,401)</u>	<u>41,900</u>	<u>22,351</u>	<u>(20,615)</u>
Other Revenues				
Grant Reimbursement				
Permits and Other	1,390	300		
Investment Income		2,811	155	
Total Other Revenues	<u>1,390</u>	<u>3,111</u>	<u>155</u>	<u>-</u>
Income (Loss) Before Transfers	<u>(65,011)</u>	<u>45,011</u>	<u>22,506</u>	<u>(20,615)</u>
Other Financing Activities				
Transfers from Other Funds				
Transfers to Other Funds	(66,894)	(40,000)		
Total Transfers	<u>(66,894)</u>	<u>(40,000)</u>		
Net Income (Loss) after Transfers	(131,905)	5,011	22,506	(20,615)
Net Position Beginning of Year	1,125,891	1,077,537	111,498	8,644
Capital Contributions	<u>16,617</u>			
Net Position End of Year	<u>\$ 1,010,603</u>	<u>\$ 1,082,548</u>	<u>\$ 134,004</u>	<u>\$ (11,971)</u>

See Accompanying Notes to Financial Statements.

EXHIBIT D

Storm Water	Dock Fund	Totals	
		2014	2013
\$ 20,678	\$ 88,540	\$ 888,288	\$ 903,094
		4,978	4,941
<u>20,678</u>	<u>88,540</u>	<u>893,266</u>	<u>908,035</u>
997	6,275	248,049	239,328
30,563	2,532	122,743	148,569
17,933	12,727	233,657	194,911
		136,631	136,552
		6,897	9,587
	5,673	135,536	125,221
<u>49,493</u>	<u>27,207</u>	<u>883,513</u>	<u>854,168</u>
<u>(28,815)</u>	<u>61,333</u>	<u>9,753</u>	<u>53,867</u>
33,361		33,361	48,518
		1,690	5,532
2,863	801	6,630	6,745
<u>36,224</u>	<u>801</u>	<u>41,681</u>	<u>60,795</u>
<u>7,409</u>	<u>62,134</u>	<u>51,434</u>	<u>114,662</u>
			236,750
	(50,000)	(156,894)	(168,559)
	<u>(50,000)</u>	<u>(156,894)</u>	<u>68,191</u>
7,409	12,134	(105,460)	182,853
124,139	255,321	2,703,030	2,520,177
		16,617	
<u>\$ 131,548</u>	<u>\$ 267,455</u>	<u>\$ 2,614,187</u>	<u>\$ 2,703,030</u>

See Accompanying Notes to Financial Statements.

CITY OF TONKA BAY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Water Fund	Sewer Fund	Garbage Fund	Recycling Fund
Cash Flows from Operating Activities				
Cash Received from:				
Customers	\$ 246,614	\$ 371,778	\$ 109,627	\$ 63,362
Other Receipts	1,175	300		4,978
	<u>247,789</u>	<u>372,078</u>	<u>109,627</u>	<u>68,340</u>
Cash Expended for:				
Personal Services	109,851	94,363	16,191	17,839
Supplies, Services and Other	127,956	180,810	72,122	71,675
	<u>237,807</u>	<u>275,173</u>	<u>88,313</u>	<u>89,514</u>
Net Cash Provided (Used) by Operating Activities	<u>9,982</u>	<u>96,905</u>	<u>21,314</u>	<u>(21,174)</u>
Cash Flows from Investing Activities				
Investment Income		<u>2,804</u>	<u>212</u>	
Cash Flows from Capital Financing Activities				
Capital Contributions Received	16,617	48,518		
Acquisition of Property and Equipment	<u>(16,617)</u>	<u>48,518</u>		
	<u>-</u>			
Cash Flows from Noncapital Activities				
Change in Due from (to) Other Funds			(25,000)	25,000
Transfers from (to) Other Funds	(66,894)	(40,000)		
	<u>(66,894)</u>	<u>(40,000)</u>	<u>(25,000)</u>	<u>25,000</u>
Increase (Decrease) in Cash	(56,912)	108,227	(3,474)	3,826
Cash and Investments Beginning of Year	<u>111,674</u>	<u>292,283</u>	<u>85,160</u>	<u>(2,658)</u>
Cash and Investments End of Year	<u>\$ 54,762</u>	<u>\$ 400,510</u>	<u>\$ 81,686</u>	<u>\$ 1,168</u>

See Accompanying Notes to Financial Statements.

EXHIBIT E

Sheet 1

Storm Water	Dock Fund	Totals	
		2014	2013
\$ 20,900	\$ 92,340	\$ 904,621	\$ 895,409
33,361		39,814	10,473
<u>54,261</u>	<u>92,340</u>	<u>944,435</u>	<u>905,882</u>
997	6,247	245,488	246,659
46,667	5,380	504,610	488,399
<u>47,664</u>	<u>11,627</u>	<u>750,098</u>	<u>735,058</u>
6,597	80,713	194,337	170,824
<u>2,863</u>	<u>1,062</u>	<u>6,941</u>	<u>6,745</u>
		65,135	
	<u>(3,156)</u>	<u>(19,773)</u>	<u>(250,073)</u>
	<u>(3,156)</u>	<u>45,362</u>	<u>(250,073)</u>
2,218		2,218	(2,664)
	<u>(50,000)</u>	<u>(156,894)</u>	<u>68,191</u>
<u>2,218</u>	<u>(50,000)</u>	<u>(154,676)</u>	<u>65,527</u>
11,678	28,619	91,964	(6,977)
<u>76,069</u>	<u>190,513</u>	<u>753,041</u>	<u>760,018</u>
<u>\$ 87,747</u>	<u>\$ 219,132</u>	<u>\$ 845,005</u>	<u>\$ 753,041</u>

See Accompanying Notes to Financial Statements.

CITY OF TONKA BAY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	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)	\$ (66,401)	\$ 41,900	\$ 22,351	\$ (20,615)
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:				
Depreciation	69,390	60,473		
Nonoperating Revenues	1,390	300		
(Increase) Decrease in				
Current Assets:				
Accounts Receivable	14,434	1,200	(2,291)	(1,247)
Inventory	(2,075)	(394)		
Prepaid Items	498	(4,155)	172	73
Increase (Decrease) in				
Current Liabilities:				
Accounts Payable	(8,206)	(3,433)	411	272
Accrued Payroll and Taxes	1,124	1,014	385	343
Other Liabilities	(172)		286	
Net Cash Provided (Used) by Operating Activities	<u>\$ 9,982</u>	<u>\$ 96,905</u>	<u>\$ 21,314</u>	<u>\$ (21,174)</u>

See Accompanying Notes to Financial Statements.

EXHIBIT E
Sheet 2

Storm Water	Dock Fund	Totals	
		2014	2013
\$ (28,815)	\$ 61,333	\$ 9,753	\$ 53,867
33,361	5,673	135,536	125,221
		35,051	5,532
222		12,318	(4,485)
		(2,469)	2,937
	(183)	(3,595)	834
1,829	10,062	935	(2,892)
	28	2,894	(7,331)
	3,800	3,914	(2,859)
<u>\$ 6,597</u>	<u>\$ 80,713</u>	<u>\$ 194,337</u>	<u>\$ 170,824</u>

See Accompanying Notes to Financial Statements.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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, 2014**

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, 2014**

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 Balance/Net Position

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, 2014**

Note 1. Significant Accounting Policies, continued

D. Assets, Liabilities, and Fund Balance/Net Position, continued

Receivables

Accounts receivable recorded in the proprietary funds are for services provided to businesses and residents 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, 2014.

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, 2014**

Note 1. Significant Accounting Policies, continued

D. Assets, Liabilities, and Fund Balance/Net Position, 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 position; 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, 2014**

Note 1. Significant Accounting Policies, continued

D. Assets, Liabilities, and Fund Balance/Net Position, 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 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 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 Balances

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, 2014

Note 1. Significant Accounting Policies, continued

D. Assets, Liabilities, and Fund Balance/Net Position, continued

Fund Balances, 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.

Net Position

Net position (equity) represents the difference between assets and liabilities in the proprietary fund 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, 2014**

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 businesses, property owners, residents 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, 2014**

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*, 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 \$41,439 at December 31, 2014. 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 \$34,457 at December 31, 2014.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 3. Stewardship, Compliance and Accountability, continued

B. Fund Equity Deficits, continued

The Recycling Fund, a proprietary fund, has a deficit net position of \$11,971 at December 31, 2014. 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, 2014, expenditures of the General Fund were \$13,287 less than budgeted amounts.

Note 4. Deposits and Investments

A. Components of Deposits and Investments

Deposits and investments at December 31, 2014 consisted of the following:

Cash on Hand	\$	300
Cash in Banks		
Demand Deposits		(10,708)
Time Deposits (Certificates of Deposit)		1,055,000
Investments		
Shares of Money Market Funds		1,369,178
Government Securities - State		195,000
		<u>\$ 2,608,770</u>

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

Governmental Funds	\$	1,763,765
Proprietary Funds		845,005
		<u>\$ 2,608,770</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, 2014**

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 \$1,055,000, 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)	\$ 1,367,193	\$ 1,367,193	N/A	Daily
Other - Financial Institutions	1,985	1,985	N/A	Daily
	<u>1,369,178</u>	<u>1,369,178</u>		
Nonpooled Investments				
Government Securities - State	195,000	195,000	A	Less Than 1 Year
	<u>\$ 1,564,178</u>	<u>\$ 1,564,178</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, 2014**

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 counterparty 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 counterparty 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, 2014**

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, 2014, there were unremitted taxes of \$1,161, which were received subsequent to year-end. Property taxes which remain unpaid at year-end are classified as delinquent taxes receivable and totaled approximately \$18,375 as of December 31, 2014.

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, 2014 is:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Capital Assets - not depreciated				
Land	\$ 11,770	\$ -	\$ -	\$ 11,770
Construction in Progress	10,678		10,678	-
	<u>22,448</u>	<u>-</u>	<u>10,678</u>	<u>11,770</u>
Capital Assets - being depreciated				
Buildings and Improvements	604,272	3,156		607,428
Distribution and Collection System	3,430,552			3,430,552
Equipment and Furniture	769,339	16,616		785,955
	<u>4,804,163</u>	<u>19,772</u>	<u>-</u>	<u>4,823,935</u>
Less Accumulated Depreciation				
Buildings and Improvements	483,726	12,195		495,921
Distribution and Collection System	2,214,487	90,150		2,304,637
Equipment and Furniture	480,511	33,191		513,702
	<u>3,178,724</u>	<u>135,536</u>	<u>-</u>	<u>3,314,260</u>
Capital Assets - Net	<u>\$ 1,647,887</u>	<u>\$ (115,764)</u>	<u>\$ 10,678</u>	<u>\$ 1,521,445</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 - \$69,390; Sewer - \$60,473; 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, 2014**

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 \$41,439 at December 31, 2014. In addition, interest of 6.5% is being paid on the outstanding balance and amounted to \$3,084. Deferred special assessments of \$34,457 remain to be collected with regards to this project at December 31, 2014.

In addition, the Garbage Fund advanced the Recycling Fund \$25,000 during the year to eliminate the Recycling Fund's deficit cash position. This amount is to be repaid from future charges for services.

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

Proprietary Funds - Garbage Fund (Due from Recycling Fund)	\$ 25,000
Proprietary Funds - Storm Water Fund (Due from Road Improvement Fund)	<u>41,439</u>
	<u><u>\$ 66,439</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 \$10,550 at December 31, 2014. 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 \$12,105 at December 31, 2014. 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 \$19,961 reported in the Antenna Fund represents the pro-rata amount of lease payments received in advance. During 2014, revenues of \$54,960 were recorded from these leases.

Each of the lease agreements has a cancellation clause, assuming the leases are not cancelled future lease revenues for each of the next five years are estimated to be: 2015 - \$57,708; 2016 - \$52,148; 2017 - \$52,932; 2018 - \$55,350; and 2019 - \$57,880.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 10. Fund Balance and Net Position

A summary of governmental fund balances by classification at December 31, 2014 is:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Nonspendable - Prepaid Items	<u>\$ 5,728</u>			<u>\$ 5,728</u>
Assigned for -				
Accrued Salaries and Absences	\$ 17,802			\$ 17,802
Special Projects		\$ 302,829		302,829
General Fund Reserve		64,875		64,875
Public Education and Publications		3,386		3,386
Southshore Center		3,834		3,834
Utility Improvement Projects			\$ 552,997	552,997
Capital Acquisitions			91,511	91,511
Park and Other Improvements			4,360	4,360
	<u>\$ 17,802</u>	<u>\$ 374,924</u>	<u>\$ 648,868</u>	<u>\$ 1,041,594</u>
Unassigned (Deficit)	<u>\$ 700,384</u>		<u>\$ (41,439)</u>	<u>\$ 658,945</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.	\$ 1,521,445
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>1,092,742</u>
	<u>\$ 2,614,187</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 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, 2014**

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.

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, 2014.

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	\$ 52,485		Liquor and Antenna Funds
Special Revenue Funds			
Liquor Fund		\$ 4,500	General Fund
Antenna Fund		47,985	General Fund
Capital Project Funds			
Utility Improvement Fund	106,894		Water and Sewer Funds
Capital Improvements Fund	50,000		Dock Fund
Proprietary Funds			
Water Fund		66,894	Utility Improvement Fund
Sewer Fund		40,000	Utility Improvement Fund
Dock Fund		50,000	Capital Improvement Fund
	<u>\$ 209,379</u>	<u>\$ 209,379</u>	

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

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 2014 was \$322,157.

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. Debt issued attributed to the construction of the police portion of the facility was \$5,245,000.

In December 2006, the Department authorized the issuance of \$4,285,000 of Public Safety Police Facility Lease Revenue Refunding Bonds to refinance portions of the remaining original lease revenue bonds issued. The effect of the refunding issue was to reduce the Department's total debt service payments over the next fifteen years by approximately \$326,600. The present value of the economic gain (difference in debt service payments between the issues) was \$204,500. The refunded (called) bonds were fully retired in 2009 and 2010, respectively.

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 2014 was \$83,648.

The City's share of the operating budget and debt service requirements in 2015 is \$412,904. 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, 2014**

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 2014 was \$233,566.

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. The District's share of the original debt issued for these facilities was \$7,120,000.

In December 2006, the District authorized the issuance of \$4,130,000 of Public Safety Fire Facility Lease Revenue Refunding Bonds, Series 2007A and \$1,585,000 of Public Safety Fire Facility Lease Revenue Refunding Bonds, Series 2007C to refinance portions of the remaining original lease revenue bonds issued. The effect of the refunding issues was to reduce the District's total debt service payments over the next fifteen years by an estimated \$516,000. The present value of the economic gain (difference in debt service payments between the issues) is \$290,312. The refunded (called) bonds were fully retired in 2009 and 2010, respectively.

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 2015 is \$231,694. 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

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards, or officers, or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 14. Defined Benefit Pension Plans – Statewide, continued

A. Plan Description, continued

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% 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 PEPFF members, the annuity accrual rate is 3.0% for each year of service. The annuity accrual rate is 1.9% for each year of service for PECF members.

For all PEPFF members, PECF members, and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for GERF Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF, PEPFF and PECF. 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.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.20% of their annual covered salary in 2014. PECF members were required to contribute 5.83% of their annual covered salary.

**CITY OF TONKA BAY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 14. Defined Benefit Pension Plans – Statewide, continued

B. Funding Policy, continued

In 2014, the City of Tonka Bay was required to contribute the following percentages of annual covered payroll: 11.78% for GERF Basic Plan members, 7.25% for GERF Coordinated Plan members, 15.30% for PEPFF members, and 8.75% for PECF members.

The City's contributions to the General Employees Retirement Fund (GERF) for the years ending December 31, 2014, 2013, and 2012 were \$27,187, \$26,185, and \$25,113, respectively. The City has no employees eligible to participate in the Public Employees Police and Fire Fund (PEPFF) or the Public Employees Correctional Fund (PECF) during the year. The City's contributions were equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50% for members and 7.50% for employers) and the Police and Fire Fund (10.80% for members and 16.20% for employers).

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, 2014, 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 30, 2015, the date which the financial statements were available to be issued. No events were noted subsequent to December 31, 2014 which may have had an effect on the financial statements being reported on.

INDIVIDUAL AND COMBINING FINANCIAL STATEMENTS

(This page intentionally left blank.)

**CITY OF TONKA BAY
GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2014 AND 2013**

Schedule 1

	2014	2013
ASSETS		
Cash and Investments	\$ 720,012	\$ 665,278
Prepaid Items - Employee Insurance	<u>5,728</u>	<u>6,080</u>
Totals	<u><u>\$ 725,740</u></u>	<u><u>\$ 671,358</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Building Surcharge and Other Deposits	<u>\$ 1,826</u>	<u>\$ 1,515</u>
Fund Balance		
Nonspendable	5,728	6,080
Assigned	17,802	16,463
Unassigned	<u>700,384</u>	<u>647,300</u>
Total Fund Balance	<u><u>723,914</u></u>	<u><u>669,843</u></u>
Totals	<u><u>\$ 725,740</u></u>	<u><u>\$ 671,358</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, 2014**

(With Comparative Amounts for the Year Ended December 31, 2013)

	2014		Variance- Favorable (Unfavorable)	2013 Actual
	Budget Original and Final	Actual		
Receipts				
General Property Taxes	\$ 994,949	\$ 996,007	\$ 1,058	\$ 976,710
Franchise Fees	-	13,749	13,749	
Licenses and Permits				
Licenses	13,819	13,987	168	12,859
Permits	46,200	63,079	16,879	65,710
	<u>60,019</u>	<u>77,066</u>	<u>17,047</u>	<u>78,569</u>
Intergovernmental Revenues				
State - PERA	1,232	1,232	-	1,232
County - Road Maintenance	3,000		(3,000)	6,558
	<u>4,232</u>	<u>1,232</u>	<u>(3,000)</u>	<u>7,790</u>
Charges for Services				
General Services	900	1,965	1,065	2,021
Variances and Other Fees	17,500	14,835	(2,665)	9,000
	<u>18,400</u>	<u>16,800</u>	<u>(1,600)</u>	<u>11,021</u>
Fines and Forfeitures	7,000	9,884	2,884	5,806
Investment Income	6,000	3,857	(2,143)	4,558
Other Revenues				
Insurance Refunds		12,147	12,147	
Insurance Dividend	6,000	5,452	(548)	9,356
Reimbursements and Other		1,190	1,190	98
	<u>6,000</u>	<u>18,789</u>	<u>12,789</u>	<u>9,454</u>
Total Receipts	<u>1,096,600</u>	<u>1,137,384</u>	<u>40,784</u>	<u>1,093,908</u>
Transfers from Other Funds				
Liquor	4,500	4,500	-	6,000
Antenna	47,985	47,985	-	47,985
Total Transfers	<u>52,485</u>	<u>52,485</u>	<u>-</u>	<u>53,985</u>
Total Receipts and Transfers	<u>1,149,085</u>	<u>1,189,869</u>	<u>40,784</u>	<u>1,147,893</u>

CITY OF TONKA BAY

Schedule 2

GENERAL FUND

Sheet 2

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE

COMPARISON - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2014

(With Comparative Amounts for the Year Ended December 31, 2013)

	2014		Variance- Favorable (Unfavorable)	2013 Actual
	Budget Original and Final	Actual		
Disbursements				
General Government				
Mayor and Council				
Personal Services	\$ 9,904	\$ 9,662	\$ 242	\$ 9,904
Contracted Services	1,160	7,097	(5,937)	30
Other Charges	2,373	4,425	(2,052)	4,420
	<u>13,437</u>	<u>21,184</u>	<u>(7,747)</u>	<u>14,354</u>
Elections				
Personal Services	2,046	1,160	886	
Supplies	1,000	1,176	(176)	561
	<u>3,046</u>	<u>2,336</u>	<u>710</u>	<u>561</u>
Financial Administration				
Personal Services	58,960	58,687	273	56,149
Supplies	3,800	3,913	(113)	3,179
Assessing	20,000	20,000	-	20,000
Other Contracted Services	7,200	5,792	1,408	5,702
Insurance	22,341	20,835	1,506	22,241
Other Charges	6,800	6,634	166	5,624
	<u>119,101</u>	<u>115,861</u>	<u>3,240</u>	<u>112,895</u>
Legal - Contracted Services	<u>32,000</u>	<u>34,965</u>	<u>(2,965)</u>	<u>23,968</u>
Engineering - Contracted Services	<u>7,500</u>	<u>5,987</u>	<u>1,513</u>	<u>1,450</u>
Planning and Zoning				
Personal Services	33,930	33,796	134	32,083
Contracted Services	10,000	11,055	(1,055)	985
	<u>43,930</u>	<u>44,851</u>	<u>(921)</u>	<u>33,068</u>
Government Buildings				
Personal Services	2,989	2,923	66	2,832
Supplies	6,057	4,211	1,846	8,862
Contracted Services	6,700	6,776	(76)	6,918
Capital Outlay		12,880	(12,880)	
	<u>15,746</u>	<u>26,790</u>	<u>(11,044)</u>	<u>18,612</u>
Total General Government	<u>234,760</u>	<u>251,974</u>	<u>(17,214)</u>	<u>204,908</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, 2014**

(With Comparative Amounts for the Year Ended December 31, 2013)

	2014		Variance- Favorable (Unfavorable)	2013 Actual
	Budget Original and Final	Actual		
Disbursements, continued				
Public Safety				
Police Protection	\$ 408,253	\$ 406,362	\$ 1,891	\$ 398,568
Fire Protection	233,566	233,566	-	230,303
Protective Inspection				
Personal Services	17,852	17,746	106	16,980
Contracted Services	20,000	20,970	(970)	32,793
	37,852	38,716	(864)	49,773
Total Public Safety	679,671	678,644	1,027	678,644
Public Works				
Personal Services	104,264	102,832	1,432	109,192
Supplies and Other	29,400	23,043	6,357	19,327
Street Signs	1,000	1,137	(137)	
Snow Removal	10,100	6,763	3,337	10,528
Street Lighting	16,170	13,319	2,851	16,058
Total Public Works	160,934	147,094	13,840	155,105
Parks and Recreation				
Parks				
Personal Services	28,071	26,769	1,302	26,251
Supplies	7,500	7,994	(494)	8,434
Contracted Services	8,775		8,775	8,775
	44,346	34,763	9,583	43,460
Trees				
Personal Services	9,155	9,042	113	9,200
Supplies	4,950	512	4,438	220
	14,105	9,554	4,551	9,420
Firelanes	1,500	-	1,500	111
Lake Minnetonka Conservation	12,269	12,269	-	12,077
Total Parks and Recreation	72,220	56,586	15,634	65,068
Other	1,500	1,500	-	1,471
Total Disbursements	1,149,085	1,135,798	13,287	1,105,196

**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, 2014
(With Comparative Amounts for the Year Ended December 31, 2013)**

	2014			
	Budget Original and Final	Actual	Variance- Favorable (Unfavorable)	2013 Actual
Receipts and Transfers Over Disbursements	\$ -	\$ 54,071	\$ 94,409	\$ 42,697
Fund Balance Beginning of Year		669,843		628,534
Fund Balance End of Year		\$ 723,914		\$ 671,231

**CITY OF TONKA BAY
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014**
(With Comparative Totals at December 31, 2013)

	<u>Liquor Fund</u>	<u>Antenna Fund</u>	<u>PEG Fund</u>	<u>Southshore Center Fund</u>
ASSETS				
Cash and Investments	<u>\$ 302,829</u>	<u>\$ 84,836</u>	<u>\$ 3,386</u>	<u>\$ 3,834</u>
LIABILITY AND FUND BALANCE				
Liability - Deferred Revenue		\$ 19,961		
Fund Balance - Assigned	<u>\$ 302,829</u>	<u>64,875</u>	<u>\$ 3,386</u>	<u>\$ 3,834</u>
Total	<u>\$ 302,829</u>	<u>\$ 84,836</u>	<u>\$ 3,386</u>	<u>\$ 3,834</u>

**CITY OF TONKA BAY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014**
(With Comparative Amounts for the Year Ended December 31, 2013)

	<u>Liquor Fund</u>	<u>Antenna Fund</u>	<u>PEG Fund</u>	<u>Southshore Center Fund</u>
Receipts				
Franchise Fees			\$ 3,386	
Investment Income	\$ 5,086			
Lease Revenues		\$ 54,960		
Total Receipts	<u>5,086</u>	<u>54,960</u>	<u>3,386</u>	<u>\$ -</u>
Transfers				
Transfers to Other Funds	<u>4,500</u>	<u>47,985</u>	<u>-</u>	<u>-</u>
Receipts Over (Under) Transfers	586	6,975	3,386	-
Fund Balance Beginning of Year	<u>302,243</u>	<u>57,900</u>	<u>-</u>	<u>3,834</u>
Fund Balance End of Year	<u>\$ 302,829</u>	<u>\$ 64,875</u>	<u>\$ 3,386</u>	<u>\$ 3,834</u>

Schedule 3

Totals	
<u>2014</u>	<u>2013</u>
<u>\$ 394,885</u>	<u>\$ 383,869</u>
\$ 19,961	\$ 19,892
<u>374,924</u>	<u>363,977</u>
<u>\$ 394,885</u>	<u>\$ 383,869</u>

Schedule 4

Totals	
<u>2014</u>	<u>2013</u>
\$ 3,386	
5,086	\$ 5,385
<u>54,960</u>	<u>52,528</u>
63,432	57,913
<u>52,485</u>	<u>60,385</u>
10,947	(2,472)
<u>363,977</u>	<u>366,449</u>
<u>\$ 374,924</u>	<u>\$ 363,977</u>

**CITY OF TONKA BAY
CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014**
(With Comparative Totals at December 31, 2013)

	Improvement Funds			
	Utility	Capital	Road	Park
ASSETS				
Cash and Investments Due from Other Funds	\$ 552,997	\$ 91,511	\$ -	\$ 1,632
Total	<u>\$ 552,997</u>	<u>\$ 91,511</u>	<u>\$ -</u>	<u>\$ 1,632</u>
LIABILITY AND FUND BALANCE				
Liability - Due to Other Funds			<u>\$ 41,439</u>	
Fund Balance (Deficit)				
Assigned	\$ 552,997	\$ 91,511		\$ 1,632
Unassigned			<u>(41,439)</u>	
Total Fund Balance	<u>552,997</u>	<u>91,511</u>	<u>(41,439)</u>	<u>1,632</u>
Total	<u>\$ 552,997</u>	<u>\$ 91,511</u>	<u>\$ -</u>	<u>\$ 1,632</u>

Schedule 5

Seawall	Totals	
	2014	2013
\$ 2,728	\$ 648,868	\$ 541,375 6,122
\$ 2,728	\$ 648,868	\$ 547,497
	\$ 41,439	\$ 49,779
\$ 2,728	648,868 (41,439)	547,497 (49,779)
2,728	607,429	497,718
\$ 2,728	\$ 648,868	\$ 547,497

**CITY OF TONKA BAY
CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Amounts for the Year Ended December 31, 2013)**

	Improvement Funds			
	Utility	Capital	Road	Park
Receipts				
General Property Taxes		\$ 53,754		
Special Assessments		6,477	\$ 11,424	
Investment Income	\$ 4,422			
Other Revenues	8,939			
	<u>13,361</u>	<u>60,231</u>	<u>11,424</u>	<u>\$ -</u>
Transfers				
Transfers from Other Funds	106,894	50,000		
Total Receipts and Transfers	<u>120,255</u>	<u>110,231</u>	<u>11,424</u>	<u>-</u>
Disbursements				
Current				
Public Works		54,961		
Other			3,084	
Capital Outlay				
General Government		23,689		
Public Works		3,383		
Parks and Recreation		745		
Other - Enterprise	46,337			
	<u>46,337</u>	<u>82,778</u>	<u>3,084</u>	
Transfers				
Transfers to Other Funds				
Total Disbursements and Transfers	<u>46,337</u>	<u>82,778</u>	<u>3,084</u>	<u>-</u>
Receipts and Transfers Over (Under)				
Disbursements and Transfers	73,918	27,453	8,340	-
Fund Balance (Deficit) Beginning of Year	<u>479,079</u>	<u>64,058</u>	<u>(49,779)</u>	<u>1,632</u>
Fund Balance (Deficit) End of Year	<u>\$ 552,997</u>	<u>\$ 91,511</u>	<u>\$ (41,439)</u>	<u>\$ 1,632</u>

Schedule 6

<u>Seawall</u>	<u>Totals</u>	
	<u>2014</u>	<u>2013</u>
	\$ 53,754	\$ 65,079
	17,901	18,461
	4,422	9,703
	8,939	
\$ -	<u>85,016</u>	<u>93,243</u>
	156,894	174,959
-	<u>241,910</u>	<u>268,202</u>
	54,961	68,797
	3,084	3,580
	23,689	10,155
	3,383	
	745	
	46,337	1,214
	<u>132,199</u>	<u>83,746</u>
		236,750
-	<u>132,199</u>	<u>320,496</u>
-	109,711	(52,294)
<u>2,728</u>	<u>497,718</u>	<u>550,012</u>
<u>\$ 2,728</u>	<u>\$ 607,429</u>	<u>\$ 497,718</u>

OTHER INFORMATION

(This page intentionally left blank.)

**CITY OF TONKA BAY
UNAUDITED SCHEDULE
DECEMBER 31, 2014**

Schedule 7

SCHEDULE OF ACCOUNTS RECEIVABLE

<u>Fund</u>	<u>Source and Purpose</u>	<u>Amount</u>
General	Hennepin County - Tax Settlement	\$ 1,102
	State of Minnesota - Court Fines	772
	Mediacom - Franchise Fees	4,552
	Residents - Delinquent Assessments	3,597
		<u>\$ 10,023</u>
PEG	Mediacom - Franchise Fees	<u>\$ 1,122</u>
Capital Improvement	Hennepin County - Tax Settlement	\$ 59
	Businesses - Assessments re: Improvement Project	34,457
		<u>\$ 34,516</u>
Road Improvement	Residents - Assessments re: Improvement Project	<u>\$ 32,866</u>
Totals		<u>\$ 78,527</u>

**CITY OF TONKA BAY
UNAUDITED SCHEDULE
DECEMBER 31, 2014**

Schedule 8

SCHEDULE OF ACCOUNTS PAYABLE

Fund	Vendor Name	Item and Purpose	Claim Number	Amount
General	AmeriPride Linen Service	Services	19921	\$ 15
	Robin Bowman	Reimbursement	19923	60
	CarQuest Auto Parts Stores	Supplies	19924	65
	City of Tonka bay	Services	19925	211
	Marie Jenson	Services	19932	220
	Joseph Kohlmann	Reimbursement	19933	60
	Clair Link	Reimbursement	19934	75
	Navarre True Value Hardware	Supplies	19938	127
	Office Depot	Supplies	19939	165
	Kenneth N. Potts PA	Services	19941	833
	Fleet One LLC	Services	19943	306
	Todd Schallberg	Reimbursement	19944	63
	Verizon Wireless	Services	19947	10
	Xcel Energy	Services	19948	235
	Petty Cash	Supplies	19949	244
	CenterPoint Energy	Services	19954	200
	Hennepin County	Services	19960	32
	Minnetonka Aquatics	Services	19964	8,775
	Penberthy Law Offices	Services	19969	1,218
	Storms Welding & Mfg Inc	Supplies	19973	510
	WSB & Associates, Inc.	Services	19977	1,428
	Xcel Energy	Services	19978	1,209
	Metro West Inspections	Services	19991	6,128
	WSB & Associates, Inc.	Services	20005	1,091
	League of MN Cities Insurance Trust	Services	20021	250
	Star Tribune	Services	20030	87
	MN Department of Labor & Industry	Building Surcharges	-	1,122
	Employees	Flex Reimbursements	-	704
				<u>25,443</u>
		Metro West Inspections	Services	Unpaid
			<u>\$ 48,882</u>	
Utility Improvement	Insituform	Services	Unpaid	<u>\$ 30,912</u>
Capital Improvement	Badger State Inspection	Services	19922	\$ 9,200
	WSB & Associates, Inc.	Services	20005	370
				<u>\$ 9,570</u>