bakertilly
MUNICIPAL ADVISORS
now joined with
Springsted and Umbaugh

NOTICE TO BIDDERS

$25,000,000*
City of Minnetonka, Minnesota
General Obligation Capital Improvement Plan Bonds, Series 2020A
(the "Bonds")
(Book Entry Only)

IMPORTANT CHANGES TO THE PRELIMINARY OFFICIAL STATEMENT FOR THE ABOVE-REFERENCED OBLIGATIONS ARE AS FOLLOWS:

- APPENDIX IV, "EXCERPT OF 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT" has been revised to include excerpts of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2018. APPENDIX IV previously included excerpts of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2017.

The Preliminary Official Statement dated January 7, 2020 has been revised to reflect this change and is attached hereto.

January 15, 2020

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* *Preliminary; subject to change.*

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 7, 2020

NEW ISSUE
NOT BANK QUALIFIED

Moody's Rating: Requested

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect) and, assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, is excluded from taxable net income of individuals, estates, or trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding the other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX EXEMPTION" herein.

$25,000,000*

City of Minnetonka, Minnesota

General Obligation Capital Improvement Plan Bonds, Series 2020A
(the "Bonds")

(Book Entry Only)

Dated Date: Date of Delivery

Interest Due: Each February 1 and August 1, commencing August 1, 2020

The Bonds will mature February 1 in the years and amounts* as follows:

2021	$435,000	2027	$500,000	2033	$ 920,000	2039	$1,085,000	2044	$1,255,000
2022	$400,000	2028	$805,000	2034	$ 945,000	2040	$1,115,000	2045	$1,295,000
2023	$415,000	2029	$845,000	2035	$ 970,000	2041	$1,150,000	2046	$1,330,000
2024	$440,000	2030	$860,000	2036	$ 995,000	2042	$1,185,000	2047	$1,375,000
2025	$455,000	2031	$880,000	2037	$1,025,000	2043	$1,220,000	2048	$ 665,000
2026	$480,000	2032	$900,000	2038	$1,055,000				

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above.

The City may elect on February 1, 2029, and on any day thereafter, to redeem Bonds due on or after February 1, 2030 at a price of par plus accrued interest.

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The proceeds of the Bonds will be used to finance (i) various public safety capital improvements, which include the construction of a new fire station and the repurposing of the existing police and fire facility into a remodeled police station and (ii) associated costs of issuance.

Proposals shall be for not less than $25,125,000 (100.5%) plus accrued interest, if any, on the total principal amount of the Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Following receipt of proposals, a good faith deposit will be required to be delivered to the City by the lowest bidder as described in the "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. (See "Book Entry System" herein.) Bond Trust Services Corporation, Roseville, Minnesota will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about February 27, 2020.

PROPOSALS RECEIVED: Monday, January 27, 2020 until 10:00 A.M., Central Time
CONSIDERATION OF AWARD: Council meeting commencing at 6:30 P.M., Central Time on Monday, January 27, 2020

bakertilly
MUNICIPAL ADVISORS
now joined with
Springsted and Umbaugh

Further information may be obtained from Baker Tilly Municipal Advisors, LLC, Municipal Advisor to the City, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887 (651) 223-3000.

* *Preliminary; subject to change.*

CITY OF MINNETONKA, MINNESOTA

CITY COUNCIL

Brad Wiersum	Mayor
Deb Calvert	Council Member
Susan Carter	Council Member
Kissy Coakley	Council Member
Brian Kirk	Council Member
Rebecca Schack	Council Member
Bradley Schaeppi	Council Member

CITY MANAGER

Geralyn Barone

FINANCE DIRECTOR/TREASURER

Darin Nelson

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

BOND COUNSEL

Kennedy & Graven, Chartered
Minneapolis, Minnesota

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the City from time to time, may be treated as a Preliminary Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the City.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Final Official Statement in the amount specified in the Terms of Proposal.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT NOR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Bonds included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Bonds are assigned by an organization unaffiliated with the City. The City is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth in the Final Official Statement. No assurance can be given by the City that the CUSIP numbers for the Bonds will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Bonds.

TABLE OF CONTENTS

	Page(s)
Terms of Proposal	i-v
Introductory Statement	1
Continuing Disclosure	1
The Bonds	2
Authority and Purpose	4
Sources and Uses of Funds	4
Security and Financing	5
Future Financing	5
Litigation	5
Legality	5
Tax Exemption	5
Not Bank-Qualified Tax-Exempt Obligations	7
Rating	7
Municipal Advisor	8
Certification	8
City Property Values	9
City Indebtedness	10
City Tax Rates, Levies and Collections	15
Funds on Hand	16
Investments	17
General Information Concerning the City	17
Governmental Organization and Services	24
Proposed Form of Legal Opinion	Appendix I
Continuing Disclosure Certificate	Appendix II
Summary of Tax Levies, Payment Provisions, and Minnesota Real Property Valuation	Appendix III
Excerpt of 2018 Comprehensive Annual Financial Report	Appendix IV

THE CITY HAS AUTHORIZED BAKER TILLY MUNICIPAL ADVISORS, LLC TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

$25,000,000*

CITY OF MINNETONKA, MINNESOTA

GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2020A

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the "Bonds") will be received by the City of Minnetonka, Minnesota (the "City") on Monday, January 27, 2020 (the "Sale Date") until 10:00 A.M., Central Time at the offices of Baker Tilly Municipal Advisors, LLC ("Baker Tilly MA"), 380 Jackson Street, Suite 300, Saint Paul, Minnesota, 55101, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at its meeting commencing at 6:30 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Baker Tilly MA will assume no liability for the inability of a bidder to reach Baker Tilly MA prior to the time of sale specified above. All bidders are advised that each proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the proposal is submitted.

(a) ***Sealed Bidding.*** Proposals may be submitted in a sealed envelope or by fax (651) 223-3046 to Baker Tilly MA. Signed proposals, without final price or coupons, may be submitted to Baker Tilly MA prior to the time of sale. The bidder shall be responsible for submitting to Baker Tilly MA the final proposal price and coupons, by telephone (651) 223-3000 or fax (651) 223-3046 for inclusion in the submitted proposal.

OR

(b) ***Electronic Bidding.*** Notice is hereby given that electronic proposals will be received via PARITY®. For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all proposals submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of Proposal*. Neither the City, its agents, nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents, nor PARITY® shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The City is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY® is not an agent of the City.

If any provisions of this Terms of Proposal conflict with information provided by PARITY®, this Terms of Proposal shall control. Further information about PARITY®, including any fee charged, may be obtained from:

> PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018
> Customer Support: (212) 849-5000

* *Preliminary; subject to change.*

DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature February 1 in the years and amounts* as follows:

2021	$435,000	2027	$500,000	2033	$ 920,000	2039	$1,085,000	2044	$1,255,000
2022	$400,000	2028	$805,000	2034	$ 945,000	2040	$1,115,000	2045	$1,295,000
2023	$415,000	2029	$845,000	2035	$ 970,000	2041	$1,150,000	2046	$1,330,000
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2025	$455,000	2031	$880,000	2037	$1,025,000	2043	$1,220,000	2048	$ 665,000
2026	$480,000	2032	$900,000	2038	$1,055,000				

* *The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the amount of any maturity or maturities in multiples of $5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per $1,000 of Bonds as that of the original proposal. Gross spread for this purpose is the differential between the price paid to the City for the new issue and the prices at which the proposal indicates the securities will be initially offered to the investing public.*

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify "Years of Term Maturities" in the spaces provided on the proposal form.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the "Purchaser"), as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

REGISTRAR

The City will name the registrar which shall be subject to applicable regulations of the Securities and Exchange Commission. The City will pay for the services of the registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2029, and on any day thereafter, to redeem Bonds due on or after February 1, 2030. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The proceeds of the Bonds will be used to finance (i) various public safety capital improvements, which include the construction of a new fire station and the repurposing of the existing police and fire facility into a remodeled police station and (ii) associated costs of issuance.

BIDDING PARAMETERS

Proposals shall be for not less than $25,125,000 (100.5%) plus accrued interest, if any, on the total principal amount of the Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

ESTABLISHMENT OF ISSUE PRICE

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Baker Tilly MA.

The City intends that the sale of the Bonds pursuant to this Terms of Proposal shall constitute a "competitive sale" as defined in the Regulation based on the following:

(i) the City shall cause this Terms of Proposal to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
(ii) all bidders shall have an equal opportunity to submit a bid;
(iii) the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
(iv) the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest true interest cost, as set forth in this Terms of Proposal (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and Baker Tilly MA if 10% of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which it was sold. The City will treat such sale price as the "issue price" for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the "hold-the-offering-price" requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and Baker Tilly MA the prices at which 10% of such maturities are sold to the public; provided such determination shall be made and the City and Baker Tilly MA notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit to the City in the amount of $250,000 (the "Deposit") no later than 1:00 P.M., Central Time on the Sale Date. The Deposit may be delivered as described herein in the form of either (i) a certified or cashier's check payable to the City; or (ii) a wire transfer. The Purchaser shall be solely responsible for the timely delivery of its Deposit whether by check or wire transfer. Neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

Certified or Cashier's Check. A Deposit made by certified or cashier's check will be considered timely delivered to the City if it is made payable to the City and delivered to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101 by the time specified above.

Wire Transfer. A Deposit made by wire will be considered timely delivered to the City upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of proposals. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the City and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted proposal, said amount will be retained by the City.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the proposal prior to any adjustment made by the City. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The City will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal that the City determines to have failed to comply with the terms herein.

CUSIP NUMBERS

If the Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Bonds; however, neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

SETTLEMENT

On or about February 27, 2020, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Kennedy & Graven, Chartered of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the City, or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

In accordance with SEC Rule 15c2-12(b)(5), the City will undertake, pursuant to the resolution awarding sale of the Bonds, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Official Statement. The Purchaser's obligation to purchase the Bonds will be conditioned upon receiving evidence of this undertaking at or prior to delivery of the Bonds.

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Bonds, together with any other information required by law. By awarding the Bonds to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the Purchaser up to 25 copies of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing copies of the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated December 16, 2019 BY ORDER OF THE CITY COUNCIL

/s/ Becky Koosman
City Clerk

OFFICIAL STATEMENT

$25,000,000*

CITY OF MINNETONKA, MINNESOTA

GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2020A

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to the City of Minnetonka, Minnesota (the "City") and its issuance of $25,000,000* General Obligation Capital Improvement Plan Bonds, Series 2020A (the "Bonds"). The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes.

Inquiries may be directed to Mr. Darin Nelson, Finance Director/Treasurer, City of Minnetonka, 14600 Minnetonka Boulevard, Minnetonka, Minnesota 55345-1502, by telephoning (952) 939-8253, or by e-mailing dnelson@minnetonka.gov. Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, St. Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by e-mailing bondservices@bakertilly.com.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof (the "Rule"), pursuant to the resolution awarding the sale of the Bonds (the "Resolution") the City has entered into an undertaking (the "Undertaking") for the benefit of holders including beneficial owners of the Bonds to provide certain financial information and operating data relating to the City to the Electronic Municipal Market Access system ("EMMA") annually, and to provide notices of the occurrence of certain events enumerated in the Rule to EMMA or the Municipal Securities Rulemaking Board (the "MSRB"). The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, is set forth in the Continuing Disclosure Undertaking to be executed and delivered at the time the Bonds are delivered in substantially the form attached hereto as Appendix II.

The City believes it has complied for the past five years in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule, except to the extent the following are deemed to be material. In reviewing its past disclosure practices, the City notes the following:

- The City timely filed its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2016 (the "2016 CAFR") with EMMA. However, the document submitted to EMMA was missing certain insert pages, all of which only contained the City's logo. The 2016 CAFR was re-submitted to EMMA in its entirety on October 17, 2019.

- Prior continuing disclosure undertakings entered into by the City included language stating that the City's audited financial statements would be filed "as soon as available." Although not always filed "as soon as available," the audited financial statements were filed within the required twelve (12) month timeframe as required in each undertaking. A notice regarding this information was filed with the MSRB via its EMMA system on October 17, 2019.

* *Preliminary; subject to change.*

A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds or under any provisions of the Resolution (although holders will have any other available remedy at law or in equity subject to certain limitations). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

General Description

The Bonds are dated as of the date of delivery and will mature annually on February 1 as set forth on the front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Bonds will be paid as described in the section herein entitled "Book Entry System." Bond Trust Services Corporation, Roseville, Minnesota will serve as Registrar for the Bonds, and the City will pay for registrar services.

Redemption Provisions

Mailed notice of redemption shall be given to the registered owner(s) of the Bonds in accordance with the requirements of DTC which currently requires no less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Failure to give such written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Optional Redemption

The City may elect on February 1, 2029, and on any day thereafter, to redeem Bonds due on or after February 1, 2030. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all the Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to City or its agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, including Section 475.521, and the City's 2019-2023 Capital Improvement Plan, adopted on June 4, 2018, as supplemented on March 18, 2019. The proceeds of the Bonds will be used to finance (i) various public safety capital improvements, which include the construction of a new fire station and the repurposing of the existing police and fire facility into a remodeled police station and (ii) associated costs of issuance.

SOURCES AND USES OF FUNDS

The composition of the Bonds is estimated to be as follows:

Sources of Funds:	
Principal Amount	$25,000,000
Estimated Reoffering Premium	356,996
Total Sources of Funds	$25,356,996
Uses of Funds:	
Deposit to Project Fund	$25,000,000
Estimated Underwriter's Compensation	250,000
Costs of Issuance	106,996
Total Uses of Funds	$25,356,996

SECURITY AND FINANCING

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The City made its first levy for the Bonds in 2019 for collection in 2020. Each year's collection of taxes, if collected in full, will be sufficient to pay 105% of both the interest payment due August 1 and the principal and interest payment due February 1 of the collection year.

Minnesota Statutes, Section 475.521, limits the maximum amount of principal and interest to become due in any year on all outstanding capital improvement plan bonds to be not more than 0.16% of the estimated market value of property for taxes payable in the year in which the bonds are issued or sold. The statutory maximum allowable for annual debt service on the City's capital improvement plan bonds is $15,605,021, based on the City's 2018/19 estimated market value of $9,753,137,900. The maximum annual debt service for the City's outstanding capital improvement plan bond issues, including an estimate for the Bonds, is approximately $1,430,634, which is within the statutory limit.

FUTURE FINANCING

The City does not anticipate issuing any additional long-term general obligation debt within the next 90 days.

LITIGATION

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

LEGALITY

The Bonds are subject to approval as to certain matters by Kennedy & Graven, Chartered, of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix I herein will be delivered at closing.

TAX EXEMPTION

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the Resolution, the interest on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and covenants of the Resolution may result in the inclusion of interest on the Bonds in gross income of the owners thereof for federal income tax purposes and in net taxable income of individuals, estates, and trusts for Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year. For purposes hereof, the applicable percentage is 5.25% divided by the highest rate in effect under Section 11(b) of the Code.

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Original Issue Premium

Certain maturities of the Bonds (the "Premium Bonds") may be sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of the Bonds over its stated redemption price at maturity constitutes a premium with respect to such Premium Bonds. A purchaser of a Premium Bond must amortize the premium over the term of the Premium Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the basis in the Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or other disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

Original Issue Discount

Certain maturities of the Bonds (the "Discount Bonds") may be sold at a discount from the principal amount payable on such Discount Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under section 1288 of the Code is excluded from federal gross income to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under section 1288 is added to the owner's federal tax basis in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity).

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Bonds, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased at a price that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Bond.

No opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

Holders of Discount Bonds should consult their tax advisors with respect to the computation and accrual of original issue discount for federal income tax purposes and with respect to the state and local tax consequences of owning such Discount Bonds.

NOT BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

RATING

Application for a rating of the Bonds has been made to Moody's Investors Service ("Moody's"), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York. If a rating is assigned, it will reflect only the opinion of Moody's. Any explanation of the significance of the rating may be obtained only from Moody's.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota as municipal advisor in connection with certain aspects of the issuance of the Bonds. In preparing this Official Statement, Baker Tilly Municipal Advisors, LLC has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CERTIFICATION

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Bonds and a Final Official Statement following award of the Bonds. The Purchaser will be furnished with a certificate signed by the appropriate officers of the City stating that the City examined each document and that, as of the respective date of each and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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CITY PROPERTY VALUES

Trend of Values[a]

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio[b]	Economic Market Value[c]	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2018/19	$9,753,137,900	96.0%	$10,167,513,173	$135,705,217	$9,601,668,583	$106,379,896
2017/18	9,139,657,000	94.9	9,642,939,032	159,636,907	8,965,391,893	99,429,324
2016/17	8,734,239,700	93.7	9,342,885,393	170,399,181	8,549,418,319	94,342,406
2015/16	8,419,635,700	94.4	8,978,656,278	176,169,212	8,271,102,488	92,469,892
2014/15	8,002,330,600	92.6	8,678,792,708	191,547,542	7,796,498,758	86,660,705

(a) For a description of the Minnesota property tax system, see Appendix III.

(b) Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, https://www.revenue.state.mn.us/economic-market-values.

(c) Economic market values for the year of assessment as posted by the Minnesota Department of Revenue, https://www.revenue.state.mn.us/economic-market-values.

Source: Hennepin County, Minnesota, April 2019, except as otherwise noted.

2018/19 Adjusted Taxable Net Tax Capacity: $106,379,896

Real Estate:		
Residential Homestead	$ 68,530,218	57.4%
Commercial/Industrial, Railroad, and Public Utility	38,283,625	32.1
Residential Non-Homestead	11,145,047	9.3
Agricultural, Commercial and Seasonal/ Recreational, and Other	402,165	0.3
Personal Property	1,007,217	0.9
2018/19 Net Tax Capacity	$119,368,272	100.0%
Less: Captured Tax Increment	(3,179,163)	
Contribution to Fiscal Disparities	(14,554,550)	
Plus: Distribution from Fiscal Disparities	4,745,337	
2018/19 Adjusted Taxable Net Tax Capacity	$106,379,896	

Ten of the Largest Taxpayers in the City

Taxpayer	Type of Property	2018/19 Net Tax Capacity
United Healthcare Services Inc.	Office Center	$ 2,750,980
Ridgedale Center LLC	Shopping Center	2,105,354
Medica Health Plans	Commercial	1,388,930
AX 601 Tower LP	Commercial	1,219,250
Cargill Incorporated	Office Center	1,023,630
WHQ LLC	Commercial	979,250
RREEF America Reit. II Corp.	Commercial	914,338
Wells Real Estate Funds	Commercial	907,170
Property Reserve, Inc.	Office Center	848,810
CSM West Ridge, Inc.	Shopping Center	735,030
Total		$12,872,742*

* *Represents 12.1% of the City's 2018/19 adjusted taxable net tax capacity.*

CITY INDEBTEDNESS

Legal Debt Limit and Debt Margin*

Legal Debt Limit (3% of 2018/19 Estimated Market Value)	$292,594,137
Less: Outstanding Debt Subject to Limit (Including the Bonds)	(26,765,000)
Legal Debt Margin as of February 27, 2020	$265,829,137

* *The legal debt margin is referred to statutorily as the "Net Debt Limit" and may be increased by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year.*

NOTE: Certain types of debt are not subject to the legal debt limit. See Appendix III – Debt Limitations.

General Obligation Debt Supported Solely by Taxes*

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
7-27-16	$ 2,440,000	Open Space and Park Improvement	2-1-2027	$ 1,765,000
2-27-20	25,000,000	Capital Improvements (the Bonds)	2-1-2048	25,000,000
Total				$26,765,000

* *These issues are subject to the legal debt limit.*

General Obligation State-Aid Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
7-01-08	$2,215,000	State-Aid Street	4-1-2024	$795,000

General Obligation Utility Revenue Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
7-6-16	$10,000,000	Water and Sanitary Sewer Revenue Refunding	2-1-2036	$ 8,755,000
7-27-16	7,560,000	Water and Sanitary Sewer Revenue	2-1-2036	6,605,000
9-5-18	10,000,000	Water and Sanitary Sewer	2-1-2040	10,000,000
Total				$25,360,000

General Obligation Housing Improvement Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
12-5-19	$2,630,000	Housing Improvements	2-1-2040	$2,630,000

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Estimated Calendar Year Debt Service Payments Including the Bonds

	G.O. Debt Supported Solely by Taxes		G.O. State-Aid Debt	
Year	Principal	Principal & Interest(a)	Principal	Principal & Interest
2020 (at 2-27)	(Paid)	$ 355,663	$145,000	$173,809
2021	$ 670,000	1,482,236	150,000	173,000
2022	640,000	1,426,611	145,000	162,100
2023	660,000	1,421,386	175,000	185,700
2024	690,000	1,425,061	180,000	183,600
2025	715,000	1,422,586		
2026	745,000	1,423,961		
2027	770,000	1,419,111		
2028	805,000	1,418,786		
2029	845,000	1,430,634		
2030	860,000	1,427,931		
2031	880,000	1,428,356		
2032	900,000	1,427,769		
2033	920,000	1,425,006		
2034	945,000	1,424,938		
2035	970,000	1,423,606		
2036	995,000	1,421,588		
2037	1,025,000	1,423,172		
2038	1,055,000	1,423,272		
2039	1,085,000	1,422,509		
2040	1,115,000	1,420,188		
2041	1,150,000	1,421,213		
2042	1,185,000	1,421,188		
2043	1,220,000	1,420,113		
2044	1,255,000	1,417,983		
2045	1,295,000	1,419,738		
2046	1,330,000	1,414,531		
2047	1,375,000	1,417,266		
2048	665,000	675,391		
Total	$26,765,000(b)	$39,501,793	$795,000	$878,209

(a) *Includes the Bonds at an assumed average annual interest rate of 3.00%.*

(b) *27.7% of this debt will be retired within ten years.*

Estimated Calendar Year Debt Service Payments Including the Bonds (continued)

	G.O. Utility Revenue Debt		G.O. Housing Improvement Debt	
Year	Principal	Principal & Interest	Principal	Principal & Interest
2020 (at 2-27)	(Paid)	$ 334,259	- 0 -	$ 44,656
2021	$ 1,160,000	1,811,893	$ 100,000	167,270
2022	1,195,000	1,812,993	105,000	170,475
2023	1,230,000	1,812,868	110,000	173,513
2024	1,265,000	1,811,518	110,000	171,423
2025	1,305,000	1,813,818	115,000	174,171
2026	1,340,000	1,809,768	115,000	171,756
2027	1,380,000	1,813,868	120,000	174,170
2028	1,410,000	1,811,393	120,000	171,410
2029	1,445,000	1,813,118	125,000	173,469
2030	1,475,000	1,809,068	125,000	170,344
2031	1,505,000	1,804,293	130,000	172,028
2032	1,545,000	1,808,521	135,000	173,449
2033	1,585,000	1,811,478	135,000	169,703
2034	1,625,000	1,812,995	140,000	170,818
2035	1,655,000	1,802,564	145,000	171,611
2036	1,695,000	1,800,159	150,000	172,113
2037	605,000	678,719	155,000	172,461
2038	625,000	678,731	160,000	172,658
2039	645,000	678,094	165,000	172,701
2040	670,000	681,306	170,000	172,593
Total	$25,360,000[(a)]	$32,011,424	$2,630,000[(b)]	$3,482,792

(a) *52.1% of this debt will be retired within ten years.*

(b) *43.5% of this debt will be retired within ten years.*

Other Debt Obligations

Operating Lease

Effective July 1, 2009, the City entered into a 20-year operating lease with Independent School District No. 276 (Minnetonka), Minnesota to provide space within the Arts Center for an operational home for Music Association of Minnetonka (MAM). The lease can be terminated with at least one year's written notice. The total cost of the operating lease for the year ended December 31, 2019 was $57,600. The future minimum lease payments for the lease are as follows:

Year Ending December 31	
2020	$ 57,600
2021	57,600
2022	57,600
2023	57,600
2024-2028	288,000
Total	$518,400

Overlapping Debt

Taxing Unit[(a)]	2018/19 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 2-27-20[(b)]	Debt Applicable to Tax Capacity in City Percent	Amount
Hennepin County	$1,979,015,644	$985,980,000	5.38%	$ 53,045,724
ISD No. 270 (Hopkins)	127,935,979	156,825,000	44.55	69,865,538
ISD No. 276 (Minnetonka)	100,262,254	107,405,000	25.35	27,227,168
ISD No. 283 (St. Louis Park)	70,171,181	132,725,000	0.01	13,273
ISD No. 284 (Wayzata)	155,602,386	218,020,000	15.40	33,575,080
Metropolitan Council	4,281,620,797	5,735,000[(c)]	2.48	142,228
Metropolitan Transit District	3,433,535,041	255,485,000	3.10	7,920,035
Three Rivers Park District	1,392,585,502	51,840,000	7.64	3,960,576
Hennepin Co. Regional Railroad Authority	1,979,015,644	98,385,000	5.38	5,293,113
Total				$201,042,735

(a) *Only those units with outstanding general obligation debt are shown here.*

(b) *Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.*

(c) *Excludes general obligation debt supported by wastewater revenues and housing rental payments. Includes certificates of participation.*

Debt Ratios*

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
To 2018/19 Estimated Market Value ($9,753,137,900)	0.27%	2.34%
Per Capita - (53,713 - 2018 MN State Demographer Estimate)	$498	$4,241

* *Excludes general obligation state-aid debt, general obligation utility revenue debt, general obligation housing improvement debt, and other debt obligations.*

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CITY TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a Resident in Independent School District No. 276 (Minnetonka)

	2014/15	2015/16	2016/17	2017/18	2018/19 Total	2018/19 For Debt Only
Hennepin County	46.398%	45.356%	44.087%	42.808%	41.861%	4.579%
City of Minnetonka[(a)]	36.767	36.158	36.885	36.246	35.234	- 0 -
I.S.D. No. 276 (Minnetonka)[(b)]	25.093	22.887	22.770	23.133	21.209	8.321
Special Districts[(c)]	9.785	9.530	9.319	8.973	8.550	2.291
Total	118.043%	113.931%	113.061%	111.160%	106.854%	15.191%

(a) *In addition, the City has a 2018/19 market value tax rate of 0.01434% spread across the market value of property in support of debt service.*

(b) *In addition, Independent School District No. 276 (Minnetonka) has a 2018/19 market value tax rate of 0.34013% spread across the market value of property in support of an excess operating levy.*

(c) *Special districts include Metropolitan Council, Metropolitan Transit District, Mosquito Control, Three Rivers Park District, Hennepin County Park Museum, Hennepin County Regional Rail Authority, and Hennepin County Housing and Redevelopment Authority.*

NOTE: This table includes only net tax capacity-based rates. Certain other tax rates are based on market value. See Appendix III.

Tax Levies and Collections

Levy/Collect	Net Levy*	Collected During Collection Year Amount	Collected During Collection Year Percent	Collected and/or Abated as of 1-1-19 Amount	Collected and/or Abated as of 1-1-19 Percent
2018/19	$38,657,160	(In Process of Collection)			
2017/18	37,214,819	$36,843,679	99.0%	$36,843,680	99.0%
2016/17	35,461,358	35,398,652	99.8	35,398,653	99.8
2015/16	33,939,450	33,809,842	99.6	33,901,619	99.9
2014/15	32,775,545	32,644,959	99.6	32,742,004	99.9

* *The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates. See Appendix III.*

FUNDS ON HAND
As of November 30, 2019

Fund	Cash and Investments
General	$ 15,451,892
Community Investment	21,449,311
Special Assessment Construction	6,144,666
Street Improvement	8,685,241
State Street Aid	(5,047,788)[(a)]
Shady Oak Rd/Oak Drive	1,110,176
169/Bren Road Interchange	358
Development	3,207,690
Electric Meters	3,233,510
Trail System Expansion Fund	986,303
Cable TV	2,332,872
Community Development Block Grant	96,167
Grants Special Revenue	(64,608)[(b)]
Police Forfeiture/Seizure	299,163
Minnetonka HRA	785,161
Park and Open Space General Obligation Bonds	1,516,506
State-Aid Street Bonds	4,873
Tax Increment	7,361,398
Tax Abatement	859,187
Capital Replacement	599,820
Public Safety Building Expansion	267,537
Public Safety Fund	134,258
Cloud HIA Project Fund	288,686
IT Development	(8,699)[(c)]
Livable Communities	537,779
Park Dedication	7,287,044
Forestry	1,024,565
Insurance	1,902,270
Fleet Maintenance	667,418
Utility	29,368,763
Storm Water	4,872,366
Ice Arena	(434,043)[(d)]
Environmental	819,179
Williston Center	1,708,558
Grays Bay Marina	764,957
Stewardship Private-Purpose Trust	305,515
Developer Deposit Agency	1,559,207
Shady Oak Cemetery	140,797
Total	$120,218,055

(a) The negative balance in the State Street Aid Fund is due to project reimbursement timing.

(b) The negative balance in the Grants Special Revenue Fund is due to reimbursement timing.

(c) The negative balance in the IT Development Fund is due to timing of second half tax proceeds received December 2, 2019.

(d) The Ice Arena Fund operates at a planned and improving cash deficit.

INVESTMENTS

The City invests funds as authorized by Minnesota Statutes and its adopted investment policy and may use any of the following subject to limitations of Minnesota Statutes and the City's investment policy:

(a) Direct obligations or obligations guaranteed by the United States or its agencies.

(b) Federal agency securities.

(c) Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

(d) Certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation (FDIC) and fully backed by collateral of government securities in the amount of 110% of the excess over FDIC insurance.

(e) Equity Investments including Index Mutual Funds.

(f) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.

(g) Repurchase or reverse repurchase agreements 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 in the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

(h) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) or (b) above.

(i) General obligation or general obligation utility revenue municipal bonds.

As of November 30, 2019, the market value of the City's investments totaled $120,949,523. Of this amount, 42% was invested in U.S. government agency securities, 14% in certificates of deposit, 19% in municipal bonds, 12% in a local government investment pool, and 13% in money market funds. With a total weighted average maturity of 2.08 years, the City's investments will mature no later than February 1, 2025.

GENERAL INFORMATION CONCERNING THE CITY

The City is a suburban community located eight miles west of the City of Minneapolis in Hennepin County. The City encompasses an area of approximately 28 square miles (17,920 acres).

Population

The City's population trend is shown below.

	Population	Percent Change
2018 MN State Demographer Estimate	53,713	8.0%
2010 U.S. Census	49,734	(3.1)
2000 U.S. Census	51,301	6.1
1990 U.S. Census	48,370	25.0
1980 U.S. Census	38,683	--

Sources: Minnesota State Demographic Center, mn.gov/admin/demography and United States Census Bureau, http://www.census.gov/.

The City's approximate population by age group for the past five years is as follows:

Data Year/ Report Year	0-17	18-34	35-64	65 and Over
2019/20	9,975	11,301	21,060	11,709
2018/19	10,063	11,107	21,389	11,376
2017/18	9,932	10,719	21,402	10,963
2016/17	9,925	10,497	21,489	10,575
2015/16	9,914	10,288	21,679	10,300

Sources: Environics Analytics, Claritas, Inc. and The Nielsen Company.

Transportation

City residents have convenient access to the Minneapolis-Saint Paul metropolitan area via interstate highways I-494 and I-394. Minnesota Highway 7 runs east-west through the City. City residents have access to Metro Transit bus service and Transit Link. Light rail access, through the Southwest Light Rail Transit project (METRO Green Line Extension), is currently in the beginning stages of construction and is anticipated to be completed in 2023. The City is approximately 25 minutes from the Minneapolis-Saint Paul International Airport.

Major Employers

The City serves as the corporate headquarters location for many national and international businesses, including Cargill Inc., Carlson Companies, BORN, Opus Corporation, United Health Group, and Medica Health Plans. The City has four business parks: the Crescent Ridge Corporate Center, Carlson Center, Opus Center, and Minnetonka Corporate Center. These business parks continue to experience new development and expansion of existing businesses.

The City is also a key location for retail business. The City is home to Ridgedale, a 1.4 million square-foot regional shopping center with anchor tenants Macy's, J.C. Penney, and Nordstrom. A number of other retail centers are located near Ridgedale, including Ridge Square North, Ridge Square South, Ridgedale Festival Center, Whole Foods, and Ridgehaven Mall, with anchor tenants SuperTarget and Lunds & Byerly's Supermarket.

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City residents of the City are employed throughout the metropolitan area. Major employers in close proximity to the City include the following:

Employer	Product/Service	Approximate Number of Employees
United Health Group	Corporate headquarters/insurance	4,400[(a)]
Cargill Inc.	Corporate headquarters/agribusiness	3,400
Independent School District No. 276 (Minnetonka)	Public education	1,700
Emerson Process Management Rosemount Inc.	Aerospace/electrical engineering	1,600
Abbott[(b)]	Atrial fibrillation/cardiovascular	1,300
Medica Health Plans	Corporate headquarters/insurance	1,300
Starkey Laboratories	Hearing devices	1,300
Super Valu Stores, Inc.	Corporate headquarters/grocery store	1,265
MTS Systems Corporation	Manufacturing electric/hydraulic equipment	846
American Family Insurance	Corporate headquarters/insurance	694[(e)]
G.E. Capital Fleet Services	Fleet leasing	548
Eaton Corporation	Manufacturing hydraulic equipment	542
Carlson Companies	Corporate headquarters/travel agencies	500[(f)]
Suez Water Technologies and Solutions[(c)]	Water purification systems	472
City of Minnetonka	City government	231
Syngenta Seeds, Inc.	Agricultural research	236
Opportunity Partners, Inc.	Employment outsourcing	165
Opus Corporation	Corporate headquarters/real estate	159
Venture Solutions[(d)]	Data processing/printing	120

(a) *United Healthcare Group employs approximately 18,000 individuals throughout the Minneapolis-Saint Paul Metropolitan Area.*

(b) *Formerly St. Jude Medical.*

(c) *Formerly GE Water & Process Technologies.*

(d) *Formerly Scicom Data Service.*

(e) *Includes full- and part-time employees.*

(f) *The previous employee count of 3,100 reflected locations outside of the City.*

Sources: The City and an April and December 2019 best efforts telephone surveys of individual employers. This does not purport to be a comprehensive list. Some employers do not respond to inquiries.

Labor Force Data

	Annual Average 2015	2016	2017	2018	November 2019
Labor Force:					
City of Minnetonka	28,878	29,234	29,872	30,616	30,947
Hennepin County	671,702	679,285	694,060	707,209	715,795
Minneapolis-St. Paul-Bloomington MSA	1,916,011	1,938,642	1,979,780	2,016,208	2,032,283
State of Minnesota	2,997,748	3,033,406	3,057,014	3,070,223	3,129,485
Unemployment Rate:					
City of Minnetonka	3.0%	3.1%	2.9%	2.3%	2.4%
Hennepin County	3.3	3.4	3.1	2.5	2.5
Minneapolis-St. Paul-Bloomington MSA	3.5	3.6	3.3	2.7	2.7
State of Minnesota	3.7	3.9	3.4	2.9	2.9

Source: Minnesota Department of Employment and Economic Development, https://apps.deed.state.mn.us/lmi/laus. 2019 data are preliminary.

Retail Sales and Effective Buying Income (EBI)

Minnetonka

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/10	N/A	$2,749,311	$78,003
2018/19	$2,203,728	2,622,925	75,315
2017/18	2,077,706	2,416,019	70,465
2016/17	1,778,644	2,257,458	67,895
2015/16	1,757,105	2,170,250	67,212

Hennepin County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	N/A	$50,058,891	$66,440
2018/19	$35,994,743	46,545,290	63,176
2017/18	32,491,357	43,417,598	60,957
2016/17	33,502,543	40,956,758	57,190
2015/16	26,004,909	38,495,033	55,756

The 2019/20 Median Household EBI for the State of Minnesota was $60,916. The 2019/20 Median Household EBI for the United States was $54,686.

Sources: Environics Analytics, Claritas, Inc. and The Nielsen Company.

Permits Issued by the City

Year	New Single Family Residential Number	New Single Family Residential Value	Commercial/Industrial Value	Total Value* (All Permits)
2019 (to 12-12)	40	$23,463,665	$ 70,309,909	$303,265,244
2018	60	31,506,224	73,369,726	167,488,245
2017	41	19,473,997	67,065,975	189,435,608
2016	42	23,266,152	79,724,878	146,017,104
2015	40	17,918,320	192,345,389	320,769,946
2014	53	26,123,647	99,477,704	206,378,910
2013	60	24,793,080	62,045,470	140,960,314
2012	42	20,865,474	39,240,431	113,160,368
2011	41	16,843,374	124,608,961	205,236,349
2010	21	12,330,498	41,694,693	74,081,419

* *In addition to building permits, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, roof replacement, etc.).*

Source: The City.

Recent Development

As of December 12, 2019 there were a total of 2,124 building permits issued for commercial, industrial, and institutional additional/remodeling/tenant finish work totaling $303,265,244 in value. Multi-family permits increased from $27 million in 2018 to over $175 million in 2019. The increase is largely attributed to three apartment complex developments.

Major construction activity during 2019 included the following projects:

Project	Description	Value
Avidor	Apartment Complex	$ 34,230,949
Dominium	Apartment Complex	$109,404,671
Doran Marsh Run	Apartment Complex	$ 29,138,315

In 2018, there were a total of 1,828 building permits issued for commercial, industrial, and institutional additional/remodeling/tenant finish work totaling $167,488,245 in value. Residential remodeling in 2018 increased over 2017 in both the volume, which was up 2.5% to 1,484 permits, and the average value, which was up 17.6% to $23,110. The total value of such permits in 2018 was $34,295,325.

Major construction activity during 2018 included the following projects:

Project	Description	Value
iFly	New	$6,500,000
United Health Group	Exterior remodel	4,600,000
Ridgedale Target	Remodel	4,200,000
Whitewater Parking Ramp	Addition	3,463,400
Hopkins High School	Remodel	2,922,800
United Health Group	Remodel	2,900,000
Clear Spring Elementary School	Addition	2,705,000
United Health Group	Remodel	2,653,800
United Health Group	Remodel	2,500,000

Project	Description	Value
Carlson Towers	Remodel	2,000,000
Morrie's Mazda	Remodel	1,600,000
Vital Images	Remodel	1,500,000

Over the past few years, the City has experienced continued property investment throughout the City. Office expansions or new construction, restaurant investments, housing and retail remodeling show the strength and diversity in the local market, despite a difficult national climate.

Financial Institutions

The following full service banks are located in the City*:

	Deposits As of 9-30-19
First Minnetonka City Bank	$190,789,000
American Equity Bank	43,385,000
Total	$234,174,000

In addition, branch offices of Alerus Financial, National Association; Bank of America, National Association; Bremer Bank, National Association; CorTrust Bank National Association; Highland Bank; MidCountry Bank; Minnesota Bank & Trust; Minnwest Bank; TCF Bank; U.S. Bank National Association; and Wells Fargo Bank, National Association are located throughout the City.

* *This does not purport to be a comprehensive list.*

Source: Federal Deposit Insurance Corporation, http://www.fdic.gov/.

Health Care Services

The following is a summary of health care facilities located in the City:

Facility	Location	No. of Beds
Hammer - Lakeside	City of Minnetonka	6
REM – Hennepin – Minnetonka	City of Minnetonka	12

City residents also have access to numerous hospital and clinics throughout the Minneapolis-Saint Paul metropolitan area.

Source: Minnesota Department of Health, http://www.health.state.mn.us/.

Education

Public Education

The following districts serve the residents of the City:

District	Location	Grades	2018/19* Enrollment
ISD No. 270 (Hopkins)	City of Hopkins	K-12	6,883
ISD No. 276 (Minnetonka)	City of Minnetonka	K-12	10,970
ISD No. 283 (St. Louis Park)	City of St. Louis Park	K-12	4,714
ISD No. 284 (Wayzata)	City of Wayzata	K-12	11,948

* *2019/20 enrollment figures are not yet available.*

Source: Minnesota Department of Education, www.education.state.mn.us.

Non-Public Education

City residents are also served by the following private schools:

School	Location	Grades	2018/19* Enrollment
Blake Lower School – Highcroft Campus	City of Wayzata	K-5	218
Blake Lower School – Hopkins Campus	City of Hopkins	K-5	243
Blake Middle School	City of Hopkins	6-8	335
Eagle Ridge Academy	City of Minnetonka	K-12	1,370
The International School of MN	City of Eden Prairie	K-12	240
Minnetonka Christian Academy	City of Minnetonka	K-8	34
Notre Dame Academy	City of Minnetonka	K-8	187
St. John the Baptist	City of Excelsior	K-8	34
St. Therese	City of Deephaven	K-8	125

* *2019/20 enrollment figures are not yet available.*

Sources: Eagle Ridge Academy and Minnesota Department of Education, www.education.state.mn.us.

Post-Secondary Education

City residents have access to various colleges and universities located in the Minneapolis-Saint Paul metropolitan area.

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

The City was incorporated in 1956 and is governed under a Home Rule Charter adopted in 1969. The City has a Council-Manager form of government, with the Mayor and six Council Members elected to overlapping four-year terms of office. Members of the current City Council are listed below:

		Expiration of Term
Brad Wiersum	Mayor	January 2022
Deb Calvert	Council Member	January 2022
Susan Carter	Council Member	January 2022
Kissy Coakley	Council Member	January 2024
Brian Kirk	Council Member	January 2024
Rebecca Schack	Council Member	January 2024
Bradley Schaeppi	Council Member	January 2024

The City Manager, Ms. Geralyn Barone, is the chief executive officer of the City and is responsible for planning, organizing and directing the activities of the municipality by implementing City Council-determined policy; coordinating departmental efforts; handling citizens' inquiries and complaints; and representing the City in its relations with the public and other governmental and private agencies. Prior to her appointment as City Manager in 2012, Ms. Barone served as assistant city manager since 1994.

The Finance Director, Mr. Darin Nelson, is responsible for the financial management of the City. Specifically, the Finance Director prepares and administers annual operating budgets; provides periodic financial reports to the City Council, the City Manager, City departments, other governmental agencies, investors and the general public; and provides for the maintenance of public records and the receipt, disbursement and custody of public funds. Previously, Mr. Nelson worked for the cities of Shakopee and Fridley, as well as with the Office of the Minnesota State Auditor.

The City has 231 permanent employees (full-time equivalent), nine part-time, and over 753 temporary, seasonal employees, including election judges.

Services

Police protection for the City is provided by 57 full-time police officers housed in one police station. The City has a fire department with 80 paid-on-call firefighters, 11 full-time firefighters, and five fire stations. The City has a Class three rating for insurance purposes.

The municipal utility department is responsible for the management and maintenance of the municipal water system and sanitary sewer system. Water is supplied by 18 wells and the approximately 12 million gallon storage capacity is provided by eight towers/reservoirs. Approximately 330 miles of primarily ductile iron water distribution and transmission pipe provide service to about 15,800 service connections. The water system has tiered conservation rates with an initial tier of $3.19 per 1,000 gallons. Average demand is estimated to be less than 7.9 million gallons per day, while peak demand reaches approximately 20.5 million gallons per day.

Interceptor sewer lines and wastewater treatment plants in the seven-county metropolitan area are under the jurisdiction of Metropolitan Council Environmental Services ("MCES"). MCES finances its operations through user charges based on volume. The municipal maintained sewer utility consists of approximately 14 miles of forcemain and 300 miles of gravity sewer main pipe.

Labor Contracts

The status of labor contracts in the City are as follows:

Bargaining Unit	No. of Employees	Expiration Date of Current Contract
IOUE Local 49	51	December 24, 2020
Police Officers, Teamsters Local 320	43	December 23, 2021
Police Sergeants, Teamsters Local 320	11	December 24, 2020
Subtotal	105	
Non-unionized employees (FTE)	126*	
Total employees (FTE)	231	

* *Excludes the Mayor, Council Members, and paid-on-call firefighters.*

Employee Pensions

All full-time employees and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by PEPFF. The City's contributions to GERF and PEPFF are equal to the contractually required contributions for each year as set by State Statute, and are as follows for the past five years:

	GERF	PEPFF
2018	$1,007,608	$974,750
2017	1,030,108	959,280
2016	973,347	886,231
2015	947,280	859,126
2014	898,018	791,919

PEDCP

The Public Employees Defined Contribution Plan (PEDCP) is a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until the time of withdrawal. Plan benefits depend solely on the amounts contributed to the plan plus investment earnings less administrative expenses. An eligible elected official who chooses to participate in the plan contributes 5% of their salary, which is matched by the elected official's employer. PERA receives 2% of employer contributions and 0.025% of the assets in each member's account annually for administering the plan.

The City's contributions to PEDCP for the past five years are as follows:

	PEDCP
2018	$2,462
2017	2,200
2016	2,000
2015	1,800
2014	1,800

City Firefighter's Association

Volunteer firefighters of the City are eligible for pension benefits through membership in the Minnetonka Firefighter's Relief Association (MFRA) organized under Minnesota Statutes, Chapter 69, which provides retirement benefits as well as death and disability benefits. State aids and City contributions fund the plan. At 10 years, members are 50% vested with 5% increases each year to 100% vesting at 20 years. Members hired before 2005 and who retire at or after age 50 with 10 years of credited service are entitled to an annual benefit, payable monthly for life, in an amount equal to the applicable vesting percentage times the full service pension available to a member with 20 years of service. Benefits for member with greater than 20 years of credited service are equal to 30 times the number of years of active service, to a maximum of 30 years. Members hired after 2005 and retiring at age 50 and 20 years of credited service are entitled to a lump sum benefit in an amount determined by a similar formula including years of service. As of December 31, 2017, membership includes 70 active participants, 61 retired and disabled members, 14 beneficiaries and eight terminated employees entitled to benefit but not yet receiving them.

City and State aid contributions to the MFRA for the past five years are as follows:

	MFRA
2018	$382,382
2017	376,889
2016	366,746
2015	345,382
2014	511,820

For more information regarding the liability of the City with respect to its employees, please reference "Note 5, Other Information" of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement. (The City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2019 is not yet available.)

GASB 68

The Government Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB 68, which revised existing standards for measuring and reporting pension liabilities for pension plans provided to City employees and require recognition of a liability equal to the City's proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position.

The City's proportionate shares of the pension costs and the City's net pension liability for GERF and PEPFF for the past four years are as follows:

	GERF		PEPFF	
	Proportionate Share of Pension Costs	Net Pension Liability	Proportionate Share of Pension Costs	Net Pension Liability
2018	0.2079%	$11,533,440	0.571%	$ 6,033,824
2017	0.2054	13,112,599	0.549	7,412,153
2016	0.2060	16,726,178	0.556	22,313,247
2015	0.2127	11,023,218	0.570	6,476,534

For more information regarding GASB 68 with respect to the City, please reference "Note 5, Other Information" and "Required Supplementary Information" of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement. (The City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2019 is not yet available.)

Additional and detailed information about GERF's net position is available in a separately-issued PERA financial report, which may be obtained at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, Saint Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026.

Other Postemployment Benefits

The Government Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or "OPEB"). The implementation of GASB 75 required the restatement of the Issuer's beginning net position for the fiscal year ended December 31, 2018. Please see "Note 6 – Change in Accounting Principle" in the City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018 for this calculation.

The City provides a single-employer defined benefit OPEB healthcare plan to eligible retirees and their spouses. The plan offers medical coverage. Medical coverage is administered by HealthPartners. It is the City's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees. No assets are accumulated in a trust.

<u>Retirees</u>

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. Former employees who are receiving, or who have met age and service requirements to receive, an annuity from a Minnesota public pension plan and those receiving a disability benefit from such a plan are immediately eligible to participate in this plan. Retirees may obtain dependent coverage if the employee received dependent coverage immediately before leaving employment. All health care coverage is provided through the City's group health insurance plans. The retiree is required to pay a premium.

<u>All regular non-disabled police and fire employees</u>

The 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, they are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees.

Disabled police and fire employees

The City is required to continue to pay the employer's contribution toward health coverage for police or firefighters disabled in the line of duty per Minnesota Statute 299A.465, until age 65. Dependent coverage is included, if the dependents were covered at the time of the disability.

The following employees were covered by the benefit terms as of January 1, 2018:

Retirees and beneficiaries receiving benefits	19
Active employees	224
Total	243

The City's net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. The discount rate used to measure the total OPEB liability was 4.09%. Components of the City's OPEB liability and related ratios for the fiscal year ended December 1, 2018 are as follows:

Service cost	$ 186,055
Interest	96,122
Changes of assumptions	75,023
Benefit payments	(92,283)
Net change in total OPEB liability	$ 264,917
Total OPEB liability – beginning of year	$2,402,986
Total OPEB liability – end of year	$2,667,903

For more information regarding the liability of the City with respect to its employees, please reference "Note 5, Other Information" of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement. (The City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2019 is not yet available.)

Sources: City's Comprehensive Annual Financial Reports

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General Fund Budget Summary

	2018 Budget	2018 Actual	2019 Budget
Revenues			
General Property Taxes	$25,082,828	$25,206,803	$26,123,176
Licenses & Permits	3,545,400	4,783,116	4,357,500
Intergovernmental Revenue	958,100	1,112,186	1,040,200
Transfers	1,374,400	1,374,400	1,437,400
User Fees & Charges	2,078,500	2,172,644	2,004,600
Other Income	927,722	1,304,612	1,119,324
Total Revenue	$33,966,950	$35,953,761	$36,082,200
Expenditures			
Public Safety	$14,050,600	$13,742,140	$15,199,400
Streets & Utilities	6,159,300	4,653,537	6,360,200
Parks, Environment & Recreation	6,357,650	5,957,326	6,731,300
Development	3,319,500	3,851,766	3,511,300
General Government	4,029,900	4,644,419	4,230,000
Contingency	50,000	0	50,000
Total Expenditures	$33,966,950	$32,849,188	$36,082,200
Surplus (Deficit) of Revenues Over Expenditures	$ 0	$ 3,104,573	$ 0
Transfer to Capital Replacement Fund	(1,200,000)	(1,200,000)	(1,200,000)
Transfer to Other Funds	0	(130,189)	(1,500,000)
Total Transfers	(1,200,000)	$ 1,774,384	(2,700,000)
Beginning Fund Balance	$22,119,325	$22,119,325	$23,893,709
Ending Fund Balance	$20,919,325	$23,893,709	$21,193,709

Sources: City's Comprehensive Annual Financial Reports and 2019 Budget.

Major General Fund Revenue Sources

Revenue	2014	2015	2016	2017	2018
Property Taxes	$21,332,619	$22,466,415	$23,122,382	$24,005,382	$25,206,803
Licenses and Permits	3,507,177	4,783,140	3,541,484	4,040,273	4,783,116
Charges for Services	1,591,070	1,564,917	1,676,437	1,963,435	1,770,009
Transfers In	1,391,900	1,339,800	1,350,500	1,353,400	1,374,400
Miscellaneous	934,108	918,773	904,955	988,039	1,304,612
Intergovernmental	923,281	1,029,001	1,110,257	1,152,101	1,112,186

Sources: City's Comprehensive Annual Financial Reports.

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APPENDIX I

PROPOSED FORM OF LEGAL OPINION

Kennedy & Graven
CHARTERED

Offices in Minneapolis Saint Paul St. Cloud

470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis MN 55402-1458
(612) 337-9300 telephone
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Affirmative Action, Equal Opportunity Employer

$__________
City of Minnetonka, Minnesota
General Obligation Capital Improvement Plan Bonds
Series 2020A

We have acted as bond counsel to the City of Minnetonka, Minnesota (the "Issuer") in connection with the issuance by the Issuer of its General Obligation Capital Improvement Plan Bonds, Series 2020A (the "Bonds"), originally dated February 27, 2020, and issued in the original aggregate principal amount of $________. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable from ad valorem taxes, but if necessary for the payment thereof additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor's rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated February ___, 2020 at Minneapolis, Minnesota.

CONTINUING DISCLOSURE CERTIFICATE

$___________
City of Minnetonka, Minnesota
General Obligation Capital Improvement Plan Bonds
Series 2020A

February 27, 2020

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Minnetonka, Minnesota (the "Issuer") in connection with the issuance of its General Obligation Capital Improvement Plan Bonds, Series 2020A (the "Bonds"), in the original aggregate principal amount of $___________. The Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the "Resolutions"). The Bonds are being delivered to ________________ (the "Purchaser") on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means annual financial statements of the Issuer, prepared in accordance with GAAP as prescribed by GASB.

"Bonds" means the General Obligation Capital Improvement Plan Bonds, Series 2020A, issued by the Issuer in the original aggregate principal amount of $___________.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"EMMA" means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

"Final Official Statement" means the deemed Final Official Statement, dated ___________, 2020, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means the fiscal year of the Issuer.

"GAAP" means generally accepted accounting principles for governmental units as prescribed by GASB.

"GASB" means the Governmental Accounting Standards Board.

"Holder" means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

"Issuer" means the City of Minnetonka, Minnesota, which is the obligated person with respect to the Bonds.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

"Participating Underwriter" means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

"Purchaser" means __________________.

"Repository" means EMMA, or any successor thereto designated by the SEC.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

"SEC" means Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The Issuer shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends December 31, 2019, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository and the MSRB.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. City Property Values
2. City Indebtedness

3. City Tax Rates, Levies and Collections

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material Events") with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

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IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF MINNETONKA, MINNESOTA

____
Mayor

____
City Manager

SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND MINNESOTA REAL PROPERTY VALUATION

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the “Estimated Market Value.” The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality’s legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor’s Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate, and (ii) multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor’s Estimated Market Value up to $413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the City’s aggregate Taxable Market Value, even if the Assessor’s Estimated Market Value on the same properties did not decline.

Property Tax Payments and Delinquencies (Chapters 275, 276, 277, 279-282 and 549, Minnesota Statutes)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits (Chapter 273, Minnesota Statutes)

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter’s property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter’s property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Debt Limitations

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory “net debt” limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.

2. Warrants or orders having no definite or fixed maturity.

3. Obligations payable wholly from the income from revenue producing conveniences.

4. Obligations issued to create or maintain a permanent improvement revolving fund.

5. Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.

6. Debt service loans and capital loans made to a school district under the provisions of Minnesota Statutes, Sections 126C.68 and 126C.69.

7. Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.

8. Obligations to repay loans made under Minnesota Statutes, Section 216C.37.

9. Obligations to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.

10. Obligations issued to pay pension fund or other postemployment benefit liabilities under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.

11. Obligations issued to pay judgments against the municipality under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.

12. All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

Levies for General Obligation Debt
(Sections 475.61 and 475.74, Minnesota Statutes)

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

Metropolitan Revenue Distribution (Chapter 473F, Minnesota Statutes)
"Fiscal Disparities Law"

The Charles R. Weaver Metropolitan Revenue Distribution Act, more commonly known as "Fiscal Disparities," was first implemented for taxes payable in 1975. Forty percent of the increase in commercial-industrial (including public utility and railroad) net tax capacity valuation since 1971 in each assessment district in the Minneapolis/Saint Paul seven-county metropolitan area (Anoka, Carver, Dakota, excluding the City of Northfield, Hennepin, Ramsey, Scott, excluding the City of New Prague, and Washington Counties) is contributed to an area-wide tax base. A distribution index, based on the factors of population and real property market value per capita, is employed in determining what proportion of the net tax capacity value in the area-wide tax base shall be distributed back to each assessment district.

STATUTORY FORMULAE: CONVERSION OF TAXABLE MARKET VALUE (TMV) TO NET TAX CAPACITY FOR MAJOR PROPERTY CLASSIFICATIONS

Property Type	Local Tax Payable 2015-2019
Residential Homestead (1a)	
Up to $500,000	1.00%
Over $500,000	1.25%
Residential Non-homestead	
Single Unit (4bb)	
Up to $500,000	1.00%
Over $500,000	1.25%
1-3 unit and undeveloped land (4b1)	1.25%
Market Rate Apartments	
Regular (4a)	1.25%
Low-Income (4d)	
Up to $139,000[c]	0.75%
Over $139,000[c]	0.25%
Commercial/Industrial/Public Utility (3a)	
Up to $150,000	1.50%[a]
Over $150,000	2.00%[a]
Electric Generation Machinery	2.00%
Commercial Seasonal Residential	
Homestead Resorts (1c)	
Up to $600,000	0.50%
$600,000 - $2,300,000	1.00%
Over $2,300,000	1.25%[a]
Seasonal Resorts (4c)	
Up to $500,000	1.00%[a]
Over $500,000	1.25%[a]
Non-Commercial (4c12)	
Up to $500,000	1.00%[a][b]
Over $500,000	1.25%[a][b]
Disabled Homestead (1b)	
Up to $50,000	0.45%
Agricultural Land & Buildings	
Homestead (2a)	
Up to $500,000	1.00%
Over $500,000	1.25%
Remainder of Farm	
Up to $1,900,000[d]	0.50%[b]
Over $1,900,000[d]	1.00%[b]
Non-homestead (2b)	1.00%[b]

[a] *State tax is applicable to these classifications.*

[b] *Exempt from referendum market value based taxes.*

[c] *Legislative increases, payable 2019. Historical valuations are: Payable 2018 - $121,000; Payable 2017 - $115,000; Payable 2016 - $106,000; and Payable 2015 - $100,000.*

[d] *Legislative increases, payable 2019. Historical valuations are: Payable 2018 - $1,940,000; Payable 2017 - $2,050,000; Payable 2016 - $2,140,000; and Payable 2015 - $1,900,000.*

NOTE: For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First $76,000 – 0.40%; $76,000 to $500,000 – 1.00%; and over $500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in Saint Paul are exempt under this provision).

EXCERPT OF 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Data on the following pages was extracted from the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2018. (The City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2019 is not yet available.) The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

The City's comprehensive annual financial reports for the years ending 1983 through 2018 were awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Minnetonka
Minnetonka, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minnetonka, Minnesota, as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the City's 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
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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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.

Opinions
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minnetonka, Minnesota, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 75
As discussed in Note 6 to the financial statements, the City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter and the Required Supplementary Information as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Matters (Continued)

Other Information (Continued)

The combining and individual fund financial statements and schedules and supplementary financial information 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 combining and individual fund financial statements and schedules and supplementary financial information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section 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.

The City's basic financial statements as of and for the year ended December 31, 2017 which are not presented with the accompanying financial statements were audited by a predecessor auditor in accordance with auditing standards generally accepted in the United States of America. An unmodified opinion was issued June 6, 2018 by the predecessor auditor on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The 2017 actual column in the individual fund budget to actual schedules and the budget to actual schedule of revenues and expenditures for the General Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2017 actual columns in the individual fund budget to actual schedules and the budget to actual schedule of revenues and expenditures for the General Fund are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2019, on our consideration of the City of Minnetonka's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Minnetonka's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

St. Cloud, Minnesota
June 14, 2019

This section of the City of Minnetonka's (the City) comprehensive annual financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the City's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources of the City by $307,023,574. Of this amount, $95,062,361 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's net position increased by approximately $23.1 million from 2018 operations. This increase was due to the City's planned operations and sound fiscal control.
- The City's governmental funds reported combined ending fund balances of $92,369,540.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented after the Statement of Activities. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

Our analysis of the City begins with the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These Statements include *all* assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting,* which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two Statements report the City's *net position* and changes in them. You can think of the City's net position – the difference between assets and deferred outflows and liabilities and deferred inflows – as one way to measure the City's financial health, or *financial position.* Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the *overall health* of the City.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

FUND FINANCIAL STATEMENTS

Our analysis of the City's major funds begins with the funds financial statements and provides detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money (like grants received). The City's three kinds of funds – *governmental, proprietary and fiduciary* – use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a separate reconciliation included after the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary funds – The City is the trustee, or *fiduciary,* for resources collected from homeowners associations to support ecological stewardship programs. Deposits are also held in trust to guarantee the installation and maintenance of erosion and sediment control measures, along with deposits for privately sponsored traffic studies. The resources held in a fiduciary capacity are reported in the Statement of Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

STATEMENT OF NET POSITION

The City's *combined* net position increased from a year ago and the City's overall financial position has remained stable and healthy. By far, the largest portion of the City of Minnetonka's net position, $195,646,673 or approximately 63.7%, reflects its net investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure such as streets and the water and sewer systems). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

STATEMENT OF NET POSITION (CONTINUED)

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, $16,314,540 or approximately 5.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $95,062,361 or 30.9%, may be used to meet the City's ongoing obligations to residents and creditors. At the end of the current fiscal year, the City is able to report positive balances in both of the categories of net position reported for the government as a whole.

Governmental Activities

Current and other assets increased $13,799,592. This fluctuation was mostly due to operating revenues exceeding expenditures by $8,650,424 and sound fiscal control by all departments within the City's General Fund with expenditures coming in approximately $1.0 million less than budgeted.

Capital assets increased by approximately $9.0 million. This change is due mostly to the addition of $3.3 million to work in progress and an additional $9.0 million of new street replacements, offset by $4.7 million in infrastructure depreciation in 2018.

Current and other liabilities increased by approximately $3.3 million due primarily to a $3.0 million increase in contracts payable as well as a $115,000 increase in bonds payable within one year and $161,000 in compensated absences due within one year. Long-term liabilities decreased by approximately $3.5 million primarily due to a $2.9 million decrease in net pension liability for the City's proportional share of the Public Employees Retirement Association of Minnesota's multiple-employer, cost sharing, defined benefit pension plans, as well as a $1.4 million decrease in bonds payable due in more than one year offset by a $704,000 increase in OPEB liability.

Business-type Activities

Current and other assets of the City's business-type activities increased by approximately $10.8 million compared to the prior year. Although overall operating income decreased approximately $250,000 from the prior year reducing overall cash, this was offset by the issuance of $10.0 million of GO Utility Revenue Bonds to continue funding a system wide capital improvement program in the Utility Fund.

Capital assets increased by approximately $3.2 million over the past year. This increase is due primarily to additions to the utility system for the new capital improvement program in the Utility Fund of approximately $6.3 million offset by approximately $3.8 million in depreciation.

Long-term liabilities increased by approximately $9.3 million due to the issuance of the GO Utility Revenue Bonds of $10.0 million and the continual yearly reduction in other existing bonds payable.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

Our analysis below focuses on the net position of the City's governmental and business-type activities.

STATEMENT OF NET POSITION
December 31, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	$ 112,288,506	$ 98,488,914	$ 40,299,721	$ 29,476,325	$ 152,588,227	$ 127,965,239
Capital Assets	118,325,538	109,164,802	105,966,822	102,727,391	224,292,360	211,892,193
Total Assets	230,614,044	207,653,716	146,266,543	132,203,716	376,880,587	339,857,432
Deferred Outflows of Resources	10,483,182	14,024,858	446,474	621,016	10,929,656	14,645,874
Long-Term Liabilities						
Outstanding	22,661,105	26,137,899	30,198,882	20,886,011	52,859,987	47,023,910
Current and Other Liabilities	9,150,293	5,783,956	3,224,193	1,891,783	12,374,486	7,675,739
Total Liabilities	31,811,398	31,921,855	33,423,075	22,777,794	65,234,473	54,699,649
Deferred Inflows of Resources	14,945,211	15,404,501	606,985	494,286	15,552,196	15,898,787
Net Position:						
Net Investment in						
Capital Assets	112,360,020	102,223,500	83,286,653	85,755,233	195,646,673	187,978,733
Restricted	16,314,540	14,936,260	-	-	16,314,540	14,936,260
Unrestricted	65,666,057	57,192,458	29,396,304	23,797,419	95,062,361	80,989,877
Total Net Position	$ 194,340,617	$ 174,352,218	$ 112,682,957	$ 109,552,652	$ 307,023,574	$ 283,904,870

STATEMENT OF ACTIVITIES

Governmental Activities

The net position of the City's governmental activities increased by approximately $19.9 million, or 11.5%. This increase is due to a variety of factors including an increase in capital grants and contributions of approximately $4.3 million from the prior year, approximately $3.4 million in tax increments, investment earnings of $1,552,896, approximately $2.9 million increase in charges for services and transfers in of approximately $1.0 million. In addition, the City continued the enhanced road revitalization program started in 2006, which includes overlay or reconstruction of every local street adding approximately $3.7 million in infrastructure assets offset by annual depreciation expense.

Property taxes increased by $1,999,289 due to the increased tax levy from the prior year and the related additional collections. Investment earnings increased from the prior year by $900,700 due to higher interest earnings from better investment market conditions.

Business-Type Activities

Business-Type Activities net position increased approximately $3.1 million. The majority of this increase was due to operating revenues exceeding operating expenses by $9.3 million, offset by depreciation expense of $5.3 million and transfers out of $1.3 million.

Investment income increased by $338,480 during 2018 due to an increase in interest earnings.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

STATEMENT OF ACTIVITIES
December 31, 2018

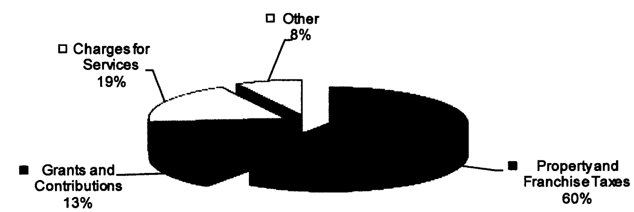
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue						
Program Revenues:						
Charges for Services	$ 12,290,867	$ 9,385,023	$ 24,512,213	$ 24,399,312	$ 36,803,080	$ 33,784,335
Operating Grants and Contributions	1,361,406	1,580,451	139,002	162,055	1,500,408	1,742,506
Capital Grants and Contributions	7,580,798	3,314,001	-	25,000	7,580,798	3,339,001
General Revenues:						
Property Taxes	37,542,646	35,543,357	-	-	37,542,646	35,543,357
Franchise Taxes	1,752,185	1,811,774	-	-	1,752,185	1,811,774
Tax Increments	3,426,105	2,689,708	-	-	3,426,105	2,689,708
Investment Earnings	1,552,896	652,196	504,694	166,214	2,057,590	818,410
Sale of Capital Assets	-	63,445	-	-	-	63,445
Other General Revenue	167,948	75,473	-	-	167,948	75,473
Total Revenues	65,674,851	55,115,428	25,155,909	24,752,581	90,830,760	79,868,009
Expenses						
General Government	5,961,700	5,300,173	-	-	5,961,700	5,300,173
Development Services	6,954,084	6,545,139	-	-	6,954,084	6,545,139
Public Works	13,069,127	12,558,277	-	-	13,069,127	12,558,277
Public Safety	13,019,341	15,681,354	-	-	13,019,341	15,681,354
Parks and Recreation	7,120,532	6,328,354	-	-	7,120,532	6,328,354
Unallocated Interest on Long-Term Debt	131,457	135,221	-	-	131,457	135,221
Water and Sewer Utilities	-	-	14,452,285	13,987,474	14,452,285	13,987,474
Ice Arena	-	-	1,028,139	1,062,568	1,028,139	1,062,568
Environmental	-	-	822,133	753,796	822,133	753,796
Williston Fitness Center	-	-	2,557,583	2,383,059	2,557,583	2,383,059
Grays Bay Marina	-	-	218,969	192,206	218,969	192,206
Storm Water	-	-	1,835,461	1,622,227	1,835,461	1,622,227
Total Expenses	46,256,241	46,548,518	20,914,570	20,001,330	67,170,811	66,549,848
Change in Net Position Before Transfers	19,418,610	8,566,910	4,241,339	4,751,251	23,659,949	13,318,161
Transfers	1,033,156	1,125,069	(1,033,156)	(1,125,069)	-	-
Increase in Net Position	20,451,766	9,691,979	3,208,183	3,626,182	23,659,949	13,318,161
Net Position - Beginning	174,352,218	164,660,239	109,552,652	105,926,470	283,904,870	270,586,709
Prior Period Adjustment	(463,367)	-	(77,878)	-	(541,245)	-
Net Position - Beginning, as Restated	173,888,851	164,660,239	109,474,774	105,926,470	283,363,625	270,586,709
Net Position - Ending	$ 194,340,617	$ 174,352,218	$ 112,682,957	$ 109,552,652	$ 307,023,574	$ 283,904,870

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

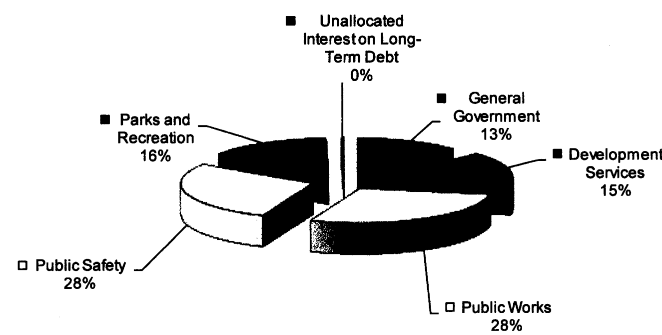
The following chart visually illustrates the City's revenue by source for its governmental activities:

Revenue by Source - Governmental Activities



The following chart visually illustrates the City's expense by function for its governmental activities:

Expense by Function - Governmental Activities



FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Funds

General Fund

In 2018, the City's General Fund fund balance increased by $1,774,384. The increased fund balance is due to the sound fiscal control by all departments within the General Fund that resulted in actual expenditures being $950,412, or 2.9% under the final budget. Originally, the budget planned to decrease fund balance by approximately $1,161,500 before transfers.

Total actual revenues were $1,941,261 more than budgeted due largely to higher than expected license and permit fees collected and intergovernmental revenues received.

License and permit fees and intergovernmental revenue were $1,416,302 higher than budgeted, while other revenues, property taxes collected and fines and forfeitures were higher than budgeted by an additional $524,959.

Community Investment Fund

The decrease in available fund balance of $81,586 in the Community Investment fund balance was due primarily to investment earnings of $355,568 being offset by transfers out of $500,000 in the current year.

Special Assessment Construction Fund

The fund balance in the Special Assessment Construction Fund increased $885,921 in 2018. This increase was due primarily to a budgeted transfer in from the Community Investment Fund to subsidize Ice Arena B improvements funded from the Special Assessment Construction Fund.

State Municipal Aid

In 2018, the available fund balance in the State Municipal Aid Fund decreased by $112,488. This decrease was due primarily to timing differences of expenditures versus reimbursement from the State of Minnesota Municipal Aid Fund for the Ridgehaven street improvement project.

Street Improvement Fund

The City maintained the Street Improvement levy in order to sufficiently fund the multi-year road revitalization and preservation program. Many of the reconstruction projects cost more than the yearly street improvement levy allocation, forcing the City to build up reserves over multiple years to pay for upcoming reconstruction projects. In 2018, the Street Improvement fund balance increased $1,587,555.

CITY OF MINNETONKA
Hennepin County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2018

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS (CONTINUED)

Proprietary Funds

Water and Sewer Utilities

In 2018, the net position of the Water and Sewer Utilities Fund increased by $2,216,003. This increase was due primarily to operating income of $3,161,422 and transfers out for direct and indirect administrative costs of $800,000.

Ice Arena

The net position of the Ice Arena Fund increased by $60,462. This increase was primarily due to an operating loss of $168,396 which includes depreciation expense of $168,908, offset by capital contributions and transfers in of $267,666.

Environmental Fund

In 2018, the net position of the Environmental Fund decreased by $48,044 due primarily to an increase in operating expenditures along with lower recycling revenues received due to current market conditions for recyclable materials.

Williston Fitness Center

The net position of the Williston Fitness Center Fund increased by $149,752 primarily due to the yearly continuing increase in membership fees and program offerings that has occurred since the facility was significantly upgraded in 2011.

Gray's Bay Marina

In 2018, the net position of the Gray's Bay Marina Fund increased by $56,633 due to increased fuel sales for the season.

Storm Water

The net position of the Storm Water Fund increased by $688,875, or 2.3%, as user charges exceeded operating expenses for the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City's budget once. This revision was performed in the fall, when the City prepared next year's budget. To meet current and future service needs of the Minnetonka community, various long-term strategies were enacted and continued during 2018. In 2009, to accommodate the impact of the national recession, the City repositioned itself to meet four objectives: achieve long-term budget balance, sustain direct core services, continue infrastructure investments, and moderate property tax growth.

The strategies enacted in 2009 continue to be refined and enhanced in 2018. They include various new ways of doing business such as: cooperative services agreements with other agencies, productivity investments that help deliver core services more efficiently, and

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

department reorganizations that reposition the City to better and more efficiently serve its constituents.

CAPITAL ASSETS

At the end of 2018, the City had $224.3 million invested in a broad range of capital assets. This amount represents a net increase (including additions and deductions) of approximately $12.4 million from the prior year.

The City's fiscal year 2019 capital budget appropriates another $62.7 million for capital projects, of which approximately $31.5 million will be for infrastructure projects. The remainder will be spent on replacement vehicles, building improvements, open space and recreational amenities as well as future investments in technology and equipment.

Please refer to Note 4.C. for a schedule of the City's capital asset activity.

LONG-TERM DEBT

At year-end, the City had $33.5 million in bonds outstanding versus $25.4 million last year, an increase of $8.1 million. This increase was due to the issuance of $10 million in GO Utility Revenue Bonds 2018A and the continual annual reduction in bonds payable.

The City continues to carry an "Aaa" bond rating from Moody's Investors Services.

More detailed information about the City's long-term debt is presented in Note 4.E. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City takes a responsible long-term perspective with financial planning and management. We make decisions with the future in mind to insure our ongoing capacity to provide quality services to our residents and businesses and the 2019 budget continues to reflect this long-term perspective.

The 2019 budget continues to reflect the City's highest priorities: public safety, streets and utilities, natural resources, and parks. These functions continue to represent the focus of city programs and projects, accounting for nearly eight out of every ten dollars in the combined 2018 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Minnetonka Finance Department at 14600 Minnetonka Blvd., Minnetonka, Minnesota 55345, (952) 939-8200; or mking@eminnetonka.com.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF NET POSITION
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Investments (Including Cash Equivalents)	$ 97,413,202	$ 36,840,717	$ 134,253,919
Receivables:			
Accounts Receivable	913,761	2,813,441	3,727,202
Loans Receivable	178,486	-	178,486
Interest Receivable	405,420	168,349	573,769
Taxes Receivable	1,051,240	-	1,051,240
Special Assessments Receivable	1,805,545	355,477	2,161,022
Due from Other Governments	5,092,730	-	5,092,730
Internal Balances	(97,543)	97,543	-
Prepaid Items	314,908	-	314,908
Inventories	239,504	24,194	263,698
Net Pension Asset	4,971,253	-	4,971,253
Capital Assets, Net of Related Depreciation:			
Land - Nondepreciable	22,256,024	1,412,611	23,668,635
Construction in Progress - Nondepreciable	14,580,428	6,927,279	21,507,707
Buildings	6,545,286	10,889,404	17,434,690
Improvements Other than Buildings	1,899,021	2,501,867	4,400,888
Machinery and Equipment	6,221,170	2,881,697	9,102,867
Infrastructure	66,823,609	81,353,964	148,177,573
Total Assets	$ 230,614,044	$ 146,266,543	$ 376,880,587
DEFERRED OUTFLOWS OF RESOURCES:			
OPEB	$ 138,774	$ 23,324	$ 162,098
Pensions	10,344,408	423,150	10,767,558
Total Deferred Outflows of Resources	10,483,182	446,474	10,929,656
LIABILITIES AND NET POSITION:			
Liabilities:			
Salaries and Wages Payable	$ 1,208,987	$ 169,815	$ 1,378,802
Accounts and Contracts Payable	4,248,904	1,549,506	5,798,410
Incurred but Not Reported Claims	44,062	-	44,062
Accrued Interest Payable	55,114	148,945	204,059
Unearned Revenue	369,202	148,349	517,551
Noncurrent Liabilities:			
Total OPEB Liability	2,284,023	383,880	2,667,903
MNPERA-Net Pension Liability	15,147,562	2,419,702	17,567,264
Bonds Payable, net:			
Due Within One Year	1,375,000	1,070,000	2,445,000
Due in More than One Year	3,932,544	27,183,673	31,116,217
Compensated Absences/ Severance Payable:			
Due Within One Year	1,849,024	137,578	1,986,602
Due in More than One Year	1,296,976	211,627	1,508,603
Total Liabilities	31,811,398	33,423,075	65,234,473
DEFERRED INFLOWS OF RESOURCES:			
Pensions	$ 14,945,211	$ 606,985	$ 15,552,196
Net Position:			
Net Investment in Capital Assets	112,360,020	83,286,653	195,646,673
Restricted for:			
Public Safety	334,958	-	334,958
Debt Service	1,773,558	-	1,773,558
Economic Development	7,688,244	-	7,688,244
Public Works	2,019,340	-	2,019,340
Cemetery Operations	140,409	-	140,409
Grants	44,130	-	44,130
Net Pension Asset	4,313,901	-	4,313,901
Unrestricted	65,666,057	29,396,304	95,062,361
Total Net Position	$ 194,340,617	$ 112,682,957	$ 307,023,574

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities	Net (Expense) Revenues and Changes in Net Position: Business-type Activities	Net (Expense) Revenues and Changes in Net Position: Total
Governmental Activities:							
General Government	$ 5,961,700	$ 639	$ -	$ -	$ (5,961,061)	$ -	$ (5,961,061)
Development Services	6,954,084	5,863,722	228,926	7,335,485	6,474,049	-	6,474,049
Public Works	13,069,127	87,461	76,740	245,313	(12,659,613)	-	(12,659,613)
Public Safety	13,019,341	1,674,249	1,045,744	-	(10,299,348)	-	(10,299,348)
Parks and Recreation	7,120,532	4,664,796	9,996	-	(2,445,740)	-	(2,445,740)
Unallocated Interest on Long-Term Debt	131,457	-	-	-	(131,457)	-	(131,457)
Total Governmental Activities	46,256,241	12,290,867	1,361,406	7,580,798	(25,023,170)	-	(25,023,170)
Business-Type Activities:							
Water and Sewer Utilities	14,452,285	17,196,532	9,840	-	-	2,754,087	2,754,087
Ice Arena	1,028,139	866,916	-	-	-	(161,223)	(161,223)
Environmental	822,133	829,332	129,162	-	-	136,361	136,361
Williston Fitness Center	2,557,583	2,739,842	-	-	-	182,259	182,259
Grays Bay Marina	218,969	279,947	-	-	-	60,978	60,978
Storm Water	1,835,461	2,599,644	-	-	-	764,183	764,183
Total Business-type Activities	20,914,570	24,512,213	139,002	-	-	3,736,645	3,736,645
Total Governmental and Business-Type Activities	$ 67,170,811	$ 36,803,080	$ 1,500,408	$ 7,580,798	(25,023,170)	3,736,645	(21,286,525)
General Revenues:							
Property Taxes					37,542,646	-	37,542,646
Franchise Taxes					1,752,185	-	1,752,185
Tax Increments					3,426,105	-	3,426,105
Investment Earnings					1,552,896	504,694	2,057,590
Other General Revenue					167,948	-	167,948
Transfers					1,033,156	(1,033,156)	-
Total General Revenues and Transfers					45,474,936	(528,462)	44,946,474
Change in Net Position					20,451,766	3,208,183	23,659,949
Net Position - Beginning					174,352,218	109,552,652	283,904,870
Change in Accounting Principle (See Note 6)					(463,367)	(77,878)	(541,245)
Net Position - Beginning, as Restated					173,888,851	109,474,774	283,363,625
Net Position - Ending					$ 194,340,617	$ 112,682,957	$ 307,023,574

The Notes to the Financial Statements are an integral part of this statement.

MAJOR GOVERNMENTAL FUNDS

General Fund – The general fund accounts for all revenues and expenditures of a governmental unit which are not accounted for in other funds. It normally receives a greater variety and number of taxes and other general revenues than any other fund. This fund has flowing into it such revenues as general property taxes, licenses and permits, fines and penalties, intergovernmental revenues, charges for current services, and interest earnings. Most of the day-to-day operations of governmental units will be financed from this fund.

CAPITAL PROJECTS FUNDS

Community Investment Fund – This fund was established to account for residuals from special assessment funds where the bonds have been retired. Expenditures from this fund are for projects that have a City-wide benefit.

Special Assessment Construction Fund – This fund was established to account for the proceeds of bonds for the purpose of water, sewer, and street construction.

State Municipal Aid Fund – This fund was established to account for the revenues and expenditures for the construction of county state-aid roads and the municipal state-aid street system.

Street Improvement Fund – This fund was established to account for the revenues and expenditures related to the reconstruction and maintenance of the local street system.

CITY OF MINNETONKA
Hennepin County, Minnesota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2018

	General	Capital Projects: Community Investment	Capital Projects: Special Assessment Construction
ASSETS:			
Cash and Investments			
(Including Cash Equivalents)	$ 24,429,391	$ 21,025,547	$ 6,082,268
Accounts Receivable	56,995	-	-
Loans Receivable	-	-	-
Interest Receivable	94,777	94,196	24,779
Property Taxes Receivable:			
Unremitted	693,636	-	-
Delinquent	303,589	-	-
Special Assessments Receivable:			
Unremitted	-	-	5,510
Current	-	-	181,180
Delinquent	-	-	7,388
Noncurrent	-	-	1,281,824
Due from Other Governments	47,987	-	-
Due from Other Funds	42,596	-	-
Advances to Other Funds	-	189,000	-
Prepaids	232,104	-	-
Inventories	182,022	-	-
Total Assets	$ 26,083,097	$ 21,308,743	$ 7,582,949
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Salaries and Wages Payable	$ 1,171,081	$ -	$ -
Accounts and Contracts Payable	345,516	-	12,117
Advanced from Other Funds	-	-	-
Unearned Revenues	369,202	-	-
Due to Other Funds	-	-	-
Total Liabilities	1,885,799	-	12,117
Deferred Inflows of Resources			
Unavailable Revenue - Taxes	303,589	-	-
Unavailable Revenue - Special Assessments	-	-	1,470,391
Unavailable Revenue - MSA	-	-	-
Total Deferred Inflows of Resources	303,589	-	1,470,391
Fund Balances:			
Nonspendable	414,126	-	-
Restricted	-	-	-
Committed	1,000,000	-	-
Assigned	14,688,800	21,308,743	6,100,441
Unassigned	7,790,783	-	-
Total Fund Balances	23,893,709	21,308,743	6,100,441
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 26,083,097	$ 21,308,743	$ 7,582,949

The Notes to the Financial Statements are an integral part of this statement

CITY OF MINNETONKA
Hennepin County, Minnesota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2018
(Continued)

	Capital Projects			
	State Municipal Aid	Street Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and Investments				
(Including Cash Equivalents)	$ -	$ 8,374,778	$ 34,237,490	$ 94,149,474
Accounts Receivable	-	20,100	836,666	913,761
Loans Receivable	-	-	178,486	178,486
Interest Receivable	-	37,507	141,953	393,212
Property Taxes Receivable:				
Unremitted	-	-	50,949	744,585
Delinquent	-	-	3,066	306,655
Special Assessments Receivable:				
Unremitted	-	-	1,196	6,706
Current	-	-	35,345	216,525
Delinquent	-	-	2,104	9,492
Noncurrent	-	-	290,998	1,572,822
Due from Other Governments	4,734,229	270,807	17,879	5,070,902
Due from Other Funds	-	1,783,770	32,556	1,858,922
Advances to Other Funds	-	-	502,588	691,588
Prepaids	-	-	-	232,104
Inventories	-	-	-	182,022
Total Assets	$ 4,734,229	$ 10,486,962	$ 36,331,276	$ 106,527,256
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Salaries and Wages Payable	$ -	$ -	$ 16,476	$ 1,187,557
Accounts and Contracts Payable	931,119	1,746,241	937,589	3,972,582
Advanced from Other Funds	-	-	502,588	502,588
Unearned Revenues	-	-	-	369,202
Due to Other Funds	1,783,770	-	75,152	1,858,922
Total Liabilities	2,714,889	1,746,241	1,531,805	7,890,851
Deferred Inflows of Resources				
Unavailable Revenue - Taxes	-	-	3,066	306,655
Unavailable Revenue - Special Assessments	-	-	328,446	1,798,837
Unavailable Revenue - MSA	4,161,373	-	-	4,161,373
Total Deferred Inflows of Resources	4,161,373	-	331,512	6,266,865
Fund Balances:				
Nonspendable	-	-	-	414,126
Restricted	-	-	10,076,003	10,076,003
Committed	-	-	24,464,977	25,464,977
Assigned	-	8,740,721	353	50,839,058
Unassigned	(2,142,033)	-	(73,374)	5,575,376
Total Fund Balances	(2,142,033)	8,740,721	34,467,959	92,369,540
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,734,229	$ 10,486,962	$ 36,331,276	$ 106,527,256

The Notes to the Financial Statements are an integral part of this statement

CITY OF MINNETONKA
Hennepin County, Minnesota

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
December 31, 2018

Total Fund Balances - Governmental Funds	$ 92,369,540
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of Capital Assets	202,453,573
Less Accumulated Depreciation	(84,128,035)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond Principal Payable	(5,185,000)
Unamortized Bond Discount/(Premium)	(122,544)
Compensated Absences and Severance Payable, excluding Internal Service Funds	(3,048,735)
Total OPEB Liability, excluding Internal Service Funds	(1,968,764)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
MNPERA Net Pension Liability (from pension schedules)	(14,847,862)
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in the funds.	
Deferred Outflows of Resources related to Pensions	10,291,997
Deferred Inflows of Resources related to Pensions	(14,870,031)
Deferred Outflows of Resources related to OPEB	(136,166)
Governmental funds do not report the net pension asset.	
MFRA Net Pension Asset	4,971,253
Delinquent property taxes, delinquent and noncurrent special assessments receivable and municipal state aid are reported as deferred inflows of resources in the fund statements as these amounts are not available in the current year.	6,266,865
Governmental funds do not report a liability for accrued interest until due and payable.	(55,114)
Internal Service Funds are used by management to charge the costs of providing insurance and fleet maintenance services for the City (See Note 2.A).	2,349,640
Total Net Position - Governmental Activities	$ 194,340,617

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	General	Capital Projects: Community Investment	Capital Projects: Special Assessment Construction
REVENUES:			
Taxes:			
Property	$ 25,206,803	$ -	$ -
Franchise	-	-	-
Tax Increments	-	-	-
Special Assessments	-	-	236,690
Licenses and Permits	4,783,116	-	-
Intergovernmental	1,112,186	-	-
Charges for Services	1,770,009	-	20,762
Fines and Forfeitures	402,635	-	-
Miscellaneous	1,304,612	355,568	85,525
Total Revenues	34,579,361	355,568	342,977
EXPENDITURES:			
Current:			
General Government	4,644,419	-	-
Development Services	3,851,766	-	114,522
Public Works	4,653,537	-	-
Public Safety	13,742,140	-	-
Park and Recreation	5,957,326	-	-
Debt Service	-	-	-
Capital Outlay	-	154	-
Total Expenditures	32,849,188	154	114,522
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,730,173	355,414	228,455
OTHER FINANCING SOURCES (USES):			
Transfers In	1,374,400	63,000	697,266
Transfers Out	(1,330,189)	(500,000)	(39,800)
Total Other Financing Sources (Uses)	44,211	(437,000)	657,466
Net Change in Fund Balances	1,774,384	(81,586)	885,921
FUND BALANCES:			
Beginning of Year	22,119,325	21,390,329	5,214,520
End of Year	$ 23,893,709	$ 21,308,743	$ 6,100,441

The Notes to the Financial Statements are an integral part of this statement

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018
(Continued)

	Capital Projects			
	State Municipal Aid	Street Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property	$ -	$ 6,300,000	$ 5,762,851	$ 37,269,654
Franchise	-	-	1,752,185	1,752,185
Tax Increments	-	-	3,426,105	3,426,105
Special Assessments	-	-	53,898	290,588
Licenses and Permits	-	27,440	-	4,810,556
Intergovernmental	7,243,029	886,161	546,439	9,787,815
Charges for Services	-	-	-	1,790,771
Fines and Forfeitures	-	-	46,291	448,926
Miscellaneous	(24,733)	174,664	4,930,667	6,826,303
Total Revenues	7,218,296	7,388,265	16,518,436	66,402,903
EXPENDITURES:				
Current:				
General Government	-	-	755,827	5,400,246
Development Services	-	-	2,808,795	6,775,083
Public Works	-	35,934	21,693	4,711,164
Public Safety	-	-	261,918	14,004,058
Park and Recreation	-	-	-	5,957,326
Debt Service	-	-	1,427,513	1,427,513
Capital Outlay	7,330,784	5,827,198	6,319,109	19,477,245
Total Expenditures	7,330,784	5,863,132	11,594,855	57,752,635
Excess (Deficiency) of Revenues Over (Under) Expenditures	(112,488)	1,525,133	4,923,581	8,650,268
OTHER FINANCING SOURCES (USES):				
Transfers In	-	62,422	1,317,189	3,514,277
Transfers Out	-	-	(393,466)	(2,263,455)
Total Other Financing Sources (Uses)	-	62,422	923,723	1,250,822
Net Change in Fund Balances	(112,488)	1,587,555	5,847,304	9,901,090
FUND BALANCES:				
Beginning of Year	(2,029,545)	7,153,166	28,620,655	82,468,450
End of Year	$ (2,142,033)	$ 8,740,721	$ 34,467,959	$ 92,369,540

The Notes to the Financial Statements are an integral part of this statement

CITY OF MINNETONKA
Hennepin County, Minnesota

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds	$ 9,901,090
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital Outlay	14,431,794
Depreciation Expense	(5,239,833)
Gain / (Loss) on Disposed Assets	(31,069)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(773,358)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,290,348
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Changes in Compensated Absences and Severance Payable	(229,434)
Changes in Total OPEB Liability	(101,665)
Changes in Accrued Interest Payable	5,708
Net pension obligation is not recognized in the Governmental Funds but recognized as the expense/revenue is incurred in the Statement of Activities.	454,559
Some pension expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as an expenditure.	681,770
Internal Service Funds are used by management to charge the costs of providing insurance for the City (See Note 2.B).	61,856
Change in Net Position of Governmental Activities	$ 20,451,766

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Property Taxes	$ 25,082,828	$ 25,092,800	$ 25,206,803	$ 114,003
Licenses and Permits	3,545,400	3,473,400	4,783,116	1,309,716
Intergovernmental Revenues	958,100	1,005,600	1,112,186	106,586
Charges for Services	1,493,300	1,626,800	1,770,009	143,209
Fines and Forfeitures	502,000	433,500	402,635	(30,865)
Other Revenues	1,010,922	1,006,000	1,304,612	298,612
Total Revenues	32,592,550	32,638,100	34,579,361	1,941,261
EXPENDITURES:				
General Government	4,874,800	4,855,200	4,644,419	210,781
Development Services	3,849,800	3,843,800	3,851,766	(7,966)
Public Works	4,834,100	4,829,800	4,653,537	176,263
Public Safety	14,103,100	14,036,500	13,742,140	294,360
Park and Recreation	6,244,650	6,234,300	5,957,326	276,974
Total Expenditures	33,906,450	33,799,600	32,849,188	950,412
Excess of Revenues Over (Under) Expenditures	(1,313,900)	(1,161,500)	1,730,173	2,891,673
OTHER FINANCING SOURCES (USES):				
Transfers In	1,374,400	1,374,400	1,374,400	-
Transfers Out	(1,313,000)	(1,313,000)	(1,330,189)	(17,189)
Total Other Financing Sources (Uses)	61,400	61,400	44,211	(17,189)
Net Change in Fund Balance	(1,252,500)	(1,100,100)	1,774,384	2,874,484
FUND BALANCES:				
Beginning of Year	21,218,665	21,218,665	22,119,325	-
End of Year	$ 19,966,165	$ 20,118,565	$ 23,893,709	$ 2,874,484

The Notes to the Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

ENTERPRISE FUNDS – These funds are established to account for the financing of self supporting activities of governmental units which render services on a user charge basis to the general public. Minnetonka's enterprises include the public utility engaged in the provision of water and sewer services, and ice arena, an environmental fund, a fitness center, a storm water fund, and a marina and public access to Lake Minnetonka.

INTERNAL SERVICE FUNDS – The City has two internal service funds, the Self-Insurance Fund and the Fleet Maintenance Fund, that respectively account for the risk management and fleet maintenance services provided to other City departments on a cost-reimbursement basis.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
December 31, 2018

	Business-Type Activities - Enterprise Funds							
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center	Grays Bay Marina	Storm Water	Total Enterprise Funds	Total Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES								
Current Assets:								
Cash and Investments	$ 29,281,750	$ -	$ 757,681	$ 1,500,076	$ 680,825	$ 4,620,385	$ 36,840,717	$ 3,263,728
Accounts Receivable	2,301,348	76,253	47,705	-	-	388,135	2,813,441	18,116
Interest Receivable	132,831	-	4,250	7,294	3,033	20,941	168,349	12,208
Special Assessments Receivable	355,477	-	-	-	-	-	355,477	-
Due from Other Funds	359,542	-	-	-	-	-	359,542	-
Due from Other Governments	-	-	-	-	-	-	-	3,712
Prepaid Items	-	-	-	-	-	-	-	82,804
Inventories	24,044	150	-	-	-	-	24,194	57,482
Total Current Assets	32,454,992	76,403	809,636	1,507,370	683,858	5,029,461	40,561,720	3,438,050
Noncurrent Assets:								
Capital Assets:								
Land - Nondepreciable	247,650	-	-	484,381	-	680,580	1,412,611	-
Construction in Progress - Nondepreciable	5,998,185	-	-	-	-	929,094	6,927,279	-
Buildings and Structures	7,386,584	7,821,881	-	7,976,269	-	352,240	23,536,974	-
Water Facilities	5,266,562	-	-	-	-	-	5,266,562	-
Water Mains and Lines	141,220,001	-	-	-	-	-	141,220,001	-
Sewer Lift Stations	3,987,512	-	-	-	-	-	3,987,512	-
Storm Drainage System	-	-	-	-	-	42,219,470	42,219,470	-
Improvements Other than Buildings	3,207,924	30,000	-	224,464	740,000	-	4,202,388	-
Machinery and Equipment	6,139,981	533,605	-	298,190	13,334	1,491,508	8,476,618	-
Total Cost	173,454,399	8,385,486	-	8,983,304	753,334	45,672,892	237,249,415	-
Less Accumulated Depreciation	(101,663,107)	(6,216,846)	-	(3,832,025)	(432,670)	(19,137,945)	(131,282,593)	-
Net Capital Assets	71,791,292	2,168,640	-	5,151,279	320,664	26,534,947	105,966,822	-
Total Noncurrent Assets	71,791,292	2,168,640	-	5,151,279	320,664	26,534,947	105,966,822	-
Total Assets	$ 104,246,284	$ 2,245,043	$ 809,636	$ 6,658,649	$ 1,004,522	$ 31,564,408	$ 146,528,542	$ 3,438,050
Deferred Outflows of Resources:								
OPEB	10,079	2,765	473	8,988	212	807	23,324	2,608
MNPERA Pension	198,477	47,937	8,007	153,092	1,563	14,074	423,150	52,411
Total Deferred Outflows of Resources	208,556	50,702	8,480	162,080	1,775	14,881	446,474	55,019
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:								
Liabilities:								
Current Liabilities:								
Salaries and Wages Payable	$ 81,982	$ 21,018	$ 2,780	$ 61,001	$ 450	$ 2,584	$ 169,815	$ 21,430
Accounts Payable	751,505	8,416	35,043	45,520	250	708,772	1,549,506	276,322
Incurred but Not Reported Claims	-	-	-	-	-	-	-	44,062
Accrued Interest Payable	148,945	-	-	-	-	-	148,945	-
Due to Other Funds	-	359,542	-	-	-	-	359,542	-
Unearned Revenue	-	50,485	-	30,214	67,650	-	148,349	-
Current Portion of Compensated Absences	82,554	26,907	-	28,117	-	-	137,578	21,321
Bonds Payable	1,070,000	-	-	-	-	-	1,070,000	-
Total Current Liabilities	2,134,986	466,368	37,823	164,852	68,350	711,356	3,583,735	363,135
Long-Term Liabilities:								
Compensated Absences	115,167	64,656	-	31,804	-	-	211,627	75,944
Advances from Other Funds	-	-	-	189,000	-	-	189,000	-
Total OPEB Liability	165,878	45,515	7,791	147,923	3,485	13,288	383,880	42,927
MNPERA-Net Pension Liability	1,134,952	274,117	45,785	875,429	8,940	80,479	2,419,702	299,700
Revenue Bonds Payable, Net	27,183,673	-	-	-	-	-	27,183,673	-
Total Noncurrent Liabilities	28,599,670	384,288	53,576	1,244,156	12,425	93,767	30,387,882	418,571
Total Liabilities	30,734,656	850,656	91,399	1,409,008	80,775	805,123	33,971,617	781,706
Deferred Inflows of Resources:								
MNPERA Pension	284,704	68,763	11,485	219,602	2,243	20,188	606,985	75,180
Total Deferred Inflows of Resources	284,704	68,763	11,485	219,602	2,243	20,188	606,985	75,180
Net Position:								
Net Investment in Capital Assets	49,111,123	2,168,640	-	5,151,279	320,664	26,534,948	83,286,654	-
Unrestricted	24,324,357	(792,314)	715,232	40,840	602,615	4,219,030	29,109,760	2,636,183
Total Net Position	73,435,480	1,376,326	715,232	5,192,119	923,279	30,753,978	112,396,414	2,636,183
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 104,454,840	$ 2,295,745	$ 818,116	$ 6,820,729	$ 1,006,297	$ 31,579,289		$ 3,493,069
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds (See Note 2.C)							286,543	
Total Business-Type Activities Net Position							$ 112,682,957	

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2018

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
OPERATING REVENUES:				
Water Sales and Sewer Charges	$ 15,402,804	$ -	$ -	$ -
Storm Water Charges	-	-	-	-
Ice Rental Charges	-	597,391	-	-
Memberships and Fees	-	-	-	2,648,647
Recycling Charges	-	-	827,823	-
Charges to City Departments	-	-	-	-
Other Revenue	1,793,728	269,525	1,509	91,195
Total Operating Revenues	17,196,532	866,916	829,332	2,739,842
OPERATING EXPENSES:				
Personal Services	2,015,223	487,202	76,397	1,641,238
Supplies, Repairs and Maintenance	1,039,208	59,371	632	177,552
Other Services and Charges	6,982,340	319,831	745,104	589,907
Total Operating Expenses	10,036,771	866,404	822,133	2,408,697
Operating Income (Loss) before Depreciation	7,159,761	512	7,199	331,145
Depreciation Expense	3,998,339	168,908	-	159,019
Operating Income (Loss)	3,161,422	(168,396)	7,199	172,126
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	383,798	(6,108)	15,395	26,726
Intergovernmental	9,840	-	129,162	-
Interest Expense	(325,592)	-	-	-
Bond Issuance Costs	(151,043)	-	-	-
Total Nonoperating Revenues (Expenses)	(82,997)	(6,108)	144,557	26,726
Income (Loss) before Contributions and Transfers	3,078,425	(174,504)	151,756	198,852
Capital Contributions	-	217,666	-	-
Transfers In	-	50,000	-	-
Transfers Out	(862,422)	(32,700)	(199,800)	(49,100)
Changes in Net Position	2,216,003	60,462	(48,044)	149,752
NET POSITION:				
Net Position, Beginning, as Previously Reported	71,253,129	1,325,098	764,856	5,072,376
Change in Accounting Principle	(33,652)	(9,234)	(1,580)	(30,009)
Net Position - Beginning, as Restated	71,219,477	1,315,864	763,276	5,042,367
Net Position - Ending	$ 73,435,480	$ 1,376,326	$ 715,232	$ 5,192,119

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Grays Bay Marina	Storm Water	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:				
Water Sales and Sewer Charges	$ -	$ -	$ 15,402,804	$ -
Storm Water Charges	-	2,599,644	2,599,644	-
Ice Rental Charges	-	-	597,391	-
Memberships and Fees	115,785	-	2,764,432	-
Recycling Charges	-	-	827,823	-
Charges to City Departments	-	-	-	2,277,695
Other Revenue	164,162	-	2,320,119	75,982
Total Operating Revenues	279,947	2,599,644	24,512,213	2,353,677
OPERATING EXPENSES:				
Personal Services	27,881	179,648	4,427,589	510,546
Supplies, Repairs and Maintenance	114,316	79,013	1,470,092	866,897
Other Services and Charges	55,985	621,455	9,314,622	875,026
Total Operating Expenses	198,182	880,116	15,212,303	2,252,469
Operating Income (Loss) before Depreciation	81,765	1,719,528	9,299,910	101,208
Depreciation Expense	24,651	959,217	5,310,134	-
Operating Income (Loss)	57,114	760,311	3,989,776	101,208
NONOPERATING REVENUES (EXPENSES):				
Investment Income (Loss)	11,019	73,864	504,694	45,150
Intergovernmental	-	-	139,002	-
Interest Expense	-	-	(325,592)	-
Bond Issuance Costs	-	-	(151,043)	-
Total Nonoperating Revenues (Expenses)	11,019	73,864	167,061	45,150
Income (Loss) before Contributions and Transfers	68,133	834,175	4,156,837	146,358
Capital Contributions	-	-	217,666	-
Transfers In	-	-	50,000	-
Transfers Out	(11,500)	(145,300)	(1,300,822)	-
Changes in Net Position	56,633	688,875	3,123,681	146,358
NET POSITION:				
Net Position, Beginning, as Previously Reported	867,353	30,067,799		2,498,534
Change in Accounting Principle	(707)	(2,696)		(8,709)
Net Position - Beginning, as Restated	866,646	30,065,103		2,489,825
Net Position - Ending	$ 923,279	$ 30,753,978		$ 2,636,183
Adjustment to Reflect the Consolidation of Internal Service Fund Activities to Enterprise Funds (See Note 2.D.)			84,502	
Change in Net Position - Business-Type Activities			$ 3,208,183	

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2018

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
CASH FLOWS - OPERATING ACTIVITIES:				
Receipts from Customers and Users	$ 15,265,247	$ 629,540	$ 821,073	$ 2,670,293
Receipts from Interfund Services Provided	-	-	-	-
Other Revenues	1,793,728	269,525	1,509	91,195
Payments to Suppliers	(7,543,731)	(373,684)	(751,451)	(769,671)
Payments to Employees	(1,844,545)	(473,968)	(81,463)	(1,525,311)
Payments of Benefits on Behalf of Employees	-	-	-	-
Net Cash Flows - Operating Activities	7,670,699	51,413	(10,332)	466,506
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental	9,840	-	129,162	-
Due to/from Other Funds	62,605	(62,605)	-	-
Transfers to Other Funds	(862,422)	(32,700)	(199,800)	(49,100)
Transfers from Other Funds	-	50,000	-	-
Net Cash Flows - Noncapital Financing Activities	(789,977)	(45,305)	(70,638)	(49,100)
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(6,028,674)	-	-	(243,848)
Advances from Other Funds	-	-	-	(94,500)
Proceeds from Bonds Issued	10,000,000	-	-	-
Principal Paid on Capital Debt	(875,000)	-	-	-
Interest and Fiscal Charges Paid on Capital Debt	(397,336)	-	-	-
Net Cash Flows - Capital and Related Financing Activities	2,698,990	-	-	(338,348)
CASH FLOWS - INVESTING ACTIVITIES:				
Purchase of Investments	51,301,354	-	1,609,741	2,951,737
Sale of Investments	(40,693,101)	-	(1,048,706)	(2,054,344)
Interest and Dividends Received	306,656	(6,108)	12,621	22,034
Net Cash Flows - Investing Activities	10,914,909	(6,108)	573,656	919,427
Net Change in Cash and Cash Equivalents	20,494,621	-	492,686	998,485
Cash and Cash Equivalents, January 1	2,535,129	-	109,382	180,926
Cash and Cash Equivalents, December 31	$ 23,029,750	$ -	$ 602,068	$ 1,179,411

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Grays Bay Marina	Storm Water	Total Enterprise Funds	Total Internal Service Funds
CASH FLOWS - OPERATING ACTIVITIES:				
Receipts from Customers and Users	$ 109,050	$ 2,608,322	$ 22,103,525	$ -
Receipts from Interfund Services Provided	-	-	-	2,281,553
Other Revenues	164,162	-	2,320,119	75,982
Payments to Suppliers	(170,375)	(55,777)	(9,664,689)	(1,182,458)
Payments to Employees	(34,358)	(134,893)	(4,094,538)	(447,180)
Payments of Benefits on Behalf of Employees	-	-	-	(492,631)
Net Cash Flows - Operating Activities	68,479	2,417,652	10,664,417	235,266
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental	-	-	139,002	-
Due to/from Other Funds	-	-	-	-
Transfers to Other Funds	(11,500)	(145,300)	(1,300,822)	-
Transfers from Other Funds	-	-	50,000	-
Net Cash Flows - Noncapital Financing Activities	(11,500)	(145,300)	(1,111,820)	-
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	-	(1,662,044)	(7,934,566)	-
Advances from Other Funds	-	-	(94,500)	-
Proceeds from Bonds Issued	-	-	10,000,000	-
Principal Paid on Capital Debt	-	-	(875,000)	-
Interest and Fiscal Charges Paid on Capital Debt	-	-	(397,336)	-
Net Cash Flows - Capital and Related Financing Activities	-	(1,662,044)	698,598	-
CASH FLOWS - INVESTING ACTIVITIES:				
Purchase of Investments	1,322,898	8,783,522	65,969,252	6,375,148
Sale of Investments	(932,946)	(6,331,387)	(51,060,484)	(4,472,439)
Interest and Dividends Received	9,117	61,280	405,600	40,572
Net Cash Flows - Investing Activities	399,069	2,513,415	15,314,368	1,943,281
Net Change in Cash and Cash Equivalents	456,048	3,123,723	25,565,563	2,178,547
Cash and Cash Equivalents, January 1	79,562	511,163	3,416,162	389,049
Cash and Cash Equivalents, December 31	$ 535,610	$ 3,634,886	$ 28,981,725	$ 2,567,596

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(Continued)

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Utilities	Ice Arena	Environmental	Williston Fitness Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES:				
Operating Income (Loss)	$ 3,161,422	$ (168,396)	$ 7,199	$ 172,126
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities				
Depreciation Expense	3,998,339	168,908	-	159,019
Accounts Receivable	(77,034)	31,668	(6,750)	-
Prepaid Items	-	-	-	-
Due from Other Governments	-	-	-	-
Special Assessments Receivable	(60,523)	-	-	-
Inventories	23,340	-	-	-
OPEB (Deferred Outflow)	(43,731)	(11,999)	(2,053)	(38,997)
Pensions (Deferred Outflow)	82,012	29,205	5,227	80,272
Accounts Payable	454,477	5,518	(5,715)	(2,212)
Salaries and Wages Payable	10,686	2,283	366	628
Compensated Absences Payable	4,905	5,296	-	8,093
Unfunded OPEB Obligation	59,886	20,360	(1,581)	104,684
Net Pension	(4,533)	(39,274)	(7,977)	(72,612)
Pensions (Deferred Inflow)	61,453	7,363	952	33,859
Unearned Revenue	-	481	-	21,646
Total Adjustments	4,509,277	219,809	(17,531)	294,380
Net Cash Flows - Operating Activities	$ 7,670,699	$ 51,413	$ (10,332)	$ 466,506
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decline) in Fair Value of Investments	$ 5,359	$ (793)	$ 1,572	$ 1,995
Amortization of Bond Premium	38,409	-	-	-
Capital Contributions	-	217,666	-	-
Total Noncash Transactions	$ 43,768	$ 216,873	$ 1,572	$ 1,995
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and Investments	$ 29,281,750	$ -	$ 757,681	$ 1,500,076
Less: Investments not Meeting the Definition of Cash Equivalents	(6,252,000)	-	(155,613)	(320,665)
Total Cash and Cash Equivalents	$ 23,029,750	$ -	$ 602,068	$ 1,179,411

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2018
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Grays Bay Marina	Storm Water Fund	Total Enterprise Funds	Total Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES:				
Operating Income (Loss)	$ 57,114	$ 760,310	$ 3,989,775	$ 101,208
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities				
Depreciation Expense	24,651	959,217	5,310,134	-
Accounts Receivable	-	8,678	(43,438)	(12,661)
Prepaid Items	-	-	-	(82,804)
Due from Other Governments	-	-	-	3,858
Special Assessments Receivable	-	-	(60,523)	-
Inventories	-	-	23,340	10,625
OPEB (Deferred Outflow)	(919)	(3,503)	(101,202)	(2,608)
Pensions (Deferred Outflow)	2,957	(1,808)	197,865	20,536
Accounts Payable	(74)	644,691	1,096,685	151,674
Salaries and Wages Payable	33	246	14,242	2,851
Compensated Absences Payable	-	-	18,294	10,473
Unfunded OPEB Obligation	2,223	8,745	194,317	11,640
Net Pension	(9,418)	30,651	(103,163)	3,355
Pensions (Deferred Inflow)	(1,353)	10,425	112,699	17,119
Unearned Revenue	(6,735)	-	15,392	-
Total Adjustments	11,365	1,657,342	6,674,642	134,058
Net Cash Flows - Operating Activities	$ 68,479	$ 2,417,652	$ 10,664,417	$ 235,266
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decline) in Fair Value of Investments	$ 800	$ 4,462	$ 13,395	$ 4,094
Amortization of Bond Premium	-	-	38,409	-
Capital Contributions	-	-	217,666	-
Total Noncash Transactions	$ 800	$ 4,462	$ 269,470	$ 4,094
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and Investments	$ 680,825	$ 4,620,385	$ 36,840,717	$ 3,263,728
Less: Investments not Meeting the Definition of Cash Equivalents	(145,215)	(985,499)	(7,858,992)	(696,132)
Total Cash and Cash Equivalents	$ 535,610	$ 3,634,886	$ 28,981,725	$ 2,567,596

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
December 31, 2018

	Private-Purpose Trust	Agency
ASSETS:		
Cash and Investments	$ 288,880	$ 1,810,369
Interest Receivable	1,284	-
Total Assets	290,164	$ 1,810,369
LIABILITIES:		
Accounts Payable	833	$ 1,810,369
Total Liabilities	833	$ 1,810,369
NET POSITION:		
Net Position, Held in Trust for Other Purposes	$ 289,331	

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MINNETONKA
Hennepin County, Minnesota

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended December 31, 2018

ADDITIONS:		
Contributions from Participants	$	14,677
Investment Earnings		
Interest		4,810
Total Additions		19,487
DEDUCTIONS:		
Benefits		5,549
Change in Net Position		13,938
Net Position - January 1		275,393
Net Position - December 31	$	289,331

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City was formed and operates pursuant to applicable Minnesota laws and statutes. The governing body consists of a mayor and a six member City Council with four members elected by wards and two members elected at large by voters of the City to serve four year staggered terms.

In accordance with Governmental Accounting Standards Board (GASB) guidance regarding *The Reporting Entity*, the financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and the City is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization, or if there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined in accordance with GASB guidance and are presented in this report as follows:

- Blended Component Unit – Reported as if they were a part of the City
- Joint Ventures and Jointly Governed Organizations – The relationship of the City with the joint venture is disclosed

For each of the categories above, the specific entities are identified as follows:

Blended Component Unit

Economic Development Authority in and for the City of Minnetonka

The Economic Development Authority (EDA) is a legally separate advisory board to the City Council regarding economic development, housing and redevelopment matters. All debt issued (if any) in connection with EDA advisory activities requires the prior approval of the City Council, all projects require City Council approval and all debt issued (if any) is solely a general obligation of the City. All of the services provided by the EDA are solely for the City; therefore, it is reported as if it were part of the City and is shown as a blended component unit. The EDA has a December 31 year-end and does not issue Financial Statements. This unit is included within the Housing & Redevelopment Authority Special Revenue Fund.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Joint Ventures and Jointly Governed Organizations

The City has several agreements with governmental and other entities which provide reduced costs, better service and additional benefits to the participants. These programs, which the City participates in, are listed below and amounts recorded within the current year financial statements are disclosed.

1. Southwest Suburban Cable Commission (a Jointly Governed Organization)

Five local cities oversee the franchise agreement with Time/Warner Cable, the local cable company. The Southwest Suburban Cable Commission (Commission) is legally separate; the City does not appoint a voting majority of the Board; and the Commission is fiscally independent of the City. During 2018, the City contributed approximately $47,600 to the Commission, which is included as an expenditure in the Special Revenue – Cable TV Fund, a nonmajor fund included with the City's other nonmajor governmental funds. Financial information can be obtained at 1010 First Street South, Hopkins, Minnesota 55343.

2. LOGIS (a Jointly Governed Organization)

This consortium of approximately 20 governmental entities provides computerized data processing and support services to its members. LOGIS is legally separate; the City does not appoint a voting majority of the Board; and the consortium is fiscally independent of the City. During 2018, the City paid $1,014,203 to this organization for services provided, which is included as expenditures/expenses of the General, Water and Sewer Utility, Capital Replacement and Technology Development Funds. Financial information can be obtained at 5750 Duluth Street, Golden Valley, Minnesota 55422-4036.

3. LOGIS Insurance Group (a Jointly Governed Organization)

This group provides cooperative purchasing of health and life insurance benefits for approximately 44 governmental entities. The total amount paid in 2018 was approximately $2,348,300 for services provided, which includes the employee's contribution as well as the City's contribution. Financial information can be obtained at 5750 Duluth Street, Golden Valley, Minnesota 55422-4036.

4. Independent School District 270 (Hopkins Schools) Joint Venture

The City and Hopkins Schools entered into an agreement to jointly fund the Lindbergh Activity Center that was completed in 1996 at Hopkins High School. The facility is owned jointly by Hopkins Schools and the City as tenants-in-common, 71% and 29%, respectively. The City is responsible for 29% of the operating costs. The City has included $1,421,000 in capital assets as its share of the Lindbergh Activity Center. The City's share of the operating costs of the Lindbergh Activity Center for 2018 was approximately $106,900, which is included in parks and recreation expenditures of the General Fund. Financial information can be obtained at 1001 West Highway 7, Hopkins, Minnesota 55305.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Joint Ventures and Jointly Governed Organizations (Continued)

5. Independent School District 276 (Minnetonka Schools) Joint Venture

The City and Minnetonka Schools entered into an agreement to jointly fund a cultural arts center in 2000 at Minnetonka High School. At that time, the facility was jointly owned by Minnetonka Schools and the City as tenants-in-common, 55% and 45%, respectively, with the City being responsible for 50% of the annual operating costs. On July 1, 2009 the joint venture agreement was modified to accommodate Minnetonka Schools purchasing the City's share of the facility over the next seven years. In return, the City will not be responsible for any future operating and capital expenditures, and will also maintain a guaranteed number of rehearsal hours through a 20-year operating lease with Minnetonka Schools. The City's operating lease cost for 2018 was $ 51,000.

The City accounts for this investment as a joint venture in the government-wide financial statements. The joint venture does not represent current financial resources and is therefore not reported in the governmental funds. In 2015, the final payment was made bringing the balance due in this joint venture to zero. Financial information can be obtained at 5621 County Road 101, Minnetonka, Minnesota 55345.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. The Fiduciary Funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, which include the Fiduciary Funds which utilize accrual basis but do not have a measurement focus.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Description of Funds:

Major Governmental Funds:

General Fund – This Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Capital Project Funds

Community Investment Fund – This Fund accounts for the government's residuals from special assessment funds where the bond has been retired. Expenditures from this fund are for projects that have a government-wide benefit.

Special Assessment Construction Fund – This Fund accounts for the proceeds of bonds sold for the purpose of water, sewer and street construction.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Major Governmental Funds: (Continued)

Capital Project Funds (Continued)

State Municipal Aid Fund – This Fund accounts for the revenues and expenditures related to the construction of county state-aid roads and the municipal state-aid street system.

Street Improvement Fund – This Fund accounts for the revenues and expenditures related to the reconstruction and maintenance of the local street system.

Major Proprietary Funds:

Water and Sewer Utilities Fund – This Fund accounts for the operations of the City's water and sewer services.

Ice Arena Fund – This Fund accounts for the operations of the City's ice arena.

Environmental Fund – This Fund accounts for the operations of the City's recycling services.

Williston Fitness Center Fund – This Fund accounts for the operations of the City's fitness center.

Grays Bay Marina Fund – This Fund accounts for the operations of the City's marina.

Storm Water Fund – This Fund accounts for the operations of the City's storm drainage services.

Additionally, the City reports the following fund types:

Internal Service Funds – These Funds account for the risk management and fleet maintenance provided to other departments of the City on a cost-reimbursement basis.

Private Purpose Trust Funds – These Funds account for resources legally held in trust for others. The City's three stewardship trust funds are used to account for the collection and remittance of contributions for the maintaining of wetlands in each specific development area.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Additionally, the City reports the following fund types: (Continued)

Agency Fund – This fund is custodial in nature and does not present results of operations or have a measurement focus. The Escrow agency fund is used to account for various deposits, mainly contractor deposits used to ensure the installment and maintenance of erosion and sediment control measures, required by the City.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's public utility fund, internal service funds, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. General revenues include all taxes, franchise fees and investment income.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. 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 non-operating revenues and expenses.

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

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity

1. Deposits and Investments

The government'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.

Minnesota Statutes require all deposits made by cities with financial institutions to be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity (Continued)

1. Deposits and Investments (Continued)

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

The City's investment policy has addressed concentration risk as to diversification and is required to limit potential losses to no more than the income generated by the portfolio. The City's policy also addresses interest rate risk by limiting the average maturity life of the portfolio to no greater than five years unless a specific exemption is required to match specific cash flows.

Unless a specific exception is provided, the maximum average life of the portfolio, excluding investable funds from the Community Investment Fund, will be five years or below. The City will also not purchase investments that, at the time of the investment, cannot be held to maturity. In addition, the policy states the City will handle its investment transactions with several legal, competing, reputable investment security dealers. The City's policy addresses credit risk by stating investments in commercial paper must have a security rating of A-1 (Moody's), P-1 (Standard & Poor's) or F-1 (Fitch) among at least two of the three rating agencies. The City's policy also addresses exposure to custodial credit risk; stating collateral shall be government securities in the amount of 110% of the excess over the current FDIC insurance amount of $250,000.

Investments for the government are reported at fair value. The Minnesota Municipal Investment Pool is regulated by *Minnesota Statutes* and the Board of Directors of the League of Minnesota Cities and is an unrated external investment pool that is valued at amortized cost with maturities of investments of one year or less.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as advances to/from other funds. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity (Continued)

2. Receivables and Payables (Continued)

The City levies its property tax for the subsequent year during the month of December. December 29 is the last day the City can certify a tax levy to the County Auditor for collection during the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available.

Hennepin County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment is due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

3. Inventory and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

Inventories of the governmental funds are valued at average cost using the weighted average method. Inventories of the proprietary funds are valued at the lower of average cost using the weighted average method or market. Inventories of governmental funds are recorded as expenditures when consumed rather than purchased.

4. Use of Estimates

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

5. Capital Assets

Capital assets, which include; property, plant, equipment and infrastructure assets (i.e., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and enterprise funds in the proprietary fund statements. Capital assets are defined as assets with an initial cost of more than $10,000 or $100,000 depending on the asset type and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity (Continued)

5. Capital Assets (Continued)

Building and Structures	$ 25,000
Improvements other than Buildings	100,000
Machinery and Auto; Furniture and Equipment	10,000
Infrastructure	
Streets	100,000
Parks	100,000
Storm Sewer System	100,000
Water & Sanitary Sewer Systems	100,000
Intangible Assets	100,000

Infrastructure has been capitalized retroactively to 1980. Carrying value of prior infrastructure assets is considered to be insignificant to the overall value of capital assets of the City. Donated capital assets are recorded at acquisition value at the date of donation. It is the City's policy to not capitalize computer software or equipment. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

The City's capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and Structures	40
Improvements other than Buildings	10-30
Machinery and Auto; Furniture and Equipment	5-15
Infrastructure	
Streets	35
Parks	20
Storm Sewer System	50
Water & Sanitary Sewer Systems	40

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until a future event occurs.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity (Continued)

6. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until a future event occurs.

7. Compensated Absences

Under terms of union contracts and personnel policies, the City's employees are granted vacations in varying amounts depending on length of service and union contract or employee classification. All full-time employees accumulate eight hours of sick leave per month of service. Upon termination, employees are paid for all unused vacation up to a maximum of 280 hours, depending on years of service. Severance pay is the greater of 1/3 of unused sick leave or 4 weeks of pay plus 1 week of pay for every year of service over 10 years, up to a maximum of 13 weeks, provided the employee is eligible to receive severance pay per the City's personnel policy.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize non-current liabilities to the extent they have matured or will be liquidated with expendable, available financial resources. Bond premiums and discounts are recognized 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.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from the PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity (Continued)

10. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Non Spendable – consists of amounts that are not in spendable form, such as inventory.
Restricted – consist of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
Committed – consists of internally imposed constraints. These constraints are established by Resolution of the City Council. Only the Council can remove or change the constraints placed on committed fund balances by formal resolution.
Assigned – Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. The City Council authorized the City Manager and itself to assign fund balance as necessary. These constraints are established by City Council and/or the City Manager.
Unassigned – the residual classification for the General Fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

The City Council has formally adopted a fund balance policy for the General Fund. The City's policy is that the City Manager will assign in the annual budget a *Budget Stabilization Reserve*, which is an amount equivalent to thirty (30) to fifty (50) percent of the following year's operating budget. If the level of the *Budget Stabilization Reserve* falls below thirty (30) percent of the following year's operating budget, the City will develop and implement a plan to replenish the fund.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "internal service funds are used by management to charge the costs of providing risk management and fleet maintenance for the City." The details of this $2,349,640 difference are as follows:

Net Position of the Internal Service Fund	$ 2,636,183
Subtract: Net Position Attributed to the Business-Type Activities	(286,543)
Net Adjustment to Increase *Fund Balance - Total Governmental Funds* to Arrive at *Net Position - Governmental Activities*	$ 2,349,640

B. Explanation of Certain Differences between the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balance – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this $1,290,348 difference are as follows:

Principal Repayments:	
General Obligation Debt	$ 1,260,000
Amortization of Bond Discounts and Premiums:	
General Obligation Debt - Net	30,348
Net Adjustment to Increase *Net Changes in Fund Balances - Total Governmental Funds* to Arrive at *Changes in Net Position of Governmental Activities*	$ 1,290,348

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences between the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that "Internal Service Funds are used by management to charge the costs of providing risk management and fleet maintenance for the City." The details of this $61,856 difference are as follows:

Change in Net Position of the Internal Service Fund	$ 146,358
Subtract: Gain from Charges to Business-Type Activities	(84,502)
Net Adjustment to Increase *Net Change in Fund Balances - Total Governmental Funds* to Arrive at *Changes in Net Position of Governmental Activities*	$ 61,856

C. Explanation of Certain Differences between the Proprietary Fund Statements of Net Position and the Government-Wide Statement of Net Position

The proprietary fund statement of net position includes a reconciliation between net position – total enterprise funds and net position of business-type activities as reported in the government-wide statement of net position. The description of the sole reconciliation is "adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this $286,543 are as follows:

Internal Payable Representing Charges in Excess of Costs to Business-Type Activities - Prior Year	$ 202,041
Internal Payable Representing Costs in Excess of Charges to Business-Type Activities - Current Year	84,502
Net Adjustment to Increase *Net Position - Total Enterprise Funds* to Arrive at *Net Position - Business-Type Activities*	$ 286,543

D. Explanation of Certain Differences between the Proprietary Fund Statements of Revenues, Expenses, and Changes in Fund Net Position and the Government-Wide Statement of Activities

The proprietary fund statement of revenues, expenses, and changes in fund net position includes a reconciliation between change in net position – total enterprise funds and change in net position of business-type activities as reported in the government-wide statement of activities. The description of the sole reconciliation is "adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this $84,502 are as follows:

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

D. Explanation of Certain Differences between the Proprietary Fund Statements of Revenues, Expenses, and Changes in Fund Net Position and the Government-Wide Statement of Activities (Continued)

Gain from Charges to Business-Type Activities	$ 84,502
Net Adjustment to Increase *Net Change in Net Position - Total Enterprise Funds* to Arrive at *Changes in Net Position of Business-Type Activities*	$ 84,502

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the General and Special Revenue Funds.

Budget amounts for the originally adopted budget and the final amended budget are approved by the City Council. Encumbrance accounting is employed in the governmental funds. Encumbrances outstanding at year end are reported as restrictions of fund balance and do not constitute expenditures of liabilities because the commitments will be reapportioned and honored during the subsequent year. Budgeted expenditure appropriations lapse at year-end.

The City follows these procedures in establishing the budgetary data reflected in the enclosed financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for all funds of the City. However, the General and Special Revenue Funds are the only funds that are legally adopted through the budgetary process as documented below.
2. Public hearings are conducted to obtain taxpayer comments.
3. The preliminary budget is legally enacted through passage of a City Council resolution by September 15.
4. The final budget is legally enacted through passage of a resolution by December 20.
5. The City Council may authorize transfer of budgeted amounts between funds.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

7. General and Special Revenue Funds expenditures may not legally exceed budgeted appropriations at the total fund level without City Council approval. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, other services and charges, capital outlay) within each activity. Budgetary monitoring, by departments or divisions and by category, is required by the City Charter. Management may alter the budget within a fund but cannot exceed the total budgeted expenditures for the fund that was approved by the City Council.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2018, expenditures exceeded appropriations in the following funds:

Grants Fund	$ 22,936
Police Forfeiture Fund	41,414
Shady Oak Lane Cemetary	1,150

These over-expenditures were funded by greater than expected revenues in each of these funds and existing fund balance.

C. Deficit Fund Equity

The State Municipal Aid Capital Projects Fund had a deficit fund balance of $2,142,033 as of December 31, 2018. This fund incurred expenditures in excess of revenues and other financing sources due to various open street reconstruction projects. Future years Municipal State-Aid allocations are scheduled to cover the deficit fund balance. In addition, the Special Revenue Grants Fund and the Public Safety Capital Project fund had deficit fund balances of $39,590 and $33,784, respectively, due to cash flow timing that will be offset with fiscal year 2019 revenues.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2018, the City's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the government's name.

As of December 31, 2018, the City had deposits as follows:

Checking	$ 657,957
Total Deposits	$ 657,957

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Investments

As of December 31, 2018, the City had the following investments:

	Investment Maturities (In Years)			
Investment Type	Fair Value	5 Years or Less	Over 5 Years	Ratings
FHLB	$ 24,711,828	$ 22,741,788	$ 1,970,040	AAA
FHLMC	16,843,940	15,841,200	1,002,740	AAA
FNMA	16,520,898	16,520,898	-	AAA
FNMAP	1,220,493	1,220,493	-	N/A
PEFCO	1,494,015	1,494,015	-	AAA
REFCORP	1,914,820	1,914,820	-	AAA
FFCB	5,229,285	4,249,065	980,220	AAA
Broker CD's	23,221,819	23,221,819	-	Not Rated
Municipal Bonds	13,646,745	10,600,029	3,046,716	AA/Aa2
4-M	30,872,968	30,872,968	-	Not Rated
	$ 135,676,811	$ 128,677,095	$ 6,999,716	

Interest Rate Risk: In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturities of its portfolio. Unless a specific exception is provided, the maximum average life of the portfolio, excluding investable funds from the Community Investment Fund, will be five years or below. For 2018, the average life of the City's portfolio was 1.9 years made up of $128,677,095 of investments maturing in 5 years or less and $6,999,716 maturing in excess of five years.

The $6,999,716 of investments maturing in excess of five years is covered by $21,025,547 held in the Community Investment Fund and is within the City's investment policy limit. Also, no investments have maturities of more than 10 years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The City invests with the 4M fund which is regulated by *Minnesota Statutes* and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unrated external investment pool that is valued at amortized cost and does not restrict or limit withdrawals made by the City. The City also invests in other brokered CD's and money market accounts where investments with maturities of less than one year being valued at amortized cost, and investments with maturities greater than one year being valued based on quoted prices of similar investments. As of December 31, 2018, the City's investments are rated in the above table.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk: The risk of loss attributed to the magnitude of the City's investments in a single issuer. The City places limits on the amount that may be invested in any one issuer according to Minnesota Statute 118A. As of December 31, 2018, more than 5 percent of the City's investments are held in FHLMC, FHLB and FNMA. These investments are 12%, 18% and 12%, respectively, of the City's total investments and fall within the allowable 70% maximum allowable holdings of these types of investments.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investments are insured by SIPC or other supplemental insurance, held in the City's name by the counter party as of December 31, 2018. However, each investment brokerage firm may have a limit to their supplemental insurance and because of the size of the City's portfolio in relation to the brokerage firm's excess SIPC coverage limits, there is a risk the City would not receive its entire portfolio holdings if a brokerage firm should fail.

Summary of cash, deposits and investments as of December 31, 2018:

Petty Cash	$ 18,400
Deposits	657,957
Investments	135,676,811
Total	$ 136,353,168

Cash, deposits and investments are presented in the December 31, 2018 basic financial statements as follows:

Statement of Net Position:	
Cash and Investments (Including Cash Equivalents)	$ 134,253,919
Statement of Fiduciary Net Position:	
Cash and Investments (Including Cash Equivalents)	
Private-Purpose Trust Funds	288,880
Agency Funds	1,810,369
Total Deposits and Investments	$ 136,353,168

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Investments (Continued)

Fair Value measurement: The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and requires expanded disclosures about fair value measurements.

In accordance with this standard, the City has categorized its investments based on the priority of the inputs to the valuation technique into a three level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset.

As of December 31, 2018 the City's investments fall into the following categories of fair value and are reported using market closing prices.

	Level 1	Level 2	Level 3	Total
U.S Agencies and Treasury Notes	$ -	$67,935,279	$ -	$ 67,935,279
Municipal Bonds	-	$13,646,745	-	13,646,745
Broker Certificates of Deposit	-	9,761,207	-	9,761,207
	$ -	$91,343,231	$ -	91,343,231
Investments measured at amortized cost				44,333,580
Total				$ 135,676,811

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 21,495,870	$ 760,154	$ -	$ 22,256,024
Construction in Progress	11,277,820	12,054,949	(8,752,341)	14,580,428
Total Capital Assets, Not Being Depreciated	32,773,690	12,815,103	(8,752,341)	36,836,452
Capital Assets, Being Depreciated:				
Buildings and Structures	22,384,556	106,756	-	22,491,312
Improvements Other Than Buildings	8,199,409	-	-	8,199,409
Furniture and Equipment	3,355,170	16,097	-	3,371,267
Machinery and Auto	10,727,912	1,361,664	(515,624)	11,573,952
Infrastructure:				
Streets	93,821,027	8,884,359	-	102,705,386
Park Additions	17,275,795	-	-	17,275,795
Total Capital Assets, Being Depreciated	155,763,869	10,368,876	(515,624)	165,617,121
Less Accumulated Depreciation for				
Buildings and Structures	(15,507,514)	(438,512)	-	(15,946,026)
Improvements Other Than Buildings	(6,193,120)	(107,268)	-	(6,300,388)
Furniture and Equipment	(2,226,974)	(237,654)	-	(2,464,628)
Machinery and Auto	(5,522,578)	(1,221,398)	484,555	(6,259,421)
Infrastructure:				
Streets	(44,762,482)	(2,714,245)	-	(47,476,727)
Park Additions	(5,160,089)	(520,756)	-	(5,680,845)
Total Accumulated Depreciation	(79,372,757)	(5,239,833)	484,555	(84,128,035)
Total Capital Assets, Being Depreciated, Net	76,391,112	5,129,043	(31,069)	81,489,086
Governmental Activities Capital Assets, Net	$ 109,164,802	$17,944,146	$(8,783,410)	$ 118,325,538

Depreciation expense for governmental activities was charged to functions/programs of the government as follows:

General Government	$ 126,421
Development Services	29,956
Public Works	3,360,281
Public Safety	870,021
Parks and Recreation	853,154
Total Depreciation Expense	$ 5,239,833

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 1,412,611	$ -	$ -	$ 1,412,611
Construction in Progress	7,956,229	6,939,967	(7,968,917)	6,927,279
Total Capital Assets, Not Being Depreciated	9,368,840	6,939,967	(7,968,917)	8,339,890
Capital Assets, Being Depreciated:				
Buildings and Structures	23,056,472	480,502	-	23,536,974
Improvements Other Than Buildings	4,202,388	-	-	4,202,388
Water Facilities	5,266,562	-	-	5,266,562
Machinery and Equipment	7,663,600	1,092,953	(279,935)	8,476,618
Sewer Lift Stations	3,987,512	-	-	3,987,512
Distribution System	135,374,349	5,845,652	-	141,220,001
Storm Sewers	40,096,205	2,123,265	-	42,219,470
Total Capital Assets, Being Depreciated	219,647,088	9,542,372	(279,935)	228,909,525
Less Accumulated Depreciation for				
Buildings and Structures	(12,162,771)	(484,799)	-	(12,647,570)
Improvements Other Than Buildings	(1,536,152)	(164,369)	-	(1,700,521)
Water Facilities	(3,661,573)	(83,768)	-	(3,745,341)
Machinery and Equipment	(5,537,110)	(373,889)	316,078	(5,594,921)
Sewer Lift Stations	(2,613,999)	(103,012)	-	(2,717,011)
Distribution System	(83,240,396)	(3,198,799)	-	(86,439,195)
Storm Sewers	(17,536,536)	(901,498)	-	(18,438,034)
Total Accumulated Depreciation	(126,288,537)	(5,310,134)	316,078	(131,282,593)
Total Capital Assets, Being Depreciated, Net	93,358,551	4,232,238	36,143	97,626,932
Business-Type Activities Capital Assets, Net	$ 102,727,391	$11,172,205	$(7,932,774)	$ 105,966,822

Depreciation expense for business-type activities was charged to functions/programs of the government as follows:

Water and Sewer Utilities	$ 3,998,339
Ice Arena	168,908
Williston Fitness Center	159,019
Grays Bay Marina	24,651
Storm Water Fund	959,217
Total Depreciation Expense	$ 5,310,134

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Leases

Effective July 1, 2009, the City entered into a 20-year operating lease with Minnetonka School District to provide space within the Arts Center for an operational home for Music Association of Minnetonka (MAM). The lease can be terminated with at least one year's written notice. The total cost of the operating lease for the year ended December 31, 2018 was $51,000. The future minimum lease payments for the lease are as follows:

Years Ending December 31,	Amount
2019	57,600
2020	57,600
2021	57,600
2022	57,600
2023	57,600
2024-2028	288,000
Total	$ 576,000

E. Long-Term Debt

1. General Obligation Bonds

The City issues General Obligation (G.O.) Bonds to provide for financing of park improvements and municipal state-aid road improvements. G.O. Bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal debt service payments each year.

2. Revenue Bonds

The City has issued revenue bonds for water improvements. Debt service is covered through the revenue producing activities of the Water and Utilities Fund.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (Continued)

3. Components of Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Interest Rates/ Final Maturity Date	Balance at January 1, 2018	Issued	Retired	Balance at December 31, 2018	Due Within One Year
Governmental Activities:						
Bonds Payable:						
General Obligation State-Aid Street Bonds, Series 2008A	3.25 - 4% / 4/1/2024	$ 1,070,000	$ -	$ 125,000	$ 945,000	$ 150,000
General Obligation Open Space and Park Improvement Bonds, Series 2008B	3.25 - 4% / 2/1/2020	1,410,000	-	150,000	1,260,000	620,000
General Obligation Open Space and Park Improvement Refunding Bonds, Series 2010A	2.00 - 3% / 2/1/2018	410,000	-	410,000	-	-
General Obligation Open Space and Park Refunding Bonds, Series 2012A	1.00 - 2% / 2/1/2020	1,115,000	-	365,000	750,000	375,000
General Obligation Open Space and Park Improvement Bonds, Series 2016B	2.00% / 2/1/2027	2,440,000	-	210,000	2,230,000	230,000
Unamortized Bond Premium		153,048	-	30,424	122,624	-
Unamortized Bond Discount		(156)	-	(76)	(80)	-
Total G.O. Bonds, net		6,597,892	-	1,290,348	5,307,544	1,375,000
Compensated Absences		2,906,092	2,088,932	1,849,024	3,146,000	1,849,024
Governmental Activity Long-Term Liabilities		$ 9,503,984	$ 2,088,932	$ 3,139,372	$ 8,453,544	$ 3,224,024
Business-Type Activities:						
Bonds Payable:						
General Obligation Water Revenue Refunding Bonds, Series 2012A	1.00 - 2% / 2/1/2020	$ 845,000	$ -	$ 275,000	$ 570,000	$ 280,000
General Obligation Utility Revenue Refunding Bonds, Series 2016A	2.00 - 2.35% / 2/1/2036	10,000,000	-	335,000	9,665,000	450,000
General Obligation Utility Improvement Bonds, Series 2016B	2.00 - 2.1% / 2/1/2036	7,560,000	-	265,000	7,295,000	340,000
General Obligation Utility Improvement Bonds, Series 2018A	3.00 - 3.38 % / 2/1/2040	-	10,000,000	-	10,000,000	-
Unamortized Bond Premium		431,957	330,125	38,409	723,673	-
Total Revenue Bonds, net		18,836,957	10,330,125	913,409	28,253,673	1,070,000
Compensated Absences		330,911	218,183	199,890	349,204	137,578
Business-Type Activity Long-Term Liabilities		$ 19,167,868	$ 10,548,308	$ 1,113,299	$ 28,602,877	$ 1,207,578

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (Continued)

3. Components of Long-Term Liabilities (Continued)

For the governmental activities, compensated absences, pension and postemployment obligations are generally liquidated by the General Fund.

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, compensated absences, which are reported in the internal service funds, are included in the above amounts.

Maturities of bonds payable for the next five years and in the aggregate thereafter are as follows:

	G.O. Bonds Governmental Activities		Revenue Bonds Business-Type Activities		
Years Ending December 31	Principal	Interest	Principal	Interest	Total
2019	1,375,000	125,300	1,070,000	346,768	$ 2,917,068
2020	1,395,000	83,009	1,100,000	823,267	3,401,276
2021	385,000	55,950	1,160,000	660,268	2,261,218
2022	385,000	45,300	1,195,000	626,868	2,252,168
2023	420,000	34,050	1,230,000	592,118	2,276,168
2024-2028	1,225,000	46,050	6,700,000	2,404,838	10,375,888
2029-2033	-	-	7,555,000	1,529,501	9,084,501
2034-2038	-	-	6,205,000	614,606	6,819,606
2039-2040	-	-	1,315,000	66,187	1,381,187
Total	$ 5,185,000	$ 389,659	$ 27,530,000	$ 7,664,421	$ 40,769,080

The G.O. Utility Revenue Note, Series 2015 was issued on December 29, 2015. The proceeds from the note will be used to reimburse and additionally fund the Utilities Fund for certain capital improvement projects to upgrade the City's utility infrastructure system.

The G.O. Utility Revenue Refunding Bonds, Series 2016A were issued in 2016 to refund the G.O Utility Revenue Note, Series 2015. The defeasance of the 2015 Temporary Note did not result in an economic gain or loss and there was no aggregate difference in debt service between the refunding and the refunded debt.

The G.O. Utility Improvement Bonds, Series 2016B were issued in 2016 to fund certain capital improvement projects to upgrade the City's utility infrastructure system.

The G.O. Utility Revenue Bonds, Series 2018A were issued in September of 2018 to fund certain capital improvement projects to upgrade the City's utility infrastructure system.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (Continued)

3. Components of Long-Term Liabilities (Continued)

The G.O. State-Aid Street Bonds, Series 2008A are general obligation bonds used for the reconstruction of County State-Aid Highway 61 (Shady Oak Road) between Bren Road and Excelsior Boulevard.

The G.O. Open Space and Park Improvement Bonds, Series 2008B are general obligation bonds were used to purchase open space and make park improvements to the existing park system.

The G.O Open Space and Park Improvement Bonds, Series 2016B were issued in 2016 to reimburse the City for the purchase of property for open space preservation within the City. These bonds are the last in a series authorized by special election on September 11, 2001.

There are a number of financial limitations and restrictions contained in the various bond indentures. At December 31, 2018, the City is in compliance with all significant financial limitations and restrictions.

The voters of the City approved, by special election on September 11, 2001, the issuance and sale by the City of G.O. Bonds of the City in an aggregate amount not to exceed $15,000,000. The purpose of the Bonds, as approved by the voters, is to provide financing for a Parks Renewal and Open Space Preservation Program. As of December 31, 2016 all authorized bonds up to the $15,000,000 have been issued. As of December 31, 2018, $2,230,000 of these bonds remain outstanding.

4. Conduit Debt Obligations

From time-to-time, the City has issued Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the underlying property enhanced and are payable solely from payments received from the benefited entity. Neither the City, the State of Minnesota, nor any political subdivision, thereof, is obligated in any manner for repayment of the bonds. Accordingly, the Bonds are not reported as liabilities in the basic financial statements. As of December 31, 2018, there were 20 series of Revenue Bonds outstanding, with an approximate outstanding balance of $215,515,890.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (Continued)

5. Revenue Pledged

Future revenue pledged for the payment of long-term debt is as follows:

		Revenue Pledged					Current Year	
Bond Issue	Use of Proceeds	Type	Percent of Total Debt Service	Debt Service as a % of Net Revenues	Taxes Payable Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
2012A GO Water Revenue Refunding Bonds	Refund Original Debt used for Water Utility Infrastructure	Utility Revenue	100%	n/a	2013 - 2020	$581,500	$289,150	$1,704,067
2016A GO Utility Revenue Refunding Bonds	Refund Original Debt used for Water Utility Infrastructure	Utility Revenue	100%	n/a	2017 - 2036	$11,606,866	$537,808	$3,169,499
2016B GO Utility Revenue Bonds	Water Utility Infrastructure	Utility Revenue	100%	n/a	2017 - 2036	$8,697,740	$414,260	$2,441,386
2018 GO Utility Revenue Bonds	Water Utility Infrastructure	Utility Revenue	100%	n/a	2020 - 2040	$14,308,312	$ -	$ -

F. Commitments

At December 31, 2018, the City had the following contract commitments outstanding:

Project	Contractor	Commitment
Shady Oak Road Project	Hennepin County	$ 238,489
Shady Oak Road Landscaping	Southview Design	28,558
Co Rd 101, CR 62 - CR3	Hennepin County	208,862
Building Automation Upgrade	Metropolitan Mechanical	315,959
Williston Rd Lift Station Forcemain	Widmer Construction	388,839
2018 Street Rehab - Woodhill Rd	Park Construction Co.	892,482
Ridgehaven Ln / Ridgedale Dr	C.S. McCrossan Construction, Inc.	869,703
City Hall Renovation	RAM General Contracting	1,415,291
Pickelball Courts	New Look Contracting	83,559
Bren and Tanglen Water Storage Rehab	Champion Tank Services	184,620
Plymouth Rd Trail - Phase 1	Bituminous Roadways Inc.	63,719
CSAH 101 N Landscaping	G. Urban Companies, Inc.	56,751
CSAH 101 S Landscaping	Hoffman & McNarama Company	19,103
	Total	$ 4,765,935

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Interfund Transactions

1. Interfund Receivables and Payables

Receivable Fund	Payable Fund	Amount	Purpose
Water and Sewer Utilities Fund	Ice Arena Fund	$ 359,542	[1]
Street Improvement Fund	State Municipal Aid Fund	1,783,770	[2]
General Fund	Other Nonmajor	42,596	[3]
Capital Replacement Fund	Other Nonmajor	32,556	[4]
	Total	$ 2,218,464	

[1] The interfund receivable and payable eliminated what would have been a negative cash balance. The City expects these interfund transactions to be settled in January 2019.

[2] This interfund receivable and payable eliminated what would have been a negative cash balance. The negative cash in the State Municipal Aid Fund is related to current road projects that will be reimbursed by the State of Minnesota for its share of the construction costs in future years.

[3] This interfund receivable and payable eliminated what would have been a negative cash balance. The negative cash in the Grants Fund is related to cash flow timing due to the reimbursement nature of the fund. The City expects these interfund transactions to be settled in January 2019.

[4] This interfund receivable and payable eliminated what would have been a negative cash balance. The negative cash in the Public Safety Fund is related to cash flow timing of fund expenditures. The City expects these interfund transactions to be settled in January 2019.

2. Transfers

Transfer To	Transfer From	Amount	Purpose
General Fund	Other Nonmajor	$ 32,700	Annual budgeted transfer
General Fund	Other Nonmajor Fund	63,500	Annual budgeted transfer
General Fund	Grays Bay Marina	11,500	Annual budgeted transfer
General Fund	Environmental	199,800	Annual budgeted transfer
General Fund	Special Assessment Construction	39,800	Annual budgeted transfer
General Fund	Storm Water Fund	145,300	Annual budgeted transfer
General Fund	Water and Sewer Utilities	800,000	Annual budgeted transfer
General Fund	Williston Center	49,100	Annual budgeted transfer
General Fund	Ice Arena	32,700	Annual budgeted transfer
General Fund	Other Nonmajor	10,189	Annual budgeted transfer
Special Assessment Construction	Other Nonmajor Fund	197,266	Yearly transfer for Shady Oak Road Property
Special Assessment Construction	Community Investment Fund	500,000	Construction costs
Community Investment	General Fund	63,000	Construction costs
Ice Arena	General Fund	50,000	Funding support
Street Improvement Fund	Utility Fund	62,422	Construction costs
Other Nonmajor	Other Nonmajor	7,000	Software Costs
Other Nonmajor	Other Nonmajor	100,000	Budgeted transfer for WHAHLT programs
Other Nonmajor	General Fund	1,200,000	Construction costs
		$ 3,564,277	

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Interfund Transactions (Continued)

3. Advances To/From Other Funds

The Community Investment Fund advanced $945,000 to the Williston Fitness Center for renovation/construction purposes. This advance will be paid back to the Community Investment Fund in annual installments of $94,500 from the Williston Center, bearing no interest through the year 2020. The amount still outstanding at 12/31/2018 was $189,000.

The Development Fund advanced $502,588 to the Glen Lake TIF District for relocation costs of the Alano property. This advance will be paid back to the Development Fund as tax increments are collected. The amount outstanding at 12/31/2018 was $502,588.

H. Segment Information

The City maintains six Enterprise Funds that account for the water and sewer utility, ice arena facilities, recycling activities, a fitness center, a recreational marina and the storm water utility. The City considers each of its Enterprise Funds to be a segment. Since the required segment information is already included in the City's proprietary funds' Statement of Fund Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position balance, this information has not been repeated in the notes to the basic financial statements.

I. Contingencies

There are several lawsuits pending in which the City is involved. The City estimates the potential claims not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

J. Tax Abatements

The City enters into property tax abatement agreements through the use of tax increment financing districts with businesses under various Minnesota Statutes. Under these statutes the City annually abates taxes collected above the districts' base tax capacity which is established during adoption of the tax increment district. These agreements are established to foster economic development and redevelopment through creating jobs, removing blight and providing affordable housing. The City uses Minnesota Statutes 469.001 to 469.047 and 469.174 to 469.179 (The Tax Increment Act) to create these districts. In addition, the City also uses Minnesota Statutes 469.1812 to 469.1815 to abate property taxes to be used for development.

For the fiscal year ended December 31, 2018, the City has four agreements established under Minnesota Statutes 469.174 to 469.179, which resulted in property taxes totaling $2,163,422 being abated. These agreements include:

Beacon Hill Housing District: A pay as you go note to finance the cost of a 110 unit rental housing facility for seniors and a 42 unit assisted living facility for seniors. The abatement amount was $241,238.

Glenhaven TIF District: A revenue pay as you go note to finance the cost of a mixed use redevelopment including an apartment building with retail and a senior housing care facility. The abatement amount was $474,503.

Tonka on the Creek: A pay go note to finance the cost of a 100 unit rental housing facility, with 20% of the units made affordable to families at or below 50% of the area median income. The abatement amount was $250,153.

Rowland Road: A pay as you go note to finance the cost of a 106 unit apartment complex, with 20% of the units made affordable to families at or below 50% of the area median income. The abatement amount was $248,367.

Applewood Pointe: A pay as you go note to finance the cost of an 87 unit senior housing cooperative. The abatement amount was $266,716.

Boulevard Gardens TIF District: Although the original pay as you go note to finance the cost of a mixed use redevelopment including retail, affordable family and senior rental units, and condominium and townhomes has been retired, this TIF district continues to collect abated property taxes that are pooled to pay developers for other qualified affordable housing developments within the City. The abatement amount was $682,445.

For the fiscal year ended December 31, 2018, the City has one agreement established under Minnesota Statutes 469.1812 to 469.1815, which resulted in property taxes totaling $20,000 being abated. This abatement is for an agreement with General Growth Properties for an expansion to the regional Ridgedale Mall, located within the City. The expansion includes the addition of a new 138,000 square foot Nordstrom store, 84,000 additional square footage for the Macy's store and 48,000 square feet of new restaurants at the mall. Under the agreement, the developer qualifies for a maximum reimbursement of $1,798,000 plus 5% interest calculated by completed project components.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

K. Fund Balance/Net Position

At December 31, 2018, a summary of the governmental fund balance classifications is as follows:

	General Fund	Community Investment	Special Assessment Construction	State Municipal Aid	Street Improvement	Other Governmental Funds	Total
Nonspendable:							
Inventory & Prepaids	$ 414,126	$ -	$ -	$ -	$ -	$ -	$ 414,126
Total Nonspendable	414,126	-	-	-	-	-	414,126
Restricted for:							
Cemetary Operations	-	-	-	-	-	140,409	140,409
Housing	-	-	-	-	-	1,697,714	1,697,714
Grants	-	-	-	-	-	83,720	83,720
Police Forfeiture	-	-	-	-	-	334,958	334,958
Tax Increment	-	-	-	-	-	5,990,530	5,990,530
Debt Service	-	-	-	-	-	1,828,672	1,828,672
Total Restricted	-	-	-	-	-	10,076,003	10,076,003
Committed to:							
Technology Improvements	-	-	-	-	-	479,870	479,870
Cable TV Fund	-	-	-	-	-	2,417,894	2,417,894
Electric Franchise Fund	-	-	-	-	-	3,165,020	3,165,020
Compensated Absences	1,000,000	-	-	-	-	-	1,000,000
Capital Replacement	-	-	-	-	-	2,494,844	2,494,844
Public Safety Facilities	-	-	-	-	-	685,063	685,063
Development	-	-	-	-	-	4,665,974	4,665,974
Park Improvements	-	-	-	-	-	8,263,054	8,263,054
Street Improvements	-	-	-	-	-	1,322,435	1,322,435
Reforestation	-	-	-	-	-	970,823	970,823
Total Committed	1,000,000	-	-	-	-	24,464,977	25,464,977
Assigned to:							
Budget Stabilization	14,432,900	-	-	-	-	-	14,432,900
Fire Pensions	240,900	-	-	-	-	-	240,900
Recreation Scholarships	15,000	-	-	-	-	-	15,000
Community Investment	-	21,308,743	6,100,441	-	-	-	27,409,184
Street Improvements	-	-	-	-	8,740,721	353	8,741,074
Total Assigned	14,688,800	21,308,743	6,100,441	-	8,740,721	353	50,839,058
Unassigned	7,790,783	-	-	(2,142,033)	-	(73,374)	5,575,376
Total	$23,893,709	$ 21,308,743	$ 6,100,441	$ (2,142,033)	$ 8,740,721	$ 34,467,959	$ 92,369,540

NOTE 5 – OTHER INFORMATION

A. Risk Management

The City is exposed to various risks typically associated with municipal operations, including: thefts, destruction of assets, errors and omissions, employee injuries, general liability and natural disasters. Since the early 1980's, the City has been a member of the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool. The LMCIT program best meets municipal needs from the perspective of coverage as well as cost. It is sustained through member premiums and reinsurance for catastrophic events. Coverage limits match statutory caps for claims against Minnesota cities of $1,000,000 per claim. Insurance settlements have never exceeded coverage during the City's membership in the LMCIT program.

Certain risk management activities of the City (i.e., premiums and deductibles) are accounted for by the Insurance Fund, an internal service fund that charges its costs to user departments. Such reimbursements are recorded as interfund services provided. The liability recorded by the Insurance Fund includes estimated deductibles/premium adjustments not settled as of December 31, 2018, including an estimate for claims incurred but not reported.

Changes in the insurance claims liability during 2018 and 2017, recorded within the City's Internal Service Fund, are as follows:

	2018	2017
Unpaid Claims at Beginning of Year	$ 30,998	$ 66,703
Incurred Claims	529,382	424,617
Premiums and Settlements	(516,318)	(460,322)
Unpaid Claims at End of Year	$ 44,062	$ 30,998

B. Employee Retirement Systems and Pension Plans

Pension Plans – Primary Government

1. Defined Benefit Pension Plans – State-wide

a. Plan Description

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

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

a. Plan Description (Continued)

1. General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan. General Employee 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

b. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

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.

1. General Employee Plan Benefits

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. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

b. Benefits Provided (Continued)

1. General Employee Plan Benefits (Continued)

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 percent of average salary for each of the first ten years of service and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. Police and Fire Plan Benefits

Benefits for the Police and Fire members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

b. Benefits Provided (Continued)

2. Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80% for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

c. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. Total pension expense for the year ended December 31, 2018 was $1,627,794. The components of pension expense are noted in the following summaries. The General Fund and Proprietary Funds typically liquidate the Liability related to the pensions.

1. General Employee Plan Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2018. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2018. The City contributions to the General Employee Plan for the year ended December 31, 2018, were $1,007,608. The City contributions were equal to the required contributions as set by state statute.

2. Police and Fire Plan Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2018. The City was required to contribute 16.20% of pay for Police and Fire members in calendar year 2018. The City contributions to the Police and Fire Plan for the year ended December 31, 2018, were $974,750. The City contributions were equal to the required contributions as set by state statute.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

d. Pension Costs

1. General Employee Plan Pension Costs

At December 31, 2018, the City reported a liability of $11,533,440 for its proportionate share of the General Employee Plan's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2018. The State of Minnesota is considered a non-employer contribution entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $378,283. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2018, the City's proportion was .2079%, which was an increase of .0025% from its proportion measured as of June 30, 2017.

City's proportionate share of the net pension liability	$ 11,553,440
State of Minnesota's proportionate sher of the net pension liability associated with the City	378,283
Total	$ 11,931,723

For the year ended December 31, 2018, the City recognized pension expense of $1,051,574 for its proportionate share of the General Employee Plan's pension expense. The City also recognized $88,215 for the year ended December 31, 2018, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contribution to the General Employee Plan.

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

d. Pension Costs (Continued)

1. General Employee Plan Pension Costs (Continued)

At December 31, 2018, the City reported its proportionate share of General Employee Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 301,764	$ 333,307
Changes in Actuarial Assumptions	1,091,662	1,285,239
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,163,467
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	119,700	111,165
City Contributions Subsequent to the Measurement Date	503,804	-
Total	$ 2,016,930	$ 2,893,178

$503,804 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	$ 341,134
2020	(591,299)
2021	(889,166)
2022	(240,721)
Total	$ (1,380,052)

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

d. Pension Costs (Continued)

2. Police and Fire Plan Pension Costs

At December 31, 2018, the City reported a liability of $6,033,824 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City proportion was .571%, which was an increase of .022% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of $637,025. The City also recognized $51,381 for the year ended December 31, 2018, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Plan. Legislation passed in 2013 required the State of Minnesota to begin contributing $9 million to the Police and Fire Plan each year, starting in fiscal year 2014.

At December 31, 2018, the City's proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is as follows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 239,827	$ 1,464,208
Changes in Actuarial Assumptions	7,367,973	8,622,392
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,239,193
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	246,395	266,816
City Contributions Subsequent to the Measurement Date	487,375	-
Total	$ 8,341,570	$ 11,592,609

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

d. Pension Costs (Continued)

2. Police and Fire Plan Pension Costs (Continued)

$487,375 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	$ (139,550)
2020	(421,654)
2021	(856,492)
2022	(2,349,936)
2023	29,218
Total	$ (3,738,414)

e. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.5%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Benefit increases for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

e. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Police and Fire Fund

The mortality projection scale was changed from MP-2016 to MP-2017.

As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.50 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	5.10 %
International Equity	17	5.30
Bonds	20	0.75
Alternative Assets	25	5.90
Cash	2	0.00
Totals	100 %	

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Benefit Pension Plans – State-wide (Continued)

f. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50% for both the General Employees Plan and the Police and Fire Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Pension Liability Sensitivity

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

Sensitivity of Net Pension Liability at Current Single Discount Rate				
	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	$ 18,743,316	6.50%	$ 13,047,063
Current Discount Rate	7.50%	$ 11,533,440	7.50%	$ 6,033,824
1% Higher	8.50%	$ 5,581,893	8.50%	$ 328,039

h. Pension Plan Fiduciary Net Position

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

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

1. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The Plan is established and administered in accordance with *Minnesota Statutes* Chapter 353D. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate.

The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the Plan plus investment earnings, less administrative expenses. *Minnesota Statutes* 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan. The City's contributions for the years ending December 31, 2018, 2017 and 2016 were $2,462, $2,200, and $2,000, respectively, were equal to the contractually required contributions for each year as set by state statute.

2. Minnetonka Firefighters' Relief Association

a. Plan Description

Firefighters of the City of Minnetonka are members of the Minnetonka Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes, Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2017, membership includes 70 active participants, 61 retired and disabled members, 14 beneficiaries and 8 terminated employees entitled to benefit but not yet receiving them. The plan issues a stand-alone financial statement.

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters' Relief Association (Continued)

b. Benefits Provided

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age; has retired from the Minnetonka Fire Department; has served at least 10 years of active service with such department before retirement; and, has been a member of the Association in good standing for at least 10 years prior to such retirement; shall be entitled to receive a service pension based on the vested amount of service time accrued. Full vesting occurs at 10 years of service, with no provision for partial vesting. Upon retirement, an irrevocable election for one of the following two plan options must be made.

- Monthly Service Pension – Each eligible member electing this plan is entitled to receive a monthly service pension calculated by multiplying $53.15 times each year that member has been an active firefighter in the Fire Department and member in good standing of the Relief Association.

- Lump Sum Service Pension – each eligible member electing this plan is entitled to receive a onetime lump sum service pension equal to 130 times the accrued monthly benefit.

Pursuant to Minnesota Statutes §424A.02, Subds. 2 and 4, members who retire with 10 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in Minnesota Statutes Statutes §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

Temporary disability provides that, upon disability, a benefit of $5 per day is payable up to 100 days in any 365 day period. Permanent disability provides for a service related disability benefit of $53.15 per month multiplied by the number of months of active service, up to a maximum of 30 years.

On the death of any member, the surviving spouse is entitled to the firefighter's normal retirement benefits for the remainder of their natural life.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of $1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters' Relief Association (Continued)

c. Contributions

Minnesota Statutes Chapter 424A.093 specifies minimum support rates required on an annual basis. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). The minimum contribution from the City of Minnetonka and state aid is determined as follows:

	Normal Cost
+	Amortization Payment on Unfunded Accrued Liability as reported in the Latest Actuarial Valuation
+	Adminstrative Expenses for the Prior Year Multiplied by a Factor of 1.035
-	Anticipated State Aid (not to Exceed the Fire Aid Received in the Prior Year Multiplied by a Factor of 1.035)
=	Minumum Municipal Obligation

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City $382,382 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2017. Required employer contributions are calculated annually based on statutory provisions. The statutorily-required contribution to the plan for the year ended December 31, 2017 was $277,525 which was covered by fire state aid.

d. Pension Costs

At December 31, 2018, the City reported an asset of $4,971,253 for the Association's net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters' Relief Association (Continued)

d. Pension Costs (Continued)

For the year ended December 31, 2018, the City recognized pension expense of ($63,267). At December 31, 2018, the City reported deferred outflows and inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 106,837	$ 164,150
Changes in Actuarial Assumptions	302,221	379,667
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	522,592
Total	$ 409,058	$ 1,066,409

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ (84,497)
2019	(84,496)
2020	(291,181)
2021	(226,017)
2022	28,840
Total	$ (657,351)

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters' Relief Association (Continued)

e. Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2018	$11,880,089	$ 15,389,190	$(3,509,101)
Changes for the year			
Service Cost	209,042	-	209,042
Interest	790,520	-	790,520
Differences between expected and actual experience	(107,086)	-	(107,086)
Changes of assumptions	119,608	-	119,608
Changes of benefit terms	-	-	-
Contributions - State and local	-	382,382	(382,382)
Contributions - donations and other income	-	-	-
Contributions - member	-	-	-
Net investment income	-	2,122,490	(2,122,490)
Other additions (e.g. receivables)	-	14	(14)
Benefit payments, including member contribution refunds	(755,451)	(755,451)	-
Administrative expense	-	(30,650)	30,650
Other deductions (e.g. payables)	-	-	-
Net Changes	256,633	1,718,785	(1,462,152)
Balances at December 31, 2018	$12,136,722	$ 17,107,975	$(4,971,253)

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters' Relief Association (Continued)

f. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/17
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line
Actuarial Assumptions:	
Investment Rate of Return	6.75%
Project Salary Increases	N/A
20-Year Municipal Bond Yield	3.31%
Inflation	2.75%
Cost-of-living Adjustments	None
Age of Service Retirement	50
Mortality	Assumed life expectancies were based on RP 2014 mortality tables.
Disability	.11% disability assumed at age 20, decreasing each year until 0% at age 60
Withdrawal	6% withdrawal assumed at age 20, decreasing each year until 0% at age 60
Beneficiaries	85 percent of members assumed to have beneficiaries who will receive benefits
Age of Difference	3
Form of Payment	For members hired before 2006, 25% of retiring members choose a lump sum payment, 75% choose a monthly annuity.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation. All results are then rounded to the nearest quarter percentage point.

Investments are valued using quoted market prices.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters' Relief Association (Continued)

e. Actuarial Assumptions (Continued)

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best-estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	45.82%	5.39%	8.14%
International equity	12.77%	5.20%	7.95%
Fixed income	33.51%	1.98%	4.73%
Real estate and alternatives	0.20%	4.25%	7.00%
Cash and equivalents	7.70%	0.79%	3.54%
Total (weighted avg, rounded to 1/4%)	100.00%		6.99%
Less Investment Expense			-0.35%
Net assumed investment return (rounded to 1/4%)			6.75%

f. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

NOTE 5 – OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plans (Continued)

Pension Plans – Primary Government (Continued)

3. Minnetonka Firefighters' Relief Association (Continued)

g. Pension Asset Sensitivity

The following presents the City of Minnetonka's proportionate share of the net pension asset of the Association, calculated using the discount rate of 6.75%, as well as what the Association's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease	Selected Discount Rate	1% Increase
Net Pension Liability (Asset)	$ (3,611,221)	$ (4,971,253)	$ (6,104,420)
Discount Rate	5.75%	6.75%	7.75%

h. Plan's Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in a separately issued report. The report may be obtained by writing to Minnetonka's Fire Relief Association 14550 Minnetonka Blvd., Minnetonka, MN 55345 or by calling (952) 939-8598.

C. Postemployment Healthcare Plan

Plan Description
The City provides a single-employer defined benefit OPEB healthcare plan to eligible retirees and their spouses. The plan offers medical coverage. Medical coverage is administered by Health Partners. It is the City's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees. No assets are accumulated in a trust.

Benefits Provided

Retirees
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. Former employees who are receiving, or who have met age and service requirements to receive, an annuity from a Minnesota public pension plan and those receiving a disability benefit from such a plan are immediately eligible to participate in this Plan. Retirees may obtain dependent coverage if the employee received dependent coverage immediately before leaving employment.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

Benefits Provided (Continued)

All health care coverage is provided through the City's group health insurance plans. The retiree is required to pay the premium as described below:

All regular non-disabled police and fire employees
The 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, they are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees.

Disabled police and fire employees
The City is required to continue to pay the employer's contribution toward health coverage for police or firefighters disabled in the line of duty per Minnesota Statute 299A.465, until age 65. Dependent coverage is included, if the dependents were covered at the time of the disability.

Contributions
Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Health Partners. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2018, the City contributed $92,283 to the plan. As of January 1, 2018, there were approximately 19 retirees receiving health benefits from the City's health plan.

Members

Membership in the plan consisted of the following as of the latest actuarial valuation

Retirees and beneficiaries receiving benefits	19
Active plan members	224
Total members	243

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Discount rate	4.09%
Payroll growth rate	3.50%
Healthcare cost trend increases	10% initially, decreasing yearly to a rate of 5%
Mortality assumption	Various RP 2014 mortality tables depending on if active or retired, adjusted for white coll: and mortality improvements using projection scale MP-2015, from a base year of 2014.

The actuarial assumptions used in the December 31, 2018 valuations were based on the results of an actuarial experience study for the period January 1, 2018 to December 31, 2018.

The discount rate used to measure the total OPEB liability was 4.09%.

Total OPEB Liability

The city's total OPEB liability of $2,667,903 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

Total OPEB Liability (Continued)

Changes in the total OPEB liability for the year are as follows:

	Total OPEB Liability
Balances at January 1, 2018	$ 2,402,986
Changes for the year	
Service Cost	186,055
Interest	96,122
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	75,023
Benefit payments	(92,283)
Net changes	264,917
Balances at December 31, 2018	$ 2,667,903

The General Fund and Proprietary Funds typically liquidate the Liability related to OPEB.

OPEB Liability Sensitivity

The following presents the city's total OPEB liability calculated using the discount rate of 4.09% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Sensitivity of the Total OPEB Liability/(Asset) to changes in the Discount Rate

1% decrease (3.09%)	Current (4.09%)	1% increase (5.09%)
$ 2,899,589	$ 2,667,903	$ 2,452,771

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the City, as well as what the city's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Sensitivity of the Total OPEB Liability/(Asset) to changes in the Healthcare Trend Rates

1% decrease (9% decreasing to 4%)	Current (10% decreasing to 5%)	1% increase (11% decreasing to 6%)
$ 2,360,233	$ 2,667,903	$ 3,029,810

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the city recognized OPEB expense of $290,873. At December 31, 2018, the city reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	66,327	-
Contributions paid subsequent to measurement date	95,771	-
Total	$ 162,098	$ -

$95,771 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability in the year ended December 31, 2019.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 – OTHER INFORMATION (CONTINUED)

C. Postemployment Healthcare Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Total
2019	$ 8,696
2020	8,696
2021	8,696
2022	8,696
2023	8,696
Thereafter	22,847
Total	$ 66,327

NOTE 6 – CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2018, the City adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This resulted in an adjustment to the beginning net position on the Statement of Activities of ($541,245) to add the beginning total OPEB liability under this standard.

NOTE 7 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will be effective for the year ending December 31, 2019.

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS

General Employee Retirement Plan

	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
City's Proportion of the Net Pension Liability	0.2079%	0.2054%	0.2060%	0.2127%
City's Proportionate Share of the Net Pension Liability	$ 11,533,440	$ 13,112,599	$ 16,726,178	$ 11,023,218
State's Proportionate Share of the Net Pension Liability Associated with the City	$ 378,283	$ 164,847	$ 218,460	N/A
City's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability	$ 11,911,723	$ 13,277,446	$ 16,944,638	$ 11,023,218
City's Covered Payroll	$ 13,973,517	$ 13,229,625	$ 12,780,570	$ 12,504,232
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	82.54%	99.12%	130.87%	88.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.50%	75.90%	68.90%	78.20%

Police and Fire Retirement Plan

	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
City's Proportion of the Net Pension Liability	0.571%	0.549%	0.556%	0.570%
City's Proportionate Share of the Net Pension Liability	$ 6,033,824	$ 7,412,153	$ 22,313,247	$ 6,476,534
City's Covered Payroll	$ 6,016,971	$ 5,632,580	$ 5,355,445	$ 5,225,743
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	100.28%	131.59%	416.65%	123.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.80%	85.43%	63.90%	86.60%

Fire Relief Association

	Measurement Date December 31, 2016	Measurement Date December 31, 2016	Measurement Date December 31, 2015	Measurement Date December 31, 2014
City's Proportion of the Net Pension Liability (Asset)	100%	100%	100%	100%
City's Proportionate Share of the Net Pension Liability (Asset)	$ (4,971,253)	$ (3,509,101)	$ (3,505,596)	$ (3,362,593)
City's Covered Payroll	N/A	N/A	N/A	N/A
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	140.96%	129.54%	131.31%	128.69%

Note: This schedule is provided prospectively beginning with the year ended December 31, 2015 for General Employees Fund and the Police and Fire Fund and December 31, 2014 for the Fire Relief Association.

CITY OF MINNETONKA
Hennepin County, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

SCHEDULE OF THE CITY PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014
General Employee Retirement Plan					
Contractually Required Contribution	$ 1,007,608	$ 1,030,108	$ 973,347	$ 947,280	$ 898,056
Contributions in Relation to the Contractually Required Contribution	(1,007,608)	(1,030,108)	(973,347)	(947,280)	(898,056)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 13,434,773	$ 13,734,712	$ 12,977,907	$ 12,630,348	$ 12,386,837
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.25%

	2018	2017	2016	2015	2014
Police and Fire Retirement Plan					
Contractually Required Contribution	$ 974,750	$ 959,280	$ 886,231	$ 859,126	$ 791,919
Contributions in Relation to the Contractually Required Contribution	(974,750)	(959,280)	(886,231)	(859,126)	(791,919)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 6,090,710	$ 5,921,484	$ 5,470,556	$ 5,303,246	$ 5,175,950
Contributions as a Percentage of Covered Payroll	16.00%	16.20%	16.20%	16.20%	15.30%

	2018	2017	2016	2015	2014
Fire Relief Association					
Stautorily Required Contribution	$ -	$ -	$ -	$ -	$ -
Contributions in Relation to the Statutorily Required Contribution	-	-	-	-	166,438
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ (166,438)

Note: Information prior to 2014 is unavailable.

CITY OF MINNETONKA
Hennepin County, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

MINNETONKA VOLUNTEER FIRE RELIEF ASSOCIATION
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS

	Measurement Date December 31, 2017	Measurement Date December 31, 2016	Measurement Date December 31, 2015	Measurement Date December 31, 2014
Total Pension Liability				
Service Cost	$ 209,042	$ 213,879	$ 198,031	$ 192,731
Interest	790,520	772,342	753,805	733,799
Differences Between Expected and Actual Experience	(107,086)	155,621	(137,324)	-
Changes in Assumptions	119,608	295,329	(694,310)	-
Changes in Benefit Terms	-	-	-	-
Benefit Payments, Including Member Refunds	(755,451)	(753,320)	(645,860)	(602,226)
Net Change in Total Pension Liability	256,633	683,851	(525,658)	324,304
Total Pension Liability - Beginning	11,880,089	11,196,238	11,721,896	11,397,592
Total Pension Liability - Ending (a)	12,136,722	11,880,089	11,196,238	11,721,896
Plan Fiduciary Net Position				
State Contributions	382,382	376,889	366,746	511,820
Net Investment Income	2,122,490	1,094,716	(69,245)	836,585
Other Additions (e.g. receivables)	14	1,175	-	-
Benefit Payments	(755,451)	(753,320)	(645,860)	(602,226)
Administrative Expenses	(30,650)	(32,104)	(34,296)	(33,269)
Net Change in Fiduciary Net Position	1,718,785	687,356	(382,655)	712,910
Fiduciary Net Position - Beginning	15,389,190	14,701,834	15,084,489	14,371,579
Fiduciary Net Position - Ending (b)	17,107,975	15,389,190	14,701,834	15,084,489
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	$ (4,971,253)	$ (3,509,101)	$ (3,505,596)	$ (3,362,593)
Fiduciary Net Position as a Percentage of the Total Pension Liability	140.96%	129.54%	131.31%	128.69%
Covered Payroll	N/A	N/A	N/A	N/A

Note: Information prior to 2014 is unavailable.

CITY OF MINNETONKA
Hennepin County, Minnesota

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

Schedule of Changes in Total OPEB Liability and Related Ratios

	December 31, 2018
Total OPEB Liability	
Service cost	$ 186,055
Interest	96,122
Differenced between expected and actual experience	-
Changes of assumptions	75,023
Changes of benefit terms	-
Benefit payments	(92,283)
Other changes	-
Net change in total OPEB liability	264,917
Beginning of year	2,402,986
End of Year	$ 2,667,903
Covered-employee payroll	$ 17,200,000
Total OPEB liability as a percentage of covered-employee payroll	15.51%

Note: Schedule is provided prospectively beginning with the year ended December 31, 2018. Additional years will be reported as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

GENERAL EMPLOYEES FUND

2018 Changes
Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

2017 Changes
Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes
Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes
Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

CITY OF MINNETONKA
Hennepin County, Minnesota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2018

POLICE AND FIRE FUND

2018 Changes
Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year, thereafter, to 1.0% for all years, with no trigger.

2017 Changes
Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.

2016 Changes
Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

POLICE AND FIRE FUND (CONTINUED)

2015 Changes

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

PROPOSAL SALE DATE: January 27, 2020

City of Minnetonka, Minnesota
$25,000,000* General Obligation Capital Improvement Plan Bonds, Series 2020A

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of $_________________ (which may not be less than $25,125,000 (100.5%) plus accrued interest, if any, to the date of delivery.

Year	Interest Rate (%)	Yield (%)	Dollar Price	Year	Interest Rate (%)	Yield (%)	Dollar Price
2021	_______%	_______%	_______%	2035	_______%	_______%	_______%
2022	_______%	_______%	_______%	2036	_______%	_______%	_______%
2023	_______%	_______%	_______%	2037	_______%	_______%	_______%
2024	_______%	_______%	_______%	2038	_______%	_______%	_______%
2025	_______%	_______%	_______%	2039	_______%	_______%	_______%
2026	_______%	_______%	_______%	2040	_______%	_______%	_______%
2027	_______%	_______%	_______%	2041	_______%	_______%	_______%
2028	_______%	_______%	_______%	2042	_______%	_______%	_______%
2029	_______%	_______%	_______%	2043	_______%	_______%	_______%
2030	_______%	_______%	_______%	2044	_______%	_______%	_______%
2031	_______%	_______%	_______%	2045	_______%	_______%	_______%
2032	_______%	_______%	_______%	2046	_______%	_______%	_______%
2033	_______%	_______%	_______%	2047	_______%	_______%	_______%
2034	_______%	_______%	_______%	2048	_______%	_______%	_______%

Designation of Term Maturities

Years of Term Maturities _______________ _______________

_______________ _______________

In making this offer on the sale date of January 27, 2020 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated January 7, 2020 including the City's right to modify the principal amount of the Bonds. (See "Terms of Proposal" herein.) In the event of failure to deliver these Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

By submitting this proposal, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Bonds.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $____________________________

TRUE INTEREST RATE: ______________ %

Account Members

____
Account Manager

By: ____________________________

Phone: _________________________

The foregoing proposal has been accepted by the City.

Attest: ________________________________ Date: _________________________________

* *Preliminary; subject to change.*

Phone: 651-223-3000
Fax: 651-223-3046
Email: bond_services@bakertilly.com