

**Government-Wide Financial Statements**

**City of Chaska**

**December 31, 2004**

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## CITY OF CHASKA, MINNESOTA

STATEMENT OF NET ASSETS  
DECEMBER 31, 2004

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash And Investments	\$ 22,877,460	\$ 12,252,239	\$ 35,129,699
Receivables:			
Taxes	455,575	-	455,575
Special Assessments	8,390,009	-	8,390,009
Accounts	114,346	2,544,427	2,658,773
Interest	36,373	61,262	97,635
Other Receivables	1,437,685	-	1,437,685
Internal Balances	(1,269,156)	1,269,156	-
Due From Other Governments	3,074,329	56,063	3,130,392
Lease Receivable - Current	-	290,738	290,738
Inventories	-	945,230	945,230
Prepaid Items	-	3,125	3,125
Long Term Lease Receivable	-	27,300,386	27,300,386
Restricted Cash & Investments:			
Cash with Escrow Agent - Debt Service	3,200,237	2,535,827	5,736,064
Deferred Charges	264,036	971,858	1,235,894
Land Held For Resale	3,216,403	-	3,216,403
Capital Assets (net of accumulated depreciation):			
Land	5,566,566	364,805	5,931,371
Works of Art & Historical Treasures	82,662	-	82,662
Buildings	7,021,018	19,211,771	26,232,789
Other Improvements	3,324,140	312,206	3,636,346
Furniture & Equipment	2,626,889	2,270,467	4,897,356
Infrastructure	12,541,152	8,025,933	20,567,085
Construction in Progress	7,935,213	13,704,719	21,639,932
<b>TOTAL ASSETS</b>	<b>80,894,937</b>	<b>92,120,212</b>	<b>173,015,149</b>
<b>LIABILITIES</b>			
Accounts Payable	580,334	823,882	1,404,216
Salaries Payable	194,412	114,126	308,538
Deposits Payable	-	134,475	134,475
Accrued Interest Payable	215,512	534,870	750,382
Due To Other Governments	13,392	1,136,783	1,150,175
Unearned Revenue	3,043,779	71,300	3,115,079
Non-current Liabilities:			
Due Within One Year	10,709,997	1,115,502	11,825,499
Due in More than One Year	53,011,062	47,115,029	100,126,091
<b>TOTAL LIABILITIES</b>	<b>67,768,488</b>	<b>51,045,967</b>	<b>118,814,455</b>
<b>NET ASSETS</b>			
Invested In Capital Assets, Net of Related Debt	13,903,940	32,673,294	46,577,234
Restricted for:			
Other Purposes	2,644,233	-	2,644,233
Debt Service	10,472,313	2,535,827	13,008,140
Capital Projects	18,214,055	-	18,214,055
Unrestricted	(32,108,092)	5,865,124	(26,242,968)
<b>TOTAL NET ASSETS</b>	<b>\$ 13,126,449</b>	<b>\$ 41,074,245</b>	<b>\$ 54,200,694</b>

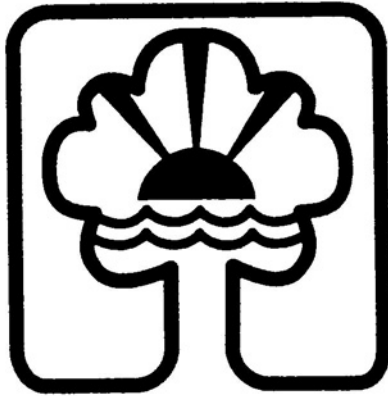
The notes to the financial statements are an integral part of this statement.

CITY OF CHASKA, MINNESOTA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Governmental Activities:</b>							
General Government	\$ 2,881,775	\$ 1,944,887	\$ 13,105	\$ 31,952	\$ (891,831)	\$ -	\$ (891,831)
Economic Development	1,084,559	127,980	85,021	111,439	(760,119)	-	(760,119)
Public Safety	3,272,888	143,520	385,213	220,195	(2,523,960)	-	(2,523,960)
Public Works	3,561,242	1,967,705	-	4,559,699	2,966,162	-	2,966,162
Parks, Recreation and Arts	626,439	233,807	46,116	74,132	(272,384)	-	(272,384)
Interest on Long-Term Debt	2,895,190	-	-	-	(2,895,190)	-	(2,895,190)
<b>Total Governmental Activities</b>	<b>14,322,093</b>	<b>4,417,899</b>	<b>529,455</b>	<b>4,997,417</b>	<b>(4,377,322)</b>	<b>-</b>	<b>(4,377,322)</b>
<b>Business-type Activities:</b>							
Electric	17,114,855	17,099,701	-	147,967	-	132,813	132,813
Water	1,046,791	990,037	-	3,281	-	(53,473)	(53,473)
Sewer	1,630,676	1,727,417	-	385	-	97,126	97,126
Community Center	2,776,148	2,306,714	-	55,333	-	(414,101)	(414,101)
Par 30 Golf Course	182,840	181,264	-	-	-	(1,576)	(1,576)
Chaska Town Course	1,657,035	1,554,394	-	-	-	(102,641)	(102,641)
Turbine Generator	2,122,382	2,456,924	-	-	-	334,542	334,542
Internet Service Provider	746,234	299,560	-	-	-	(446,674)	(446,674)
<b>Total Business-type Activities</b>	<b>27,276,961</b>	<b>26,616,011</b>	<b>-</b>	<b>206,966</b>	<b>-</b>	<b>(453,984)</b>	<b>(453,984)</b>
<b>TOTAL</b>	<b>\$ 41,599,054</b>	<b>\$ 31,033,910</b>	<b>\$ 529,455</b>	<b>\$ 5,204,383</b>	<b>(4,377,322)</b>	<b>(453,984)</b>	<b>(4,831,306)</b>
<b>General Revenues:</b>							
Property Taxes					6,328,492	-	6,328,492
Franchise Taxes					1,821,571	-	1,821,571
Grants & Contributions Not Restricted to Specific Functions					1,683,763	81	1,683,844
Investment Earnings					673,170	458,749	1,131,919
Gain on Disposal of Capital Assets					30,584	-	30,584
Other					367,851	126	367,977
Transfers					(331,393)	331,393	-
<b>Total General Revenues &amp; Transfers</b>					<b>10,574,038</b>	<b>790,349</b>	<b>11,364,387</b>
<b>Change in Net Assets</b>					<b>6,196,716</b>	<b>336,365</b>	<b>6,533,081</b>
<b>Net Assets - Beginning</b>					<b>6,929,733</b>	<b>40,737,880</b>	<b>47,667,613</b>
<b>Net Assets - Ending</b>					<b>\$ 13,126,449</b>	<b>\$ 41,074,245</b>	<b>\$ 54,200,694</b>

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



CHASKA



CITY OF CHASKA, MINNESOTA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004

	GENERAL	GO TI CAPITAL APPRECIATION BOND OF 1995	TIF DISTRICT #4 REVOLVING	2003 IMPROVEMENT PROJECTS	NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash And Investments	\$ 3,068,450	\$ -	\$ -	\$ 4,725,823	\$ 12,162,350	\$ 19,956,623
Investment With Escrow Agent	-	-	-	-	3,200,237	3,200,237
Receivables:						
Taxes	220,902	-	191,191	-	43,482	455,575
Special Assessments	5,576	-	386,383	-	7,998,050	8,390,009
Accounts	74,224	-	11,180	-	28,942	114,346
Interest	3,712	-	-	-	28,203	31,915
Other Receivables	85,417	-	685,402	-	666,866	1,437,685
Due from Other Funds	-	-	-	-	14,932,911	14,932,911
Due From Other Governments	160,130	-	1,440,000	-	1,474,199	3,074,329
Interfund Receivable	-	-	-	-	378,710	378,710
Advance to Other Funds	-	-	-	-	1,624,578	1,624,578
Land Held for Resale	-	-	-	-	3,216,403	3,216,403
<b>TOTAL ASSETS</b>	<b>\$ 3,618,411</b>	<b>\$ -</b>	<b>\$ 2,714,156</b>	<b>\$ 4,725,823</b>	<b>\$ 45,754,931</b>	<b>\$ 56,813,321</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts Payable	\$ 81,296	\$ -	\$ 1,713	\$ 244,862	\$ 252,463	\$ 580,334
Salaries Payable	194,412	-	-	-	-	194,412
Due To Other Funds	-	-	12,116,461	-	2,816,450	14,932,911
Due To Other Governments	13,392	-	-	-	-	13,392
Interfund Payable	-	-	153,657	-	1,961,257	2,114,914
Deferred and Unearned Revenue	115,600	-	2,602,346	-	11,145,849	13,863,795
Advance from Other Funds	-	-	349,758	-	708,820	1,058,578
<b>TOTAL LIABILITIES</b>	<b>404,700</b>	<b>-</b>	<b>15,223,935</b>	<b>244,862</b>	<b>16,884,839</b>	<b>32,758,336</b>
<b>FUND BALANCES:</b>						
Reserved	-	-	-	2,732,589	31,637,970	34,370,559
Unreserved, designated	3,082,986	-	-	-	1,606,343	4,689,329
Unreserved, undesignated reported in:						
General Fund	130,725	-	-	-	-	130,725
Special Revenue Funds	-	-	-	-	87,829	87,829
Capital Project Funds	-	-	(12,509,779)	1,748,372	(4,462,050)	(15,223,457)
<b>TOTAL FUND BALANCES</b>	<b>3,213,711</b>	<b>-</b>	<b>(12,509,779)</b>	<b>4,480,961</b>	<b>28,870,092</b>	<b>24,054,985</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,618,411</b>	<b>\$ -</b>	<b>\$ 2,714,156</b>	<b>\$ 4,725,823</b>	<b>\$ 45,754,931</b>	<b>\$ 56,813,321</b>

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 ASSETS  
DECEMBER 31, 2004

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Total fund balances - governmental funds \$ 24,054,985

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

Issuance costs are recorded as expenditures in the current period in the governmental funds.  
Under full accrual, the expenditures are recorded as deferred charges and amortized over the life of the debt. 264,036

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.

Cost of Capital Assets	50,099,924
Less: Accumulated Depreciation	(11,002,284)

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. 10,820,016

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 assets. 2,925,295

Internal balances from business-type activities for internal service fund services. (98,952)

Interest on long-term debt is included in the change in net assets as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due. (215,512)

Long-term liabilities, including bonds payable and compensated absences, are not payable with current financial resources and, therefore, are not reported in governmental funds.

Due within one year	(10,709,997)
Due in more than one year	(53,011,062)

Net assets of governmental activities \$ 13,126,449

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, 2004

	GENERAL	GO TI CAPITAL APPRECIATION BOND OF 1995	TIF DISTRICT #4 REVOLVING	2003 IMPROVEMENT PROJECTS	NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Taxes:						
Property	\$ 2,125,630	\$ -	\$ 3,684,075	\$ -	\$ 499,562	\$ 6,309,267
Franchise	1,821,571	-	-	-	-	1,821,571
Licenses and Permits	1,289,746	-	-	-	-	1,289,746
Intergovernmental	1,195,371	-	-	420,294	1,270,646	2,886,311
Charges for Services	931,640	-	-	-	2,046,694	2,978,334
Fines and Forfeitures	73,684	-	-	-	-	73,684
Special Assessments	3,996	102,911	40,886	-	1,804,198	1,951,991
Other Revenue	104,508	-	341,335	35,041	1,024,096	1,504,980
<b>TOTAL REVENUES</b>	<b>7,546,146</b>	<b>102,911</b>	<b>4,066,296</b>	<b>455,335</b>	<b>6,645,196</b>	<b>18,815,884</b>
<b>EXPENDITURES</b>						
<b>CURRENT:</b>						
General Government	2,486,406	-	-	-	48,097	2,534,503
Economic Development	-	-	494,755	-	394,451	889,206
Public Safety	2,833,184	-	-	-	113,385	2,946,569
Public Works	1,782,834	-	-	1,156,931	633,940	3,573,705
Parks, Recreation and Arts	341,011	-	-	-	47,716	388,727
<b>DEBT SERVICE:</b>						
Principal	-	3,995,000	-	-	4,655,000	8,650,000
Interest	-	-	126,225	-	2,762,797	2,889,022
Refunding Contribution	-	-	-	-	386,900	386,900
Issuance Costs & Fiscal Agent Fees	-	-	-	87,146	158,420	245,566
<b>CAPITAL OUTLAY</b>	<b>7,410</b>	<b>-</b>	<b>-</b>	<b>2,666,093</b>	<b>1,043,116</b>	<b>3,716,619</b>
<b>TOTAL EXPENDITURES</b>	<b>7,450,845</b>	<b>3,995,000</b>	<b>620,980</b>	<b>3,910,170</b>	<b>10,243,822</b>	<b>26,220,817</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>95,301</b>	<b>(3,892,089)</b>	<b>3,445,316</b>	<b>(3,454,835)</b>	<b>(3,598,626)</b>	<b>(7,404,933)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	165,900	3,740,345	-	1,498,399	4,013,748	9,418,392
Transfers Out	(301)	-	(5,623,450)	-	(4,133,676)	(9,757,427)
Bonds Issued	-	-	-	6,613,912	1,741,088	8,355,000
Refunding Bonds Issued	-	-	-	-	5,250,000	5,250,000
Premium on Bonds Issued	-	-	-	12,814	15,783	28,597
Payment to Refunded Bond Escrow Agent	-	-	-	-	(8,970,252)	(8,970,252)
Sale of Capital Assets	3,910	-	-	-	53,759	57,669
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<b>169,509</b>	<b>3,740,345</b>	<b>(5,623,450)</b>	<b>8,125,125</b>	<b>(2,029,550)</b>	<b>4,381,979</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>264,810</b>	<b>(151,744)</b>	<b>(2,178,134)</b>	<b>4,670,290</b>	<b>(5,628,176)</b>	<b>(3,022,954)</b>
<b>FUND BALANCES, January 1</b>	<b>2,948,901</b>	<b>151,744</b>	<b>(10,331,645)</b>	<b>(189,329)</b>	<b>34,498,268</b>	<b>27,077,939</b>
<b>FUND BALANCES, December 31</b>	<b>\$ 3,213,711</b>	<b>\$ -</b>	<b>\$ (12,509,779)</b>	<b>\$ 4,480,961</b>	<b>\$ 28,870,092</b>	<b>\$ 24,054,985</b>

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, 2004

Total net change in fund balances - governmental funds	\$ (3,022,954)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Issuance costs are recorded as expenditures in the current period in the governmental funds. Under full accrual, the expenditures are recorded as deferred charges and amortized over the life of the debt.	
	204,075
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	4,613,011
Less: Depreciation Expense	(1,486,672)
Donations of capital assets typically are not reported in the governmental funds. Such donations must be reported, however, in both of the government-wide financial statements. This amount represents revenue from developer donated capital assets.	
	994,084
In the governmental funds, proceeds from the sale of capital assets are recorded as revenue in the current year. However, on the government-wide reports, the gain or loss on the sale is reflected as a revenue or expense.	
	(27,085)
Certain revenues are recognized as soon as it is earned. Under modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
	907,844
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Further detail on the additions and reductions can be found in the note on long-term debt.	
Additions to long-term debt (reduces governmental fund balances)	(14,482,784)
Reductions to long-term debt (increases governmental fund balances)	18,372,239
Transfers of Capital Assets between Enterprise Funds and Governmental Funds are not reported in governmental funds.	
	4,160
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.	
	(6,167)
Internal service funds are used by management to charge the costs of property & liability insurance to individual funds. This amount represents the change in net assets of internal service funds, which is reported with governmental activities.	
	<u>126,965</u>
Change in net assets - governmental activities	<u>\$ 6,196,716</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, 2004**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES:</b>			
Taxes:			
Property	\$ 2,113,282	\$ 2,125,630	\$ 12,348
Franchise	1,806,000	1,821,571	15,571
Licenses And Permits	1,073,108	1,289,746	216,638
Intergovernmental	1,142,990	1,195,371	52,381
Charges For Services	943,119	931,640	(11,479)
Fines And Forfeitures	54,213	73,684	19,471
Special Assessments	2,500	3,996	1,496
Other Revenue	76,900	104,508	27,608
<b>TOTAL REVENUES</b>	<u>7,212,112</u>	<u>7,546,146</u>	<u>334,034</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	2,430,906	2,486,406	(55,500)
Public Safety	2,691,506	2,833,184	(141,678)
Public Works	1,903,985	1,782,834	121,151
Parks, Recreation and Arts	337,758	341,011	(3,253)
Capital Outlay	12,457	7,410	5,047
<b>TOTAL EXPENDITURES</b>	<u>7,376,612</u>	<u>7,450,845</u>	<u>(74,233)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(164,500)</u>	<u>95,301</u>	<u>259,801</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	164,500	165,900	1,400
Transfers Out	-	(301)	(301)
Sale Of Capital Assets	-	3,910	3,910
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>164,500</u>	<u>169,509</u>	<u>5,009</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	264,810	264,810
<b>FUND BALANCES, January 1</b>	<u>2,948,901</u>	<u>2,948,901</u>	-
<b>FUND BALANCES, December 31</b>	<u>\$ 2,948,901</u>	<u>\$ 3,213,711</u>	<u>\$ 264,810</u>

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



**CITY OF CHASKA, MINNESOTA**

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2004**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>ELECTRIC</b>	<b>WATER</b>	<b>COMMUNITY CENTER</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash And Investments	\$ 4,916,048	\$ 2,895,256	\$ 1,030,256
Receivables:			
Accounts:			
Current	1,334,357	52,074	121,808
Unbilled	750,932	35,583	-
Allowance For Uncollectible Accounts	(12,254)	(491)	(149)
Interest	8,934	5,247	-
Due From Other Funds	16,279	-	-
Due From Other Governments	6,224	-	49,839
Interfund Receivable	1,904,204	-	-
Lease Receivable	-	-	-
Inventories	817,249	67,134	-
Prepaid Items	-	-	-
<b>Total Current Assets</b>	<b>9,741,973</b>	<b>3,054,803</b>	<b>1,201,754</b>
<b>Noncurrent Assets:</b>			
Restricted Cash And Investments with Escrow Agent	-	-	-
Lease Receivable	-	-	-
Advance To Other Funds	868,086	-	-
Deferred Charges	-	264,424	-
<b>Capital Assets:</b>			
Land	240,721	33,618	90,466
Buildings	5,079,031	1,724,525	16,194,594
Other Improvements	-	-	179,656
Furniture & Equipment	1,130,023	287,225	667,849
Infrastructure:			
Lines, Poles, Transformers and Others	11,122,740	-	-
Pumps, Mains and Others	-	2,947,637	-
Construction In Progress	-	13,393,427	162,549
Less: Accumulated Depreciation	(7,828,602)	(3,352,274)	(6,649,044)
<b>Total Net Capital Assets</b>	<b>9,743,913</b>	<b>15,034,158</b>	<b>10,646,070</b>
<b>Total Noncurrent Assets</b>	<b>10,611,999</b>	<b>15,298,582</b>	<b>10,646,070</b>
<b>TOTAL ASSETS</b>	<b>20,353,972</b>	<b>18,353,385</b>	<b>11,847,824</b>

			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
<u>TURBINE GENERATOR</u>	<u>NONMAJOR ENTERPRISE</u>	<u>TOTALS</u>	
\$ 1,388,923	\$ 2,021,756	\$ 12,252,239	\$ 2,920,837
-	183,692	1,691,931	-
-	80,655	867,170	-
-	(1,780)	(14,674)	-
44,741	2,340	61,262	4,458
-	-	16,279	-
-	-	56,063	-
22,685	-	1,926,889	-
290,738	-	290,738	-
-	60,847	945,230	-
-	3,125	3,125	-
<u>1,747,087</u>	<u>2,350,635</u>	<u>18,096,252</u>	<u>2,925,295</u>
2,535,827	-	2,535,827	-
27,300,386	-	27,300,386	-
1,327,214	-	2,195,300	-
707,434	-	971,858	-
-	-	364,805	-
-	8,265,839	31,263,989	-
-	203,931	383,587	-
-	2,364,168	4,449,265	-
-	-	11,122,740	-
-	2,429,069	5,376,706	-
-	148,743	13,704,719	-
-	(4,945,990)	(22,775,910)	-
<u>-</u>	<u>8,465,760</u>	<u>43,889,901</u>	<u>-</u>
<u>31,870,861</u>	<u>8,465,760</u>	<u>76,893,272</u>	<u>-</u>
<u>33,617,948</u>	<u>10,816,395</u>	<u>94,989,524</u>	<u>2,925,295</u>

(Continued)

**CITY OF CHASKA, MINNESOTA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2004**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>ELECTRIC</b>	<b>WATER</b>	<b>COMMUNITY CENTER</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	47,166	113,710	175,737
Contracts Payable	-	282,501	-
Salaries Payable	36,510	11,377	38,000
Deposits Payable	84,035	-	10,853
Compensated Absences	69,277	10,385	30,339
Accrued Interest Payable	-	47,300	-
Due To Other Funds	-	-	-
Due To Other Governments	1,119,014	993	13,794
Interfund Payable	22,685	-	-
Revenue Bonds Payable	-	390,000	-
Unearned Revenue	-	-	20,978
<b>Total Current Liabilities</b>	<b>1,378,687</b>	<b>856,266</b>	<b>289,701</b>
<b>Noncurrent Liabilities:</b>			
Compensated Absences	15,448	3,409	19,329
Advance From Other Funds	1,327,214	-	-
Revenue Bonds Payable	-	14,595,000	-
Unamortized Premium On Revenue Bonds	-	49,626	-
<b>Total Noncurrent Liabilities</b>	<b>1,342,662</b>	<b>14,648,035</b>	<b>19,329</b>
<b>TOTAL LIABILITIES</b>	<b>2,721,349</b>	<b>15,504,301</b>	<b>309,030</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	9,743,913	3,817,551	10,646,070
Restricted	-	-	-
Unrestricted	7,888,710	(968,467)	892,724
<b>TOTAL NET ASSETS</b>	<b>\$ 17,632,623</b>	<b>\$ 2,849,084</b>	<b>\$ 11,538,794</b>

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

(Continued)

<u>TURBINE GENERATOR</u>	<u>NONMAJOR ENTERPRISE</u>	<u>TOTALS</u>	<u>GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND</u>
-	204,768	541,381	-
-	-	282,501	-
-	28,239	114,126	-
-	39,587	134,475	-
-	30,501	140,502	-
487,570	-	534,870	-
-	16,279	16,279	-
-	2,982	1,136,783	-
-	168,000	190,685	-
585,000	-	975,000	-
-	50,322	71,300	-
<u>1,072,570</u>	<u>540,678</u>	<u>4,137,902</u>	<u>-</u>
-	27,217	65,403	-
-	1,434,086	2,761,300	-
32,405,000	-	47,000,000	-
-	-	49,626	-
<u>32,405,000</u>	<u>1,461,303</u>	<u>49,876,329</u>	<u>-</u>
<u>33,477,570</u>	<u>2,001,981</u>	<u>54,014,231</u>	<u>-</u>
-	8,465,760	32,673,294	-
2,535,827	-	2,535,827	-
<u>(2,395,449)</u>	<u>348,654</u>	<u>5,766,172</u>	<u>2,925,295</u>
<u>\$ 140,378</u>	<u>\$ 8,814,414</u>	<u>\$ 40,975,293</u>	<u>\$ 2,925,295</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>98,952</u>	
Net assets of business-type activities		<u>\$ 41,074,245</u>	

**CITY OF CHASKA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>ELECTRIC</b>	<b>WATER</b>	<b>COMMUNITY CENTER</b>
<b>OPERATING REVENUES:</b>			
Sales	\$ 17,099,701	\$ 990,037	\$ 2,198,604
<b>OPERATING EXPENSES:</b>			
Production	13,008,714	160,725	-
Distribution / Collections	1,123,648	388,690	-
Administration	610,037	202,909	2,127,755
Franchise Fees	1,670,000	-	-
Depreciation	636,624	186,888	662,114
<b>TOTAL OPERATING EXPENSES</b>	<b>17,049,023</b>	<b>939,212</b>	<b>2,789,869</b>
<b>OPERATING INCOME (LOSS)</b>	<b>50,678</b>	<b>50,825</b>	<b>(591,265)</b>
<b>NON-OPERATING REVENUES:</b>			
Investment Earnings	143,250	97,066	9,164
Intergovernmental	61	20	108,110
Payments	-	-	-
Miscellaneous Refunds And Reimbursements	126	-	-
Gain On Disposal Of Capital Assets	-	-	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>143,437</b>	<b>97,086</b>	<b>117,274</b>
<b>NON-OPERATING EXPENSES:</b>			
Interest	82,826	99,606	-
Issuance Costs & Fiscal Agent Fees	-	15,330	-
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>82,826</b>	<b>114,936</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>111,289</b>	<b>32,975</b>	<b>(473,991)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>147,967</b>	<b>3,281</b>	<b>55,333</b>
<b>TRANSFER IN (OUT)</b>			
Transfers In	-	1,176,001	100,000
Transfers Out	(265,879)	(5,775)	(212,179)
<b>Total Transfers In (Out)</b>	<b>(265,879)</b>	<b>1,170,226</b>	<b>(112,179)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(6,623)</b>	<b>1,206,482</b>	<b>(530,837)</b>
<b>NET ASSETS, January 1</b>	<b>17,639,246</b>	<b>1,642,602</b>	<b>12,069,631</b>
<b>NET ASSETS, December 31</b>	<b>\$ 17,632,623</b>	<b>\$ 2,849,084</b>	<b>\$ 11,538,794</b>

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

TURBINE GENERATOR	OTHER NONMAJOR ENTERPRISE	TOTALS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
\$ 2,374,098	\$ 3,762,635	\$ 26,425,075	\$ 528,767
-	1,148,010	14,317,449	-
-	290,654	1,802,992	-
121,331	2,174,834	5,236,866	391,321
-	-	1,670,000	-
-	617,805	2,103,431	-
<u>121,331</u>	<u>4,231,303</u>	<u>25,130,738</u>	<u>391,321</u>
<u>2,252,767</u>	<u>(468,668)</u>	<u>1,294,337</u>	<u>137,446</u>
188,683	20,586	458,749	38,609
-	-	108,191	-
82,826	-	82,826	-
-	-	126	-
-	3,500	3,500	-
<u>271,509</u>	<u>24,086</u>	<u>653,392</u>	<u>38,609</u>
1,971,092	-	2,153,524	-
29,959	-	45,289	-
<u>2,001,051</u>	<u>-</u>	<u>2,198,813</u>	<u>-</u>
523,225	(444,582)	(251,084)	176,055
-	385	206,966	-
-	-	1,276,001	-
(455,000)	(5,775)	(944,608)	-
<u>(455,000)</u>	<u>(5,775)</u>	<u>331,393</u>	<u>-</u>
68,225	(449,972)	287,275	176,055
<u>72,153</u>	<u>9,264,386</u>	<u>40,688,018</u>	<u>2,749,240</u>
<u>\$ 140,378</u>	<u>\$ 8,814,414</u>	<u>\$ 40,975,293</u>	<u>\$ 2,925,295</u>
Change in net assets - total Enterprise Funds		\$ 287,275	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>49,090</u>	
Change in net assets - Business-type Activities		<u>\$ 336,365</u>	

CITY OF CHASKA, MINNESOTA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>ELECTRIC</u>	<u>WATER</u>	<u>COMMUNITY CENTER</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts From Customers And Users	\$ 17,097,876	\$ 992,286	\$ 2,349,035
Payments To Suppliers	(15,357,675)	(703,588)	(931,785)
Payments To Employees	<u>(867,837)</u>	<u>(313,335)</u>	<u>(1,065,104)</u>
Net Cash Provided (Used) By Operating Activities	<u>872,364</u>	<u>(24,637)</u>	<u>352,146</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Transfers From Other Funds	-	1,176,001	100,000
Transfers To Other Funds	(265,879)	(5,775)	(212,179)
Due From Other Funds	2,703,825	-	-
Due To Other Funds	-	(506,491)	-
Interfund Loans To Other Funds	(2,672,290)	-	-
Interfund Loans From Other Funds	(21,393)	-	-
Intergovernmental	61	20	108,110
Miscellaneous Refunds/Reimbursements	<u>126</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>(255,550)</u>	<u>663,755</u>	<u>(4,069)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Deferred Issuance Charges	-	15,330	-
Principal Paid On Bonds	-	(280,000)	-
Amortization Of Premium	-	(2,764)	-
Interest And Fiscal Charges	(82,826)	(105,190)	-
Construction And Acquisition of Capital Assets	(469,437)	(7,317,642)	(195,493)
Lease Principal Received	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(552,263)</u>	<u>(7,690,266)</u>	<u>(195,493)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest On Investments	<u>141,196</u>	<u>97,066</u>	<u>10,178</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>205,747</b>	<b>(6,954,082)</b>	<b>162,762</b>
<b>CASH AND CASH EQUIVALENTS, January 1</b>	<b>4,710,301</b>	<b>9,849,338</b>	<b>867,494</b>
<b>CASH AND CASH EQUIVALENTS, December 31</b>	<b><u>\$ 4,916,048</u></b>	<b><u>\$ 2,895,256</u></b>	<b><u>\$ 1,030,256</u></b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Cash And Investments	\$ 4,916,048	\$ 2,895,256	\$ 1,030,256
Restricted Assets-Revenue Bonds:			
Cash And Investments	-	-	-
Total Cash And Cash Equivalents	<u>\$ 4,916,048</u>	<u>\$ 2,895,256</u>	<u>\$ 1,030,256</u>

			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
TURBINE GENERATOR	OTHER NONMAJOR ENTERPRISE	TOTALS	
\$ 2,374,098	\$ 3,768,619	\$ 26,581,914	\$ 528,767
(121,331)	(2,274,617)	(19,388,996)	(392,521)
-	(1,108,109)	(3,354,385)	-
<u>2,252,767</u>	<u>385,893</u>	<u>3,838,533</u>	<u>136,246</u>
-	-	1,276,001	-
(455,000)	(5,775)	(944,608)	-
-	(207,112)	2,496,713	-
-	-	(506,491)	-
21,393	-	(2,650,897)	-
-	1,328,068	1,306,675	-
-	-	108,191	-
-	-	126	-
<u>(433,607)</u>	<u>1,115,181</u>	<u>1,085,710</u>	<u>-</u>
(2,750)	-	12,580	-
(555,000)	-	(835,000)	-
-	-	(2,764)	-
(1,978,029)	-	(2,166,045)	-
-	(1,095,968)	(9,078,540)	-
<u>266,970</u>	<u>-</u>	<u>266,970</u>	<u>-</u>
<u>(2,268,809)</u>	<u>(1,095,968)</u>	<u>(11,802,799)</u>	<u>-</u>
<u>271,510</u>	<u>19,624</u>	<u>539,574</u>	<u>36,224</u>
(178,139)	424,730	(6,338,982)	172,470
4,102,889	1,597,026	21,127,048	2,748,367
<u>\$ 3,924,750</u>	<u>\$ 2,021,756</u>	<u>\$ 14,788,066</u>	<u>\$ 2,920,837</u>
\$ 1,388,923	\$ 2,021,756	\$ 12,252,239	\$ 2,920,837
2,535,827	-	2,535,827	-
<u>\$ 3,924,750</u>	<u>\$ 2,021,756</u>	<u>\$ 14,788,066</u>	<u>\$ 2,920,837</u>

(Continued)

CITY OF CHASKA, MINNESOTA

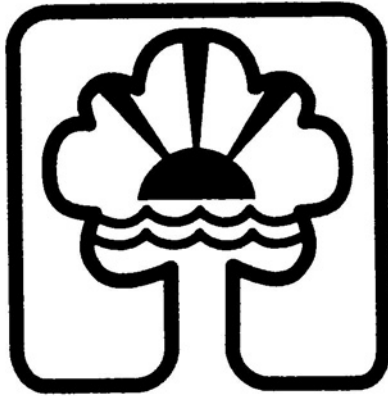
STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>ELECTRIC</u>	<u>WATER</u>	<u>COMMUNITY CENTER</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ 50,678	\$ 50,825	\$ (591,265)
<b>Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:</b>			
Depreciation Expense	636,624	186,888	662,114
Allowance For Uncollectible Accounts	(218)	10	(16)
<b>(Increase) Decrease In Assets:</b>			
Special Assessments Deferred	890	-	-
Accounts Receivable	(15,125)	(3,741)	11,868
Due From Other Governments	17,053	5,980	106,748
Inventory	(75,910)	(4,169)	-
Prepaid Items	-	-	-
<b>Increase (Decrease) In Liabilities:</b>			
Accounts Payable	41,147	(541,635)	122,412
Contracts Payable	-	282,501	-
Salaries Payable	12,425	693	9,545
Deposits Payable	(4,425)	-	10,853
Deferred Revenue	-	-	20,978
Due To Other Governments	209,225	(1,989)	(1,091)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ 872,364</u></b>	<b><u>\$ (24,637)</u></b>	<b><u>\$ 352,146</u></b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>			
Capital Asset Contributions	\$ 147,967	\$ 3,281	\$ 55,333
Trade-In Of Capital Assets	-	-	-

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

(Continued)

<u>TURBINE GENERATOR</u>	<u>OTHER NONMAJOR ENTERPRISE</u>	<u>TOTALS</u>	<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</u>
\$ 2,252,767	\$ (468,668)	\$ 1,294,337	\$ 137,446
-	617,805	2,103,431	-
-	436	212	-
-	-	890	-
-	(47,845)	(54,843)	-
-	200	129,981	-
-	(12,000)	(92,079)	-
-	79,793	79,793	-
-	155,124	(222,952)	(1,200)
-	-	282,501	-
-	13,561	36,224	-
-	2,871	9,299	-
-	50,322	71,300	-
-	(5,706)	200,439	-
<u>\$ 2,252,767</u>	<u>\$ 385,893</u>	<u>\$ 3,838,533</u>	<u>\$ 136,246</u>
\$ -	\$ 385	\$ 206,966	-
-	3,500	3,500	-



CHASKA



**CITY OF CHASKA, MINNESOTA**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2004**

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	<b>AGENCY FUNDS</b>
<b><u>ASSETS</u></b>	
Cash And Cash Equivalents	\$ 226,022
Receivables:	
Accounts	7,181
Due From Other Funds	6,428
Due From Other Governments	161
	<hr/>
TOTAL ASSETS	<b><u>\$ 239,792</u></b>
<b><u>LIABILITIES</u></b>	
Accounts Payable	\$ 2,264
Due To Other Funds	6,428
Due To Other Governments	28,350
Deposits Payable	202,750
	<hr/>
TOTAL LIABILITIES	<b><u>\$ 239,792</u></b>

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 modified, form of government according to applicable State of Minnesota statutes. The Plan A, as modified, form prescribes a modified Administrator-Council form of organization. The Council consists of an elected mayor and four 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 also operates utilities in the areas of electric, water and sewer and also operates a community center, two golf courses, an Internet service and a gas turbine generator.

The financial statements of the City are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies that the City follows are described below to enhance the usefulness of the financial statements to the reader.

**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 its 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 organization has been defined and is presented as if they were part of the City in this report as follows:

Blended component unit –

The Chaska Economic Development Authority (EDA) was established in 1987 by Resolution No. 87-25 of the Chaska City Council. The EDA is included in these financial statements by reason of the EDA Board being comprised of City Council members. Activities of the EDA are financed by a tax levy of the City for that purpose. There are no other statements for the 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 Assets and that 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 are 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**” and are provided for on three 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, liabilities, 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 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.
- *Debt Service Fund - General Obligation Tax Increment Capital Appreciation Bonds of 1995*. This fund was established in 1995 to record the bond sale used to fund various public improvements supported by both special assessment and tax increment sources. The final debt service payment on these bonds was made in 2004 and the fund is closed as of December 31, 2004.
- *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

collection of all District #4 tax revenue which is used in turn to finance expenditures in other District #4 Funds that the City uses as a means to account for project costs.

- **Capital Project Fund - 2003 Improvement Projects** - This fund was established to account for 2003 improvement projects including First Street and Bavaria Road Reconstruction.

### 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.
- **Chaska 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.

### 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 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 the departments.
- **Fiduciary Funds** account for assets held on behalf of outside parties, including other governments, or other funds within the City. 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 Agency fund is used to account for the collection of assets in the form of deposits from builders.
  - **Developers’ Fund.** This Agency fund is used to account for the collections of assets in the form of billings to developers.
  - **MCES Collection Fund.** This Agency fund is used to account for the collection of assets in the form of sewer availability charges and contributed to the Metropolitan Council Environmental Services (MCES).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statement to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds,

subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 distort the direct costs and program revenues reported for the various functions concerned.

### C) Measurement Focus and Basis of Accounting

Government-Wide Financial Statements:

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 assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Financial Statements:

#### Governmental Funds

Governmental Funds use a *current financial resources measurement focus* and the *modified accrual basis of accounting*. This means that only current assets and current liabilities are generally included on the balance sheets. As stated earlier, the government-wide financial statements use an economic resources measurement focus and the accrual basis of accounting. Therefore, a reconciliation on the governmental funds statements becomes necessary to explain the difference in balances between the government-wide statements and the governmental fund statements.

The reported fund balance (net current assets) is considered a measure of "available, spendable resources". Governmental funds operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period. Their revenues are recognized when they become measurable and available and thus susceptible to accrual. "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City generally considers revenues as available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all requirements imposed by the provider have been met. Major revenues that are susceptible to accrual include property taxes, special assessments, intergovernmental revenues, charges for services, and interest on investments. Major revenues that are not susceptible to accrual include licenses and permits, fees and miscellaneous revenue. Such revenues are recorded only as received because they are not measurable until collected.

The City reports deferred revenue on its governmental balance sheet. Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned amounts are always reported as deferred revenue; earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period. Examples of unearned revenue would be grant monies that are received prior to the occurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Expenditures are generally recognized under the modified accrual basis of accounting where the expenditure is recorded when the related fund liability is incurred, except for principal and interest on long-term debt which is recognized when due.

#### Proprietary and Fiduciary Funds

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, and all liabilities, including long-term liabilities, associated with fund activity are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Fiduciary funds also utilize the *accrual basis of accounting*. The City has only one Fiduciary Fund type, an agency fund, which is custodial in nature (assets equal liabilities) and does not have a measurement focus.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues 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 and for certain Special Revenue funds (schedules are included in the financial statements) are adopted on a basis consistent with United States generally accepted accounting principles. 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. 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.

**F) Receivables****1. PROPERTY TAX**

Property tax levies are levied by the City Council and must be levied on or before five business days after December 20<sup>th</sup>. 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.

A portion of the property taxes levied is paid by the State of Minnesota through Market Value Credit, which is usually included in intergovernmental revenue in the financial statements.

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 at that date. Revenues are accrued in the year collectable net of delinquencies.

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

Taxes, which remain unpaid at December 31, are classified as “delinquent taxes receivable” and are fully offset by deferred revenue in the governmental fund statements because they are not available to finance current expenditures. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

**2. SPECIAL ASSESSMENTS**

The principal and interest portion of special assessments is recognized as revenue in the year when collected in the governmental funds. Both the principal and interest on special assessments are payable in installments over a term of years that matches the scheduled payments for the bond issue which financed the project. Special assessments, which remain unpaid at December 31, are classified as “special assessments receivable” and are fully offset by deferred revenue in the governmental fund financial statements because they are not available to finance current expenditures.

**3. TRADE RECEIVABLES**

All trade receivables are shown net of an allowance for uncollectibles.

**G) Short-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 portion of lending/borrowing arrangements (advances) are classified as “interfund receivables/payables”.

**H) Inventory**

Inventories in the enterprise funds are valued at cost, which approximates market, using a weighted method. Inventories are recorded as expenses when consumed.

**I) Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2004 are recorded as prepaid items. Prepaid items are accounted for using the consumption method.

**J) Advances to Other Funds**

Long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve in the governmental fund statements, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

**K) Land Held for Resale**

Land held for resale represent various property purchases made by the City with the intent to sell in order to increase tax base or attract new business. These assets are stated at the lower of cost or net realizable value.

**L) Restricted Assets and Investments With Escrow Agent**

In the government-wide statement of net assets 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. In the governmental fund financial statements these proceeds are listed as Investments with Escrow Agent. In the debt service funds, the proceeds of a crossover refunding bond issue held by the refunding bond escrow agent are reported as investments with escrow agent. These proceeds and any interest earned thereon can only be used to retire the related bond issue being refunded on its crossover refunding date (the date at which the refunded issue is callable), or to pay interest on the refunding issue until that time.

**M) Capital Assets**

Capital assets, which include land, building and structures, equipment and infrastructure assets (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 record exists. 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.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City relating to construction during the current fiscal year was \$568,829. Of this amount, \$471,763 was included as part of the cost of capital assets under construction in connection with the water treatment facilities project.

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 of depreciation. The City uses a \$5,000 capitalization policy. Depreciation has been provided for in these financial statements based on the following estimated 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.

In accordance with GASB 34 ¶148, the City of Chaska has chosen to report infrastructure assets prospectively beginning in the year of implementation (2003). The government-wide financial statements include infrastructure assets that were completed in 2003 and 2004. The City will retroactively report (1981–2002) all major general infrastructure assets by December 31, 2007.

#### **N) Compensated Absences**

The City compensates all 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. 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. A liability for these amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### **O) 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**P) Fund Balance**

The difference between fund assets and liabilities is “Fund Balance” on the governmental fund statements. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

**Q) Net Assets**

Net assets represent the difference between assets and liabilities in the government-wide and proprietary fund financial statements. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**R) 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 assets represents interfund receivable or payable between the two types of activities: governmental and business-type.

**Note 2 Compliance and Accountability**

**A) Budget**

The City follows these procedures in establishing the annual budgetary data:

1. City Administrative Services Director prepares history of actual revenues and expenditures for the prior two years and an estimate for the current year.

2. Department heads review the history and estimate the coming year's revenues and expenditures and project for the subsequent five years. Department heads submit their five-year budgets to the City Administrative Services Director.
3. Department budgets are reviewed and combined into a total five-year budget by the City Administrator and City Administrative Services Director.
4. The City Administrator recommends the five-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 and Council, Communication, 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 reserves 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 reserves 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, 2004, expenditures exceeded appropriations in the general fund by \$74,233. This variance was funded by greater than anticipated revenues.

**C) Nonmajor Funds with Negative Equity**

The following nonmajor funds maintained a deficit fund balance/net asset position at December 31, 2004:

**Capital Project Funds:**

TIF Dist #10 - Nordic Track	\$ 159,692
Redevelopment Plan #4 - Non TIF Projects	404,989
TIF Dist #4 - 1999 Taxable Writedowns	231,894
TIF Dist #12 - Clover Fields	57,462
TIF Dist #13 - North Meadows	5,570
TIF Dist #15 - Chamber Redevelopment	3,544
Unfinanced Improvement Projects	1,828,668
1999 Improvement Projects	2,557
2000 Improvement Projects	112,091
Public Facilites Capital Improvements	245,684
Hwy 312 Improvements	949

**Enterprise Funds:**

Internet Service Provider	628,597
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The deficits in the Capital Project funds relate to capital projects that have incurred expenditures but have not received final financing or grant reimbursement. All funds are expected to recover their 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 combined balance sheet as "Cash and Investments". An indication of the level of risk assumed by the City at year-end is categorized as follows:

**A) Deposits**

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

Authorized collateral includes the legal investments described below, 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.

Deposit balances at December 31, 2004 are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Total Bank Deposits	\$ 2,824,594	\$ 1,306,889

At December 31, 2004, all deposits were insured, or collateralized by securities held by the City's agent in the City's name.

## B) Investments

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

- 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 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen 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, of the highest category by at least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed Investment Contracts guaranteed by the United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and 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, a primary reporting dealer in U. S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers
- Future contracts sold under authority of Minnesota Statutes 471.56, subd. 5.

The City's investments are categorized below to give an indication of the level of risk assumed at year-end. *Category 1* includes investments that are insured or registered or for which the City or its agent in the City's name holds the securities. *Category 2* includes uninsured and unregistered investments for which the securities are held by the counterparty's

**Notes To The Financial Statements**

**City of Chaska, Minnesota**

**December, 31 2004**

trust department or agent in the City's name. *Category 3* includes uninsured and unregistered investments for which securities are held by the counterpart.

Investment balances at December 31, 2004 are as follows:

	<b>Credit Risk Category</b>			Fair Value
	1	2	3	
U.S. Government Securities	\$ 16,617,099	\$ -	\$ -	\$ 16,617,099
Commercial Paper	10,181,024	-	-	10,181,024
Guaranteed Investment Contracts	-----Unclassified-----			9,134,302
Open End Mutual Funds	-----Unclassified-----			3,849,696
Total Investments	\$ 26,798,123	\$ -	\$ -	\$ 39,782,121
Total Deposits				1,306,889
Petty Cash				2,775
Total Deposits and Investments				\$ 41,091,785

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

Statement of Net Assets - Government-Wide	
Cash and Investments	\$ 35,129,699
Restricted Cash and Investments w/Escrow Agent:	
For Debt Service	5,736,064
	40,865,763
Statement of Net Assets - Fiduciary Funds	
Cash and Investments	226,022
Total Cash and Investments	41,091,785

**Note 4 Detail of Other Receivables**

Other receivables as of year-end for the City's individual major funds and nonmajor funds are as follows:

	<b>Governmental Funds</b>			
	General	TIF District #4	Nonmajor	Government
	Fund	Revolving Fund	Governmental Funds	Wide Total
Other Receivables:				
Contracts	\$ -	\$ 174,738	\$ -	\$ 174,738
Notes	85,417	510,664	666,866	1,262,947
Total Other Receivables	<u>\$ 85,417</u>	<u>\$ 685,402</u>	<u>\$666,866</u>	<u>\$ 1,437,685</u>

\$1,094,221 of the \$1,262,947 Notes Receivable balance is not expected to be received within one year. \$169,216 of the \$174,738 Contracts Receivable balance is not expected to be received within one year. In the governmental funds, amounts have been deferred based on the availability criteria.

**Note 5 Capital Assets**

Capital Asset activity for Governmental activities for the year ended December 31, 2004 is as follows:

	BALANCE				BALANCE
	JAN. 1,	INCREASES	DECREASES	TRANSFERS	DEC. 31,
	2004				2004
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 4,011,024	\$ 1,555,542	\$ -	\$ -	\$ 5,566,566
Works of Art/Treasures	25,425	57,237	-	-	82,662
Construction In Progress	11,471,748	4,746,336	(8,332,451)	49,580	7,935,213
Total capital assets, not being depreciated	15,508,197	6,359,115	(8,332,451)	49,580	13,584,441
Capital assets, being depreciated:					
Buildings And Structures	9,873,580	395,184	-	(10,220)	10,258,544
Improvements Other Than Buildings And Structures	5,961,496	287,847	-	(39,360)	6,209,983
Infrastructure	6,701,575	6,383,588	-	-	13,085,163
Furniture And Equipment	6,819,202	513,815	(437,225)	66,001	6,961,793
Total capital assets being depreciated	29,355,853	7,580,434	(437,225)	16,421	36,515,843
Less accumulated depreciation for:					
Buildings And Structures	(2,903,286)	(334,240)	-	-	(3,237,526)
Improvements Other Than Buildings And Structures	(2,621,464)	(264,379)	-	-	(2,885,843)
Infrastructure	(239,140)	(304,871)	-	-	(544,011)
Furniture And Equipment	(4,100,018)	(583,182)	410,137	(61,841)	(4,334,904)
Total accumulated depreciation	(9,863,908)	(1,486,672)	410,137	(61,841)	(11,002,284)
Total capital assets, being depreciated, net	19,491,945	6,093,762	(27,088)	(45,420)	25,513,199
Governmental activities capital assets, net	\$ 35,000,142	\$ 12,452,877	\$ (8,359,539)	\$ 4,160	\$ 39,097,640

**Notes To The Financial Statements**

**City of Chaska, Minnesota**

**December, 31 2004**

Capital Asset activity for Business-Type activities for the year ended December 31, 2004 is as follows:

	<b>BALANCE</b>				<b>BALANCE</b>
	<b>JAN. 1,</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>TRANSFERS</b>	<b>DEC. 31,</b>
	<b>2004</b>				<b>2004</b>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 364,805	\$ -	\$ -	\$ -	\$ 364,805
Construction in Progress	6,129,439	7,575,280	-	-	13,704,719
Total capital assets, not being depreciated:	6,494,244	7,575,280	-	-	14,069,524
Capital assets, being depreciated:					
Buildings And Structures	31,364,308	82,299	-	(182,618)	31,263,989
Improvements Other Than Buildings And Structures	200,969	-	-	182,618	383,587
Furniture and Equipment	3,804,627	1,016,727	(287,820)	(84,269)	4,449,265
Line, Poles, Transformers, and Other	10,563,335	559,405	-	-	11,122,740
Pumps, Mains, and Other	5,298,984	59,455	-	18,267	5,376,706
Total Capital assets, being depreciated	51,232,223	1,717,886	(287,820)	(66,002)	52,596,287
Less accumulated depreciation for:					
Buildings And Structures	(10,859,210)	(1,209,803)	-	16,795	(12,052,218)
Improvements Other Than Buildings And Structures	(46,126)	(8,460)	-	(16,795)	(71,381)
Furniture and Equipment	(2,249,228)	(365,911)	287,820	148,521	(2,178,798)
Line, Poles, Transformers, and Other	(4,275,675)	(342,816)	-	(84,751)	(4,703,242)
Pumps, Mains, and Other	(3,591,902)	(176,441)	-	(1,928)	(3,770,271)
Total accumulated depreciation	(21,022,141)	(2,103,431)	287,820	61,842	(22,775,910)
Total capital assets, being depreciated, net	30,210,082	(385,545)	-	(4,160)	29,820,377
Business-type activities capital assets, net	<u>\$ 36,704,326</u>	<u>\$ 7,189,735</u>	<u>\$ -</u>	<u>\$ (4,160)</u>	<u>\$ 43,889,901</u>

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

**Governmental Activities:**

General Government	\$309,541
Economic Development	11,131
Public Safety	350,337
Public Works	684,381
Parks, Recreation & Arts	<u>131,282</u>

Total Depreciation Expense –  
Governmental Activities \$1,486,672

**Business-Type Activities:**

Electric	\$636,624
Water	186,888
Sewer	114,802
Community Center	662,114
Chaska Par 30	13,259
Chaska Town Course	456,871
Internet Service Provider	<u>32,873</u>

Total Depreciation Expense –  
Business-Type Activities \$2,103,431

**Note 6 Lease Receivable Agreement**

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 of constructing the facility were \$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 parties gives MMPA the annual option to continue this agreement for an additional twenty-year period beginning 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 1<sup>st</sup> of the year the option will not be exercised. MMPA will continue to have this option for the twenty-year life of the agreement, even if it chooses not to exercise the option in one or more years during the term of the agreement.

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

Year Ending December 31,	Lease Receivable	
	Principal	Interest
2005	\$ 290,738	\$ 2,374,098
2006	316,624	2,350,330
2007	344,812	2,324,444
2008	375,510	2,296,256
2009	408,940	2,265,558
2010-2014	2,660,148	10,545,192
2015-2019	4,074,794	9,130,546
2020-2024	6,241,725	6,963,615
2025-2029	9,561,012	3,644,328
2030-2031	3,316,821	204,665
Total	<u>\$ 27,591,124</u>	<u>\$ 42,099,032</u>

**Note 7 Long-Term Debt**

Long-term liability for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General Obligation bonds:					
Equipment Certificates	\$ 760,000	\$ 815,000	\$ (370,000)	\$ 1,205,000	\$ 390,000
Tax Increment Bonds	41,193,162	3,360,000	(8,523,162)	36,030,000	7,250,000
Accreted Value	3,568,971	530,019	(4,098,990)	-	-
Improvement Bonds	8,275,000	9,430,000	(1,490,000)	16,215,000	2,345,000
Revenue Bonds	13,270,000	-	(3,525,000)	9,745,000	425,000
Plus: Premium	183,129	28,597	(63,653)	148,073	-
Total bonds payable	<u>67,250,262</u>	<u>14,163,616</u>	<u>(18,070,805)</u>	<u>63,343,073</u>	<u>10,410,000</u>
Compensated absences	<u>360,252</u>	<u>319,168</u>	<u>(301,434)</u>	<u>377,986</u>	<u>299,997</u>
Governmental Activity					
Long-term liabilities	<u>67,610,514</u>	<u>14,482,784</u>	<u>(18,372,239)</u>	<u>63,721,059</u>	<u>10,709,997</u>
<b>Business-type activities:</b>					
Bonds payable:					
General Obligation Revenue Bonds	15,265,000	-	(280,000)	14,985,000	390,000
Revenue Bonds	33,545,000	-	(555,000)	32,990,000	585,000
Plus: Premium	52,390	-	(2,764)	49,626	-
Total bonds payable	<u>48,862,390</u>	<u>-</u>	<u>(837,764)</u>	<u>48,024,626</u>	<u>975,000</u>
Compensated absences	<u>192,580</u>	<u>167,879</u>	<u>(154,554)</u>	<u>205,905</u>	<u>140,502</u>
Business-type activity					
Long-term liabilities	<u>\$ 49,054,970</u>	<u>\$ 167,879</u>	<u>\$ (992,318)</u>	<u>\$ 48,230,531</u>	<u>\$ 1,115,502</u>

For the Governmental Activities, compensated absences are generally liquidated by the General Fund.

**General Obligation Bonds**

General obligation debt is supported by the "full faith and credit" of the City. The City has obligated itself to levy ad valorem taxes in the event of any deficiency in the general obligation debt service funds.

**General Obligation Equipment Certificates:**

\$760,000 G.O. Equipment Certificates dated June 1, 2001; principal due in varying annual installments of \$175,000 to \$205,000 through December 1, 2005

\$530,000 G.O. Equipment Certificates dated September 1, 2002; principal due in varying annual installments of \$170,000 to \$185,000 through December 1, 2005

\$815,000 G.O. Equipment Certificates dated June 15, 2004; principal due in varying annual installments of \$265,000 to \$280,000 through December 1, 2008

<u>Purpose</u>	<u>Interest Rates</u>	<u>Outstanding Amount</u>
Governmental activities	1.5 - 3.9%	\$1,205,000

Annual debt service requirements to maturity for general obligation equipment certificates are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 390,000	\$ 33,395
2006	265,000	21,052
2007	270,000	15,488
2008	280,000	8,400
<u>Total</u>	<u>\$ 1,205,000</u>	<u>\$ 78,335</u>

General Obligation Tax Increment Bonds:

\$4,510,000 G.O. Tax Increment Bonds dated March 1, 1998; crossover refunded in 2004; remaining bonds maturing in the years 2006 through 2010 in the principal amount of \$2,360,000 will be called on December 1, 2005

\$12,120,000 G.O. Tax Increment Bonds dated March 1, 1999; principal due in varying annual installments of \$620,000 to \$3,000,000 through December 1, 2010

\$670,000 G.O. Tax Increment Bonds dated March 1, 1999; principal due in varying annual installments of \$70,000 to \$125,000 through December 1, 2010

\$4,675,000 G.O. Tax Increment Bonds dated August 1, 2000; principal due in varying annual installments of \$125,000 to \$1,000,000 through December 1, 2010

\$1,140,000 G.O. Taxable Tax Increment Bonds dated August 1, 2000; principal due in varying annual installments of \$100,000 to \$165,000 through December 1, 2010

\$2,220,000 G.O. Taxable Tax Increment Refunding Bonds dated October 1, 2001; principal due in varying annual installments of \$310,000 to \$600,000 through December 1, 2006

\$3,550,000 G.O. Tax Increment Crossover Refunding Bonds dated February 1, 2002; principal due in varying annual installments of \$725,000 to \$1,400,000 through December 1, 2008

\$1,555,000 G.O. Taxable Tax Increment Refunding Bonds dated September 1, 2002; principal due in varying annual installments of \$150,000 to \$280,000 through December 1, 2010

\$6,220,000 G.O. Tax Increment Refunding Bonds dated May 1, 2003; principal due in varying annual installments of \$2,795,000 to \$3,425,000 through December 1, 2006

City of Chaska, Minnesota

December, 31 2004

\$2,470,000 G.O. Tax Increment Refunding Bonds dated June 15, 2004; principal due in varying annual installments of \$615,000 to \$625,000 through December 1, 2013

\$890,000 G.O. Taxable Tax Increment Bonds dated June 15, 2004; principal due in varying annual installments of \$45,000 to \$80,000 through December 1, 2021

<u>Purpose</u>	<u>Interest Rates</u>	<u>Outstanding Amount</u>
Governmental activities	3.7 - 7.4%	\$ 21,435,000
Governmental activities - refunding	2.75 - 5.2%	14,595,000
		<u>\$ 36,030,000</u>

Annual debt service requirements to maturity for general obligation tax increment bonds are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 7,250,000	\$ 1,495,827
2006	5,375,000	1,216,258
2007	5,345,000	1,021,632
2008	5,820,000	798,183
2009	4,445,000	547,370
2010-2014	7,300,000	631,385
2015-2019	335,000	112,630
2020-2024	160,000	14,880
<u>Total</u>	<u>36,030,000</u>	<u>\$ 5,838,165</u>

General Obligation Improvement Bonds:

\$7,565,000 G.O. Improvement Bonds dated June 1, 2001; principal due in varying annual installments of \$500,000 to \$1,065,000 through December 1, 2011

\$1,420,000 G.O. Improvement Refunding Bonds dated October 1, 2001; principal due in varying annual installments of \$50,000 to \$270,000 through December 1, 2009

\$455,000 G.O. Improvement Bonds dated September 1, 2002; principal due in varying annual installments of \$40,000 to \$75,000 through December 1, 2012

\$555,000 G.O. Taxable Improvement Bonds dated September 1, 2002; principal due in varying annual installments of \$50,000 to \$60,000 through December 1, 2012

\$2,780,000 G.O. Capital Improvement Plan Refunding Bonds dated March 1, 2004; principal due in varying annual installments of \$130,000 to \$305,000 through December 1, 2015

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\$6,650,000 G.O. Improvement Bonds dated June 15, 2004; principal due in varying annual installments of \$115,000 to \$840,000 through December 1, 2020

Purpose	Interest Rates	Outstanding Amount
Governmental activities	1.5 - 4.9%	\$ 12,915,000
Governmental activities - refunding	1.1 - 3.9%	3,300,000
		<u>\$ 16,215,000</u>

Annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2005	\$ 2,345,000	\$ 554,137
2006	2,480,000	487,880
2007	2,445,000	412,250
2008	2,290,000	330,368
2009	1,820,000	250,953
2010-2014	3,865,000	573,045
2015-2019	855,000	110,840
2020-2024	115,000	5,175
Total	<u>\$ 16,215,000</u>	<u>\$ 2,724,648</u>

General Obligation Revenue Bonds:

\$1,130,000 G.O. Water Revenue Bonds dated May 1, 1996; principal due in varying annual installments of \$40,000 to \$200,000 through December 1, 2006

\$15,150,000 G.O. Water Revenue Bonds dated May 1, 2003; principal due in varying annual installments of \$245,000 to \$1,160,000 through December 1, 2022

Purpose	Interest Rates	Outstanding Amount
Water Treatment Facilities - Water Fund	2.25 - 4.8%	\$14,985,000

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Annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31	Business-type Activities	
	Principal	Interest
2005	\$ 390,000	\$ 567,596
2006	595,000	557,821
2007	675,000	542,026
2008	690,000	525,152
2009	705,000	506,176
2010-2014	3,890,000	2,148,119
2015-2019	4,705,000	1,322,695
2020-2024	3,335,000	296,595
Total	<u>\$ 14,985,000</u>	<u>\$ 6,466,180</u>

**Revenue Bonds:**

\$9,150,000 EDA School Facilities Lease Revenue Refunding Bonds dated June 1, 1999; principal due in varying annual installments of \$25,000 to \$1,440,000 through December 1, 2019

\$34,580,000 Electric Revenue Bonds dated July 1, 2000; principal due in varying annual installments of \$505,000 to \$2,385,000 through October 1, 2030

\$1,650,000 Public Facilities Revenue Bonds dated October 1, 2001; principal due in varying annual installments of \$25,000 to \$360,000 through December 1, 2014

\$325,000 Public Facilities Lease Revenue Bonds dated March 1, 2002; principal due in varying annual installments of \$105,000 to \$110,000 through December 1, 2005

Purpose	Interest Rates	Outstanding Amount
Governmental activities	2.75 - 4.9%	\$ 1,700,000
Governmental activities - refunding	5.13 - 5.5%	8,045,000
Turbine Generator Fund	4.5% - 6.1%	32,990,000
		<u>\$ 42,735,000</u>

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Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 425,000	\$ 502,778	\$ 585,000	\$ 1,950,279
2006	425,000	483,209	610,000	1,921,029
2007	440,000	463,282	645,000	1,887,479
2008	560,000	442,308	680,000	1,851,681
2009	580,000	415,043	720,000	1,813,601
2010-2014	3,460,000	1,618,458	4,250,000	8,420,261
2015-2019	3,855,000	733,290	5,595,000	7,067,815
2020-2024	-	-	7,490,000	5,177,500
2025-2029	-	-	10,030,000	2,633,425
2030-2034	-	-	2,385,000	145,485
Total	<u>\$ 9,745,000</u>	<u>\$ 4,658,368</u>	<u>\$ 32,990,000</u>	<u>\$ 32,868,555</u>

### **2004 Activity**

On March 1, 2004 the City issued \$2,780,000 in General Obligation Capital Improvement Plan Refunding Bonds with a net effective interest rate of 3.127% (1.1% to 3.70%) to refund the remaining outstanding maturities of the City Economic Development Authority's \$4,175,000 Public Facilities Lease Revenue Bonds, Series 1995 which was used to finance the acquisition of the fire department building and the driver and vehicle services building. The maturity date is December 1, 2015. These bonds are backed by the full faith and credit of the City. This current refunding was undertaken to reduce total debt service payments over the next 12 years by \$606,662 and resulted in an economic gain of \$442,415.

On June 15, 2004 the City issued \$6,650,000 in General Obligation Improvement Bonds with a net effective interest rate of 3.4998% (1.75% - 4.50%). Proceeds of the Improvement Bonds, together with funds from the Metropolitan Council and the City, will be used to finance street improvement projects in the City, including Bavaria Road and First Street. The maturity date is December 1, 2020. These bonds are backed by the full faith and credit of the City.

On June 15, 2004 the City issued \$2,470,000 in General Obligation Tax Increment Refunding Bonds with a net effective interest rate of 3.7522% (3.60% - 3.75%). Proceeds of the Refunding Bonds will be used to cross refund \$2,360,000 of the \$3,050,000 outstanding of the \$4,510,000 General Obligation Tax Increment Bonds of 1998. The crossover date is December 1, 2005. This refunding was undertaken to allow the City to take advantage of lower interest rates and to restructure its annual debt service requirements. The maturity date is December 1, 2013. These bonds are backed by the full faith and credit of the City.

On June 15, 2004 the City issued \$890,000 in Taxable General Obligation Tax Increment Bonds with a net effective interest rate of 5.9338% (4.00% - 6.20%). Proceeds of the Taxable Bonds

will be used to finance public improvements of Block 53 in the City's Tax Increment District No. 14. The Taxable bonds are being used as taxable obligations under state and federal tax laws as a result of contractual commitments by private entities regarding minimum assessed values of properties benefiting from the proceeds of the Taxable Bonds. The maturity date is December 1, 2021. These bonds are backed by the full faith and credit of the City.

On June 15, 2004 the City issued \$815,000 in General Obligation Equipment Certificates with a net effective interest rate of 2.7121% (2.10% - 3.00%). Proceeds of the Certificates were used to finance the acquisition capital equipment for various City departments. The maturity date is December 1, 2008. These bonds are backed by the full faith and credit of the City.

On December 1, 2004 a crossover refunding occurred related to bonds that were issued on May 1, 2003. On that date, the City issued \$6,220,000 General Obligation Tax Increment Crossover Refunding Bonds with a net effective interest rate of 1.934% (interest rate on the bonds is 3%) to provide moneys to cross refund the outstanding General Obligation Capital Appreciation Bonds of 1995. The maturity date of the new bonds is December 1, 2006. This current refunding was undertaken to reduce total debt service payments over the next 2 years by \$254,550 and resulted in an economic gain of \$241,971

**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, 2004, the City has one outstanding note payable which is for Entegris, Inc., (formerly Flouroware, Inc.). This note was issued in 1997 at 8.5% interest with payments due through 2010. The outstanding balance as of December 31, 2004 is \$1,801,361. This amount has not been included in long-term debt because of the nature of these 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) 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 bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the 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. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

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As of December 31, 2004, there were seven series of IRBs outstanding. The aggregate principal amount payable for the one series issued after July 1, 1995, was \$1,735,000. The aggregate principal amount payable for the six series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$17,502,500.

As of December 31, 2004, there were twelve series of HRBs outstanding. The aggregate principal amounts payable for the series issued after July 1, 1995 was \$15,000,691. The aggregate principal amount payable for the five series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$10,595,000.

### Note 8 Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2004 are as follows:

*Due to/from other funds:*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Other Nonmajor Governmental	District #4 Revolving	\$ 12,116,461	1
Other Nonmajor Governmental	Other Nonmajor Governmental	2,816,450	1
Electric	Chaska Town Course	16,279	1
Fiduciary	Fiduciary	6,428	1
<b>Total</b>		<u>\$ 14,955,618</u>	

*Interfund receivables/payables:*

*Advances to/from other funds:*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Interfund</u>		<u>Total</u>	<u>Purpose</u>
		<u>Receivables/ Payables</u>	<u>Advances To/From</u>		
Electric Fund	Other Nonmajor Governmental	\$ 1,736,204	\$ 55,000	\$ 1,791,204	2/3
Other Nonmajor Governmental	District #4 Revolving	153,657	349,758	503,415	4
Other Nonmajor Governmental	Other Nonmajor Governmental	225,053	653,820	878,873	4
Other Nonmajor Governmental	Other Nonmajor Business-Type	-	621,000	621,000	5
Turbine	Electric Fund	22,685	1,327,214	1,349,899	6
Electric Fund	Other Nonmajor Business-Type	168,000	813,086	981,086	7
<b>Total</b>		<u>\$ 2,305,599</u>	<u>\$ 3,819,878</u>	<u>\$ 6,125,477</u>	

### **Explanation of Purpose for Receivables/Payables & Advances to/from other funds:**

(1) The *Due To/Due From Other Funds* eliminate what would have been a negative cash balance in the fund. The City settled these interfund payables in early 2005.

(2) \$1,716,204 is related to TIF District #15 (Downtown Redevelopment) financing first year project costs with a loan from the Electric Fund. The loan, plus interest, will be paid in full when bonds and land are sold to finance the project in 2005.

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(3) \$75,000 is related to a loan that the Electric Fund made to the Public Facilities Improvement Fund for Facility Construction. \$55,000 of the amount outstanding will not be paid within one year.

(4) This receivable/payable represents loans between the City of Chaska and Chaska EDA in order to redevelop Tax Increment Districts. Repayment of the loan principal and interest has and will be made from tax increment generated from the Districts. Of this amount, \$1,003,578 will not be paid within the next year.

(5) When the City developed the expanded wireless internet service, the City financed the Capital Investment through the sale of equipment certificates in the amount of \$621,000. This loan is between the Equipment Acquisition Fund and the Internet Service Provider Enterprise Fund. The entire principal amount of the loan will remain outstanding throughout 2005.

(6) A long-term interfund loan between the Electric Fund and the Turbine Fund was made in 2001 to finance a substation. Of the \$1,349,899 owed at 12/31/04, \$1,327,214 represents the portion that will not be paid within the year.

(7) The additional costs not covered by the loan explained in (5) were funded through an interfund loan between the Electric Utility and the Internet Service Provide Enterprise Fund. Of the amount listed, \$813,086 will not be paid within one year.

**Interfund transfers:**

	Transfers In:						Total
	Governmental Activities				Business-Type Activities		
	GO TI Capital	2003		Other	Water	Community Center	
Transfers Out:	General Fund	Appreciation Bond of 1995	Improvement Projects	Nonmajor			
General Fund	\$ -	\$ -	\$ -	\$ 301	\$ -	\$ -	\$ 301
District #4 Revolving	-	3,540,345	-	2,083,105	-	-	5,623,450
Other Nonmajor Governmental	38,900	200,000	1,498,399	1,225,163	1,171,214	-	4,133,676
Electric	-	-	-	158,000	4,787	100,000	262,787
Water	-	-	-	3,500	-	-	3,500
Community Center	-	-	-	212,179	-	-	212,179
Turbine	127,000	-	-	328,000	-	-	455,000
Other Nonmajor Business-Type	-	-	-	3,500	-	-	3,500
	<u>\$ 165,900</u>	<u>\$ 3,740,345</u>	<u>\$ 1,498,399</u>	<u>\$ 4,013,748</u>	<u>\$ 1,176,001</u>	<u>\$ 100,000</u>	<u>\$ 10,694,393</u>

\* The discrepancy between this Note and the Proprietary Funds Statement of Activities is due to a transfer of an asset from the Enterprise Funds to Governmental Funds. Governmental Funds do not report capital assets, therefore, a transfer out is only reflected on the Proprietary Funds Statement of Activities without a corresponding Transfer In on the Governmental Funds Statements.

**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 9 Reserved and Unreserved-Designated Fund Balance

The following table identifies fund balances of the Governmental Funds in greater detail than is presented on the face of the financial statements:

	Governmental Fund Balances As of December 31, 2004					
	General	Dist #4 Revolving	2003 Improvement Projects	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects
Fund Balances:						
Reserved for Community Center	\$ -	\$ -	\$ -	\$ 35,095	\$ -	\$ -
Reserved for Debt Requirements	-	-	-	-	2,284,410	-
Reserved for Refunding Bonds	-	-	-	-	2,395,600	-
Reserved for Advance to Other Funds	-	-	-	621,000	-	1,003,578
Reserved for Construction	-	-	2,732,589	-	-	23,884,556
Reserved for Mt. Pleasant Perpetual Care	-	-	-	90,362	-	-
Reserved for Grace Gibson Foundation	-	-	-	360	-	-
Reserved for Redevelopment	-	-	-	-	-	1,323,009
Total Reserved Fund Balances:	-	-	2,732,589	746,817	4,680,010	26,211,143
Unreserved Fund Balances:						
Designated for Capital Outlay Acquisition	-	-	-	1,606,343	-	-
Designated for Compensated Balances	377,986	-	-	-	-	-
Designated for Working Capital	2,705,000	-	-	-	-	-
Total Designated Fund Balances:	3,082,986	-	-	1,606,343	-	-
Undesignated	130,725	(12,509,779)	1,748,372	87,829	-	(4,462,050)
Total Unreserved Fund Balances:	3,213,711	(12,509,779)	1,748,372	1,694,172	-	(4,462,050)
Total Fund Balances	\$ 3,213,711	\$ (12,509,779)	\$ 4,480,961	\$ 2,440,989	\$ 4,680,010	\$ 21,749,093

## Note 10 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 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 11 Committed Contracts**

At December 31, 2004, the City had commitments for eleven uncompleted construction contracts with a remaining balance of \$10,363,609.

### **Note 12 Right-of-Way**

At December 31, 2004 the City had acquired in name eighteen properties for a total cost of \$6,434,698 for State Highway 312 right-of-way under the Metropolitan Council Right-of-Way Acquisition Loan Fund (RALF).

Under the RALF program, the City is obligated to return to the Metropolitan Council the proceeds of all RALF properties sold to the State of Minnesota. These RALF obligations and related properties have not been recorded since they do not represent true resources or liabilities of the City.

### **Note 13 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.

**Note 14 Jointly Governed Organization**

The City, in conjunction with ten other municipalities that provide distribution of electric services, created the Minnesota Municipal Power Agency (MMPA). MMPA began operations on July 1, 1995. MMPA purchases power that is purchased and distributed by the eleven 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, 2004 were \$11,820,759. MMPA issues an annual financial report which may be obtained by writing MMPA, P.O. Box 339, 2015 First Avenue, Anoka, MN 55303, or by calling (763) 323-3337.

**Note 15 Subsequent Events**

On April 20th, 2005 the City issued \$30,735,000 in Electric Revenue Refunding Bonds (Generating Facilities) with a net effective interest rate of 4.89% (3.0% to 5.25%). Proceeds of the refunding bond will be used to partially advance refund \$32,890,000 of the \$34,580,000 Electric Revenue Series 2000A Bonds, currently outstanding in the aggregate principal amount of \$32,990,000. The call date of this partial advance refunding is October 1, 2010. The purpose of this refunding is to enable the City to achieve a debt service savings of \$2,594,566, a present value savings of \$1,508,627.

**Note 16 Defined Benefit Pension Plans - Statewide****A) Plan Description**

All full-time and certain part-time employees of the City of Chaska are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula

(Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained from their website at [mnpera.org](http://mnpera.org), by writing to PERA, 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103 or by calling (651) 296-7460 or 1-800-652-9026.

## **B) Funding Policy**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.10%, respectively, of their annual covered salary. PEPFF members are required to contribute 6.20% of their annual covered salary. The City of Chaska is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 5.53% for Coordinated Plan PERF members, and 9.3% for PEPFF members. The City's contributions were equal to the contractually required contributions for each year as set by state statute and were as follows:

City of Chaska, Minnesota

December, 31 2004

	<u>PERF</u>	<u>PEPFF</u>
<b>December 31, 2002</b>	\$ 225,369	\$ 105,420
<b>December 31, 2003</b>	241,193	129,104
<b>December 31, 2004</b>	256,573	136,804

### **Note 17 Defined Contribution Plan – Statewide**

Two 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 the Public Employees Retirement Association of Minnesota (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 the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and four-tenths of one percent of the assets in each members account annually.

Total contributions made by the City of Chaska during fiscal year 2004 were:

<u>Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required</u>
<u>Employees</u>	<u>Employer</u>	<u>Employees</u>	<u>Employer</u>	<u>Rates</u>
\$432	\$432	5.00%	5.00%	5.00%

### **Note 18 Defined Benefit Pension Plans – Local**

#### **A) Plan Description**

The City of Chaska contributes to the Chaska Fire Department Relief Association Pension Plan (CFDRAPP); a single-employer defined benefit pension plan administered by the Chaska Fire Department Relief Association (CFDRA) and governed by a board of nine trustees. The members of the CFDRA elect six trustees, each to a three year term. The Fire Chief, Mayor and Chief Financial Officer of the City are appointed by the City as ex-officio trustees. Ex-officio trustees are not permitted to hold any additional office in the CFDRA. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. These benefit provisions are established and can be amended by the CFDRA's Board of Trustees with approval by the Chaska City Council. The CFDRA issues a publicly

available financial report that includes financial statements and required supplementary information for CFDRAPP. That report may be obtained by writing to City of Chaska, One City Hall Plaza, Chaska, MN 55318-1962 or by calling (952) 448-9200.

#### B) Funding Policy

The contribution requirements are established and may be amended by the Minnesota State Legislature. The CFDRAPP is comprised of volunteers; therefore, there are no covered payroll amounts or member contributions required.

#### C) Annual Pension Cost and Net Pension Obligations

For 2003, the City of Chaska's annual pension cost of \$219,055 was equal to the City's required and actual contribution. The annual required contribution for the year was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return, (b) no projected salary increases and (c) no cost-of-living adjustments. Both (a) and (b) include an inflation component of 0.0%. The actuarial value of assets was determined using fair value based on current market value. The unfunded actuarial accrued liability is being amortized as a level dollar on a closed basis. The remaining amortization period at December 31, 2003 was 13 years (December 31, 2016).

Total annual pension costs for the CFDRAPP for the year ended December 31, 2003 were as follows:

<u>Contribution</u>	<u>Amount</u>
State of Minnesota	\$ 90,305
City of Chaska:	
Tax Levy	63,750
Additional	65,000
Total City Contribution	<u>128,750</u>
Total Annual Pension Cost	<u>\$ 219,055</u>

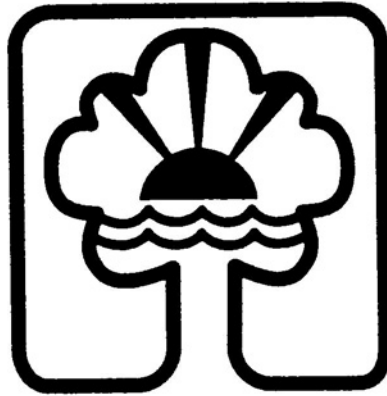
#### D) Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
12/31/2001	197,269	100.0%	-
12/31/2002	202,230	100.0%	-
12/31/2003	219,055	100.0%	-

**E) Required Supplementary Information, Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Total Unfunded Actuarial Liability</b>	<b>Funded Ratio</b>	<b>Pension Benefit per Month</b>	
					<b>Per Month of Service</b>	<b>Estimated Per Year of Service</b>
12/31/00	2,610,018	3,812,238	1,202,220	68.5%	1.8000	21.60
12/31/02	2,358,094	4,017,005	1,658,911	58.7%	1.8000	21.60
12/31/03	2,719,820	4,135,388	1,415,568	65.8%	1.8000	21.60

The CFDRA is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll amounts or percentage calculations.)



CHASKA