

# **CITY OF CHASKA**

**STATE OF MINNESOTA**

**2018 COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2018**



**CITY OF CHASKA  
STATE OF MINNESOTA**

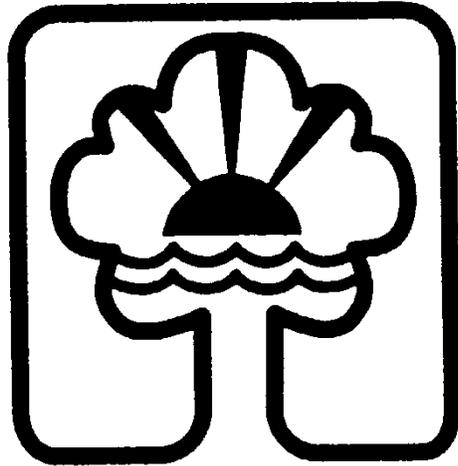
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2018**

Prepared by:  
Administrative Services Department

Noel J. Graczyk  
Administrative Services Director,  
Treasurer

Kelly L. Grinnell  
Finance Manager



CHASKA

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**City of Chaska, Minnesota**

**For the Year Ending December 31, 2018**

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# City of Chaska

June 26, 2019

**To the Citizens of the City of Chaska, Honorable Mayor and Council Members, and  
Mr. Matt Podhradsky, City Administrator**

The comprehensive annual financial report of the City of Chaska, Minnesota, for the year ended December 31, 2018, is hereby submitted. The report was prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and meets the requirements of the Minnesota State Auditor's Office.

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

The City's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich, & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. Based upon the audit, the independent auditor concluded that there was reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first item in the financial section of this report.

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

## City Profile

The City of Chaska was founded in 1851 and incorporated on March 3, 1891. The City is located in eastern Carver County, with the Minnesota River bordering the City to the south.

Since 1975 the City has operated under a Statutory Plan A form of government. Policymaking and legislative authorities are vested in the City Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees. The City Council consists of a mayor and four council members. The mayor is elected for a two-year term of office and four council members serve four-year staggered terms, with two council members elected every two years. Non-partisan elections are held on the Tuesday after the first Monday in November, of each even-numbered year.

The City Administrator is appointed by the City Council and also serves as the City Clerk. The City Administrator is responsible for carrying out the policies and ordinances of the city council and overseeing daily operations of the City. A City Attorney is retained and appointed by the Chaska City Council. The Administrative Service Director serves as City Treasurer.

The City of Chaska provides a full range of services, including police and fire protection; building inspections; construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events; and general administrative services. The City also operates ten enterprises: electric, water, sewer, and storm water utilities, a community center, two golf courses, curling and event center, a turbine generator and fiber internet service. The fiber internet service will cease to be provided as an enterprise after 2018, as this service was merged into the General Fund.

The City is also financially accountable for the Chaska Economic Development Authority (EDA), which is included in this report as a blended component unit. The Chaska City Council serves as the board of the EDA.

The primary mission of the City of Chaska is to enhance and maintain the high quality of life of its “shareholders”, the citizens of Chaska. Consistent with its mission, the City will strive to maintain its unique historical small town image and sense of community while supporting well-planned, orderly growth. To achieve its mission, the City has established six ongoing core strategies:

- Enhance Chaska’s high quality of life
- Plan orderly community development
- Maintain a sense of community and small-town values
- Assure that quality basic municipal services are provided
- Maintain a commitment to excellence
- Develop and maintain partnerships

The annual budget serves as the foundation for the City of Chaska’s financial planning and control. The objectives of these budgetary controls are to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Chaska City Council. Activities of the General Fund and certain special revenue and capital project funds are included in the annual appropriated budget. Debt service budgetary control is established by bond sale resolution covenants. Project-length financial plans are adopted for capital projects funds.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. Expenditures for departments or divisions that exceed

appropriations are not authorized unless additional revenue sources or fund balance are identified and available. Unused appropriated expenditures lapse at year-end.

The City maintains stable financial operations due to a history of conservative budgeting, maintenance of healthy reserves, and a lack of reliance on state aid.

**Economic Condition and Outlook**

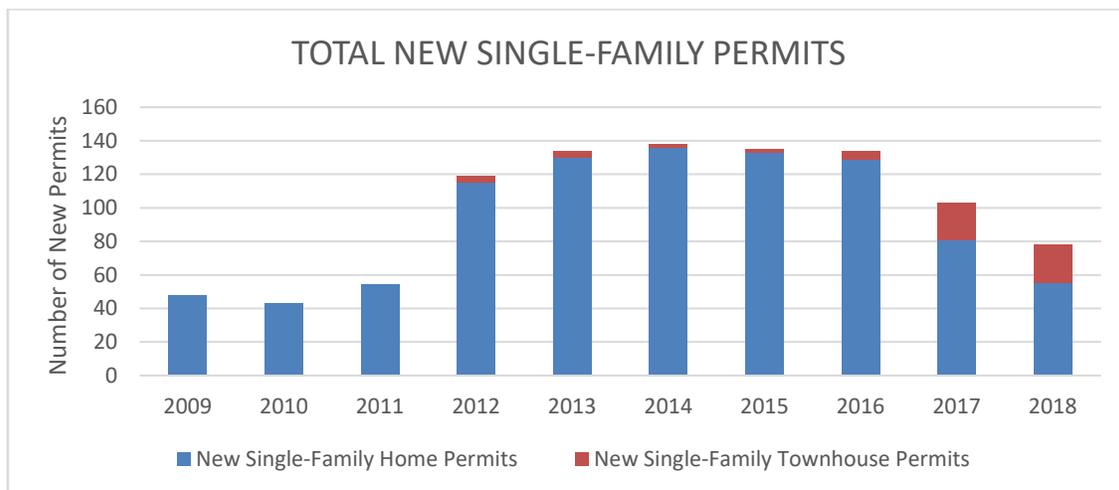
Since 2000, the City of Chaska has seen a significant amount of population growth and expects to continue growth through 2040.

<i>Year</i>	<i>Population</i>	<i>% Increase</i>
2000	17,500	
2010	23,770	35.8%
2018	27,622	16.2%
2030 Projected	32,000	15.8%
2040 Projected	36,600	14.4%

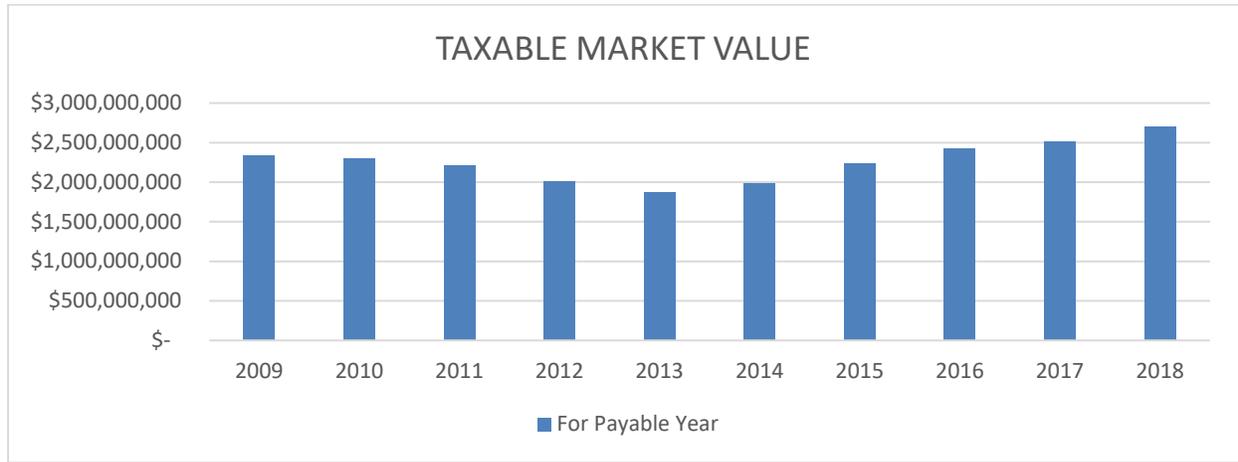
The rapid increase in population can be attributed to the addition of approximately 200 to 500 housing units (both single family and multifamily units) per year from 2002 through 2005, as well as the addition of a significant amount of commercial development in the community. This commercial development included both small boutiques and large service centers such as Home Depot, Super Target and Kohl’s.

Chaska saw the majority of its industrial development growth in the late 1980s and early 1990s. Nearly 8,000 jobs were created, with over 13,000 jobs in total in the community. The industrial park was near full capacity in the 1990s, with the exception of a few remaining sites. National and international companies such as Entegris, FSI, Beckman Coulter and Lake Region Manufacturing all offer several hundred jobs at each facility. Housing and commercial development occurring after 2000 resulted directly from both a strong housing market and employment opportunities available in Chaska.

As with other communities across the country, the City saw a drop in new housing development beginning in 2007. The number of new single family permits rebounded beginning in 2012. The City had over 100 new single family permits each year from 2012 through 2017. The number of permits in 2018 was lower than expected, but permit activity for 2019 through May has been better than 2018 activity through May.



With the rebound in housing, market value in the City has also increased since 2014.



Other development opportunities within the City include the following:

Industrial Parks

There are two existing industrial parks located within Chaska with a combined capacity of 679 acres. Currently there are over one hundred enterprises occupying the parks, the largest of which include Lake Region Manufacturing, FSI International Inc., Beckman Coulter, Bailiwick and Lifecore Biomedical. There are a few remaining sites available within the industrial park.

Southwest Chaska Corporate and Industrial Development

The City has approximately 390 acres of corporate and industrial land that has started to develop along Highway 212. There is room for 5.5 million square feet of office and industrial space which will be marketed towards bioscience and high-tech companies. When complete, it is expected to add between \$300 and \$500 million of taxable market value as well as 4,000 to 6,000 quality jobs.

The first project in this new industrial area was United Health Group’s 250,000 square foot data center that began operations in 2012. The second project was Stream Data’s 115,000 square foot data center that completed construction in late 2014. The third project was the development of an approximately 100,000 square foot data center facility for US Bank National Association completed in 2017. The City continues to actively recruit other data centers to locate in the remaining parcels in this area.

Southwest Chaska Master Plan

Development of objectives outlined in the Southwest Chaska Master Plan began in 2017. The plan guides development and land use for an undeveloped two square mile area in southwest Chaska along Highway 212. While most of this area was originally determined to be residential, the new master plan allows for more corporate uses and allows the residential development to be more consistent with market conditions.

To support access to the southwest Chaska area, the City received approval in late 2011 for the addition of an interchange off U.S. Highway 212 at Carver County Road 44. This will open up additional land for corporate/industrial development. In 2017, this \$21 million interchange project was approved for \$10 million in funding as part of the State Bonding Bill. The City of Chaska and Carver County will provide funding for the remaining \$11 million. Construction will begin in 2019.

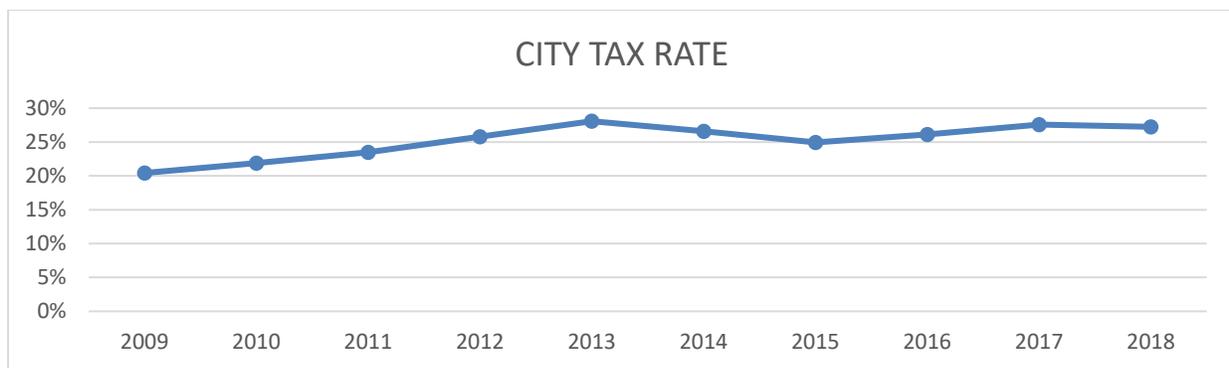
### Long-Term Financial Planning

Each year the City develops a five-year financial forecast. The primary purpose of the forecast is to project available revenues and anticipated expenditures for all operating funds supported by property tax levies. The forecast is also used to establish the City’s maximum tax levy. In preparing the five-year forecast, every attempt is made to accurately and conservatively estimate revenues and expenditures. The 2019 budget and five-year forecast were both developed based on the following objectives:

1. Support budget programs that help Chaska strengthen its mission of being “The Best Small Town in Minnesota”
2. Maintain existing high-quality service levels, funding new programs only after our existing, necessary programs are funded
3. Limit tax levy growth to capture only new growth and inflation
4. Fully fund scheduled maintenance and replacement of equipment/property
5. Increase levy additionally only if new service levels or assets are being added.
6. Budget utilizing a plan that avoids draw-down of the City’s General fund reserve
7. Fully levy to support our adopted street reconstruction program
8. Develop a budget plan that is sustainable from a resource perspective to support the service levels residents expect

Key factors which impact both the costs of providing services and the City’s revenue resources are changes in Chaska’s population and households. The current 2018 – 2022 financial forecast strives to balance existing and future service level demands within the forecasted revenues while at the same time maintaining a low property tax rate.

The City’s tax rate increased after the Great Recession in 2008 – 2009 due to declines in market values. As market values have slowly recovered and with the addition of an annual \$1,000,000 capital maintenance program, City property tax levels have remained relatively constant, with a tax rate of 27.23 percent in 2018.



In 2018, the City updated its Comprehensive Plan, which is a requirement from the Metropolitan Council to make local plans consistent with its updated Regional Development Framework. The 2040 Comprehensive Plan guides the direction of the City in several major areas: land use, transportation, environment, parks and trails, and public facilities. Each of these areas is examined in a comprehensive manner, in order to take advantage of opportunities, avoid problems, and work toward building a stronger community.

## Major Initiatives

One of the City's main initiatives has been the development and implementation of its Downtown Master Plan. Chaska has a historic downtown core, with several commercial buildings and homes over 100 years old. A major focus of this initiative is to define how the City, businesses, and residents reinvest back into this unique area, to make it economically viable into the future.

Downtown redevelopment continues to be a priority. The City continues its multi-year program to reconstruct streets in the historic downtown core. This reconstruction has reinvigorated the coordination and planning efforts for the transformation of another downtown block, which will be called City Square West. The City envisions a gathering space that attracts citizens to come downtown to enjoy new and readily accessible services. Construction is estimated to start in late 2019 or early 2020.

Another major initiative for the City is the continuing capital maintenance plan. Key to this is the annual \$1 million capital maintenance levy dedicated to the General fund to reinvest in parks, streets and trails.

## Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chaska for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended December 31, 2017.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. A CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Chaska has received a Certificate of Achievement every year since 1989. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

## Acknowledgements

The preparation of this report was made possible by the dedicated service of the City staff, and in particular, members of the Administrative Services Department. Special recognition goes to Lisa M. Nelson, Controller, whose contributions were essential in the preparation and production of this report.

We would like to express appreciation to Matt Podhradsky, the City Administrator, and to the Honorable Mayor and Chaska City Council members for their interest and support in planning and conducting the financial operations of the City.

Respectfully submitted,



Noel J. Graczyk  
Administrative Services Director, Treasurer



Kelly L. Grinnell  
Finance Manager



Government Finance Officers Association

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

Presented to

**City of Chaska  
Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2017**

*Christopher P. Morill*

Executive Director/CEO

# Organization and Administrative Structure

## City of Chaska, Minnesota

For the Year December 31, 2018

City of Chaska Residents and Businesses

Elected Five (5) Member City Council		
Appointed Boards	Council Selected Outside Professional Advisors	Appointed Positions
Planning Commission	Independent Financial Auditing Firm	City Attorney
Parks Recreation and Arts (Cable)	Financial Consulting Firm	City Administrator, City Clerk
Human Rights Commission	Engineering Consulting Firm	

**ADMINISTRATIVE STRUCTURE [ 593 Employees (150-9-0-434)]**

**City Administrator, City Clerk (1-0-0-0)**

<p><b>Administration (6-1-0-1)</b>                  (1-0-0-0) Assistant City Administrator, Economic Development Coordinator                  (1-0-0-0) Human Resources Manager                  (1-0-0-0) Human Resources Generalist                  (0-0-0-1) Seasonal Intern                  (1-0-0-0) Deputy Clerk                  (1-0-0-0) Communications Manager                  (1-0-0-0) Cable Communications Coordinator                  (0-1-0-0) Cable TV Camera Operator</p> <p><b>Administrative Services (20-3-0-0)</b>                  (1-0-0-0) Administrative Services Director, Treasurer                  (1-0-0-0) Finance Manager                  (1-0-0-0) Controller                  (1-0-0-0) Payroll Coordinator                  (1-0-0-0) Senior Accounting Clerk                  (1-0-0-0) Administrative Services Clerk                  (1-0-0-0) Accounting Supervisor                  (1-0-0-0) Accounting Clerk                  (1-0-0-0) Accounts Payable Clerk                  (0-1-0-0) Support Staff                  (1-0-0-0) Utility Billing Coordinator                  (1-0-0-0) Assist. Utility Billing Coordinator                  (2-0-0-0) Utility Account Clerk                  (2-2-0-0) Customer Service Representative                  (1-0-0-0) Information Systems Manager                  (1-0-0-0) IS Network Administrator                  (3-0-0-0) IS Network/Field Support Technicians</p> <p><b>Community Development and Planning Services (7-0-0-0)</b>                  (1-0-0-0) Community Development Director                  (1-0-0-0) City Planner                  (1-0-0-0) Building Official                  (3-0-0-0) Building Inspector                  (1-0-0-0) Community Development/Permit Technician</p> <p><b>Engineering Services (2-0-0-0)</b>                  (1-0-0-0) City Engineer                  (1-0-0-0) Civil Engineer II</p> <p><b>Police Services (32-1-0-0) [26 licensed officers]</b>                  (1-0-0-0) Chief of Police                  (1-0-0-0) Deputy Chief                  (2-0-0-0) Lieutenant                  (3-0-0-0) Sergeant                  (3-0-0-0) Detective                  (2-0-0-0) Youth Services/ School Resource Officer                  (13-0-0-0) Patrol Officer                  (1-0-0-0) Community Partnership Officer                  (1-0-0-0) Community Service Officer Manager                  (3-0-0-0) Community Service Officer                  (2-0-0-0) Secretary/Administrative Assistant                  (0-1-0-0) Evidence Clerk</p> <p><b>Public Works Services (23-0-0-21)</b>                  (1-0-0-0) Public Works Director                  (1-0-0-0) Assistant Public Works Director                  (1-0-0-0) Office Manager                  (1-0-0-0) Accounting/Inventory Clerk                  (3-0-0-0) Foreman (Street/Park/Mechanic)                  (2-0-0-0) Leadworker (Street/Park)                  (2-0-0-0) Mechanic                  (8-0-0-0) Maintenance III (Street/Park)                  (4-0-0-0) Maintenance II (Street/Park)                  (0-0-0-21) Maintenance-Seasonal</p> <p><b>Fire Services (4-1-0-0)</b>                  (1-0-0-0) Fire Chief                  (1-0-0-0) Fire Marshal/Assistant Chief                  (2-0-0-0) Firefighter Inspector                  (0-1-0-0) Firefighter Administrative Assistant</p> <p><b>Chaska Volunteer Fire Department - 45 Active Volunteers</b></p>	<p><b>Electric Utility Services (14-0-0-1)</b>                  (1-0-0-0) Electrical Director                  (1-0-0-0) Assistant Electrical Director                  (1-0-0-0) General Manager                  (1-0-0-0) Foreman (Lineworker)                  (2-0-0-0) Lead Lineworker                  (6-0-0-0) Lineworker III                  (2-0-0-0) Apprentice Lineworker                  (0-0-0-1) Seasonal Laborer</p> <p><b>Water and Sewer Utility Services (9-0-0-0)</b>                  (1-0-0-0) Water/Sewer Director                  (1-0-0-0) Foreman (Water/Sewer)                  (1-0-0-0) Leadworker (Water/Sewer)                  (4-0-0-0) Maintenance III (Water/Sewer)                  (2-0-0-0) Maintenance II (Water/Sewer)</p> <p><b>Parks Recreation and Arts (24-3-0-336)</b>  <b>(Includes Community Center and Curling/Event Center)</b>                  (1-0-0-0) Parks and Recreation Director</p> <p><b>Parks, Recreation and Arts (3-0-0-29)</b>                  (1-0-0-0) Assistant to the Director                  (1-0-0-0) Recreation Manager                  (1-0-0-0) Recreation Coordinator                  (0-0-0-20) Rink Attendant, Outdoor                  (0-0-0-9) Concessions (Parks/Beach)</p> <p><b>Community Center (15-3-0-252)</b>                  (1-0-0-0) Community Center Manager                  (1-0-0-0) Ice Arena Supervisor                  (1-0-0-0) Maintenance Supervisor                  (1-0-0-0) Facilities Supervisor                  (1-0-0-0) Aquatics Supervisor                  (1-0-0-0) Admin Assistant I                  (1-0-0-0) AOA Specialist                  (1-0-0-0) Member Services Supervisor                  (1-0-0-0) Fitness Supervisor                  (3-0-0-0) Recreation Coordinator/Programmer                  (0-0-0-20) Rink Attendant/Monitor/Referee                  (3-0-0-20) Custodian/Maintenance                  (0-0-0-78) Pool Staff and Instructors                  (0-0-0-22) Front Desk/Cashier                  (0-3-0-24) Day Care/Preschool instructors                  (0-0-0-23) Fitness Instructor                  (0-0-0-65) Activities Instructor/Assistant</p> <p><b>Curling and Event Center (5-0-0-55)</b>                  (1-0-0-0) Curling Center Manager                  (1-0-0-0) Head Ice Maker - Curling                  (1-0-0-0) Event Center Supervisor                  (1-0-0-0) Software Systems Supervisor                  (1-0-0-5) Custodian/Maintenance                  (0-0-0-24) Curling Instructors                  (0-0-0-20) Curling Center Staff                  (0-0-0-6) Event Center Staff</p> <p><b>Golf Courses (8-0-0-75)</b>                  (1-0-0-0) Golf Professional</p> <p>(2-0-0-0) Assistant Golf Professionals</p> <p><b>Chaska Town Course (4-0-0-64)</b>                  (1-0-0-0) Golf Superintendent                  (3-0-0-0) Greenskeeper                  (0-0-0-44) Course Staff                  (0-0-0-20) Maintenance-Seasonal</p> <p><b>Chaska Par 30 (1-0-0-11)</b>                  (1-0-0-0) Greenskeeper                  (0-0-0-7) Course Staff                  (0-0-0-4) Maintenance-Seasonal</p>
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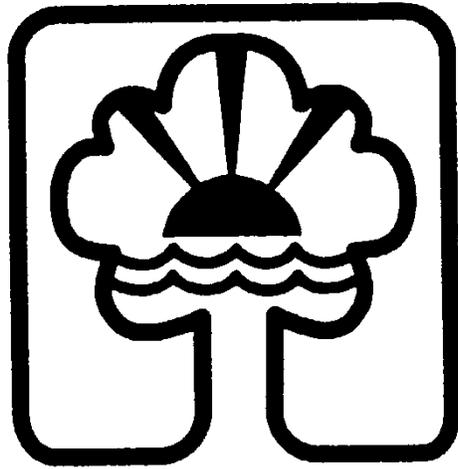
Key to Number of Employees:  
 (Full-Time - Part-Time - Seasonal Full-Time - Seasonal Part-Time)

### Elected Officials

<b>MAYOR:</b>	<b>Term of Office</b>	
	<b>From</b>	<b>To</b>
Mark Windschitl	January 01, 2017	December 31, 2018
<b>COUNCIL MEMBERS:</b>		
Paula Geisler, First Ward	January 01, 2015	December 31, 2018
Gregory Boe, Second Ward	January 01, 2017	December 31, 2020
Christopher Schulz, Third Ward	January 01, 2015	December 31, 2018
Jay Rohe, Fourth Ward	January 01, 2017	October 03, 2018
Michael Huang, Fourth Ward	November 19, 2018	December 31, 2020

### Administrative Officials

	<b>NAME</b>
<b>CITY STAFF:</b>	
City Administrator, City Clerk	Matt Podhradsky
Assistant City Administrator	Nate Kabat
Administrative Services Director, Treasurer	Noel Graczyk
Community Development Director	Kevin Ringwald
City Engineer	Matt Clark
Chief of Police	Scott Knight
Fire Chief	Timothy Wiebe
Public Works Director	Brian Jung
Director of Parks and Recreation	Marshall Grange
Electric Director	Toby Saxon
Interim Electric Director	Andrew Romine
Water and Sewer Director	Matt Haefner
Golf Professional	John Kellin
Executive Director of Chaska Economic Development Authority (EDA)	Matt Podhradsky
<b>INDEPENDENT CONSULTANT:</b>	
City Attorney	Luke Melchert Melchert, Hubert, Sjodin, PLLP.



CHASKA



**PRINCIPALS**

Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA/CMA  
Jaclyn M. Huegel, CPA

**INDEPENDENT AUDITOR'S REPORT**

To the City Council and Management  
City of Chaska, Minnesota

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chaska, Minnesota (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**AUDITOR'S RESPONSIBILITY**

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

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

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

(continued)

## **OPINIONS**

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

## **EMPHASIS OF MATTER**

As described in Note 1 of the notes to basic financial statements, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

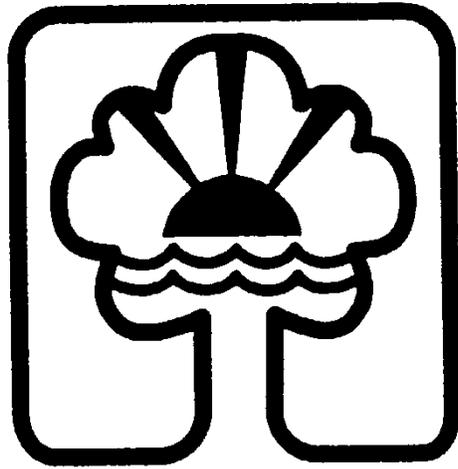
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**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota  
June 26, 2019



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