

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE
CITY OF DEEPHAVEN, MINNESOTA**



EST. 1900
Deephaven

For The Fiscal Year Ended December 31, 2015

**Comprehensive Annual Financial Report of
the City Council of Deephaven, Minnesota**

*For the Year Ended
December 31, 2015*

Dana Young, City Administrator

**Prepared By:
The Department of Finance**

City of Deephaven
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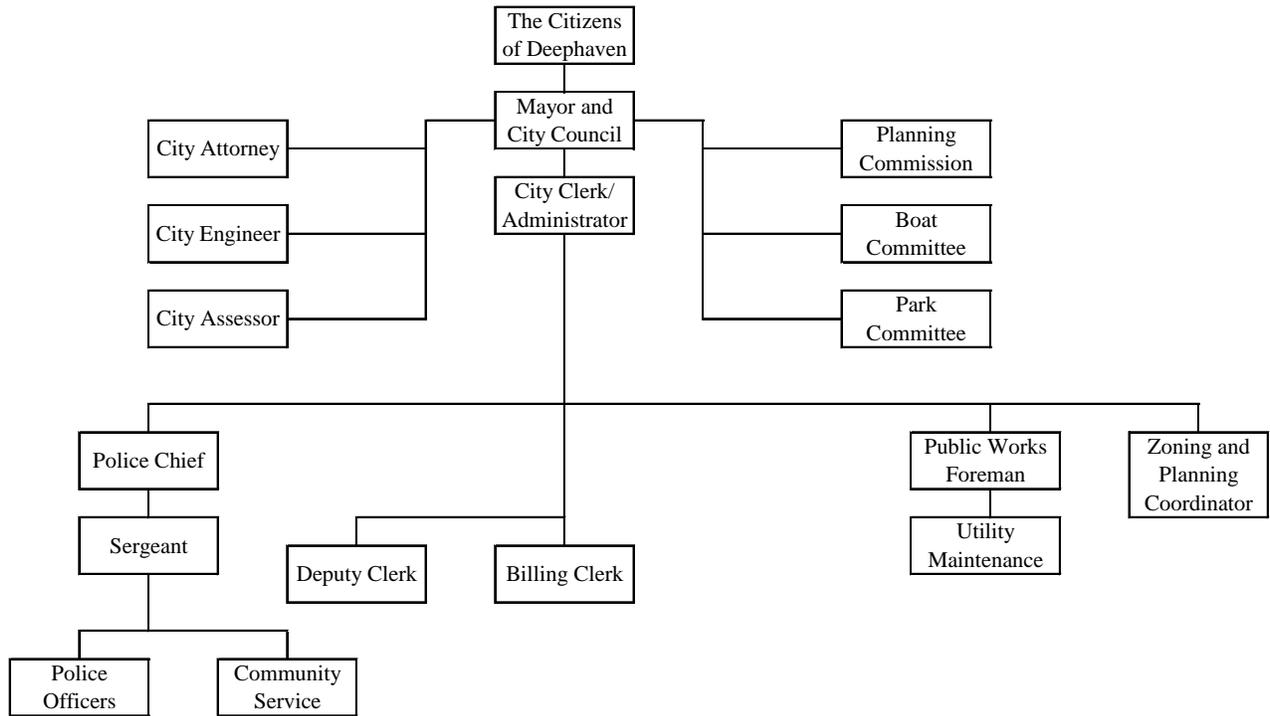
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INTRODUCTORY SECTION

**City of Deephaven
Elected Officials and Administration
December 31, 2015**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Paul Skrede	Mayor	December 31, 2016
Steve Erickson	Council Member	December 31, 2016
Darel Gustafson	Council Member	December 31, 2018
Tony Jewett	Council Member	December 31, 2018
Keith Kask	Council Member	December 31, 2016
<u>Administration</u>		
Dana Young	City Administrator/Clerk/Treasurer	Appointed
Cory Johnson	Police Chief	Appointed
John Menzel	Public Works Foreman	Appointed

City of Deephaven Organization Chart





March 14, 2016

To the Honorable Mayor and
Members of the City Council
City of Deephaven
Deephaven, Minnesota

The comprehensive annual financial report of the City of Deephaven, Minnesota, for the year ended December 31, 2015, is hereby submitted for your review. The report was prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board and meets the requirements of the Minnesota State Auditor's Office.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City has established internal controls designed to protect the City's assets from loss, theft, or misuse and to provide sufficient reliable information for the preparation of these financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. Furthermore, all disclosures necessary to enable the reader to have the maximum understanding of the City's financial activity have been included.

BerganKDV, a firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented on pages 9-11 of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found starting on page 12.

Government Profile

The City of Deephaven was incorporated in 1900. It is a western suburb of the Minneapolis/St. Paul area, located in Western Hennepin County. Deephaven covers an area of 2.3 square miles (or 1,440 acres) with an estimated population of 3,793. It is essentially a residential city, with a small commercial area that primarily serves the local community.

One of Deephaven's chief attractions is Lake Minnetonka with its three deep-cut bays bordering the city. The points and peninsulas overlooking the lake provide some of the City's most beautiful home sites, and the lake furnishes endless opportunities for year-round recreational activities. Summer fun is provided at six public beaches and two city marinas, which accommodates approximately 312 boats ranging in size from slender canoes to luxurious powerboats and sailboats. Deephaven's recreational areas include public parks, which contain tennis courts, baseball fields, platform courts, playground equipment, basketball courts and walking trails. Hiking trails and bike paths connect many recreational areas. During the winter, the trails are utilized for cross-county skiing. Deephaven is truly a haven when it comes to peaceful living and active recreation.

Management of the City is responsible for establishing and maintaining budgetary controls designed to ensure that the assets of the government are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund are included in the annual appropriated budget. Project length financial plans are adopted for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriate amount) is established by function and activity within an individual fund.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Deephaven operates.

Local Economic Condition and Outlook

The City of Deephaven has completely recovered from the recession and housing crisis that impacted the national economy back in 2008, which spurred a significant slowdown in construction activity, building permits and residential housing construction. However, as shown below, the total building permit value for the City of Deephaven has remained surprisingly consistent in recent years with the notable exception of 2011:

	<u>Total Permits Number</u>		<u>Value</u>
2015	606	\$	15,562,559
2014	551		25,926,380
2013	572		18,515,926
2012	506		14,447,728
2011	494		7,579,378
2010	541		13,268,023
2009	399		11,737,115
2008	524		16,664,812
2007	590		13,532,474

More reflective of improving economic conditions, the overall market value of the City of Deephaven has declined every year since 2008. However, after the final significant decline of 6.8% in 2011, the overall market value in Deephaven has shown signs of a strong recovery. The market value declined 1.9% in 2012, 4.1% in 2013 and .03% in 2014 before increasing 11.5% in 2015 and another 9.9% in 2016. The market value of the City of Deephaven is projected to reach an all-time of 1.144 billion dollars in 2016. Certainly, this gives every indication that the residential housing market has fully recovered.

The City has adopted land use plans, zoning ordinances and developed shoreland management plans to ensure orderly growth and quality redevelopment. In 2008, the City completed an update to the Comprehensive Plan, which extends to the year 2018.

All of Deephaven is part of Independent School District No. 276, one of the most highly regarded Districts throughout the entire state, if not the entire country. Deephaven has one public elementary school and two private schools located within the city.

Commercial areas in Deephaven provide a limited range of commercial goods and services. The largest commercial area in the community is Chowen's Corner, which consists mainly of retail shops and offices. Two smaller commercial areas are located along Trunk Highway 7 / Vine Hill Road and Hwy 101.

Long-Term Financial Planning

Each year, as part of its review of the long-term financial plan of the City, the City Council establishes five primary long-term financial objectives. They include:

1. **Maintain property tax levy increases at the annual rate of inflation or less.** This goal has been established partly to adhere to levy limit requirements that have been periodically imposed by the State of Minnesota, but primarily to control the growth of government expenditures to a reasonable rate thereby providing its residents with some assurance that the property tax levy will not increase at a greater rate than wage increases. For the most part, this objective has been met with a 2% increase in 2011, a 0% increase in both 2012 and 2013, a 2.9% increase in 2014, a 2.4% increase in 2015 and a 4.5% increase in 2016. The majority of the increase in 2016 will be to support a more aggressive street resurfacing program.
2. **Limit payments for bonded debt and/or facility lease payments to the Excelsior Fire District to approximately \$170,000 per year until the final payment of the fire facility lease is made in 2023.** This objective has been met with facility lease payments averaging approximately \$153,000 per year through 2023, with no immediate plans to issue future debt.
3. **Establish an unreserved General Fund Balance that equals or exceeds 90% of current year expenditures.** This objective has been met with an unreserved General Fund Balance of 102.6% in 2011, 107.5% in 2012, 115.0% in 2013, and 121.8% in 2014. In order to address these excess General Fund reserves, the Council transferred \$250,000 in 2015 and will transfer another \$300,000 in 2016 from the General Fund into the Capital Improvement Fund to assist in the financing of both street and bridge reconstruction projects. Even with these two transfers, long range projections through 2020 show that the unreserved General Fund Balance will still exceed 90% of current year expenditures.

4. **Establish a Capital Improvement Fund reserve of \$350,000 to provide available funding for street, police, park and administrative equipment and to adequately fund future street improvement projects.** This objective has been achieved in the short term with a Capital Improvement Fund reserve of \$360,395 in 2011, \$384,876 in 2012, and \$369,733 in 2013. However, beginning in 2014 and projecting out the next six years, projections show the Capital Improvement Fund reserve will decrease to a low of \$174,276 in 2020 due to the estimated costs of reconstructing Northome Bridge in 2017 and the need to continue an aggressive schedule of street reconstruction projects that began in 2015.
5. **Establish utility rates that ensure the ability to finance annual operating costs, the schedule of current and future capital utility projects, and establish utility fund reserves in the amount of \$250,000 in the Water Utility Fund, \$600,000 in the Sewer Utility Fund and \$150,000 in the Storm Water Utility Fund.** The Water Utility Fund will continue to meet this objective as its current rate structure is adequate to fund all current and future operating costs and projected capital costs.

In the short term, the Storm Water Utility Fund will have a greater difficulty in meeting this objective due to an aggressive slate of capital projects within the next five years. However, a 2014 rate increase has greatly assisted with the funding of all current and future operating costs and projected capital costs.

The Sewer Utility Fund will present more of a challenge as projected increases in waste disposal fees and future capital improvements could potentially cause an overall reduction in the Sewer Utility Fund reserve. The City Council has already begun to take the necessary steps to ensure that adequate Sewer Utility Fund reserves are maintained well into the future by approving a sewer rate increase in 2015.

Major Initiatives

The City of Deephaven prepares a comprehensive Budget annually and also updates its long range plans and forecasts of key financial indicators. The City reviews the following long-range plans prior to preparing its annual budget:

- Capital Improvement Plan
- Five Year Budget Forecast
- Five Year Park Plan
- Five Year Utility Forecast
- Five Year Marina Forecast
- City Fiscal Policy

Deephaven, along with four other area municipalities, have established the Excelsior Fire District through a joint powers agreement that provides fire services and emergency medical response to all five communities. The joint powers agreement provides Deephaven with partial ownership of the Excelsior Fire District. After adjusting to the annual lease payments for the construction of the two new fire stations in 2003-2006, the City anticipates relative stability in its annual support to the District in future years.

The City has developed a web site, which can be assessed at www.cityofdeephaven.org.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Deephaven for its comprehensive annual financial report for the fiscal year ended December 31, 2014. This is the 20th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine eligibility for another certificate.

Acknowledgments

We commend the finance department staff for their hard work and dedication. We want to recognize the firm of BerganKDV for their professional assistance. As always, we thank Mayor Skrede and the members of the City Council for their continued interest and support in planning and conducting the financial operations of the City in a very progressive and informed manner.

Respectfully submitted,

Dana H. Young
City Clerk / Administrator



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Deephaven
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Deephaven, Minnesota, as of and for the year ended December 31, 2015, 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.

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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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Deephaven, Minnesota, as of December 31, 2015, 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 68 and GASB 71

As discussed in Note 12 to the financial statements, the City has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, the Schedule of Funding Progress for Retiree Health Plan, the Schedule of City's Proportionate Share of Net Pension Liability GERF Retirement Fund, the Schedule of City's Proportionate Share of Net Pension Liability PEPFF Retirement Fund, the Schedule of City Contributions GERF Retirement Fund, the Schedule of City Contributions PEPFF Retirement Fund, Schedule of Changes in the Net Pension Liability and Related Ratios – Excelsior Fire Relief Association and the Schedule of City Contributions and Non Employer Contributing Entities – Excelsior Fire Relief Association as noted 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 Deephaven's basic financial statements. The accompanying supplementary information as listed in the Table of Contents, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as listed in the Table of Contents 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 supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016, on our consideration of the City of Deephaven's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 City's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

St. Cloud, Minnesota
March 14, 2016

City of Deephaven Management's Discussion and Analysis

As management of the City of Deephaven (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2015.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of the most recent year by \$12,641,089 (total net position). Of this amount, \$3,251,326 (unrestricted total net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position in 2015 decreased by \$498,262 in comparison with the prior year, including the change in accounting principle for the implementation of GASB Statement No. 68.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$3,595,700, an increase of \$151,043 in comparison with the prior year.
- At the end of the current year, the General Fund balance was \$3,219,373, which included \$20,794 that was nonspendable, \$193,726 committed for severance and other post employment benefits (OPEB) liability and \$3,004,853 for working capital. The total General Fund balance was 113% of total 2015 General Fund expenditures.
- The City's governmental activities compensated absences and OPEB liability long-term debt is \$193,726. This amount has been committed in the General Fund. In other words, \$95,814 has been designated to pay for one-third accrued sick leave that is paid to City employees upon their retirement with the City and \$97,912 has been designated towards the City's outstanding OPEB liability.
- The propriety funds have an ending cash balance of \$672,800. This represents a decrease of \$21,745 over the prior year due to an aggressive schedule of capital improvement projects undertaken in 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Deephaven Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include General Government, Public Safety, Public Works and Parks and Recreation Funds. The business-type activities of the City include Sewer, Water, Storm Water, Marina, and Recycling Funds.

The government-wide financial statements can be found on pages 23 through 24 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a city's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Capital Improvement, and the Park Dedication Funds.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided on pages 67 through 69 for this Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 25 through 29 of this report.

City of Deephaven Management's Discussion and Analysis

FUND FINANCIAL STATEMENTS

Proprietary Funds

The City maintains five major enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for water, sewer, storm water, marina, and recycling operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 31 through 33 of this report.

Notes to Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 35 through 61 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City, assets exceeded liabilities by \$12,641,089 at the close of 2015.

The largest portion of the City's net position (\$9,236,286 or 73%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**City of Deephaven
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

**NET POSITION
(In Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 4,749	\$ 3,520	\$ 923	\$ 934	\$ 5,672	\$ 4,454
Capital assets	5,710	6,290	2,838	2,802	8,548	9,092
Total assets	\$ 10,459	\$ 9,810	\$ 3,761	\$ 3,736	\$ 14,220	\$ 13,546
Deferred Outflows of Resources	\$ 222	\$ -	\$ 13	\$ -	\$ 235	\$ -
Liabilities						
Other liabilities	\$ 78	\$ 77	\$ 176	\$ 125	\$ 254	\$ 202
Noncurrent liabilities	1,243	188	112	16	1,355	204
Total liabilities	\$ 1,321	\$ 265	\$ 288	\$ 141	\$ 1,609	\$ 406
Deferred Inflows of Resources	\$ 190	\$ -	\$ 15	\$ -	\$ 205	\$ -
Net Position						
Invested in capital assets	\$ 6,398	\$ 6,290	\$ 2,838	\$ 2,802	\$ 9,236	\$ 9,092
Restricted	153	144	-	-	153	144
Unrestricted	2,619	3,111	633	793	3,252	3,904
Total net position	\$ 9,170	\$ 9,545	\$ 3,471	\$ 3,595	\$ 12,641	\$ 13,140

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$3,251,326) may be used to meet the City's ongoing obligations to citizens and creditors. Restricted net position of \$153,477 can only be used for Park Dedication purposes.

The City's net position decreased by \$498,262 during the current year: \$374,480 of the decrease is in governmental activities and \$123,782 of the decrease is in business-type activities. This decrease is primarily attributable to the inclusion of Net Pension Liability, which resulted in a decrease to beginning net position in government activities by \$635,296 and a decrease to beginning net position in business-type activities by \$96,191.

City of Deephaven
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

There was a decrease in governmental activities net position by \$374,480 and a decrease in business-type activities net position by \$123,782 in 2015, as noted previously. Key elements of this increase are as follows:

CHANGES IN NET POSITION
(In Thousands)

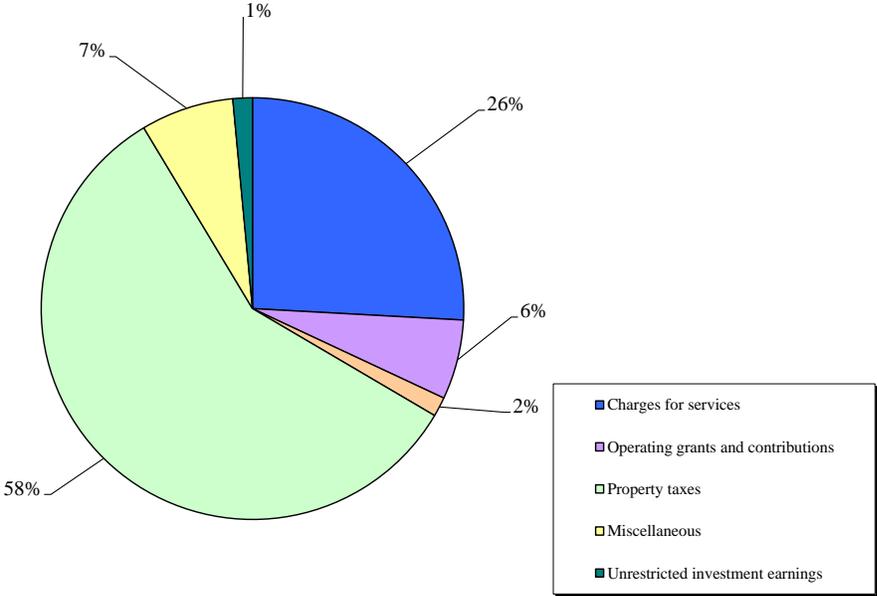
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Charges for services	\$ 902	\$ 975	\$ 914	\$ 905	\$ 1,816	\$ 1,880
Operating grants and contributions	213	194	13	12	226	206
Capital grants and contributions	52	1,362	-	-	52	1,362
Property taxes	2,020	1,981	-	-	2,020	1,981
Miscellaneous	248	68	-	-	248	68
Unrestricted investment earnings	52	32	15	10	67	42
Total revenues	<u>3,487</u>	<u>4,612</u>	<u>942</u>	<u>927</u>	<u>4,429</u>	<u>5,539</u>
Expenses:						
General government	512	492	-	-	512	492
Public safety	1,628	1,560	-	-	1,628	1,560
Public works	995	1,057	-	-	995	1,057
Parks and recreation	120	125	-	-	120	125
Water	-	-	76	68	76	68
Sewer	-	-	649	689	649	689
Recycling	-	-	26	25	26	25
Storm water	-	-	59	73	59	73
Marina	-	-	132	130	132	130
Total expenses	<u>3,255</u>	<u>3,234</u>	<u>942</u>	<u>985</u>	<u>4,197</u>	<u>4,219</u>
Change in net position before transfers	232	1,378	-	(58)	232	1,320
Transfers	<u>28</u>	<u>27</u>	<u>(28)</u>	<u>(27)</u>	<u>-</u>	<u>-</u>
Change in net position	260	1,405	(28)	(85)	232	1,320
Net position						
Beginning of year	<u>9,545</u>	<u>8,140</u>	<u>3,595</u>	<u>3,680</u>	<u>13,140</u>	<u>11,820</u>
Change in accounting principle	<u>(635)</u>	<u>-</u>	<u>(96)</u>	<u>-</u>	<u>(731)</u>	<u>-</u>
End of year	<u>\$ 9,170</u>	<u>\$ 9,545</u>	<u>\$ 3,471</u>	<u>\$ 3,595</u>	<u>\$ 12,641</u>	<u>\$ 13,140</u>

City of Deephaven Management's Discussion and Analysis

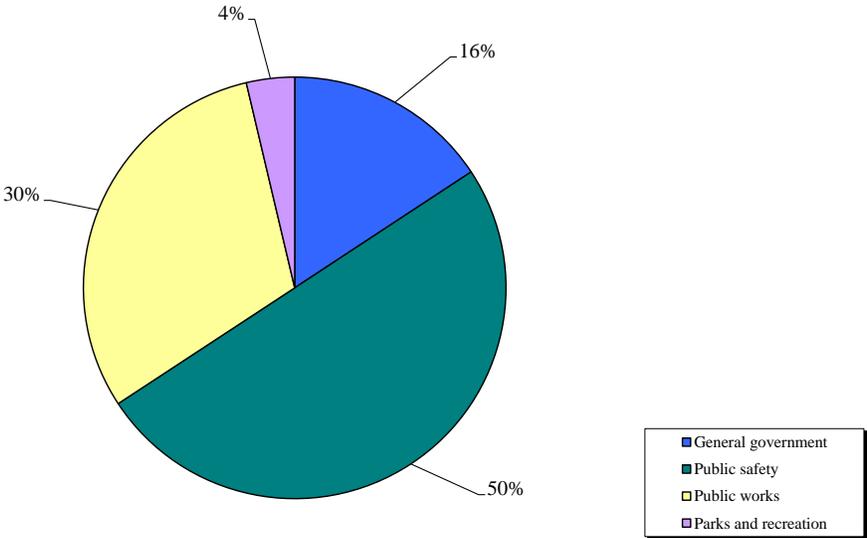
GOVERNMENTAL ACTIVITIES

Governmental activities decreased its overall net position by \$374,480. Below are specific graphs that provide comparisons of the governmental activities revenues and expenses:

Governmental Activities - Revenues



Governmental Activities - Expenses

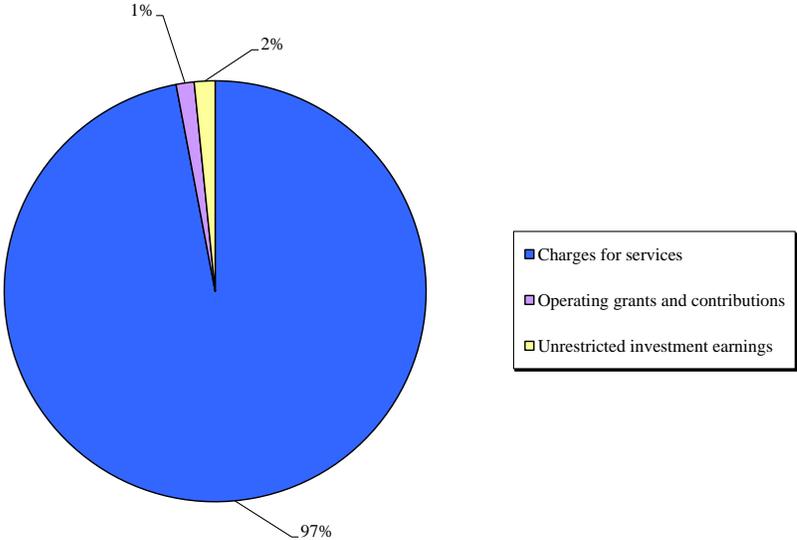


**City of Deephaven
Management's Discussion and Analysis**

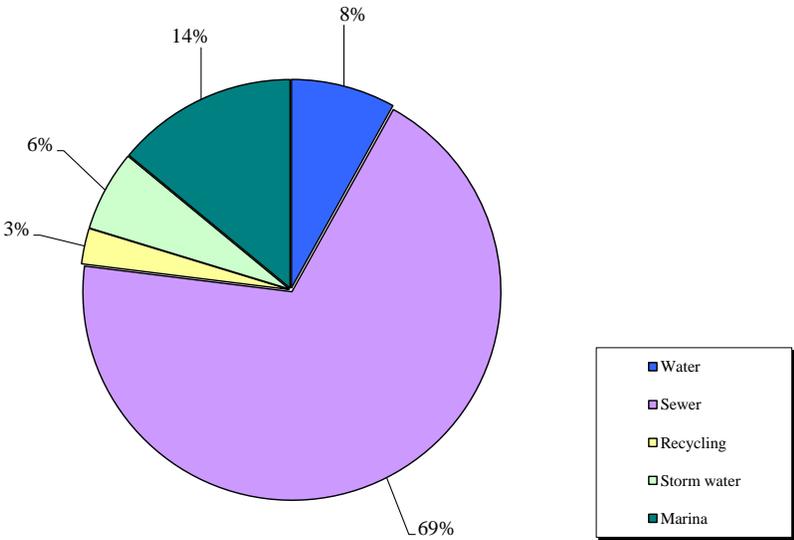
BUSINESS-TYPE ACTIVITIES

Business-type activities decreased its overall net position by \$123,782. Below are graphs showing the business-type activities revenue and expense comparisons:

Business-Type Activities - Revenues



Business-Type Activities - Expenses



City of Deephaven Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

At the end of the current year, the City's governmental funds reported combined ending fund balances of \$3,595,700. Of this amount, \$20,794 represents amounts already expended for prepaid items and is classified as nonspendable. Other portions of the fund balances are dedicated as follows:

- 1) Restricted to fund park projects (\$153,477)
- 2) Committed to pay severance and OPEB liability (\$193,726)
- 3) Committed to fund special capital projects (\$222,850)

The remaining unassigned balance of \$3,004,853 provides for ongoing operating costs.

The General Fund decreased \$48,626 in 2015. The 2015 General Fund was originally projected to decrease by \$249,060 due to a budgeted \$250,000 transfer into the Capital Improvement Fund. The reason for the lower than expected decrease is due to higher than anticipated revenues in the following areas:

- 1) Licenses and Permits, principally due to construction activity, were \$58,519 higher than anticipated.
- 2) Contract service fees with the cities of Greenwood and Woodland were \$59,887 higher than expected.
- 3) Bond administration fees in the amount of \$168,850 were received from an unplanned issuance of conduit debt.
- 4) Police services, particularly due to Safe and Sober Grants, were \$17,753 higher than expected.
- 5) Adjustments in the State Fire Aid formula by the State of Minnesota increased the State Fire Aid payment by \$6,642.

The 2015 General Fund may actually have come in under budget for the year if it weren't for higher than expected costs in the following areas of the Public Safety Department and the Planning Department:

- 1) Police Department salaries were higher than anticipated (\$38,155) due to overtime costs relating to the Safe and Sober Grant Program and severance payments to two employees who unexpectedly retired in 2015.
- 2) The reimbursement to the Fire Relief Association of their annual State Fire Aid payment was \$6,642 higher than anticipated due to an increase in the State Fire Aid payment.
- 3) Higher than anticipated building permit revenues resulted in higher than expected contract fees for plan review and inspection services (\$57,624).
- 4) Legal service costs were higher than anticipated (\$12,864).

The Capital Improvement Fund balance increased \$190,814 over the prior year primarily due to the fact that a \$273,000 transfer from the General Fund offset the purchase of a new plow truck for the Public Works Department, two new squad cars and equipment and technology upgrades in the Police Department, and a major street resurfacing project.

City of Deephaven Management's Discussion and Analysis

The Park Improvement Fund balance increased \$8,855 due to the receipt of a \$25,000 Park Dedication Fee, which offset a new addition to the City's platform tennis courts.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Propriety Funds

Business-type activities decreased the City's net position by \$123,782, principally due to the fact that there were several significant capital projects undertaken in the Storm Water Fund and the Sewer Fund in 2015.

From a cash position, business-type activities decreased \$21,745 in 2015. A brief summary of each business-type activity is described below:

- **Water Fund** – The cash position of the Water Fund increased \$11,790 in 2015, which is an indication that the water rate increase enacted back in 2004 continues to be adequate to finance the costs of operating the water system.
- **Sewer Fund** – The cash position of the Sewer Fund decreased \$62,318 in 2015. This decrease is owing to the purchase of a new sewer truck (\$53,429), significant lift station improvements (\$20,661), the 2015 Pipe Lining & Sealing Project (\$33,555), and the 2015 Manhole Repair Project (\$57,060). In order to address this declining cash position, the Council authorized a sewer rate increase beginning in 2016.
- **Recycling Fund** – The cash position of the Recycling Fund increased \$11,376 in 2015. The Recycling Fund is designed to operate on a breakeven basis whereby the revenue from the Hennepin County Recycling Grant covers the costs of reimbursing Waste Management for conducting the 2015 Spring and Fall Cleanup Day. However, adjustments to the 2014-2016 Waste & Recycling Contract with Waste Management have lowered the overall costs of the Spring and Fall Cleanup Day thereby increasing the cash position of this fund.
- **Storm Water Fund** – The cash position of the Storm Water Fund decreased \$2,110 in 2015, owing to the year two repayment of a five-year loan to the Sewer Fund, completing a minor storm water repair on Summerville Road, and installing new catch basins on Cottagewood and Linden Roads.
- **Marina Fund** – The cash position of the Marina Fund increased \$19,517 in 2015. A 2015 rate increase resulted in a positive increase in the cash position of the Fund.

**City of Deephaven
Management's Discussion and Analysis**

BUDGETARY HIGHLIGHTS

General Fund

There were no changes made to the original General Fund Budget. During the year, actual expenditures and a \$273,000 transfer to the Capital Improvement Fund exceeded actual revenues and other financing sources by \$48,626, thus eliminating the need to draw significantly upon existing fund reserves.

General Fund Revenues – With budgeted General Fund revenues and other financing sources of \$2,768,027 versus actual General Fund revenues and other financing sources of \$3,077,024, General Fund revenues and other financing sources came in \$308,997 higher than anticipated in 2015. A review of General Fund revenues illustrates there were five primary reasons for the surplus of General Fund revenues: 1) License and Permit Fees, 2) Contract Service Fees, 3) Conduit Bond Financing 4) Police Service Fees, and 5) an increase in State Fire Aid.

General Fund Expenditures – With budgeted General Fund expenditures of \$2,767,087 versus actual General Fund expenditures of \$2,852,650, General Fund expenditures were \$85,563 higher than expected in 2015 due to higher than expected costs in 1) police overtime costs and severance payments, 2) State Fire Aid reimbursement to the Excelsior Firefighter's Relief Association, 3) building permit plan review and inspection costs, and 4) legal service costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounted to \$9,236,286 (net of accumulated depreciation). This investment in capital assets included land, land improvements, buildings, vehicles, and equipment.

	2015 (In Thousands)		2015 Total	2014 Total
	Governmental Activities	Business-Type Activities		
Land	\$ 692	\$ -	\$ 692	\$ 692
Building	340	-	340	361
Mains, lifts, hydrants, and distribution systems	-	2,499	2,499	2,496
Improvements other than buildings	1	13	14	18
Infrastructure	4,289	-	4,289	4,225
Vehicles and equipment	1,076	326	1,402	1,300
Total	\$ 6,398	\$ 2,838	\$ 9,236	\$ 9,092

City of Deephaven Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets (Continued)

Additional information on the City's capital assets can be found in Note 5 of the section entitled Notes to the Financial Statements.

Major capital asset events during the current fiscal year included the following:

- Freightliner Plow Truck (\$128,131)
- 2015 Street Resurfacing Project (\$238,721)
- 2015 Seal Coating Project (\$26,762)
- Platform Court Heating Units (\$21,421)
- Tire Changer & Balancer (\$3,900)
- (2) Police Squad Cars & Retrofitting (\$67,183)
- Police Video Surveillance System (\$8,260)
- (2) Police Computers (\$2,934)
- (2) External Defibrillator Units (\$2,612)
- Lift Station & Pump Improvements (\$20,660)
- Sewer Manhole Repairs (\$61,040)
- Sewer Pipe Lining & Sealing (\$33,555)
- Sewer Truck (\$53,428)
- Summerville Road Drainage Improvements Phase II (\$13,373)
- Catch Basin Repairs (\$26,350)
- St. Louis Bay Dredging Project (\$12,420)

LONG-TERM DEBT

At the end of the current fiscal year, the City had total long-term debt totaling \$211,468 for accrued compensated absences and OPEB liability and net pension liability in the amount of \$1,153,349. Refer to Notes 6, 9, and 11 in the financial statements for further information.

ECONOMIC FACTORS AND FUTURE BUDGET PLANS

The City is a fully developed community that must adjust to relatively slow growth in the future market value of the City. With little "new" tax dollars entering the community, the City must grow increasingly careful with the development of future budgets to control future increases in the property tax levy.

This places an increasing burden on the City to increase other revenue opportunities aside from the property tax levy to offset inflationary increases in supplies, employee salaries, health care and professional services.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City Hall, 20225 Cottagewood Road, Deephaven, Minnesota 55331.

BASIC FINANCIAL STATEMENTS

**City of Deephaven
Statement of Net Position
December 31, 2015**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 3,557,730	\$ 672,800	\$ 4,230,530
Accounts receivable	23,381	186,008	209,389
Interest receivable	26,806	-	26,806
Property taxes receivable			
Unremitted	8,331	-	8,331
Delinquent	9,718	-	9,718
Special assessments receivable			
Delinquent	-	2,154	2,154
Deferred	-	23,988	23,988
Due from other governments	27,778	-	27,778
Prepaid items	20,794	38,114	58,908
Pension asset	386,563	-	386,563
Capital assets not being depreciated			
Land	692,177	-	692,177
Capital assets net of accumulated depreciation			
Buildings	340,305	-	340,305
Mains, lifts, hydrants and distribution systems	-	2,499,221	2,499,221
Improvements other than buildings	1,092	12,533	13,625
Infrastructure	4,288,740	-	4,288,740
Vehicles and equipment	1,075,818	326,400	1,402,218
Total assets	<u>10,459,233</u>	<u>3,761,218</u>	<u>14,220,451</u>
Deferred outflows of resources			
Deferred outflows of resources related to pensions	<u>222,199</u>	<u>12,963</u>	<u>235,162</u>
Total assets and deferred outflows of resources	<u>\$ 10,681,432</u>	<u>\$ 3,774,181</u>	<u>\$ 14,455,613</u>
Liabilities			
Accounts and contracts payable	\$ 12,110	\$ 33,973	\$ 46,083
Salaries and benefits payable	25,055	1,983	27,038
Due to other governments	31,955	10,271	42,226
Unearned revenue	-	129,179	129,179
Compensated absences payable			
Payable within one year	9,581	550	10,131
Payable after one year	86,233	4,953	91,186
Opeb obligation	97,912	12,239	110,151
Net pension liability	1,058,559	94,790	1,153,349
Total liabilities	<u>1,321,405</u>	<u>287,938</u>	<u>1,609,343</u>
Deferred inflows of resources			
Deferred inflows of resources related to pensions	<u>189,781</u>	<u>15,400</u>	<u>205,181</u>
Net position			
Investment in capital assets	6,398,132	2,838,154	9,236,286
Restricted for			
Park dedication fees	153,477	-	153,477
Unrestricted	2,618,637	632,689	3,251,326
Total net position	<u>9,170,246</u>	<u>3,470,843</u>	<u>12,641,089</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 10,681,432</u>	<u>\$ 3,774,181</u>	<u>\$ 14,455,613</u>

See notes to financial statements.

City of Deephaven
Statement of Activities
Year Ended December 31, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 511,907	\$ 154,082	\$ -	\$ -	\$ (357,825)	\$ -	\$ (357,825)
Public safety	1,627,952	244,776	192,396	-	(1,190,780)	-	(1,190,780)
Public works	995,418	478,032	18,115	52,075	(447,196)	-	(447,196)
Park and recreation	119,860	25,000	3,050	-	(91,810)	-	(91,810)
Total governmental activities	<u>3,255,137</u>	<u>901,890</u>	<u>213,561</u>	<u>52,075</u>	<u>(2,087,611)</u>	<u>-</u>	<u>(2,087,611)</u>
Business-type activities							
Water	76,146	74,756	-	-	-	(1,390)	(1,390)
Sewer	649,217	576,483	-	-	-	(72,734)	(72,734)
Recycling	26,291	23,019	13,772	-	-	10,500	10,500
Storm water	58,692	119,823	-	-	-	61,131	61,131
Marina	132,155	119,654	-	-	-	(12,501)	(12,501)
Total business-type activities	<u>942,501</u>	<u>913,735</u>	<u>13,772</u>	<u>-</u>	<u>-</u>	<u>(14,994)</u>	<u>(14,994)</u>
Total governmental and business-type activities	<u>\$ 4,197,638</u>	<u>\$ 1,815,625</u>	<u>\$ 227,333</u>	<u>\$ 52,075</u>	(2,087,611)	(14,994)	(2,102,605)
General revenues							
Property taxes					2,020,118	-	2,020,118
Unrestricted state aids					2,501	-	2,501
Unrestricted investment earnings					52,412	15,146	67,558
Other general revenue					232,521	-	232,521
Gain on sale of asset					13,132	-	13,132
Transfers					27,743	(27,743)	-
Total general revenues and transfers					<u>2,348,427</u>	<u>(12,597)</u>	<u>2,335,830</u>
Change in net position					260,816	(27,591)	233,225
Net position - beginning					9,544,726	3,594,625	13,139,351
Change in accounting principle (note 12)					(635,296)	(96,191)	(731,487)
Net position- beginning as restated					<u>8,909,430</u>	<u>3,498,434</u>	<u>12,407,864</u>
Net position - ending					<u>\$ 9,170,246</u>	<u>\$ 3,470,843</u>	<u>\$ 12,641,089</u>

MAJOR GOVERNMENTAL FUNDS

City of Deephaven
Balance Sheet - Governmental Funds
December 31, 2015

	General Fund	Capital Projects		Total Governmental Funds
		Capital Improvement Fund	Park Dedication Fund	
Assets				
Cash and investments	\$ 3,205,800	\$ 198,453	\$ 153,477	\$ 3,557,730
Accounts receivable	-	23,381	-	23,381
Interest receivable	26,806	-	-	26,806
Property taxes receivable				
Unremitted	7,284	1,047	-	8,331
Delinquent	9,718	-	-	9,718
Due from other governments	27,778	-	-	27,778
Prepaid items	20,794	-	-	20,794
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,298,180</u>	<u>\$ 222,881</u>	<u>\$ 153,477</u>	<u>\$ 3,674,538</u>
Liabilities				
Accounts payable	\$ 12,079	\$ 31	\$ -	\$ 12,110
Salaries and benefits payable	25,055	-	-	25,055
Due to other governments	31,955	-	-	31,955
Total liabilities	<u>69,089</u>	<u>31</u>	<u>-</u>	<u>69,120</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	<u>9,718</u>	<u>-</u>	<u>-</u>	<u>9,718</u>
Fund balances				
Nonspendable	20,794	-	-	20,794
Restricted	-	-	153,477	153,477
Committed	193,726	222,850	-	416,576
Unassigned	3,004,853	-	-	3,004,853
Total fund balances	<u>3,219,373</u>	<u>222,850</u>	<u>153,477</u>	<u>3,595,700</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,298,180</u>	<u>\$ 222,881</u>	<u>\$ 153,477</u>	<u>\$ 3,674,538</u>

City of Deephaven
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2015

Total fund balances - governmental funds \$ 3,595,700

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	10,259,151
Less accumulated depreciation	(3,861,019)

Long-term liabilities 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:

Compensated absences payable	(95,814)
Unfunded OPEB liability	(97,912)
Net pension liability	(1,058,559)

Net pension assets created through non-employer contributions to defined benefit pension plans are not recognized in the governmental funds.	386,563
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Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred outflows of resources related to pensions	222,199
Deferred inflows of resources related to pensions	(189,781)

Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Property taxes	9,718
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Total net position - governmental activities	\$ 9,170,246
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City of Deephaven
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2015

	<u>General Fund</u>	<u>Capital Projects</u>		<u>Total Governmental Funds</u>
		<u>Capital Improvement Fund</u>	<u>Park Dedication Fund</u>	
Revenues				
General property taxes and fiscal disparities	\$ 1,784,167	\$ 236,331	\$ -	\$ 2,020,498
Special assessments	535	-	-	535
Licenses and permits	255,794	-	-	255,794
Intergovernmental	209,944	52,075	-	262,019
Charges for services	434,217	-	-	434,217
Fines	74,635	7,180	-	81,815
Miscellaneous				
Investment income	48,782	1,404	2,226	52,412
Franchise fees	-	93,586	-	93,586
Other	241,132	-	28,050	269,182
Total revenues	<u>3,049,206</u>	<u>390,576</u>	<u>30,276</u>	<u>3,470,058</u>
Expenditures				
Current				
General government	503,460	-	-	503,460
Public safety	1,569,973	-	-	1,569,973
Public works	704,887	-	-	704,887
Parks and recreation	74,330	-	21,421	95,751
Capital outlay				
Public safety	-	80,990	-	80,990
Public works	-	404,829	-	404,829
Total expenditures	<u>2,852,650</u>	<u>485,819</u>	<u>21,421</u>	<u>3,359,890</u>
Excess of revenues over (under) expenditures	196,556	(95,243)	8,855	110,168
Other financing sources				
Proceeds from sale of capital assets	75	13,057	-	13,132
Transfers in	27,743	273,000	-	300,743
Transfers out	(273,000)	-	-	(273,000)
Total other financing sources	<u>(245,182)</u>	<u>286,057</u>	<u>-</u>	<u>40,875</u>
Net change in fund balances	(48,626)	190,814	8,855	151,043
Fund Balances				
Beginning of year	<u>3,267,999</u>	<u>32,036</u>	<u>144,622</u>	<u>3,444,657</u>
End of year	<u>\$ 3,219,373</u>	<u>\$ 222,850</u>	<u>\$ 153,477</u>	<u>\$ 3,595,700</u>

See notes to financial statements.

City of Deephaven
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2015

Net change in fund balances - governmental funds \$ 151,043

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlay is reported in governmental funds as an expenditure. However,
in the statement of activities, the cost of those assets is allocated over the
estimated useful lives as depreciation expense.

Capital outlay	481,833
Depreciation expense	(373,286)

Compensated absences are recognized as paid in the governmental funds
but recognized as the expense is incurred in the statement of activities. 18,800

OPEB costs are recognized as paid in the governmental funds but
recognized as the expense is incurred in the statement of activities. (12,912)

Governmental funds recognized pension contributions as expenditures at the time of
payment whereas the statement of activities factors in items related to pensions on a
full accrual perspective.

Pension expense	(9,682)
State contribution to PEPFF	5,400

Certain receivables will be collected in subsequent years, but are not available
soon enough to pay for the current period's expenditures and, therefore, are
deferred in the funds.

Property taxes - delinquent	(380)
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Change in net position- governmental activities	\$ 260,816
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City of Deephaven
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
General property taxes			
And fiscal disparities	\$ 1,800,878	\$ 1,784,167	\$ (16,711)
Special assessments	500	535	35
Licenses and permits	197,275	255,794	58,519
Intergovernmental	203,568	209,944	6,376
Charges for services	357,418	434,217	76,799
Fines and forfeitures	75,000	74,635	(365)
Miscellaneous revenues			
Investment income	30,000	48,782	18,782
Contributions and donations	100	-	(100)
Other	75,445	241,132	165,687
Total revenues	<u>2,740,184</u>	<u>3,049,206</u>	<u>309,022</u>
Expenditures			
Current			
General government	503,596	503,460	(136)
Public safety	1,527,464	1,569,973	42,509
Public works	655,877	704,887	49,010
Park and recreation	80,150	74,330	(5,820)
Total expenditures	<u>2,767,087</u>	<u>2,852,650</u>	<u>85,563</u>
Excess of revenues over (under) expenditures	(26,903)	196,556	223,459
Other financing sources (uses)			
Proceeds from sale of capital asset	100	75	(25)
Transfers in	27,743	27,743	-
Transfers out	(250,000)	(273,000)	(23,000)
Total other financing sources (uses)	<u>(222,157)</u>	<u>(245,182)</u>	<u>(23,025)</u>
Net change in fund balances	<u>\$ (249,060)</u>	(48,626)	<u>\$ 200,434</u>
Fund Balances			
Beginning of year		<u>3,267,999</u>	
End of year		<u>\$ 3,219,373</u>	

See notes to financial statements.

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PROPRIETARY FUNDS

City of Deephaven
Statement of Net Position - Proprietary Funds
December 31, 2015

	Water	Sewer	Recycling	Storm Water	Marina	Total
Assets						
Current assets						
Cash and investments	\$ 190,355	\$ 288,772	\$ 34,654	\$ 22,153	\$ 136,866	\$ 672,800
accounts receivable	15,784	139,464	-	30,760	-	186,008
Special assessments receivable						
Delinquent	-	1,152	1,002	-	-	2,154
Deferred	1,577	22,411	-	-	-	23,988
Advances to other funds	-	39,978	-	-	-	39,978
Prepaid items	81	37,284	-	101	648	38,114
Total current assets	<u>207,797</u>	<u>529,061</u>	<u>35,656</u>	<u>53,014</u>	<u>137,514</u>	<u>963,042</u>
Noncurrent assets						
Advances to other funds	-	82,828	-	-	-	82,828
Capital assets						
Mains, lifts, hydrants, and distribution systems	736,250	6,203,986	-	753,290	-	7,693,526
Improvements	-	-	-	-	102,190	102,190
Vehicles and equipment	23,481	116,464	-	-	334,075	474,020
Total capital assets	<u>759,731</u>	<u>6,320,450</u>	<u>-</u>	<u>753,290</u>	<u>436,265</u>	<u>8,269,736</u>
Less accumulated depreciation	(441,524)	(4,724,049)	-	(73,103)	(192,906)	(5,431,582)
Net capital assets	<u>318,207</u>	<u>1,596,401</u>	<u>-</u>	<u>680,187</u>	<u>243,359</u>	<u>2,838,154</u>
Total noncurrent assets	<u>318,207</u>	<u>1,679,229</u>	<u>-</u>	<u>680,187</u>	<u>243,359</u>	<u>2,920,982</u>
Total assets	<u>526,004</u>	<u>2,208,290</u>	<u>35,656</u>	<u>733,201</u>	<u>380,873</u>	<u>3,884,024</u>
Deferred outflows of resources						
Deferred outflows of resources related to pensions	393	9,043	-	393	3,134	12,963
Total assets and deferred outflows of resources	<u>\$ 526,397</u>	<u>\$ 2,217,333</u>	<u>\$ 35,656</u>	<u>\$ 733,594</u>	<u>\$ 384,007</u>	<u>\$ 3,896,987</u>
Liabilities						
Current liabilities						
Accounts and contracts payable	\$ -	\$ 33,555	\$ -	\$ -	\$ 418	\$ 33,973
Salaries and benefits payable	51	1,417	-	131	384	1,983
Advances from other funds	-	-	-	39,978	-	39,978
Due to other governments	10,271	-	-	-	-	10,271
Unearned revenue	-	-	-	-	129,179	129,179
Compensated absences	2	325	-	108	115	550
Total current liabilities	<u>10,324</u>	<u>35,297</u>	<u>-</u>	<u>40,217</u>	<u>130,096</u>	<u>215,934</u>
Noncurrent liabilities						
Advances from other funds	-	-	-	82,828	-	82,828
Compensated absences	14	2,926	-	970	1,043	4,953
Unfunded opeb liability	383	8,567	-	688	2,601	12,239
Net pension liability	2,875	66,124	-	2,875	22,916	94,790
Total noncurrent liabilities	<u>3,272</u>	<u>77,617</u>	<u>-</u>	<u>87,361</u>	<u>26,560</u>	<u>194,810</u>
Total liabilities	<u>13,596</u>	<u>112,914</u>	<u>-</u>	<u>127,578</u>	<u>156,656</u>	<u>410,744</u>
Deferred inflows of resources						
Deferred inflows of resources related to pensions	467	10,743	-	467	3,723	15,400
Net position						
Investment in capital assets	318,207	1,596,401	-	680,187	243,359	2,838,154
Unrestricted	194,127	497,275	35,656	(74,638)	(19,731)	632,689
Total net position	<u>512,334</u>	<u>2,093,676</u>	<u>35,656</u>	<u>605,549</u>	<u>223,628</u>	<u>3,470,843</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 526,397</u>	<u>\$ 2,217,333</u>	<u>\$ 35,656</u>	<u>\$ 733,594</u>	<u>\$ 384,007</u>	<u>\$ 3,896,987</u>

City of Deephaven
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2015

	Water	Sewer	Recycling	Storm Water	Marina	Total
Operating revenues						
Charges for services	\$ 74,656	\$ 569,034	\$ 22,979	\$ 119,823	\$ 119,089	\$ 905,581
Permits, hook-up fees, and penalties	100	5,049	40	-	-	5,189
Other income	-	2,400	-	-	565	2,965
Total operating revenues	<u>74,756</u>	<u>576,483</u>	<u>23,019</u>	<u>119,823</u>	<u>119,654</u>	<u>913,735</u>
Operating expenses						
Disposal charges	-	327,413	-	-	-	327,413
Water charges	53,793	-	-	-	-	53,793
Wages and benefits	4,637	118,326	-	10,561	41,986	175,510
Repairs and maintenance	-	23,645	-	-	2,164	25,809
Supplies	886	2,947	91	843	95	4,862
Utilities	-	6,406	-	-	893	7,299
Other	1,667	24,481	26,200	29,208	73,021	154,577
Depreciation	15,163	145,999	-	14,695	13,996	189,853
Total operating expenses	<u>76,146</u>	<u>649,217</u>	<u>26,291</u>	<u>55,307</u>	<u>132,155</u>	<u>939,116</u>
Operating income (loss)	(1,390)	(72,734)	(3,272)	64,516	(12,501)	(25,381)
Nonoperating revenues/expenses						
Interest income	2,830	9,472	486	771	1,587	15,146
Nonoperating grant	-	-	13,772	-	-	13,772
Interest expense	-	-	-	(3,385)	-	(3,385)
Total nonoperating revenues/expenses	<u>2,830</u>	<u>9,472</u>	<u>14,258</u>	<u>(2,614)</u>	<u>1,587</u>	<u>25,533</u>
Income (loss) before transfers	1,440	(63,262)	10,986	61,902	(10,914)	152
Transfers Out	<u>-</u>	<u>(27,743)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,743)</u>
Change in net position	1,440	(91,005)	10,986	61,902	(10,914)	(27,591)
Net position						
Beginning of year	<u>513,811</u>	<u>2,251,783</u>	<u>24,670</u>	<u>546,564</u>	<u>257,797</u>	<u>3,594,625</u>
Change in accounting principle (Note 12)	<u>(2,917)</u>	<u>(67,102)</u>	<u>-</u>	<u>(2,917)</u>	<u>(23,255)</u>	<u>(96,191)</u>
Beginning of year as restated	<u>510,894</u>	<u>2,184,681</u>	<u>24,670</u>	<u>543,647</u>	<u>234,542</u>	<u>3,498,434</u>
End of year	<u>\$ 512,334</u>	<u>\$ 2,093,676</u>	<u>\$ 35,656</u>	<u>\$ 605,549</u>	<u>\$ 223,628</u>	<u>\$ 3,470,843</u>

City of Deephaven
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2015

	Water	Sewer	Recycling	Storm Water	Marina	Total
Cash Flows - Operating Activities						
Receipts from customers and users	\$ 68,425	\$ 575,631	\$ 23,409	\$ 119,758	\$ 134,626	\$ 921,849
Payments to suppliers	(54,889)	(357,846)	(26,291)	(30,042)	(75,771)	(544,839)
Payments to employees	(4,576)	(116,630)	-	(10,439)	(41,490)	(173,135)
Received from other sources	-	2,400	-	-	565	2,965
Net cash flows - operating activities	<u>8,960</u>	<u>103,555</u>	<u>(2,882)</u>	<u>79,277</u>	<u>17,930</u>	<u>206,840</u>
Cash Flows - Noncapital						
Financing Activities						
Grants received	-	-	13,772	-	-	13,772
Transfer out	-	(27,743)	-	-	-	(27,743)
Net cash flows - noncapital	<u>-</u>	<u>(27,743)</u>	<u>13,772</u>	<u>-</u>	<u>-</u>	<u>(13,971)</u>
Financing activities	<u>-</u>	<u>(27,743)</u>	<u>13,772</u>	<u>-</u>	<u>-</u>	<u>(13,971)</u>
Cash Flows - Capital and Related						
Financing Activities						
Interfund loan receipts	-	39,050	-	-	-	39,050
Interfund loan payments	-	-	-	(39,050)	-	(39,050)
Interest received on interfund loan	-	3,385	-	-	-	3,385
Interest paid on interfund loan	-	-	-	(3,385)	-	(3,385)
Acquisition of capital assets	-	(186,652)	-	(39,723)	-	(226,375)
Net cash flows - capital and related	<u>-</u>	<u>(186,652)</u>	<u>-</u>	<u>(39,723)</u>	<u>-</u>	<u>(226,375)</u>
Financing activities	<u>-</u>	<u>(144,217)</u>	<u>-</u>	<u>(82,158)</u>	<u>-</u>	<u>(226,375)</u>
Cash Flows - Investing Activities						
Interest and dividends received	<u>2,830</u>	<u>6,087</u>	<u>486</u>	<u>771</u>	<u>1,587</u>	<u>11,761</u>
Net change in cash and cash equivalents	11,790	(62,318)	11,376	(2,110)	19,517	(21,745)
Cash and Cash Equivalents						
Beginning of year	<u>178,565</u>	<u>351,090</u>	<u>23,278</u>	<u>24,263</u>	<u>117,349</u>	<u>694,545</u>
End of year	<u>\$ 190,355</u>	<u>\$ 288,772</u>	<u>\$ 34,654</u>	<u>\$ 22,153</u>	<u>\$ 136,866</u>	<u>\$ 672,800</u>
Reconciliation Of Operating						
Income (Loss) to Net Cash -						
Flows - Operating Activities						
Operating income (loss)	\$ (1,390)	\$ (72,734)	\$ (3,272)	\$ 64,516	\$ (12,501)	\$ (25,381)
Adjustments to reconcile operating						
Income (loss) to net cash						
flows - operating activities:						
Depreciation expense	15,163	145,999	-	14,695	13,996	189,853
Accounts receivable	(5,798)	(91)	-	(65)	-	(5,954)
Special assessments receivable	(533)	1,639	390	-	-	1,496
Prepaid items	2	(6,509)	-	9	(16)	(6,514)
Accounts and contracts payable	-	33,555	-	-	418	33,973
Salaries and benefits payable	(13)	(162)	-	(1)	(70)	(246)
Due to other governments	1,455	-	-	-	-	1,455
Opeb obligation	48	1,130	-	88	343	1,609
Unearned revenue	-	-	-	-	15,537	15,537
Compensated absences payable	(6)	6	-	3	(27)	(24)
Net pension liability	(42)	(978)	-	(42)	(339)	(1,401)
Net deferred outflows and						
Inflows related to pensions	74	1,700	-	74	589	2,437
Total adjustments	<u>10,350</u>	<u>176,289</u>	<u>390</u>	<u>14,761</u>	<u>30,431</u>	<u>232,221</u>
Net cash flows - operating	<u>\$ 8,960</u>	<u>\$ 103,555</u>	<u>\$ (2,882)</u>	<u>\$ 79,277</u>	<u>\$ 17,930</u>	<u>\$ 206,840</u>
activities	<u>\$ 8,960</u>	<u>\$ 103,555</u>	<u>\$ (2,882)</u>	<u>\$ 79,277</u>	<u>\$ 17,930</u>	<u>\$ 206,840</u>

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**NOTES TO BASIC
FINANCIAL STATEMENTS**

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Deephaven is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

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 it 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 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 and are presented in this report as follows:

Joint Ventures and Jointly Governed Organizations – The relationship of the City with the Excelsior Fire District is disclosed as a joint venture because the City does not appoint a voting majority of the governing body.

For the category above, the specific entity is identified as follows:

1. Joint Venture

The City belongs to the Excelsior Fire District (the “District”) which is made up of five member cities. The primary purpose of this organization is to provide fire protection services to the member cities. The City retains an equity interest in the District as of December 31, 2015, for actuarial reporting purposes.

In connection with the construction of the two fire safety facilities, the Shorewood Economic Development Authority (EDA) has issued three bonds totaling \$7,120,000 in 2007 on behalf of the District and its member cities. All five member cities contribute annually towards the bonded debt payments. Annual debt service payments are determined each year based on several factors, including tax capacity. The 2007 bonds were refunded in 2016 for actuarial reporting purposes.

During 2015, the City paid \$291,019 to the District for fire services provided and \$152,584 of debt service payments. To obtain a copy of the Excelsior Fire District financial statements contact the City of Excelsior. To obtain a copy of the Shorewood Economic Development Authority financial statements contact the City of Shorewood.

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 governmental and enterprise activities of the City. As a general rule, the effect of interfund activity has been removed from these statements. 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. 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. Internally dedicated revenues are reported as general revenues rather than program 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.

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 financial statements. 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 City considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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 period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current 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 City.

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds:

Major Governmental Funds:

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

Capital Improvement Capital Project Fund – This Fund accounts for revenues and expenditures related to City capital improvements other than specific projects accounted for in other funds.

Park Dedication Capital Project Fund – This Fund accounts for the revenue and expenditures related to City park improvements.

Proprietary Funds:

Water Fund – This Fund accounts for the operations of the City's water services.

Sewer Fund – This Fund accounts for the operations of the City's sewer services.

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

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

Marina Fund – This Fund accounts for the operations of the City's marina on Lake Minnetonka.

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 City's public utility funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's 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 nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Further, the City applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at market value.

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.

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, share 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.

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy states all deposits must be fully insured and collateralized in the name of the City, subject to release by the City Administrator/Clerk/Treasurer.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City should manage its interest rates based on liquidity, safety, and the overall return on the investment.

Credit Risk: This 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 be in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy lists the allowable investments as government securities, certificates of deposit, repurchase agreements, any general obligation security of the State of Minnesota or any of its municipalities, state-wide investment pool, and money market mutual funds.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy states the City will attempt to diversify its investments according to type and maturity. No more than 30% of the total investment should extend beyond 5 years and the City shall not invest in investments with a maturity exceeding 20 years.

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

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 investments or collateral securities that are in the possession of an outside party. The City's investment policy states when a broker/dealer holds investments purchased by the City in safekeeping, the broker/dealer must provide asset protection of \$500,000 through the Securities Investor Protector Corporation (SIPC) and at least another \$2 million supplemental insurance protection.

2. Receivables and Payables

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.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection 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 of the payment due on May 15 and the second half 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.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

3. Prepaid Items

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

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Bridges	40
Mains and lines	30 - 50
Buildings and improvements	15 - 50
Streets	15 - 25
Vehicles and equipment	3 - 25

5. 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 so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statements of Net Position for deferred outflows of resources related to pensions. Deferred outflows of resources related to pensions results from the net difference between projected and actual earnings on plan investments and investment losses.

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and fund financial statements 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 so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The City presents deferred inflows of resources on the statements of net position for deferred inflows of resources related to pensions. Deferred inflows of resources related to pensions results from the net differences in proportionate share and changes in economic experience.

6. Compensated Absences

Under terms of union contracts and personnel policies, the City's employees are granted vacation 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. Any employee who leaves the City under honorable condition is eligible for severance pay. Severance pay is one-third of unused accumulated sick leave.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, the business-type activities, or proprietary fund type Statement of Net Position. Long-term liabilities consist of compensated absences and OPEB obligations.

In the fund financial statements, governmental fund types recognize noncurrent liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

8. 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 the relief association and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that PERA's fiscal year end is June 30. 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.

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Equity

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form.
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Administrator/Clerk/Treasurer based on the City Council's direction.
- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The City considers restricted to be spent first when an expenditure is incurred where both restricted and unrestricted fund balance is available. In addition, expenditures are applied to fund balances based on this hierarchy: committed, assigned, and unassigned. The amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

City of Deephaven
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Equity (Continued)

b. Minimum Fund Balance

The City's General Fund minimum fund balance is an amount equivalent to 90% of the following year's operating budget.

9. Net Position

Net position represents the difference between assets and deferred outflows, if any, and liabilities and deferred inflows, if any, in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenditures/expense during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City Council adopts an annual budget for all funds. The amounts shown in the financial statements for the General Fund as “budget” represent the original budgeted amount. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator/Clerk/Treasurer compiles the budget requests into an overall preliminary City budget.
2. The City Administrator/Clerk/Treasurer presents the proposed budget to the City Council. The budget resolution adopted by the City Council sets forth the budgets at the function level for all of the funds.
3. Formal budgetary integration is employed as a management control device during the year.

The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at year-end. The detailed budget schedule provided in the supplementary information is presented on the same basis. No revisions to the budgets were made during the year.

City of Deephaven
Notes to Financial Statements

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Expenditures Exceeding Appropriations

Expenditures exceeded appropriations in the following fund for the year ended at December 31, 2015:

	Expenditures	Appropriations
General fund	\$ 2,852,650	\$ 2,767,087
Park dedication fund	21,421	4,300

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool is displayed in the financial statements as “cash and investments.” For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized below and on the following page.

A. Deposits

Custodial Credit Risk – Deposits: As of December 31, 2015, the City's bank balance was not exposed to custodial credit risk because it was fully insured through the FDIC as well as collateral pledged and a Federal Home Loan Bank standby letter of credit and was independently verified through audit procedures. The City's deposits had a book balance as follows:

Checking and money market savings	\$ 763,530
Certificates of deposit	986,000
Total deposits	\$ 1,749,530

B. Investments

As of December 31, 2015, the City had the following investments:

Investment Type	Value	One Year	1-5 Years
Brokered certificates of deposit	\$ 2,480,671	\$ 603,519	\$ 1,877,152
Brokered money market	79	79	-
Total	\$ 2,480,750	\$ 603,598	\$ 1,877,152
	Maturity	Maximum Investments	
	Less than one year	24%	
	1-5 years	76%	

City of Deephaven
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk: City's investments were federally insured by FDIC.

Concentration Credit Risk: As of December 31, 2015, the following investments, brokered CDs, of the City composed more than 5% of the City's portfolio:

State Bank, NY	9.43%
Barclays Bank, DE	8.47%
Ally Bank, UT	9.44%
OneWest Bank, CA	8.06%
GE Capital, UT	5.71%
Discover Bank, DE	8.85%
American Exp, UT	9.85%
Synchrony Bank, UT	5.89%
BMW Bank, UT	9.19%
CIT, UT	8.19%
Amex Centurion, UT	8.79%

C. Balances

Summary of cash deposits and investments as of December 31, 2015, were as follows:

Deposits (Note 3. A.)	\$ 1,749,530
Investments	2,480,750
Petty cash	<u>250</u>
Total deposits and investments	<u><u>\$ 4,230,530</u></u>

Deposits and investments are presented in the December 31, 2015, basic financial statements as follows:

Statement of net position:

Cash and investments (including cash and cash equivalents)	<u><u>\$ 4,230,530</u></u>
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NOTE 4 – INTERFUND ACTIVITY

During the year ended December 31, 2015, the City transferred \$27,743 from the Sewer Fund to the General Fund for the purpose of payments in lieu of taxes. The City also transferred \$273,000 from the General Fund to the Capital Improvement Fund for the Northome bridge project, Chowen's parking lot lights, and the purchase of a video surveillance system.

City of Deephaven
Notes to Financial Statements

NOTE 4 – INTERFUND ACTIVITY (CONTINUED)

During 2013, the City advanced \$200,000 from the Sewer Fund to the Storm Water Fund to help finance the 2013 storm water project. The advance will be paid back over the course of five years, ending on September 15, 2018. Interest on the advance is set at 2.35%. At December 31, 2015, the outstanding balance was \$122,806. The current portion of the advance was \$39,978.

NOTE 5 – CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 692,177	\$ -	\$ -	\$ 692,177
Capital assets being depreciated:				
Buildings	1,234,322	-	-	1,234,322
Improvements other than buildings	5,484	-	-	5,484
Infrastructure	5,426,767	238,721	-	5,665,488
Vehicles and equipment	2,593,964	243,112	175,396	2,661,680
Total capital assets being depreciated	<u>9,260,537</u>	<u>481,833</u>	<u>175,396</u>	<u>9,566,974</u>
Less accumulated depreciation for:				
Buildings	873,037	20,980	-	894,017
Improvements other than buildings	4,026	366	-	4,392
Infrastructure	1,202,408	174,340	-	1,376,748
Vehicles and equipment	1,583,658	177,600	175,396	1,585,862
Total accumulated depreciation	<u>3,663,129</u>	<u>373,286</u>	<u>175,396</u>	<u>3,861,019</u>
Total capital assets being depreciated, net	<u>5,597,408</u>	<u>108,547</u>	<u>-</u>	<u>5,705,955</u>
Governmental activities capital assets, net	<u>\$ 6,289,585</u>	<u>\$ 108,547</u>	<u>\$ -</u>	<u>\$ 6,398,132</u>
Business-type activities:				
Capital assets being depreciated:				
Mains, lifts, hydrants, and distribution systems	\$ 7,520,580	\$ 172,946	\$ -	\$ 7,693,526
improvements other than buildings	102,190	-	-	102,190
Vehicles and equipment	420,591	53,429	-	474,020
Total capital assets being depreciated	<u>8,043,361</u>	<u>226,375</u>	<u>-</u>	<u>8,269,736</u>
Less accumulated depreciation for:				
Mains, lifts, hydrants, and distribution systems	5,024,510	169,795	-	5,194,305
improvements other than buildings	85,957	3,700	-	89,657
Vehicles and equipment	131,262	16,358	-	147,620
Total accumulated depreciation	<u>5,241,729</u>	<u>189,853</u>	<u>-</u>	<u>5,431,582</u>
Business-type activities capital assets, net	<u>\$ 2,801,632</u>	<u>\$ 36,522</u>	<u>\$ -</u>	<u>\$ 2,838,154</u>

City of Deephaven
Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental activities	
General government	\$ 5,709
Public safety	62,176
Public works	259,871
Parks and recreation	<u>45,530</u>
Total depreciation expense - governmental activities	<u><u>\$ 373,286</u></u>
Business-type activities	
Water	\$ 15,163
Sewer	145,999
Storm water	14,695
Marina	<u>13,996</u>
Total depreciation expense - business-type activities	<u><u>\$ 189,853</u></u>

NOTE 6 – LONG-TERM DEBT

A. Conduit Debt Obligations

Conduit debt obligations are certain limited obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued revenue bonds to provide funding to private sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2015, the City's outstanding conduit debt balances consisted of the following:

\$2,550,000 Minnesota Education Facilities Revenue Note (Excelsior Covenant Preschool Project), Series 2007	\$ 1,730,399
\$1,000,000 Minnesota Education Facilities Revenue Note (Benilde-St. Margaret School), Series 2011	838,947
\$19,450,000 Minnesota Housing and Healthcare Facilities Revenue Bond (St. Therese Senior Living Project), Series 2013A, B & C	19,450,000
\$33,770,000 Taxable Lease Revenue Bond (Eagle Ridge Academy Project), Series 2015A & B	<u>33,770,000</u>
Total	<u><u>\$ 55,789,346</u></u>

City of Deephaven
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 114,614	\$ 103,285	\$ 122,085	\$ 95,814	\$ 9,581
Business-type activities:					
Compensated absences	<u>5,527</u>	<u>7,160</u>	<u>7,184</u>	<u>5,503</u>	<u>550</u>
Total long-term liabilities	<u>\$ 120,141</u>	<u>\$ 110,445</u>	<u>\$ 129,269</u>	<u>\$ 101,317</u>	<u>\$ 10,131</u>

For governmental activities, the general fund typically liquidates the liability related to compensate absences.

NOTE 7 – FUND BALANCE DETAIL

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Park Dedication Fund</u>	<u>Total</u>
Nonspendable:				
Prepays	\$ 20,794	\$ -	\$ -	\$ 20,794
Restricted:				
Park dedication fees	-	-	153,477	153,477
Committed:				
Compensated absences	95,814	-	-	95,814
OPEB obligation	97,912	-	-	97,912
Capital projects	-	222,850	-	222,850
Total committed	<u>193,726</u>	<u>222,850</u>	<u>-</u>	<u>416,576</u>
Unassigned	<u>3,004,853</u>	<u>-</u>	<u>-</u>	<u>3,004,853</u>
Total	<u>\$ 3,219,373</u>	<u>\$ 222,850</u>	<u>\$ 153,477</u>	<u>\$ 3,595,700</u>

City of Deephaven
Notes to Financial Statements

NOTE 8 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2015 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2015, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9 – PENSION PLANS

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the GERF. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

**City of Deephaven
Notes to Financial Statements**

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years 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.

PEPFF Benefits

Benefits for the PEPFF 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 PEPFF 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 PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

City of Deephaven
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

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

GERF 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 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015, were \$39,698. The City's contributions were equal to the required contributions as set by state statute.

PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the year ended December 31, 2015, were \$90,754. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

GERF Pension Costs

At December 31, 2015, the City reported a liability of \$471,609 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0091%.

For the year ended December 31, 2015, the City recognized pension expense of \$45,248 for its proportionate share of GERF's pension expense.

At December 31, 2015, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the sources on the following page.

**City of Deephaven
Notes to Financial Statements**

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 23,777
Difference between projected and actual investment earnings	44,645	-
Changes in proportion	-	52,847
Contributions paid to PERA subsequent to the measurement date	<u>19,849</u>	<u>-</u>
	<u>\$ 64,494</u>	<u>\$ 76,624</u>

\$19,849 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount</u>
2016	\$ (14,381)
2017	(14,381)
2018	(14,379)
2019	11,162

PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$681,740 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0600%.

City of Deephaven
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

For the year ended December 31, 2015, the City recognized pension expense of \$113,880 for its proportionate share of the PEPFF's pension expense. The City also recognized \$5,400 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 110,556
Difference between projected and actual investment earnings	118,782	-
Changes in proportion	-	18,001
Contributions paid to PERA subsequent to the measurement date	45,377	-
Total	\$ 164,159	\$ 128,557

\$45,377 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2016	\$ 3,985
2017	3,985
2018	3,985
2019	3,983
2020	(25,713)

City of Deephaven
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.75 % Per year
Active member payroll growth	3.50 % Per year
Investment rate of return	7.90 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The long-term expected rate of return on pension plan investments is 7.9%. 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50 %
International stock	15%	6.00
Bonds	18%	1.45
Alternative assets	20%	6.40
Cash	2%	0.50
	<hr/>	
Total	<u>100%</u>	

City of Deephaven
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. 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 statute. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G Pension Liability Sensitivity

The following table 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's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
City's Proportionate Share of the GERF Net Pension Liability	\$ 741,537	\$ 471,609	\$ 248,690
City's Proportionate Share of the PEPFF Net Pension Liability	\$ 1,328,719	\$ 681,740	\$ 147,223

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.

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association

A. Plan Description

The Excelsior Firefighters Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Excelsior Fire District per Minnesota State Statutes. The cities of Deephaven, Excelsior, Greenwood, Shorewood, and Tonka Bay are sponsoring entities of the Excelsior Fire District. The City of Deephaven's proportionate share is 28.52%.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Excelsior Firefighter's Association, at the City of Excelsior.

City of Deephaven
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

B. Benefits Provided

Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service. Partial benefits are payable to members who have reached 50 and have completed 10 years of service. Disability benefits and widow and children's survivor benefits are also payable to members of their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

C. Employees Covered by Benefit Terms

At December 31, 2014, the following employees were covered by the benefit terms:

Retirees and beneficiaries	0
Vested terminated and transfers	8
Actives	46
Total	54

D. Contributions.

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City did not recognize revenue or an expenditure on behalf payment made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
Salary increase	2.5 %, average, including inflation
Investment rate of return	6 %, net of pensions plan investment expense: including inflation

City of Deephaven
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

E. Net Pension Liability

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	8.00%	2.00%
Fixed income	25.00%	3.50%
Equities	67.00%	7.50%
 Total	 <u>100%</u>	

The discount rate used to measure the total pension liability was 6%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset 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. The equivalent single rate is the discount rate.

City of Deephaven
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

F. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2015	<u>\$ 954,211</u>	<u>\$ 1,329,605</u>	<u>\$ (375,394)</u>
Changes for the year			
Service cost	34,723	-	34,723
Interest cost	60,729	-	60,729
State contributions	-	37,227	(37,227)
Municipal contributions	-	-	-
Projected investment return	-	80,566	(80,566)
Gain or loss	-	(8,136)	8,136
Benefit payments	(7,868)	(7,868)	-
Administrative expense	-	(3,036)	3,036
Other charges	<u>(1)</u>	<u>(1)</u>	<u>-</u>
Net charges	<u>87,583</u>	<u>98,752</u>	<u>(11,169)</u>
Balances at December 31, 2015	<u><u>\$ 1,041,794</u></u>	<u><u>\$ 1,428,357</u></u>	<u><u>\$ (386,563)</u></u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:+

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net pension liability	<u>\$ (359,806)</u>	<u>\$ (386,563)</u>	<u>\$ (412,142)</u>

**City of Deephaven
Notes to Financial Statements**

NOTE 9 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

**G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions**

For the year ended December 31, 2015, the City recognized pension expense of \$17,678. At December 31, 2015, the City reported deferred outflows of resources related to the Relief Association Pension of \$6,509 for investment losses.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount</u>
2016	\$ 1,627
2017	1,627
2018	1,627
2019	1,628

NOTE 10 – COMMITMENTS

A. Legal Claims

The City had legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, the City's management believes the City will not incur any material monetary loss resulting from these claims. No loss has been recorded on the City's financial statements relating to these claims.

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage. Medical coverage is administered by Blue Cross Blue Shield. 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.

B. Funding Policy

Retirees and their spouses can participate in the health care plan at the same premium rate as City employees. Retirees and their spouses are responsible for 100% of these rates. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For 2015, the City contributed \$18,250 to the plan. As of January 1, 2014, there were four retirees receiving health benefits from the City's health plan.

City of Deephaven
Notes to Financial Statements

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the plan.

ARC	\$	32,078
Interest on net OPEB obligation		4,303
Adjustment to ARC		(3,610)
Annual OPEB cost (expense)		32,771
Contributions made		(18,250)
Increase in net OPEB obligation		14,521
Net OPEB obligation - beginning of year		95,630
Net OPEB obligation - end of year	\$	110,151

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the following three years:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/15	\$ 32,771	\$ 18,250	56%	\$ 110,151
12/31/14	32,111	18,681	58%	95,630
12/31/13	30,473	14,893	49%	82,200

D. Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the City had no assets deposited to fund the Plan. The actuarial accrued liability for benefits for 2015 was \$292,863 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$292,863. The covered payroll (annual payroll of active employees covered by the plan) for 2015 was \$1,143,155, and the ratio of the UAAL to the covered payroll was 26%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

City of Deephaven
Notes to Financial Statements

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Funded Status and Funding Progress (Continued)

The Schedule of Funding Progress for the Retiree Health Plan, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

At the January 1, 2014, actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate, which is based on the investment yield expected to finance benefits. The actuarial assumption for payroll growth was 3.75%. The post retirement benefit increase is the same as the insurance rate increase as liability is only implicit rate. The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 9% initially, reduced incrementally to an ultimate rate of 5% after 12 years. Both rates included a 3% inflation assumption. The UAAL is being amortized on a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2014, was 30 years.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This resulted in a total adjustment to the beginning net position on the Statement of Activities of \$731,487 to add the beginning net pension liability, and an adjustment to the beginning net position on the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds of \$96,191 to add the beginning net pension liability.

NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Deephaven
Required Supplementary Information

Schedule of Funding Progress for Retiree Health Plan

Year End	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial Accrued Liability	Funded Ratio	Estimated Covered Payroll	Percentage of Covered Payroll
12/31/10	01/01/10	\$ -	\$ 173,758	\$ 173,758	0.0%	\$ 973,662	17.8%
12/31/11	01/01/10	-	173,758	173,758	0.0%	973,662	17.8%
12/31/12	01/01/12	-	196,767	196,767	0.0%	954,784	20.6%
12/31/13	01/01/12	-	196,767	196,767	0.0%	954,784	20.6%
12/31/14	01/01/14	-	277,962	277,962	0.0%	1,101,836	25.2%
12/31/15	01/01/14	-	292,863	292,863	0.0%	1,143,155	25.6%

See Note 11 in the notes to financial statements for more detail on this schedule.

City of Deephaven
Schedule of City's Proportionate Share
of Net Pension Liability
Last Ten Years GERS Retirement Fund

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>City's Covered- Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.0091%	\$ 471,609	\$ 6,390,366	7.38%	78.19%

Schedule of City's Proportionate Share
of Net Pension Liability
Last Ten Years PEPFF Retirement Fund

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>City's Covered- Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.0600%	\$ 681,740	\$ 4,328,508	15.75%	86.61%

**City of Deephaven
Schedule of City Contributions
GERF Retirement Fund
Last Ten Years**

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 39,401	\$ 39,401	\$ -	\$ 6,390,366	0.62%

**Schedule of City Contributions
PEPFF Retirement Fund
Last Ten Years**

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 86,760	\$ 86,760	\$ -	\$ 4,328,508	2.0%

SUPPLEMENTARY INFORMATION

City of Deephaven
Schedule of Changes in Net Pension Liability
and Related Ratios - Excelsior Fire Relief Association

	<u>Deephaven</u> <u>2014/2015</u>
Total Pension Liability (TPL)	
Service cost	\$ 34,723
Interest costs	60,729
Benefit payments	(7,868)
Other changes	(1)
Net change in total pension liability	<u>87,583</u>
 Beginning of year	 <u>954,211</u>
 End of Year	 <u><u>\$ 1,041,794</u></u>
 Plan Fiduciary Net Pension (FNP)	
State contributions	\$ 37,227
Projected investment return	80,566
Gain or loss	(8,136)
Benefit payments	(7,868)
Administrative expense	(3,036)
Other changes	(1)
Net change in plan fiduciary net position	<u>98,752</u>
 Beginning of year	 <u>1,329,605</u>
 End of year	 <u><u>\$ 1,428,357</u></u>
 Net Pension Liability (NPL)	 <u><u>\$ (386,563)</u></u>
 Proportionate Share	 28.52%

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten-year presentation, but does not required retroactive reporting. Information prior to 2014 is not available.

City of Deephaven
Schedule of City Contributions
and Non-employer Contributing
Entities - Excelsior Fire Relief Association

	2014
City of Deephaven	
Statutorily determined contribution (SDC)	\$ -
Contribution deficiency SDC	-
Contribution deficiency (excess)	\$ -
City of Excelsior	
Statutorily determined contribution (SDC)	\$ -
Contribution deficiency SDC	-
Contribution deficiency (excess)	\$ -
City of Greenwood	
Statutorily determined contribution (SDC)	\$ -
Contribution deficiency SDC	-
Contribution deficiency (excess)	\$ -
City of Shorewood	
Statutorily determined contribution (SDC)	\$ -
Contribution deficiency SDC	-
Contribution deficiency (excess)	\$ -
City of Tonka Bay	
Statutorily determined contribution (SDC)	\$ -
Contribution deficiency SDC	-
Contribution deficiency (excess)	\$ -
State Contribution	
2% Aid	\$ 130,531

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten-year presentation, but does not required retroactive reporting. Information prior to 2014 is not available.

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
General property taxes and fiscal disparities	\$ 1,800,878	\$ 1,784,167	\$ (16,711)
Special assessments	500	535	35
Licenses and permits	197,275	255,794	58,519
Intergovernmental revenues			
Emergency aid	8,367	8,367	-
Pera aid	2,501	2,501	-
Post board reimbursement	2,200	2,332	132
Fire aid	132,500	139,142	6,642
Police retirement aid	49,000	47,854	(1,146)
Road and other aid	9,000	9,748	748
Total intergovernmental revenues	<u>203,568</u>	<u>209,944</u>	<u>6,376</u>
Charges for services			
General government	23,030	21,380	(1,650)
Public safety	25,526	43,279	17,753
Public works	28,500	29,309	809
City of Greenwood	109,063	141,139	32,076
City of Woodland	171,299	199,110	27,811
Total charges for services	<u>357,418</u>	<u>434,217</u>	<u>76,799</u>
Fines and forfeitures	75,000	74,635	(365)
Miscellaneous revenues			
Investment income	30,000	48,782	18,782
Contributions and donations	100	-	(100)
Other	75,445	241,132	165,687
Total miscellaneous revenues	<u>105,545</u>	<u>289,914</u>	<u>184,369</u>
Total revenues	<u>2,740,184</u>	<u>3,049,206</u>	<u>309,022</u>
Expenditures			
General government			
Mayor and council			
Personnel services	13,200	13,200	-
Benefits	1,009	1,099	90
Other services and charges	5,775	5,406	(369)
Total mayor and council	<u>19,984</u>	<u>19,705</u>	<u>(279)</u>

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Expenditures (Continued)			
General government (continued)			
Elections			
Other services and charges	\$ 1,250	\$ 836	\$ (414)
Administrative and finance			
Personnel services	181,071	180,099	(972)
Benefits	30,032	29,599	(433)
Other services and charges	73,166	76,260	3,094
Total administrative and finance	<u>284,269</u>	<u>285,958</u>	<u>1,689</u>
Assessing	51,773	51,773	-
Auditing services	16,750	16,470	(280)
Legal services	4,000	16,864	12,864
Other general government	125,570	111,854	(13,716)
Total general government	<u>503,596</u>	<u>503,460</u>	<u>(136)</u>
Public safety			
Police			
Personnel services	599,129	637,284	38,155
Benefits	114,244	115,463	1,219
Prosecution services	44,700	42,122	(2,578)
Other services and charges	192,846	192,359	(487)
Total police	<u>950,919</u>	<u>987,228</u>	<u>36,309</u>
Fire			
Other services and charges	576,545	582,745	6,200
Total public safety	<u>1,527,464</u>	<u>1,569,973</u>	<u>42,509</u>
Public works			
Engineering fees	1,500	240	(1,260)
Administration			
Personnel services	211,206	214,883	3,677
Benefits	68,022	69,425	1,403
Other services and charges	69,440	56,301	(13,139)
Total administration	<u>348,668</u>	<u>340,609</u>	<u>(8,059)</u>

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2015

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
Public works (continued)			
Streets			
Utility services	\$ 26,400	\$ 26,129	\$ (271)
Street repair and maintenance	81,900	76,488	(5,412)
Total streets	108,300	102,617	(5,683)
Planning and zoning			
Personnel services	87,962	86,651	(1,311)
Benefits	30,407	26,714	(3,693)
Professional services	67,000	124,624	57,624
Other services and charges	12,040	23,432	11,392
Total planning and zoning	197,409	261,421	64,012
Total public works	655,877	704,887	49,010
Parks and recreation			
Wildlife management	12,050	1,807	(10,243)
Professional services	39,000	40,592	1,592
Other	29,100	31,931	2,831
Total parks and recreation	80,150	74,330	(5,820)
Total expenditures	2,767,087	2,852,650	85,563
Excess of revenues over (under) expenditures	(26,903)	196,556	223,459
Other financing sources (uses)			
Proceeds from sale of capital assets	100	75	(25)
Transfers in	27,743	27,743	-
Transfers out	(250,000)	(273,000)	(23,000)
Total other financing sources (uses)	(222,157)	(245,182)	(23,025)
Net change in fund balances	\$ (249,060)	(48,626)	\$ 200,434
Fund Balances			
Beginning of year		3,267,999	
End of year		\$ 3,219,373	

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Capital Improvement Fund
Year Ended December 31, 2015

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
General property taxes and fiscal disparities	\$ 240,000	\$ 236,331	\$ (3,669)
Intergovernmental revenue			
Road and other aid	2,000	52,075	50,075
Fines and forfeitures	-	7,180	7,180
Miscellaneous revenues			
Investment income	550	1,404	854
Franchise fees	93,000	93,586	586
Total miscellaneous revenues	93,550	94,990	1,440
Total revenues	335,550	390,576	55,026
Expenditures			
General government			
Capital outlay	12,000	-	(12,000)
Public safety			
Police			
Capital outlay	71,000	80,990	9,990
Public works			
Streets			
Capital outlay	415,000	404,829	(10,171)
Park and recreation			
Capital outlay	2,500	-	(2,500)
Total expenditures	500,500	485,819	(14,681)
Excess of revenues over (under) expenditures	(164,950)	(95,243)	69,707
Other financing sources			
Proceeds from sale of capital assets	10,000	13,057	3,057
Transfers in	250,000	273,000	23,000
Total other financing sources (uses)	260,000	286,057	26,057
\	\$ 95,050	190,814	\$ 95,764
Fund Balances			
Beginning of year		32,036	
End of year		\$ 222,850	

City of Deephaven
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Park Dedication Fund
Year Ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
Miscellaneous revenues			
Investment income	\$ 800	\$ 2,226	\$ 1,426
Other	<u>4,300</u>	<u>28,050</u>	<u>23,750</u>
Total revenues	<u>5,100</u>	<u>30,276</u>	<u>25,176</u>
Expenditures			
Park and recreation			
Other	<u>4,300</u>	<u>21,421</u>	<u>17,121</u>
Net change in fund balances	<u>\$ 800</u>	8,855	<u>\$ 8,055</u>
Fund Balances			
Beginning of year		<u>144,622</u>	
End of year		<u>\$ 153,477</u>	

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STATISTICAL SECTION

City of Deephaven Statistical Section

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information say about the City's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors tax affecting the City's ability to generate its individual income sales.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

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**City of Deephaven
Net Position by Component
Last Ten Years
(Unaudited)**

Table 1

	Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Investment in capital assets	\$ 5,059,462	\$ 4,974,229	\$ 4,907,661	\$ 4,913,579	\$ 4,748,385	\$ 4,751,436	\$ 4,724,104	\$ 4,768,473	\$ 6,289,585	\$ 6,398,132
Restricted	-	-	536,821	433,824	465,546	458,163	439,748	141,958	144,622	153,477
Unrestricted	<u>2,485,099</u>	<u>2,738,771</u>	<u>2,330,953</u>	<u>2,403,353</u>	<u>2,347,748</u>	<u>2,410,373</u>	<u>2,528,138</u>	<u>3,229,783</u>	<u>3,110,519</u>	<u>2,618,637</u>
Total governmental activities										
Net position	<u>\$ 7,544,561</u>	<u>\$ 7,713,000</u>	<u>\$ 7,775,435</u>	<u>\$ 7,750,756</u>	<u>\$ 7,561,679</u>	<u>\$ 7,619,972</u>	<u>\$ 7,691,990</u>	<u>\$ 8,140,214</u>	<u>\$ 9,544,726</u>	<u>\$ 9,170,246</u>
Business-type activities										
Investment in capital assets	\$ 2,790,472	\$ 2,669,863	\$ 2,671,641	\$ 2,878,023	\$ 2,754,165	\$ 2,710,132	\$ 2,828,257	\$ 2,908,356	\$ 2,801,632	\$ 2,838,154
Unrestricted	<u>1,057,152</u>	<u>1,272,540</u>	<u>1,225,658</u>	<u>956,137</u>	<u>1,016,488</u>	<u>1,080,259</u>	<u>879,169</u>	<u>771,574</u>	<u>792,993</u>	<u>632,689</u>
Total business-type activities										
Net position	<u>\$ 3,847,624</u>	<u>\$ 3,942,403</u>	<u>\$ 3,897,299</u>	<u>\$ 3,834,160</u>	<u>\$ 3,770,653</u>	<u>\$ 3,790,391</u>	<u>\$ 3,707,426</u>	<u>\$ 3,679,930</u>	<u>\$ 3,594,625</u>	<u>\$ 3,470,843</u>
Primary government										
Investment in capital assets	\$ 7,849,934	\$ 7,644,092	\$ 7,579,302	\$ 7,791,602	\$ 7,502,550	\$ 7,461,568	\$ 7,552,361	\$ 7,676,829	\$ 9,091,217	\$ 9,236,286
Restricted	-	-	536,821	433,824	465,546	458,163	439,748	141,958	144,622	153,477
Unrestricted	<u>3,542,251</u>	<u>4,011,311</u>	<u>3,556,611</u>	<u>3,359,490</u>	<u>3,364,236</u>	<u>3,490,632</u>	<u>3,407,307</u>	<u>4,001,357</u>	<u>3,903,512</u>	<u>3,251,326</u>
Total primary government										
Net position	<u>\$ 11,392,185</u>	<u>\$ 11,655,403</u>	<u>\$ 11,672,734</u>	<u>\$ 11,584,916</u>	<u>\$ 11,332,332</u>	<u>\$ 11,410,363</u>	<u>\$ 11,399,416</u>	<u>\$ 11,820,144</u>	<u>\$ 13,139,351</u>	<u>\$ 12,641,089</u>

Source: City of Deephaven financial records

**City of Deephaven
Changes in Net Position
Last Ten Years
(Unaudited)**

Table 2

	Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities										
General government	\$ 383,642	\$ 465,244	\$ 504,634	\$ 468,161	\$ 502,985	\$ 447,182	\$ 479,007	\$ 470,192	\$ 482,554	\$ 511,907
Public safety	1,069,557	1,138,533	1,157,123	1,237,012	1,260,436	1,407,646	1,430,795	1,504,104	1,564,203	1,627,952
Public works	928,776	836,628	851,220	873,465	1,037,303	841,784	813,505	844,575	1,057,559	995,418
Parks and recreation	135,130	137,179	136,025	144,238	129,720	119,517	144,071	127,906	125,216	119,860
Other	90,075	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>2,607,180</u>	<u>2,577,584</u>	<u>2,649,002</u>	<u>2,722,876</u>	<u>2,930,444</u>	<u>2,816,129</u>	<u>2,867,378</u>	<u>2,946,777</u>	<u>3,229,532</u>	<u>3,255,137</u>
Business-type activities										
Sewer	619,992	526,404	586,727	619,056	601,636	567,494	659,511	749,843	689,164	649,217
Water	60,522	65,807	79,291	81,168	69,953	68,183	80,160	70,759	67,968	76,146
Storm water	28,216	43,765	20,496	34,795	32,512	43,011	63,532	93,825	72,815	58,692
Marina	99,097	104,937	99,877	121,418	124,629	125,785	122,383	128,004	130,567	132,155
Recycling	22,457	20,262	22,533	29,607	20,008	23,956	23,759	30,536	24,688	26,291
Total business-type activities expenses	<u>830,284</u>	<u>761,175</u>	<u>808,924</u>	<u>886,044</u>	<u>848,738</u>	<u>828,429</u>	<u>949,345</u>	<u>1,072,967</u>	<u>985,202</u>	<u>942,501</u>
Total primary government expenses	<u>\$ 3,437,464</u>	<u>\$ 3,338,759</u>	<u>\$ 3,457,926</u>	<u>\$ 3,608,920</u>	<u>\$ 3,779,182</u>	<u>\$ 3,644,558</u>	<u>\$ 3,816,723</u>	<u>\$ 4,019,744</u>	<u>\$ 4,214,734</u>	<u>\$ 4,197,638</u>
Program Revenues										
Governmental activities										
Charges for service:										
General government	\$ 475,768	\$ 108,290	\$ 100,468	\$ 96,938	\$ 114,442	\$ 127,964	\$ 141,817	\$ 144,041	\$ 140,633	\$ 154,082
Public safety	66,790	155,222	169,689	178,783	199,235	187,903	218,433	234,021	288,773	244,776
Public works	10,227	390,429	414,009	332,005	361,434	326,000	372,847	531,911	540,979	478,032
Parks and recreation	-	127,053	-	-	-	28,000	-	94,500	-	25,000
Other	114,448	-	-	-	-	-	-	-	-	-
Operating grants and contributions	74,217	57,922	54,936	64,657	59,373	152,695	163,283	238,363	193,723	213,561
Capital grants and contributions	-	9,196	1,204	46,767	8,279	1,085	168	2,156	1,361,807	52,075
Total governmental activities	<u>741,450</u>	<u>848,112</u>	<u>740,306</u>	<u>719,150</u>	<u>742,763</u>	<u>823,647</u>	<u>896,548</u>	<u>1,244,992</u>	<u>2,525,915</u>	<u>1,167,526</u>
Program revenues	<u>741,450</u>	<u>848,112</u>	<u>740,306</u>	<u>719,150</u>	<u>742,763</u>	<u>823,647</u>	<u>896,548</u>	<u>1,244,992</u>	<u>2,525,915</u>	<u>1,167,526</u>
Business-type activities										
Charges for service:										
Sewer	403,820	426,846	421,381	430,724	490,856	548,746	559,066	758,406	581,230	576,483
Water	58,152	65,807	68,563	67,777	62,766	64,395	74,676	64,538	59,119	74,756
Storm water	85,173	85,417	84,767	83,232	84,820	84,993	84,865	85,019	125,654	119,823
Marina	89,962	118,479	124,156	128,965	128,129	124,542	124,141	124,007	121,696	119,654
Recycling	7,072	10,690	10,459	16,755	11,962	15,482	18,564	21,636	17,394	23,019
Operating grants and contributions	-	-	12,098	12,011	12,370	12,248	12,079	-	12,141	13,772
Capital grants and contributions	23,347	10,396	-	16,000	-	6,560	-	12,119	-	-
Total business-type activities	<u>667,526</u>	<u>717,635</u>	<u>721,424</u>	<u>755,464</u>	<u>790,903</u>	<u>856,966</u>	<u>873,391</u>	<u>1,065,725</u>	<u>917,234</u>	<u>927,507</u>
Program revenues	<u>667,526</u>	<u>717,635</u>	<u>721,424</u>	<u>755,464</u>	<u>790,903</u>	<u>856,966</u>	<u>873,391</u>	<u>1,065,725</u>	<u>917,234</u>	<u>927,507</u>
Total primary government revenues	<u>\$ 1,408,976</u>	<u>\$ 1,565,747</u>	<u>\$ 1,461,730</u>	<u>\$ 1,474,614</u>	<u>\$ 1,533,666</u>	<u>\$ 1,680,613</u>	<u>\$ 1,769,939</u>	<u>\$ 2,310,717</u>	<u>\$ 3,443,149</u>	<u>\$ 2,095,033</u>
Net expense										
Governmental activities	\$ (1,865,730)	\$ (1,729,472)	\$ (1,908,696)	\$ (2,003,726)	\$ (2,187,681)	\$ (1,992,482)	\$ (1,970,830)	\$ (1,701,785)	\$ (703,617)	\$ (2,087,611)
Business-type activities	(162,758)	(43,550)	(87,500)	(130,580)	(57,835)	28,537	(75,954)	(7,242)	(67,968)	(14,994)
Total primary government net expense	<u>\$ (2,028,488)</u>	<u>\$ (1,773,022)</u>	<u>\$ (1,996,196)</u>	<u>\$ (2,134,306)</u>	<u>\$ (2,245,516)</u>	<u>\$ (1,963,945)</u>	<u>\$ (2,046,784)</u>	<u>\$ (1,709,027)</u>	<u>\$ (771,585)</u>	<u>\$ (2,102,605)</u>

Source: City of Deephaven financial records

**City of Deephaven
Changes in Net Position
Last Ten Fiscal Years
(Unaudited)**

Table 2

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental activities										
Property tax	\$ 1,658,764	\$ 1,784,869	\$ 1,780,490	\$ 1,878,584	\$ 1,879,440	\$ 1,909,458	\$ 1,922,069	\$ 1,904,890	\$ 1,980,683	\$ 2,020,118
Unrestricted state aid	-	33,675	16,673	2,790	2,473	2,515	2,569	2,501	2,501	2,501
Unrestricted investment earnings	100,814	119,352	119,490	69,415	38,224	30,363	52,231	23,784	31,856	52,412
Other general revenues	75,375	31,874	34,287	62,461	57,877	86,903	41,664	179,843	62,567	232,521
Gain on sale of asset	-	-	-	-	-	-	-	11,537	3,056	13,132
Transfers	(15,389)	18,141	20,191	(34,203)	20,590	21,536	24,315	27,454	27,466	27,743
Total governmental activities	<u>1,819,564</u>	<u>1,987,911</u>	<u>1,971,131</u>	<u>1,979,047</u>	<u>1,998,604</u>	<u>2,050,775</u>	<u>2,042,848</u>	<u>2,150,009</u>	<u>2,108,129</u>	<u>2,348,427</u>
Business-type activities										
Unrestricted investment earnings	46,439	59,692	58,163	33,238	14,918	12,737	16,779	7,200	10,129	15,146
Other general revenues	73,520	6,778	4,424	-	-	-	525	-	-	-
Transfers	15,389	(18,141)	(20,191)	34,203	(20,590)	(21,536)	(24,315)	(27,454)	(27,466)	(27,743)
Total business-type activities	<u>135,348</u>	<u>48,329</u>	<u>42,396</u>	<u>67,441</u>	<u>(5,672)</u>	<u>(8,799)</u>	<u>(7,011)</u>	<u>(20,254)</u>	<u>(17,337)</u>	<u>(12,597)</u>
Total primary government	<u>\$ 1,954,912</u>	<u>\$ 2,036,240</u>	<u>\$ 2,013,527</u>	<u>\$ 2,046,488</u>	<u>\$ 1,992,932</u>	<u>\$ 2,041,976</u>	<u>\$ 2,035,837</u>	<u>\$ 2,129,755</u>	<u>\$ 2,090,792</u>	<u>\$ 2,335,830</u>
Changes in net position										
Governmental activities	\$ (46,166)	\$ 258,439	\$ 62,435	\$ (24,679)	\$ (189,077)	\$ 58,293	\$ 72,018	\$ 448,224	\$ 1,404,512	\$ 260,816
Business-type activities	(27,410)	4,779	(45,104)	(63,139)	(63,507)	19,738	(82,965)	(27,496)	(85,305)	(27,591)
Total primary government	<u>\$ (73,576)</u>	<u>\$ 263,218</u>	<u>\$ 17,331</u>	<u>\$ (87,818)</u>	<u>\$ (252,584)</u>	<u>\$ 78,031</u>	<u>\$ (10,947)</u>	<u>\$ 420,728</u>	<u>\$ 1,319,207</u>	<u>\$ 233,225</u>

Source: City of Deephaven financial records

City of Deephaven
Fund Balances of Governmental Funds
Last Ten Years
(Unaudited)

	Year			
	2006	2007	2008	2009
General fund				
Reserved	\$ -	\$ 18,850	\$ 19,583	\$ 18,392
Unreserved	2,213,499	2,350,611	2,383,853	2,455,051
Nonspendable	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 2,213,499</u>	<u>\$ 2,369,461</u>	<u>\$ 2,403,436</u>	<u>\$ 2,473,443</u>
All other governmental funds				
Reserved	\$ -	\$ 37	\$ 41	\$ -
Unreserved, reported in:				
Capital projects funds	392,600	478,295	536,821	433,824
Restricted	-	-	-	-
Committed	-	-	-	-
Total all other governmental funds	<u>\$ 392,600</u>	<u>\$ 478,332</u>	<u>\$ 536,862</u>	<u>\$ 433,824</u>

Source: City of Deephaven financial records
Note: GASB 54 was implemented in 2011.

Table 3

Year					
2010	2011	2012	2013	2014	2015
\$ 22,350	\$ -	\$ -	\$ -	\$ -	\$ -
2,451,621	-	-	-	-	-
-	22,348	16,472	13,870	19,709	20,794
-	155,000	176,508	173,874	199,614	193,726
-	2,383,144	2,487,788	2,841,999	3,048,676	3,004,853
<u>\$ 2,473,971</u>	<u>\$ 2,560,492</u>	<u>\$ 2,680,768</u>	<u>\$ 3,029,743</u>	<u>\$ 3,267,999</u>	<u>\$ 3,219,373</u>
\$ 54	\$ -	\$ -	\$ -	\$ -	\$ -
465,546	-	-	-	-	-
-	97,768	54,872	141,958	144,622	153,477
-	360,395	384,876	369,733	32,036	222,850
<u>\$ 465,600</u>	<u>\$ 458,163</u>	<u>\$ 439,748</u>	<u>\$ 511,691</u>	<u>\$ 176,658</u>	<u>\$ 376,327</u>

City of Deephaven
Changes in Fund Balances of Governmental Funds
Last Ten Years
(Unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues				
Taxes	\$ 1,658,764	\$ 1,779,718	\$ 1,769,182	\$ 1,869,847
Special assessments	6,739	2,890	4,707	2,319
Licenses and permits	253,754	228,658	226,195	188,755
Intergovernmental	74,217	90,137	68,873	77,785
Charges for services	256,067	283,577	314,121	270,447
Fines and penalties	42,964	42,267	40,785	45,824
Franchise fees	114,448	88,479	92,667	92,015
Interest income	100,814	119,352	119,490	69,415
Miscellaneous revenues	78,636	171,347	47,421	62,808
Total revenues	<u>2,586,403</u>	<u>2,806,425</u>	<u>2,683,441</u>	<u>2,679,215</u>
Expenditures				
General government	347,236	444,895	479,541	448,887
Public safety	1,030,852	1,098,381	1,128,643	1,170,420
Public works	776,365	674,424	700,035	659,159
Parks and recreation	68,176	78,537	79,017	85,969
Fixed and other	96,437	-	-	-
Capital outlay	181,342	208,623	232,332	375,063
Total expenditures	<u>2,500,408</u>	<u>2,504,860</u>	<u>2,619,568</u>	<u>2,739,498</u>
Other financing sources (uses)				
Proceeds from sale of capital asset	-	11,988	8,441	6,547
Transfers in	18,211	18,141	20,191	20,705
Transfers out	(33,600)	-	-	-
Total other financing sources (uses)	<u>(15,389)</u>	<u>30,129</u>	<u>28,632</u>	<u>27,252</u>
Net change in fund balances	<u>\$ 70,606</u>	<u>\$ 331,694</u>	<u>\$ 92,505</u>	<u>\$ (33,031)</u>

Table 4

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 1,900,473	\$ 1,916,148	\$ 1,909,862	\$ 1,923,389	\$ 1,974,766	\$ 2,020,498
2,662	1,743	780	775	778	535
198,040	151,989	211,812	323,964	302,517	255,794
58,673	162,439	144,836	219,049	189,627	262,019
313,596	330,612	343,713	390,457	442,743	434,217
72,491	58,016	80,076	92,095	125,666	81,815
91,977	92,953	92,673	93,139	93,128	93,586
38,224	30,363	52,231	23,784	31,856	52,412
59,036	107,682	67,503	309,055	74,717	269,182
<u>2,735,172</u>	<u>2,851,945</u>	<u>2,903,486</u>	<u>3,375,707</u>	<u>3,235,798</u>	<u>3,470,058</u>
486,622	445,153	464,716	464,847	464,222	503,460
1,184,430	1,336,875	1,369,465	1,446,132	1,490,048	1,569,973
742,231	660,783	634,389	799,914	656,126	704,887
72,867	65,952	87,713	68,083	75,659	95,751
-	-	-	-	-	-
238,329	293,923	297,207	216,207	677,042	485,819
<u>2,724,479</u>	<u>2,802,686</u>	<u>2,853,490</u>	<u>2,995,183</u>	<u>3,363,097</u>	<u>3,359,890</u>
1,021	8,289	27,550	12,940	3,056	13,132
20,590	21,536	24,315	27,454	27,466	300,743
-	-	-	-	-	(273,000)
<u>21,611</u>	<u>29,825</u>	<u>51,865</u>	<u>40,394</u>	<u>30,522</u>	<u>40,875</u>
<u>\$ 32,304</u>	<u>\$ 79,084</u>	<u>\$ 101,861</u>	<u>\$ 420,918</u>	<u>\$ (96,777)</u>	<u>\$ 151,043</u>

City of Deephaven
Tax Capacity and Estimated Actual Value of Taxable Property
Last Ten Years
(Unaudited)

Levy Year	Collection Year	Real Property		Ratio of Tax Capacity to Total Estimated Actual Value	Total City Levy Amounts
		Tax Capacity	Estimated Market Value		
2005	2006	\$ 9,892,113	\$ 939,884,600	1.1%	\$ 1,671,165
2006	2007	11,181,602	995,692,300	1.1%	1,784,344
2007	2008	12,494,365	1,105,355,400	1.1%	1,784,344
2008	2009	12,504,391	1,102,852,900	1.1%	1,885,370
2009	2010	12,067,361	1,064,980,400	1.1%	1,885,370
2010	2011	11,178,216	992,653,900	1.1%	1,922,124
2011	2012	11,851,077	973,857,600	1.2%	1,922,124
2012	2013	10,356,225	933,934,700	1.1%	1,922,124
2013	2014	10,366,151	933,646,600	1.1%	1,977,235
2014	2015	11,631,156	1,041,027,400	1.1%	2,024,878

Source: Hennepin County Taxpayer Services Department

Note - School District Tax Capacity Rate does not include levy referendum

Table 5

Total Direct Rates					
<u>General Revenue</u>	<u>Special</u>	<u>Total City</u>	<u>Total School</u>	<u>Total County</u>	<u>Total</u>
Tax Capacity per \$ 1,000 of Assessed Value					
16.874	0.000	16.874	22.952	48.801	88.627
15.936	0.000	15.936	24.793	39.129	79.858
14.263	0.000	14.263	22.029	38.731	75.023
15.094	0.000	15.094	17.408	40.379	72.881
15.601	0.000	15.601	19.074	42.561	77.236
17.222	0.000	17.222	21.269	46.250	84.741
17.776	0.000	17.776	23.014	48.777	89.567
18.624	0.000	18.624	24.458	49.349	92.431
19.117	0.000	19.117	24.348	49.859	93.324
17.379	0.000	17.379	25.075	46.648	89.102

**City of Deephaven
Property Tax Levies and Collections
Last Ten Years
(Unaudited)**

Table 6

<u>Year Ended December 31,</u>	<u>Total Levy</u>	<u>Collection of Current Year's Levy (1)</u>	<u>Percentage of Levy Collected</u>	<u>Collection of Prior Year's Levy</u>	<u>Total Collections</u>	<u>Percentage of Total Collections to Levy</u>
2006	\$ 1,671,165	\$ 1,646,896	98.55	\$ 9,583	\$ 1,656,479	99.12%
2007	1,784,344	1,761,855	98.74	13,765	1,775,620	99.51%
2008	1,784,344	1,750,801	98.12	16,989	1,767,790	99.07%
2009	1,885,370	1,823,718	96.73	21,803	1,845,521	97.89%
2010	1,885,370	1,836,917	97.43	34,850	1,871,767	99.28%
2011	1,922,124	1,869,209	97.25	14,458	1,883,667	98.00%
2012	1,922,124	1,879,933	97.80	7,259	1,887,192	98.18%
2013	1,922,124	1,890,889	98.37	9,562	1,900,451	98.87%
2014	1,977,235	1,943,848	98.31	5,066	1,948,914	98.57%
2015	2,024,878	1,989,357	98.25	5,319	1,994,676	98.51%

(1) Including Fiscal Disparities

**City of Deephaven
Principal Taxpayers
Current Year and Nine Years Ago
(Unaudited)**

Table 7

Property ID No.	Type of Business	2015			2005		
		Net Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value	Net Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
13-117-23-43-0009	Residential	\$ 95,700	1	0.8316%	\$ 30,000	12	0.3077%
13-117-23-43-0006	Residential	77,488	2	0.6733%	85,425	3	0.8763%
13-117-23-13-0002	Residential	75,875	3	0.6593%	98,713	1	1.0126%
18-117-22-23-0017	Residential	74,188	4	0.6447%	85,625	2	0.8783%
13-117-23-42-0010	Residential	70,675	5	0.6141%	58,888	8	0.6041%
13-117-23-42-0003	Residential	65,775	6	0.5715%	60,450	7	0.6201%
13-117-23-43-0004	Residential	61,075	7	0.5307%	62,725	6	0.6434%
24-117-23-14-0002	Residential	60,238	8	0.5234%	69,225	4	0.7101%
13-117-23-13-0001	Residential	59,938	9	0.5208%	68,688	5	0.7046%
13-117-23-42-0009	Residential	59,563	10	0.5176%	54,513	10	0.5592%
13-117-23-43-0001	Residential	57,925	11	0.5033%	41,388	11	0.4246%
23-117-23-41-0004	Residential	57,175	12	0.4968%	55,050	9	0.5647%
		<u>\$ 815,615</u>		<u>7.0872%</u>	<u>\$ 770,690</u>		<u>7.9057%</u>

City of Deephaven
Special Assessments Levies And Collections
Last Ten Years
(Unaudited)

Table 8

Year Ended December 31,	Total Levied	Total Collections	Total Past Due Assessments
2006	\$ 25,036	\$ 29,032	\$ -
2007	25,271	25,306	-
2008	20,083	17,731	2,352
2009	26,321	25,451	870
2010	23,158	24,881	-
2011	31,847	33,016	-
2012	37,277	33,468	3,809
2013	42,064	45,985	-
2014	36,970	39,250	-
2015	41,732	42,803	-

Collections includes Special Assessment principal and interest and past due penalty amounts.

Source: Hennepin County Tax Settlement Reports

**City of Deephaven
Direct and Overlapping
Governmental Activities Debt
As of December 31, 2015
(Unaudited)**

Table 9

Governmental Unit	<u>Net G.O. Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct debt			
City of Deephaven	\$ -	100.00%	\$ -
Overlapping debt			
Hennepin County (1)	721,810,000	0.78%	5,630,118
Independent School District No. 276, Minnetonka (1)	153,815,169	14.35%	22,072,477
Three Rivers Park District (1)	20,500,000	0.35%	71,750
Metro Transit (1)	292,095,000	0.44%	1,285,218
Metropolitan Council (1)	54,835,000	1.08%	592,218
Hennepin Regional RR Authority (1)	<u>34,695,000</u>	0.78%	<u>270,621</u>
Total Overlapping Debt	<u>1,277,750,169</u>		<u>29,922,402</u>
Total Direct and Overlapping Debt	<u>\$ 1,277,750,169</u>		<u>\$ 29,922,402</u>

(1) Source - Continuing Disclosure Document, Northland Securities

Overlapping rates are those of local and county governments that apply to property owners within the City of Deephaven. Not all overlapping rates apply to all City of Deephaven property owners.

**City of Deephaven
Legal Debt Margin Information
Last Ten Years
(Unaudited)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Estimated market value (2)	<u>\$ 887,876,900</u>	<u>\$ 995,692,300</u>	<u>\$ 1,105,355,400</u>	<u>\$ 1,102,852,900</u>
Debt limit - 2% of market value (1)	\$ 17,757,538	\$ 19,913,846	\$ 22,107,108	\$ 22,057,058
Amount of debt applicable to debt limit				
Net debt applicable to limit (3)	<u>1,747,020</u>	<u>1,731,853</u>	<u>1,653,621</u>	<u>1,645,027</u>
Legal debt margin	<u>\$ 16,010,518</u>	<u>\$ 18,181,993</u>	<u>\$ 20,453,487</u>	<u>\$ 20,412,031</u>
Total net debt applicable to the limit as a percentage of debt limit	9.84%	8.70%	7.48%	7.46%

(1) *Minnesota Statutes* Section 475.53, Limit on Net Debt. Subdivision 1. Generally, except as otherwise provided in Section 475.51 to 475.75, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of 2% of the market value.

Note: Although the annual lease payment to the fire district is not considered as debt service, it does apply to the City's debt limit.

(2) Source: Hennepin County Taxpayer Services Department

(3) Source: City of Deephaven financial records

Table 10

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>\$ 1,064,980,400</u>	<u>\$ 992,653,900</u>	<u>\$ 973,857,600</u>	<u>\$ 933,934,700</u>	<u>\$ 933,646,600</u>	<u>\$ 1,041,027,400</u>
\$ 21,299,608	\$ 19,853,078	\$ 19,477,152	\$ 18,678,694	\$ 18,672,932	\$ 20,820,548
<u>1,502,020</u>	<u>1,381,562</u>	<u>1,391,792</u>	<u>1,286,550</u>	<u>1,216,160</u>	<u>1,222,573</u>
<u>\$ 19,797,588</u>	<u>\$ 18,471,516</u>	<u>\$ 18,085,360</u>	<u>\$ 17,392,144</u>	<u>\$ 17,456,772</u>	<u>\$ 19,597,975</u>
7.05%	6.96%	7.15%	6.89%	6.51%	5.87%

City of Deephaven
Demographics and Economic Statistics
Last Ten Years
(Unaudited)

Table 11

<u>Year</u>	<u>Population (1)</u>	<u>Deephaven Public School Enrollment (2)</u>	<u>Minnesota Unemployment Rate (3)</u>	<u>Median Household Income (4)</u>	<u>Total Personal Income (4)</u>	<u>Per Capita Personal Income (4)</u>
2006	3,853	477	3.7%	(5)	(5)	(5)
2007	3,767	484	4.3%	(5)	(5)	(5)
2008	3,774	432	5.9%	(5)	(5)	(5)
2009	3,814	516	7.0%	(5)	(5)	(5)
2010	3,642	559	7.0%	\$ 124,200	\$ 268,415,400	\$ 73,700
2011	3,642	560	5.7%	\$ 128,600	\$ 281,890,800	\$ 77,400
2012	3,648	633	5.0%	(5)	(5)	(5)
2013	3,690	624	4.6%	(5)	(5)	(5)
2014	3,677	670	3.7%	(5)	(5)	(5)
2015	3,793	650	3.5%	(5)	(5)	(5)

(1) Source: Minnesota State Demographer

(2) Source: Minnetonka Public Schools: Estimated Enrollment of Deephaven Elementary School

(3) Source: Bureau of Labor Statistics

(4) Source: Metropolitan Council

(5) Information is not available.

**City of Deephaven
Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

Table 12

Employer	Product/Service	2015			2006		
		Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Deephaven Elementary School	Public Education	91	1	35.7 %	70	1	30.7 %
St. Therese Church/School	Religious Church/School	58	2	22.7	59	2	25.9
Streeter and Associates	Building Contractor	52	3	20.4	32	3	14.0
City of Deephaven	City Government	18	4	7.1	19	5	8.3
Grace Lutheran Church/School	Religious Church/School	13	5	5.1	22	4	9.6
Steiner and Koppleman	Building Contractor	13	5	5.1	16	6	7.0
Kyle Hunt and Partners, Inc.	Building Contractor	10	6	3.9	10	7	4.4
		<u>255</u>		<u>100.0 %</u>	<u>228</u>		<u>100.0 %</u>

Note: The above includes the largest principal employers of the City. Further information is not available.
Source: City of Deephaven Administrative Office

City of Deephaven
Full-time Equivalents by Program
Last Ten Years
(Unaudited)

Function/program	Full-Time - Equivalent Employees as of December 31,		
	2006	2007	2008
General government	6	6	6
Public safety	8	8	7
Public works	5	5	5
Total	19	19	18

Notes: A full-time employee is scheduled to work 40 hours per week. Full-time equivalent employment is calculated by dividing total labor hours by 40.

Source: *City of Deephaven financial records*

Table 13

Full-Time - Equivalent Employees as of December 31,

2009	2010	2011	2012	2013	2014	2015
6	6	6	6	6	6	6
8	8	8	8	8	8	8
5	5	4	4	4	4	4
<u>19</u>	<u>19</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>

City of Deephaven
Capital Asset Statistics by Function/Program
Last Ten Years
(Unaudited)

Function/Program	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public safety			
Police stations	1	1	1
Police patrol units	4	4	4
Fire stations	2	2	2
Fire response units	7	7	7
 Public works			
Streets (miles)	30.85	30.85	30.85
Traffic signals	1	1	1
 Culture and recreation			
Parks	7	7	8
Campgrounds	1	1	1
Beaches	6	6	6
 Marina			
Dock slips	92	92	100
Buoys	53	53	53
Slides	125	125	115
Canoe racks	32	32	32
 Utilities			
Sewer lift stations	9	9	9

Notes: No capital asset indicators are available for the general government function.

Source: Various City Departments

Table 14

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1	1	1	1	1	1	1
4	4	4	4	4	4	4
2	2	2	2	2	2	2
7	7	7	7	7	7	7
30.85	30.85	30.85	30.85	30.85	30.85	30.85
1	1	1	1	1	1	1
8	8	8	8	8	8	8
1	1	1	1	1	1	1
6	6	6	6	6	6	6
112	112	112	112	112	112	112
53	53	53	53	53	53	53
115	115	115	113	113	113	113
32	32	32	32	32	32	32
9	9	9	9	9	9	9

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City of Deephaven
Schedule of Building Permits and Construction
Last 10 Years
(Unaudited)

Table 15

<u>Year</u>	<u>Number</u>	<u>Value</u>
2006	622	\$ 14,337,775
2007	590	13,532,474
2008	524	16,664,812
2009	399	11,737,115
2010	541	13,268,023
2011	494	7,579,378
2012	506	14,447,728
2013	572	18,515,926
2014	551	25,926,380
2015	606	15,562,559

Note: Other operating information is not available.

Source: Deephaven Planning Department. Permits include building, plumbing, mechanical, electrical and demolition.

City of Deephaven
Operating Indicators by Function/Program
Last Ten Years
(Unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public Safety				
Police:				
Physical arrests	(1)	(1)	59	106
Parking violations	(1)	(1)	224	172
Traffic violations	(1)	(1)	443	741
Fire:				
Number of calls answered	786	751	733	657
Inspections	(1)	(1)	460	524
Public Works				
Street maintenance:				
Miles of city maintained	30.85	30.85	30.85	30.85
Planning:				
Number of planning applications received	15	18	16	13
Number of building permits reviewed	622	590	524	399
Park and Recreation				
Parks and trails:				
Number of parks maintained	12	12	12	13
Miles of trail and sidewalk maintained	2	2	2	2
Playgrounds	(1)	(1)	5	5
Ice skating rinks	(1)	(1)	4	4
Beaches	(1)	(1)	6	6
Municipal Sewer				
Number of customers	1,436	1,460	1,461	1,468
New connections	19	5	5	5
The city sewage disposal is through the Metropolitan waste control commission.				
Municipal Water				
Number of customers	(1)	(1)	144	144
The city purchases water from the municipalities of Minnetonka and Shorewood.				
Recycling				
Curbside recycling picked up on city-wide Clean up day (in tons)	577	557	544	508
Marina				
Dock slips	80	80	90	93
Shore space	15	15	15	15
Buoys	53	53	53	53
Slides	125	125	115	115
Canoe racks	32	32	32	32
Storm Water				
Number of utility customer accounts	1,435	1,461	1,463	1,470

(1) Information not available

Note: Indicators are not available for the general government function.
Source: Various City departments

Table 16

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
225	220	299	304	359	314
211	190	236	271	270	313
2,204	2,971	3,050	3,386	2,988	3,368
732	651	639	677	769	810
707	664	601	574	634	549
30.85	30.85	30.85	30.85	30.85	30.85
10	12	21	26	8	21
541	494	506	572	551	606
13	13	13	13	13	13
2	2	2	2	2	2
5	5	5	5	5	5
4	4	4	4	4	4
6	6	6	6	6	6
1,468	1,468	1,474	1,474	1,474	1,473
4	5	1	14	9	1
145	144	144	145	147	148
474	405	393	592	526	404
93	95	95	95	95	95
15	17	17	17	17	17
53	53	53	53	53	53
115	115	113	113	113	113
32	32	32	32	32	32
1,470	1,469	1,472	1,472	1,472	1,472