

CHASKA

**Government-Wide Financial Statements**

**City of Chaska**

**December 31, 2005**

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CITY OF CHASKA, MINNESOTA

STATEMENT OF NET ASSETS  
DECEMBER 31, 2005

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Cash And Investments	\$ 17,316,751	\$ 7,356,588	\$ 24,673,339
Receivables:			
Taxes	400,479	-	400,479
Special Assessments	9,142,824	-	9,142,824
Accounts	100,870	3,166,020	3,266,890
Interest	124,436	14,990	139,426
Other Receivables	2,651,655	-	2,651,655
Internal Balances	(2,517,739)	2,517,739	-
Due From Other Governments	1,611,687	159,250	1,770,937
Lease Receivable - Current	-	316,624	316,624
Inventories	-	1,006,746	1,006,746
Long Term Lease Receivable	-	26,983,762	26,983,762
Restricted Cash & Investments:			
Cash with Escrow Agent - Debt Service	812,094	35,082,525	35,894,619
Accrued Interest on Investments	-	347,994	347,994
Deferred Charges	223,985	1,303,121	1,527,106
Land Held For Resale	1,893,394	-	1,893,394
Capital Assets (net of accumulated depreciation):			
Land	6,251,666	364,805	6,616,471
Works of Art & Historical Treasures	82,662	-	82,662
Buildings	6,677,655	35,512,178	42,189,833
Other Improvements	3,587,801	321,852	3,909,653
Furniture & Equipment	2,422,632	2,589,302	5,011,934
Infrastructure	17,529,267	8,374,824	25,904,091
Construction in Progress	20,734,699	197,277	20,931,976
<b>TOTAL ASSETS</b>	<b>89,046,818</b>	<b>125,615,597</b>	<b>214,662,415</b>
<u>LIABILITIES</u>			
Accounts Payable	1,152,577	515,138	1,667,715
Salaries Payable	204,995	130,340	335,335
Deposits Payable	-	145,052	145,052
Accrued Interest Payable	184,033	905,866	1,089,899
Due To Other Governments	293,832	1,232,312	1,526,144
Unearned Revenue	3,093,780	93,497	3,187,277
Non-current Liabilities:			
Due Within One Year	8,794,016	1,449,756	10,243,772
Due in More than One Year	44,463,855	77,498,123	121,961,978
<b>TOTAL LIABILITIES</b>	<b>58,187,088</b>	<b>81,970,084</b>	<b>140,157,172</b>
<u>NET ASSETS</u>			
Invested In Capital Assets, Net of Related Debt	37,773,047	33,955,748	71,728,795
Restricted for:			
Other Purposes	2,673,150	-	2,673,150
Debt Service	7,654,884	1,947,963	9,602,847
Capital Projects	10,389,253	-	10,389,253
Unrestricted	(27,630,604)	7,741,802	(19,888,802)
<b>TOTAL NET ASSETS</b>	<b>\$ 30,859,730</b>	<b>\$ 43,645,513</b>	<b>\$ 74,505,243</b>

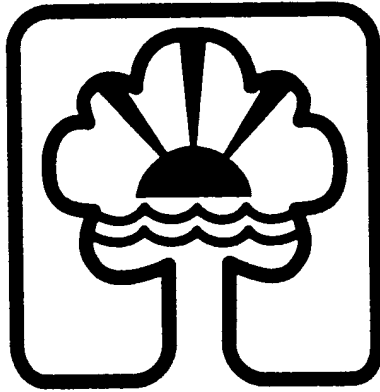
The notes to the financial statements are an integral part of this statement.

CITY OF CHASKA, MINNESOTA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Governmental Activities:</b>							
General Government	\$ 3,042,319	\$ 1,621,396	\$ 55,095	\$ 4,240	\$ (1,361,588)	\$ -	\$ (1,361,588)
Economic Development	5,063,685	131,819	1,091,201	3,319,593	(521,072)	-	(521,072)
Public Safety	3,403,114	153,726	412,669	97,923	(2,738,796)	-	(2,738,796)
Public Works	4,335,572	1,342,664	-	18,146,839	15,153,931	-	15,153,931
Parks, Recreation and Arts	628,147	88,900	34,708	103,221	(401,318)	-	(401,318)
Interest on Long-Term Debt	2,768,418	-	-	-	(2,768,418)	-	(2,768,418)
<b>Total Governmental Activities</b>	<b>19,241,255</b>	<b>3,338,505</b>	<b>1,593,673</b>	<b>21,671,816</b>	<b>7,362,739</b>	<b>-</b>	<b>7,362,739</b>
<b>Business-type Activities:</b>							
Electric	19,624,144	20,262,089	-	293,601	-	931,546	931,546
Water	1,783,643	1,071,231	-	3,900	-	(708,512)	(708,512)
Sewer	1,773,191	1,772,320	-	1,853	-	982	982
Community Center	2,888,228	2,205,413	-	-	-	(682,815)	(682,815)
Par 30 Golf Course	190,349	188,268	-	-	-	(2,081)	(2,081)
Chaska Town Course	1,769,858	1,562,967	-	-	-	(206,891)	(206,891)
Turbine Generator	3,113,656	2,431,864	-	-	-	(681,792)	(681,792)
Internet Service Provider	883,993	896,337	-	-	-	12,344	12,344
<b>Total Business-type Activities</b>	<b>32,027,062</b>	<b>30,390,489</b>	<b>-</b>	<b>299,354</b>	<b>-</b>	<b>(1,337,219)</b>	<b>(1,337,219)</b>
<b>TOTAL</b>	<b>\$ 51,268,317</b>	<b>\$ 33,728,994</b>	<b>\$ 1,593,673</b>	<b>\$ 21,971,170</b>	<b>7,362,739</b>	<b>(1,337,219)</b>	<b>6,025,520</b>
<b>General Revenues:</b>							
Property Taxes					7,291,593	-	7,291,593
Franchise Taxes					1,965,619	-	1,965,619
Grants & Contributions Not Restricted to Specific Functions					1,348,390	-	1,348,390
Investment Earnings					1,056,553	2,084,598	3,141,151
Gain on Disposal of Capital Assets					107,511	-	107,511
Other					421,843	2,922	424,765
Transfers					(1,820,967)	1,820,967	-
<b>Total General Revenues &amp; Transfers</b>					<b>10,370,542</b>	<b>3,908,487</b>	<b>14,279,029</b>
<b>Change in Net Assets</b>					<b>17,733,281</b>	<b>2,571,268</b>	<b>20,304,549</b>
<b>Net Assets - Beginning</b>					<b>13,126,449</b>	<b>41,074,245</b>	<b>54,200,694</b>
<b>Net Assets - Ending</b>					<b>\$ 30,859,730</b>	<b>\$ 43,645,513</b>	<b>\$ 74,505,243</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, 2005

	GENERAL	GO TI CROSSOVER REFUNDING BONDS OF 2003	TIF DISTRICT #4 REVOLVING	2003 IMPROVEMENT PROJECTS	NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash And Investments	\$ 2,896,299	\$ 5,975	\$ -	\$ 782,571	\$ 10,657,680	\$ 14,342,525
Investment With Escrow Agent	-	-	-	-	812,094	812,094
Receivables:						
Taxes	231,041	-	118,354	-	51,084	400,479
Special Assessments	6,025	766,739	1,382,580	-	6,987,480	9,142,824
Accounts	66,048	-	-	-	34,822	100,870
Interest	5,823	-	59,413	3,185	48,723	117,144
Other Receivables	72,917	-	594,684	-	1,984,054	2,651,655
Due from Other Funds	-	-	-	-	16,060,721	16,060,721
Due From Other Governments	43,209	-	1,425,000	100,409	43,069	1,611,687
Interfund Receivable	-	-	-	-	614,490	614,490
Advance to Other Funds	-	-	-	-	1,010,088	1,010,088
Land Held for Resale	-	-	-	-	1,893,394	1,893,394
<b>TOTAL ASSETS</b>	<b>\$ 3,321,362</b>	<b>\$ 772,714</b>	<b>\$ 3,580,031</b>	<b>\$ 886,165</b>	<b>\$ 40,197,699</b>	<b>\$ 48,757,971</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts Payable	\$ 115,774	\$ -	\$ 22,374	\$ 236,272	\$ 778,157	\$ 1,152,577
Salaries Payable	204,995	-	-	-	-	204,995
Due To Other Funds	-	-	12,916,421	-	3,144,300	16,060,721
Due To Other Governments	49	-	-	-	293,783	293,832
Interfund Payable	-	-	167,395	-	1,452,227	1,619,622
Deferred and Unearned Revenue	111,882	766,215	3,507,101	-	11,191,175	15,576,373
Advance from Other Funds	-	-	182,363	-	2,248,645	2,431,008
<b>TOTAL LIABILITIES</b>	<b>432,700</b>	<b>766,215</b>	<b>16,795,654</b>	<b>236,272</b>	<b>19,108,287</b>	<b>37,339,128</b>
<b>FUND BALANCES:</b>						
Reserved	-	6,499	-	887,619	26,493,693	27,387,811
Unreserved, Designated Reported In:						
General Fund	2,888,457	-	-	-	-	2,888,457
Special Revenue Funds	-	-	-	-	1,534,783	1,534,783
Unreserved, Undesignated Reported In:						
General Fund	205	-	-	-	-	205
Special Revenue Funds	-	-	-	-	158,285	158,285
Capital Project Funds	-	-	(13,215,623)	(237,726)	(7,097,349)	(20,550,698)
<b>TOTAL FUND BALANCES</b>	<b>2,888,662</b>	<b>6,499</b>	<b>(13,215,623)</b>	<b>649,893</b>	<b>21,089,412</b>	<b>11,418,843</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,321,362</b>	<b>\$ 772,714</b>	<b>\$ 3,580,031</b>	<b>\$ 886,165</b>	<b>\$ 40,197,699</b>	<b>\$ 48,757,971</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, 2005

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Total fund balances - governmental funds \$ 11,418,843

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. 223,985

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

Cost of Capital Assets	69,833,017
Less: Accumulated Depreciation	(12,546,635)

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. 12,482,593

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. 2,981,518

Internal balances from business-type activities for internal service fund services. (91,687)

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. (184,033)

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	(8,794,016)
Due in more than one year	(44,463,855)

Net assets of governmental activities \$ 30,859,730

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, 2005

	GENERAL	GO TI CROSSOVER REFUNDING BONDS OF 2003	TIF DISTRICT #4 REVOLVING	2003 IMPROVEMENT PROJECTS	NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Taxes:						
Property	\$ 2,540,013	\$ -	\$ 4,153,218	\$ -	\$ 639,422	\$ 7,332,653
Franchise	1,965,619	-	-	-	-	1,965,619
Licenses and Permits	910,346	-	-	-	-	910,346
Intergovernmental	991,281	-	-	4,246,375	4,514,341	9,751,997
Charges for Services	979,278	-	-	-	1,296,159	2,275,437
Fines and Forfeitures	77,292	-	-	-	-	77,292
Special Assessments	9,272	126,710	14,053	-	1,153,844	1,303,879
Other Revenue	167,665	-	467,749	62,038	1,460,167	2,157,619
<b>TOTAL REVENUES</b>	<b>7,640,766</b>	<b>126,710</b>	<b>4,635,020</b>	<b>4,308,413</b>	<b>9,063,933</b>	<b>25,774,842</b>
<b>EXPENDITURES</b>						
<b>CURRENT:</b>						
General Government	2,533,487	-	-	-	182,440	2,715,927
Economic Development	-	-	788,318	-	4,217,050	5,005,368
Public Safety	2,975,845	-	-	-	59,857	3,035,702
Public Works	2,190,724	-	-	1,005,282	350,320	3,546,326
Parks, Recreation and Arts	360,013	-	-	-	61,559	421,572
<b>DEBT SERVICE:</b>						
Principal	-	3,425,000	-	-	4,625,000	8,050,000
Interest	-	186,600	116,257	-	2,497,040	2,799,897
<b>CAPITAL OUTLAY</b>	<b>1,246</b>	<b>-</b>	<b>177,206</b>	<b>7,134,199</b>	<b>1,449,077</b>	<b>8,761,728</b>
<b>TOTAL EXPENDITURES</b>	<b>8,061,315</b>	<b>3,611,600</b>	<b>1,081,781</b>	<b>8,139,481</b>	<b>13,442,343</b>	<b>34,336,520</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(420,549)</b>	<b>(3,484,890)</b>	<b>3,553,239</b>	<b>(3,831,068)</b>	<b>(4,378,410)</b>	<b>(8,561,678)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	95,500	3,479,161	496,402	-	5,003,995	9,075,058
Transfers Out	-	-	(4,755,485)	-	(6,141,548)	(10,897,033)
Payment to Refunded Bond Escrow Agent	-	-	-	-	(2,360,000)	(2,360,000)
Sale of Capital Assets	-	-	-	-	107,511	107,511
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<b>95,500</b>	<b>3,479,161</b>	<b>(4,259,083)</b>	<b>-</b>	<b>(3,390,042)</b>	<b>(4,074,464)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(325,049)</b>	<b>(5,729)</b>	<b>(705,844)</b>	<b>(3,831,068)</b>	<b>(7,768,452)</b>	<b>(12,636,142)</b>
<b>FUND BALANCES, January 1</b>	<b>3,213,711</b>	<b>12,228</b>	<b>(12,509,779)</b>	<b>4,480,961</b>	<b>28,857,864</b>	<b>24,054,985</b>
<b>FUND BALANCES, December 31</b>	<b>\$ 2,888,662</b>	<b>\$ 6,499</b>	<b>\$ (13,215,623)</b>	<b>\$ 649,893</b>	<b>\$ 21,089,412</b>	<b>\$ 11,418,843</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, 2005

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Total net change in fund balances - governmental funds	\$ (12,636,142)
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.	
	(40,051)
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	8,849,599
Less: Depreciation Expense	(1,764,626)
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.	
	11,074,711
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	
	28,050
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.	
	1,662,577
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)	(307,412)
Reductions to long-term debt (increases governmental fund balances)	10,770,600
Transfers of Capital Assets between Enterprise Funds and Governmental Funds are not reported in governmental funds.	
	1,008
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.	
	31,479
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>63,488</u>
Change in net assets - governmental activities	<u>\$ 17,733,281</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, 2005**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES:</b>				
Taxes:				
Property	\$ 2,534,452	\$ 2,534,452	\$ 2,540,013	\$ 5,561
Franchise	1,902,570	1,902,570	1,965,619	63,049
Licenses And Permits	1,083,845	1,083,845	910,346	(173,499)
Intergovernmental	937,955	937,955	991,281	53,326
Charges For Services	1,011,885	1,011,885	979,278	(32,607)
Fines And Forfeitures	55,223	55,223	77,292	22,069
Special Assessments	2,500	2,500	9,272	6,772
Other Revenue	105,060	105,060	167,665	62,605
<b>TOTAL REVENUES</b>	<u>7,633,490</u>	<u>7,633,490</u>	<u>7,640,766</u>	<u>7,276</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	2,565,426	2,565,426	2,533,487	31,939
Public Safety	2,793,828	2,793,828	2,975,845	(182,017)
Public Works	2,012,488	2,098,035	2,190,724	(92,689)
Parks, Recreation and Arts	357,248	357,248	360,013	(2,765)
Capital Outlay	-	-	1,246	(1,246)
<b>TOTAL EXPENDITURES</b>	<u>7,728,990</u>	<u>7,814,537</u>	<u>8,061,315</u>	<u>(246,778)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(95,500)</u>	<u>(181,047)</u>	<u>(420,549)</u>	<u>(239,502)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	95,500	95,500	95,500	-
<b>NET CHANGE IN FUND BALANCES</b>	-	(85,547)	(325,049)	(239,502)
<b>FUND BALANCES, January 1</b>	<u>3,213,711</u>	<u>3,213,711</u>	<u>3,213,711</u>	<u>-</u>
<b>FUND BALANCES, December 31</b>	<u>\$ 3,213,711</u>	<u>\$ 3,128,164</u>	<u>\$ 2,888,662</u>	<u>\$ (239,502)</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, 2005**

	<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	\$ 2,880,077	\$ 873,387	\$ 852,096
<b>Restricted Assets:</b>			
Cash And Investments With Escrow Agent	-	-	-
Accrued Interest On Investments	-	-	-
<b>Receivables:</b>			
<b>Accounts:</b>			
Current	1,889,445	65,395	106,883
Unbilled	807,099	36,158	-
Allowance For Uncollectible Accounts	(17,639)	(634)	(192)
Interest	11,025	-	-
Due From Other Governments	-	-	159,250
Interfund Receivable	1,375,052	-	-
Lease Receivable	-	-	-
Inventories	778,021	167,616	-
<b>Total Current Assets</b>	<b>7,723,080</b>	<b>1,141,922</b>	<b>1,118,037</b>
<b>Noncurrent Assets:</b>			
Restricted Cash And Investments with Escrow Agent	-	-	-
Lease Receivable	-	-	-
Advance To Other Funds	2,653,086	-	-
Deferred Charges	-	249,292	-
<b>Capital Assets:</b>			
Land	240,721	33,618	90,466
Buildings	5,079,031	17,047,742	18,628,722
Other Improvements	-	-	185,826
Furniture & Equipment	1,167,701	264,947	1,029,920
Infrastructure	11,762,465	3,022,209	-
Construction In Progress	-	-	197,277
Less: Accumulated Depreciation	(8,446,291)	(3,764,479)	(7,303,045)
<b>Total Net Capital Assets</b>	<b>9,803,627</b>	<b>16,604,037</b>	<b>12,829,166</b>
<b>Total Noncurrent Assets</b>	<b>12,456,713</b>	<b>16,853,329</b>	<b>12,829,166</b>
<b>TOTAL ASSETS</b>	<b>20,179,793</b>	<b>17,995,251</b>	<b>13,947,203</b>

			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
<u>TURBINE GENERATOR</u>	<u>NONMAJOR ENTERPRISE</u>	<u>TOTALS</u>	
\$ 647,005	\$ 2,104,023	\$ 7,356,588	\$ 2,974,226
1,498,242	-	1,498,242	-
347,994	-	347,994	-
-	204,323	2,266,046	-
-	77,190	920,447	-
-	(2,008)	(20,473)	-
-	3,965	14,990	7,292
-	-	159,250	-
24,055	-	1,399,107	-
316,624	-	316,624	-
-	61,109	1,006,746	-
<u>2,833,920</u>	<u>2,448,602</u>	<u>15,265,561</u>	<u>2,981,518</u>
33,584,283	-	33,584,283	-
26,983,762	-	26,983,762	-
1,303,159	-	3,956,245	-
1,053,829	-	1,303,121	-
-	-	364,805	-
-	8,265,839	49,021,334	-
-	229,269	415,095	-
-	2,745,644	5,208,212	-
-	2,588,495	17,373,169	-
-	-	197,277	-
-	(5,705,839)	(25,219,654)	-
-	8,123,408	47,360,238	-
<u>62,925,033</u>	<u>8,123,408</u>	<u>113,187,649</u>	<u>-</u>
<u>65,758,953</u>	<u>10,572,010</u>	<u>128,453,210</u>	<u>2,981,518</u>

(Continued)

**CITY OF CHASKA, MINNESOTA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>ELECTRIC</b>	<b>WATER</b>	<b>COMMUNITY CENTER</b>
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities:</b>			
Accounts Payable	16,561	157,962	98,847
Contracts Payable	-	3,031	86,494
Salaries Payable	42,100	13,981	40,917
Deposits Payable	93,922	-	15,383
Compensated Absences	55,804	12,934	27,359
Accrued Interest Payable	-	46,485	-
Due To Other Governments	1,214,290	2	16,006
Interfund Payable	24,055	-	-
Revenue Bonds Payable	-	595,000	-
Unearned Revenue	-	-	29,491
<b>Total Current Liabilities</b>	<b>1,446,732</b>	<b>829,395</b>	<b>314,497</b>
<b>Noncurrent Liabilities:</b>			
Compensated Absences	36,844	7,028	30,710
Advance From Other Funds	1,303,159	-	-
Revenue Bonds Payable	-	14,000,000	-
Unamortized Premium On Revenue Bonds	-	46,869	-
<b>Total Noncurrent Liabilities</b>	<b>1,340,003</b>	<b>14,053,897</b>	<b>30,710</b>
<b>TOTAL LIABILITIES</b>	<b>2,786,735</b>	<b>14,883,292</b>	<b>345,207</b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	9,803,627	3,199,547	12,829,166
Restricted	-	-	-
Unrestricted	7,589,431	(87,588)	772,830
<b>TOTAL NET ASSETS</b>	<b>\$ 17,393,058</b>	<b>\$ 3,111,959</b>	<b>\$ 13,601,996</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>
-	152,243	425,613	-
-	-	89,525	-
-	33,342	130,340	-
-	35,747	145,052	-
-	33,659	129,756	-
859,381	-	905,866	-
-	2,014	1,232,312	-
-	369,920	393,975	-
725,000	-	1,320,000	-
-	64,006	93,497	-
<u>1,584,381</u>	<u>690,931</u>	<u>4,865,936</u>	<u>-</u>
-	36,023	110,605	-
-	1,232,166	2,535,325	-
62,415,000	-	76,415,000	-
925,649	-	972,518	-
<u>63,340,649</u>	<u>1,268,189</u>	<u>80,033,448</u>	<u>-</u>
<u>64,925,030</u>	<u>1,959,120</u>	<u>84,899,384</u>	<u>-</u>
-	8,123,408	33,955,748	-
1,947,963	-	1,947,963	-
<u>(1,114,040)</u>	<u>489,482</u>	<u>7,650,115</u>	<u>2,981,518</u>
<u>\$ 833,923</u>	<u>\$ 8,612,890</u>	<u>\$ 43,553,826</u>	<u>\$ 2,981,518</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>91,687</u>	
Net assets of business-type activities		<u>\$ 43,645,513</u>	



**CITY OF CHASKA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>ELECTRIC</b>	<b>WATER</b>	<b>COMMUNITY CENTER</b>
<b>OPERATING REVENUES:</b>			
Sales	\$ 20,262,089	\$ 1,071,231	\$ 2,097,303
<b>OPERATING EXPENSES:</b>			
Production	15,290,994	253,910	-
Distribution / Collections	1,264,800	441,940	-
Administration	537,329	298,110	2,229,436
Franchise Fees	1,804,000	-	-
Depreciation	638,959	434,483	659,594
<b>TOTAL OPERATING EXPENSES</b>	<b>19,536,082</b>	<b>1,428,443</b>	<b>2,889,030</b>
<b>OPERATING INCOME (LOSS)</b>	<b>726,007</b>	<b>(357,212)</b>	<b>(791,727)</b>
<b>NON-OPERATING REVENUES:</b>			
Investment Earnings	164,373	37,283	58,998
Intergovernmental	-	-	108,110
Payments	-	-	-
Miscellaneous Refunds And Reimbursements	2,922	-	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>167,295</b>	<b>37,283</b>	<b>167,108</b>
<b>NON-OPERATING EXPENSES:</b>			
Interest	81,534	341,767	-
Issuance Costs & Fiscal Agent Fees	-	15,132	-
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>81,534</b>	<b>356,899</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>811,768</b>	<b>(676,828)</b>	<b>(624,619)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>293,601</b>	<b>3,900</b>	<b>-</b>
<b>TRANSFER IN (OUT)</b>			
Transfers In	-	943,403	2,900,000
Transfers Out	(1,344,934)	(7,600)	(212,179)
<b>Total Transfers In (Out)</b>	<b>(1,344,934)</b>	<b>935,803</b>	<b>2,687,821</b>
<b>CHANGE IN NET ASSETS</b>	<b>(239,565)</b>	<b>262,875</b>	<b>2,063,202</b>
<b>NET ASSETS, January 1</b>	<b>17,632,623</b>	<b>2,849,084</b>	<b>11,538,794</b>
<b>NET ASSETS, December 31</b>	<b>\$ 17,393,058</b>	<b>\$ 3,111,959</b>	<b>\$ 13,601,996</b>

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

			GOVERNMENTAL
			ACTIVITIES -
			INTERNAL
			SERVICE
			FUND
<u>TURBINE</u>	<u>OTHER</u>	<u>TOTALS</u>	
<u>GENERATOR</u>	<u>NONMAJOR</u>		
	<u>ENTERPRISE</u>		
\$ 2,350,330	\$ 4,419,892	\$ 30,200,845	\$ 564,303
-	1,277,455	16,822,359	-
-	416,111	2,122,851	-
86,146	2,128,423	5,279,444	585,445
-	-	1,804,000	-
-	775,322	2,508,358	-
<u>86,146</u>	<u>4,597,311</u>	<u>28,537,012</u>	<u>585,445</u>
<u>2,264,184</u>	<u>(177,419)</u>	<u>1,663,833</u>	<u>(21,142)</u>
1,780,337	43,607	2,084,598	77,365
-	-	108,110	-
81,534	-	81,534	-
-	-	2,922	-
<u>1,861,871</u>	<u>43,607</u>	<u>2,277,164</u>	<u>77,365</u>
3,000,301	16,842	3,440,444	-
27,209	-	42,341	-
<u>3,027,510</u>	<u>16,842</u>	<u>3,482,785</u>	<u>-</u>
1,098,545	(150,654)	458,212	56,223
-	1,853	299,354	-
-	99,877	3,943,280	-
<u>(405,000)</u>	<u>(152,600)</u>	<u>(2,122,313)</u>	<u>-</u>
<u>(405,000)</u>	<u>(52,723)</u>	<u>1,820,967</u>	<u>-</u>
693,545	(201,524)	2,578,533	56,223
<u>140,378</u>	<u>8,814,414</u>	<u>40,975,293</u>	<u>2,925,295</u>
<u>\$ 833,923</u>	<u>\$ 8,612,890</u>	<u>\$ 43,553,826</u>	<u>\$ 2,981,518</u>
Change in net assets - total Enterprise Funds		\$ 2,578,533	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>(7,265)</u>	
Change in net assets - Business-type Activities		<u>\$ 2,571,268</u>	

CITY OF CHASKA, MINNESOTA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<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	\$ 19,672,330	\$ 1,057,478	\$ 2,015,903
Payments To Suppliers	(17,842,480)	(965,871)	(1,109,778)
Payments To Employees	(937,231)	(356,008)	(1,096,524)
Net Cash Provided (Used) By Operating Activities	<u>892,619</u>	<u>(264,401)</u>	<u>(190,399)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Transfers From Other Funds	-	943,403	2,900,000
Transfers To Other Funds	(1,344,934)	(7,600)	(212,179)
Due From Other Funds	16,279	-	-
Due To Other Funds	-	-	-
Interfund Loans To Other Funds	(1,255,848)	-	-
Interfund Loans From Other Funds	(22,685)	-	-
Intergovernmental	-	-	108,110
Miscellaneous Refunds/Reimbursements	2,922	-	-
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>(2,604,266)</u>	<u>935,803</u>	<u>2,795,931</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds From Revenue Bonds	-	-	-
Deferred Issuance Charges	-	15,132	-
Capital Contributions	293,601	3,900	-
Principal Paid On Bonds	-	(390,000)	-
Interest And Fiscal Charges	(81,534)	(355,224)	-
Construction And Acquisition of Capital Assets	(698,673)	(2,004,362)	(2,842,690)
Lease Principal Received	-	-	-
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(486,606)</u>	<u>(2,730,554)</u>	<u>(2,842,690)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest On Investments	<u>162,282</u>	<u>37,283</u>	<u>58,998</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,035,971)</b>	<b>(2,021,869)</b>	<b>(178,160)</b>
<b>CASH AND CASH EQUIVALENTS, January 1</b>	<b>4,916,048</b>	<b>2,895,256</b>	<b>1,030,256</b>
<b>CASH AND CASH EQUIVALENTS, December 31</b>	<b><u>\$ 2,880,077</u></b>	<b><u>\$ 873,387</u></b>	<b><u>\$ 852,096</u></b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Cash And Investments	\$ 2,880,077	\$ 873,387	\$ 852,096
Restricted Assets-Revenue Bonds:			
Cash And Investments	-	-	-
Total Cash And Cash Equivalents	<u>\$ 2,880,077</u>	<u>\$ 873,387</u>	<u>\$ 852,096</u>

			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
TURBINE GENERATOR	OTHER NONMAJOR ENTERPRISE	TOTALS	
\$ 2,350,330	\$ 4,412,798	\$ 29,508,839	\$ 564,303
(86,146)	(2,627,701)	(22,631,976)	(585,445)
-	(1,227,851)	(3,617,614)	-
<u>2,264,184</u>	<u>557,246</u>	<u>3,259,249</u>	<u>(21,142)</u>
-	99,877	3,943,280	-
(405,000)	(152,600)	(2,122,313)	-
-	-	16,279	-
-	(16,279)	(16,279)	-
22,685	-	(1,233,163)	-
-	-	(22,685)	-
-	-	108,110	-
-	-	2,922	-
<u>(382,315)</u>	<u>(69,002)</u>	<u>676,151</u>	<u>-</u>
31,660,649	-	31,660,649	-
(373,604)	-	(358,472)	-
-	1,853	299,354	-
(585,000)	-	(975,000)	-
(2,628,490)	(16,842)	(3,082,090)	-
-	(432,970)	(5,978,695)	-
290,738	-	290,738	-
<u>28,364,293</u>	<u>(447,959)</u>	<u>21,856,484</u>	<u>-</u>
<u>1,558,618</u>	<u>41,982</u>	<u>1,859,163</u>	<u>74,531</u>
31,804,780	82,267	27,651,047	53,389
3,924,750	2,021,756	14,788,066	2,920,837
<u>\$ 35,729,530</u>	<u>\$ 2,104,023</u>	<u>\$ 42,439,113</u>	<u>\$ 2,974,226</u>
\$ 647,005	\$ 2,104,023	\$ 7,356,588	\$ 2,974,226
35,082,525	-	35,082,525	-
<u>\$ 35,729,530</u>	<u>\$ 2,104,023</u>	<u>\$ 42,439,113</u>	<u>\$ 2,974,226</u>

(Continued)

CITY OF CHASKA, MINNESOTA

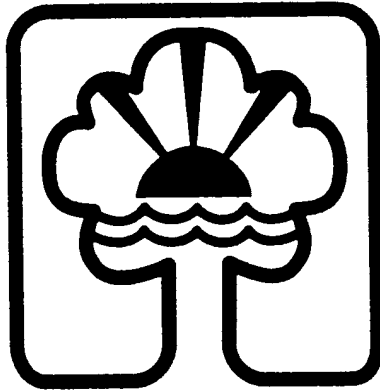
STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<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)	\$ 726,007	\$ (357,212)	\$ (791,727)
<b>Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:</b>			
Depreciation Expense	638,959	434,483	659,594
Allowance For Uncollectible Accounts	5,385	143	43
<b>(Increase) Decrease In Assets:</b>			
Accounts Receivable	(611,255)	(13,896)	14,925
Due From Other Governments	6,224	-	(109,411)
Inventory	39,228	(100,482)	-
Prepaid Items	-	-	-
<b>Increase (Decrease) In Liabilities:</b>			
Accounts Payable	(30,605)	44,252	(76,890)
Contracts Payable	-	(279,470)	86,494
Salaries Payable	13,513	8,772	11,318
Deposits Payable	9,887	-	4,530
Unearned Revenue	-	-	8,513
Due To Other Governments	95,276	(991)	2,212
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ 892,619</u></b>	<b><u>\$ (264,401)</u></b>	<b><u>\$ (190,399)</u></b>

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>
\$ 2,264,184	\$ (177,419)	\$ 1,663,833	\$ (21,142)
-	775,322	2,508,358	-
-	228	5,799	-
-	(17,166)	(627,392)	-
-	-	(103,187)	-
-	(262)	(61,516)	-
-	3,125	3,125	-
-	(52,525)	(115,768)	-
-	-	(192,976)	-
-	17,067	50,670	-
-	(3,840)	10,577	-
-	13,684	22,197	-
-	(968)	95,529	-
<u>\$ 2,264,184</u>	<u>\$ 557,246</u>	<u>\$ 3,259,249</u>	<u>\$ (21,142)</u>



CHASKA





**CITY OF CHASKA, MINNESOTA**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

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	<b><u>AGENCY FUNDS</u></b>
<b><u>ASSETS</u></b>	
Cash And Cash Equivalents	\$ 203,037
Receivables:	
Accounts	22,808
Other	9,727
Due From Other Funds	<u>15,814</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 251,386</u></u></b>
 <b><u>LIABILITIES</u></b>	
Accounts Payable	\$ 16,721
Due To Other Funds	15,814
Due To Other Governments	89,900
Deposits Payable	<u>128,951</u>
<b>TOTAL LIABILITIES</b>	<b><u><u>\$ 251,386</u></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 Crossover Refunding Bonds of 2003*. This fund was established in 2003 to account for the refunding of the Capital Appreciation Bonds of 1995, which were refunded in 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 assets held in a custodial capacity in the form of deposits from builders that will be refunded upon project completion.
  - **Developers’ Fund.** This Agency fund is used to account for assets held in a custodial capacity in the form of billings to developers for contractual services.
  - **MCES Collection Fund.** This Agency fund is used to account for the collection of assets held in a custodial capacity in the form of sewer availability charges remitted monthly to 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, spend-able 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) 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.

**J) 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.

**K) 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.

**L) 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 \$563,120. Of



this amount, \$222,257 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, 2004 and 2005. The City will retroactively report (1981–2002) all major general infrastructure assets by December 31, 2007.

#### **M) 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.

#### **N) 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.

**O) 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.

**P) 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.

**Q) 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, 2005, expenditures exceeded appropriations in the general fund by \$246,778. This variance was funded by fund balance. Mid-year, the general fund budget was amended to increase the street department budget by \$85,547.

**C) Nonmajor Funds with Negative Equity**

The following nonmajor funds maintained a deficit fund balance/net asset position at December 31, 2005:

**Capital Project Funds:**

Hwy 212 RALF Loans	\$ 1,792,404
TIF Dist #10 - Nordic Track	175,524
Redevelopment Plan #4 - Non TIF Projects	404,989
TIF Dist #4 - 1999 Taxable Writedowns	229,160
TIF Dist #12 - Clover Fields	82,307
TIF Dist #14 - Downtown Redevelopment	1,179,269
TIF Dist #15 - Chamber Redevelopment	3,226
Unfinanced Improvement Projects	1,880,767
2000 Improvement Projects	114,751
2002 Improvement Projects	42,124
2005 Improvement Projects	32,983
2006 Improvement Projects	119
Public Facilites Capital Improvements	233,683
Hwy 312 Improvements	385,508
Annual Street Improvement	245,031

**Enterprise Funds:**

Internet Service Provider	616,082
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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. In addition, the deficits in the TIF Districts are due to the timing of tax increments and project costs for the district. Tax increment revenue collected in future years will eliminate these deficits.

The deficit in the Internet Service Provider fund is due to start-up costs for the wireless residential internet service which had its first full year of operations in 2005. Revenue from future operations will eliminate the deficit.

**Note 3 Cash and Investments**

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

**A) Deposits**

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	\$ 24,673,339
Restricted Cash and Investments	35,894,619
	<u>60,567,958</u>
Statement of Net Assets - Fiduciary Funds	
Cash and Investments	<u>203,037</u>
Total Cash and Investments	<u><u>60,770,995</u></u>

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

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

**Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of bank failure, the City's deposits may be lost.

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 under "credit risk", as well as; certain first mortgage notes and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral. The City's investment policies do not further address limiting exposure to custodial credit risk for deposits.

Deposit balances at December 31, 2005 are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Total Bank Deposits	\$ 1,785,991	\$ 1,250,638

At December 31, 2005, all deposits were insured, or collateralized by securities held by the City's agent in the City's name.

**B) Investments**

The City has the following investments at year-end:

Investment Type	Credit Risk		Interest Risk - Maturity Duration in Years			Total
	Rating	Agency	Less Than 1	1 to 5	Over 5	
U.S. Treasuries	N/A	N/A	\$ 512,368	\$ 31,139,770	\$ -	\$ 31,652,138
U.S. Agencies	AAA	S&P	7,425,542	4,154,330	2,473,450	14,053,322
U.S. Agencies	N/R	N/R	479,750	-	-	479,750
Commercial Paper	P-1	Moody's	5,426,894	-	-	5,426,894
Guaranteed Investment Contract	N/A	N/A	1,249,551	-	-	1,249,551
Guaranteed Investment Contract	N/A	N/A	-	-	2,444,513	2,444,513
Investments in Mutual Funds & Money Markets						
Franklin US Govt Securities Class A	N/R	N/R	N/A	N/A	N/A	1,033,944
First American Treasury Obligations	AAAm	S&P	N/A	N/A	N/A	812,094
First American Prime Obligations	AAAm	S&P	N/A	N/A	N/A	1,379,477
100% Treasury MM Fund	AAAm	S&P	N/A	N/A	N/A	985,874
Total Investments			<u>\$ 15,094,105</u>	<u>\$ 35,294,100</u>	<u>\$ 4,917,963</u>	<u>59,517,557</u>
					Total Deposits	1,250,638
					Petty Cash	<u>2,800</u>
N/A - Not Applicable					Total Deposits and Investments	<u>\$ 60,770,995</u>
N/R - Not Rated						

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

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

**Credit Risk** – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one 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, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. One mutual fund that the City has invested in, the Franklin Templeton U.S. Government Securities Fund, has not been rated by any nationally recognized rating organization. The City’s investment policies do not further address credit risk.

**Concentration Risk** – This is the risk associated with investing a significant portion of the City’s investment (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as Treasuries), investment pools, and mutual funds. The City’s investment policies do not limit the concentration of investments. At year-end, the City had 9.8% and 8.93% of its investments held in U.S. Government agency securities - Federal Home Loan Bank and Federal National Mortgage Association respectively.

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

#### **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 Fund	TIF District #4 Revolving Fund	Nonmajor Governmental Funds	Government Wide Total
Other Receivables:				
Contracts	\$ -	\$ 168,781	\$ -	\$ 168,781
Notes	72,917	425,903	1,984,054	2,482,874
Total Other Receivables	<u>\$ 72,917</u>	<u>\$ 594,684</u>	<u>\$ 1,984,054</u>	<u>\$ 2,651,655</u>

\$2,303,005 of the \$2,482,874 Notes Receivable balance is not expected to be received within one year. \$162,828 of the \$168,781 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, 2005 is as follows:

	BALANCE JAN. 1, 2005	INCREASES	DECREASES	RECLASS & TRANSFERS	BALANCE DEC. 31, 2005
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 5,566,566	\$ -	\$ -	\$ 685,100	\$ 6,251,666
Works of Art/Treasures	82,662	-	-	-	82,662
Construction In Progress	7,935,213	19,314,694	(28,101)	(6,487,107)	20,734,699
Total capital assets, not being depreciated	13,584,441	19,314,694	(28,101)	(5,802,007)	27,069,027
Capital assets, being depreciated:					
Buildings And Structures	10,258,544	-	-	-	10,258,544
Improvements Other Than Buildings And Structures	6,209,983	77,358	-	414,389	6,701,730
Infrastructure	13,085,163	230,348	-	5,387,618	18,703,129
Furniture And Equipment	6,961,793	364,011	(247,495)	22,278	7,100,587
Total capital assets being depreciated	36,515,483	671,717	(247,495)	5,824,285	42,763,990
Less accumulated depreciation for:					
Buildings And Structures	(3,237,526)	(343,363)	-	-	(3,580,889)
Improvements Other Than Buildings And Structures	(2,885,843)	(228,086)	-	-	(3,113,929)
Infrastructure	(544,011)	(629,851)	-	-	(1,173,862)
Furniture And Equipment	(4,334,904)	(563,326)	241,545	(21,270)	(4,677,955)
Total accumulated depreciation	(11,002,284)	(1,764,626)	241,545	(21,270)	(12,546,635)
Total capital assets, being depreciated, net	25,513,199	(1,092,909)	(5,950)	5,803,015	30,217,355
Governmental activities capital assets, net	\$ 39,097,640	\$ 18,221,785	\$ (34,051)	\$ 1,008	\$ 57,286,382



**Notes To The Financial Statements**

**City of Chaska, Minnesota**

**December, 31 2005**

Capital Asset activity for Business-Type activities for the year ended December 31, 2005 is as follows:

	<u>BALANCE JAN. 1, 2005</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>RECLASS &amp; TRANSFERS</u>	<u>BALANCE DEC. 31, 2005</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 364,805	\$ -	\$ -	\$ -	\$ 364,805
Construction in Progress	13,704,719	419,535	-	(13,926,977)	197,277
Total capital assets, not being depreciated:	<u>14,069,524</u>	<u>419,535</u>	<u>-</u>	<u>(13,926,977)</u>	<u>562,082</u>
Capital assets, being depreciated:					
Buildings And Structures	31,263,989	3,979,112	-	13,778,233	49,021,334
Improvements Other Than Buildings And Structures	383,587	31,508	-	-	415,095
Furniture and Equipment	4,449,265	824,569	(43,344)	(22,278)	5,208,212
Infrastructure	16,499,446	724,979	-	148,744	17,373,169
Total Capital assets, being depreciated	<u>52,596,287</u>	<u>5,560,168</u>	<u>(43,344)</u>	<u>13,904,699</u>	<u>72,017,810</u>
Less accumulated depreciation for:					
Buildings And Structures	(12,052,218)	(1,456,938)	-	-	(13,509,156)
Improvements Other Than Buildings And Structures	(71,381)	(21,862)	-	-	(93,243)
Furniture and Equipment	(2,178,798)	(504,726)	43,344	21,270	(2,618,910)
Infrastructure	(8,473,513)	(524,832)	-	-	(8,998,345)
Total accumulated depreciation	<u>(22,775,910)</u>	<u>(2,508,358)</u>	<u>43,344</u>	<u>21,270</u>	<u>(25,219,654)</u>
Total capital assets, being depreciated, net	<u>29,820,377</u>	<u>3,051,810</u>	<u>-</u>	<u>13,925,969</u>	<u>46,798,156</u>
Business-type activities capital assets, net	<u>\$ 43,889,901</u>	<u>\$ 3,471,345</u>	<u>\$ -</u>	<u>\$ (1,008)</u>	<u>\$ 47,360,238</u>

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

**Governmental Activities:**

General Government	\$311,823
Economic Development	12,040
Public Safety	325,111
Public Works	974,630
Parks, Recreation & Arts	<u>141,022</u>

Total Depreciation Expense –  
Governmental Activities \$1,764,626

**Business-Type Activities:**

Electric	\$638,959
Water	434,483
Sewer	103,090
Community Center	659,594
Chaska Par 30	14,379
Chaska Town Course	480,889
Internet Service Provider	<u>176,964</u>

Total Depreciation Expense –  
Business-Type Activities \$2,508,358

**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
2006	\$ 316,624	\$ 2,324,444
2007	344,812	2,296,256
2008	375,510	2,265,558
2009	408,940	2,232,128
2010	445,350	2,195,718
2011-2015	2,896,983	10,308,357
2016-2020	4,437,572	8,767,768
2021-2025	6,797,423	6,407,917
2026-2030	10,412,232	2,793,108
2031	864,940	15,478
Total	<u>\$ 27,300,386</u>	<u>\$ 39,606,732</u>

**Note 7 Long-Term Debt**

Long-term liability for the year ended December 31, 2005, 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	\$ 1,205,000	\$ -	\$ (390,000)	\$ 815,000	\$ 265,000
Tax Increment Bonds	36,030,000	-	(7,250,000)	28,780,000	5,375,000
Improvement Bonds	16,215,000	-	(2,345,000)	13,870,000	2,480,000
Revenue Bonds	9,745,000	-	(425,000)	9,320,000	425,000
Plus: Premium	148,073	-	(63,659)	84,414	-
Total Bonds Payable	<u>63,343,073</u>	<u>-</u>	<u>(10,473,659)</u>	<u>52,869,414</u>	<u>8,545,000</u>
Compensated Absences	<u>377,986</u>	<u>307,412</u>	<u>(296,941)</u>	<u>388,457</u>	<u>249,016</u>
Governmental Activity					
Long-term Liabilities	<u>\$ 63,721,059</u>	<u>\$ 307,412</u>	<u>\$ (10,770,600)</u>	<u>\$ 53,257,871</u>	<u>\$ 8,794,016</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
General Obligation Revenue Bonds	\$ 14,985,000	\$ -	\$ (390,000)	\$ 14,595,000	\$ 595,000
Revenue Bonds	32,990,000	30,735,000	(585,000)	63,140,000	725,000
Plus: Premium	49,626	925,649	(2,757)	972,518	-
Total Bonds Payable	<u>48,024,626</u>	<u>31,660,649</u>	<u>(977,757)</u>	<u>78,707,518</u>	<u>1,320,000</u>
Compensated Absences	<u>205,905</u>	<u>197,012</u>	<u>(162,556)</u>	<u>240,361</u>	<u>129,756</u>
Business-type Activity					
Long-term Liabilities	<u>\$ 48,230,531</u>	<u>\$ 31,857,661</u>	<u>\$ (1,140,313)</u>	<u>\$ 78,947,879</u>	<u>\$ 1,449,756</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:**

\$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	2.1 - 3.0%	\$815,000

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>
2006	\$ 265,000	\$ 21,052
2007	270,000	15,488
2008	280,000	8,400
<u>Total</u>	<u>\$ 815,000</u>	<u>\$ 44,940</u>

General Obligation Tax Increment Bonds:

\$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; final annual installment of \$600,000 principal due 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; final annual installment of \$2,795,000 principal due December 1, 2006

\$2,470,000 G.O. Tax Increment Crossover 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

Purpose	Interest Rates	Outstanding Amount
Governmental activities	3.9 - 7.4%	\$ 18,285,000
Governmental activities - refunding	2.75 - 5.2%	10,495,000
		<u>\$ 28,780,000</u>

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
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	5,245,000	346,033
2011-2015	2,115,000	315,403
2016-2020	355,000	92,500
2021-2025	80,000	4,960
Total	<u>28,780,000</u>	<u>\$ 4,342,339</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

\$6,650,000 G.O. Improvement Bonds dated June 15, 2004; principal due in varying annual installments of \$115,000 to \$985,000 through December 1, 2020

Purpose	Interest Rates	Outstanding Amount
Governmental activities	1.5 - 4.9%	\$ 10,970,000
Governmental activities - refunding	1.1 - 3.9%	2,900,000
		\$ 13,870,000

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2006	\$ 2,480,000	\$ 487,880
2007	2,445,000	412,250
2008	2,290,000	330,368
2009	1,820,000	250,952
2010	1,075,000	186,475
2011-2015	3,195,000	426,510
2016-2020	565,000	76,075
Total	\$ 13,870,000	\$ 2,170,510

**General Obligation Revenue Bonds:**

\$1,130,000 G.O. Water Revenue Bonds dated May 1, 1996; final annual installment of \$40,000 principal due 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%	\$14,595,000.00

City of Chaska, Minnesota

December, 31 2005

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

Year Ending December 31	Business-type Activities	
	Principal	Interest
2006	\$ 595,000	\$ 557,821
2007	675,000	542,026
2008	690,000	525,152
2009	705,000	506,176
2010	725,000	485,026
2011-2015	4,030,000	1,999,988
2016-2020	4,905,000	1,131,475
2021-2025	2,270,000	150,920
Total	<u>\$ 14,595,000</u>	<u>\$ 5,898,584</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 \$760,000 through October 1, 2010. On October 1, 2010 these bonds will be partially advance refunded and a balance of \$100,000 will remain outstanding 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

\$30,735,000 Electric Revenue Refunding Bonds dated April 20, 2005; principal due in varying annual installments of \$115,000 to \$2,220,000 through October 1, 2030.

Purpose	Interest Rates	Outstanding Amount
Governmental activities	3.25 - 4.9%	\$ 1,555,000
Governmental activities - refunding	5.13 - 5.5%	7,765,000
Business-type activities	4.9 - 5.65%	32,405,000
Business-type activities - refunding	3.0 - 5.0%	30,735,000
		<u>\$ 72,460,000</u>

City of Chaska, Minnesota

December, 31 2005

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 425,000	\$ 483,209	\$ 725,000	\$ 3,437,527
2007	440,000	463,282	765,000	3,400,527
2008	560,000	442,308	800,000	3,360,829
2009	580,000	415,043	845,000	3,318,549
2010	600,000	386,542	29,780,000	3,273,181
2011-2015	3,420,000	1,442,215	5,090,000	7,113,740
2016-2020	3,295,000	522,990	6,365,000	5,838,087
2021-2025	-	-	8,215,000	3,981,950
2026-2030	-	-	10,555,000	1,639,750
Total	<u>\$ 9,320,000</u>	<u>\$ 4,155,589</u>	<u>\$ 63,140,000</u>	<u>\$ 35,364,140</u>

### **2005 Activity**

On April 20<sup>th</sup>, 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. 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.

On December 1, 2005 a crossover refunding occurred related to bonds that were issued on June 15, 2004. On that date, the City issued \$2,470,000 General Obligation Tax Increment Crossover Refunding Bonds to refund in advance of maturity the 2006 – 2010 maturities of the City's G.O. Tax Increment Bonds dated March 1, 1998. The 2006 – 2010 maturities totaled \$2,360,000. The maturity date of the new bonds is December 1, 2013. The purpose of this refunding is to restructure future tax increment debt service requirements and allowed the City to take advantage of lower interest rates. This refunding will increase future net debt service by \$337,824, a present value cost of \$39,351.

### **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.



City of Chaska, Minnesota

December, 31 2005

As of December 31, 2005, the City has two outstanding notes payable, which are for Entegris, Inc., (formerly Flouroware, Inc.) and North Meadows Apartments. The note for Entegris, Inc. was issued in 1997 at 8.5% interest with payments due through 2010. The outstanding balance as of December 31, 2005 is \$1,836,364. The note for North Meadows Apartments was issued in 2002 at 6.5% interest with payments due through 2023. The outstanding balance as of December 31, 2005 is \$1,148,296. These amounts have not been included in long-term debt because of the nature of the notes in that repayment is required only if sufficient tax increments are received. The City's position is that these are obligations to assign future and uncertain revenue sources and as such, is not actual debt in substance.

**CONDUIT DEBT:**

From time to time, the City has issued Industrial Revenue Bonds (IRBs) and Housing Revenue Bonds (HRBs) 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.

As of December 31, 2005, there were six series of IRBs outstanding. The aggregate principal amount payable for the one series issued after July 1, 1995, was \$1,635,000. 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, 2005, there were nine series of HRBs outstanding. The aggregate principal amounts payable for the seven series issued after July 1, 1995 was \$14,785,691. The aggregate principal amount payable for the two series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$6,260,000.

**Note 8 Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of December 31, 2005 are as follows:

***Due To/From Other Funds:***

<b><u>Receivable Fund</u></b>	<b><u>Payable Fund</u></b>	<b><u>Amount</u></b>	<b><u>Purpose</u></b>
Other Nonmajor Governmental	District #4 Revolving	\$ 12,916,421	1
Other Nonmajor Governmental	Other Nonmajor Governmental	3,144,300	1
Fiduciary	Fiduciary	15,814	1
<b>Total</b>		<b><u>\$ 16,076,535</u></b>	

**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	\$ 1,207,052	\$ 1,840,000	\$ 3,047,052	2/3/4
Other Nonmajor Governmental	District #4 Revolving	167,395	182,363	349,758	5
Other Nonmajor Governmental	Other Nonmajor Governmental	245,175	408,645	653,820	5
Other Nonmajor Governmental	Other Nonmajor Business-Type	201,920	419,080	621,000	6
Turbine	Electric Fund	24,055	1,303,159	1,327,214	7
Electric Fund	Other Nonmajor Business-Type	168,000	813,086	981,086	8
<b>Total</b>		<u>\$ 2,013,597</u>	<u>\$ 4,966,333</u>	<u>\$ 6,979,930</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 2006.

(2) \$1,192,052 of this amount is related to the fact that TIF District #15 (Downtown Redevelopment) has financed project costs with a loan from the Electric Fund. The loan, plus interest, will be paid as housing units are sold during the construction of the project during 2006.

(3) \$55,000 of this amount is related to a loan that the Electric Fund made to the Public Facilities Improvement Fund for Facility Construction. \$40,000 of the amount outstanding will not be paid within one year.

(4) \$1,800,000 of this amount relates to the financing for the Chaska Community Center Wellness Addition. Financing was made possible by transferring cash from the Electric Fund to the Community Center Fund. The Electric Fund will be repaid \$1,800,000 when City land is sold in 2008. Therefore, the entire amount will not be paid within the year.

(5) These receivables/payables represent 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 these amounts, \$591,008 will not be paid within the next year.

(6) 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 2006.

(7) A long-term interfund loan between the Electric Fund and the Turbine Fund was made in 2001 to finance a substation. Of the \$1,327,214 owed at 12/31/05, \$1,303,159 represents the portion that will not be paid within the year.

(8) The additional costs not covered by the loan explained in (6) 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			
	General	GO TI Crossover	TIF District #4	Other	Water	Community Center	Other Nonmajor Business-Type	
<b>Transfers Out:</b>	Fund	Bonds of 2003	Revolving	Nonmajor				
District #4 Revolving	\$ -	\$ 3,354,307	\$ -	\$ 1,401,178	\$ -	\$ -	\$ -	\$ 4,755,485
Other Nonmajor Governmental	7,500	-	496,402	2,799,153	938,616	1,800,000	99,877	6,141,548
Electric	-	-	-	239,139	4,787	1,100,000	-	1,343,926
Water	-	-	-	7,600	-	-	-	7,600
Community Center	-	-	-	212,179	-	-	-	212,179
Turbine	88,000	-	-	317,000	-	-	-	405,000
Other Nonmajor Business-Type	-	124,854	-	27,746	-	-	-	152,600
	\$ 95,500	\$ 3,479,161	\$ 496,402	\$ 5,003,995	\$ 943,403	\$ 2,900,000	\$ 99,877	\$ 13,018,338

\* 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, 2005						
	General	GO TI Crossover	TIF Dist #4 Revolving	2003	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects
		Refunding Bonds of 2003		Improvement Projects			
Fund Balances:							
Reserved for Community Center	\$ -	\$ -	\$ -	\$ -	\$ 35,095	\$ -	\$ -
Reserved for Debt Requirements	-	6,499	-	-	-	1,567,958	-
Reserved for Advance to Other Funds	-	-	-	-	621,000	-	591,008
Reserved for Construction	-	-	-	887,619	-	-	23,584,456
Reserved for Mt. Pleasant Perpetual Care	-	-	-	-	93,669	-	-
Reserved for Grace Gibson Foundation	-	-	-	-	507	-	-
Total Reserved Fund Balances:	-	6,499	-	887,619	750,271	1,567,958	24,175,464
Unreserved Fund Balances:							
Designated for Capital Outlay Acquisition	-	-	-	-	1,534,783	-	-
Designated for Compensated Balances	388,457	-	-	-	-	-	-
Designated for Working Capital	2,500,000	-	-	-	-	-	-
Total Designated Fund Balances:	2,888,457	-	-	-	1,534,783	-	-
Undesignated	205	-	(13,215,623)	(237,726)	158,285	-	(7,097,349)
Total Unreserved Fund Balances:	2,888,662	-	(13,215,623)	(237,726)	1,693,068	-	(7,097,349)
Total Fund Balances	\$ 2,888,662	\$ 6,499	\$ (13,215,623)	\$ 649,893	\$ 2,443,339	\$ 1,567,958	\$ 17,078,115

**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, 2005, the City had commitments for twenty-six uncompleted construction contracts with a remaining balance of \$2,977,940

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

At December 31, 2005 the City had acquired in name eighteen properties for a total cost of \$5,521,958 for State Highway 312 right-of-way and one property for a total cost of \$917,739 for future State Highway 41 right-of way under the Metropolitan Council Right-of-Way Acquisition Loan Fund (RALF).

During 2005, the City received payments from the State of Minnesota totaling \$2,144,671 for seven of the properties acquired for Highway 312 right-of-way. As of year-end, the City still held 11 properties that are expected to be sold to the State of Minnesota in 2006.

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.

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

### **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, 2005 were \$16,177,653. 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 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 members 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 on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-2088 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 were required to contribute 9.10% and 5.10%, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan will increase in 2006 to 5.5%. PEPFF members were required to contribute 6.20% of their annual covered salary in 2005. That rate will increase to 7% in 2006. 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. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.0% and 10.5% respectively, effective January 1, 2006.

City of Chaska, Minnesota

December, 31 2005

The City's contributions were equal to the contractually required contributions for each year as set by state statute and were as follows:

	<u>PERF</u>	<u>PEPFF</u>
<b>December 31, 2003</b>	\$ 241,193	\$ 129,104
<b>December 31, 2004</b>	256,576	136,804
<b>December 31, 2005</b>	271,175	144,846

### **Note 16 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 2005 were:

<u>Contribution 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>
\$456	\$456	5.00%	5.00%	5.00%

### **Note 17 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 CFDRRA 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 CFDRRA is comprised of volunteers; therefore, there are no covered payroll amounts or member contributions required.

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

For 2004, the City of Chaska's annual pension cost of \$292,505 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, 2004 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, 2004 was 12 years (December 31, 2016).

The City recognizes the State of Minnesota's contributions to the Chaska Fire Department Relief Association as revenue and expense.

Total annual pension costs for the CFDRAPP for the year ended December 31, 2004 were as follows:

<u>Contribution</u>	<u>Amount</u>
State of Minnesota	\$ 120,939
City of Chaska:	
Tax Levy	106,566
Additional	65,000
Total City Contribution	<u>171,566</u>
Total Annual Pension Cost	<u>\$ 292,505</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>
12/31/2002	202,230	100.0%	-
12/31/2003	219,055	100.0%	-
12/31/2004	292,505	100.0%	-

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Total Unfunded Actuarial Liability</u>	<u>Funded Ratio</u>	<u>Pension Benefit per Month</u>	
					<u>Per Month of Service</u>	<u>Estimated Per Year of Service</u>
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
12/31/04	3,055,921	4,224,276	1,168,355	72.3%	1.8000	21.60

The CFDR is comprised of paid on-call volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll amounts or percentage calculations.)