



PRINCIPALS

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INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Chaska, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chaska, Minnesota (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(continued)

OPINION

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2015, 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.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, during the year ended December 31, 2015. 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 and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 RSI 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's basic financial statements. The introductory section, combining and individual fund statements and schedules, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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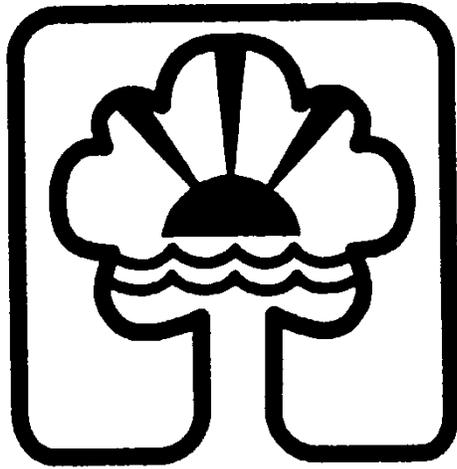
OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2016 on our consideration of the City'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 the City's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota

June 23, 2016



CHASKA

This section of the City of Chaska's annual financial report presents management's discussion and analysis (MD & A) of the City's financial performance during the fiscal year that ended December 31, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$179,758,085 (*net position*). Of that amount, \$20,145,452 is restricted for specific purposes (*restricted net position*) and \$160,553,018 represents the net investment in capital assets. The City's total net position decreased \$1,525,494 during the year ended December 31, 2015, excluding the change in accounting principle and prior period adjustment reported in the current year, as discussed below.
- The City recorded a change in accounting principle in the current year for reporting the City's participation in defined benefit pension plans. This change reduced beginning net position by \$9.2 million. Of this amount, \$6.1 million was attributable to governmental activities and \$3.1 million to business-type activities.
- The City recorded a prior period adjustment in the Turbine Generator fund, reducing beginning net position by \$1,091,577. This prior period adjustment was made to recognize a change in credits payable to the Minnesota Municipal Power Agency for net interest earnings related to the lease agreement.
- The City's governmental funds reported combined ending fund balances of \$16.5 million. This is an increase of \$.3 million from the prior year. \$11.6 million of this total is restricted for debt service, bonded improvement projects and economic development.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2.2 million, or 17.6% of total general fund expenditures of \$12.7 million.
- The City's total bonds payable increased by \$26.8 million during the current fiscal year. The increase was the result of six new debt issues and one refunding issue less principal pay down of \$7.3 million and a refunding of \$25.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements – the basic financial statements, which includes the notes to the financial statements, and other supplementary schedules in addition to the basic financial statements themselves.

The Basic Financial Statements

The first two basic financial statements (Statement of Net Position and Statement of Activities) report on the *City as a whole* (government-wide) and provide both long-term and short-term

information about the City's overall financial status. (See detailed discussion below in the *Reporting the City as a Whole* section regarding these statements.) The remaining basic financial statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

These fund financial statements can be divided into three (3) categories: (See detailed discussion on the following page in the *Fund Financial Statements* section regarding these fund types.)

1. Governmental funds.
2. Proprietary funds.
3. Fiduciary funds.

Notes to the Financial Statements

The notes provide additional narrative and financial 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 are located immediately following Fiduciary Fund financial statements.

Other Information

This report also presents certain required supplementary information concerning the City of Chaska's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 91-94 of this report.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two (2) government-wide statements report the City's net position and how it has changed. Net position – the difference between the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.
- Governmental activities – Most of the City's basic services are included here, such as General Government, Economic Development, Public Safety, Public Works and Parks, Recreation and Arts. Property taxes and state and federal grants finance most of these activities.

- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's Electric, Water, Sewer, and Storm Water Utilities, Chaska Community Center, Par 30 Golf Course, Chaska Town Course, Turbine Generator Utility, Internet Service Provider and Chaska Curling Center are included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds (major funds) – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. Others are established by City Council to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three (3) broad categories of fund types:

1. ***Governmental funds*** – Governmental funds are typically used to account for tax-supported (governmental) activities. Most of the City's basic services are included in governmental funds, which focus on (a) how cash and other financial assets that can readily be converted to cash flow in and out and (b) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for funds determined to be major funds. In 2015, the City's major funds are: the General Fund, TIF District #4 Revolving Capital Project fund, Park Development capital project fund and Annual Street Replacement capital project fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements towards the end of this report.
2. ***Proprietary funds*** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The proprietary fund financial statements provide separate information for the Electric Utility, Water Utility, Chaska Community Center, Turbine Generator Utility and Chaska Curling Center, all of which are considered to be major funds. Individual fund data for each of the non-major proprietary funds is provided in the form of combining statements towards the end of this report. The City has one (1) Internal Service Fund that is reported in a single column in the proprietary fund financial statements. This fund is used to account for the purchase of property, liability, and worker's compensation insurance for all City departments. Costs are then allocated to the departments.

3. **Fiduciary funds** – Fiduciary funds account for assets held on behalf of outside parties, including other governments. The City's only fiduciary fund type is an agency fund. Agency funds, account for assets that the City holds on behalf of others as their agent and are custodial in nature. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the City's government-wide financial statement because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

City of Chaska - Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and Other Assets	\$ 35,380,147	\$ 31,728,006	\$ 47,055,121	\$ 48,823,018	\$ 82,435,268	\$ 80,551,024
Capital Assets	164,260,206	150,905,534	67,902,128	48,948,088	232,162,334	199,853,622
Total Assets	<u>\$ 199,640,353</u>	<u>\$ 182,633,540</u>	<u>\$ 114,957,249</u>	<u>\$ 97,771,106</u>	<u>\$ 314,597,602</u>	<u>\$ 280,404,646</u>
Deferred Outflows of Resources						
Pension Plan Deferments	\$ 1,565,789	\$ -	\$ 473,129	\$ -	\$ 2,038,918	\$ -
Total Assets and Deferred Outflows	<u>\$ 201,206,142</u>	<u>\$ 182,633,540</u>	<u>\$ 115,430,378</u>	<u>\$ 97,771,106</u>	<u>\$ 316,636,520</u>	<u>\$ 280,404,646</u>
Liabilities						
Other Liabilities	5,998,590	2,832,601	6,335,284	3,561,145	12,333,874	6,393,746
Noncurrent Liabilities	52,186,771	33,999,670	70,686,635	48,421,687	122,873,406	82,421,357
Total Liabilities	<u>\$ 58,185,361</u>	<u>\$ 36,832,271</u>	<u>\$ 77,021,919</u>	<u>\$ 51,982,832</u>	<u>\$ 135,207,280</u>	<u>\$ 88,815,103</u>
Deferred Inflows of Resources						
Pension Plan and Debt Refunding Deferments	\$ 807,848	\$ -	\$ 863,307	\$ -	\$ 1,671,155	\$ -
Net Position						
Net Investment in Capital Assets	127,278,758	125,511,881	33,274,260	27,939,635	160,553,018	153,451,516
Restricted	14,955,015	24,001,479	5,190,437	4,030,287	20,145,452	28,031,766
Unrestricted (deficit)	(20,840)	(3,712,091)	(919,545)	13,818,352	(940,385)	10,106,261
Total Net Position	<u>\$ 142,212,933</u>	<u>\$ 145,801,269</u>	<u>\$ 37,545,152</u>	<u>\$ 45,788,274</u>	<u>\$ 179,758,085</u>	<u>\$ 191,589,543</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 201,206,142</u>	<u>\$ 182,633,540</u>	<u>\$ 115,430,378</u>	<u>\$ 97,771,106</u>	<u>\$ 316,636,520</u>	<u>\$ 280,404,646</u>

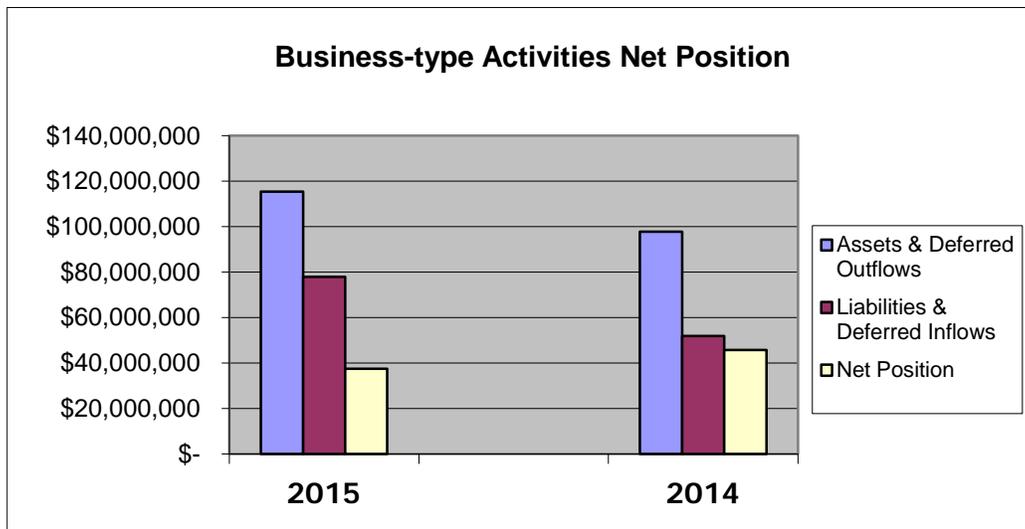
The City as a whole – The City's combined net position was \$179.8 million on December 31, 2015.

The largest portion of net position (89.3%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Chaska's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position represents resources that are subject to external restriction on how they may be used. The amount of restricted net position is \$20,145,452. After restrictions, the City is reporting a deficit unrestricted net position of (\$940,385), a decrease of \$11.0 million from the prior year. The change in accounting principle for pensions significantly increased deferred outflows of resources, long-term liabilities and deferred inflows of resources, as presented in the table above.

Governmental activities – Total net position decreased \$3.6 million. This change in net position reflects an increase of \$2.5 million from the current year operating results, while the change in accounting principle mentioned earlier reduced unrestricted net position by \$6.1 million. During 2015, the City gained \$13.4 million in governmental activities capital assets net of depreciation with most of this increase related to construction in progress for Firemen’s Park Improvements.

Business-type activities – In 2015, net position decreased by \$8.2 million. This change in net position reflects a decrease of \$4.0 million for the current year operations, a decrease of \$3.1 million due to the change in accounting principle and a \$1.1 million prior period adjustment reported in the Turbine Generator Fund as previously noted. Prior to transfers, change in accounting principle and prior period adjustment, the business-type activities reported greater revenue than expenses of \$1,046,083. The new Curling Center and utility infrastructure additions added \$19.0 million in to business-type activities capital assets net of depreciation.



Management's Discussion and Analysis

City of Chaska, Minnesota

For the Year Ended December 31, 2015

City of Chaska's Changes in Net Position

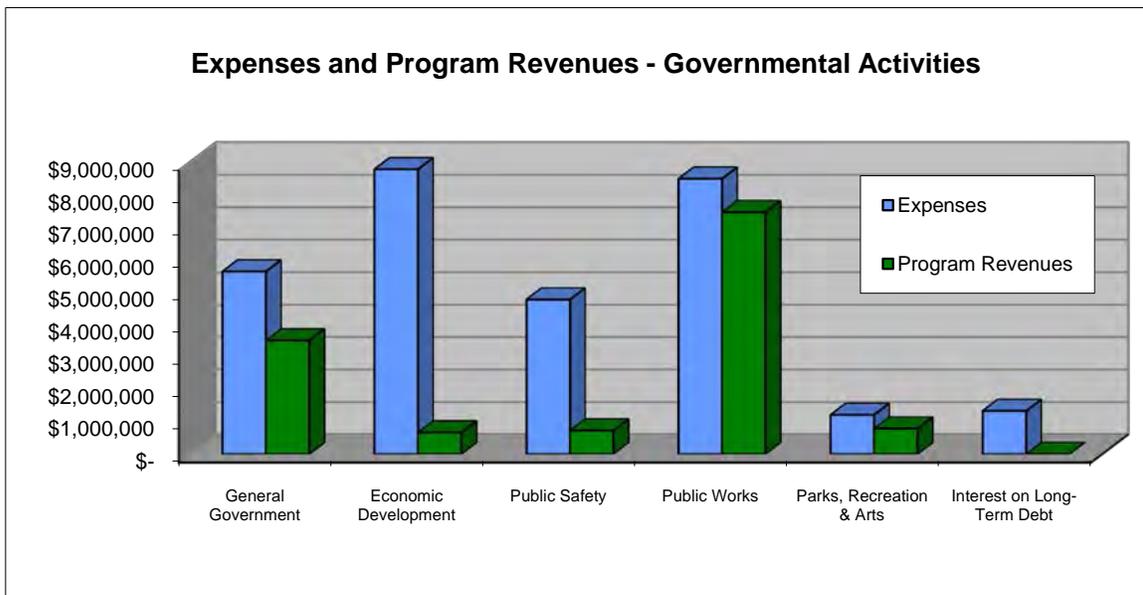
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services	\$ 5,739,848	\$ 4,596,532	\$ 49,889,392	\$ 48,553,006	\$ 55,629,240	\$ 53,149,538
Operating Grants & Contributions	667,025	854,330	-	-	667,025	854,330
Capital Grants & Contributions	6,737,538	4,968,378	181,839	693,238	6,919,377	5,661,616
General Revenues:						
Property Taxes	9,063,743	10,703,248	-	-	9,063,743	10,703,248
Franchise Taxes	4,079,404	3,656,724	-	-	4,079,404	3,656,724
Grants & Contributions Not Restricted	530,868	491,545	-	-	530,868	491,545
Other General Revenues	809,776	795,096	518,966	634,432	1,328,742	1,429,528
Total Revenues	27,628,202	26,065,853	50,590,197	49,880,676	78,218,399	75,946,529
Program Expenses						
General Government	5,627,642	4,960,161	-	-	5,627,642	4,960,161
Economic Development	8,778,959	1,853,189	-	-	8,778,959	1,853,189
Public Safety	4,764,269	4,977,668	-	-	4,764,269	4,977,668
Public Works	8,488,231	8,850,036	-	-	8,488,231	8,850,036
Parks, Recreation & Arts	1,210,234	765,955	-	-	1,210,234	765,955
Interest on Long-term Debt	1,330,444	1,037,857	-	-	1,330,444	1,037,857
Electric	-	-	33,417,358	32,528,332	33,417,358	32,528,332
Water	-	-	2,785,714	2,817,249	2,785,714	2,817,249
Sewer	-	-	3,150,447	3,104,992	3,150,447	3,104,992
Community Center	-	-	4,077,426	3,816,200	4,077,426	3,816,200
Par 30 Golf Course	-	-	183,136	163,112	183,136	163,112
Chaska Town Course	-	-	2,310,651	2,193,635	2,310,651	2,193,635
Turbine Generator	-	-	1,730,079	1,623,074	1,730,079	1,623,074
Internet Service Provider	-	-	293,951	488,728	293,951	488,728
Storm Water	-	-	760,340	536,364	760,340	536,364
Chaska Curling Center	-	-	835,012	3,391	835,012	3,391
Total Expenses	30,199,779	22,444,866	49,544,114	47,275,077	79,743,893	69,719,943
Excess (Deficiency) Before Transfers	(2,571,577)	3,620,987	1,046,083	2,605,599	(1,525,494)	6,226,586
Transfers	5,086,416	466,155	(5,086,416)	(466,155)	-	-
Increase (Decrease) in Net Position	2,514,839	4,087,142	(4,040,333)	2,139,444	(1,525,494)	6,226,586
Net Position - Beginning,						
As Previously Reported	145,801,269	141,714,127	45,788,274	43,648,830	191,589,543	185,362,957
Prior Period Adjustment	-	-	(1,091,577)	-	(1,091,577)	-
Change In Accounting Principle	(6,103,175)	-	(3,111,212)	-	(9,214,387)	-
Net Position - Beginning, Restated	139,698,094	141,714,127	41,585,485	43,648,830	181,283,579	185,362,957
Net Position - Ending	\$ 142,212,933	\$ 145,801,269	\$ 37,545,152	\$ 45,788,274	\$ 179,758,085	\$ 191,589,543

The City as a whole

- The City as a whole had total revenues of \$78.2 million for the year ended December 31, 2015, an increase of \$2.3 million from the prior year.
- The total cost of all programs and services was \$79.7 million, an increase of \$10.0 million from the prior year. The City's expenses are predominantly related to providing services (police, fire, purchasing power for electric service, building inspections, street maintenance, snow removal, etc.) for the citizens of Chaska. The purely administrative activities of the City accounted for 7.1% of total costs, which is the same as last year.

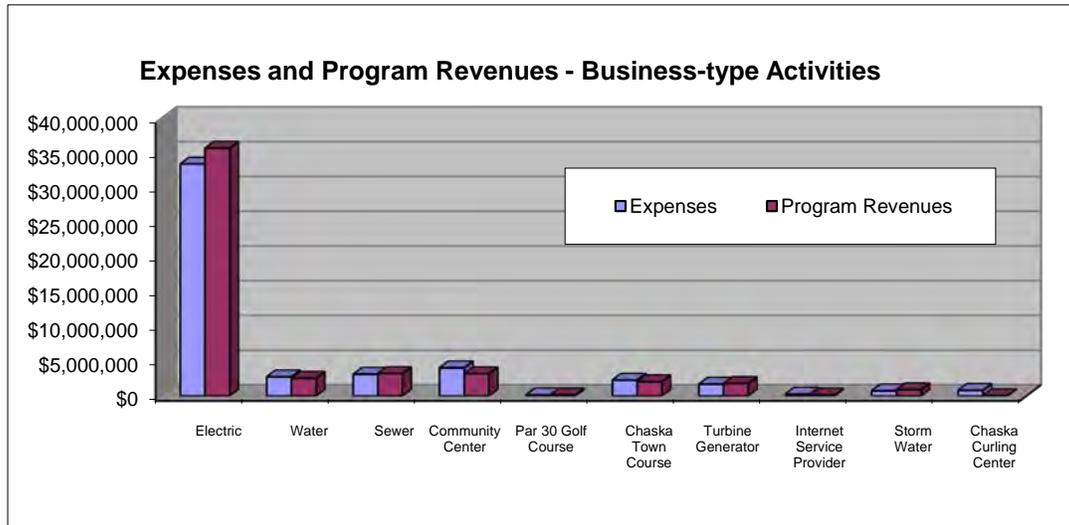
Governmental activities

- The largest source of revenue in governmental activities is Property Taxes. In 2015 32.8% of all revenues were from Property Taxes.
- Capital Grants and Contributions is the next major source of revenue at 24.4% of the total governmental activities revenue.
- Public Works reported \$5.6 million in Capital Grants and Contributions, much of which is related to special assessments for street reconstruction and related improvements.
- The total costs of all programs and services were \$30.2 million. The cost of providing public safety and street maintenance/construction makes up 43.9% of this total.
- Economic Development expenses were \$8.8 million. Of this amount, \$6.1 million is related to TIF District #4, which decertified as of year-end 2014 and the accumulated cash balance was remitted to the County in 2015.
- Total transfers and revenues surpassed expenses, increasing net position by \$2.5 million.



Business-type activities

- Business-type activities reported revenue exceeding expenses before transfers, change in accounting principle and prior period adjustment of \$1.0 million. After transfers were made, net position decreased by \$4.0 million.
- Charges for services increased 2.8%, or \$1.3 million from the prior year. Electric sales increased \$.9 million, while other funds accounted for a net increase of \$.4 million. Total business-type revenue increased \$.7 million.
- Expenses were \$2.3 million higher, or a 4.8% increase, compared to 2014. Of this amount, \$.9 million is related to higher debt service interest and issuance costs. The Electric fund’s expenses increased \$.9 million due to higher administration costs, franchise fees and depreciation.



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

As noted earlier, the City of Chaska uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

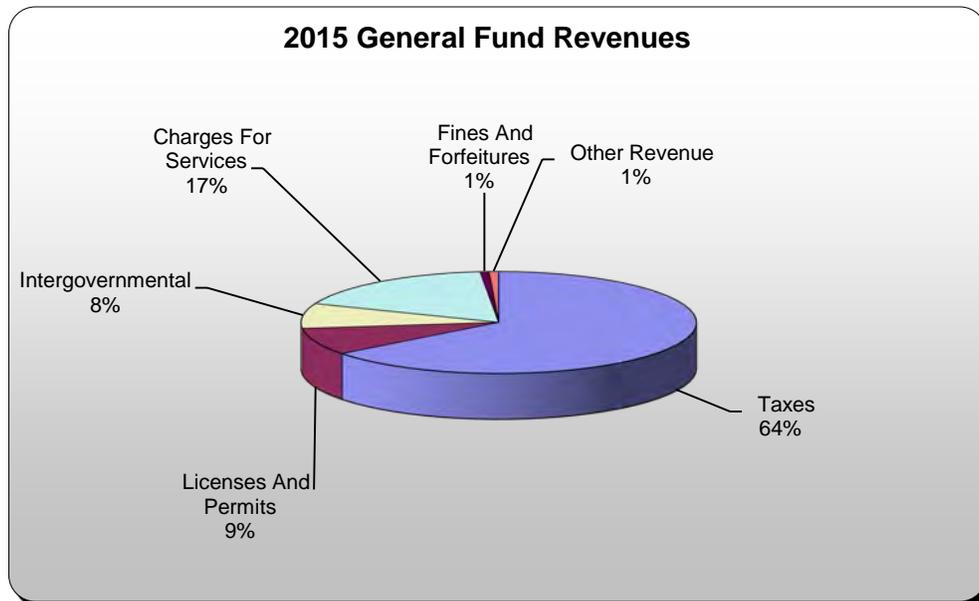
Governmental funds. The focus of the City of Chaska’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City of Chaska’s financing requirements. In particular, assigned and unassigned fund balance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

As the City completed the year, its governmental funds reported a combined fund balance of \$16.5 million. Significant restrictions of fund balances are: \$7.0 million for future debt service payments and \$4.0 million in unspent bond proceeds available for future capital improvements. See **Note 8** for more detail on fund balances availability.

The City completed the year with an increase in governmental fund balances of \$.3 million. Revenues for the City’s governmental funds were \$24.8 million, while total expenditures were \$46.9 million. This difference between expenditures and revenues of \$22.2 million, was offset by issuance of bonds (\$16.0 million) and transfers in versus out of governmental funds (\$5.2 million). Property taxes, franchise taxes and charges for services are the most significant sources of revenue (70.9%) while capital outlay is the most significant expenditure (29.4%).

The **General fund** is the chief operating fund of the City of Chaska. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2.2 million. The fund balance of the City of Chaska’s general fund increased \$549,276. Key factors in the change are:

- In 2015, both revenue and other financing sources, and expenditures and other financing uses exceeded budget. Total revenues and other financing sources were greater than budgeted by \$1,944,591. Total expenditures and other financing uses were \$1,395,315 over budget resulting in the increase of \$549,276.
- Total revenues and other financing sources reported variances from budget in several areas. Due to the closing of TIF District #4, the County remitted \$1.5 million to the City for the city share of excess tax increment. Building permit revenue for all types of building and remodeling was about \$164,000 over budget. Intergovernmental revenue was \$107,085 more than budgeted due to the police department receiving more state aid and liaison officer revenue greater than expected. Other revenue, as shown in the graph below, was \$66,953 over budget. These miscellaneous revenues are more difficult to budget as they are less routine and vary from year to year.
- The City reported total expenditures under budget by \$113,983 and other financing uses \$1,509,298 over budget, netting to \$1,395,315 over budget. The general fund transferred out the \$1.5 million excess tax increment it received from the County to projects as determined by administration. Transfers out were budgeted at \$0. Other differences between budgeted and actual expenditures include general government which was under budget by \$62,898, public safety over budget by \$170,655, public works under budget by \$162,632 and recreation \$59,108 under budget. Public Safety was over budget due to legal and professional services costs. This overage was covered by a transfer in to the general fund. Public works was under budget in many areas including street maintenance, snow removal, administration and building costs. Lower utility and gas costs, and less need for snow removal helped to reduce operational and personnel costs. In 2015, the beach was closed while park construction occurred and ice rinks had shorter seasonal operations. Together, beach and skating rinks were about \$52,000 under budget.



The **TIF District #4 Revolving** fund is the primary fund for tax increment activity for all of District #4 projects. The district was decertified as of year-end of 2014. The fund remained open into 2015 as the City finalized remaining obligations of the fund. The fund closed after payment to the County of all available cash. Fund balance at year-end 2014 was \$5.9 million.

The **Park Development Fund** is used to account for grants and other dedicated revenues appropriated for park and trail development. In 2014, the City began construction for improvements to Firemen's Park. In 2015, capital outlay was \$7.2 million related to all park and trail improvements. 2015 bonds issued plus premium in were \$9.7 million. Other major revenues reported in this fund are special assessments and developer fees for new developments. Fund balance increased \$2.3 million in 2015, from \$1.1 million at year-end 2014 to \$3.4 million at year-end 2015.

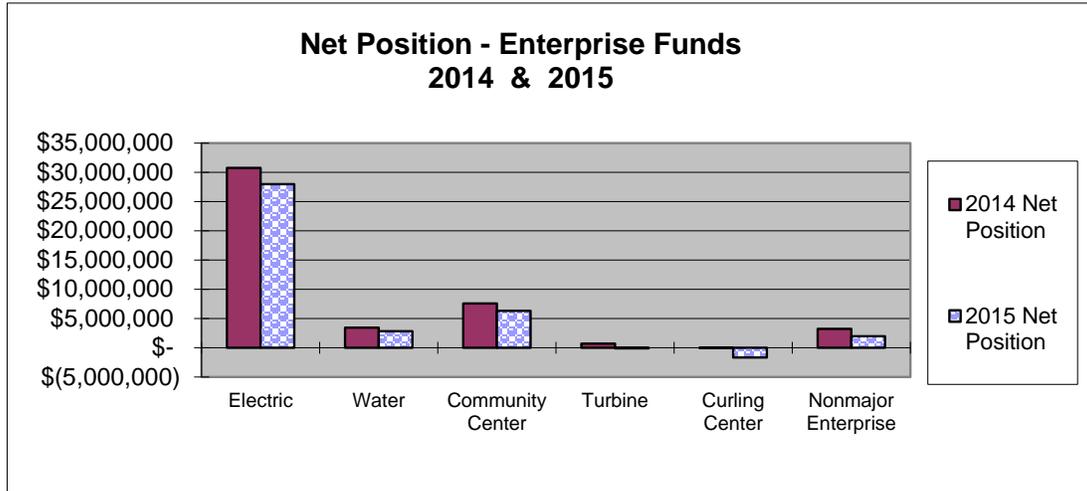
The **Annual Street Replacement** fund is used to account for the receipts and expenditures for annual street replacement and improvement costs related to the street reconstruction program. The main sources of funding for street projects are transfers from other funds receiving benefit of the projects and bond issuance. In 2015, the City issued \$5.9 million in G.O. Improvement Bonds to finance the 2015 street projects. Fund balance in this fund increased \$2.0 million during the year to \$3.0 million as of year-end.

Proprietary Funds. The statements for proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The combined change of all current year enterprise funds operations decreased net position by \$4.0 million. The City recorded a change in accounting principle in the current year for reporting the City's participation in the PERA pension plan. The reduction to net position due to the change in accounting principle for proprietary funds was \$3.1 million. Beginning net position was reduced in the Electric fund by \$957,296, the Water fund by \$358,986, the Community Center fund by \$837,634 and the non-major enterprise funds combined reduction was \$957,296. Other proprietary fund highlights include:

- The Electric fund's operating income was \$2,249,218. Operating revenue increased \$891,840, (2.6%), from last year. Capital assets increased \$.6 million as final costs were reported for the automated metering project and the addition of line, poles and transformers as the City expands its service to new residential and industrial customers.
- The Water fund had operating income of \$109,677, an increase of \$151,868 from the prior year. The water fund paid down \$370,000 of outstanding debt and transferred out \$646,184 to other funds to support water system improvement projects.
- The Chaska Community Center had sales of \$3,246,108 and operating expenses (less depreciation) of \$3,101,196. When factoring in depreciation expense (\$749,122), the operating loss was \$604,210. When calculating and setting Community Center fees, recouping depreciation expense is not considered.
- The Turbine Generator Fund is reporting a prior period adjustment, reducing net position by \$1,091,577. This prior period adjustment is to recognize long-term obligations of the lease revenue agreement not previously recorded. In 2015, the Turbine fund received

\$1.8 million in lease revenue. Net income was \$303,236. During the year, the fund also issued \$21,760,000 in Electric Revenue Refunding Bonds, extinguishing \$25,135,000 in outstanding electric revenue and electric revenue refunding bonds.



General Fund Budgetary Highlights

The final amended budget for the General fund includes the original adopted budget plus any additional supplemental appropriations that were legislated by the City Council during the year. In 2015, the original budget was not amended; therefore projecting no change in fund balance.

While the City’s original and final budget for the general fund anticipated that revenues would equal expenditures and transfers, the City’s General fund actually reported greater revenues and transfers than expenditures of \$549,276.

- Total revenue and other financing sources were \$1,944,591 greater than budget.
- Property taxes were \$1,528,870 more than budget. This is due to tax increment returned to the City after the closing of 3 TIF Districts in 2015.
- Intergovernmental Revenue was greater than budget by \$107,085. One key factor was the police department liaison program generating an additional \$61,558.
- Other Revenue was \$66,953 over budget for various reasons. Sources of this additional revenue include special assessments, payments, interest earnings and contributions.
- Expenditures were \$113,983 under budget before transfers out.
- The General Fund transferred out tax increment received from the closing of TIF Districts to other funds. After accounting for these transfers, expenditures and other uses were \$1,395,315 over budget.
- Public Safety expenditures were \$170,655 more than the final budget. Fire protection services were 40% of this overage. Police activities make up the other

60%. This department was under budget in personnel services and supplies, but over budget in professional services and other charges related to specific police cases.

- Public Works and Park, Recreation and Arts were under budget by \$162,632 and \$59,108, respectively. Due to construction in Firemen’s Park during the summer of 2015, the beach did not open, resulting in a savings of approximately \$50,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As shown in Capital Asset table below, at the end of 2015, the City had \$232.2 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, electric, water and sewer lines. More detailed information on the City of Chaska’s capital assets can be found in **Note 4** of the basic financial statements.

Capital Assets at Year End - Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 49,267,479	\$ 48,692,176	\$ 1,222,364	\$ 1,018,927	\$ 50,489,843	\$ 49,711,103
Works of Art/Historical Treasures	105,027	105,027	-	-	105,027	105,027
Buildings	3,226,481	3,542,034	24,845,789	26,400,176	28,072,270	29,942,210
Other Improvements	3,987,604	4,153,466	1,312,398	1,431,188	5,300,002	5,584,654
Furniture & Equipment	2,317,975	1,761,499	2,420,648	1,998,145	4,738,623	3,759,644
Infrastructure	84,809,965	79,757,974	19,890,944	13,545,993	104,700,909	93,303,967
Construction in Progress	20,545,675	12,893,358	18,209,985	4,553,659	38,755,660	17,447,017
Totals	\$ 164,260,206	\$ 150,905,534	\$ 67,902,128	\$ 48,948,088	\$ 232,162,334	\$ 199,853,622

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

- \$ 5,612,722 - New downtown street reconstruction projects are recorded as construction in progress at year-end. These street projects are being financed with proceeds of the 2015B General Obligation Bonds.
- \$ 2,182,011 - The Creek Road Trunk Sewer project will reconstruct a section of Creek Road and improve utilities. This project is recorded as Construction in Progress at year-end.
- \$ 1,918,328 - Accepted developer donated land, improvements and infrastructure in 2015.
- \$ 7,636,909 - The Firemen's Park project improvements include a concession stand and shelter, trails, amphitheater, and playground equipment. This park project will be completed in 2016. It is financed with the 2015B and 2015D EDA Lease Revenue Bonds.
- \$ 17,318,662 - The City's new Curling Center opened late 2015. This project includes a curling center with 6 sheets of ice, event center, welcome hall and restaurant. This project is recorded as work in progress until final finishes are completed in 2016. It is financed with the 2015A and 2015C EDATaxable Lease Revenue Bonds.

Long-Term Debt

At year-end, the City had \$105.7 million in bonds and notes outstanding, as shown in the table below. More detailed information about the City’s long-term liabilities is presented in **Note 6** to the financial statements.

City of Chaska's Outstanding Debt

(Does Not Include Premiums, Compensated Absences, Other Post-Employment Benefits or Net Pension Liabilities)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
G.O. Equipment Certificates (Backed by the City)	\$ 975,000	\$ 1,190,000	\$ -	\$ -	\$ 975,000	\$ 1,190,000
G.O. Bonds (Backed by the City)	2,315,000	2,755,000	16,170,000	11,370,000	18,485,000	14,125,000
G.O. Tax Increment Bonds (Backed by the City)	1,350,000	4,240,000	-	-	1,350,000	4,240,000
G.O. Improvement Bonds (Backed by the City)	27,705,000	23,610,000	-	-	27,705,000	23,610,000
Revenue Bonds and Notes (Backed by specific tax and fee revenues)	-	-	24,695,000	29,310,000	24,695,000	29,310,000
EDA Lease Revenue Bonds (Backed by specific tax and fee revenues)	10,085,000	-	22,275,000	6,315,000	32,360,000	6,315,000
Promissory Note Payable (Backed by the City)	128,068	136,788	-	-	128,068	136,788
Totals	\$ 42,558,068	\$ 31,931,788	\$ 63,140,000	\$ 46,995,000	\$ 105,698,068	\$ 78,926,788

New debt resulted from seven new issues in 2015:

1. \$12,855,000 Chaska EDA Taxable Lease Revenue Bonds, Series 2015A with a true interest cost of 3.79% (1.22% - 4.40%). The proceeds from these bonds will be used to finance the Chaska Curling Center facility construction.
2. \$9,000,000 Chaska EDA Lease Revenue Bonds, Series 2015B with a true interest cost of 3.44% (2.00% - 4.00%). The proceeds from these bonds will be used to make improvements to Firemen's Park.
3. \$21,760,000 City of Chaska Electric Revenue Refunding Bonds, Series 2015A with a true interest cost of 2.97% (2.00%-5.00%). The proceeds from these bonds will be used to refund the 2000A Revenue Bonds and 2005A Refunding Revenue Bonds.
4. \$5,940,000 City of Chaska General Improvement Bonds, Series 2015B with a true interest cost of 2.85% (3.00%-5.00%). The proceeds from these bonds will be used to finance downtown street improvement projects.
5. \$5,170,000 City of Chaska General Obligation Utility Revenue Bonds, Series 2015C with a true interest cost of 2.92% (2.00%-4.00%). The proceeds from these bonds will be used to finance several water, sewer, and storm water system improvements.
6. \$3,410,000 Chaska EDA Taxable Lease Revenue Bonds, Series 2015C with a true interest cost of 4.17% (1.53%-4.57%). The proceeds from these bonds will be used to finance Curling Center furniture, fixtures and equipment.
7. \$1,085,000 Chaska EDA Lease Revenue Bonds, Series 2015D with a true interest cost of 2.51% (2.00%-4.00%). The proceeds from these bonds will be used to finance Firemen's Park fixtures and equipment.

The City continues to pay down its debt, retiring \$7,305,000 of outstanding bonds and refunding \$25,135,000 of outstanding bonds in 2015.

The City of Chaska's General Obligation bonds carry an AA rating by Standard and Poor's Corporation, the City of Chaska Electric Revenue Bonds are rated A2 by Moody's and the Chaska EDA Lease Revenue Bonds carry an AA- rating by Standard and Poor's Corporation, as of last review.

Under Minnesota State Statutes, the general obligation bonded debt issued by the City is subject to a legal debt limitation based on 3% of market value. At December 31, 2015, the City's legal debt margin was \$69,648,574. The statutes provide that debt issues supported by tax increment, special assessment revenues or available dedicated reserves are excluded from the total limited debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 budget. Specifically, five major economic issues were considered:

1. Market Values across the community increased by an average of 8.21%. This brings our overall property values in the community to just over \$2.5 billion, a level of which we have not seen since 2007.
2. The restoration of Local Government Aid to the community has continued, with Chaska scheduled to receive just over \$500,000 in 2016.
3. Both residential and commercial building permit activity has stabilized, becoming more predictable from a budgeting perspective.
4. Chaska is once again seeing an increase in population, with our population moving to just over 25,500.
5. Electric revenue has continued to increase significantly, as we have seen a significant amount of Economic Development activity occur in the last four years, including Data Center development and additions to existing industrial businesses, driving up usage. This has had a positive impact on the Electric Franchise Fee coming back to our General Fund.

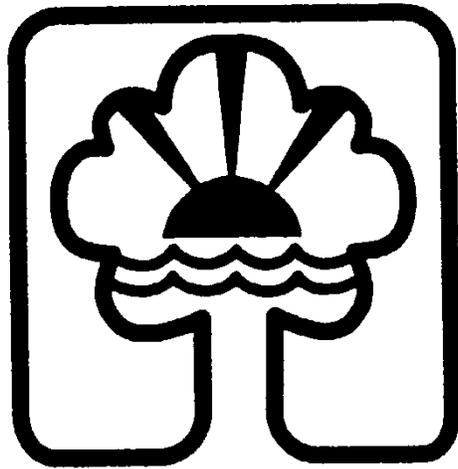
As the City of Chaska looks to 2016, we continue to see a positive trend occurring in the market as both commercial and industrial economic development activity occurring. We are also seeing residential development continue to move forward. This has helped increase new market values and the ability to derive additional tax resources to support service levels without having a negative impact on existing properties. The renewed emphasis on reinvestment back into our existing infrastructure has come through the establishment of our Capital Improvement Program. In 2014, the program began with a 4-year plan to fully fund these needs. In 2016, the City will continue implementation of the CIP program and dedicate the resources to meet these needs. The 2016 budget continues to take a more comprehensive look at not just current operations, but the future costs of maintaining the City's assets and setting a levy that reflects actual changes seen in the community and keeping service levels constant.

These factors were taken into account when adopting the General fund budget for 2016. Projected General fund revenues and other financing sources available for appropriation are equal to budgeted expenditures of \$14,074,193. Budgeted revenues and expenditures are a 10% increase over the 2015 operating budget. General assumptions used to calculate the 2016 operating budget were:

- Utilize budgeting objectives developed.
- Increase the tax levy by 5.5% due to new growth and inflation, with an additional \$250,000 representing the 3rd year of implementation of our CIP.
- Move into the third year of implementing Priorities I and II of the Capital Improvement Program, bringing the total additional revenues in 2016 to the CIP of \$750,000.
- Continue the 5% Gas Franchise Fee in 2016 with those revenues dedicated to the CIP program.
- Continuation of the \$300,000 annual tax levy to the EDA Fund and into the future to support the "Community Building Fund".
- Increase operational costs 1% and personnel salaries 3%.
- Assume normal continuation of the Street Reconstruction Program.
- Additional full-time and part-time public works park maintenance and park and recreation staffing for Firemen's Park. Add programming supply dollars to support new programs in Firemen's Park.
- New concession revenue in Firemen's Park in 2016.
- Existing Energy Auditor position currently funded by utility funds, will now be 50% funded by the General Fund to support Building Inspection services.
- Assume no draw-down on General Fund reserves.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Chaska's Administrative Services Department.



CHASKA

Government-Wide Financial Statements

City of Chaska, Minnesota

For the Year Ended December 31, 2015

CITY OF CHASKA, MINNESOTA

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash And Investments	\$ 20,378,289	\$ 7,185,351	\$ 27,563,640
Receivables:			
Taxes	1,751,718	-	1,751,718
Special Assessments	11,356,602	70,117	11,426,719
Accounts, Net of Allowance	201,722	5,672,198	5,873,920
Interest	37,942	174,001	211,943
Leases	19,800	21,191,936	21,211,736
Notes	125,641	-	125,641
Internal Balances	(2,578,466)	2,578,466	-
Due From Other Governments	106,270	117,192	223,462
Inventories	-	1,621,755	1,621,755
Restricted Cash & Investments:			
Cash with Escrow Agent - Debt Service	987,597	8,444,105	9,431,702
Cash with Escrow Agent - Capital	2,993,032	-	2,993,032
Capital Assets:			
Not Depreciated	69,918,181	19,432,349	89,350,530
Net of Depreciation	94,342,025	48,469,779	142,811,804
TOTAL ASSETS	199,640,353	114,957,249	314,597,602
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan Deferments	1,565,789	473,129	2,038,918
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 201,206,142	\$ 115,430,378	\$ 316,636,520
LIABILITIES			
Accounts Payable	\$ 2,545,954	\$ 2,976,064	\$ 5,522,018
Salaries Payable	267,297	170,831	438,128
Deposits Payable	42,200	307,263	349,463
Accrued Interest Payable	544,196	491,509	1,035,705
Due To Other Governments	67,663	2,158,218	2,225,881
Unearned Revenue	2,531,280	231,399	2,762,679
Non-current Liabilities:			
Due Within One Year	3,674,317	2,272,775	5,947,092
Due in More than One Year	48,512,454	68,413,860	116,926,314
TOTAL LIABILITIES	58,185,361	77,021,919	135,207,280
DEFERRED INFLOWS OF RESOURCES			
Debt Refunding Deferments	-	555,390	555,390
Pension Plan Deferments	807,848	307,917	1,115,765
TOTAL DEFERRED INFLOWS OF RESOURCES	807,848	863,307	1,671,155
NET POSITION			
Net Investment in Capital Assets	127,278,758	33,274,260	160,553,018
Restricted for:			
Special Purposes	148,198	-	148,198
Capital Projects	4,696,268	-	4,696,268
Debt Service	9,704,843	5,190,437	14,895,280
Economic Development	405,706	-	405,706
Unrestricted	(20,840)	(919,545)	(940,385)
TOTAL NET POSITION	142,212,933	37,545,152	179,758,085
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 201,206,142	\$ 115,430,378	\$ 316,636,520

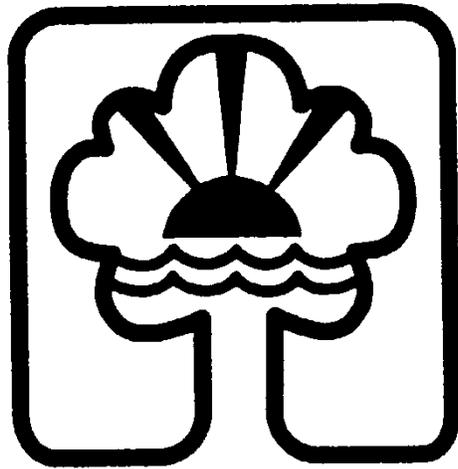
The notes to the financial statements are an integral part of this statement.

CITY OF CHASKA, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
General Government	\$ 5,627,642	\$ 3,440,547	\$ 62,367	\$ -	\$ (2,124,728)	\$ -	\$ (2,124,728)
Economic Development	8,778,959	70,340	72,273	526,016	(8,110,330)	-	(8,110,330)
Public Safety	4,764,269	219,590	507,852	2,370	(4,034,457)	-	(4,034,457)
Public Works	8,488,231	1,876,750	22,733	5,557,798	(1,030,950)	-	(1,030,950)
Parks, Recreation and Arts	1,210,234	132,621	1,800	651,354	(424,459)	-	(424,459)
Interest on Long-Term Debt	1,330,444	-	-	-	(1,330,444)	-	(1,330,444)
Total Governmental Activities	30,199,779	5,739,848	667,025	6,737,538	(17,055,368)	-	(17,055,368)
Business-type Activities:							
Electric	33,417,358	35,565,149	-	131,651	-	2,279,442	2,279,442
Water	2,785,714	2,534,074	-	47,561	-	(204,079)	(204,079)
Sewer	3,150,447	3,267,600	-	2,627	-	119,780	119,780
Community Center	4,077,426	3,246,108	-	-	-	(831,318)	(831,318)
Par 30 Golf Course	183,136	192,164	-	-	-	9,028	9,028
Chaska Town Course	2,310,651	2,089,861	-	-	-	(220,790)	(220,790)
Turbine Generator	1,730,079	1,842,662	-	-	-	112,583	112,583
Internet Service Provider	293,951	173,816	-	-	-	(120,135)	(120,135)
Storm Water	760,340	912,936	-	-	-	152,596	152,596
Chaska Curling Center	835,012	65,022	-	-	-	(769,990)	(769,990)
Total Business-type Activities	49,544,114	49,889,392	-	181,839	-	527,117	527,117
TOTAL	\$ 79,743,893	\$ 55,629,240	\$ 667,025	\$ 6,919,377	(17,055,368)	527,117	(16,528,251)
General Revenues:							
Property Taxes					9,063,743	-	9,063,743
Franchise Taxes					4,079,404	-	4,079,404
Grants & Contributions Not Restricted to Specific Functions					530,868	-	530,868
Investment Earnings					264,180	455,526	719,706
Other					545,596	63,440	609,036
Transfers					5,086,416	(5,086,416)	-
Total General Revenues & Transfers					19,570,207	(4,567,450)	15,002,757
Change in Net Position					2,514,839	(4,040,333)	(1,525,494)
Net Position - Beginning, As Previously Reported							
Prior Period Adjustment					145,801,269	45,788,274	191,589,543
Change In Accounting Principle					-	(1,091,577)	(1,091,577)
Net Position - Beginning, Restated					(6,103,175)	(3,111,212)	(9,214,387)
Net Position - Beginning, Restated					139,698,094	41,585,485	181,283,579
Net Position - Ending					\$ 142,212,933	\$ 37,545,152	\$ 179,758,085

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



CHASKA

Governmental Funds

City of Chaska, Minnesota

For the Year Ended December 31, 2015

CITY OF CHASKA, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	GENERAL	TIF DISTRICT #4 REVOLVING	PARK DEVELOPMENT	ANNUAL STREET REPLACEMENT	NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash And Investments	\$ 1,649,937	\$ -	\$ 747,861	\$ 2,214,981	\$ 11,307,620	\$ 15,920,399
Cash With Escrow Agent	-	-	2,993,032	-	987,597	3,980,629
Receivables:						
Taxes	1,652,330	-	-	-	99,388	1,751,718
Special Assessments	9,195	-	337,178	-	11,010,229	11,356,602
Accounts, Net of Allowance	198,342	-	-	260	3,120	201,722
Interest	6,338	-	3,723	3,169	13,953	27,183
Lease	-	-	-	-	19,800	19,800
Notes	-	-	-	-	125,641	125,641
Due From Other Funds	-	-	1,336,673	1,200,000	1,407,275	3,943,948
Due From Other Governments	98,742	-	-	-	7,528	106,270
Interfund Receivable	-	-	-	-	100,913	100,913
Advance To Other Funds	-	-	-	-	847,733	847,733
TOTAL ASSETS	\$ 3,614,884	\$ -	\$ 5,418,467	\$ 3,418,410	\$ 25,930,797	\$ 38,382,558
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable	\$ 119,957	\$ -	\$ 1,700,265	\$ 438,272	\$ 259,692	\$ 2,518,186
Salaries Payable	267,297	-	-	-	-	267,297
Deposits Payable	-	-	-	-	42,200	42,200
Due To Other Funds	-	-	-	-	4,589,525	4,589,525
Due To Other Governments	67,652	-	-	-	11	67,663
Interfund Payable	-	-	-	-	554,614	554,614
Advance from Other Funds	-	-	-	-	2,207,064	2,207,064
Unearned Revenue	-	-	-	-	2,531,280	2,531,280
TOTAL LIABILITIES	454,906	-	1,700,265	438,272	10,184,386	12,777,829
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue - Taxes	65,353	-	-	-	80,790	146,143
Unavailable Revenue - Special Assessments	9,195	-	336,567	-	8,558,210	8,903,972
Unavailable Revenue - Notes Receivable	-	-	-	-	64,442	64,442
TOTAL DEFERRED INFLOWS OF RESOURCES	74,548	-	336,567	-	8,703,442	9,114,557
FUND BALANCES:						
Restricted	-	-	1,547,870	696,637	9,312,666	11,557,173
Committed	852,664	-	-	3,077,016	291,492	4,221,172
Assigned	-	-	1,833,765	-	5,011,366	6,845,131
Unassigned	2,232,766	-	-	(793,515)	(7,572,555)	(6,133,304)
TOTAL FUND BALANCES	3,085,430	-	3,381,635	2,980,138	7,042,969	16,490,172
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,614,884	\$ -	\$ 5,418,467	\$ 3,418,410	\$ 25,930,797	\$ 38,382,558

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

CITY OF CHASKA, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015

Total fund balances - governmental funds	\$ 16,490,172
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	
Cost of Capital Assets	234,972,997
Less: Accumulated Depreciation	(70,712,791)
Due to availability, certain revenues are not recognized under the governmental fund statements until received; however, under full accrual in the government-wide Statement of Activities, revenues are recorded when earned regardless of when received.	
Delinquent Taxes	146,143
Special Assessments	8,903,972
Notes Receivable	64,442
Governmental funds do not report long-term amounts related to pensions that are included in governmental activities net position.	
Deferred Outflows - Pension Plan Deferments	1,565,789
Deferred Inflows - Pension Plan Deferments	(807,848)
Internal service funds are used by management to charge the costs of property & liability insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	
	4,440,881
Internal balances from business-type activities for internal service fund services.	
	(119,857)
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	
	(544,196)
Long-term liabilities, including bonds payable, notes payable, compensated absences, other post-employment benefits and net pension liabilities are not payable with current financial resources and, therefore, are not reported in governmental funds.	
Due within one year	(3,674,317)
Due in more than one year	(48,512,454)
Net position of governmental activities	<u>\$ 142,212,933</u>

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

CITY OF CHASKA, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	GENERAL	TIF DISTRICT #4 REVOLVING	PARK DEVELOPMENT	ANNUAL STREET REPLACEMENT	NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Taxes:						
Property	\$ 5,315,589	\$ -	\$ -	\$ -	\$ 3,755,441	\$ 9,071,030
Franchise	4,079,404	-	-	-	-	4,079,404
Licenses and Permits	1,259,621	-	-	-	-	1,259,621
Intergovernmental	1,144,263	-	-	-	1,534,497	2,678,760
Charges for Services	2,556,276	-	90,188	-	1,741,227	4,387,691
Fines and Forfeitures	95,736	-	-	-	-	95,736
Special Assessments	8,668	-	138,699	-	1,929,270	2,076,637
Other Revenue	113,769	38,218	524,326	22,556	404,310	1,103,179
TOTAL REVENUES	14,573,326	38,218	753,213	22,556	9,364,745	24,752,058
EXPENDITURES						
CURRENT:						
General Government	4,729,496	-	2,201	10,852	146,583	4,889,132
Economic Development	-	6,073,384	-	-	2,693,005	8,766,389
Public Safety	4,837,862	-	-	-	-	4,837,862
Public Works	2,582,148	-	-	1,435,945	2,668,351	6,686,444
Parks, Recreation and Arts	531,246	-	553,726	-	1,500	1,086,472
DEBT SERVICE:						
Principal	-	-	-	-	5,398,720	5,398,720
Interest	-	-	-	-	1,115,857	1,115,857
Issuance Costs & Fiscal Agent Fees	-	-	209,772	105,291	38,458	353,521
CAPITAL OUTLAY	-	-	7,233,212	4,512,920	2,032,644	13,778,776
TOTAL EXPENDITURES	12,680,752	6,073,384	7,998,911	6,065,008	14,095,118	46,913,173
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,892,574	(6,035,166)	(7,245,698)	(6,042,452)	(4,730,373)	(22,161,115)
OTHER FINANCING SOURCES (USES)						
Transfers In	166,000	99,800	-	1,514,492	12,432,236	14,212,528
Transfers Out	(1,509,298)	-	(154,495)	-	(7,304,319)	(8,968,112)
Bonds Issued	-	-	9,094,485	5,939,905	990,610	16,025,000
Premium on Bonds Issued	-	-	617,181	539,161	-	1,156,342
Sale of Capital Assets	-	-	-	-	83,945	83,945
TOTAL OTHER FINANCING SOURCES AND (USES)	(1,343,298)	99,800	9,557,171	7,993,558	6,202,472	22,509,703
NET CHANGE IN FUND BALANCES	549,276	(5,935,366)	2,311,473	1,951,106	1,472,099	348,588
FUND BALANCES, JANUARY 1	2,536,154	5,935,366	1,070,162	1,029,032	5,570,870	16,141,584
FUND BALANCES, DECEMBER 31	\$ 3,085,430	\$ -	\$ 3,381,635	\$ 2,980,138	\$ 7,042,969	\$ 16,490,172

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

CITY OF CHASKA, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Total net change in fund balances - governmental funds	\$ 348,588
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Further detail on increases/decreases can be found in the note on capital assets. (Increases include donations of capital assets and Construction in Progress that is reclassified.)	
Capital Outlay	19,782,837
Less: Depreciation Expense	(5,355,376)
Net book value of assets sold or disposed	(1,072,789)
Under modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period. Under the full accrual basis of accounting, these revenues are recognized when earned.	
Delinquent Taxes	(7,287)
Special Assessments	547,714
Notes Receivable	(11,430)
Long-term debt and other long-term liabilities provide current financial resources to governmental funds, while the repayment of long-term debt and liabilities consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Further detail on the additions and reductions can be found in the note on long-term liabilities.	
Additions to long-term liabilities (reduces governmental fund balances)	(19,881,931)
Reductions to long-term liabilities (increases governmental fund balances)	7,721,370
Net pension obligation activity is not recognized in the Governmental Funds but recognized as the expense/revenue is incurred in the Statement of Activities.	
Deferred Outflows - Pension Plan Deferments	1,255,213
Deferred Inflows - Pension Plan Deferments	(807,848)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	(214,586)
Internal service funds are used by management to charge the costs of property & liability insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	
	204,397
Internal service fund profit allocated to business-type activities.	<u>5,967</u>
Change in net position - governmental activities	<u>\$ 2,514,839</u>

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

CITY OF CHASKA, MINNESOTA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:			
Taxes:			
Property	\$ 3,786,719	\$ 5,315,589	\$ 1,528,870
Franchise	4,038,500	4,079,404	40,904
Licenses And Permits	1,095,600	1,259,621	164,021
Intergovernmental	1,037,178	1,144,263	107,085
Charges For Services	2,535,198	2,556,276	21,078
Fines And Forfeitures	133,056	95,736	(37,320)
Special Assessments	-	8,668	8,668
Other Revenue	55,484	113,769	58,285
TOTAL REVENUES	12,681,735	14,573,326	1,891,591
EXPENDITURES:			
Current:			
General Government	4,792,394	4,729,496	62,898
Public Safety	4,667,207	4,837,862	(170,655)
Public Works	2,744,780	2,582,148	162,632
Parks, Recreation and Arts	590,354	531,246	59,108
TOTAL EXPENDITURES	12,794,735	12,680,752	113,983
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(113,000)	1,892,574	2,005,574
OTHER FINANCING SOURCES (USES):			
Transfers In	113,000	166,000	53,000
Transfers Out	-	(1,509,298)	(1,509,298)
TOTAL OTHER FINANCING SOURCES (USES)	113,000	(1,343,298)	(1,456,298)
NET CHANGE IN FUND BALANCES	-	549,276	549,276
FUND BALANCES, January 1	2,536,154	2,536,154	-
FUND BALANCES, December 31	\$ 2,536,154	\$ 3,085,430	\$ 549,276

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

Proprietary Funds

City of Chaska, Minnesota

For the Year Ended December 31, 2015

CITY OF CHASKA, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2015

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS							GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
	ELECTRIC	WATER	COMMUNITY CENTER	TURBINE GENERATOR	CURLING CENTER	NONMAJOR ENTERPRISE	TOTALS	
ASSETS								
Current Assets:								
Cash And Investments	\$ 3,683,281	\$ 1,436,443	\$ 48,576	\$ 202,640	\$ -	\$ 1,814,411	\$ 7,185,351	\$ 4,457,890
Restricted Assets:								
Cash And Investments	58,469	-	544,636	3,172,343	-	-	3,775,448	-
Receivables:								
Special Assessments	-	528	-	-	-	69,589	70,117	-
Accounts:								
Current	3,162,487	193,669	315,160	-	41,249	406,380	4,118,945	-
Unbilled	1,407,403	67,997	-	-	-	138,438	1,613,838	-
Allowance For Uncollectible Accounts	(47,404)	(2,905)	(3,594)	-	(619)	(6,063)	(60,585)	-
Interest	16,189	3,354	1,213	151,154	-	2,091	174,001	10,759
Due From Other Funds	5,624,524	-	-	-	-	-	5,624,524	-
Due From Other Governments	7,354	2,340	84,504	-	-	22,994	117,192	-
Interfund Receivable	550,568	-	-	43,242	-	-	593,810	-
Lease Receivable	-	-	-	699,352	-	-	699,352	-
Inventories	1,390,447	167,734	-	-	-	63,574	1,621,755	-
Total Current Assets	15,853,318	1,869,160	990,495	4,268,731	40,630	2,511,414	25,533,748	4,468,649
Noncurrent Assets:								
Restricted Cash And Investments	244,305	-	-	-	4,424,352	-	4,668,657	-
Lease Receivable	-	-	-	20,492,584	-	-	20,492,584	-
Advance To Other Funds	2,207,064	-	-	966,309	-	-	3,173,373	-
Capital Assets:								
Land	778,843	222,130	90,466	-	-	130,925	1,222,364	-
Buildings	4,774,312	17,255,218	25,271,730	-	-	8,299,857	55,601,117	-
Other Improvements	-	1,271,864	519,720	-	-	284,619	2,076,203	-
Furniture & Equipment	1,733,892	424,290	2,281,860	-	-	3,377,763	7,817,805	-
Infrastructure	24,558,090	4,626,701	-	-	-	3,419,813	32,604,604	-
Construction in Progress	-	-	-	-	18,023,765	186,220	18,209,985	-
Less: Accumulated Depreciation	(14,644,167)	(10,524,589)	(15,509,997)	-	-	(8,951,197)	(49,629,950)	-
Total Net Capital Assets	17,200,970	13,275,614	12,653,779	-	18,023,765	6,748,000	67,902,128	-
Total Noncurrent Assets	19,652,339	13,275,614	12,653,779	21,458,893	22,448,117	6,748,000	96,236,742	-
TOTAL ASSETS	35,505,657	15,144,774	13,644,274	25,727,624	22,488,747	9,259,414	121,770,490	4,468,649
DEFERRED OUTFLOWS OF RESOURCES								
Pension Plan Deferments	145,578	54,592	127,381	-	-	145,578	473,129	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 35,651,235	\$ 15,199,366	\$ 13,771,655	\$ 25,727,624	\$ 22,488,747	\$ 9,404,992	\$ 122,243,619	\$ 4,468,649
LIABILITIES								
Current Liabilities:								
Accounts Payable	\$ 71,539	\$ 14,648	\$ 24,337	\$ -	\$ 2,691,731	\$ 173,809	\$ 2,976,064	\$ 27,768
Salaries Payable	53,861	17,498	53,376	-	7,704	38,392	170,831	-
Deposits Payable	174,883	-	46,325	-	-	86,055	307,263	-
Compensated Absences	122,249	35,938	60,983	-	3,531	90,074	312,775	-
Accrued Interest Payable	20,968	30,578	18,656	251,963	169,344	-	491,509	-
Due To Other Funds	-	-	-	-	4,964,508	14,439	4,978,947	-
Due To Other Governments	2,003,631	36,929	43,971	56,636	7,477	9,574	2,158,218	-
Interfund Payable	43,242	-	-	-	-	96,867	140,109	-
Revenue Bonds Payable	150,000	425,000	315,000	1,070,000	-	-	1,960,000	-
Unearned Revenue	-	274	70,193	-	-	160,932	231,399	-
Total Current Liabilities	2,640,373	560,865	632,841	1,378,599	7,844,295	670,142	13,727,115	27,768
Noncurrent Liabilities:								
Compensated Absences	72,328	13,811	59,386	-	3,431	37,675	186,631	-
Advance From Other Funds	966,309	-	-	-	-	847,733	1,814,042	-
Revenue Bonds Payable	2,803,208	11,359,770	5,713,696	23,893,567	16,265,000	4,668,885	64,704,126	-
Other Post Employment Benefits	72,656	8,511	19,021	-	-	40,802	140,990	-
Net Pension Liability	1,040,650	390,244	910,569	-	-	1,040,650	3,382,113	-
Total Noncurrent Liabilities	4,955,151	11,772,336	6,702,672	23,893,567	16,268,431	6,635,745	70,227,902	-
TOTAL LIABILITIES	7,595,524	12,333,201	7,335,513	25,272,166	24,112,726	7,305,887	83,955,017	27,768
DEFERRED INFLOWS OF RESOURCES								
Debt Refunding Deferments	-	-	-	555,390	-	-	555,390	-
Pension Plan Deferments	94,744	35,529	82,901	-	-	94,743	307,917	-
TOTAL DEFERRED INFLOWS OF RESOURCES	94,744	35,529	82,901	555,390	-	94,743	863,307	-
NET POSITION								
Net Investment In Capital Assets	14,247,762	2,080,803	6,625,083	-	4,760,470	5,560,142	33,274,260	-
Restricted For Debt Service	302,774	-	544,636	2,920,380	1,422,647	-	5,190,437	-
Unrestricted	13,410,431	749,833	(816,478)	(3,020,312)	(7,807,096)	(3,555,780)	(1,039,402)	4,440,881
TOTAL NET POSITION	27,960,967	2,830,636	6,353,241	(99,932)	(1,623,979)	2,004,362	37,425,295	4,440,881
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 35,651,235	\$ 15,199,366	\$ 13,771,655	\$ 25,727,624	\$ 22,488,747	\$ 9,404,992	122,243,619	\$ 4,468,649

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds 119,857

Net Position of business-type activities \$ 37,545,152

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

CITY OF CHASKA, MINNESOTA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS						TOTALS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	ELECTRIC	WATER	COMMUNITY CENTER	TURBINE GENERATOR	CURLING CENTER	NONMAJOR ENTERPRISE		
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts From Customers And Users	\$ 35,682,117	\$ 2,535,050	\$ 3,125,495	\$ 1,842,662	\$ 24,392	\$ 6,718,285	\$ 49,928,001	\$ 664,883
Payments To Suppliers	(30,907,834)	(1,162,882)	(1,332,912)	(324,969)	2,592,462	(3,999,109)	(35,135,244)	(680,498)
Payments To Employees	(1,718,326)	(585,548)	(1,693,871)	-	(87,376)	(1,837,480)	(5,922,601)	-
Miscellaneous Receipts	-	-	-	-	-	-	-	356,969
Net Cash Provided (Used) By Operating Activities	<u>3,055,957</u>	<u>786,620</u>	<u>98,712</u>	<u>1,517,693</u>	<u>2,529,478</u>	<u>881,696</u>	<u>8,870,156</u>	<u>341,354</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:								
Transfers From Other Funds	-	600,948	432,000	-	117,743	3,439,464	4,590,155	-
Transfers To Other Funds	(4,414,854)	(646,184)	-	-	(968,982)	(3,646,551)	(9,676,571)	(158,000)
Due From Other Funds	(381,300)	500,000	-	-	-	500,000	618,700	-
Due To Other Funds	-	-	-	-	4,256,621	(1,840,985)	2,415,636	-
Interfund Loans To Other Funds	3,657,146	-	-	60,779	-	-	3,717,925	-
Interest Payments On Interfund Loans	-	-	-	43,440	-	-	43,440	-
Intergovernmental	49,691	-	-	-	-	-	49,691	-
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>(1,089,317)</u>	<u>454,764</u>	<u>432,000</u>	<u>104,219</u>	<u>3,405,382</u>	<u>(1,548,072)</u>	<u>1,758,976</u>	<u>(158,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Proceeds From Revenue Bonds	-	589,959	-	24,963,567	16,265,000	4,668,885	46,487,411	-
Capital Contributions	131,651	47,561	-	-	-	2,627	181,839	-
Principal Paid On Bonds	(140,000)	(370,000)	(305,000)	(26,235,000)	-	-	(27,050,000)	-
Interest And Fiscal Charges	(86,670)	(381,634)	(229,720)	(1,629,709)	(457,487)	(71,339)	(2,856,559)	-
Proceeds From Sale Of Capital Assets	3,404	-	-	-	-	5,592	8,996	-
Construction And Acquisition of Capital Assets	(1,476,508)	(520,013)	(189,913)	-	(17,318,662)	(2,365,573)	(21,870,669)	-
Lease Payments Received	-	-	-	759,685	-	-	759,685	-
Interfund Loans From Other Funds	(40,779)	-	-	-	-	(1,198,764)	(1,239,543)	-
Interest Payments On Interfund Loans	(63,440)	-	-	-	-	(9,076)	(72,516)	-
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(1,672,342)</u>	<u>(634,127)</u>	<u>(724,633)</u>	<u>(2,141,457)</u>	<u>(1,511,149)</u>	<u>1,032,352</u>	<u>(5,651,356)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest On Investments	<u>311,122</u>	<u>17,661</u>	<u>6,497</u>	<u>170,343</u>	<u>641</u>	<u>13,192</u>	<u>519,456</u>	<u>56,651</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	605,420	624,918	(187,424)	(349,202)	4,424,352	379,168	5,497,232	240,005
CASH AND CASH EQUIVALENTS, January 1	3,380,635	811,525	780,636	3,724,185	-	1,435,243	10,132,224	4,217,885
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 3,986,055</u>	<u>\$ 1,436,443</u>	<u>\$ 593,212</u>	<u>\$ 3,374,983</u>	<u>\$ 4,424,352</u>	<u>\$ 1,814,411</u>	<u>\$ 15,629,456</u>	<u>\$ 4,457,890</u>
CASH AND CASH EQUIVALENTS:								
Cash And Investments	\$ 3,683,281	\$ 1,436,443	\$ 48,576	\$ 202,640	\$ -	\$ 1,814,411	\$ 7,185,351	\$ 4,457,890
Restricted Assets-Revenue Bonds: Cash And Investments	<u>302,774</u>	<u>-</u>	<u>544,636</u>	<u>3,172,343</u>	<u>4,424,352</u>	<u>-</u>	<u>8,444,105</u>	<u>-</u>
Total Cash And Cash Equivalents	<u>\$ 3,986,055</u>	<u>\$ 1,436,443</u>	<u>\$ 593,212</u>	<u>\$ 3,374,983</u>	<u>\$ 4,424,352</u>	<u>\$ 1,814,411</u>	<u>\$ 15,629,456</u>	<u>\$ 4,457,890</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating Income (Loss)	\$ 2,249,218	\$ 109,677	\$ (604,210)	\$ 1,622,104	\$ (143,159)	\$ 20,478	\$ 3,254,108	\$ (43,383)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:								
Depreciation Expense	828,816	720,897	749,122	-	-	616,112	2,914,947	-
Allowance For Uncollectible Accounts	15,575	977	2,152	-	619	1,646	20,969	-
Miscellaneous Receipts	-	-	-	-	-	-	-	356,969
(Increase) Decrease In Assets And Deferred Outflows:								
Special Assessments	1,846	415	-	-	-	13,400	15,661	-
Accounts Receivable	103,872	(650)	(103,083)	-	(41,249)	34,118	(6,992)	-
Due From Other Governments	(6,635)	(40)	(21,461)	-	-	64,418	36,282	-
Inventory	(139,450)	(68,661)	-	-	-	(6,557)	(214,668)	-
Deferred Outflows	(103,246)	(38,718)	(90,341)	-	-	(103,247)	(335,552)	-
Increase (Decrease) In Liabilities And Deferred Inflows:								
Accounts Payable	48,616	(10,435)	(18,854)	(5,500)	2,691,124	125,752	2,830,703	27,768
Salaries Payable	9,013	2,075	9,955	-	7,704	3,154	31,901	-
Deposits Payable	2,310	-	2,119	-	-	(3,591)	838	-
Compensated Absences Payable	15,925	(849)	12,244	-	6,962	(6,947)	27,335	-
Net Pension Liability	41,022	15,384	35,895	-	-	41,023	133,324	-
Due To Other Governments	(119,708)	19,100	38,938	(98,911)	7,477	7,393	(145,711)	-
Unearned Revenue	-	274	(340)	-	-	(28,083)	(28,149)	-
Other Post Employment Benefits	14,039	1,645	3,675	-	-	7,884	27,243	-
Deferred Inflows	94,744	35,529	82,901	-	-	94,743	307,917	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,055,957</u>	<u>\$ 786,620</u>	<u>\$ 98,712</u>	<u>\$ 1,517,693</u>	<u>\$ 2,529,478</u>	<u>\$ 881,696</u>	<u>\$ 8,870,156</u>	<u>\$ 341,354</u>

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

CITY OF CHASKA, MINNESOTA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015**

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash And Cash Equivalents	\$ 283,654
Accounts Receivable	29,548
Due From Other Funds	<u>29,336</u>
TOTAL ASSETS	<u>\$ 342,538</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 212
Due To Other Funds	29,336
Deposits Payable	280,685
Due To Other Governments	<u>32,305</u>
TOTAL LIABILITIES	<u>\$ 342,538</u>

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

Note 1 Summary of Significant Accounting Policies

The City of Chaska (the City) operates under the Optional Plan A Statutory, as a modified form of government pursuant to applicable Minnesota laws and statutes. The Plan A, prescribes a modified Administrator-Council form of organization. The Council consists of an elected mayor and four (4) council members. The City provides the following services: public safety, highways and streets, culture-recreation, public improvements, planning and zoning, and general administration. The City operates utilities in the areas of electric, water, sewer, and storm water. The City also operates a community center, two (2) golf courses, internet service, gas turbine generator and a curling and event center.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units by the Governmental Accounting Standards Board (GASB). In order to enhance the usefulness of the financial statements to the reader the following is a summary of the City's significant accounting policies.

A) The Financial Reporting Entity

These financial statements present the City (primary government) 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 relationship 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, one (1) organization has been defined and is presented in this report as follows:

Blended component unit – The Chaska Economic Development Authority (Chaska EDA) was established in 1987 by Resolution No. 87-25 of the Chaska City Council. The Chaska EDA is included in these financial statements by reason of the Chaska EDA Board being comprised of City Council members. Activities of the Chaska EDA are financed by a tax levy of the City for that purpose. There are no other statements for the Chaska EDA other than those presented in this report.

B) Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide financial statements and fund financial statements. "Government-wide financial statements" (i.e. the Statement of Net Position and the Statement of Activities) report information based on the City as a whole and

exclude fiduciary activity. Also, for the most part, 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. Direct expenses also include allocated expenses to functional programs from centralized expenses reported in the Self Insurance fund. *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, 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular function, and 3) capital grants and contributions (including special assessments) that are restricted to meeting the capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The accounts of the City, are organized on the basis of funds and separate “Fund Financial Statements” are provided for on three (3) different broad fund categories (Governmental, Proprietary and Fiduciary). Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions and activities. A fund is a separate accounting entity with self-balancing accounts that include assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements present information for individual major funds in separate columns. Nonmajor funds are presented in total in one (1) column in the fund financial statements.

Major Governmental Funds

The City of Chaska reports the following major governmental funds:

- The ***General Fund*** - is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.
- ***Capital Project Fund - TIF District #4 Revolving Fund*** - This fund was established in 1985 within the Chaska Flood Control Project Area. This fund is the primary fund for the collection of all District #4 tax revenues which is used to finance expenditures in other District #4 Funds that the City uses as a means to account for project costs. This TIF District was decertified as of 12/31/14 and the fund is closed as of year-end 2015.
- ***Capital Project Fund – Park Development Fund*** - This fund is used to account for grants and other dedicated revenues appropriated for park and trail development.

- **Capital Project Fund – Annual Street Replacement Fund** – This fund is used to account for the reconstruction and repair of City streets as part of the City’s street improvement program.

Major Proprietary Funds

The City of Chaska reports the following major proprietary funds:

- **Electric Fund** – This fund is used to account for revenues and expenses of the City’s Electric Utility.
- **Water Fund** – This fund is used to account for revenues and expenses of the City’s Water Utility.
- **Community Center** – This fund is used to account for revenues and expenses of the Chaska Community Center.
- **Turbine Generator** – This fund is used to account for the operations of the City’s Turbine Generator Utility.
- **Curling Center** – This fund is used to account for the operations of the City’s Curling and Event Center.

Other Funds – The City Reports the Following Other Funds

- **Internal Service Funds** – account for operations that provide services to other departments or agencies of the government on a cost reimbursement basis. The City of Chaska has one (1) Internal Service Fund – the Self-Insurance fund. This fund is used to account for the purchase of property, liability and workers’ compensation insurance for all City departments. Costs are allocated to individual departments.
- **Fiduciary Funds** – account for assets held on behalf of outside parties, including other governments. The City’s only fiduciary fund type is an agency fund. Agency funds account for assets that the City holds on behalf of others as their agent and are custodial in nature. The following is a list of the City’s Fiduciary funds:
 - **Builders’ Deposit Fund** – This fund is used to account for assets held in a custodial capacity in the form of deposits from builders that will be refunded upon project completion.
 - **Developers’ Fund** – This fund is used to account for assets held in a custodial capacity in the form of billings to developers for contractual services.
 - **Metropolitan Council Environmental Services (MCES) Collection Fund** – This fund is used to account for the collection of assets held in a custodial capacity in the form of sewer availability charges remitted monthly to MCES.
 - **Police Evidence Cash Fund** – This fund is used to account for the cash funds held as evidence by the Chaska Police Department.

C) Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Economic resources measurement focus aims to reporting all inflows, outflows and balances affecting or reflecting an entity's net position. 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 in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Fiduciary Funds report only assets and liabilities and have no measurement focus, but do use the accrual basis of accounting to recognize receivables and payables.

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 for 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 the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions, other post-employment benefits, 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are franchise taxes and other administrative charges between the City's Enterprise funds and other functions of the government. Elimination of these charges would misrepresent the direct costs and program revenues reported for the various functions concerned.

Proprietary funds are accounted for on a flow of *economic resources measurement focus* and *accrual basis of accounting*. This means that all assets, including capital assets, deferred outflows of resources and all liabilities, including long-term liabilities, and deferred inflows of resources associated with fund activity are included on the Statement of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred.

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

principal operating expenses for all of the City of Chaska's enterprise funds and internal service fund are cost of sales and services, administrative expense, and depreciation of capital assets. All other revenues and expenses are reported as non-operating items.

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

D) Budgetary Accounting

Budgets for the General fund, two (2) Special Revenue funds and one (1) Capital Project fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The Non-major Special Revenue funds with budgets are the Mount Pleasant Maintenance & Care fund and the Chaska EDA fund. The capital project fund with a budget is the Equipment Acquisition fund. (Schedules are included in the financial statements). All annual appropriations lapse at fiscal year-end.

E) Cash and Investments

Cash balances from all funds are combined and invested to the extent available as authorized by *Minnesota State Statutes*. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Investments are stated at fair value based on quoted market prices, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Cash and cash equivalents consist of available cash, cash deposits and highly liquid investments with an original maturity date at the time of purchase of three months or less. Interest on escrow investments is allocated specifically to the related fund. Investment income is accrued at the balance sheet date.

F) Receivables

- **Property Tax**

Property tax levies are levied by the City Council and must be levied on or before five (5) business days after December 20th. Levied property taxes are certified to Carver County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads all levies over assessable property. Such taxes become a lien on the first of January and are recorded as receivables by the City on that date. Revenues are accrued in the year collectable net of delinquencies.

Property taxes may be paid by taxpayers in two (2) equal installments, on May 15 and October 15. The County provides tax settlements to cities and other local governments three (3) times a year: on or before June 30, December 1, and before April 15 of the following year.

Revenues are accrued and recognized in the government-wide financial statements in the current period. In the fund financial statements, taxes that remain unpaid at December 31

are classified as delinquent taxes and have been offset by a deferred inflow of resources, because it is not known when they will be available to finance current expenditures. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

- **Special Assessments**

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with state statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. Annual installments (including interest) for special assessments are collected by the County in the same manner as property taxes.

The City recognizes special assessment revenue in the government-wide financial statements when the assessment rolls are levied. In the governmental fund financial statements, the City recognizes special assessment revenue when it becomes both measurable and available. Current assessments, which remain unpaid at December 31 are classified as delinquent receivables and together with deferred assessments are fully offset by deferred inflows because it is not known when they will be available to finance current expenditures.

As of December 31, 2015 the delinquent special assessment receivable balance is \$135,016.

- **Trade Receivables**

All trade receivables are shown net of an allowance for uncollectibles on the Statement of Net Position. On December 31, 2015 the allowance for uncollectible accounts is \$63,605.

G) Short-Term and Long-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds”. The current portions of lending/borrowing arrangements (advances) are classified as “interfund receivables/payables”. The long-term portions of interfund receivables are reported as advances.

H) Inventory

Inventories in the enterprise funds are valued at cost, which approximates market, using the first in-first out (FIFO) method. Inventories are recorded as expenses when consumed.

I) Restricted Assets

In the government-wide statement of net position and proprietary fund financial statements, unspent bond proceeds, as well as certain resources set aside for their repayment, are

classified as restricted assets because their use is limited by applicable bond covenants. Investment earnings on these assets are allocated directly to the appropriate funds.

J) Capital Assets

Capital assets, which include land, building and structures, equipment and infrastructure (e.g. roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records are available. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of, or materially extend the life of the asset are recorded as expenditures. The City uses the following capitalization policy:

Description	Capitalization Threshold
Machinery / Equipment and Vehicles	\$5,000
Building and Building Improvements	25,000
Land and Land Improvements	25,000
Public Domain Infrastructure	50,000

Depreciation of assets on the government-wide statements for the primary government (governmental and business-type activities) and in the proprietary funds financial statements is charged as an expense against operations over the estimated useful life of the asset using the straight-line method over the following useful lives:

Description	Life
Buildings and Structures	25 years
Furniture and Equipment	3 - 25 years
Improvements, other than Buildings	25 - 50 years
Public Domain Infrastructure	10 - 50 years

Capital assets not being depreciated include land, works of art/historical treasures and construction in progress.

K) Compensated Absences

The City compensates all eligible employees upon termination for unused vacation, personal leave, and compensatory time. Union employees, by contract, are entitled to sick leave at the rate of eight (8) hours for each calendar month of full-time service (union employees covered by the personal leave benefit do not receive sick leave). All vacation, personal leave, and compensatory pay is recorded as an expense and liability as the benefits accrue to employees in the government-wide and proprietary fund financial statements. The liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L) 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, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one (1) item that qualifies for reporting in this category. It is the deferred outflows of resources related to pensions reported in the government-wide and enterprise funds Statement of Net Position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, difference between projected and actual earnings on pension plan investments, and from contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

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 periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has three (3) types of items that qualify for reporting in this category.

The first item, unavailable revenue, arises only under the modified accrual basis of accounting and therefore is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from three (3) sources: taxes, special assessments, and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The second item, deferred inflows of resources related to debt refundings, is reported in the government-wide and enterprise funds Statement of Net Position. This deferred inflow results from the differences between the resources required to refund debt and the net carrying amount of the refunded issue. These amounts are deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The third item, deferred inflows of resources related to pensions, is reported in the government-wide and enterprise funds Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

M) Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

N) Fund Balance Classifications

The difference between fund assets, deferred outflows of resources, liabilities, and deferred inflows of resources is “Fund Balance” on the governmental fund statements. In the fund financial statements, fund balance is divided into five (5) classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

- ***Nonspendable*** – consists of amounts that cannot be spent because it is not in spendable form, such as prepaid items or inventory.
- ***Restricted*** – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.
- ***Committed*** – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purposes unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- ***Assigned*** – consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended use established by the governing body itself or by an official to which the governing body delegates authority. Pursuant to City Council Resolution, the City’s Administrative Services Director is authorized to establish assignments of fund balance.
- ***Unassigned*** – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, and then unrestricted as needed. When committed, assigned or unassigned funds are available for expenditure, it is the City’s policy to spend committed funds first, assigned funds second, and unassigned funds last.

O) Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of

accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations in their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other elements of net position that do not meet the definition of “restricted” or “net investment in capital assets” are reported as unrestricted.

P) Interfund Transactions

Interfund services provided are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. In the ordinary course of business transfers between funds are made to finance projects. Other interfund transactions are reported as transfers in/out. Interfund transactions within the respective categories of governmental activities and business-type activities in the government-wide statement of activities are eliminated. The internal balances caption on the government-wide statement of net position represents interfund receivable or payable between the two (2) types of activities: governmental and business-type.

Q) 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 as of the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

R) Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA’s fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer 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.

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Chaska Fire Department Relief Association (CFDRAPP) and additions to/deductions from CFDRAPP’s fiduciary net position have been determined on the same basis as they are reported as of December 31, 2015. Investments are reported at fair value.

S) Change in Accounting Principle

During the year ended December 31, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68*. These statements included major changes in how employers account for pension benefit expense and liabilities. In the financial statement prepared using the economic resources measurement focus and accrual basis of accounting (government-wide and proprietary funds), an employer is required to recognize a liability for its share of the net pension liability provided through the pension plan. An employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources for its share related to pensions. This standard required retroactive implementation, which resulted in the restatement of net position as of December 31, 2014. The details of the restatement are as follows:

	Governmental Activities	Business-Type Activities	Enterprise Funds
Net Position - Beginning, As Previously Reported	\$ 145,801,269	\$ 45,788,274	\$ 45,662,450
Prior Period Adjustment (See Note 17)	-	(1,091,577)	(1,091,577)
Change in Accounting Principle			
Net Pension Asset	(387,211)	-	-
Deferred Outflows Related to Pension	310,576	137,577	137,577
Net Pension Liability	(6,026,540)	(3,248,789)	(3,248,789)
Total Change in Accounting Principle	<u>(6,103,175)</u>	<u>(3,111,212)</u>	<u>(3,111,212)</u>
Net Position - Beginning, Restated	<u>\$ 139,698,094</u>	<u>\$ 41,585,485</u>	<u>\$ 41,459,661</u>

Note 2 Compliance and Accountability**A) Budget**

The City follows these procedures in establishing the annual budget:

1. City Administrative Services Director prepares history of actual revenues and expenditures for the prior two (2) years and an estimate for the current year.
2. Department heads review the history and estimate the coming year's revenues and expenditures and then project out five (5) years. Department heads submit their five (5) year budgets to the City Administrative Services Director.
3. Department budgets are reviewed and combined into a five (5) year budget by the City Administrator and City Administrative Services Director.
4. The City Administrator recommends the five (5) year budget to the City Council and revenue and expenditure targets for the new budget year are established.
5. Department heads prepare and submit detail budgets for the new budget year.
6. Department budgets are reviewed by the City Administrator and City Administrative Services Director and submitted to the City Council for approval.

7. Public hearings are conducted to obtain public comment.
8. The City Council may amend the recommended budget and then approves the final budget and required tax levy through passage of a resolution in accordance with *Minnesota State Statutes* on "Truth in Taxation".
9. Budgetary control is maintained by department heads for all assigned divisions (i.e., Mayor, Council, Communication and Administration, etc.). Department heads may reallocate budget appropriations between assigned intrafund divisions but may not reallocate between funds; thus, the legal level of control is at the fund level. Additional expenditures not authorized but proposed by department heads are not authorized unless additional revenues or restrictions are identified and available. During the year, expenditures in various category levels (i.e., personal services, operating supplies, other services and charges, capital outlay and other financing uses) in several divisional areas exceeded the level of appropriation. These variances were not significant since additional revenues and restrictions were identified and available to offset the additional expenditures.
10. Unused budgeted expenditure appropriations lapse at year-end.

B) Excess of Expenditures Over Appropriations

For the year ended December 31, 2015, expenditures exceeded appropriations in the Chaska EDA special revenue fund by \$315,296. Variances were partially offset with revenue which was greater than expected. The remainder of the difference was offset by fund balance and future assessment revenue.

C) Nonmajor Funds with Negative Equity

The following nonmajor funds maintained a deficit fund balance/net position at December 31, 2015:

Special Revenue Fund	
Chaska EDA	\$ 644,635
Capital Project Funds	
Public Facilities Capital Improvement	\$ 54,384
Housing Improvement Area Projects	1,336,673
TIF Dist #14 - Downtown Redevelopment	1,860,125
TIF Dist #16 - Chaska Gateway	4,046
TIF Dist #17 - Chaska Preserve	307,520
TIF Dist #18 - Chaska Building Center	550,095
TIF Dist #19 - Chaska Heights	10,915
2010 Improvement Projects	293,342
2013 Improvement Projects	2,376,372
2015 Improvement Projects	56,874
Enterprise Funds	
Sewer Fund	\$ 484,047
Par 30 Golf	67,640

The deficit in the Chaska EDA fund is due to various economic development projects. Some of these projects have not received final funding. Ongoing activities of the Chaska EDA fund will eliminate this deficit.

The deficits in the Capital Project funds relate to capital projects that have incurred expenditures but have not received final financing or are supported by developer fees and special assessments. All funds are expected to recover their deficits. In addition, the deficits in the TIF Districts are due to the timing of tax increments and project costs for the district. Tax increment revenue collected in future years will eliminate these deficits.

The deficits in the Sewer fund and Par 30 fund relate to the implementation of GASB 68. A small portion of Par30's deficit is also from ongoing operations. Revenue from future operations will eliminate these deficits.

Note 3 Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the government-wide statement of net position as "Cash And Investments".

A) Deposits

Deposits, investments, petty cash and change funds are reported on the City's financial statements as follows:

Statement of Net Position - Government-Wide	
Cash and Investments	\$27,563,640
Restricted Cash and Investments	<u>12,424,734</u>
	39,988,374
Statement of Net Position - Fiduciary Funds	
Cash and Cash Equivalents	<u>283,654</u>
Total Cash and Investments	<u><u>\$40,272,028</u></u>

In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposits.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – Is the risk that in the event of bank failure, the City's deposits may be lost and not recovered.

Minnesota Statutes require that federal deposit insurance, corporate surety bond or collateral protect all deposits. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below under "credit risk", as well as; certain first mortgage notes and certain other state or local government obligations.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral. The City's investment policies do not further address limiting exposure to custodial credit risk for deposits.

Deposit balances at December 31, 2015 are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Total Bank Deposits	\$3,201,455	\$1,845,393

At December 31, 2015, all deposits were insured, or collateralized by securities held by the City's agent in the City's name.

B) Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Interest Risk - Maturity Duration in Years			Total
	Rating	Agency	Less Than 1	1 to 5	More than 5	
U.S. Treasury Strips	N/R	N/R	\$ -	\$ 2,193,130	\$ -	\$ 2,193,130
U.S. Government Agencies	AA+	S&P	600,229	1,545,202	421,106	2,566,537
U.S. Government Agencies	AA-	S&P	-	2,592,856	-	2,592,856
State and Local Bonds	A	S&P	-	557,088	-	557,088
State and Local Bonds	AA	S&P	-	1,056,830	-	1,056,830
State and Local Bonds	AA+	S&P	197,408	-	-	197,408
State and Local Bonds	AA-	S&P	-	544,005	-	544,005
State and Local Bonds	Aa1	Moody's	-	222,022	-	222,022
State and Local Bonds	Aa2	Moody's	501,885	220,620	-	722,505
Negotiable CD's	N/R	N/R	2,487,425	2,232,420	-	4,719,845
Commercial Paper	A-1	S&P	8,674,190	N/A	N/A	8,674,190
Investments in Mutual Funds & Money Markets						
First American Government Obligations	AAA	S&P	N/A	N/A	N/A	2,547
First American Treasury Obligations	AAA	S&P	N/A	N/A	N/A	272,881
100% Treasury MM Fund	AAA	S&P	N/A	N/A	N/A	2,169,138
Minnesota Municipal MM Fund	N/R	N/R	N/A	N/A	N/A	11,931,063
Total Investments:			<u>\$ 12,461,137</u>	<u>\$ 11,164,173</u>	<u>\$ 421,106</u>	38,422,045
					Total Deposits	1,845,393
					Petty Cash & Change Funds	4,590
					Total Deposits and Investments	<u>\$ 40,272,028</u>

N/A - Not Applicable
N/R - Not Rated

The Minnesota Municipal Money Market Fund (4M Fund) is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position of the pool is the same as the value of the pool shares. The 4M Fund is sponsored by the League of Minnesota Cities. Investments are purchased and regulated according to Minnesota Statutes.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – Is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policies do not address limiting exposure to custodial credit risk.

Credit Risk – Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one (1) of the two (2) highest rating categories by a statistical rating

agency, and all of the investments have a final maturity of thirteen (13) months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two (2) nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City’s investment policies do not further address credit risk.

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investment (considered five (5) percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as Treasuries), investment pools, and mutual funds. The City’s investment policy does not limit the concentration of investments. At year-end, the City had more than five (5) percent of its investments in the following:

<u>Issuer</u>	<u>Percent</u>	<u>Amount</u>
Federal National Mortgage Association	6.75%	\$ 2,592,856
US Bank Commercial Paper	22.58%	8,674,190

Interest Rate Risk - This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policy does not limit the duration of investments.

Notes to the Financial Statements

City of Chaska, Minnesota

For the Year Ended December 31, 2015

Note 4 Capital Assets

Capital asset activity for Governmental and Business-Type activities for the year ended December 31, 2015, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	RECLASS & TRANSFERS	ENDING BALANCE
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 48,692,176	\$ 336,583	\$ (15,000)	\$ 253,720	\$ 49,267,479
Works of Art/Treasures	105,027	-	-	-	105,027
Construction In Progress	12,893,358	15,869,151	-	(8,216,834)	20,545,675
Total capital assets, not being depreciated:	61,690,561	16,205,734	(15,000)	(7,963,114)	69,918,181
Capital assets, being depreciated:					
Buildings	9,865,909	-	-	-	9,865,909
Other Improvements	11,234,567	237,977	(417,097)	(44,336)	11,011,111
Furniture & Equipment	8,922,498	1,045,923	(1,277,565)	24,010	8,714,866
Infrastructure	131,338,449	2,293,203	(6,166,372)	7,997,650	135,462,930
Total capital assets being depreciated:	161,361,423	3,577,103	(7,861,034)	7,977,324	165,054,816
Less accumulated depreciation for:					
Buildings	(6,323,875)	(315,553)	-	-	(6,639,428)
Other Improvements	(7,081,101)	(380,650)	393,908	33,975	(7,033,868)
Furniture & Equipment	(7,160,999)	(462,086)	1,250,204	(24,010)	(6,396,891)
Infrastructure	(51,580,475)	(4,197,087)	5,159,133	(24,175)	(50,642,604)
Total accumulated depreciation:	(72,146,450)	(5,355,376)	6,803,245	(14,210)	(70,712,791)
Total capital assets, being depreciated, net:	89,214,973	(1,778,273)	(1,057,789)	7,963,114	94,342,025
Governmental activities capital assets, net:	\$ 150,905,534	\$ 14,427,461	\$ (1,072,789)	\$ -	\$ 164,260,206
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 1,018,927	\$ 203,437	\$ -	\$ -	\$ 1,222,364
Construction In Progress	4,553,659	17,504,882	-	(3,848,556)	18,209,985
Total capital assets, not being depreciated:	5,572,586	17,708,319	-	(3,848,556)	19,432,349
Capital assets, being depreciated:					
Buildings	56,001,471	-	(310,517)	(89,837)	55,601,117
Other Improvements	2,067,582	8,621	-	-	2,076,203
Furniture & Equipment	8,442,873	887,216	(1,598,664)	86,380	7,817,805
Infrastructure	26,413,369	3,266,513	(913,081)	3,837,803	32,604,604
Total capital assets, being depreciated:	92,925,295	4,162,350	(2,822,262)	3,834,346	98,099,729
Less accumulated depreciation for:					
Buildings	(29,601,295)	(1,529,424)	310,517	64,874	(30,755,328)
Other Improvements	(636,394)	(127,412)	-	-	(763,806)
Furniture & Equipment	(6,444,728)	(498,748)	1,596,982	(50,664)	(5,397,158)
Infrastructure	(12,867,376)	(759,363)	913,081	-	(12,713,658)
Total accumulated depreciation:	(49,549,793)	(2,914,947)	2,820,580	14,210	(49,629,950)
Total capital assets, being depreciated, net:	43,375,502	1,247,403	(1,682)	3,848,556	48,469,779
Business-type activities capital assets, net:	\$ 48,948,088	\$ 18,955,722	\$ (1,682)	\$ -	\$ 67,902,128

City of Chaska, Minnesota

For the Year Ended December 31, 2015

Depreciation Expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
General Government	\$ 345,204	Electric	\$ 828,816
Economic Development	7,970	Water	720,897
Public Safety	246,437	Community Center	749,122
Public Works	4,478,669	Sewer	53,799
Parks, Recreation & Arts	277,096	Chaska Par 30	3,939
		Chaska Town Course	487,156
		Internet Service Provider	49,982
		Storm Water	21,236
Total Depreciation Expense -		Total Depreciation Expense -	
Governmental Activities:	<u>\$ 5,355,376</u>	Business-Type Activities:	<u>\$ 2,914,947</u>

Note 5 Lease Receivable Agreements

A) Turbine Generator Lease

The City of Chaska has entered into a Lease Receivable Agreement with the Minnesota Municipal Power Agency (MMPA) in which the City agrees to sell MMPA the peaking power and peaking power capacity of the City's gas turbine generator for a thirty-year period, commencing May 1, 2001. MMPA receives the sole right to operate the facility and to use the power generated from such operation for the term of the agreement. MMPA is responsible for all expenses of operating and maintaining the facility for this period, with the exception of insurance, which is to be purchased by the City. Under the agreement, MMPA will pay the City an amount representing the total cost to the City of constructing the facility plus a predetermined rate of return and interest. The payments are to be made in equal monthly installments over the thirty-year term of the agreement. The total project costs to the City for the constructing of the facility was \$29,144,986. The total lease principal after adjusting for issuance costs and interest earnings is \$28,468,092.

Under the agreement, the City retains ownership of the facility. In the event the facility is destroyed or damaged to the point of being unusable before the end of the agreement, the City would be indemnified by MMPA for any costs in excess of insurance of retiring any remaining debt incurred to build the facility.

A second agreement between the two (2) parties gives MMPA the annual option to continue this agreement for an additional twenty-year period, commencing May 1, 2031. The agreement calls for annual payments of \$500,000 to be made in equal monthly installments. MMPA will have the annual option to cancel the agreement for any of the twenty additional years by giving the City ninety days written notice in advance of May 1st of the year the option will not be exercised.

Annual lease payments through April 1, 2031 are as follows:

Year Ending December 31,	Lease Receivable	
	Principal	Interest
2016	\$ 699,352	\$ 1,786,832
2017	761,615	1,724,569
2018	829,422	1,656,762
2019	903,266	1,582,918
2020	983,683	1,502,501
2021-2025	6,398,807	6,032,113
2026-2030	9,801,632	2,629,288
2031	814,159	14,569
Total	<u>\$ 21,191,936</u>	<u>\$ 16,929,552</u>

B) Recovery Center Lease

In October 2011, the Chaska Economic Development Authority entered into a lease agreement with Five Stars Recovery Center. The leased property is a historic, single family home, owned by the City/Chaska EDA. The full term of the lease was sixty months.

Annual lease payments through 2016 are as follows:

Year Ending December 31,	Lease Receivable Annual Payments
2016	<u>\$ 19,800</u>

Note 6 Long-Term Liabilities

Long-term liabilities for the year ended December 31, 2015 are as follows:

	<u>Beginning Balance</u>	<u>Change In Accounting Principle *</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
Bonds Payable						
General Obligation Bonds						
Equipment Certificates	\$ 1,190,000	\$ -	\$ -	\$ (215,000)	\$ 975,000	\$ 235,000
General Obligation Bonds	2,755,000	-	-	(440,000)	2,315,000	480,000
Tax Increment Bonds	4,240,000	-	-	(2,890,000)	1,350,000	95,000
Improvement Bonds	23,610,000	-	5,940,000	(1,845,000)	27,705,000	2,195,000
EDA Lease Revenue Bonds	-	-	10,085,000	-	10,085,000	-
Plus: Premium	842,462	-	1,156,342	(90,260)	1,908,544	-
Total Bonds Payable:	<u>32,637,462</u>	<u>-</u>	<u>17,181,342</u>	<u>(5,480,260)</u>	<u>44,338,544</u>	<u>3,005,000</u>
Notes Payable						
Promissory Note Payable:	136,788	-	-	(8,720)	128,068	128,068
Compensated Absences	891,416	-	542,601	(581,353)	852,664	541,249
Other Post Employment Benefits	334,004	-	98,164	(18,174)	413,994	-
Net Pension Liability	-	6,026,540	2,059,824	(1,632,863)	6,453,501	-
Governmental Activity Long-term Liabilities:	<u>\$33,999,670</u>	<u>\$ 6,026,540</u>	<u>\$19,881,931</u>	<u>\$ (7,721,370)</u>	<u>\$52,186,771</u>	<u>\$ 3,674,317</u>
Business-type Activities						
Bonds Payable						
General Obligation Revenue Bonds	\$11,370,000	\$ -	\$ 5,170,000	\$ (370,000)	\$16,170,000	\$ 425,000
Revenue Bonds	29,310,000	-	21,760,000	(26,375,000)	24,695,000	1,220,000
EDA Lease Revenue Bonds	6,315,000	-	16,265,000	(305,000)	22,275,000	315,000
Plus: Premium	840,869	-	3,292,411	(609,154)	3,524,126	-
Total Bonds Payable:	<u>47,835,869</u>	<u>-</u>	<u>46,487,411</u>	<u>(27,659,154)</u>	<u>66,664,126</u>	<u>1,960,000</u>
Compensated absences	472,071	-	331,529	(304,194)	499,406	312,775
Other Post Employment Benefits	113,747	-	33,432	(6,189)	140,990	-
Net Pension Liability	-	3,248,789	827,835	(694,511)	3,382,113	-
Business-type Activity Long-term Liabilities:	<u>\$48,421,687</u>	<u>\$ 3,248,789</u>	<u>\$47,680,207</u>	<u>\$ (28,664,048)</u>	<u>\$70,686,635</u>	<u>\$ 2,272,775</u>

* Adjustment is part of the change in accounting principle described earlier in these notes.

For the Governmental Activities, compensated absences, other post-employment benefits and net pension liabilities are generally liquidated by the General fund. Business-type Activities, compensated absences, other post-employment benefits, and net pension liabilities are liquidated within the respective enterprise fund.

Bonds Payable:

The City issues general obligation bonds to provide funds for the construction of capital projects and acquisition of equipment. General obligation bonds have been issued for both governmental and business-type activities.

General obligation debt is supported by the “full faith and credit” of the City including tax increment and improvement bond issues. Bonds in the governmental activities will be repaid by future property tax levies, tax increments or special assessments accumulated in the specific debt

Notes to the Financial Statements

City of Chaska, Minnesota

For the Year Ended December 31, 2015

service funds. In the event that a deficiency exists because of unpaid or delinquent tax increment or special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available. Bonds in the business-type activities will be repaid with the net revenues of the utility issuing the bonds. In the event that a deficiency exists at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available.

The City of Chaska and the Chaska Economic Development Authority also issue revenue bonds. Revenue bonds are supported by income derived from lease agreements or specific fee revenues to pay for debt service.

Bonds outstanding for the year ended December 31, 2015 are as follows:

<u>Governmental Activities</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Outstanding 12/31/2015</u>
Bonds Payable					
General Obligation Bonds					
Equipment Certificates					
G.O. Equipment Certificates, Series 2008D	11/15/08	02/01/16	4.00-4.25%	\$ 885,000	\$ 140,000
G.O. Equipment Certificates, Series 2013C	08/15/13	02/01/23	0.90-3.10%	<u>915,000</u>	<u>835,000</u>
Total Equipment Certificates				1,800,000	975,000
General Obligation Bonds					
G.O. Bonds, Series 2011B	09/15/11	02/01/27	2.00-3.25%	<u>3,455,000</u>	<u>2,315,000</u>
Tax Increment Bonds					
G.O. Taxable TI Bonds, Series 2008E	11/15/08	02/01/31	6.25-7.50%	565,000	500,000
G.O. Taxable Abatement Bonds, Series 2010D	09/15/10	02/01/33	4.00-5.25%	405,000	405,000
G.O. Taxable TI Cross-over Refunding Bonds, Series 2013B	08/15/13	12/01/21	2.00-2.75%	<u>580,000</u>	<u>445,000</u>
Total Tax Increment Bonds				1,550,000	1,350,000
Improvement Bonds					
G.O. Improvement Bonds, Series 2008C	11/15/08	02/01/29	3.00-5.13%	3,645,000	1,910,000
G.O. Improvement Bonds, Series 2010A	07/01/10	02/01/31	2.00-4.00%	3,220,000	2,190,000
G.O. Improvement Bonds, Series 2010C	09/15/10	02/01/33	2.00-3.75%	2,180,000	1,980,000
G.O. Improvement Bonds, Series 2012A	08/15/12	02/01/28	2.00-2.40%	2,430,000	2,155,000
G.O. Improvement Bonds, Series 2013A	08/15/13	02/01/35	2.00-4.00%	3,330,000	3,225,000
G.O. Improvement Bonds, Series 2014A	12/30/14	02/01/30	0.70-3.00%	5,785,000	5,785,000
G.O. Improvement Bonds, Series 2015B	08/15/15	02/01/31	3.00-5.00%	5,940,000	5,940,000
G.O. Improvement Refunding, Series 2009B	10/01/09	12/01/20	2.00-3.00%	1,995,000	520,000
G.O. Cross-over Refunding, Series 2012B	08/15/12	02/01/27	2.00-2.30%	<u>4,675,000</u>	<u>4,000,000</u>
Total Improvement Bonds				33,200,000	27,705,000
EDA Lease Revenue Bonds					
EDA Lease Revenue Bonds, Series 2015B	04/15/15	02/01/35	2.00-4.00%	9,000,000	9,000,000
EDA Lease Revenue Bonds, Series 2015D	12/30/15	02/01/26	2.00-4.00%	<u>1,085,000</u>	<u>1,085,000</u>
Total EDA Lease Revenue Bonds				10,085,000	10,085,000
Premium					
				<u>2,317,951</u>	<u>1,908,544</u>
Total Bonds Payable - Governmental Activities				<u>\$52,407,951</u>	<u>\$44,338,544</u>

Notes to the Financial Statements

City of Chaska, Minnesota

For the Year Ended December 31, 2015

<u>Business-type Activities</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Outstanding 12/31/2015</u>
Bonds Payable					
General Obligation Revenue Bonds					
G.O. Water Revenue Partial Advance Refunding Bonds, Series 2009A	10/01/09	12/01/22	2.00-3.25%	\$ 1,495,000	\$ 920,000
G.O. Water Revenue Refunding Bonds, Series 2011A	09/15/11	12/01/32	2.00-4.00%	11,435,000	10,080,000
G.O. Utility Revenue Bonds, Series 2015C	12/30/15	02/01/36	2.00-4.00%	5,170,000	5,170,000
Total General Obligation Revenue Bonds				18,100,000	16,170,000
Revenue Bonds					
Electric Utility Revenue Bonds, Series 2011D	12/22/11	10/01/31	2.00-3.65%	3,535,000	2,935,000
Electric Revenue Refunding Bonds, Series 2015A	10/01/15	10/01/30	2.00-5.00%	21,760,000	21,760,000
Total Revenue Bonds				25,295,000	24,695,000
EDA Lease Revenue Bonds					
EDA Lease Revenue Bonds, Series 2007A	06/01/07	12/01/27	4.00-4.40%	2,900,000	2,465,000
EDA Lease Revenue and Limited Tax Bonds, Series 2013A	07/18/13	12/01/33	2.00-4.00%	3,850,000	3,545,000
EDA Taxable Lease Revenue Bonds, Series 2015A	04/15/15	02/01/35	1.22-4.40%	12,855,000	12,855,000
EDA Taxable Lease Revenue Bonds, Series 2015C	12/30/15	02/01/31	1.53-4.57%	3,410,000	3,410,000
Total EDA Lease Revenue Bonds				23,015,000	22,275,000
Premium				3,617,089	3,524,126
Total Bonds Payable - Business-type Activities				<u>\$70,027,089</u>	<u>\$66,664,126</u>

General Obligation Bonds:

The City issues the following types of general obligation bonds:

- Equipment certificates provide funding for the acquisition of equipment and vehicles for various departments.
- G.O. bonds provide financing for various infrastructure improvement projects.
- Tax Increment bonds provide financing for the construction of streets and utilities and the acquisition of property for business development.
- Improvement bonds provide financing for construction projects such as streets and utilities.

Annual debt service requirements to maturity are as follows:

Year Ending December 31	Governmental Activities							
	G.O. Equipment Certificates		G.O. Bonds		G.O. Tax Increment Bonds		G.O. Improvement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 235,000	\$ 20,924	\$ 480,000	\$ 57,238	\$ 95,000	\$ 65,337	\$ 2,195,000	\$ 822,743
2017	95,000	16,690	200,000	50,188	100,000	62,388	2,385,000	780,400
2018	100,000	15,077	200,000	45,437	105,000	59,262	2,215,000	720,551
2019	105,000	13,075	205,000	40,375	105,000	55,963	2,105,000	655,073
2020	105,000	10,739	215,000	34,587	110,000	52,337	1,950,000	591,227
2021 - 2025	335,000	14,962	770,000	90,062	310,000	205,875	8,795,000	2,063,833
2026 - 2030	-	-	245,000	8,044	350,000	111,956	6,915,000	726,651
2031 - 2035	-	-	-	-	175,000	11,982	1,145,000	49,913
Total:	<u>\$ 975,000</u>	<u>\$ 91,467</u>	<u>\$2,315,000</u>	<u>\$325,931</u>	<u>\$1,350,000</u>	<u>\$625,100</u>	<u>\$27,705,000</u>	<u>\$6,410,391</u>

Notes to the Financial Statements

City of Chaska, Minnesota

For the Year Ended December 31, 2015

General Obligation Revenue Bonds:

The City issues GO Revenue bonds to construct or expand utility systems. Bonds will be repaid with the net revenues of the Water, Sewer and Storm Water Utility.

Annual debt service requirements to maturity are as follows:

Year Ending December 31	Business-type Activities	
	G.O. Revenue Bonds	
	Principal	Interest
2016	\$ 425,000	\$ 451,447
2017	660,000	500,000
2018	720,000	484,050
2019	775,000	464,600
2020	805,000	443,450
2021 - 2025	4,265,000	1,843,156
2026 - 2030	4,940,000	1,133,475
2031 - 2035	3,245,000	276,932
2036	335,000	5,444
Total:	\$ 16,170,000	\$ 5,602,554

Revenue Bonds:

Revenue bonds issued by the City are supported by income derived from specific fee revenues to pay for debt service. These Electric Revenue Bonds will be repaid with net revenues of the Electric Utility and Lease Revenue in the Turbine Fund.

Annual debt service requirements to maturity are as follows:

Year Ending December 31	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
2016	\$ 1,220,000	\$ 1,091,720
2017	1,255,000	1,045,920
2018	1,300,000	1,009,720
2019	1,355,000	960,920
2020	1,380,000	933,820
2021 - 2025	7,925,000	3,632,170
2026 - 2030	10,025,000	1,543,875
2031	235,000	8,578
Total:	\$ 24,695,000	\$ 10,226,723

Notes to the Financial Statements

City of Chaska, Minnesota

For the Year Ended December 31, 2015

EDA Lease Revenue Bonds:

EDA Lease revenue bonds are supported by income derived from lease agreements to pay for debt service.

Annual debt service requirements to maturity are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	EDA Lease Revenue Bonds		EDA Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	\$ -	\$ 358,474	\$ 315,000	\$ 702,095
2017	270,000	369,950	1,265,000	737,290
2018	270,000	364,550	1,300,000	712,959
2019	275,000	359,100	1,325,000	683,728
2020	280,000	353,050	1,360,000	650,073
2021 - 2025	1,535,000	1,630,075	7,430,000	2,598,587
2026 - 2030	3,430,000	1,148,400	5,290,000	1,409,306
2031 - 2035	4,025,000	415,100	3,990,000	400,814
Total:	<u>\$ 10,085,000</u>	<u>\$ 4,998,699</u>	<u>\$ 22,275,000</u>	<u>\$ 7,894,852</u>

Notes Payable:

The Chaska Economic Development Authority is liable for a promissory note to KleinBank. This note is related to a Chaska EDA-owned property. The annual note payments are offset by lease revenue collected from the current tenants. The note currently has a five-year term, but could be renegotiated. This note is paid by the Chaska EDA fund.

Promissory Note outstanding for the year ended December 31, 2015 is as follows:

	Issue Date	Final Maturity Date	Interest Rates	Original Issue	Outstanding 12/31/2015
Governmental Activities:					
Promissory Note Payable	10/17/11	10/15/16	6.00%	<u>\$ 161,178</u>	<u>\$ 128,068</u>

Promissory note requirements to maturity are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2016	<u>\$ 128,068</u>	<u>\$ 6,337</u>

2015 Activity

On April 15, 2015 the City of Chaska EDA issued \$12,855,000 in Taxable Lease Revenue Bonds, Series 2015A with a true interest cost of 3.79 percent (1.22 percent - 4.40 percent). The maturity date is February 1, 2035. The proceeds from the bonds were used to construct a recreational curling facility located in Firemen's Park. The 43,000 square foot facility includes a 6-sheet curling facility, restaurant and 300 seat banquet hall. These bonds will be repaid with lease revenue generated by the facility.

On April 15, 2015 the City of Chaska EDA issued \$9,000,000 in Lease Revenue Bonds, Series 2015B with a true interest cost of 3.44 percent (2.00 percent – 4.00 percent). The maturity date is February 1, 2035. The proceeds from the bonds are being used to make recreational improvements to Firemen's Park. The project will improve existing park amenities and add new enhancements, including a lakeside performing arts stage, promenade and trail system around the lake, park shelter, archery range and monuments recognizing current and past Volunteer Firefighters. These bonds will be repaid with lease revenue.

On October 1, 2015 the City of Chaska issued \$21,760,000 in Electric Revenue Refunding Bonds, Series 2015A with a true interest cost of 2.97 percent (2.00 percent to 5.00 percent). The maturity date is October 1, 2030. The proceeds from the bonds were used to refund the future outstanding maturities of the City's 2000 Electric Revenue Bonds and 2005 Electric Revenue Refunding Bonds related to the City's gas turbine peaking power electric generation facility and distribution substation. This refunding was done to achieve cost savings of \$5,454,988, a net present value savings of \$3,334,475 or 13.27% savings on refunded bonds. These bonds will be paid from lease revenue received from Minnesota Municipal Power Agency who sells power generated at the facility.

On August 15, 2015 the City of Chaska issued \$5,940,000 in General Obligation Improvement Bonds, Series 2015B with a true interest cost of 2.85 percent (3.00 percent to 5.00 percent). The maturity date is February 1, 2031. The proceeds from the bonds are being used to finance downtown street improvement projects. These bonds are backed by the full faith and credit of the City.

On December 30, 2015 the City of Chaska issued \$5,170,000 in General Obligation Utility Revenue Bonds, Series 2015C with a true interest cost of 2.92 percent (2.00 percent to 4.00 percent). The maturity date is February 1, 2036. The proceeds from these bonds are being used to finance several water, sewer, and storm water system improvement projects. These bonds will be repaid with utility revenue, but are also backed by the full faith and credit of the City.

On December 30, 2015 the City of Chaska EDA issued \$3,410,000 in Taxable Lease Revenue Bonds, Series 2015C with a true interest cost of 4.17 percent (1.53 percent to 4.57 percent). The maturity date is February 1, 2031. The proceeds from these bonds will be used to finance Curling Center furniture, fixtures and equipment. These bonds will be repaid with lease revenue generated by the facility.

On December 30, 2015 the City of Chaska EDA issued \$1,085,000 Lease Revenue Bonds, Series 2015D with a true interest cost of 2.51 percent (2.00 percent to 4.00 percent). The maturity date

Notes to the Financial Statements

City of Chaska, Minnesota

For the Year Ended December 31, 2015

is February 1, 2026. The proceeds from these bonds will be used to finance Firemen’s Park fixtures and equipment not financed by the 2015B EDA Lease Revenue Bonds. These bonds will be repaid with lease revenue.

Revenue Pledged:

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

Bond Issue - Revenue Bonds	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal Paid	Pledged Revenue Received
<u>GO Water Revenue Bonds:</u>	Water Treatment Plant and Water Systems						\$ 2,534,074
Refunding Bonds of 2009	Partial Advance Refund 2003 Bonds	Utility Charges	100%	2009 - 2022	\$ 1,037,800	\$ 150,400	
Refunding Bonds of 2011	Refund 2003 Bonds	Utility Charges	100%	2011 - 2032	13,784,532	594,538	
<u>GO Utility Revenue Bonds:</u>	Water, Sanitary Sewer and Storm Water System Improvements						6,714,610
GO Utility Revenue Bonds of 2015		Utility Charges	100%	2015 - 2036	6,950,222	-	
<u>Electric Revenue Bonds:</u>							1,842,662
Electric Bonds of 2000	Turbine Generator	Lease Revenue	100%	2000 - 2015	-	106,100	
Electric Revenue Refunding Bonds 2005	Refund Most of 2000 Bonds	Lease Revenue	100%	2005 - 2015	-	2,434,400	
Electric Revenue Refunding Bonds 2015	Refunded the 2000A and 2005A Series	Lease Revenue	100%	2015 - 2030	31,139,800	-	
Electric Bonds of 2011	Electric Substation and Improvements	Utility Charges	100%	2011 - 2031	3,781,923	226,670	35,565,149
<u>EDA Lease Revenue Bonds:</u>							3,246,108
Lease Revenue Bonds of 2007	Community Center Additions and Improvements						
Lease Revenue & Limited Tax Revenue Bonds of 2013	Sr. Center Addition/Community Center	Lease Revenue	100%	2007 - 2027	3,212,115	260,575	
	Ice Arenas, Pool & Ventilation Systems	Lease Revenue	100%	2013 - 2033	4,849,003	271,395	
Taxable Lease Revenue Bonds of 2015	Curling Center, Event Center and Restaurant						65,022
Series 2015A	Building Construction	Lease Revenue	100%	2015 - 2035	17,496,057	121,437	
Series 2015C	Furniture, Fixtures and Equipment	Lease Revenue	100%	2016 - 2031	4,612,677	-	
Lease Revenue Bonds of 2015	Firemen’s Park Improvements						112
Series 2015B	Park Improvements & Construction	Lease Revenue	100%	2015 - 2035	13,775,400	99,640	
Series 2015D	Fixtures and Equipment	Lease Revenue	100%	2016 - 2026	1,308,299	-	

TIF NOTES PAYABLE:

The City also issues notes payable. For tax increment notes, the City pledges tax increment revenues captured by the tax increment districts to pay debt service on the notes issued to enhance economic development within the tax increment districts. Payments are first applied to accrued interest and then to principal balances. The note is cancelled at the end of the agreement term, whether or not they have been repaid.

As of December 31, 2015, the City has two (2) outstanding notes payable, for Chaska Place Apartments (formerly known as North Meadows Apartments) and Clover Field Sinclair, LP. The note for Chaska Place Apartments was issued in 2002 at 6.50 percent interest with payments due through 2023. The outstanding balance as of December 31, 2015 is \$1,408,394. The note for Clover Field Sinclair, LP was issued in 2007 at 5.65 percent interest with payments due through 2029. The outstanding balance as of December 31, 2015 is \$3,910,007. These amounts have not been included in long-term debt because of the nature of the notes in that repayment is required only if sufficient tax increments are received.

The City’s position is that these are obligations to assign future and uncertain revenue sources and as such, is not actual debt in substance.

CONDUIT DEBT:

From time to time, the City has issued Industrial Revenue Bonds (IRBs) and Housing Revenue Bonds (HRBs) (Collectively the "Revenue Bonds") to provide financial assistance to private-sector entities for the acquisition and construction of industrial and housing facilities deemed to be in the public interest. The Revenue Bonds are secured by the property financed are payable solely from payments received on the underlying mortgage loans. Upon repayment of the Revenue Bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds, excluding the bond mentioned below. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2015, there were eight (8) series of IRBs outstanding. The aggregate principal amount payable for the five (5) series issued after July 1, 1995, was \$6,808,383. The aggregate principal amount payable for the three (3) series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$9,625,000.

As of December 31, 2015, there were five (5) series of HRBs outstanding. The aggregate principal amounts payable for the three (3) series issued after July 1, 1995 was \$9,160,000. The aggregate principal amount payable for the two (2) series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$6,260,000.

The outstanding HRB balance includes one (1) issue that is backed by the full faith and credit of the City. In 2010, the Carver County Housing and Redevelopment Authority issued \$2,850,000 in Housing Development Revenue Bonds. (These bonds refunded the \$2,695,691 Housing Revenue Bonds of 2000). This issue is secured by housing revenues and, if not so paid, by a tax levy. The bonds are secured by a general obligation pledge of the City.

Note 7 Interfund Receivables, Payables and Transfers

The compositions of interfund balances as of December 31, 2015 are as follows:

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
Park Development	Nonmajor Governmental	\$ 1,336,673
Annual Street Replacement	Nonmajor Governmental	1,200,000
Nonmajor Governmental	Nonmajor Governmental	1,407,275
Electric	Nonmajor Governmental	645,577
Electric	Curling Center	4,964,508
Electric	Nonmajor Enterprise	14,439
Fiduciary	Fiduciary	29,336
Total:		<u>\$9,597,808</u>

The \$9,597,808 in Due To / Due From Other Funds eliminate temporary cash deficits in the respective funds.

Notes to the Financial Statements

City of Chaska, Minnesota

For the Year Ended December 31, 2015

Interfund Receivables/Payables And Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Interfund Receivables/ Payables</u>	<u>Advances To/From</u>	<u>Total</u>	<u>Purpose</u>
Nonmajor Governmental	Nonmajor Governmental	\$ 4,046	\$ -	\$ 4,046	1
Electric	Nonmajor Governmental	550,568	-	550,568	1
Electric	Nonmajor Governmental	-	1,874,091	1,874,091	2
Electric	Nonmajor Governmental	-	332,973	332,973	3
Turbine Generator	Electric	43,242	966,309	1,009,551	4
Nonmajor Governmental	Nonmajor Enterprise	96,867	847,733	944,600	5,6
Total:		<u>\$ 694,723</u>	<u>\$ 4,021,106</u>	<u>\$ 4,715,829</u>	

Explanation of Interfund Receivables / Payables and Advances To / From Other Funds:

- (1) These loans eliminate what would have been negative cash in TIF District funds. Repayment of the outstanding balance of \$554,614 will be made from tax increment generated by the districts as it becomes available.
- (2) This 2007 loan from the Electric Fund provides interim financing for TIF District #14 project costs. Repayment of the outstanding balance of \$1,874,091 will be made from tax increment generated by the district as it becomes available.
- (3) This interfund loan from the Electric Fund provides interim financing to TIF District #17 for project costs. Repayment of the outstanding balance of \$332,973 will be made from tax increment generated by the district as it becomes available.
- (4) A long-term interfund loan between the Electric Fund and the Turbine Generator Fund was made in 2001 to finance a substation. Of the \$1,009,551 owed at year end, \$966,309 is considered due in more than one year.
- (5) This interfund loan from the Equipment Acquisition Fund to the Town Course Fund was used for budgeted 2013 and 2014 golf equipment purchases. Of the \$300,600 outstanding, \$34,200 is due in one year.
- (6) This interfund loan from the Equipment Acquisition Fund to the Town Course Fund and Storm Water Fund was used to finance budgeted 2015 equipment purchases in these enterprise funds. Of the \$644,000 outstanding at year end, \$62,667 is due in one year.

Notes to the Financial Statements

City of Chaska, Minnesota

For the Year Ended December 31, 2015

Transfers Out	Transfers In								Total		
	Governmental Activities				Business-Type Activities						
	General Fund	TIF		Annual Street Replacement	Nonmajor	Water	Community Center			Curling Center	Nonmajor
		District #4 Revolving	-				-	-			
General Fund	\$ -	\$ -	\$ -	\$ 1,509,298	\$ -	\$ -	\$ -	\$ -	\$ 1,509,298		
Park Development Fund	8,000	-	-	146,495	-	-	-	-	154,495		
Nonmajor Governmental	-	99,800	1,154,492	4,968,836	600,948	-	117,743	362,500	7,304,319		
Electric	-	-	-	921,890	-	432,000	-	3,060,964	4,414,854		
Water	-	-	50,000	588,184	-	-	-	8,000	646,184		
Curling Center	-	-	-	968,982	-	-	-	-	968,982		
Nonmajor Enterprise	-	-	310,000	3,328,551	-	-	-	8,000	3,646,551		
Internal Service Fund	158,000	-	-	-	-	-	-	-	158,000		
	\$ 166,000	\$ 99,800	\$ 1,514,492	\$ 12,432,236	\$ 600,948	\$ 432,000	\$ 117,743	\$ 3,439,464	\$ 18,802,683		

Explanation of Transfers:

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 8 Fund Balance

A summary of the governmental fund balance classifications as of December 31, 2015 are as follows:

	General	TIF Dist #4 Revolving	Park Development	Annual Street Replacement	Nonmajor Governmental	Totals
<u>Restricted for:</u>						
Mt. Pleasant Cemetary Care	\$ -	\$ -	\$ -	\$ -	\$ 17,296	\$ 17,296
Housing Loan Program	-	-	-	-	13,183	13,183
Job Creation	-	-	-	-	1,701	1,701
Debt Requirements	-	-	-	-	6,982,119	6,982,119
Economic Development	-	-	-	-	405,706	405,706
Fire Protection Improvements	-	-	-	-	3,711	3,711
Flood Repair Projects	-	-	-	-	84,698	84,698
Unspent Bond Proceeds	-	-	1,547,870	696,637	1,804,252	4,048,759
Total Restricted Fund Balances	-	-	1,547,870	696,637	9,312,666	11,557,173
<u>Committed to:</u>						
Compensated Absences	852,664	-	-	-	-	852,664
Mt. Pleasant Cemetary Care	-	-	-	-	225,808	225,808
Economic Development	-	-	-	-	53,491	53,491
Concerts in the Park	-	-	-	-	362	362
Street Improvement Program	-	-	-	3,077,016	-	3,077,016
Street Reconstruction	-	-	-	-	11,831	11,831
Total Committed Fund Balances	852,664	-	-	3,077,016	291,492	4,221,172
<u>Assigned to:</u>						
Mt. Pleasant Cemetary Care	-	-	-	-	11,975	11,975
Concerts in the Park	-	-	-	-	227	227
Fire Protection Improvements	-	-	-	-	134,840	134,840
Capital Equipment	-	-	-	-	1,038,270	1,038,270
Southwest Chaska Improvements	-	-	-	-	352,886	352,886
Park Improvements	-	-	1,833,765	-	-	1,833,765
Community Fund Projects	-	-	-	-	1,101,617	1,101,617
Capital Improvements	-	-	-	-	2,371,551	2,371,551
Total Assigned Fund Balances	-	-	1,833,765	-	5,011,366	6,845,131
<u>Unassigned</u>	2,232,766	-	-	(793,515)	(7,572,555)	(6,133,304)
Total Fund Balances	\$ 3,085,430	\$ -	\$ 3,381,635	\$ 2,980,138	\$ 7,042,969	\$ 16,490,172

Note 9 Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT.

The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is not subject to a deductible. The City's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portion of the insurance policies and for any exclusion from the insurance policies. These amounts are considered immaterial to the financial statements.

The City continues to carry commercial insurance for all other risks of loss, including life, disability, dental and health insurance.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three (3) years.

The Self Insurance fund, an internal service fund which charges its costs to user departments, accounts for the risk management activities of the City. The fund is designed to build up a reserve, which will provide the City the opportunity to assume a greater share of its insurance risks and thereby reducing the cost to purchase insurance.

Note 10 Committed Contracts

At December 31, 2015, the City had commitments for sixteen (16) uncompleted construction contracts with a remaining balance of \$4,407,607.

Note 11 Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

In connection with the normal conduct of its affairs, the City is involved in various claims litigation and judgments. It is expected that the final settlement of those matters will not materially affect the financial statements of the City.

Internal Revenue Service rules require municipalities to “rebate” any bond proceeds that are invested at yields higher than the bond yield (“arbitrage”). However, a municipal issuer does not have to pay arbitrage rebate if it qualifies for certain rebate exceptions. The amount of arbitrage liability, if any, for the Electric Revenue Refunding Bonds Series 2000, 2005A and 2015A has not been determined at this time.

Note 12 Jointly Governed Organizations

The City, in conjunction with ten other municipalities that provide distribution of electric services, comprises the Minnesota Municipal Power Agency (MMPA). MMPA began operations on July 1, 1995. MMPA purchases power that is purchased and distributed by the twelve

municipalities that operate electric distribution systems. MMPA's board of directors is comprised of one member from each participating entity. Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's purchases of power from MMPA for the year ended December 31, 2015 were \$24,868,460. MMPA issues an annual financial report that may be obtained by writing MMPA, 220 S. 6th Street, Suite 1300, Minneapolis, MN 55402, or by calling (612) 349-6868.

Note 13 Defined Benefit Pension Plans

A) Plan Description

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

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City of Chaska are covered by the General Employees Retirement Fund (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.

2. Public Employees Police and Fire Fund (PEPFF)

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

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 the 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.

1. 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 received the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of 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.

2. 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.

B) Contributions

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

1. GERS Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in calendar year 2015. The City of Chaska was required to contribute 7.5% for Coordinated Plan members in calendar year 2015. The City of Chaska's contributions to the GERS for the year ended December 31, 2015, were \$573,571. The City of Chaska's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City of Chaska was required to contribute 16.2% of pay for PEPFF members in calendar year 2015. The City of Chaska's contributions to the PEPFF for the year ended December 31, 2015, were \$384,775. The City of Chaska's contributions were equal to the required contributions as set by state statute.

C) Pension Costs

1. GERS Pension Costs

At December 31, 2015, the City reported a liability of \$6,504,061 for its proportionate share of the GERS'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 of Chaska's proportion of the net pension liability was based on the City of Chaska's contributions received by PERA during the

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City of Chaska, Minnesota

For the Year Ended December 31, 2015

measurement period for employer payroll 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 of Chaska’s proportion share was .1255% which was a decrease of .0075% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City of Chaska recognized pension expense of \$770,026 for its proportionate share of the GERP’s pension expense.

At December 31, 2015, the City of Chaska reported its proportionate share of the GERP’s deferred outflows and 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	\$ -	\$ 327,915
Differences between projected and actual investment earnings	615,709	-
Changes in proportion	-	264,234
Contributions paid to PERA subsequent to the measurement date	294,152	-
Total	\$ 909,861	\$ 592,149

\$294,152 reported as deferred outflows of resources related to pensions resulting from City of Chaska 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 Ended December 31:	Pension Expense Amount
2016	(\$43,456)
2017	(\$43,456)
2018	(\$43,456)
2019	\$153,928

2. PEPFF Pension Costs

At December 31, 2015, the City of Chaska reported a liability of \$2,908,759 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 of Chaska’s proportion of the net pension liability was based on the City of Chaska’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 of Chaska’s proportion was .256% which was a decrease of .002% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City of Chaska recognized pension expense of \$497,445 for its proportionate share of the PEPFF’s pension expense. The City of Chaska also recognized \$23,040 for year ended December 31, 2015, as revenue for its proportionate share of the State of Minnesota’s on-behalf contributions to the PEPFF. Legislation passed

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City of Chaska, Minnesota

For the Year Ended December 31, 2015

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 of Chaska 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	\$ -	\$ 471,706
Differences between projected and actual investment earnings	506,803	-
Changes in proportion	-	18,001
Contributions paid to PERA subsequent to the measurement date	199,108	-
Total	\$ 705,911	\$ 489,707

\$199,108 reported as deferred outflows of resources related to pensions resulting from the City of Chaska's 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 Ended December 31:	Pension Expense Amount
2016	\$28,759
2017	\$28,759
2018	\$28,759
2019	\$28,759
2020	(\$97,940)

D) Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using 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. Cost of living benefit increases for retirees are assumed to be: 1% effective every January 1st until 2034, then 2.5% for GERF and PEPFF.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the PEPFF was for the period July 1, 2004, through June 30, 2009.

There were no changes in actuarial assumptions in 2015.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

E) Discount Rate

The discount rate 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 rate specified in statute. Based on that assumption, 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.

F) Pension Liability Sensitivity

The following presents the City of Chaska'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 of Chaska'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 of Chaska's proportionate share of the GERF net pension liability:	\$10,226,696	\$6,504,061	\$3,429,737
City of Chaska's proportionate share of the PEPFF net pension liability:	\$5,669,202	\$2,908,759	\$628,152

G) 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.

Note 14 Defined Contribution Plan

Four (4) council members of the City of Chaska are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official’s employer. For ambulance services personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven (7) accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member’s account annually.

Total contributions made by the City of Chaska during fiscal year 2015 are as follows:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employees	Employer	
\$1,453	\$1,453	5.00%	5.00%	5.00%

Note 15 Other Post-Employment Benefits

A) Plan Description

In addition to providing the pension benefits described in Note 13, the City provides post-employment health care benefits (as defined in paragraph B) for retired employees through a single-employer defined benefit plan. The term *plan* refers to the City’s requirement by State Statute to provide retirees with access to health insurance. The OPEB plan is administered by the City. The authority to provide these benefits is established in *Minnesota Statutes Section 471.61 Subd. 2a* and *299A.465*. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee

groups. The Plan is not accounted for as a trust fund, and an irrevocable trust has not been established to account for the plan. The Plan does not issue a separate report.

B) Benefits Provided

Retirees

The City is required by State Statute to allow retirees to continue participation in the City's group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Retirees may obtain dependent coverage while the participating retiree is under age 65. Covered spouses may continue coverage after the retiree's death. The surviving spouse of an active employee may continue coverage in the group health insurance plan after the employee's death.

All health care coverage is provided through the City's group health insurance plans. The retiree is required to pay 100 percent of their premium cost for the City-sponsored group health insurance plan in which they participate. The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary.

C) Participants

As of the actuarial valuation dated January 1, 2014 participants consisted of:

Retirees and beneficiaries currently purchasing health insurance through the City	4
Active Employees	<u>120</u>
Total	<u><u>124</u></u>
Participating Employers	<u><u>1</u></u>

D) Funding Policy

The additional cost of using a blended rate for actives and retirees is currently funded on a pay-as-you go basis. The City Council may change the funding policy at any time.

E) Annual OPEB Costs and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, 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 annual OPEB cost is accrued in the government-wide and proprietary funds

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City of Chaska, Minnesota

For the Year Ended December 31, 2015

financial statements as it is earned. OPEB benefits are recorded on a pay-as-you-go basis in the governmental funds.

The net OPEB obligation as of December 31, 2015 was calculated as follows:

Annual Required Contribution	\$ 128,351
Interest on Net OPEB Obligation	20,149
Adjustment to Annual Required Contribution	<u>(16,904)</u>
Annual OPEB Cost	131,596
Contributions Made During the Year	<u>(24,363)</u>
Increase (Decrease) in Net OPEB Obligation	107,233
Net OPEB Obligation Beginning of Year	<u>447,751</u>
Net OPEB Obligation End of Year	<u><u>\$ 554,984</u></u>

The City had an actuarial valuation performed for the plan as of January 1, 2014 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended December 31, 2015. The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013, 2014 and 2015 are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percent Contributed</u>	<u>OPEB Obligation</u>
December 31, 2013	\$ 96,432	30.33%	\$ 340,122
December 31, 2014	126,472	15.00%	447,751
December 31, 2015	131,596	18.51%	554,984

F) Funded Status and Funding Progress

The City currently has no assets that have been irrevocably deposited in a trust for future health benefits; therefore, the actuarial value of assets is zero (0). The funded status of the plan is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)*</u>	<u>Unfunded Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 2008	\$ -	\$ 484,551	\$ 484,551	0.00%	\$ 6,894,120	7.00%
January 1, 2011	-	725,699	725,699	0.00%	7,816,638	9.30%
January 1, 2014	-	1,174,997	1,174,997	0.00%	8,431,114	14.00%

*Using the projected unit credit cost method

G) Actuarial Methods and Assumptions

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 9 percent reduced by .33 percent each year to arrive at an ultimate health cost trend rate of 5 percent and payroll growth rate of 3.75 percent. Both rates include a 3.00 percent inflation assumption. The actuarial value of assets was \$0.00. The plans unfunded actuarial accrued liability is being amortized using the level dollar amount over 30 years on an open basis. The remaining amortization period at January 1, 2014, was 30 years.

Note 16 Defined Benefit Pension Plans – Fire Relief Association**A) General Information about the Pension Plan**

Plan Description - All members of the Chaska Fire Department (CFD) are covered by a defined benefit pension plan, Chaska Fire Department Relief Association Pension Plan (CFDRAPP), administered by the Chaska Fire Department Relief Association (CFDRA). CFDRAPP is a single-employer defined benefit pension plan. Minnesota Statutes, Chapter 69 grants the authority to the CFDRA Board (CFDRA Board) to establish and amend benefit terms with consenting approval by the Chaska City Council. CFDRA issues a publicly available financial report that can be obtained by writing to City of Chaska, One City Hall Plaza, Chaska, MN 55318-1962 or by calling (952) 448-9200.

Benefits Provided - The plan provides retirement and disability benefits to plan members and beneficiaries.

- Monthly Service Pension: \$2.085 per month of service with a maximum of 360 months for members starting prior November 4, 2013. In lieu of monthly payment member may elect a lump sum benefit.
- Lump Sum Service Pension: \$6,255 per year of service for members starting on or after November 4, 2013 based on completed years of service up to twenty-five years.
- Deferred Service Pensions: with termination prior to age 50 and at least ten (10) years of service, a deferred pension is payable at age 50 and reduced 4 percent for each year of service less than 20 years.
- Survivor Benefits: spouse, children or estate receive 100 percent of the member’s lump sum benefit.
- Disability Benefit: A disabled member will receive the amount of their monthly service pension based on credited service as of the date eligible.

Members covered by benefit terms - At December 31, 2015, the following members were covered by the benefit terms:

Inactive Members Currently Receiving Benefits	45
Beneficiaries Currently Receiving Benefits	9
Inactive Members Entitled to But Not Yet Receiving Benefits	12
Active Members	<u>35</u>
Total members	<u><u>101</u></u>

Contributions - Minnesota Statutes, Chapter 424 and 424A, authorize pension benefits for volunteer fire relief associations. The CFDRAPP is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary City contributions. The State of Minnesota contributed \$146,680 in fire state aid to the CFDRAPP on behalf of the CFD for the year ended December 31, 2015, which was recorded as revenue. Required City contributions are calculated annually based on statutory provisions. The City made all required contributions and additional voluntary contributions to the plan for the year ended December 31, 2015 totaling \$254,641. The City’s contributions exceed the required contributions as set by State Statutes. Furthermore members of the CFD have no obligation to contribute to the plan.

B) Net Pension Liability

The CFDRAPP’s net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by and actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 2.75 percent
- Salary increases N/A
- Investment rate of return 6.25 percent, net of pension plan investment expense including inflation
- 20-year municipal bond yield 3.57 percent

Mortality rates were based on the following:

- Healthy Pre-Retirement - RP-2000 non-annuitant generational mortality projected with scale AA, white collar adjustment, male rates set back two (2) years, female rates set back two (2) years
- Healthy Post-Retirement - RP-2000 annuitant generational mortality projected with scale AA, white collar adjustment, without age adjustments
- Disabled - RP-2000 healthy annuitant mortality table, white collar adjustments, set forward eight years for males and females

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study dated November 2010 and an economic assumptions review dated September 11, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35%	5.52%
International Equity	20%	5.78%
Fixed Income	10%	2.12%
Real Estate	10%	4.12%
Cash and Equivalents	25%	0.82%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 6.25 percent. The projected cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in Minnesota Statutes. Based on those assumptions and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive

members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

C) Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance - January 1, 2015	\$ 5,361,146	\$ 5,119,996	\$ 241,150
Changes For The Year:			
Service Cost	76,662	-	76,662
Interest	323,774	-	323,774
Differences Between Expected and Actual Experience	(42,040)	-	(42,040)
Contributions - State and Local	-	401,321	(401,321)
Net Investment Income	-	(220,343)	220,343
Benefit Payments	(517,365)	(517,365)	-
Administrative Costs	-	(4,226)	4,226
Total Net Changes	<u>(158,969)</u>	<u>(340,613)</u>	<u>181,644</u>
Ending Balance - December 31, 2015	<u>\$ 5,202,177</u>	<u>\$ 4,779,383</u>	<u>\$ 422,794</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate - The following presents the net pension liability (asset) of the CFDRAPP, calculated using the discount rate of 6.25 percent, as well as what the CFDRAPP's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) of 1-percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net Pension Liability (Asset)	\$942,029	\$422,794	(\$14,364)

Pension Plan Fiduciary net - Detailed information about the CFDRAPP pension plan's fiduciary net position is available in the separately issued CFDRAPP financial report.

D) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the CFDRAPP recognized pension expense of \$517,365. At December 31, 2015, the CFDRAPP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to the Financial Statements

City of Chaska, Minnesota

For the Year Ended December 31, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 33,909
Differences Between Projected and Actual Earnings on Pension Plan Investments	423,146	-
Total	\$ 423,146	\$ 33,909

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

Year Ended December 31:	Pension Expense Amount
2016	\$ 97,655
2017	97,655
2018	97,655
2019	97,653
2020	(1,381)

E) Due to the Pension Plan

At December 31, 2015 the City reported a payable of \$23,149 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2015.

Note 17 Prior Period Adjustment

A prior period adjustment made to the Turbine Fund reflects a change in credits to be provided by the City to the Minnesota Municipal Power Agency (MMPA) based on net-interest earnings. As part of the Electric Revenue Refunding Bonds, Series 2015A, all net-interest earning from the Debt Service Reserve Fund are to be provided annually as credits to MMPA. This prior period adjustment reduced beginning net position by \$1,091,577 and reflects the net-interest earnings accumulated from 2000-2015 from both the Electric Revenue Bonds, Series 2000 and Electric Revenue Refunding Bonds, Series 2005. These accumulated net interest earnings will be distributed as future annual credits to MMPA in years 2016-2030.

Required Supplementary Information

City of Chaska, Minnesota

For the Year Ended December 31, 2015

Schedule of Funding Progress - Other Post-Employment Benefit Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)*</u>	<u>Unfunde d Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 2008	\$ -	\$ 484,551	\$ 484,551	0.00%	\$ 6,894,120	7.00%
January 1, 2011	-	725,699	725,699	0.00%	7,816,638	9.30%
January 1, 2014	-	1,174,997	1,174,997	0.00%	8,431,114	14.00%

Required Supplementary Information

City of Chaska, Minnesota

For the Year Ended December 31, 2015

**Schedule of City's Proportionate Share of Net Pension Liability –
GERF/PEPFF Retirement Funds**

<u>Public Employees General Employees Retirement Fund (GERF)</u>	
Fiscal Year Ending (measurement period)	<u>6/30/2015</u>
City's Proportion of the Net Pension Liability (Asset)	<u>0.1255%</u>
City's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 6,504,061</u>
City's Covered Payroll	<u>\$ 7,374,827</u>
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	<u>88.19%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>78.19%</u>
<u>Public Employees Police & Fire Fund (PEPFF)</u>	
Fiscal Year Ending (measurement period)	<u>6/30/2015</u>
City's Proportion of the Net Pension Liability (Asset)	<u>0.256%</u>
City's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 2,908,759</u>
City's Covered Payroll	<u>\$ 2,345,969</u>
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	<u>123.99%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>86.61%</u>

The City implemented GASB No. 68 in fiscal year 2015 (using a June 30, 2015 measurement date). This information is not available for previous fiscal years.

Schedule of City Contributions – GERF/PEPFF Retirement Funds

<u>Public Employees General Employees Retirement Fund (GERF)</u>	
Fiscal Year Ending	<u>12/31/2015</u>
Statutorily Required Contributions	<u>\$ 573,571</u>
Contributions in Relation to the Statutorily Required Contributions	<u>573,571</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered Employee Payroll	<u>\$ 7,647,695</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>7.50%</u>
<u>Public Employees Police & Fire Fund (PEPFF)</u>	
Fiscal Year Ending	<u>12/31/2015</u>
Statutorily Required Contributions	<u>\$ 384,775</u>
Contributions in Relation to the Statutorily Required Contributions	<u>384,775</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered Employee Payroll	<u>\$ 2,375,153</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>16.20%</u>

Note: The City implemented GASB Statement No. 68 in fiscal year 2015. This information is not available for previous fiscal years.

Chaska Fire Department Relief Association Pension Plan (CFDRAPP), Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2015</u> ²
Total Pension Liability	
Service Cost	\$ 76,662
Interest	323,774
Changes of Benefits Terms	-
Differences Between Expected & Actual Experience	(42,040)
Changes of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	<u>(517,365)</u>
Net Change in Total Pension Liability	(158,969)
Total Pension Liability – Beginning ¹	<u>5,361,146</u>
Total Pension Liability - Ending (a)	<u><u>\$5,202,177</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 401,321
Contributions - Member	-
Net investment Income	(220,343)
Benefit payments, Including Refunds of Member Contributions	(517,365)
Administrative Expense	(4,226)
Other	<u>-</u>
Net Change in Plan Fiduciary Net Position	(\$340,613)
Plan Fiduciary Net Position - Beginning	<u>5,119,996</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$4,779,383</u></u>
City's Net Pension Liability - Ending (a) - (b)	\$ 422,794
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.87%

Notes to Schedule:

¹ The 2014 results are shown for transition purposes only. They do not reflect what was actually recognized on the 2014 Financial Statements.

² Information for 2014 and prior years not available

Chaska Fire Department Relief Association Pension Plan (CFDRAPP), Schedule of City Contributions

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially Determined Contribution(ADC) ¹	\$267,302	\$267,302	\$293,799	\$293,799	\$246,000	\$246,000	\$221,350	\$221,350	\$256,756	\$256,765
Contributions in Relation to the ADC	401,321	361,296	364,512	298,250	299,930	271,345	266,139	280,753	288,314	292,518
Contribution Deficiency (Excess)	\$(134,019)	\$(93,994)	\$(70,713)	\$(4,451)	\$(53,930)	\$(25,345)	\$(44,789)	\$(59,403)	\$(31,558)	\$(35,753)

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, either two or three years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determined contribution rates:

Actuarial Cost Method	Entry Age Normal actuarial level dollar cost method
Amortization Method	Actuarial Losses - Amortize loss over 10 years per Minnesota Statutes 69.773, Subd 4. (d)(3)(i). Plan Changes - Amortize over 20 years per Minnesota Statutes 69.773, Subd 4. (d)(3)(v).
Remaining Amortization Period	Nine years as of December 31, 2015
Asset Valuation Method	Market Value
Inflation 2.75 percent	
Salary Increases	0 percent, including inflation
Investment Rate of Return	5.0 percent as per Minnesota State Statutes Chapter 356.215, Subdivision 8
Retirement Age	The latest of age 50 or after 20 years of service
Mortality	RP-2000 Combined Mortality Table, fully generational

Other Information:

In 2006, benefit terms were modified to increase the monthly benefit from \$1.8750 to \$1.9750 per month of service effective January 1, 2006.

In 2009, benefit terms were modified to eliminate funeral benefits. The benefit for surviving child was modified from \$25 per month to 25 percent of the members benefit payable at age 50.

In 2011, benefits terms were modified to change the surviving spouse benefits from 75 percent of the member’s monthly benefit for life to 100 percent of the member’s monthly benefit for life. The survivor benefit for surviving children was modified to change the benefit from 25 percent to 100 percent of the member’s monthly pension.

In 2013, benefit terms were modified to add a \$6,000 per year of service lump sum benefit option for individuals who became members before November 4, 2013. Individuals that became members after November 4, 2013 are only entitled to a lump sum service pension.

In 2014, benefit terms were modified to increase the monthly benefit from \$1.9750 to \$2.0850 per month of service and the increase the lump sum benefit from \$6,000 to \$6,255 per year of service effective as of June 1, 2014.

Notes to Schedule¹ ADC amounts are equal to statutory requirements under MN Statutes 424A.092 and 69.773.