

Annual Financial Report

City of the Village of Minnetonka Beach
Minnetonka Beach, Minnesota

For the Year Ended
December 31, 2019

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City of the Village of Minnetonka Beach, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended December 31, 2019

	<u>Page No.</u>
Introductory Section	
Elected and Appointed Officials	7
Financial Section	
Independent Auditor's Report	11
Basic Financial Statements - Regulatory Basis	
Governmental Funds	
Statement of Balances Arising from Cash Transactions	16
Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances	17
Proprietary Funds	
Statement of Net Position	18
Statement of Revenues, Expenses and Changes in Net Position	19
Statement of Cash Flows	20
Notes to the Financial Statements	21
Individual Fund Financial Schedules	
General Fund	
Budgetary Comparison Schedule - Regulatory Basis	37
Summary Financial Report	
Receipts and Disbursements for General Operations - Governmental Funds	40
Supplementary Information - Unaudited	
Schedule of Accounts Receivable	42
Schedule of Accounts Payable and Contingent Liabilities	42
Other Required Report	
Independent Auditor's Report on Minnesota Legal Compliance	45

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INTRODUCTORY SECTION

CITY OF THE VILLAGE OF MINNETONKA BEACH
MINNETONKA BEACH, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of the Village of Minnetonka Beach
Elected and Appointed Officials
For the Year Ended December 31, 2019

ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jaci Lindstrom	Mayor	12/31/20
Steve Howarth	Council Member	12/31/22
Andrew Myers	Council Member	12/31/22
Tracey Breazeale	Council Member	12/31/22
Susan Enlow	Council Member	12/31/22
Chris Zinn	Treasurer	12/31/20

APPOINTED OFFICIALS

Susanne Griffin	City Administrator
Heidi Honey	City Clerk

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FINANCIAL SECTION

CITY OF THE VILLAGE OF MINNETONKA BEACH
MINNETONKA BEACH, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of the Village of Minnetonka Beach, Minnesota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Minnesota Office of the State Auditor. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

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

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Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City, as of December 31, 2019, the changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements of the governmental funds referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the City, as of December 31, 2019, and their respective cash receipts and disbursements, for the year then ended, on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1B. Also, in our opinion, the financial statements of the proprietary funds referred to in the first paragraph present fairly, in all material respects, the respective financial position of each fund of the City, as of December 31, 2019, and their respective changes in financial position and cash flows, for the year then ended, on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1B.

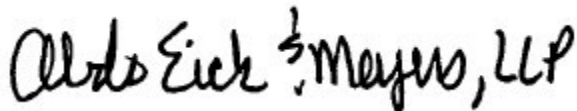
Other Matters

Other Information

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

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

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 12, 2020

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BASIC FINANCIAL STATEMENTS - REGULATORY BASIS

CITY OF THE VILLAGE OF MINNETONKA BEACH
MINNETONKA BEACH, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of the Village of Minnetonka Beach, Minnesota
Statement of Balances Arising from Cash Transactions
Governmental Funds
December 31, 2019

	<u>101</u> General	<u>401</u> Capital Projects	<u>Nonmajor</u> <u>301</u> Debt Service	Total Governmental Funds
Assets				
Cash and temporary investments	<u>\$ 869,156</u>	<u>\$ 116,122</u>	<u>\$ 37,032</u>	<u>\$ 1,022,310</u>
Cash Fund Balances				
Assigned for				
Payroll liability	\$ 20,710	\$ -	\$ -	\$ 20,710
Capital purchases	-	116,122	-	116,122
Debt service	-	-	37,032	37,032
Unassigned	<u>848,446</u>	<u>-</u>	<u>-</u>	<u>848,446</u>
Total Cash Fund Balances	<u>\$ 869,156</u>	<u>\$ 116,122</u>	<u>\$ 37,032</u>	<u>\$ 1,022,310</u>

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

City of the Village of Minnetonka Beach, Minnesota
Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	101 General	401 Capital Projects	Nonmajor 301 Debt Service	Total Governmental Funds
Receipts				
Taxes	\$ 890,779	\$ -	\$ -	\$ 890,779
Licenses and permits	127,286	-	-	127,286
Intergovernmental	1,914	-	-	1,914
Charges for services	88,080	-	-	88,080
Fines and forfeitures	5,680	-	-	5,680
Investment earnings	37,263	394	-	37,657
Miscellaneous	5,926	-	-	5,926
Total Receipts	<u>1,156,928</u>	<u>394</u>	<u>-</u>	<u>1,157,322</u>
Disbursements				
Current				
General government	398,857	-	17,880	416,737
Public safety	227,653	-	-	227,653
Streets and highways	135,369	-	-	135,369
Sanitation and recycling	76,396	-	-	76,396
Culture and recreation	42,371	-	-	42,371
Capital outlay				
General government	4,746	-	-	4,746
Streets and highways	-	1,184,215	-	1,184,215
Debt service				
Interest and other fiscal charges	-	-	1,524	1,524
Bond issuance costs	-	31,094	-	31,094
Total Disbursements	<u>885,392</u>	<u>1,215,309</u>	<u>19,404</u>	<u>2,120,105</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>271,536</u>	<u>(1,214,915)</u>	<u>(19,404)</u>	<u>(962,783)</u>
Other Financing Sources (Uses)				
Transfers in	-	174,596	-	174,596
Transfers out	(308,376)	-	-	(308,376)
Premium on bonds issued	-	64,629	-	64,629
Bonds issued	-	954,000	-	954,000
Total Other Financing Sources (Uses)	<u>(308,376)</u>	<u>1,193,225</u>	<u>-</u>	<u>884,849</u>
Net Change in Cash Fund Balances	(36,840)	(21,690)	(19,404)	(77,934)
Cash Fund Balances, January 1	<u>905,996</u>	<u>137,812</u>	<u>56,436</u>	<u>1,100,244</u>
Cash Fund Balances, December 31	<u>\$ 869,156</u>	<u>\$ 116,122</u>	<u>\$ 37,032</u>	<u>\$ 1,022,310</u>

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

City of the Village of Minnetonka Beach, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2019

	Business-type Activities Enterprise Funds			Total
	Nonmajor			
	601 Water Utility	602 Sewer Utility	603 Stormwater Utility	
Assets				
Current Assets				
Cash and temporary investments	\$ 668,731	\$ 60,276	\$ 38,673	\$ 767,680
Accounts receivable	27,252	72,688	3,680	103,620
Total Current Assets	<u>695,983</u>	<u>132,964</u>	<u>42,353</u>	<u>871,300</u>
Noncurrent Assets				
Capital assets				
Improvements other than buildings	3,540,132	21,759	101,937	3,663,828
Equipment	82,857	133,780	-	216,637
Less accumulated depreciation	(598,135)	(5,168)	-	(603,303)
Total Capital Assets (Net of Accumulated Depreciation)	<u>3,024,854</u>	<u>150,371</u>	<u>101,937</u>	<u>3,277,162</u>
Total Assets	<u>3,720,837</u>	<u>283,335</u>	<u>144,290</u>	<u>4,148,462</u>
Liabilities				
Current Liabilities				
Accounts payable	394,793	-	-	394,793
Accrued salaries payable	461	153	-	614
Accrued interest payable	26,247	-	-	26,247
Current portion of compensated absences payable	599	200	-	799
Current portion of bonds payable	80,000	-	-	80,000
Total Current Liabilities	<u>502,100</u>	<u>353</u>	<u>-</u>	<u>502,453</u>
Noncurrent Liabilities				
Compensated absences payable	570	190	-	760
Bonds payable	2,655,587	-	-	2,655,587
Total Noncurrent Liabilities	<u>2,656,157</u>	<u>190</u>	<u>-</u>	<u>2,656,347</u>
Total Liabilities	<u>3,158,257</u>	<u>543</u>	<u>-</u>	<u>3,158,800</u>
Net Position				
Net investment in capital assets	289,267	150,371	101,937	541,575
Unrestricted	273,313	132,421	42,353	448,087
Total Net Position	<u>\$ 562,580</u>	<u>\$ 282,792</u>	<u>\$ 144,290</u>	<u>\$ 989,662</u>

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

City of the Village of Minnetonka Beach, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities Enterprise Funds			Total
	601	602	Nonmajor 603	
	Water Utility	Sewer Utility	Stormwater Utility	
Operating Revenues				
Charges for services	\$ 105,903	\$ 81,284	\$ 13,799	\$ 200,986
Operating Expenses				
Personnel services	14,417	6,277	-	20,694
Supplies	3,032	-	-	3,032
MCES charges	-	55,097	-	55,097
Depreciation	54,355	544	-	54,899
Other services and charges	40,097	18,301	3,591	61,989
Total Operating Expenses	<u>111,901</u>	<u>80,219</u>	<u>3,591</u>	<u>195,711</u>
Operating Income (Loss)	<u>(5,998)</u>	<u>1,065</u>	<u>10,208</u>	<u>5,275</u>
Nonoperating Revenues (Expenses)				
Investment earnings	11,131	-	-	11,131
Taxes	115,728	-	-	115,728
Miscellaneous expense	-	-	-	-
Miscellaneous income	-	-	-	-
Interest expense and other	(42,865)	-	-	(42,865)
Bond issuance costs	(46,641)	-	-	(46,641)
Total Nonoperating Revenues (Expenses)	<u>37,353</u>	<u>-</u>	<u>-</u>	<u>37,353</u>
Income Before Transfers and Contributions	31,355	1,065	10,208	42,628
Capital Contribution	(101,937)	-	101,937	-
Transfers In	<u>-</u>	<u>133,780</u>	<u>-</u>	<u>133,780</u>
Change in Net Position	(70,582)	134,845	112,145	176,408
Net Position, January 1	<u>633,162</u>	<u>147,947</u>	<u>32,145</u>	<u>813,254</u>
Net Position, December 31	<u>\$ 562,580</u>	<u>\$ 282,792</u>	<u>\$ 144,290</u>	<u>\$ 989,662</u>

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

City of the Village of Minnetonka Beach, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities Enterprise Funds			Total
	601 Water Utility	602 Sewer Utility	Nonmajor 603 Stormwater Utility	
Cash Flows from Operating Activities				
Receipts from customers	\$ 103,573	\$ 81,284	\$ 13,656	\$ 198,513
Payments to suppliers	(50,004)	(74,008)	(3,591)	(127,603)
Payments to employees	(14,976)	(6,463)	-	(21,439)
Net Cash Provided (Used) by Operating Activities	<u>38,593</u>	<u>813</u>	<u>10,065</u>	<u>49,471</u>
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	133,780	-	133,780
Developer reimbursable project costs	(4,056)	(51,115)	-	(55,171)
Net Cash Provided By Noncapital Financing Activities	<u>(4,056)</u>	<u>82,665</u>	<u>-</u>	<u>78,609</u>
Cash Flows from Capital and Related Financing Activities				
Taxes collected	115,728	-	-	115,728
Net proceeds from bonds issued	1,481,302	-	-	1,481,302
Acquisition of capital assets	(1,177,681)	(133,780)	-	(1,311,461)
Principal paid on long-term debt	(80,000)	-	-	(80,000)
Interest paid on long-term debt	(31,955)	-	-	(31,955)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>307,394</u>	<u>(133,780)</u>	<u>-</u>	<u>173,614</u>
Cash Flows from Investing Activities				
Investment earnings	11,131	-	-	11,131
Net Increase in Cash and Cash Equivalents	353,062	(50,302)	10,065	312,825
Cash and Cash Equivalents, January 1	315,669	110,578	28,608	454,855
Cash and Cash Equivalents , December 31	<u>\$ 668,731</u>	<u>\$ 60,276</u>	<u>\$ 38,673</u>	<u>\$ 767,680</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (5,998)	\$ 1,065	\$ 10,208	\$ 5,275
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	54,355	544	-	54,899
(Increase) in assets				
Accounts receivable	(2,330)	(610)	(143)	(3,083)
Increase in liabilities				
Accounts payable	(6,875)	-	-	(6,875)
Accrued salaries payable	(11)	(4)	-	(15)
Compensated absences payable	(548)	(182)	-	(730)
Net Cash Provided (Used) by Operating Activities	<u>\$ 38,593</u>	<u>\$ 813</u>	<u>\$ 10,065</u>	<u>\$ 49,471</u>
Schedule of Noncash Capital and Related Financing Activities				
Capital assets purchased on account	\$ 391,975	\$ -	\$ -	\$ 391,975
Capital contributions	\$ (101,937)	\$ -	\$ 101,937	\$ -
Amortization of bond premium	\$ 2,356	\$ -	\$ -	\$ 2,356
Developer reimbursement receivable	\$ 4,056	\$ 51,115	\$ -	\$ 55,171

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

City of the Village of Minnetonka Beach, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

City of the Village of Minnetonka Beach, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

The *Capital Projects fund* accounts for the accumulation of reserves for street and highway projects.

The City reports the following major enterprise funds:

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

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

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

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

C. Assets, Liabilities and Net Position / Fund Balance

Deposits and Investments

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

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

City of the Village of Minnetonka Beach, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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

The City has the following recurring fair value measurements as of December 31, 2019:

- Negotiable Certificates of Deposit of \$402,342 are valued using a matrix pricing model (Level 2 inputs)

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

City of the Village of Minnetonka Beach, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

Accounts Receivable

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

Capital Assets

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

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

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

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

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

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

Compensated Absences

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

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

City of the Village of Minnetonka Beach, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

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

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

Fund Balance

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

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

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

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

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

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

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

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

City of the Village of Minnetonka Beach, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

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

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments in 2019.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2019, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 847,857	\$ 885,392	\$ 37,535

The over-expenditures were funded by revenues in excess of budget and available fund balance.

City of the Village of Minnetonka Beach, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$17,615 and the bank balance was \$118,154. The entire amount of the bank balance was covered by federal depository insurance.

City of the Village of Minnetonka Beach, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Investments

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Broker Money Market	N/A	less than 6 months	\$ 143,210			
4M Fund	PI	less than 6 months	1,226,723			
Non-pooled Investments at Fair Value						
Negotiable Certificates of Deposit	N/A	6 months to 1 year	133,141	\$ -	\$ 133,141	\$ -
Negotiable Certificates of Deposit	N/A	1 year to 3 years	269,201	-	269,201	-
Total Investments			<u>\$ 1,772,275</u>	<u>\$ -</u>	<u>\$ 402,342</u>	<u>\$ -</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

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

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list on page 23 of the notes.
- *Custodial Credit Risk* is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The investment in the Minnesota Municipal Money Market Mutual Fund is not subject to the custodial credit risk classifications as noted in paragraph 9 of GASB Statement No. 40. The City's investment policy minimizes this risk by: Maintaining a list of public depositories, financial institutions and broker/dealers authorized to provide deposit and investment services and all public depositories, financial institutions and broker/dealers authorized to provide deposit and investment services must supply as appropriate audited financial statements demonstrating compliance with state and federal capital adequacy guidelines.
- *Concentration of Credit Risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. In accordance with the City's investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities.
- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy minimizes the risk by Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

City of the Village of Minnetonka Beach, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

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

Deposits	\$ 17,615
Petty Cash	100
Investments	<u>1,772,275</u>
Total	<u><u>\$ 1,789,990</u></u>
 Governmental Funds	
Unrestricted	\$ 1,022,310
Proprietary Funds	
Unrestricted	<u>767,680</u>
Total	<u><u>\$ 1,789,990</u></u>

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets being Depreciated				
Improvements other than buildings	\$ 2,094,172	\$ 1,569,656	\$ -	\$ 3,663,828
Equipment	<u>82,857</u>	<u>133,780</u>	<u>-</u>	<u>216,637</u>
Total Capital Assets being Depreciated	<u>2,177,029</u>	<u>1,703,436</u>	<u>-</u>	<u>3,880,465</u>
 Less Accumulated Depreciation for				
Improvements other than buildings	(504,569)	(50,870)	-	(555,439)
Equipment	<u>(43,835)</u>	<u>(4,029)</u>	<u>-</u>	<u>(47,864)</u>
Total Accumulated Depreciation	<u>(548,404)</u>	<u>(54,899)</u>	<u>-</u>	<u>(603,303)</u>
Total Capital Assets being Depreciated, Net	<u>1,628,625</u>	<u>1,648,537</u>	<u>-</u>	<u>3,277,162</u>
 Business-type Activities				
Capital Assets, Net	<u><u>\$ 1,628,625</u></u>	<u><u>\$ 1,648,537</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,277,162</u></u>

The depreciation expense for the Water fund and Sewer fund was \$54,355 and \$544 , respectively.

City of the Village of Minnetonka Beach, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund transfers

During the year ended December 31, 2019 the City made the following transfers:

	Transfer in		
	Capital Projects Funds	Sewer Utility Fund	Total
Transfer out			
General Fund	\$ 174,596	\$ 133,780	\$ 308,376

The following transfers were made during the year ended December 31, 2019:

- The General fund transferred \$10,000 to the Capital Projects fund to build capital reserves.
- The General fund transferred \$ 90,025 and \$133,780 to the Capital Project fund and the Sewer Utility fund, respectively, to fund 2019 capital improvement plan purchases.
- The General fund transferred \$74,571 to the Capital Project fund to fund 2019 street improvement project costs which were not otherwise funded with bond proceeds or future developer reimbursements.

City of the Village of Minnetonka Beach, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

General Obligation (G.O.) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Bonds, Series 2012A	\$ 1,515,000	2.00 - 3.00 %	05/03/12	02/01/32	\$ 1,210,000
G.O. Bonds, Series 2019A	2,385,000	3.00 - 4.00	07/01/19	02/01/40	2,385,000
Total G.O. Bonds					<u>\$ 3,595,000</u>

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

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ -	\$ 33,528	\$ 33,528	\$ 80,000	\$ 80,647	\$ 160,647
2021	34,000	31,000	65,000	136,000	75,205	211,205
2022	34,000	29,640	63,640	136,000	71,359	207,359
2023	36,000	28,240	64,240	139,000	67,346	206,346
2024	38,000	26,760	64,760	147,000	63,045	210,045
2025 - 2029	210,000	110,030	320,030	785,000	244,335	1,029,335
2030 - 2034	248,000	72,180	320,180	687,000	122,745	809,745
2035 - 2039	290,000	31,950	321,950	435,000	47,925	482,925
2040	64,000	960	64,960	96,000	1,440	97,440
Total	<u>\$ 954,000</u>	<u>\$ 364,288</u>	<u>\$ 1,318,288</u>	<u>\$ 2,641,000</u>	<u>\$ 774,047</u>	<u>\$ 3,415,047</u>

Changes in Long-term Liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
G.O. Bonds Payable	\$ -	\$ 954,000	\$ -	\$ 954,000	\$ -
Business-type Activities					
G.O. Bonds Payable	\$ 1,290,000	\$ 1,431,000	\$ (80,000)	\$ 2,641,000	\$ 80,000
Unamortized Premium on Bonds	-	96,943	(2,356)	94,587	-
Compensated Absences Payable	2,289	69	(799)	1,559	799
Business-type Activity Long-term Liabilities	<u>\$ 1,292,289</u>	<u>\$ 1,528,012</u>	<u>\$ (83,155)</u>	<u>\$ 2,737,146</u>	<u>\$ 80,799</u>

City of the Village of Minnetonka Beach, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 4: Defined Benefit Pension Plan - Statewide

A. Plan Description

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

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

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERP members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERP. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088, or by calling (651) 296-7460 or (800) 652-9026.

B. Funding Policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2019. In 2019, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERP members and 7.50 percent for Coordinated Plan GERP members. The City's contributions to the GERP for the years ended December 31, 2019, 2018 and 2017 were \$17,435, \$17,002, and \$19,130, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

City of the Village of Minnetonka Beach, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 5: Other Information

A. Risk Management

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

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

B. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The market value of taxable property within the City is \$348,904,460 making the legal debt margin \$10,467,134. The City currently has \$916,968 debt subject to this limit.

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INDIVIDUAL FUND FINANCIAL SCHEDULES
CITY OF THE VILLAGE OF MINNETONKA BEACH
MINNETONKA BEACH, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of the Village of Minnetonka Beach, Minnesota

General Fund

Budgetary Comparison Schedule - Regulatory Basis (Continued on the Following Pages)

For the Year Ended December 31, 2019

(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Budgetary Fund Balances, January 1	\$ 905,996	\$ 905,996	\$ 905,996	\$ -	\$ 820,759
Receipts					
Taxes					
General property taxes	898,720	898,720	890,779	(7,941)	878,450
Licenses and permits					
Business	1,200	1,200	1,200	-	1,200
Nonbusiness	80,160	80,160	126,086	45,926	86,086
Total licenses And permits	81,360	81,360	127,286	45,926	87,286
Intergovernmental					
State					
PERA aid	540	540	540	-	540
Other	-	-	-	-	8,623
Total state	540	540	540	-	9,163
County					
Other	3,606	3,606	1,374	(2,232)	6,103
Total Intergovernmental	4,146	4,146	1,914	(2,232)	15,266
Charges for services					
Leaf pick-up	7,000	7,000	6,547	(453)	7,061
US Post Office	5,000	5,000	5,000	-	5,000
Sanitation and recycling	76,518	76,518	76,533	15	77,593
Total charges for services	88,518	88,518	88,080	(438)	89,654
Fines and forfeitures	5,000	5,000	5,680	680	3,834
Investment earnings	10,000	10,000	37,263	27,263	15,502
Miscellaneous					
Other	1,500	1,500	5,926	4,426	6,702
Total Receipts	1,089,244	1,089,244	1,156,928	67,684	1,096,694
Amounts Available for Appropriation	1,995,240	1,995,240	2,062,924	67,684	1,917,453

City of the Village of Minnetonka Beach, Minnesota
General Fund
Budgetary Comparison Schedule - Regulatory Basis (Continued)
For the Year Ended December 31, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Disbursements					
Current					
General government					
Administration and finance					
Personnel services	\$ 207,577	\$ 207,577	\$ 201,008	\$ 6,569	\$ 190,503
Elections					
Other services and charges	500	500	592	(92)	4,352
City hall					
Supplies	16,000	16,000	16,498	(498)	14,635
Other services and charges	25,930	25,930	62,952	(37,022)	38,719
Total city hall	41,930	41,930	79,450	(37,520)	53,354
Assessor					
Other services and charges	9,000	9,000	9,000	-	11,884
Insurance					
Other services and charges	20,000	20,000	17,994	2,006	18,153
Legal					
Other services and charges	50,000	50,000	52,228	(2,228)	28,956
Audit and accounting					
Other services and charges	13,500	13,500	13,353	147	13,011
Planning and zoning					
Other services and charges	30,000	30,000	25,232	4,768	41,688
Total General Government	372,507	372,507	398,857	(26,350)	361,901
Public safety					
Police					
Other services and charges	141,000	141,000	141,000	-	141,000
Fire					
Other services and charges	50,000	50,000	50,000	-	98,830
Building inspection					
Other services and charges	20,000	20,000	36,578	(16,578)	21,255
Prisoner room and board					
Other services and charges	300	300	75	225	75
Total Public Safety	211,400	211,400	227,653	(16,253)	261,160

City of the Village of Minnetonka Beach, Minnesota
 General Fund
 Budgetary Comparison Schedule - Regulatory Basis (Continued)
 For the Year Ended December 31, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Disbursements (Continued)					
Current (continued)					
Streets and highways					
Street lighting					
Other services and charges	\$ 9,000	\$ 9,000	\$ 7,653	\$ 1,347	\$ 8,423
Street maintenance					
Personnel services	79,708	79,708	75,316	4,392	70,482
Supplies	10,500	10,500	10,703	(203)	6,368
Other services and charges	45,375	45,375	41,697	3,678	39,522
Total street maintenance	<u>135,583</u>	<u>135,583</u>	<u>127,716</u>	<u>7,867</u>	<u>116,372</u>
Total Streets and Highways	<u>144,583</u>	<u>144,583</u>	<u>135,369</u>	<u>9,214</u>	<u>124,795</u>
Sanitation and recycling					
Other services and charges	<u>76,845</u>	<u>76,845</u>	<u>76,396</u>	<u>449</u>	<u>76,176</u>
Culture and recreation					
Parks and recreation					
Supplies	750	750	2,724	(1,974)	1,870
Other services and charges	41,772	41,772	39,647	2,125	37,755
Total culture and recreation	<u>42,522</u>	<u>42,522</u>	<u>42,371</u>	<u>151</u>	<u>39,625</u>
Total Current Disbursements	847,857	847,857	880,646	(32,789)	863,657
Capital outlay					
General government	-	-	4,746	(4,746)	-
Total Disbursements	<u>847,857</u>	<u>847,857</u>	<u>885,392</u>	<u>(37,535)</u>	<u>863,657</u>
Other Financing Uses					
Transfers out	<u>233,805</u>	<u>233,805</u>	<u>308,376</u>	<u>(74,571)</u>	<u>147,800</u>
Total Disbursements and Other Financing Uses	<u>1,081,662</u>	<u>1,081,662</u>	<u>1,193,768</u>	<u>(112,106)</u>	<u>1,011,457</u>
Budgetary Fund Balances, December 31	<u>\$ 913,578</u>	<u>\$ 913,578</u>	<u>\$ 869,156</u>	<u>\$ (44,422)</u>	<u>\$ 905,996</u>

City of the Village of Minnetonka Beach, Minnesota
 Summary Financial Report
 Receipts and Disbursements for General Operations -
 Governmental Funds
 For the Years Ended December 31, 2019 and 2018

	Total		Percent Increase (Decrease)
	2019	2018	
Receipts			
Taxes	\$ 890,779	\$ 878,450	1.40 %
Licenses and permits	127,286	87,286	45.83
Intergovernmental	1,914	15,266	(87.46)
Charges for services	88,080	89,654	(1.76)
Fines	5,680	3,834	48.15
Investment earnings	37,657	15,998	135.39
Miscellaneous	5,926	6,702	(11.58)
Total Receipts	<u>\$ 1,157,322</u>	<u>\$ 1,097,190</u>	5.48 %
Per Capita	<u>\$ 2,052</u>	<u>\$ 2,013</u>	1.93 %
Disbursements			
Current			
General government	\$ 416,737	\$ 361,901	15.15 %
Public safety	227,653	261,160	(12.83)
Streets and highways	135,369	124,795	8.47
Sanitation and recycling	76,396	76,176	0.29
Culture and recreation	42,371	39,625	6.93
Capital outlay			
General government	4,746	-	100.00
Streets and highways	1,184,215	67,121	1,664.30
Debt service			
Principal	-	140,000	(100.00)
Interest and other charges	1,524	2,600	(41.38)
Bond issuance costs	31,094	-	-
Total Disbursements	<u>\$ 2,120,105</u>	<u>\$ 1,073,378</u>	97.52 %
Per Capita	<u>\$ 3,759</u>	<u>\$ 1,970</u>	90.86 %
Total Long-term Indebtedness	\$ 954,000	\$ -	100.00 %
Per Capita	1,691	-	100.00
General Fund Balance - December 31	\$ 869,156	\$ 905,996	(4.07) %
Per Capita	1,541	1,662	(7.30)

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

SUPPLEMENTARY INFORMATION - UNAUDITED
CITY OF THE VILLAGE OF MINNETONKA BEACH
MINNETONKA BEACH, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of the Village of Minnetonka Beach, Minnesota
 Supplementary Information - Unaudited
 December 31, 2019

Schedule of Accounts Receivable

Fund	Source of Revenue and Purpose	Amount
General	January tax settlement	\$ 5,052
Debt Service	January tax settlement	689
General	December Court Fines	616
Capital	Developer reimbursement of Street Improvement Project costs	26,688
General	4th quarter refuse collection fees	22,146
	Total	<u><u>\$ 55,191</u></u>

Schedule of Accounts Payable and Contingent Liabilities

Fund	Vendor Name	Item and Purpose	Claim Number	Amount
General	Abdo, Eick & Meyers	Audit	Unpaid	\$ 3,500
General	Biff's	Outside Toilet	Unpaid	31
General	Centerpoint	Gas	Unpaid	723
General	City of Orono	Utilities	Unpaid	8,473
General	ECM Publishers	Legal Publication	Unpaid	69
General	Gopher State	Locate Services	Unpaid	9
General	Henn Co IT	Radio Lease	Unpaid	43
General	I&K	Leaf Disposal	Unpaid	540
General	Ken Potts	Prospecting Attorney	Unpaid	300
General	Lynette M. Rohde	Bookkeeping/Reconciliations	Unpaid	39
General	Menards	Supplies	Unpaid	463
General	Metro Sales	Copier Maintenance	Unpaid	863
General	MN Dept of Labor	Building Permit Surcharge	Unpaid	206
General	Navarre Hardware	Supplies	Unpaid	94
General	Navarre Minnoco	Gas	Unpaid	416
General	Navarre True Value	Supplies	Unpaid	17
General	Newman Traffic Signs	Signage	Unpaid	388
General	Northern Tool & Equip	Supplies	Unpaid	70
General	Rackley Computer Consulting	IT Consulting	Unpaid	225
General	Republic Services	Trash and Recycling	Unpaid	5,649
General	Stantec	Engineering Services	Unpaid	432
General	Verizon	Cell Phone	Unpaid	37
General	City employees	Accrued wages and compensated absences	Multiple	63,140
	Total			<u><u>\$ 85,727</u></u>

OTHER REQUIRED REPORT
CITY OF THE VILLAGE OF MINNETONKA BEACH
MINNETONKA BEACH, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of the Village of Minnetonka Beach, Minnesota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2020. In our report, our opinion was adverse because the City prepared its financial statements on the regulatory basis, which is a special purpose framework other than accounting principles generally accepted in the United States of America.

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

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

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 12, 2020