

**CITY OF TONKA BAY**  
**TONKA BAY, MINNESOTA**

**FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2017**

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**CITY OF TONKA BAY, MINNESOTA**

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

Term of  
Office  
Expires  
December 31,

CITY COUNCIL:

Gerry De La Vega	Mayor	2018
Jeff Anderson	Council Member	2018
Elli Ansari	Council Member	2020
William LaBelle *	Council Member	2018
Adam Jennings	Council Member	2020

CITY OFFICIAL:

Lindy Crawford	City Administrator
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\* Appointed to fill vacancy due to resignation of Council Member Grothe

**FINANCIAL SECTION**

**STUART J. BONNIWELL**  
*Certified Public Accountant*

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Suite 346  
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**INDEPENDENT AUDITOR'S REPORT**

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

***Report on Financial Statements***

I have audited the accompanying financial statements of the governmental and proprietary funds and the aggregate remaining fund information of the City of Tonka Bay, Minnesota as of and for the year ended December 31, 2017, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 presentation of the financial statements.

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 more fully described 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, 2017, 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, 2017, and their respective cash receipts and disbursements for the year then ended, on the regulatory 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, 2017, 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 2016 is provided for comparative purposes. This information was derived from the financial statements of the City for the year ended December 31, 2016 and, in my report dated April 20, 2017 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 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. 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 as a whole.

Stuart J. Bonniwell  
Certified Public Accountant  
Minneapolis, Minnesota  
April 10, 2018

**FINANCIAL STATEMENTS – REGULATORY BASIS**

**CITY OF TONKA BAY**  
**STATEMENT OF FUND BALANCES ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

**EXHIBIT A**

(With Comparative Totals at December 31, 2016)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Totals</u>	
				<u>2017</u>	<u>2016</u>
<b>ASSETS</b>					
Cash and Investments	\$ 796,560	\$ 478,614	\$ 995,157	\$ 2,270,331	\$ 1,811,432
Prepaid Items	3,210			3,210	-
<b>Totals</b>	<u>\$ 799,770</u>	<u>\$ 478,614</u>	<u>\$ 995,157</u>	<u>\$ 2,273,541</u>	<u>\$ 1,811,432</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities</b>					
Surcharge and Other Payables	\$ 1,054			\$ 1,054	\$ 1,949
Escrows Payable	5,799			5,799	300
Deferred Revenue		\$ 20,191		20,191	20,111
Due to Other Funds			\$ 16,533	16,533	24,817
<b>Total Liabilities</b>	<u>6,853</u>	<u>20,191</u>	<u>16,533</u>	<u>43,577</u>	<u>47,177</u>
<b>Fund Balance</b>					
Nonspendable	3,210			3,210	-
Assigned	83,075	458,423	995,157	1,536,655	1,118,892
Unassigned (Deficit)	706,632		(16,533)	690,099	645,363
<b>Total Fund Balance</b>	<u>792,917</u>	<u>458,423</u>	<u>978,624</u>	<u>2,229,964</u>	<u>1,764,255</u>
<b>Totals</b>	<u>\$ 799,770</u>	<u>\$ 478,614</u>	<u>\$ 995,157</u>	<u>\$ 2,273,541</u>	<u>\$ 1,811,432</u>

See Accompanying Notes to Financial Statements.

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

**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With Comparative Totals for the Year Ended December 31, 2016)

	General Fund	Special Revenue Funds	Capital Project Funds	Totals	
				2017	2016
<b>Receipts</b>					
General Property Taxes	\$ 1,040,140		\$ 57,063	\$ 1,097,203	\$ 1,057,799
Franchise Fees	17,513	\$ 4,201		21,714	22,298
Special Assessments			44,822	44,822	24,998
Licenses and Permits	136,840			136,840	103,450
Intergovernmental Revenues	17,215			17,215	14,902
Charges for Services	18,343			18,343	18,605
Fines and Forfeitures	12,133			12,133	9,380
Investment Income	12,478	6,186	7,562	26,226	18,187
Other	51,042	171,152	1,100	223,294	70,768
Total Receipts	<u>1,305,704</u>	<u>181,539</u>	<u>110,547</u>	<u>1,597,790</u>	<u>1,340,387</u>
<b>Disbursements</b>					
<b>Current</b>					
General Government	295,526	6,930		302,456	310,235
Public Safety	729,712			729,712	694,160
Public Works	147,443		47,317	194,760	208,630
Parks and Recreation	70,165			70,165	81,852
Other	13,801		8,461	22,262	5,107
<b>Capital Outlay</b>					
General Government			15,128	15,128	11,266
Public Works			9,539	9,539	8,506
Parks and Recreation			36,035	36,035	10,770
Other - Enterprise			147,387	147,387	74,562
Total Disbursements	<u>1,256,647</u>	<u>6,930</u>	<u>263,867</u>	<u>1,527,444</u>	<u>1,405,088</u>
<b>Receipts Over (Under)</b>					
Disbursements	<u>49,057</u>	<u>174,609</u>	<u>(153,320)</u>	<u>70,346</u>	<u>(64,701)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from Other Funds	33,000		494,905	527,905	252,848
Transfers to Other Funds	(45,000)	(84,814)	(2,728)	(132,542)	(127,985)
Total Other Sources (Uses)	<u>(12,000)</u>	<u>(84,814)</u>	<u>492,177</u>	<u>395,363</u>	<u>124,863</u>
Net Change in Cash Fund Balance	37,057	89,795	338,857	465,709	60,162
Fund Balance Beginning of Year	<u>755,860</u>	<u>368,628</u>	<u>639,767</u>	<u>1,764,255</u>	<u>1,704,093</u>
Fund Balance End of Year	<u>\$ 792,917</u>	<u>\$ 458,423</u>	<u>\$ 978,624</u>	<u>\$ 2,229,964</u>	<u>\$ 1,764,255</u>

See Accompanying Notes to Financial Statements.

**CITY OF TONKA BAY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**  
(With Comparative Totals at December 31, 2016)

	Water Fund	Sewer Fund	Garbage Fund	Recycling Fund
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 46,849	\$ 276,556	\$ 86,712	\$ 13,417
Accounts Receivable	79,151	104,040	31,387	25,474
Accrued Interest Receivable		7	28	
Due from Other Funds				
Inventory	5,387			
Prepaid Items	9,466	23,646	1,067	457
<b>Total Current Assets</b>	<u>140,853</u>	<u>404,249</u>	<u>119,194</u>	<u>39,348</u>
<b>Capital Assets</b>				
Land and Improvements	11,770			
Buildings and Improvements	485,894			
Distribution System	1,647,224	1,848,057		
Equipment	740,542	45,413		
	<u>2,885,430</u>	<u>1,893,470</u>		
Accumulated Depreciation	<u>(2,183,174)</u>	<u>(1,395,320)</u>		
<b>Total Capital Assets</b>	<u>702,256</u>	<u>498,150</u>		
<b>Totals</b>	<u>\$ 843,109</u>	<u>\$ 902,399</u>	<u>\$ 119,194</u>	<u>\$ 39,348</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 3,928	\$ 3,479	\$ 5,628	\$ 6,354
Accrued Payroll and Taxes	11,723	10,327	1,961	2,155
Other Liabilities	1,568		4,375	
Deferred Revenue				
<b>Total Current Liabilities</b>	<u>17,219</u>	<u>13,806</u>	<u>11,964</u>	<u>8,509</u>
<b>Net Position</b>				
Net Investment in Capital Assets	702,256	498,150		
Unrestricted	123,634	390,443	107,230	30,839
<b>Total Net Position</b>	<u>825,890</u>	<u>888,593</u>	<u>107,230</u>	<u>30,839</u>
<b>Totals</b>	<u>\$ 843,109</u>	<u>\$ 902,399</u>	<u>\$ 119,194</u>	<u>\$ 39,348</u>

See Accompanying Notes to Financial Statements.

**EXHIBIT C**

Storm Water	Dock Fund	Totals	
		2017	2016
\$ 128,442	\$ 241,737	\$ 793,713	\$ 950,814
5,481		245,533	233,154
	167	202	966
16,533		16,533	24,817
		5,387	4,796
	537	35,173	30,320
<u>150,456</u>	<u>242,441</u>	<u>1,096,541</u>	<u>1,244,867</u>
		11,770	11,770
	118,318	604,212	607,428
		3,495,281	3,502,435
		785,955	785,955
	<u>118,318</u>	<u>4,897,218</u>	<u>4,907,588</u>
	<u>(73,464)</u>	<u>(3,651,958)</u>	<u>(3,583,740)</u>
	<u>44,854</u>	<u>1,245,260</u>	<u>1,323,848</u>
<u>\$ 150,456</u>	<u>\$ 287,295</u>	<u>\$ 2,341,801</u>	<u>\$ 2,568,715</u>
\$ 171	\$ 67	\$ 19,627	\$ 38,014
	720	26,886	25,103
		5,943	5,541
	6,440	6,440	-
<u>171</u>	<u>7,227</u>	<u>58,896</u>	<u>68,658</u>
	44,854	1,245,260	1,323,848
150,285	235,214	1,037,645	1,176,209
<u>150,285</u>	<u>280,068</u>	<u>2,282,905</u>	<u>2,500,057</u>
<u>\$ 150,456</u>	<u>\$ 287,295</u>	<u>\$ 2,341,801</u>	<u>\$ 2,568,715</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, 2017**  
(With Comparative Totals for the Year Ended December 31, 2016)

	Water Fund	Sewer Fund	Garbage Fund	Recycling Fund
Operating Revenues				
Service Charges	\$ 334,467	\$ 382,714	\$ 97,137	\$ 92,185
Other Revenues				5,215
Total Operating Revenues	<u>334,467</u>	<u>382,714</u>	<u>97,137</u>	<u>97,400</u>
Operating Expenses				
Personal Services	114,959	99,980	17,075	18,710
Maintenance and Supplies	72,114	22,028	484	484
Contracted Services	38,255	9,370	76,382	78,285
Treatment Charges		183,123		
Other Charges	6,749	2,179		
Depreciation	60,852	62,203		
Total Operating Expenses	<u>292,929</u>	<u>378,883</u>	<u>93,941</u>	<u>97,479</u>
Operating Income (Loss)	<u>41,538</u>	<u>3,831</u>	<u>3,196</u>	<u>(79)</u>
Other Revenues				
Grant Reimbursement				
Permits and Other	4,100	1,070		
Investment Income		2,168	545	
Total Other Revenues	<u>4,100</u>	<u>3,238</u>	<u>545</u>	<u>-</u>
Income (Loss) Before Transfers	<u>45,638</u>	<u>7,069</u>	<u>3,741</u>	<u>(79)</u>
Other Financing Activities				
Transfers from Other Funds				
Transfers to Other Funds	(69,390)	(247,973)		
Total Other Financing Activities	<u>(69,390)</u>	<u>(247,973)</u>	<u>-</u>	<u>-</u>
Net Income (Loss) After Transfers	(23,752)	(240,904)	3,741	(79)
Net Position Beginning of Year	849,642	1,079,137	103,489	30,918
Capital Contributions		50,360		
Net Position End of Year	<u>\$ 825,890</u>	<u>\$ 888,593</u>	<u>\$ 107,230</u>	<u>\$ 30,839</u>

See Accompanying Notes to Financial Statements.

**EXHIBIT D**

Storm Water	Dock Fund	Totals	
		2017	2016
\$ 20,787	\$ 88,590	\$ 1,015,880	\$ 961,959
		5,215	5,676
<u>20,787</u>	<u>88,590</u>	<u>1,021,095</u>	<u>967,635</u>
1,075	6,728	258,527	256,926
2,071	8,784	105,965	104,482
11,380	2,217	215,889	231,813
		183,123	188,800
	5,000	13,928	7,370
	5,673	128,728	134,050
<u>14,526</u>	<u>28,402</u>	<u>906,160</u>	<u>923,441</u>
<u>6,261</u>	<u>60,188</u>	<u>114,935</u>	<u>44,194</u>
		-	15,780
	962	6,132	5,228
1,461	2,610	6,784	7,571
<u>1,461</u>	<u>3,572</u>	<u>12,916</u>	<u>28,579</u>
<u>7,722</u>	<u>63,760</u>	<u>127,851</u>	<u>72,773</u>
		-	115,000
	(78,000)	(395,363)	(239,863)
<u>-</u>	<u>(78,000)</u>	<u>(395,363)</u>	<u>(124,863)</u>
7,722	(14,240)	(267,512)	(52,090)
142,563	294,308	2,500,057	2,511,634
		50,360	40,513
<u>\$ 150,285</u>	<u>\$ 280,068</u>	<u>\$ 2,282,905</u>	<u>\$ 2,500,057</u>

See Accompanying Notes to Financial Statements.

**CITY OF TONKA BAY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With Comparative Totals for the Year Ended December 31, 2016)

	Water Fund	Sewer Fund	Garbage Fund	Recycling Fund
Cash Flows from Operating Activities				
Cash Received from:				
Customers	\$ 320,318	\$ 383,841	\$ 97,333	\$ 91,852
Other Receipts	4,100	1,070		5,215
	<u>324,418</u>	<u>384,911</u>	<u>97,333</u>	<u>97,067</u>
Cash Expended for:				
Personal Services	114,567	98,859	16,984	18,561
Supplies, Services and Other	131,068	219,327	81,171	78,818
	<u>245,635</u>	<u>318,186</u>	<u>98,155</u>	<u>97,379</u>
Net Cash Provided (Used) by Operating Activities	<u>78,783</u>	<u>66,725</u>	<u>(822)</u>	<u>(312)</u>
Cash Flows from Investing Activities				
Investment Income	<u>-</u>	<u>2,698</u>	<u>547</u>	<u>-</u>
Cash Flows from Noncapital Activities				
Change in Due from Other Funds				
Transfers from (to) Other Funds	(69,390)	(247,973)		
	<u>(69,390)</u>	<u>(247,973)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Investments	9,393	(178,550)	(275)	(312)
Cash and Investments Beginning of Year	<u>37,456</u>	<u>455,106</u>	<u>86,987</u>	<u>13,729</u>
Cash and Investments End of Year	<u>\$ 46,849</u>	<u>\$ 276,556</u>	<u>\$ 86,712</u>	<u>\$ 13,417</u>
Non-Cash Capital Financing Activities:				
Equipment Acquisitions from Other Funds		<u>\$ 50,360</u>		

See Accompanying Notes to Financial Statements.

**EXHIBIT E**  
**Sheet 1**

Storm Water	Dock Fund	Totals	
		2017	2016
\$ 20,767	\$ 95,830	\$ 1,009,941	\$ 946,629
	962	11,347	26,684
<u>20,767</u>	<u>96,792</u>	<u>1,021,288</u>	<u>973,313</u>
1,100	6,673	256,744	253,561
15,747	15,983	542,114	540,003
<u>16,847</u>	<u>22,656</u>	<u>798,858</u>	<u>793,564</u>
<u>3,920</u>	<u>74,136</u>	<u>222,430</u>	<u>179,749</u>
<u>1,461</u>	<u>2,842</u>	<u>7,548</u>	<u>8,044</u>
8,284	(78,000)	8,284	8,299
<u>8,284</u>	<u>(78,000)</u>	<u>(395,363)</u>	<u>(124,863)</u>
<u>13,665</u>	<u>(1,022)</u>	<u>(387,079)</u>	<u>(116,564)</u>
13,665	(1,022)	(157,101)	71,229
<u>114,777</u>	<u>242,759</u>	<u>950,814</u>	<u>879,585</u>
<u>\$ 128,442</u>	<u>\$ 241,737</u>	<u>\$ 793,713</u>	<u>\$ 950,814</u>
		<u>\$ 50,360</u>	<u>\$ 40,513</u>

See Accompanying Notes to Financial Statements.

**CITY OF TONKA BAY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With Comparative Totals for the Year Ended December 31, 2016)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Recycling Fund</u>
Reconciliation of income from operations to net cash provided by operating activities:				
Cash Flows from Operating Activities				
Operating Income (Loss)	\$ 41,538	\$ 3,831	\$ 3,196	\$ (79)
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:				
Depreciation and Other	61,072	62,203		
Nonoperating Revenues	4,100	1,070		
(Increase) Decrease in Current Assets:				
Accounts Receivable	(14,149)	1,127	196	(333)
Inventory	(2,232)	1,641		
Prepaid Items	(990)	(3,990)	73	32
Increase (Decrease) in Current Liabilities:				
Accounts Payable	(11,060)	(278)	(4,668)	(81)
Accrued Payroll and Taxes	392	1,121	91	149
Other Liabilities	112		290	
Net Cash Provided (Used) by Operating Activities	<u>\$ 78,783</u>	<u>\$ 66,725</u>	<u>\$ (822)</u>	<u>\$ (312)</u>

See Accompanying Notes to Financial Statements.

**EXHIBIT E**  
**Sheet 2**

Storm Water	Dock Fund	Totals	
		2017	2016
\$ 6,261	\$ 60,188	\$ 114,935	\$ 44,194
	5,673	128,948	134,050
	962	6,132	21,008
(20)	800	(12,379)	(10,530)
		(591)	791
	22	(4,853)	(2,346)
(2,296)	(4)	(18,387)	(4,626)
(25)	55	1,783	3,365
	6,440	6,842	(6,157)
<u>\$ 3,920</u>	<u>\$ 74,136</u>	<u>\$ 222,430</u>	<u>\$ 179,749</u>

See Accompanying Notes to Financial Statements.

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**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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 the City Administrator and personnel responsible for the proper administration of all affairs relating to the City.

B. Reporting Entity

The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In accordance with generally accepted accounting principles and pronouncements of the 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 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. The regulatory 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 financial-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, 2017**

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 drainage 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, 2017**

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 Recognition

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

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

D. Assets, Liabilities, and Fund Equity

Deposits and Investments

Deposits and investments include cash on hand, demand deposits and short-term investments, typically certificates of deposits. Cash balances from all funds are pooled and invested to the extent available in bank demand deposits and other authorized investments. Investments are stated at cost or amortized cost, which represent their fair value. Investment income is recognized when received (cash basis) in the governmental funds and as earned (accrual basis) in the proprietary funds. Income is allocated among participating funds based on 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, 2017**

Note 1. Significant Accounting Policies, continued

D. Assets, Liabilities, and Fund Equity, continued

*Receivables*

Accounts receivable recorded in the proprietary funds are for services provided to residents and businesses by the City throughout the year. Included in these receivables are amounts for utility services provided before year-end but billed after year-end. All amounts reported are at gross. Management reviews the 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, 2017.

*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 collections are 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*

Numerous transactions occur between individual funds for goods provided or services rendered during the course of operations. 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, 2017**

Note 1. Significant Accounting Policies, continued

D. Assets, Liabilities, and Fund Equity, continued

*Interfund Receivables and Payables, continued*

In addition, activity between funds that is representative of lending/borrowing arrangements outstanding at year-end are also referred to as 'due from other funds and 'due to other funds.' The amounts recorded in the financial statements represent advances made from various funds to finance an improvement project; 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 are to be reported in the government-wide financial statements on the accrual basis of accounting.

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, 2017**

Note 1. Significant Accounting Policies, continued

D. Assets, Liabilities, and Fund Equity, continued

*Compensated Absences*

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

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

*Deferred Revenue*

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

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

*Fund Equity*

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

These classifications are as follows:

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

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

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Note 1. Significant Accounting Policies, continued

D. Assets, Liabilities, and Fund Equity, continued

*Fund Equity, continued*

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

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

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

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

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

Net position is displayed in three components:

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

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

*Interfund Transactions*

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

All other interfund transactions are reported as transfers.

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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 in order to provide a comparison of current year's operations with the budget and prior year's operations.

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

*Use of Estimates*

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

*Concentrations of Credit Risk*

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

Note 2. Regulatory Basis of Accounting

The accompanying financial statements have been prepared using the *regulatory basis of accounting* as described in the Minnesota Office of the State Auditor's *Reporting and Publishing Requirements for Cities Under 2,500 in Population*.

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

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Note 2. Regulatory Basis of Accounting, continued

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

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

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

Note 3. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

B. Fund Equity Deficits

The Road Improvement Fund, a capital project fund, has a deficit fund balance of \$16,533 at December 31, 2017. 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. Remaining assessments to be collected in future years related to this project are \$8,614 at December 31, 2017. As a result, this fund will have a deficit fund balance after all assessments have been collected. This deficit will need to be eliminated from other sources, such as a transfer from another fund.

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Note 3. Stewardship, Compliance and Accountability, continued

C. Disbursements in Excess of Budgets

For the year ended December 31, 2017, disbursements of the General Fund exceeded budgeted amounts by \$34,263. However, receipts of the General Fund exceeded budget estimates by \$132,649 to offset this deficit.

Note 4. Deposits and Investments

A. Components of Deposits and Investments

Deposits and investments at December 31, 2017 consisted of the following:

Cash on Hand	\$	300
Cash in Banks		
Demand Deposits		9,940
Time Deposits (Certificates of Deposit)		1,030,000
Investments		
Shares of Money Market Funds		<u>2,023,804</u>
	<u>\$</u>	<u>3,064,044</u>

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

Governmental Funds	\$	2,270,331
Proprietary Funds		<u>793,713</u>
	<u>\$</u>	<u>3,064,044</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.

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.

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Note 4. Deposits and Investments, continued

B. Deposits, continued

*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 \$1,030,000, 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.

<u>Investment Type</u>	<u>Fair Value and Carrying Value</u>	<u>Cost</u>	<u>Credit Quality Ratings</u>	<u>Interest Risk - Maturity Duration in Years</u>
Pooled Investments - Money Market Funds				
Minnesota Municipal (4M Fund)	\$ 1,732,258	\$ 1,732,258	N/A	Daily
Other - Financial Institutions	<u>291,546</u>	<u>291,546</u>	N/A	Daily
	<u>\$ 2,023,804</u>	<u>\$ 2,023,804</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 pool is the same as the value of the pool shares.

The City may 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.

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Note 4. Deposits and Investments, continued

C. Investments, continued

6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, that is rated in the 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. The City does not have a formal investment policy addressing these risks.

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

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

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

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

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, 2017, there were unremitted taxes of \$13,928, which were received after year-end. Property taxes which remain unpaid at year-end are classified as delinquent taxes receivable and totaled approximately \$4,700 at December 31, 2017.

Accounts receivable recorded in the proprietary funds are for services provided to businesses and residents by the City during the year. The amounts are reported 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.

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Note 6. Capital Assets

A summary of changes in capital assets of the proprietary funds for the year ended December 31, 2017 is:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital Assets - not depreciated				
Land	\$ 11,770	\$ -	\$ -	\$ 11,770
Capital Assets - being depreciated				
Buildings and Improvements	607,428		3,216	604,212
Distribution and Collection System	3,502,435	50,360	57,514	3,495,281
Equipment and Furniture	785,955			785,955
	<u>4,895,818</u>	<u>50,360</u>	<u>60,730</u>	<u>4,885,448</u>
Less Accumulated Depreciation				
Buildings and Improvements	516,985	10,513	2,996	524,502
Distribution and Collection System	2,489,150	91,879	57,514	2,523,515
Equipment and Furniture	577,605	26,336		603,941
	<u>3,583,740</u>	<u>128,728</u>	<u>60,510</u>	<u>3,651,958</u>
Capital Assets - Net	<u>\$ 1,323,848</u>	<u>\$ (78,368)</u>	<u>\$ 220</u>	<u>\$ 1,245,260</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, 2017 was: Water - \$60,852; Sewer - \$62,203; 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 disbursements in these funds but are not capitalized in the individual governmental funds.

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 \$8,284 were made during the year reducing the outstanding balance to \$16,533 at December 31, 2017. In addition, interest of 6.5% is being paid on the outstanding balance and amounted to \$1,461. Deferred special assessments of \$8,614 remain to be collected with regards to this project at December 31, 2017.

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Note 8. Fund Equity

A summary of governmental fund balances by classification at December 31, 2017 is:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Nonspendable				
Prepaid Items	\$ 3,210			<u>\$ 3,210</u>
Assigned for -				
Budget Deficit for 2018	56,797			\$ 56,797
Accrued Salaries and Absences	26,278			26,278
Special Projects		\$ 321,625		321,625
General Fund Reserve		127,499		127,499
Public Education and Publications		9,299		9,299
Utility Improvement Projects			\$ 595,744	595,744
Capital Acquisitions			333,039	333,039
Park and Other Improvements			66,374	66,374
	<u>\$ 83,075</u>	<u>\$ 458,423</u>	<u>\$ 995,157</u>	<u>\$ 1,536,655</u>
Unassigned (Deficit)	<u>\$ 706,632</u>		<u>\$ (16,533)</u>	<u>\$ 690,099</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.	\$ 1,245,260
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>1,037,645</u>
	<u>\$ 2,282,905</u>

Note 9. Deferred Revenues - Lease Agreements

The City has entered into lease agreements with several communication companies. These companies lease space on the City's water towers; terms of each lease vary in amount and duration. Deferred revenue of \$20,191 reported in the Antenna Fund represents the pro-rata amount of lease payments received in advance. During 2017, revenues of \$40,172 were recorded from these leases.

Each of the lease agreements has a cancellation clause.

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Note 10. 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 \$17,595 at December 31, 2017. Payment of these amounts will be recorded as disbursements 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 \$18,398 at December 31, 2017. 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 11. Commitments and Contingencies

A. Risk Management

The City is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (the Trust), a public entity risk sharing pool with other cities and governmental units throughout Minnesota. The City pays annual premiums to the Trust for its general property and casualty, workers' compensation and other insurance coverage. The Trust agreement provides that the Trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. There have been no significant reductions in insurance coverage from the previous year. In addition, there has been no settlement of claims in excess of the City's insurance coverage in any of the prior three years. City management is not aware of any incurred but not reported claims.

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, 2017.

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Note 12. Transfers

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

General Fund		
Antenna Fund	\$ 25,000	
Dock Fund	8,000	
Capital Improvements Fund		\$ 45,000
Special Revenue Funds		
Antenna Fund		25,000
Southshore Center Fund		59,814
Capital Project Funds		
Utility Improvement Fund	129,863	
Capital Improvements Fund	302,500	
Park Fund	62,542	
Seawall Fund		2,728
Proprietary Funds		
Water Fund		69,390
Sewer Fund		247,973
Dock Fund		78,000
	<u>                    </u>	<u>                    </u>
	<u>\$ 527,905</u>	<u>\$ 527,905</u>

These transfers were approved in the budget adopted or by action of the City Council. All transfers except for the transfers from the Southshore Center Fund and the Seawall Fund to the Park Fund, are considered routine and consistent with past practices. The transfer noted previously was made to close these funds.

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 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 2017 was \$377,585.

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 this project.

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Note 13. Joint Powers Agreements, continued

A. South Lake Minnetonka Police Department, continued

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 was to make the Department responsible for the debt service payments related to the bonds issued on behalf of the Department for costs associated with construction of the police portion of the facility.

Debt service costs associated with the bonds issued to finance the project will be shared by the four member cities based on a 'tax capacity' formula. In 2016, the Department in conjunction with the City of Shorewood EDA authorized the issuance of lease revenue refunding bonds. The effect of this refunding issue was to reduce the Department's total debt service payments over the next eight years by approximately \$179,285.

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 2017 was \$75,321.

The City's share of the operating budget and debt service requirements in 2018 is \$471,267. 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 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. The District is a separate entity with its own organizational structure and operations similar to the South Lake Minnetonka Police Department.

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 2017 was \$223,898.

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. Like the Police Department, the District entered into a series of agreements with the Shorewood EDA concerning construction of the facilities.

In 2016, the District in conjunction with the City of Shorewood EDA authorized the issuance of lease revenue refunding bonds. The effect of this refunding issue was to reduce the District's total debt service payments over the next eight years by approximately \$125,465.

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 2018 is \$231,402. Financial statements of the District are available by writing to the Excelsior Fire District at 24100 Smithtown Road, Shorewood, MN 55331.

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Note 14. Defined Benefit Pension Plans – Statewide

A. Plan Description

The City of Tonka Bay, Minnesota participates in defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, the Public Employees Police and Fire Retirement Plan and the Local Government Correctional Service Retirement Plan, which are cost-sharing, multiple-employer defined benefit pension plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. These plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan. Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan as the Basic Plan has been closed to new members. The City has no employees eligible to participate in the Public Employees Police and Fire Retirement Plan and the Local Government Correctional Service Retirement Plan,

B. Benefits Provided

PERA provides retirement and disability benefits to members and survivor benefits upon death of eligible members. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits for members of the General Employees Retirement Plan vest after five years of credited service.

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

The defined benefit pension plan 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.

Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. For Plan 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. Method 2 provides for unreduced retirement benefits at age 65 for members hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits) for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction of about 6% for members retiring before full retirement age.

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 available to eligible members seeking early retirement with an actuarial reduction in the benefit paid to the member.

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Note 14. Defined Benefit Pension Plans – Statewide, continued

B. Benefits Provided

There are different 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 plan 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 before retirement benefits begin.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the plan is at least 90% funded for two consecutive years members are given 2.5% increases. If the plan has not exceeded 90% funding, or has fallen below 80%, members are given 1.0% increases.

C. Contributions

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature; contribution rates can only be modified by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2017. In 2017, the City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members.

The City's contributions to the General Employee Retirement Plan for the years ended December 31, 2017, 2016 and 2015 were \$28,150, \$27,358 and \$26,990 respectively. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Plan Fiduciary Net Position

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

Note 15. Other Matters

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

Benefits considered to be OPEB are described in the following paragraph.

**CITY OF TONKA BAY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Note 15. Other Matters, continued

*Other Post-Employment Benefits, continued*

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 the date which the financial statements were available to be issued. No events were noted subsequent to December 31, 2017 which may have had an effect on the financial statements being reported on.

**INDIVIDUAL AND COMBINING FINANCIAL STATEMENTS**

**CITY OF TONKA BAY  
GENERAL FUND  
BALANCE SHEET  
DECEMBER 31, 2017 AND 2016**

**Schedule 1**

	2017	2016
<b>ASSETS</b>		
Cash and Investments	\$ 796,560	\$ 758,109
Prepaid Items - Employee Insurance	3,210	-
	<u>799,770</u>	<u>758,109</u>
Totals	<u>\$ 799,770</u>	<u>\$ 758,109</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Building Surcharge and Other Payables	\$ 1,054	\$ 1,949
Escrows Payable	5,799	300
	<u>6,853</u>	<u>2,249</u>
 <b>Fund Balance</b>		
Nonspendable	3,210	-
Assigned		
Budget Deficit	56,797	61,330
Compensated Absences	26,278	24,350
Unassigned	706,632	670,180
Total Fund Balance	<u>792,917</u>	<u>755,860</u>
Totals	<u>\$ 799,770</u>	<u>\$ 758,109</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, 2017  
(With Comparative Amounts for the Year Ended December 31, 2016)**

	2017		Variance- Favorable (Unfavorable)	2016 Actual
	Budget Original and Final	Actual		
<b>Receipts</b>				
General Property Taxes	\$ 1,037,944	\$ 1,040,140	\$ 2,196	\$ 1,004,599
Franchise Fees	17,600	17,513	(87)	18,065
Licenses and Permits				
Licenses	14,279	14,443	164	13,429
Permits	51,200	122,397	71,197	90,021
	<u>65,479</u>	<u>136,840</u>	<u>71,361</u>	<u>103,450</u>
Intergovernmental Revenues				
State - Road Maintenance		14,545	14,545	
State - PERA	1,232	1,232	-	1,232
County - Road Maintenance	3,000		(3,000)	7,418
County - Recycling		1,438	1,438	6,252
	<u>4,232</u>	<u>17,215</u>	<u>12,983</u>	<u>14,902</u>
Charges for Services				
General Services	1,200	7,693	6,493	5,575
Variances and Other Fees	17,500	10,650	(6,850)	13,030
	<u>18,700</u>	<u>18,343</u>	<u>(357)</u>	<u>18,605</u>
Fines and Forfeitures	7,000	12,133	5,133	9,380
Investment Income	5,100	12,478	7,378	6,707
Other Revenues				
Reimbursements - Variances	9,000	25,714	16,714	12,702
Excelsior Fire District - Refund		13,344	13,344	
Insurance Dividend	2,000	2,644	644	10,111
Other Revenues	6,000	9,340	3,340	5,836
	<u>17,000</u>	<u>51,042</u>	<u>34,042</u>	<u>28,649</u>
<b>Total Receipts</b>	<b>1,173,055</b>	<b>1,305,704</b>	<b>132,649</b>	<b>1,204,357</b>
Transfers from Other Funds	33,000	33,000	-	47,985
<b>Total Receipts and Transfers</b>	<b>1,206,055</b>	<b>1,338,704</b>	<b>132,649</b>	<b>1,252,342</b>

**CITY OF TONKA BAY  
GENERAL FUND**

**Schedule 2  
Sheet 2**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
COMPARISON - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(With Comparative Amounts for the Year Ended December 31, 2016)**

	2017		Variance- Favorable (Unfavorable)	2016 Actual
	Budget Original and Final	Actual		
<b>Disbursements</b>				
<b>General Government</b>				
<b>Mayor and Council</b>				
Personal Services	\$ 9,904	\$ 9,312	\$ 592	\$ 9,258
Contracted Services	1,650	2,451	(801)	8,581
Other Charges	3,016	2,951	65	2,849
	<u>14,570</u>	<u>14,714</u>	<u>(144)</u>	<u>20,688</u>
<b>Elections</b>				
Personal Services				1,723
Supplies	500	1,475	(975)	1,343
	<u>500</u>	<u>1,475</u>	<u>(975)</u>	<u>3,066</u>
<b>Financial Administration</b>				
Personal Services	63,549	63,184	365	60,801
Supplies	4,000	4,074	(74)	4,760
Assessing	21,700	20,885	815	28,017
Other Contracted Services	19,305	18,795	510	17,349
Insurance	23,539	27,986	(4,447)	24,226
Other Charges	3,011	3,125	(114)	5,679
	<u>135,104</u>	<u>138,049</u>	<u>(2,945)</u>	<u>140,832</u>
Legal - Contracted Services	<u>44,000</u>	<u>50,729</u>	<u>(6,729)</u>	<u>47,207</u>
Engineering - Contracted Services	<u>7,725</u>	<u>16,771</u>	<u>(9,046)</u>	<u>17,967</u>
<b>Planning and Zoning</b>				
Personal Services	35,120	34,279	841	33,705
Contracted Services	10,300	22,822	(12,522)	29,442
	<u>45,420</u>	<u>57,101</u>	<u>(11,681)</u>	<u>63,147</u>
<b>Government Buildings</b>				
Personal Services	2,815	2,875	(60)	2,970
Supplies	3,000	4,650	(1,650)	4,965
Contracted Services	9,918	9,162	756	9,393
	<u>15,733</u>	<u>16,687</u>	<u>(954)</u>	<u>17,328</u>
Total General Government	<u>263,052</u>	<u>295,526</u>	<u>(32,474)</u>	<u>310,235</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, 2017**

(With Comparative Amounts for the Year Ended December 31, 2016)

	2017			2016 Actual
	Budget Original and Final	Actual	Variance- Favorable (Unfavorable)	
Disbursements, continued				
Public Safety				
Police Protection	\$ 455,371	\$ 452,981	\$ 2,390	\$ 420,106
Fire Protection	223,898	223,898	-	234,134
Protective Inspection				
Personal Services	18,950	18,711	239	18,172
Contracted Services	20,000	34,122	(14,122)	21,748
	<u>38,950</u>	<u>52,833</u>	<u>(13,883)</u>	<u>39,920</u>
Total Public Safety	<u>718,219</u>	<u>729,712</u>	<u>(11,493)</u>	<u>694,160</u>
Public Works				
Personal Services	111,949	104,400	7,549	107,883
Supplies and Other	26,034	19,493	6,541	21,720
Street Repairs and Signs	3,000	4,156	(1,156)	2,112
Snow Removal	10,000	5,140	4,860	4,894
Street Lighting	15,500	14,254	1,246	13,751
Total Public Works	<u>166,483</u>	<u>147,443</u>	<u>19,040</u>	<u>150,360</u>
Parks and Recreation				
Parks				
Personal Services	28,809	23,734	5,075	29,839
Supplies	8,000	8,186	(186)	18,554
Contracted Services	9,575	12,668	(3,093)	9,118
	<u>46,384</u>	<u>44,588</u>	<u>1,796</u>	<u>57,511</u>
Trees				
Personal Services	8,888	9,719	(831)	9,304
Supplies	5,500	4,150	1,350	4,354
	<u>14,388</u>	<u>13,869</u>	<u>519</u>	<u>13,658</u>
Firelanes	<u>1,500</u>	<u>850</u>	<u>650</u>	<u>18</u>
Lake Minnetonka Conservation	<u>10,858</u>	<u>10,858</u>	<u>-</u>	<u>10,665</u>
Total Parks and Recreation	<u>73,130</u>	<u>70,165</u>	<u>2,965</u>	<u>81,852</u>
Other	<u>1,500</u>	<u>13,801</u>	<u>(12,301)</u>	<u>3,101</u>
Total Disbursements	<u>1,222,384</u>	<u>1,256,647</u>	<u>(34,263)</u>	<u>1,239,708</u>

**CITY OF TONKA BAY  
GENERAL FUND**

**Schedule 2  
Sheet 4**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
COMPARISON - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017**

(With Comparative Amounts for the Year Ended December 31, 2016)

	2017			
	Budget Original and Final	Actual	Variance- Favorable (Unfavorable)	2016 Actual
Transfers to Other Funds	\$ 45,000	\$ 45,000	\$ -	\$ 25,000
Total Disbursements and Transfers	1,267,384	1,301,647	(34,263)	1,264,708
Receipts and Transfers Over (Under)				
Disbursements and Transfers	\$ (61,329)	37,057	\$ 98,386	(12,366)
Fund Balance Beginning of Year		755,860		768,226
Fund Balance End of Year		\$ 792,917		\$ 755,860

**CITY OF TONKA BAY  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2017**  
(With Comparative Totals at December 31, 2016)

	<u>Liquor Fund</u>	<u>Antenna Fund</u>	<u>PEG Fund</u>	<u>Southshore Center Fund</u>
<b>ASSETS</b>				
Cash and Investments	<u>\$ 321,625</u>	<u>\$ 147,690</u>	<u>\$ 9,299</u>	<u>\$ -</u>
<b>LIABILITY AND FUND BALANCE</b>				
Liability - Deferred Revenue		\$ 20,191		
Fund Balance - Assigned	<u>\$ 321,625</u>	<u>127,499</u>	<u>\$ 9,299</u>	<u>\$ -</u>
Total	<u>\$ 321,625</u>	<u>\$ 147,690</u>	<u>\$ 9,299</u>	<u>\$ -</u>

**CITY OF TONKA BAY  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With Comparative Amounts for the Year Ended December 31, 2016)

	<u>Liquor Fund</u>	<u>Antenna Fund</u>	<u>PEG Fund</u>	<u>Southshore Center Fund</u>
<b>Receipts</b>				
Franchise Fees			\$ 4,201	
Lease Revenues		\$ 115,172		
Sale of Property				\$ 55,980
Investment Income	\$ 6,186			
Total Receipts	<u>6,186</u>	<u>115,172</u>	<u>4,201</u>	<u>55,980</u>
<b>Disbursements</b>				
Contracted Services			6,930	
<b>Transfers</b>				
Transfers to Other Funds	-	25,000	-	59,814
Total Disbursements and Transfers	<u>-</u>	<u>25,000</u>	<u>6,930</u>	<u>59,814</u>
Receipts Over (Under) Transfers	6,186	90,172	(2,729)	(3,834)
Fund Balance Beginning of Year	<u>315,439</u>	<u>37,327</u>	<u>12,028</u>	<u>3,834</u>
Fund Balance End of Year	<u>\$ 321,625</u>	<u>\$ 127,499</u>	<u>\$ 9,299</u>	<u>\$ -</u>

**Schedule 3**

Totals	
<u>2017</u>	<u>2016</u>
<u>\$ 478,614</u>	<u>\$ 388,739</u>
\$ 20,191	\$ 20,111
<u>458,423</u>	<u>368,628</u>
<u>\$ 478,614</u>	<u>\$ 388,739</u>

**Schedule 4**

Totals	
<u>2017</u>	<u>2016</u>
\$ 4,201	\$ 4,233
115,172	38,259
55,980	-
6,186	5,722
<u>181,539</u>	<u>48,214</u>
6,930	-
84,814	47,985
<u>91,744</u>	<u>47,985</u>
89,795	229
<u>368,628</u>	<u>368,399</u>
<u>\$ 458,423</u>	<u>\$ 368,628</u>

**CITY OF TONKA BAY  
CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2017**  
(With Comparative Totals at December 31, 2016)

	Improvement Funds			
	Utility	Capital	Road	Park
<b>ASSETS</b>				
Cash and Investments	<u>\$ 595,744</u>	<u>\$ 333,039</u>	<u>\$ -</u>	<u>\$ 66,374</u>
<b>LIABILITY AND FUND BALANCE</b>				
Liability - Due to Other Funds			<u>\$ 16,533</u>	
Fund Balance (Deficit)				
Assigned	\$ 595,744	\$ 333,039		\$ 66,374
Unassigned			(16,533)	
Total Fund Balance	<u>595,744</u>	<u>333,039</u>	<u>(16,533)</u>	<u>66,374</u>
Total	<u>\$ 595,744</u>	<u>\$ 333,039</u>	<u>\$ -</u>	<u>\$ 66,374</u>

**Schedule 5**

Seawall	Totals	
	2017	2016
\$ -	\$ 995,157	\$ 664,584
	\$ 16,533	\$ 24,817
\$ -	995,157	664,584
	(16,533)	(24,817)
-	978,624	639,767
\$ -	\$ 995,157	\$ 664,584

**CITY OF TONKA BAY  
CAPITAL PROJECT FUNDS  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(With Comparative Amounts for the Year Ended December 31, 2016)**

	Improvement Funds			
	Utility	Capital	Road	Park
Receipts				
General Property Taxes		\$ 57,063		
Special Assessments	\$ 28,600	6,477	\$ 9,745	
Investment Income	6,950	612		
Other Revenues				\$ 1,100
Total Receipts	<u>35,550</u>	<u>64,152</u>	<u>9,745</u>	<u>1,100</u>
Transfers				
Transfers from Other Funds	129,863	302,500		62,542
Total Receipts and Transfers	<u>165,413</u>	<u>366,652</u>	<u>9,745</u>	<u>63,642</u>
Disbursements				
Current				
Public Works		47,317		
Other	3,500	3,500	1,461	
Capital Outlay				
General Government		15,128		
Public Works		9,539		
Parks and Recreation		36,035		
Other - Enterprise	147,387			
Total Disbursements	<u>150,887</u>	<u>111,519</u>	<u>1,461</u>	<u>-</u>
Transfers				
Transfers to Other Funds				
Total Disbursements and Transfers	<u>150,887</u>	<u>111,519</u>	<u>1,461</u>	<u>-</u>
Receipts and Transfers Over (Under)				
Disbursements and Transfers	14,526	255,133	8,284	63,642
Fund Balance (Deficit) Beginning of Year	<u>581,218</u>	<u>77,906</u>	<u>(24,817)</u>	<u>2,732</u>
Fund Balance (Deficit) End of Year	<u>\$ 595,744</u>	<u>\$ 333,039</u>	<u>\$ (16,533)</u>	<u>\$ 66,374</u>

**Schedule 6**

<u>Seawall</u>	<u>Totals</u>	
	<u>2017</u>	<u>2016</u>
	\$ 57,063	\$ 53,200
	44,822	24,998
	7,562	5,758
	1,100	3,860
<u>\$ -</u>	<u>110,547</u>	<u>87,816</u>
	494,905	204,863
<u>-</u>	<u>605,452</u>	<u>292,679</u>
	47,317	58,270
	8,461	2,006
	15,128	11,266
	9,539	8,506
	36,035	10,770
	147,387	74,562
<u>-</u>	<u>263,867</u>	<u>165,380</u>
<u>2,728</u>	<u>2,728</u>	<u>55,000</u>
<u>2,728</u>	<u>266,595</u>	<u>220,380</u>
(2,728)	338,857	72,299
<u>2,728</u>	<u>639,767</u>	<u>567,468</u>
<u>\$ -</u>	<u>\$ 978,624</u>	<u>\$ 639,767</u>

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**OTHER INFORMATION**

**CITY OF TONKA BAY  
UNAUDITED SCHEDULE  
DECEMBER 31, 2017**

**Schedule 7**

SCHEDULE OF ACCOUNTS RECEIVABLE

<u>Fund</u>	<u>Source and Purpose</u>	<u>Amount</u>
General	Hennepin County - Tax Settlement	\$ 13,237
	Mediacom - Franchise Fees	4,109
	City of Shorewood - Reimbursement	3,552
	State of Minnesota - Court Fines	278
	CenturyLink Permit	100
	Resident - Deferred Assessments	<u>12,854</u>
		<u>\$ 34,130</u>
PEG	Mediacom - Franchise Fees	<u>\$ 1,012</u>
Capital Improvement	Hennepin County - Tax Settlement	\$ 691
	Businesses - Assessments re: Improvement Project	<u>17,634</u>
		<u>\$ 18,325</u>
Road Improvement	Residents - Assessments re: Improvement Project	<u>\$ 8,614</u>
Total		<u>\$ 62,081</u>

**CITY OF TONKA BAY  
UNAUDITED SCHEDULE  
DECEMBER 31, 2017**

**Schedule 8**

SCHEDULE OF ACCOUNTS PAYABLE

Fund	Vendor Name	Item and Purpose	Claim Number	Amount
General	AmeriPride Linen	Services	22335	\$ 24
	B & J Automotive	Services	22336	402
	Robin Bowman	Reimbursement	22337	111
	Cady Building Mtce	Services	22338	226
	City of Tonka Bay	Services	22339	241
	Lindy Crawford	Reimbursement	22341	130
	ECM Publishers	Services	22343	24
	EF Andersen Inc	Supplies	22344	1,556
	H & L Mesabi	Services	22349	1,638
	Erica Henderson	Reimbursement	22350	74
	Kennedy & Graven	Services	22351	2,054
	MCFOA	Services	22353	40
	Metro West Inspections	Services	22355	6,035
	Office Depot	Supplies	22357	147
	Kenneth Potts	Services	22361	833
	Carol Spoener	Reimbursement	22365	36
	SuperAmericia	Services	22367	230
	US Bank	Services	22369	112
	Verizon Wireless	Services	22371	10
	Xcel Energy	Services	22372	222
	Biff's	Services	22374	40
	CenterPoint Energy	Services	22375	127
	Eklund Yard & Tree Disposal	Services	22380	8
	Hennepin County	Services	22384	38
	Hennepin County	Services	22385	158
	Navarre True Value	Supplies	22392	28
	Praxair Distribution Inc	Supplies	22393	58
	WSB & Associates	Services	22402	3,669
	Xcel Energy	Services	22403	1,211
	Kennedy & Graven	Services	22413	4,215
	Minuteman Press	Supplies	22418	1,192
	WSB & Associates	Services	22428	8,589
SLMPD	Services	22457	184	
SuperAmerica	Supplies	22458	483	
				34,145
	Metro West Inspections	Services	Unpaid	48,248
				\$ 82,393

**CITY OF TONKA BAY  
UNAUDITED SCHEDULE  
DECEMBER 31, 2017**

**Schedule 8**

SCHEDULE OF ACCOUNTS PAYABLE, continued

Fund	Vendor Name	Item and Purpose	Claim Number	Amount
Utility Improvement	Minnesota Pump Works	Services	22356	\$ 12,709
	Pipe Service Corp	Services	22360	8,277
	Sambatek Inc	Services	22363	500
	US Bank	Supplies	22369	511
	WSB & Associates, Inc.	Services	22402	12,833
	WSB & Associates, Inc.	Services	22428	2,391
	Peterson Companies	Services	22450	3,130
				<u>\$ 40,351</u>
Capital Improvement	Sambatek Inc	Services	22363	\$ 500
	US Bank	Supplies	22369	372
				<u>\$ 872</u>
Total				<u>\$ 123,616</u>