

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Chaska, Minnesota

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable thereof, and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to basic financial statements, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" during the year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 14, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

(continued)

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

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 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. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section and statistical section 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.

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

June 14, 2012

This section of the City of Chaska's annual financial report presents management's discussion and analysis (MD & A) of the City's financial performance during the fiscal year that ended December 31, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide

- The assets of the City exceeded liabilities by \$176.5 million.
- The City's total net assets increased by \$4.1 million or 2.4%. Net assets of governmental activities increased by \$3.2 million while net assets of business-type activities increased by \$.9 million

Fund Level

- The City's governmental funds reported combined ending fund balances of \$8.5 million.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2.1 million, or 22% of total general fund expenditures of \$9.9 million.
- During the year, the City's governmental expenditures were \$1.4 million more than revenues before considering other financing sources and uses. The largest expenditure was for principal retirement on outstanding debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Basic Financial Statements.

The first two basic financial statements (Statement of Net Assets and Statement of Activities) report on the *City as a whole* (government-wide) and provide both long-term and short-term information about the City's overall financial status. (See detailed discussion below in the *Reporting the City as a Whole* section regarding these statements.) The remaining basic financial statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

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

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

Notes to the financial statements.

The notes provide additional narrative and financial information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements are located immediately following Fiduciary Fund financial statements.

Other information.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Chaska's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 90 of this report.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

The two government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.
- Governmental activities – Most of the City's basic services are included here, such as the police, fire, public works and parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's Electric, Water, Sewer, and Storm Water Utilities, Chaska Community Center, Chaska Par 30, Chaska Town Course, Turbine Generator Utility, and Internet Service Provider are included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds (major funds) – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three broad categories of fund types:

1. **Governmental funds** – Governmental funds typically are used to account for tax-supported (governmental) activities. Most of the City's basic services are included in governmental funds, which focus on (a) how cash and other financial assets that can readily be converted to cash flow in and out and (b) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for funds determined to be major funds. In 2011 the City's major funds are: the General Fund, TIF District #4 Revolving Capital Project Fund, and TIF District #14 Downtown Redevelopment Capital Project Fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements towards the end of this report.
2. **Proprietary funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The proprietary fund financial statements provide separate information for the Electric Utility, Water Utility, Chaska Community Center and Turbine Generator Utility, all of which are considered to be major funds. Individual fund data for each of the Nonmajor proprietary funds is provided in the form of combining statements towards the end of this report. The City has one Internal Service Fund that is reported in a single column in the proprietary fund financial statements and is used to account for the purchase of property, liability, and worker's compensation insurance for all City departments. Costs are then allocated to the departments.

3. **Fiduciary funds** – Fiduciary funds account for assets held on behalf of outside parties, including other governments, 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. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City’s government-wide financial statement because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets The City’s combined net assets were \$176.5 million on December 31, 2011.

Table 1
City of Chaska’s Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 28,267,808	\$ 25,328,304	\$ 53,282,774	\$ 48,679,613	\$ 81,550,582	\$ 74,007,917
Capital assets	<u>145,600,680</u>	<u>147,612,254</u>	<u>40,686,902</u>	<u>41,453,747</u>	<u>186,287,582</u>	<u>189,066,001</u>
Total assets	173,868,488	172,940,558	93,969,676	90,133,360	267,838,164	263,073,918
Noncurrent liabilities	35,395,426	38,077,345	49,526,589	47,058,577	84,922,015	85,135,922
Other liabilities	<u>3,099,434</u>	<u>2,733,584</u>	<u>3,305,561</u>	<u>2,813,437</u>	<u>6,404,995</u>	<u>5,547,021</u>
Total liabilities	38,494,860	40,810,929	52,832,150	49,872,014	91,327,010	90,682,943
Net assets:						
Invested in capital assets, net of related debt	121,056,422	123,268,713	24,905,043	25,788,072	145,961,465	149,056,785
Restricted	20,932,146	19,143,634	3,271,085	3,013,936	24,203,231	22,157,570
Unrestricted (deficit)	<u>(6,614,940)</u>	<u>(10,282,718)</u>	<u>12,961,398</u>	<u>11,459,338</u>	<u>6,346,458</u>	<u>1,176,620</u>
Total net assets	<u>\$ 135,373,628</u>	<u>\$ 132,129,629</u>	<u>\$ 41,137,526</u>	<u>\$ 40,261,346</u>	<u>\$ 176,511,154</u>	<u>\$ 172,390,975</u>

Note: 2010 amounts were adjusted to reflect a change in accounting principle (See **Note 1** of the basic financial statements).

The City as a Whole –As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Chaska, assets exceeded liabilities by \$176.5 million on December 31, 2011, which represents an overall improvement of \$4.1 million.

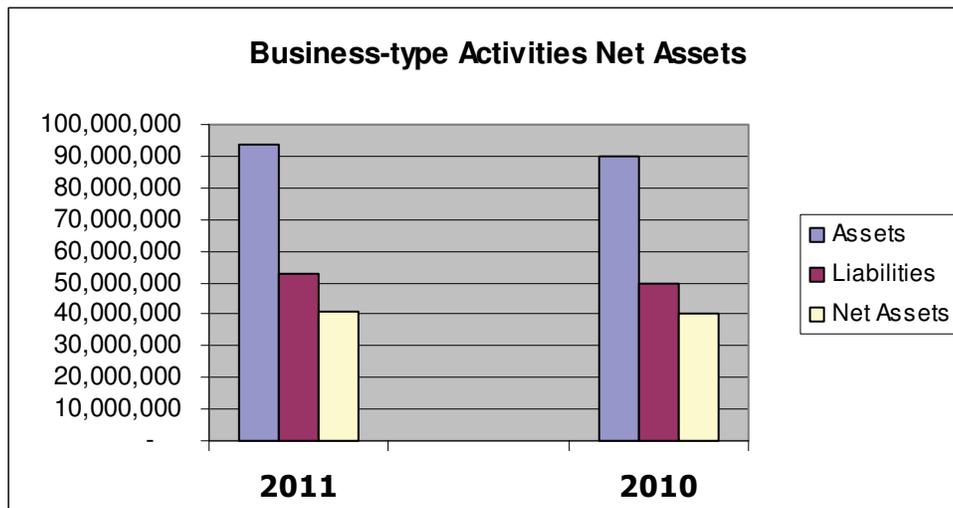
By far the largest portion of net assets (82.7% of net assets) reflects the City’s investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Chaska’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (\$24,203,231) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets (\$6,346,458) may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all of the categories of net assets reported for the government as a whole.

Governmental activities – Total net assets of Governmental Activities increased \$3.2 million. Additions of special assessments increased current assets by \$1.4 million.

Business-type activities – In 2011 net assets increased by \$.9 million for business-type activities. Current assets increased by 9.5% due primarily to a \$3.5 million increase in Restricted Cash & Investments. At year-end there was \$3.3 million of unspent bond proceeds in the Electric Fund. These proceeds will be used to finance the acquisition of a new substation and to make improvements to existing substations.



Management's Discussion and Analysis

City of Chaska, Minnesota

For the Year Ended December 31, 2011

Changes in net assets The City's combined change in net assets was an increase of \$4.1 million.

**Table 2
City of Chaska's Changes in Net Assets**

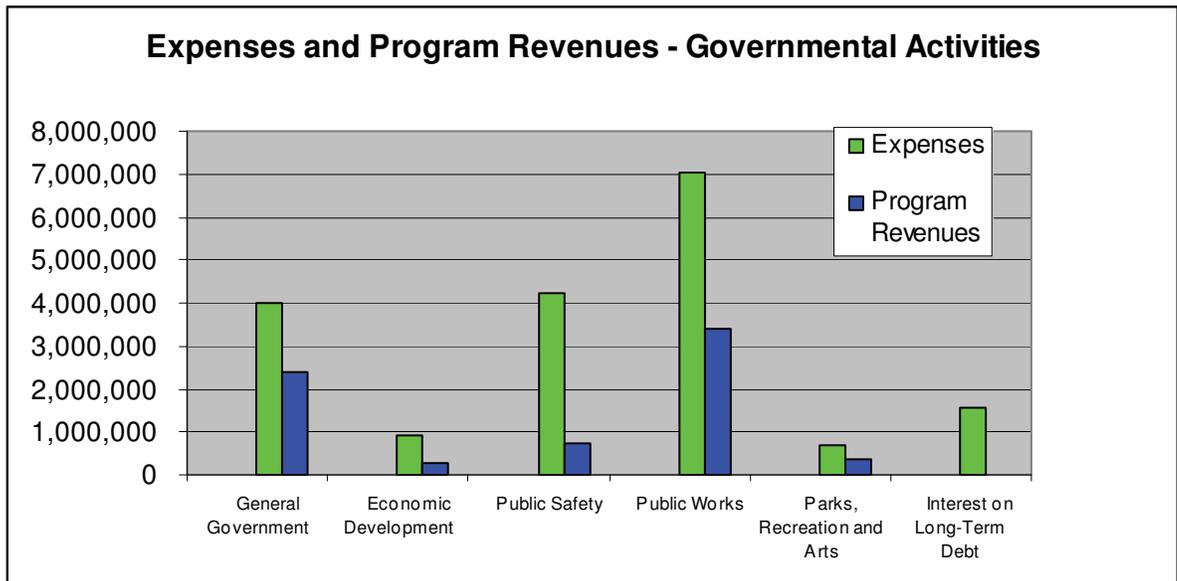
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 3,258,505	\$ 2,486,707	\$ 41,954,086	\$ 38,451,778	\$ 45,212,591	\$ 40,938,485
Operating Grants & Contributions	463,082	487,171	-	-	463,082	487,171
Capital Grants & Contributions	3,448,026	8,723,965	54,092	150,453	3,502,118	8,874,418
General revenues:						
Property taxes	10,457,922	10,610,785	-	-	10,457,922	10,610,785
Franchise taxes	2,934,401	2,723,653	-	-	2,934,401	2,723,653
Grants & Contributions Not Restricted	247,716	235,662	-	-	247,716	235,662
Other general revenues	348,360	411,272	520,107	1,203,275	868,467	1,614,547
Total revenues	<u>21,158,012</u>	<u>25,679,215</u>	<u>42,528,285</u>	<u>39,805,506</u>	<u>63,686,297</u>	<u>65,484,721</u>
Program expenses						
General Government	3,982,078	3,488,429	-	-	3,982,078	3,488,429
Economic Development	933,265	1,064,929	-	-	933,265	1,064,929
Public Safety	4,216,569	3,727,256	-	-	4,216,569	3,727,256
Public Works	7,029,170	9,054,937	-	-	7,029,170	9,054,937
Parks Recreation & Arts	709,781	787,377	-	-	709,781	787,377
Interest on long-term debt	1,551,955	1,696,164	-	-	1,551,955	1,696,164
Electric Utility	-	-	26,897,015	24,656,027	26,897,015	24,656,027
Water Utility	-	-	2,624,256	2,332,201	2,624,256	2,332,201
Sewer Utility	-	-	2,716,380	2,433,882	2,716,380	2,433,882
Community Center	-	-	4,003,228	3,855,291	4,003,228	3,855,291
Par 30 Golf	-	-	171,720	186,362	171,720	186,362
Chaska Town Course	-	-	2,043,373	2,067,297	2,043,373	2,067,297
Turbine Generator	-	-	1,612,415	2,948,406	1,612,415	2,948,406
Internet Service Provider	-	-	639,021	778,440	639,021	778,440
Storm Water Utility	-	-	435,892	190,380	435,892	190,380
Total expenses	<u>18,422,818</u>	<u>19,819,092</u>	<u>41,143,300</u>	<u>39,448,286</u>	<u>59,566,118</u>	<u>59,267,378</u>
Excess (deficiency) before transfers	2,735,194	5,860,123	1,384,985	357,220	4,120,179	6,217,343
Transfers	<u>508,805</u>	<u>794,132</u>	<u>(508,805)</u>	<u>(794,132)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	3,243,999	6,654,255	876,180	(436,912)	4,120,179	6,217,343
Net Assets, January 1	<u>132,129,629</u>	<u>125,475,374</u>	<u>40,261,346</u>	<u>40,698,258</u>	<u>172,390,975</u>	<u>166,173,632</u>
Net Assets, December 31	<u>\$ 135,373,628</u>	<u>\$ 132,129,629</u>	<u>\$ 41,137,526</u>	<u>\$ 40,261,346</u>	<u>\$ 176,511,154</u>	<u>\$ 172,390,975</u>

The City as a Whole

- The City as a whole had total revenues of \$63.7 million for the year ended December 31, 2011, a decrease of \$1.8 million from 2010.
- The total cost of all programs and services was \$59.6 million. The City's expenses are predominantly related to providing services (police, purchasing power for electric service, building inspections, street maintenance, snow removal, etc.) for the citizens of Chaska. The purely administrative activities of the City accounted for just 6.7 % of total costs, as compared to 5.9% of total last year.

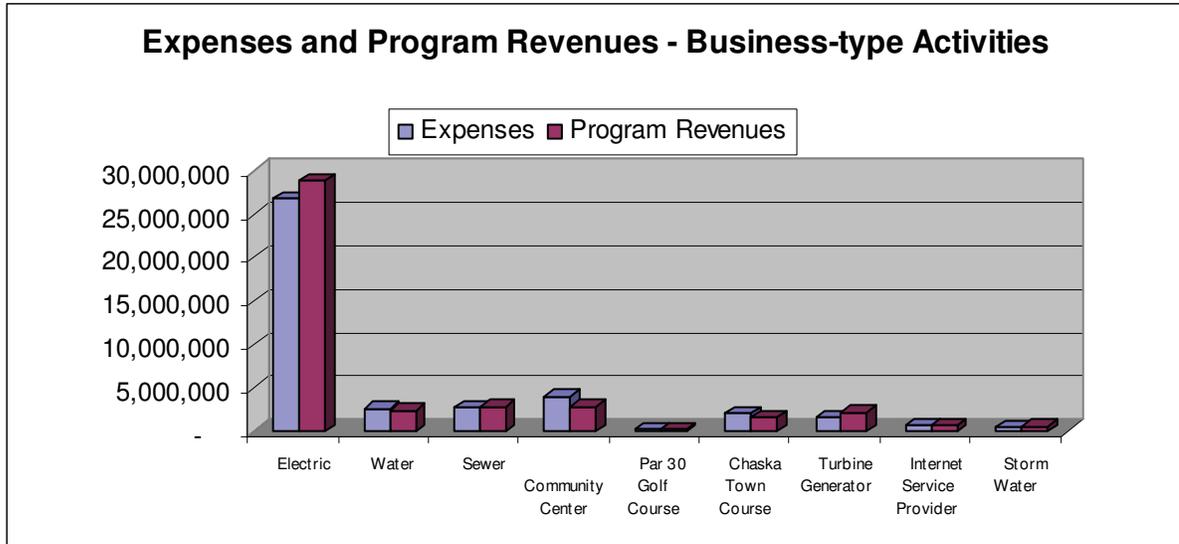
Governmental activities

- The largest source of revenue in governmental activities is Property Taxes. In 2011 49.4% of all revenues were from Property Taxes.
- Capital Grants and Contributions follows Property Taxes as the next major source of revenue at 16.3% of the total governmental activities revenue.
- Capital Grants and Contributions decreased significantly (\$5.3 million) as a result of there not being any donated developer capital additions in 2011.
- The total costs of all programs and services were \$18.4 million. The cost of providing public safety and street maintenance/construction makes up 61.0% of this total.
- Total revenues surpassed expenses, increasing net assets by \$2.7 million before transfers.



Business-type activities

- Business-type activities showed revenue exceeding expenses before transfers of \$1.4 million. After transfers were made, net assets increased by \$876,180.
- Other general revenues include investment earnings of \$393,721.
- Charges for services increased 9.1% over 2010 (\$3.5 million increase in revenue of which \$3.1 million relates to an increase in electric sales).



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

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

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

As the City completed the year, its governmental funds reported a combined fund balance of \$8.5 million.

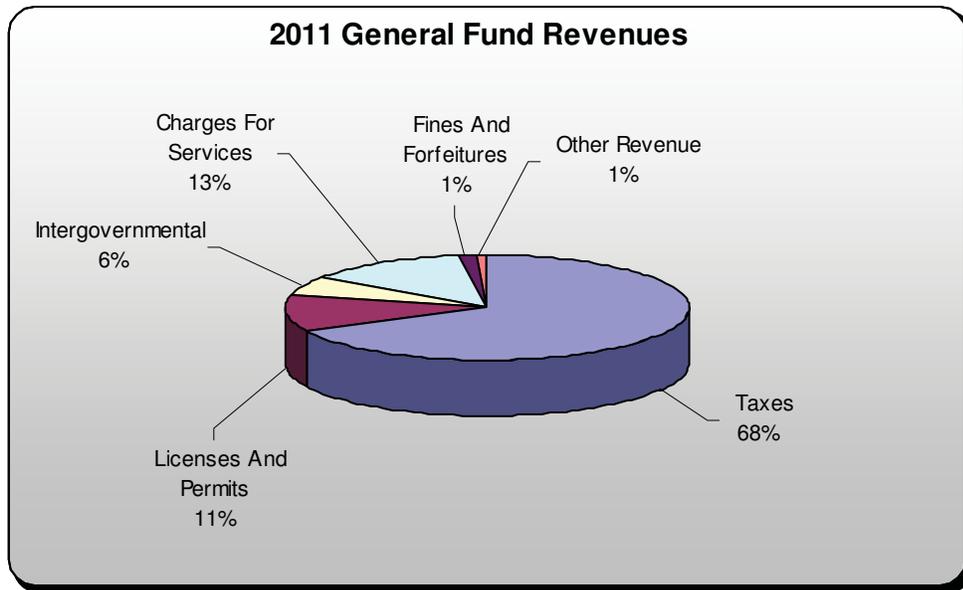
Significant restrictions of fund balances are: \$1.0 million for future debt service payments, and \$8.1 million for Economic Development. See **Note 8** for more detail on fund balances availability.

The City completed the year with an increase in governmental fund balances of \$1.7 million.

Revenues for the City’s governmental funds were \$20.4 million, while total expenditures were \$21.8 million.

The **General Fund** is the chief operating fund of the City of Chaska. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2.1 million. The fund balance of the City of Chaska’s general fund increased by \$166,174. Key factors in the increase are:

- Revenue from electric franchise taxes was \$201,400 more than 2010. This increase was due to a 6.4% increase in kilowatt-hour (kWh) sales from 2010. Franchise tax revenue to the General Fund is calculated at .00869 per kWh sales in the Electric Fund.
- Total revenues and other financing sources were more than the final budgeted amount by \$873,827 due mainly to overages in licenses and permits of \$477,638. The construction of United Health Group's data center and SW Christian High School brought in large mechanical permit revenue (\$322,268 variance over budget).
- Total expenditures and other financing uses were more than the final budgeted amount by \$707,653. An unbudgeted transfer was done for \$346,000 to fund the purchase of a new city wide phone system.



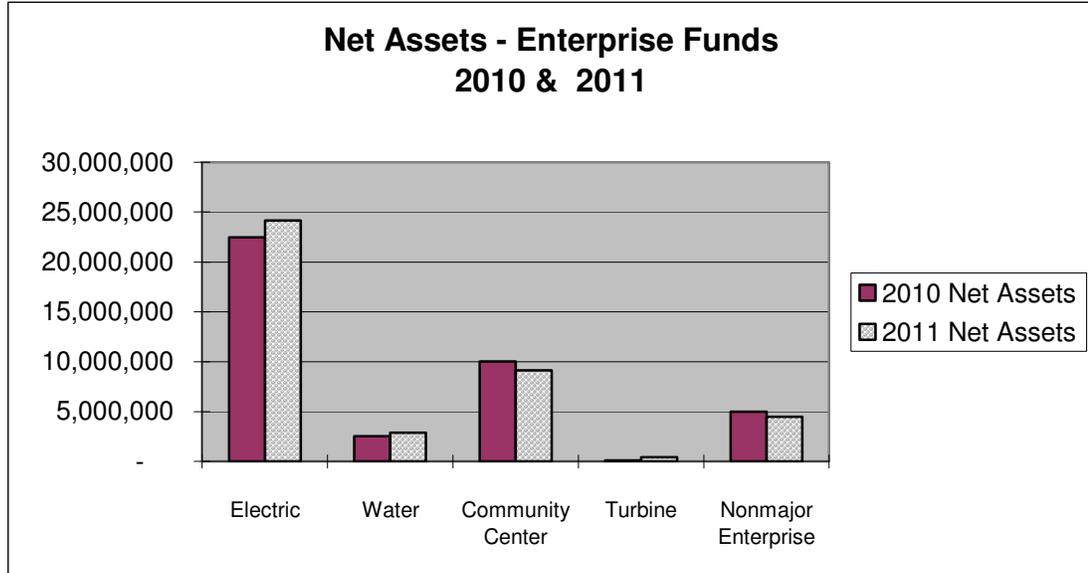
The **TIF District #4 Revolving** fund is the primary fund for collection of all tax increment revenue for all of District #4 projects, thereby producing a large revenue stream (\$5.2 million in tax increment revenue) for one particular fund. In 2008, the District's term was extended three years and the existing debt of the district was restructured. Due to the restructuring of the debt and the extension of the district, TIF District #4 is reporting a positive fund balance.

The **TIF District #14 Downtown Redevelopment** fund is the primary fund for collection of all tax increment revenue for all of District #14 projects. The projects included in this district have borrowed money (\$4.3 million) from the Electric Fund in order to purchase land for future redevelopment. These internal loan balances are expected to be paid in full when redevelopment occurs.

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

The combined change increased net assets of enterprise funds by \$902,478. Some of the reasons for this change in net assets are:

- The Electric Fund's net assets increased by \$1,635,591 in 2011. In 2011, electric rates increased 2.25%; this along with increased demand contributed to an increase in operating income of \$895,398 from 2010.
- The Water Fund had an operating income of \$338,696. A new rate structure that was established in 2010 as well as implementing the required DNR inclining block rate to promote water conservation has given the Water Fund positive operating income for two consecutive years.
- As part of the budgeting process, when calculating what fees will be, depreciation expense is not considered. As a direct result of this process, the Chaska Community Center reports operating revenue of \$2.8 million and operating expense (without depreciation) of \$2.9 million; resulting in an operating loss before depreciation of (\$55,478). When factoring in depreciation expense (\$937,486), an operating loss results of (\$992,964).
- The Turbine Generator Fund has restricted net assets of \$2.7 million, which represents a restriction for debt service.



General Fund Budgetary Highlights

The final amended budget for the General Fund includes the original adopted budget plus any additional supplemental appropriations that were legislated by the City Council during the year. In 2011, the original budget was amended reducing other financing sources by \$200,000 and reducing expenditures by \$200,000 therefore projecting no change in fund balance. The budget

amendment provided for changes in how the City accounts for costs associated with storm water management services. Instead of storm water services being a part of the General Fund, all costs incurred in providing storm water services will be accounted for directly within the Storm Water Utility Fund.

While the City's final amended budget for the general fund anticipated that revenues would equal expenditures and transfers, the City's general fund actually had an excess of revenues over expenditures and transfers of \$166,174.

- Franchise Fee revenue was \$190,131 more than the final budget due mainly to higher electric sales.
- Licenses and Permits were \$477,638 more than the final budget related to:
 - i. Building permit revenue was \$109,075 more than the final budget.
 - ii. Mechanical permits were \$322,268 more than the final budget due to the issuance of a large permit to United Health Group, who built a 250,000 square foot data center.
- Investment Earnings were 16.2% more than the final budget amount.
- Expenditures in General Government were \$136,897 more than the final budget. One of the several factors that contributed to this is landscape work that was charged to the Community Development department. This landscape work will be repaid to the General Fund over a 5-year period through a special assessment to the benefiting property owner.
- Public Safety expenditures were \$225,811 more than the final budget. The majority (69%) of this overage was in police personal services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As shown in Table 3, at the end of 2011, the City had \$186.3 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities and electric, water and sewer lines. More detailed information on the City of Chaska's capital assets can be found in **Note 4** of the basic financial statements.

**Table 3
Capital Assets at Year-End
Net of Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 45,495,467	\$ 43,852,388	\$ 364,805	\$ 364,805	\$ 45,860,272	\$ 44,217,193
Works of Art/Historical Treasures	105,027	105,027	-	-	105,027	105,027
Buildings	4,544,710	5,114,838	27,776,175	29,687,439	32,320,885	34,802,277
Other Improvements	5,300,295	5,555,573	981,952	360,490	6,282,247	5,916,063
Furniture & Equipment	1,768,921	2,135,903	1,265,550	1,696,830	3,034,471	3,832,733
Infrastructure	82,012,769	83,000,456	9,758,758	9,323,977	91,771,527	92,324,433
Construction in Progress	6,373,491	7,848,069	539,662	20,206	6,913,153	7,868,275
Totals	\$ 145,600,680	\$ 147,612,254	\$ 40,686,902	\$ 41,453,747	\$ 186,287,582	\$ 189,066,001

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

- \$1,421,265 • New street projects (including Spruce, Locus and 3rd streets) recorded as Construction in Progress at year-end. This street reconstruction project is being paid for with proceeds of the 2011B General Obligation Bonds.
- \$778,025 • Infrastructure improvements for West Creek Corporate Center recorded as Construction in Progress.
- \$893,127 • Costs related to additional infrastructure in the Electric and Water Utility Funds.
- \$519,455 • Additions to Construction in Progress for preliminary expenses related to the construction of a new electrical substation to serve the West Creek Corporate Center and other areas of the City. Anticipated final cost of the project is \$3.3 million.

Long-Term Debt

At year-end, the City had \$82.3 million in bonds and notes outstanding, as shown in Table 4. More detailed information about the City's long-term liabilities is presented in **Note 6** to the financial statements.

Table 4
City of Chaska's Outstanding Debt
(Does Not Include Premiums, Compensated Absences or Other Post-Employment Benefits)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
G.O. Equipment Certificates (Backed by the City)	\$ 1,000,000	\$ 1,300,000	\$ -	\$ -	\$ 1,000,000	\$ 1,300,000
G.O. Bonds (Backed by the City)	3,455,000	-	12,335,000	12,700,000	15,790,000	12,700,000
G.O. Tax Increment Bonds (Backed by the City)	13,455,000	16,585,000	-	-	13,455,000	16,585,000
G.O. Improvement Bonds (Backed by the City)	16,155,000	19,230,000	-	-	16,155,000	19,230,000
Revenue Bonds and Notes (Backed by specific tax and fee revenues)	-	-	35,720,000	33,125,000	35,720,000	33,125,000
Promissory Note Payable (Backed by the City)	159,960	-	-	-	159,960	-
Totals	\$34,224,960	\$37,115,000	\$48,055,000	\$45,825,000	\$82,279,960	\$82,940,000

New debt resulted from five issues in 2011 as follows:

1. \$11,435,000 in General Obligation Water Revenue Bonds, Series 2011A with a net effective interest rate of 3.429% (2.00% to 4.00%). The proceeds from the 2011A bonds

- were used to refund the City's General Obligation Water Revenue Bonds, Series 2003A, dated May 1, 2003. The refunding was undertaken to restructure the debt of the City's Water Utility to provide cash flow relief over the next ten years by extending the repayment period over an additional ten years.
2. \$3,455,000 in General Obligation Bonds, Series 2011B with a net effective interest rate of 2.364% (2.00% to 3.25%) The proceeds from the 2011B bonds will be used to finance five improvement projects in various areas of the City and to refund the City's General Obligation Capital Improvement Plan Bonds, Series 2004, dated March 1, 2004. The transaction was done as a current refunding to achieve interest cost savings.
 3. \$1,210,000 in General Obligation Tax Increment Refunding Bonds, Series 2011C with a net effective interest rate of .742% (2.50%). The proceeds from the 2011C bonds will be used to refund the City's General Obligation Tax Increment Refunding Bonds Series 2004C, dated June 15, 2004. The transaction was done as a current refunding to achieve interest cost savings.
 4. \$3,535,000 in Electric Utility Revenue Bonds, Series 2011D with a net effective interest rate of 3.08% (2.00% - 3.65%). Proceeds of the bonds will be used to finance the acquisition of land and the construction of an electric utility substation at West Creek and improvements to the existing Minnesota River and Bluff Creek substations.
 5. \$161,178 in a promissory note with an interest rate of 6%. The City/Chaska EDA assumed the mortgage against a City/Chaska EDA owned property. The annual note payments are offset by lease revenue collected from the current tenants.

The City continues to pay down its debt, retiring \$7.8 million of outstanding bonds in 2011 (excludes the refunded bonds).

The City of Chaska's general obligation bonds carry a rating, as of last review, of an AA by Standard and Poor's Corporation and a Baa rating by Moody's Investors Services. The City's Electric revenue bonds were rated an A by Standard and Poor's and A3 by Moody's.

Under Minnesota State Statutes, the general obligation bonded debt issued by the City is subject to a legal debt limitation based on 3% of market value. At December 31, 2011, the City's legal debt limit was \$63,979,494. The statutes provide that debt issues supported by tax increment, special assessment revenues or available dedicated reserves are excluded from the total limited debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2012 budget. Specifically, four major revenue issues needed to be addressed:

1. An overall reduction of 4.14% in taxable market values in the community. (This follows a 6.68% decrease in 2011.)
2. The State's elimination of the Market Value Homestead Credit program starting 2012, and the continued un-allocation of Local Government Aid.

3. The unpredictability of new construction in the community, which since 2008 has trended downward, thus reducing our building permit revenue.
4. Reduction in revenue from elimination of funding for School Resource Officer position at District 112 (now reduced to one at the High School).

Addressing these revenue shortfalls in the 2012 budget came mainly from the deferment of planned expenditures, but also was mitigated by the fact that we have seen an increase in electric usage in the community at a rate faster than what we had originally anticipated, due to an increase in economic development activities. This increased usage has helped lessen issues in the General Fund by increasing the amount of Franchise Fee we have coming into the General Fund.

These factors were taken into account when adopting the General Fund budget for 2012. Projected revenues and other financing sources available for appropriation in the General Fund budget are \$9,982,679, an increase of 4.6% over the final 2011 budget of \$9,544,066. The City's property tax capacity rate for 2012 is 25.79%, a 9.84% increase over the 2011 rate. Budgeted expenditures are expected to rise nearly 4.6% to \$9,982,679, an increase of \$438,613 over the final 2011 budget. General assumptions that were used to calculate general fund expenditures were:

- On average, personnel costs would increase at an overall rate of 1.5% annually.
- Operating costs would increase at a rate of 1%.
- The City would maintain its current levels of service, only reducing in areas where we have seen a reduction in the need for services (i.e. Community Development reductions).
- The City would fully fund its equipment replacement schedule.
- Continue to contribute tax levy amounts necessary to fund the Street Reconstruction Program.
- No drawdown of General Fund reserves.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Government-Wide Financial Statements

City of Chaska

December 31, 2011

CITY OF CHASKA, MINNESOTA

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash And Investments	\$ 15,392,136	\$ 9,212,119	\$ 24,604,255
Receivables:			
Taxes	430,201	-	430,201
Special Assessments	12,064,339	18,867	12,083,206
Accounts	228,479	4,955,668	5,184,147
Interest	44,025	35,004	79,029
Lease	125,400	-	125,400
Notes	645,763	-	645,763
Internal Balances	(4,570,566)	4,570,566	-
Due From Other Governments	133,348	193,982	327,330
Lease Receivable - Current	-	528,181	528,181
Inventories	-	1,108,292	1,108,292
Prepaid Items:			
Net Pension Obligation	388,859	-	388,859
Long Term Lease Receivable	-	24,395,968	24,395,968
Restricted Cash & Investments:			
Cash with Escrow Agent - Debt Service	-	6,861,194	6,861,194
Accrued Interest on Investments	-	43,195	43,195
Deferred Charges	623,959	1,359,738	1,983,697
Land Held For Resale	2,761,865	-	2,761,865
Capital Assets (net of accumulated depreciation):			
Land	45,495,467	364,805	45,860,272
Works of Art & Historical Treasures	105,027	-	105,027
Buildings	4,544,710	27,776,175	32,320,885
Other Improvements	5,300,295	981,952	6,282,247
Furniture & Equipment	1,768,921	1,265,550	3,034,471
Infrastructure	82,012,769	9,758,758	91,771,527
Construction in Progress	6,373,491	539,662	6,913,153
TOTAL ASSETS	173,868,488	93,969,676	267,838,164
LIABILITIES			
Accounts Payable	437,745	461,257	899,002
Salaries Payable	146,672	83,725	230,397
Deposits Payable	2,200	246,851	249,051
Accrued Interest Payable	420,653	411,522	832,175
Due To Other Governments	151,390	1,905,289	2,056,679
Unearned Revenue	1,940,774	196,917	2,137,691
Non-current Liabilities:			
Due Within One Year	4,839,885	1,746,206	6,586,091
Due in More than One Year	30,555,541	47,780,383	78,335,924
TOTAL LIABILITIES	38,494,860	52,832,150	91,327,010
NET ASSETS			
Invested In Capital Assets, Net of Related Debt	121,056,422	24,905,043	145,961,465
Restricted for:			
Special Purposes	114,341	-	114,341
Capital Acquisition	354,145	-	354,145
Capital Projects	2,881,575	-	2,881,575
Debt Service	8,542,677	3,271,085	11,813,762
Economic Development	9,039,408	-	9,039,408
Unrestricted	(6,614,940)	12,961,398	6,346,458
TOTAL NET ASSETS	\$ 135,373,628	\$ 41,137,526	\$ 176,511,154

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, 2011

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
General Government	\$ 3,982,078	\$ 2,297,111	\$ 23,993	\$ 90,419	\$ (1,570,555)	\$ -	\$ (1,570,555)
Economic Development	933,265	154,000	66,148	37,825	(675,292)	-	(675,292)
Public Safety	4,216,569	205,390	312,026	200,956	(3,498,197)	-	(3,498,197)
Public Works	7,029,170	562,000	60,715	2,785,737	(3,620,718)	-	(3,620,718)
Parks, Recreation and Arts	709,781	40,004	200	333,089	(336,488)	-	(336,488)
Interest on Long-Term Debt	1,551,955	-	-	-	(1,551,955)	-	(1,551,955)
Total Governmental Activities	18,422,818	3,258,505	463,082	3,448,026	(11,253,205)	-	(11,253,205)
Business-type Activities:							
Electric	26,897,015	28,885,102	-	26,843	-	2,014,930	2,014,930
Water	2,624,256	2,387,700	-	8,054	-	(228,502)	(228,502)
Sewer	2,716,380	2,807,185	-	9,195	-	100,000	100,000
Community Center	4,003,228	2,821,081	-	10,000	-	(1,172,147)	(1,172,147)
Par 30 Golf Course	171,720	144,726	-	-	-	(26,994)	(26,994)
Chaska Town Course	2,043,373	1,557,948	-	-	-	(485,425)	(485,425)
Turbine Generator	1,612,415	2,156,067	-	-	-	543,652	543,652
Internet Service Provider	639,021	689,673	-	-	-	50,652	50,652
Storm Water	435,892	504,604	-	-	-	68,712	68,712
Total Business-type Activities	41,143,300	41,954,086	-	54,092	-	864,878	864,878
TOTAL	\$ 59,566,118	\$ 45,212,591	\$ 463,082	\$ 3,502,118	(11,253,205)	864,878	(10,388,327)
General Revenues:							
Property Taxes					10,457,922	-	10,457,922
Franchise Taxes					2,934,401	-	2,934,401
Grants & Contributions Not Restricted to Specific Functions					247,716	-	247,716
Investment Earnings					82,462	393,721	476,183
Other					265,898	126,386	392,284
Transfers					508,805	(508,805)	-
Total General Revenues & Transfers					14,497,204	11,302	14,508,506
Change in Net Assets					3,243,999	876,180	4,120,179
Net Assets - Beginning					132,129,629	40,261,346	172,390,975
Net Assets - Ending					\$ 135,373,628	\$ 41,137,526	\$ 176,511,154

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



CHASKA

CITY OF CHASKA, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	GENERAL	TIF DISTRICT #4 REVOLVING	TIF DIST #14 DOWNTOWN REDEVELOPMENT	NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash And Investments	\$ 2,763,663	\$ 3,595,677	\$ -	\$ 4,779,458	\$ 11,138,798
Receivables:					
Taxes	134,871	241,480	28,700	25,150	430,201
Special Assessments	35,885	562,807	83,842	11,381,805	12,064,339
Accounts, Net of Allowance	83,290	2,080	-	97,884	183,254
Interest	11,780	8,578	-	4,832	25,190
Lease	-	-	-	125,400	125,400
Notes	-	427,703	-	218,060	645,763
Due from Other Funds	-	-	-	1,960,285	1,960,285
Due From Other Governments	115,678	-	-	17,670	133,348
Interfund Receivable	-	-	-	270,333	270,333
Land Held for Resale	-	-	2,761,865	-	2,761,865
TOTAL ASSETS	\$ 3,145,167	\$ 4,838,325	\$ 2,874,407	\$ 18,880,877	\$ 29,738,776
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts Payable	\$ 87,690	\$ -	\$ -	\$ 349,311	\$ 437,001
Salaries Payable	146,672	-	-	-	146,672
Deposits Payable	-	-	-	2,200	2,200
Due To Other Funds	-	-	-	1,960,285	1,960,285
Due To Other Governments	42,388	-	-	109,002	151,390
Interfund Payable	-	-	174,272	96,061	270,333
Deferred and Unearned Revenue	135,760	1,218,572	812,542	11,633,546	13,800,420
Advance from Other Funds	-	-	4,324,630	170,000	4,494,630
TOTAL LIABILITIES	412,510	1,218,572	5,311,444	14,320,405	21,262,931
FUND BALANCES:					
Restricted	-	3,619,753	2,761,865	3,356,971	9,738,589
Committed	597,734	-	-	279,176	876,910
Assigned	-	-	-	3,383,331	3,383,331
Unassigned	2,134,923	-	(5,198,902)	(2,459,006)	(5,522,985)
TOTAL FUND BALANCES	2,732,657	3,619,753	(2,437,037)	4,560,472	8,475,845
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,145,167	\$ 4,838,325	\$ 2,874,407	\$ 18,880,877	\$ 29,738,776

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, 2011

Total fund balances - governmental funds \$ 8,475,845

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. 623,959

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

Cost of Capital Assets	202,403,574
Less: Accumulated Depreciation	(56,802,894)

Due to availability, certain revenues are not recognized under the governmental fund statements until received; however, under full accrual in the government-wide Statement of Activities, revenues are recorded when earned regardless of when received.

Delinquent Taxes	378,128
Special Assessments	11,303,455
Notes Receivable	178,063

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. 4,316,654

Internal balances from business-type activities for internal service fund services. (75,936)

Governmental funds do not report an asset for net pension obligations. 388,859

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. (420,653)

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

Due within one year	(4,839,885)
Due in more than one year	(30,555,541)

Net assets of governmental activities \$ 135,373,628

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, 2011

	GENERAL	TIF DISTRICT #4 REVOLVING	TIF DIST #14 DOWNTOWN REDEVELOPMENT	NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes:					
Property	\$ 4,005,145	\$ 5,199,658	\$ 8,589	\$ 1,240,111	\$ 10,453,503
Franchise	2,934,401	-	-	-	2,934,401
Licenses and Permits	1,171,745	-	-	-	1,171,745
Intergovernmental	606,574	56,465	-	1,003,466	1,666,505
Charges for Services	1,332,544	-	-	618,198	1,950,742
Fines and Forfeitures	139,988	-	-	-	139,988
Special Assessments	983	731	-	1,529,545	1,531,259
Other Revenue	91,303	114,429	8,600	371,221	585,553
TOTAL REVENUES	10,282,683	5,371,283	17,189	4,762,541	20,433,696
EXPENDITURES					
CURRENT:					
General Government	3,207,978	-	-	184,111	3,392,089
Economic Development	-	149,838	84,431	523,663	757,932
Public Safety	3,856,334	-	-	114,813	3,971,147
Public Works	2,387,010	-	-	1,142,117	3,529,127
Parks, Recreation and Arts	454,397	-	-	78,556	532,953
DEBT SERVICE:					
Principal	-	-	-	5,396,218	5,396,218
Interest	-	-	179,156	1,399,831	1,578,987
Issuance Costs & Fiscal Agent Fees	-	-	-	91,276	91,276
CAPITAL OUTLAY					
	-	-	-	2,591,145	2,591,145
TOTAL EXPENDITURES	9,905,719	149,838	263,587	11,521,730	21,840,874
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	376,964	5,221,445	(246,398)	(6,759,189)	(1,407,178)
OTHER FINANCING SOURCES (USES)					
Transfers In	135,210	-	-	7,076,354	7,211,564
Transfers Out	(346,000)	(3,566,540)	(131,688)	(2,658,531)	(6,702,759)
Bonds Issued	-	-	-	2,375,000	2,375,000
Refunding Bonds Issued	-	-	-	2,290,000	2,290,000
Premium on Bonds Issued	-	-	-	168,217	168,217
Payment on Refunded Bonds	-	-	-	(2,320,000)	(2,320,000)
Sale of Capital Assets	-	106,829	-	8,045	114,874
TOTAL OTHER FINANCING SOURCES AND (USES)	(210,790)	(3,459,711)	(131,688)	6,939,085	3,136,896
NET CHANGE IN FUND BALANCES	166,174	1,761,734	(378,086)	179,896	1,729,718
FUND BALANCES, January 1, as restated	2,566,483	1,858,019	(2,058,951)	4,380,576	6,746,127
FUND BALANCES, December 31	\$ 2,732,657	\$ 3,619,753	\$ (2,437,037)	\$ 4,560,472	\$ 8,475,845

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, 2011

Total net change in fund balances - governmental funds	\$ 1,729,718
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, issuance costs are recorded as deferred charges and amortized over the life of the debt.	20,202
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	3,349,841
Less: Depreciation Expense	(5,101,497)
Net book value of assets sold or disposed	(259,918)
Under modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period. Under the full accrual basis of accounting, these revenues are recognized when earned.	
	580,920
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)	(5,514,135)
Reductions to long-term debt (increases governmental fund balances)	8,196,054
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.	
	27,032
Net pension obligation activity is not recognized in the Governmental Funds but recognized as the expense/revenue is incurred in the Statement of Activities.	
	14,753
Internal service funds are used by management to charge the costs of property & liability insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	
	174,731
Internal service fund profit allocated to business-type activities.	<u>26,298</u>
Change in net assets - governmental activities	<u>\$ 3,243,999</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, 2011**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Taxes:				
Property	\$ 3,976,354	\$ 3,976,354	\$ 4,005,145	\$ 28,791
Franchise	2,744,270	2,744,270	2,934,401	190,131
Licenses And Permits	694,107	694,107	1,171,745	477,638
Intergovernmental	513,157	513,157	606,574	93,417
Charges For Services	1,302,221	1,302,221	1,332,544	30,323
Fines And Forfeitures	131,784	131,784	139,988	8,204
Special Assessments	-	-	983	983
Other Revenue	64,173	64,173	91,303	27,130
TOTAL REVENUES	<u>9,426,066</u>	<u>9,426,066</u>	<u>10,282,683</u>	<u>856,617</u>
EXPENDITURES:				
Current:				
General Government	3,054,081	3,071,081	3,207,978	(136,897)
Public Safety	3,635,559	3,630,523	3,856,334	(225,811)
Public Works	2,581,364	2,369,400	2,387,010	(17,610)
Parks, Recreation and Arts	473,062	473,062	454,397	18,665
TOTAL EXPENDITURES	<u>9,744,066</u>	<u>9,544,066</u>	<u>9,905,719</u>	<u>(361,653)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(318,000)</u>	<u>(118,000)</u>	<u>376,964</u>	<u>494,964</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	318,000	118,000	135,210	17,210
Transfers Out	-	-	(346,000)	(346,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>318,000</u>	<u>118,000</u>	<u>(210,790)</u>	<u>(328,790)</u>
NET CHANGE IN FUND BALANCES	-	-	166,174	166,174
FUND BALANCES, January 1	<u>2,566,483</u>	<u>2,566,483</u>	<u>2,566,483</u>	<u>-</u>
FUND BALANCES, December 31	<u>\$ 2,566,483</u>	<u>\$ 2,566,483</u>	<u>\$ 2,732,657</u>	<u>\$ 166,174</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, 2011**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	ELECTRIC	WATER	COMMUNITY CENTER
ASSETS			
Current Assets:			
Cash And Investments	\$ 4,762,855	\$ 727,877	\$ 593,733
Restricted Assets:			
Cash And Investments	3,271,479	-	272,880
Accrued Interest On Investments	-	-	-
Receivables:			
Special Assessments	6,632	-	-
Accounts:			
Current	2,743,511	167,887	169,629
Unbilled	1,249,763	60,406	-
Allowance For Uncollectible Accounts	(27,432)	(1,679)	(1,474)
Interest	21,851	5,207	-
Due From Other Funds	1,589,947	-	-
Due From Other Governments	44,478	4,684	72,700
Interfund Receivable	-	-	-
Lease Receivable	-	-	-
Inventories	953,074	104,345	-
Total Current Assets	14,616,158	1,068,727	1,107,468
Noncurrent Assets:			
Restricted Cash And Investments	244,300	-	-
Lease Receivable	-	-	-
Advance To Other Funds	5,664,594	-	-
Deferred Charges	95,763	394,604	68,464
Capital Assets:			
Land	240,721	33,618	90,466
Buildings	5,079,031	17,255,218	21,989,179
Other Improvements	-	662,600	367,941
Furniture & Equipment	1,349,033	386,295	1,368,478
Infrastructure	15,814,548	3,457,175	-
Construction in Progress	214,798	324,864	-
Less: Accumulated Depreciation	(12,141,461)	(7,765,610)	(12,594,881)
Total Net Capital Assets	10,556,670	14,354,160	11,221,183
Total Noncurrent Assets	16,561,327	14,748,764	11,289,647
TOTAL ASSETS	31,177,485	15,817,491	12,397,115

			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
<u>TURBINE GENERATOR</u>	<u>NONMAJOR ENTERPRISE</u>	<u>TOTALS</u>	
\$ 769,559	\$ 2,358,095	\$ 9,212,119	\$ 4,253,338
628,022	-	4,172,381	-
43,195	-	43,195	-
-	12,235	18,867	-
-	485,604	3,566,631	45,225
-	114,306	1,424,475	-
-	(4,853)	(35,438)	-
-	7,946	35,004	18,835
-	-	1,589,947	-
-	72,120	193,982	-
34,200	-	34,200	-
528,181	-	528,181	-
-	50,873	1,108,292	-
<u>2,003,157</u>	<u>3,096,326</u>	<u>21,891,836</u>	<u>4,317,398</u>
2,444,513	-	2,688,813	-
24,395,968	-	24,395,968	-
1,125,052	-	6,789,646	-
800,907	-	1,359,738	-
-	-	364,805	-
-	8,265,839	52,589,267	-
-	229,269	1,259,810	-
-	3,821,026	6,924,832	-
-	1,569,985	20,841,708	-
-	-	539,662	-
-	(9,331,230)	(41,833,182)	-
<u>-</u>	<u>4,554,889</u>	<u>40,686,902</u>	<u>-</u>
<u>28,766,440</u>	<u>4,554,889</u>	<u>75,921,067</u>	<u>-</u>
<u>30,769,597</u>	<u>7,651,215</u>	<u>97,812,903</u>	<u>4,317,398</u>

(Continued)

CITY OF CHASKA, MINNESOTA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	ELECTRIC	WATER	COMMUNITY CENTER
LIABILITIES			
Current Liabilities:			
Accounts Payable	101,518	244,114	54,711
Salaries Payable	27,032	7,424	27,887
Deposits Payable	130,298	-	44,765
Compensated Absences	106,608	42,957	51,440
Accrued Interest Payable	2,397	33,070	10,165
Due To Other Funds	-	-	-
Due To Other Governments	1,883,042	677	16,284
Interfund Payable	34,200	-	-
Revenue Bonds Payable	170,000	315,000	-
Unearned Revenue	6,632	-	61,449
Total Current Liabilities	2,461,727	643,242	266,701
Noncurrent Liabilities:			
Compensated Absences	41,762	8,132	48,593
Advance From Other Funds	1,125,052	-	-
Revenue Bonds Payable	3,365,000	12,020,000	2,900,000
Unamortized Premium On Revenue Bonds	22,761	252,752	3,760
Other Post Employment Benefits	29,273	3,970	22,421
Total Noncurrent Liabilities	4,583,848	12,284,854	2,974,774
TOTAL LIABILITIES	7,045,575	12,928,096	3,241,475
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	10,266,323	1,766,408	8,317,423
Restricted For Debt Service	248,365	-	272,880
Unrestricted	13,617,222	1,122,987	565,337
TOTAL NET ASSETS	\$ 24,131,910	\$ 2,889,395	\$ 9,155,640

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>
-	60,914	461,257	744
-	21,382	83,725	-
-	71,788	246,851	-
-	85,201	286,206	-
365,890	-	411,522	-
-	1,589,947	1,589,947	-
-	5,286	1,905,289	-
-	-	34,200	-
975,000	-	1,460,000	-
-	128,836	196,917	-
<u>1,340,890</u>	<u>1,963,354</u>	<u>6,675,914</u>	<u>744</u>
-	30,164	128,651	-
-	1,169,964	2,295,016	-
28,310,000	-	46,595,000	-
703,494	-	982,767	-
-	18,301	73,965	-
<u>29,013,494</u>	<u>1,218,429</u>	<u>50,075,399</u>	<u>-</u>
<u>30,354,384</u>	<u>3,181,783</u>	<u>56,751,313</u>	<u>744</u>
-	4,554,889	24,905,043	-
2,749,840	-	3,271,085	-
<u>(2,334,627)</u>	<u>(85,457)</u>	<u>12,885,462</u>	<u>4,316,654</u>
<u>\$ 415,213</u>	<u>\$ 4,469,432</u>	<u>41,061,590</u>	<u>\$ 4,316,654</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>75,936</u>	
Net assets of business-type activities		<u>\$ 41,137,526</u>	

CITY OF CHASKA, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>ELECTRIC</u>	<u>WATER</u>	<u>COMMUNITY CENTER</u>
OPERATING REVENUES:			
Sales	\$ 28,885,102	\$ 2,387,700	\$ 2,821,081
OPERATING EXPENSES:			
Production	20,785,783	427,726	-
Distribution / Collections	1,754,263	584,882	-
Administration	912,581	331,659	2,876,559
Franchise Fees	2,702,870	-	-
Depreciation	683,250	704,737	937,486
TOTAL OPERATING EXPENSES	<u>26,838,747</u>	<u>2,049,004</u>	<u>3,814,045</u>
OPERATING INCOME (LOSS)	<u>2,046,355</u>	<u>338,696</u>	<u>(992,964)</u>
NON-OPERATING REVENUES:			
Investment Earnings	200,210	8,954	1,689
Intergovernmental	42,898	5,019	-
Payments	-	-	-
Gain on Sale Of Capital Assets	-	-	-
Miscellaneous Refunds	-	-	-
TOTAL NON-OPERATING REVENUES	<u>243,108</u>	<u>13,973</u>	<u>1,689</u>
NON-OPERATING EXPENSES:			
Interest	74,364	562,992	121,740
Issuance Costs & Fiscal Agent Fees	-	18,122	5,679
TOTAL NON-OPERATING EXPENSES	<u>74,364</u>	<u>581,114</u>	<u>127,419</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	2,215,099	(228,445)	(1,118,694)
CAPITAL CONTRIBUTIONS	26,843	8,054	10,000
TRANSFERS IN (OUT)			
Transfers In	-	623,795	213,000
Transfers Out	(606,351)	(54,500)	-
TOTAL TRANSFERS IN (OUT)	<u>(606,351)</u>	<u>569,295</u>	<u>213,000</u>
CHANGE IN NET ASSETS	1,635,591	348,904	(895,694)
NET ASSETS, January 1	<u>22,496,319</u>	<u>2,540,491</u>	<u>10,051,334</u>
NET ASSETS, December 31	<u>\$ 24,131,910</u>	<u>\$ 2,889,395</u>	<u>\$ 9,155,640</u>

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

			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
TURBINE GENERATOR	NONMAJOR ENTERPRISE	TOTALS	
\$ 2,156,067	\$ 5,704,136	\$ 41,954,086	\$ 595,722
-	1,846,009	23,059,518	-
-	1,065,875	3,405,020	-
112,778	2,442,295	6,675,872	564,388
-	-	2,702,870	-
-	665,715	2,991,188	-
<u>112,778</u>	<u>6,019,894</u>	<u>38,834,468</u>	<u>564,388</u>
<u>2,043,289</u>	<u>(315,758)</u>	<u>3,119,618</u>	<u>31,334</u>
171,629	11,239	393,721	25,632
-	3,929	51,846	-
71,967	-	71,967	-
-	2,500	2,500	-
73	-	73	117,765
<u>243,669</u>	<u>17,668</u>	<u>520,107</u>	<u>143,397</u>
1,454,734	-	2,213,830	-
44,903	-	68,704	-
<u>1,499,637</u>	<u>-</u>	<u>2,282,534</u>	<u>-</u>
787,321	(298,090)	1,357,191	174,731
-	9,195	54,092	-
-	84,651	921,446	-
(455,000)	(314,400)	(1,430,251)	-
<u>(455,000)</u>	<u>(229,749)</u>	<u>(508,805)</u>	<u>-</u>
332,321	(518,644)	902,478	174,731
82,892	4,988,076	40,159,112	4,141,923
<u>\$ 415,213</u>	<u>\$ 4,469,432</u>	<u>\$ 41,061,590</u>	<u>\$ 4,316,654</u>
Change in net assets - total Enterprise Funds		902,478	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		(26,298)	
Change in net assets - Business-type Activities		<u>\$ 876,180</u>	

CITY OF CHASKA, MINNESOTA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	ELECTRIC	WATER	COMMUNITY CENTER
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts From Customers And Users	\$ 28,401,151	\$ 2,353,365	\$ 2,869,062
Payments To Suppliers	(24,535,564)	(639,617)	(1,317,122)
Payments To Employees	(1,305,349)	(460,223)	(1,559,241)
Miscellaneous Receipts (Payments)	-	-	-
Net Cash Provided (Used) By Operating Activities	<u>2,560,238</u>	<u>1,253,525</u>	<u>(7,301)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers From Other Funds	-	623,795	213,000
Transfers To Other Funds	(606,351)	(54,500)	-
Due From Other Funds	(54,825)	-	-
Due To Other Funds	-	-	-
Interfund Loans To Other Funds	(94,505)	-	-
Intergovernmental	42,898	5,019	-
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>(712,783)</u>	<u>574,314</u>	<u>213,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds From Revenue Bonds	3,535,000	11,435,000	-
Deferred Issuance Charges	(95,763)	(177,140)	4,279
Capital Contributions	26,843	8,054	10,000
Principal Paid On Bonds	-	(11,800,000)	-
Interest And Fiscal Charges	25,158	(398,539)	(127,654)
Proceeds From Sale Of Capital Assets	-	-	-
Construction And Acquisition of Capital Assets	(1,068,662)	(1,009,301)	(14,998)
Lease Principal Received	-	-	-
Transfers From Other Funds	-	-	-
Interfund Loans From Other Funds	(32,252)	-	-
Interest Payments On Interfund Loans	(74,364)	-	-
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>2,315,960</u>	<u>(1,941,926)</u>	<u>(128,373)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest On Investments	<u>181,877</u>	<u>3,747</u>	<u>1,689</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,345,292	(110,340)	79,015
CASH AND CASH EQUIVALENTS, January 1	3,933,342	838,217	787,598
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 8,278,634</u>	<u>\$ 727,877</u>	<u>\$ 866,613</u>
CASH AND CASH EQUIVALENTS:			
Cash And Investments	\$ 4,762,855	\$ 727,877	\$ 593,733
Restricted Assets-Revenue Bonds:			
Cash And Investments	3,515,779	-	272,880
Total Cash And Cash Equivalents	<u>\$ 8,278,634</u>	<u>\$ 727,877</u>	<u>\$ 866,613</u>

			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
TURBINE GENERATOR	NONMAJOR ENTERPRISE	TOTALS	
\$ 2,156,067	\$ 5,613,530	\$ 41,393,175	\$ 550,497
(112,778)	(3,616,120)	(30,221,201)	(563,644)
-	(1,700,916)	(5,025,729)	-
73	-	73	117,765
<u>2,043,362</u>	<u>296,494</u>	<u>6,146,318</u>	<u>104,618</u>
-	-	836,795	-
(455,000)	(314,400)	(1,430,251)	-
-	-	(54,825)	-
-	54,825	54,825	-
104,219	-	9,714	-
-	3,929	51,846	-
<u>(350,781)</u>	<u>(255,646)</u>	<u>(531,896)</u>	<u>-</u>
-	-	14,970,000	-
42,153	-	(226,471)	-
-	9,195	54,092	-
(940,000)	-	(12,740,000)	-
(1,546,063)	-	(2,047,098)	-
-	2,500	2,500	-
-	(131,382)	(2,224,343)	-
485,001	-	485,001	-
-	84,651	84,651	-
-	(84,651)	(116,903)	-
-	-	(74,364)	-
<u>(1,958,909)</u>	<u>(119,687)</u>	<u>(1,832,935)</u>	<u>-</u>
<u>171,599</u>	<u>4,639</u>	<u>363,551</u>	<u>10,059</u>
(94,729)	(74,200)	4,145,038	114,677
3,936,823	2,432,295	11,928,275	4,138,661
<u>\$ 3,842,094</u>	<u>\$ 2,358,095</u>	<u>\$ 16,073,313</u>	<u>\$ 4,253,338</u>
\$ 769,559	\$ 2,358,095	\$ 9,212,119	\$ 4,253,338
3,072,535	-	6,861,194	-
<u>\$ 3,842,094</u>	<u>\$ 2,358,095</u>	<u>\$ 16,073,313</u>	<u>\$ 4,253,338</u>

(Continued)

CITY OF CHASKA, MINNESOTA

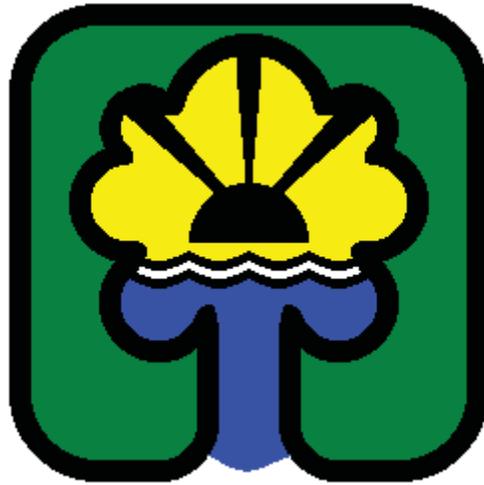
**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	ELECTRIC	WATER	COMMUNITY CENTER
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 2,046,355	\$ 338,696	\$ (992,964)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:			
Depreciation Expense	683,250	704,737	937,486
Allowance For Uncollectible Accounts	2,738	294	(802)
Miscellaneous Receipts	-	-	-
(Increase) Decrease In Assets:			
Special Assessments	34,362	123	-
Accounts Receivable	(459,111)	(33,320)	50,037
Due From Other Governments	(42,223)	(1,309)	(15,706)
Inventory	42,866	5,267	-
Increase (Decrease) In Liabilities:			
Accounts Payable	(18,362)	238,528	(20,203)
Salaries Payable	774	390	841
Deposits Payable	14,645	-	8,502
Compensated Absences Payable	10,203	5,868	7,738
Due To Other Governments	266,786	(3,233)	3,651
Unearned Revenue	(34,362)	(123)	5,950
Other Post Employment Benefits	12,317	(2,393)	8,169
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,560,238	\$ 1,253,525	\$ (7,301)

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>
\$ 2,043,289	\$ (315,758)	\$ 3,119,618	\$ 31,334
-	665,715	2,991,188	-
-	553	2,783	-
73	-	73	117,765
-	(1,650)	32,835	-
-	(47,301)	(489,695)	(45,225)
-	(68,379)	(127,617)	-
-	(64)	48,069	-
-	13,276	213,239	744
-	3,091	5,096	-
-	3,650	26,797	-
-	10,021	33,830	-
-	1,302	268,506	-
-	22,521	(6,014)	-
-	9,517	27,610	-
<u>\$ 2,043,362</u>	<u>\$ 296,494</u>	<u>\$ 6,146,318</u>	<u>\$ 104,618</u>



CHASKA

CITY OF CHASKA, MINNESOTA

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011**

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash And Cash Equivalents	<u>\$ 15,375</u>
<u>LIABILITIES</u>	
Deposits Payable	<u>\$ 15,375</u>

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

Note 1 Summary of Significant Accounting Policies

The City of Chaska (the City) operates under the Optional Plan A Statutory, as 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 operates utilities in the areas of electric, water, sewer, and storm water and also operates a community center, two golf courses, 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) Accounting Pronouncements

For the year ended December 31, 2011, the City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The objective is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise the hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. More information on these fund balance classifications is included elsewhere in these notes.

The implementation of GASB 54 resulted in the reclassification of certain funds and restatement of the City's financial statements. This statement had the following effect on fund balances of Nonmajor governmental funds as they were previously reported.

	<u>Fund Balance at Dec. 31, 2010</u>	<u>Reclassification of Fund Balance Due to GASB 54</u>		<u>Fund Balance at Dec. 31, 2010 as Restated</u>
		<u>Additions</u>	<u>Reductions</u>	
Nonmajor Governmental:				
Special Revenue Funds	\$ 1,006,797	\$ 76,582	\$ (907,751)	\$ 175,628
Capital Project Funds	2,056,704	907,751	(76,582)	2,887,873
Total Nonmajor Governmental Funds	<u>\$ 3,063,501</u>	<u>\$ 984,333</u>	<u>\$ (984,333)</u>	<u>\$ 3,063,501</u>

B) 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.

C) 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 the Statement of Activities) report information based on the City as a whole and exclude fiduciary activity. Also, for the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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" 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.
- **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 - TIF District #14 Downtown Redevelopment Fund** - This fund was established in 2004 and has the objective of developing 50-80 quality owner-occupied homes promoting a mix of housing types and price points in the downtown area. The district's plan is to also develop excess TIF to support other downtown redevelopment projects.

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 individual 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, are generally followed in both the government-wide and proprietary fund financial statements 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.

D) Measurement Focus and Basis of Accounting

Government-Wide Financial Statements:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Economic resources measurement focus aims to reporting all inflows, outflows and balances affecting or reflecting an entity's net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Financial Statements:

Governmental Funds

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

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

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

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

Expenditures are generally recognized under the modified accrual basis of accounting where the expenditure is recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and other post-employment benefits, which are 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 expenses for all of the City of Chaska's enterprise funds and internal service fund are cost of sales and services, administrative expense, and depreciation of capital assets. All other revenues and expenses are reported as non-operating items.

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

E) Budgetary Accounting

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

F) Cash and Investments

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

G) 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 20th. Levied property taxes are certified to Carver County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

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.

Revenues are accrued and recognized in the government-wide financial statements in the current period. In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and fully offset by deferred revenue, because it is not known when they will be available to finance current expenditures. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

2. SPECIAL ASSESSMENTS

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

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

3. TRADE RECEIVABLES

All trade receivables are shown net of an allowance for uncollectibles on the Statement of Net Assets. On December 31, 2011 the allowance for uncollectible accounts was \$36,279.

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

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

I) Inventory

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

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

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.

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. The City uses the following capitalization policy:

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

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

M) Compensated Absences

The City compensates all eligible employees upon termination for unused vacation, personal leave, and compensatory time. Union employees, by contract, are entitled to sick leave at the rate of eight (8) hours for each calendar month of full-time service (union employees covered by the personal leave benefit do not receive sick leave). All vacation, personal leave, and compensatory pay is recorded as an expense and liability as the benefits accrue to employees in the government-wide and proprietary fund financial statements. 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 Classifications

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

Nonspendable – consists of amounts that cannot be spent because it is not in spendable form, such as prepaid items or inventory.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purposes unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended use established by the governing body itself or by an official to which the governing body delegates authority. Pursuant to City Council Resolution, the City's Administrative Services Director is authorized to establish assignments of fund balance.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

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 restrictions are identified and available. During the year, expenditures in various category levels (i.e., personal services, operating supplies, other services and charges, capital outlay and other financing uses) in several divisional areas exceeded the level of appropriation. These variances were not significant since additional revenues and restrictions were identified and available to offset the additional expenditures.
10. Unused budgeted expenditure appropriations lapse at year-end.

B) Excess of Expenditures Over Appropriations

For the year ended December 31, 2011, expenditures exceeded appropriations in the General Fund by \$361,653. Expenditures exceeded appropriations in the Mt. Pleasant Maintenance and Care special revenue fund by \$16,092 and in the Chaska EDA special revenue fund by \$30,066. Variances in the General Fund were funded by the increase in revenue over

budget. Variances in the Mt Pleasant Fund were offset by additional current year revenue and fund balance. Variances in the Chaska EDA fund were funded by greater than expected current year and anticipated future revenues.

C) Nonmajor Funds with Negative Equity

The following nonmajor funds maintained a deficit fund balance/net asset position at December 31, 2011:

Special Revenue Funds:

Chaska EDA Fund	\$ 179,107
Commercial Revolving Loan Fund	2,634

Capital Project Funds:

TIF Dist #10 - Nordic Track	92,603
TIF Dist #16 - Chaska Gateway	3,458
2007 Improvement Projects	177,962
2008 Improvement Projects	246,639
2010 Improvement Projects	757,333
Permanent Improvement Revolving Water	102,605
Permanent Improvement Revolving Sewer	110,154
Park Development	588,990

Enterprise Funds:

Internet Service Provider	2,363,850
---------------------------	-----------

The deficits in the Special Revenue Funds relate to development of EDA properties that have not received full financing and funding commitments of the Commercial Revolving Loan fund. Anticipated EDA revenue and loan payments collected in future years will eliminate these deficits.

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

The 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 and additional equipment purchases in 2006. 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 as follows:

Statement of Net Assets - Government-Wide		
Cash and Investments	\$	24,604,255
Restricted Cash and Investments		6,861,194
		<u>31,465,449</u>
Statement of Net Assets - Fiduciary Funds		
Cash and Investments		15,375
Total Cash and Investments	\$	<u><u>31,480,824</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, 2011 are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Total Bank Deposits	\$ 1,762,379	\$ 1,415,461

At December 31, 2011, all deposits were insured, or collateralized by securities held by the City's agent in the City's name.

B) Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Interest Risk - Maturity Duration in Years			Total
	Rating	Agency	Less Than 1	1 to 5	More than 5	
Guaranteed Investment Contract	N/A	N/A	\$ -	\$ -	\$ 2,444,513	\$ 2,444,513
U.S. Government Agencies	AA+	S&P	-	2,099,682	1,526,400	3,626,082
State And Local Bonds	A+	S&P	-	1,363,969	-	1,363,969
State And Local Bonds	AA-	S&P	-	2,551,687	-	2,551,687
State And Local Bonds	AA3	Moody's	-	661,738	-	661,738
State And Local Bonds	AA	S&P	-	736,644	-	736,644
State And Local Bonds	AA+	S&P	616,580	934,629	-	1,551,209
State And Local Bonds	AAA	S&P	1,548,565	1,174,396	-	2,722,961
Negotiable CD's	N/R	N/A	995,000	742,361	-	1,737,361
Investments in Mutual Funds & Money Markets						
First American Treasury Obligations	AAA	S&P	N/A	N/A	N/A	272,880
100% Treasury MM Fund	AAA	S&P	N/A	N/A	N/A	919,272
Minnesota Municipal MM Fund	N/R	N/A	N/A	N/A	N/A	11,474,037
Total Investments			<u>\$ 3,160,145</u>	<u>\$ 10,265,106</u>	<u>\$ 3,970,913</u>	<u>30,062,353</u>
					Total Deposits	1,415,461
					Petty Cash	3,010
N/A - Not Applicable					Total Deposits and Investments	<u>\$ 31,480,824</u>
N/R - Not Rated						

The Minnesota Municipal Money Market Fund (4M Fund) is an external investment pool regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unrated 2a7-like pool and the City's investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

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. 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 more than 5% of its investments in Federal Home Loan Bank and a Guaranteed Investment Contract with MBIA Inc. These investments comprise 8.73% and 8.13%, respectively, of the City’s total investments.

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 Capital Assets

Capital Asset activity for Governmental activities for the year ended December 31, 2011 is as follows:

	BALANCE JAN. 1, 2011	INCREASES	DECREASES	RECLASS & TRANSFERS	BALANCE DEC. 31, 2011
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 43,852,388	\$ -	\$ -	\$ 1,643,079	\$ 45,495,467
Works of Art/Treasures	105,027	-	-	-	105,027
Construction In Progress	7,848,069	2,648,385	-	(4,122,963)	6,373,491
Total capital assets, not being depreciated	<u>51,805,484</u>	<u>2,648,385</u>	<u>-</u>	<u>(2,479,884)</u>	<u>51,973,985</u>
Capital assets, being depreciated:					
Buildings	10,408,403	-	(506,810)	-	9,901,593
Other Improvements	10,994,624	177,886	-	-	11,172,510
Furniture & Equipment	7,782,916	211,109	(63,164)	-	7,930,861
Infrastructure	118,632,280	312,461	-	2,479,884	121,424,625
Total capital assets being depreciated	<u>147,818,223</u>	<u>701,456</u>	<u>(569,974)</u>	<u>2,479,884</u>	<u>150,429,589</u>
Less accumulated depreciation for:					
Buildings	(5,293,565)	(332,209)	268,891	-	(5,356,883)
Other Improvements	(5,439,051)	(433,164)	-	-	(5,872,215)
Furniture & Equipment	(5,647,013)	(556,092)	41,165	-	(6,161,940)
Infrastructure	(35,631,824)	(3,780,032)	-	-	(39,411,856)
Total accumulated depreciation	<u>(52,011,453)</u>	<u>(5,101,497)</u>	<u>310,056</u>	<u>-</u>	<u>(56,802,894)</u>
Total capital assets, being depreciated, net	<u>95,806,770</u>	<u>(4,400,041)</u>	<u>(259,918)</u>	<u>2,479,884</u>	<u>93,626,695</u>
Governmental activities capital assets, net	<u>\$ 147,612,254</u>	<u>\$ (1,751,656)</u>	<u>\$ (259,918)</u>	<u>\$ -</u>	<u>\$ 145,600,680</u>

City of Chaska, Minnesota

December 31, 2011

Capital Asset activity for Business-Type activities for the year ended December 31, 2011 is as follows:

	BALANCE JAN. 1, 2011	INCREASES	DECREASES	RECLASS & TRANSFERS	BALANCE DEC. 31, 2011
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 364,805	\$ -	\$ -	\$ -	\$ 364,805
Construction In Progress	20,206	519,456	-	-	539,662
Total capital assets, not being depreciated	385,011	519,456	-	-	904,467
Capital assets, being depreciated:					
Buildings	52,589,267	-	-	-	52,589,267
Other Improvements	597,210	662,600	-	-	1,259,810
Furniture & Equipment	6,852,483	107,575	(35,226)	-	6,924,832
Infrastructure	19,906,996	934,712	-	-	20,841,708
Total capital assets, being depreciated	79,945,956	1,704,887	(35,226)	-	81,615,617
Less accumulated depreciation for:					
Buildings	(22,901,828)	(1,911,264)	-	-	(24,813,092)
Other Improvements	(236,720)	(41,138)	-	-	(277,858)
Furniture & Equipment	(5,155,653)	(538,855)	35,226	-	(5,659,282)
Infrastructure	(10,583,019)	(499,931)	-	-	(11,082,950)
Total accumulated depreciation	(38,877,220)	(2,991,188)	35,226	-	(41,833,182)
Total capital assets, being depreciated, net	41,068,736	(1,286,301)	-	-	39,782,435
Business-type activities capital assets, net	\$ 41,453,747	\$ (766,845)	\$ -	\$ -	\$ 40,686,902

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

Governmental Activities:

General Government	\$407,191
Economic Development	2,878
Public Safety	232,078
Public Works	4,229,827
Parks, Recreation & Arts	<u>229,523</u>

Total Depreciation Expense –
Governmental Activities \$5,101,497

Business-Type Activities:

Electric	\$683,250
Water	704,737
Community Center	937,486
Sewer	83,626
Chaska Par 30	4,839
Chaska Town Course	476,443
Internet Service Provider	<u>100,807</u>

Total Depreciation Expense –
Business-Type Activities \$2,991,188

Note 5 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 1st 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 through April 1, 2031 are as follows:

Year Ending December 31,	Lease Receivable	
	Principal	Interest
2012	\$ 528,181	\$ 2,112,887
2013	575,203	2,065,865
2014	626,413	2,014,655
2015	682,185	1,958,883
2016	742,921	1,898,147
2017-2021	4,832,647	8,372,693
2022-2026	7,402,598	5,802,742
2027-2031	9,534,001	1,910,689
Total	<u>\$ 24,924,149</u>	<u>\$ 26,136,561</u>

In October 2011, the Chaska Economic Development Authority entered into a lease agreement with Five Stars Recovery Center. The leased property is a historic single family home owned by the City/Chaska EDA. The term of the lease is 60 months.

City of Chaska, Minnesota

December 31, 2011

Annual lease payments through 2016 are as follows:

Year Ending December 31,	Lease Receivable Annual Payments
2012	\$ 26,400
2013	26,400
2014	26,400
2015	26,400
2016	19,800
Total	<u>\$ 125,400</u>

Note 6 Long-Term Debt

Long-term debt liability for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Bonds Payable:					
General Obligation Bonds:					
Equipment Certificates	\$ 1,300,000	\$ -	\$ (300,000)	\$ 1,000,000	\$ 310,000
General Obligation Bonds	-	3,455,000	-	3,455,000	-
Tax Increment Bonds	16,585,000	1,210,000	(4,340,000)	13,455,000	2,550,000
Improvement Bonds	19,230,000	-	(3,075,000)	16,155,000	1,555,000
Plus: Premium	320,871	168,217	(46,108)	442,980	-
Total Bonds Payable	<u>37,435,871</u>	<u>4,833,217</u>	<u>(7,761,108)</u>	<u>34,507,980</u>	<u>4,415,000</u>
Notes Payable:					
Promissory Note Payable	-	161,178	(1,218)	159,960	7,243
Compensated Absences	554,797	458,927	(415,990)	597,734	417,642
Other Post Employment Benefits	86,677	60,813	(17,738)	129,752	-
Governmental Activity					
Long-term Liabilities	<u>\$ 38,077,345</u>	<u>\$ 5,514,135</u>	<u>\$ (8,196,054)</u>	<u>\$ 35,395,426</u>	<u>\$ 4,839,885</u>
<u>Business-type Activities:</u>					
Bonds Payable:					
General Obligation Revenue Bonds	\$ 12,700,000	\$ 11,435,000	\$(11,800,000)	\$ 12,335,000	\$ 315,000
Revenue Bonds	33,125,000	3,535,000	(940,000)	35,720,000	1,145,000
Plus: Premium	806,195	218,973	(42,401)	982,767	-
Total Bonds Payable	<u>46,631,195</u>	<u>15,188,973</u>	<u>(12,782,401)</u>	<u>49,037,767</u>	<u>1,460,000</u>
Compensated absences	381,027	321,403	(287,573)	414,857	286,206
Other Post Employment Benefits	46,355	38,980	(11,370)	73,965	-
Business-type Activity					
Long-term Liabilities	<u>\$ 47,058,577</u>	<u>\$ 15,549,356</u>	<u>\$(13,081,344)</u>	<u>\$ 49,526,589</u>	<u>\$ 1,746,206</u>

City of Chaska, Minnesota

December 31, 2011

For the Governmental Activities, compensated absences and other post-employment benefits are generally liquidated by the General Fund.

General Obligation Bonds:

General obligation debt is supported by the “full faith and credit” of the City including tax increment and improvement bond issues. Bonds in the governmental activities will be repaid by future property tax levies, tax increments or special assessments accumulated in the specific debt service funds. In the event that a deficiency exists because of unpaid or delinquent tax increment or special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available.

General Obligation Equipment Certificates:

The City issues equipment certificates to provide funding for the acquisition of equipment and vehicles for various departments.

General obligation equipment certificates currently outstanding are as follows:

	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Outstanding Amount</u>
Governmental Activities:					
G.O. Equipment Certificates	\$ 955,000	3.75%	12/15/06	12/01/13	\$ 345,000
G.O. Equipment Certificates	885,000	4.00-4.25%	11/15/08	02/01/16	655,000
					<u>\$ 1,000,000</u>

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>
2012	\$ 310,000	\$ 37,325
2013	285,000	25,388
2014	130,000	14,287
2015	135,000	8,819
2016	140,000	2,975
Total	<u>\$ 1,000,000</u>	<u>\$ 88,794</u>

General Obligation Bonds:

In 2011, the City issued \$3,455,000 General Obligation bonds for various projects.

City of Chaska, Minnesota

December 31, 2011

General obligation bonds currently outstanding are as follows:

	Original Issue	Interest Rates	Issue Date	Final Maturity Date	Outstanding Amount
Governmental Activities:					
G.O. Bonds	3,455,000	2.00-3.25%	09/15/11	02/01/27	<u>\$ 3,455,000</u>

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2012	\$ -	\$ 74,468
2013	335,000	81,487
2014	365,000	74,488
2015	440,000	66,438
2016	480,000	57,237
2017-2021	1,035,000	198,725
2022-2026	675,000	67,938
2027	125,000	2,031
Total	<u>\$ 3,455,000</u>	<u>\$ 622,812</u>

General Obligation Tax Increment Bonds:

The City issues tax increment bonds to provide funding for the construction of streets and utilities, and the acquisition of property for business development.

General obligation tax increment bonds currently outstanding are as follows:

	Original Issue	Interest Rates	Issue Date	Final Maturity Date	Outstanding Amount
Governmental Activities:					
G.O. Tax Increment Bonds	\$ 890,000	4.00-6.20%	06/15/04	12/01/21	\$ 655,000
G.O. Taxable T.I. Bonds	565,000	6.25-7.50%	11/15/08	02/01/31	565,000
G.O. Taxable Abatement Bonds	405,000	4.00-5.25%	09/15/10	02/01/33	405,000
Governmental Activities - Refunding:					
G.O. T.I. Refunding	14,385,000	4.00-5.00%	11/01/08	02/01/15	10,030,000
G.O. Taxable T.I. Refunding	870,000	4.50-5.75%	11/01/08	02/01/15	590,000
G.O. T.I. Refunding	1,210,000	2.50%	09/15/11	02/01/14	1,210,000
					<u>\$ 13,455,000</u>

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2012	\$ 2,550,000	\$ 577,847
2013	3,295,000	454,387
2014	3,390,000	304,630
2015	2,880,000	157,250
2016	85,000	81,920
2017-2021	535,000	321,890
2022-2026	255,000	188,625
2027-2031	380,000	88,381
2032-2033	85,000	4,594
Total	<u>\$ 13,455,000</u>	<u>\$ 2,179,524</u>

General Obligation Improvement Bonds:

The City issues improvement bonds to provide funding for the construction of streets and utilities.

General obligation improvement bonds currently outstanding are as follows:

	Original Issue	Interest Rates	Issue Date	Final Maturity Date	Outstanding Amount
Governmental Activities:					
G.O. Taxable Improvement Bonds	\$ 555,000	2.75-4.90%	09/01/02	12/01/12	\$ 50,000
G.O. Improvement Bonds	455,000	1.50-3.75%	09/01/02	12/01/12	40,000
G.O. Improvement Bonds	8,595,000	3.50-4.13%	12/15/06	12/01/27	5,815,000
G.O. Improvement Bonds	3,645,000	3.00-5.13%	11/15/08	02/01/29	2,790,000
G.O. Improvement Bonds	3,220,000	2.00-4.00%	07/01/10	02/01/31	3,105,000
G.O. Improvement Bonds	2,180,000	2.00-3.75%	09/15/10	02/01/33	2,180,000
Governmental Activities - Refunding:					
G.O. Improvement Refunding	1,995,000	2.00-3.00%	10/01/09	12/01/20	1,450,000
G.O. Capital Improvement Plan Refunding Bonds	880,000	.40-1.10%	09/15/10	02/01/15	725,000
					<u>\$ 16,155,000</u>

City of Chaska, Minnesota

December 31, 2011

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2012	\$ 1,555,000	\$ 535,112
2013	1,505,000	491,247
2014	1,540,000	449,431
2015	1,545,000	402,641
2016	1,395,000	356,536
2017-2021	4,400,000	1,209,448
2022-2026	2,825,000	601,800
2027-2031	1,205,000	142,422
2032-2033	185,000	7,031
Total	<u>\$ 16,155,000</u>	<u>\$ 4,195,668</u>

General Obligation Revenue Bonds:

The G.O. utility revenue bonds are backed by the “full faith and credit” of the City. Bonds in the business-type activities will be repaid with the net revenues of the Water Utility. In the event that a deficiency exists at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available.

In 2003, the City issued G.O. Revenue Bonds to expand its existing water system and construct a new water treatment plant. In 2009, the City issued G.O. Revenue Bonds to advance refund a portion of the 2003 bonds. In 2011, the City issued \$11,435,000 G.O. Water Revenue Refunding Bonds to refund the balance of the 2003 Bonds.

The City has two General Obligation Revenue Refunding Bonds outstanding.

	Original Issue	Interest Rates	Issue Date	Final Maturity Date	Outstanding Amount
Business-type Activities - Refunding:					
G.O. Water Revenue Partial Advance Refunding Bonds	\$ 1,495,000	2.00-3.25%	10/01/09	12/01/22	\$ 1,380,000
G.O. Water Revenue Refunding Bonds	11,435,000	2.00-4.00%	09/15/11	12/01/32	<u>10,955,000</u>
					<u>\$ 12,335,000</u>

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

Year Ending December 31	Business-type Activities	
	Principal	Interest
2012	\$ 315,000	\$ 396,838
2013	320,000	390,537
2014	330,000	382,088
2015	370,000	374,937
2016	425,000	366,938
2017-2021	2,755,000	1,645,262
2022-2026	3,140,000	1,166,000
2027-2031	3,805,000	609,131
2032	875,000	35,000
Total	<u>\$ 12,335,000</u>	<u>\$ 5,366,731</u>

Revenue Bonds:

Revenue bonds are supported by income derived from lease agreements or specific fee revenues to pay for debt service.

The City has four outstanding bond series issued for various purposes.

The 2000 Electric Revenue Bonds provided funding for the acquisition and construction of a gas turbine peaking power electric generation facility and distribution substation. On October 1, 2010 these bonds were partially advance refunded and a balance of \$100,000 will remain outstanding through October 1, 2030. The City receives lease payments from the Minnesota Municipal Power Agency (MMPA) who sells power generated at the facility. This facility is considered an asset of MMPA. The Turbine fund financial statement reports a lease receivable and the outstanding bonds.

The 2005 Electric Revenue Refunding bonds were sold to partially advance refund the 2000 Electric Revenue Bond (see discussion above). The purpose of the refunding was to enable the City to achieve debt service savings.

The 2007 EDA Lease Revenue bonds provide funding for a senior center addition to the Chaska Community Center.

In 2011, the City issued \$3,535,000 Electric Utility Revenue Bonds to finance the acquisition and installation of an electric utility substation and improvements to an existing substation. These bonds will be repaid with the net revenues of the Electric Utility.

Notes To The Financial Statements

City of Chaska, Minnesota

December 31, 2011

Revenue bonds currently outstanding are as follows:

	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Outstanding Amount</u>
Business-type Activities:					
Electric Revenue Bonds	\$ 34,580,000	4.90-6.10%	07/01/00	10/01/30	\$ 100,000
EDA Lease Revenue Bonds	2,900,000	4.00-4.40%	06/01/07	12/01/27	2,900,000
Electric Utility Revenue Bonds	3,535,000	2.00-3.65%	12/22/11	10/01/31	3,535,000
Business-type Activities - Refunding:					
Electric Revenue Refunding Bonds	30,735,000	3.00-5.00%	04/01/05	10/01/30	29,185,000
					<u>\$ 35,720,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,145,000	\$ 1,659,834
2013	1,300,000	1,639,005
2014	1,350,000	1,589,905
2015	1,390,000	1,537,745
2016	1,455,000	1,482,745
2017-2021	8,400,000	6,297,548
2022-2026	10,690,000	4,032,900
2027-2031	9,990,000	1,240,632
<u>Total</u>	<u>\$ 35,720,000</u>	<u>\$ 19,480,314</u>

Notes Payable:

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

Promissory note outstanding is as follows:

	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Outstanding Amount</u>
Governmental Activities:					
Promissory Note Payable	\$ 161,178	6.00%	10/17/11	10/15/16	<u>\$ 159,960</u>

Promissory note requirements to maturity are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2012	\$ 7,243	\$ 9,557
2013	7,723	9,077
2014	8,206	8,594
2015	8,720	8,080
2016	128,068	6,337
Total	\$ 159,960	\$ 41,645

2011 Activity

On September 15, 2011 the City of Chaska issued \$11,435,000 in General Obligation Water Revenue Refunding Bonds, Series 2011A with a net effective interest rate of 3.429% (2.00% to 4.00%) to refund the remaining outstanding maturities of the City's General Obligation Water Revenue Bonds, Series 2003A. The maturity date is December 1, 2032. The purpose of the current refunding was to restructure the debt of the City's Water Utility. Restructuring the debt will provide cash flow relief over the next ten years by extending the repayment period over an additional ten years. This refunding will increase future debt service by \$2,367,006 and results in a positive present value savings of \$272,384. These bonds are backed by the full faith and credit of the City.

On September 15, 2011 the City of Chaska issued \$3,455,000 in General Obligation Bonds, Series 2011B with a net effective interest rate of 2.364% (2.00% to 3.25%). The maturity date is February 1, 2027. The proceeds from these bonds will be used to finance five improvement projects in various areas of the City and to refund the City's General Obligation Capital Improvement Plan Bonds, Series 2004. This current refunding was done to achieve cost savings of \$47,480, a present value savings of \$48,424. These bonds are backed by the full faith and credit of the City.

On September 15, 2011 the City of Chaska issued \$1,210,000 in General Obligation Tax Increment Refunding Bonds, Series 2011C with a net effective interest rate of .742% (2.5%). The maturity date is February 1, 2014. The proceeds from the bonds will be used to refund the remaining outstanding maturities of the City's General Obligation Tax Increment Refunding Bonds, Series 2004C. This current refunding was done to achieve cost savings of \$31,770, a present value savings of \$32,478. These bonds are backed by the full faith and credit of the City.

On December 22, 2011 the City of Chaska issued \$3,535,000 in Electric Utility Revenue Bonds, Series 2011D with a net effective interest rate of 3.08% (2.00% to 3.65%). The maturity date is October 1, 2031. Proceeds of the bonds will be used to finance the acquisition and installation of an electric utility substation at West Creek and improvements to the existing Minnesota River and Bluff Creek substations. The bonds are payable from net revenue generated from the operation of the Electric Utility during the period the bonds are outstanding. These bonds are not a general

obligation of the City and the full faith and credit of the City are not pledged for repayment of the bonds.

As of October 17, 2011, the Chaska Economic Development Authority assumed the mortgage against a City/Chaska EDA owned property. This transaction occurred as a result of a prior agreement that was no longer feasible. The principal amount of the promissory note for the mortgage is \$161,178. The interest rate is 6% and the maturity date is October 2016. The term of the loan may be extended upon bank review in 2016. The monthly note payments are funded by lease revenue generated on the property. Any shortfalls would be funded by the City. This assignment of mortgage was approved by resolution 11-02 of the Chaska EDA.

NOTES PAYABLE:

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

As of December 31, 2011, the City has two outstanding notes payable, which are for North Meadows Apartments and Clover Field Sinclair, LP. 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, 2011 is \$1,343,299. The note for Clover Field Sinclair, LP was issued in 2007 at 5.65% interest with payments due through 2029. The outstanding balance as of December 31, 2011 is \$3,664,410. These amounts have not been included in long-term debt because of the nature of the notes in that repayment is required only if sufficient tax increments are received.

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

CONDUIT DEBT:

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

As of December 31, 2011, there were six series of IRBs outstanding. The aggregate principal amount payable for the three series issued after July 1, 1995, was \$4,325,000. The aggregate principal amount payable for the three series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$9,625,000.

City of Chaska, Minnesota

December 31, 2011

As of December 31, 2011, there were eight series of HRBs outstanding. The aggregate principal amounts payable for the six series issued after July 1, 1995 was \$13,295,000. 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.

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

Note 7 Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2011 are as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Governmental	Nonmajor Governmental	\$ 1,960,285	1
Electric	Nonmajor Enterprise	1,589,947	1
Total		<u>\$ 3,550,232</u>	

Interfund Receivables/Payables:

Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Interfund Receivables/ Payables</u>	<u>Advances To/From</u>	<u>Total</u>	<u>Purpose</u>
Nonmajor Governmental	District #14 Downtown Redevelopment	\$ 174,272	\$ -	\$ 174,272	2
Nonmajor Governmental	Nonmajor Governmental	96,061	-	96,061	2
Electric	District #14 Downtown Redevelopment	-	4,324,630	4,324,630	3, 4
Electric	Nonmajor Governmental	-	170,000	170,000	5
Turbine Generator	Electric	34,200	1,125,052	1,159,252	6
Electric	Nonmajor Enterprise	-	1,169,964	1,169,964	7
Total		<u>\$ 304,533</u>	<u>\$ 6,789,646</u>	<u>\$ 7,094,179</u>	

Explanation of Purpose for Receivables/Payables & Advances To/From Other Funds:

- (1) \$3,550,232 in the Due To/Due From Other Funds eliminate what would have been a negative cash balance in the fund.
- (2) This loan eliminates what would have been negative cash in TIF District funds. Repayment of the outstanding balance of \$270,333 will be made from tax increment generated by the district as it becomes available.

- (3) This 2004 loan from the Electric Fund to finance TIF District #14 project costs will be paid plus interest when the Block 53 property is developed. The amount outstanding as of 12/31/11 is \$1,537,176.
- (4) This 2007 loan from the Electric Fund provides interim financing for TIF District #14 project costs. The loan will be repaid from available cash as development of Block 6 occurs. The amount outstanding as of 12/31/11 is \$2,787,454.
- (5) In 2007, the Electric Fund loaned the Chaska EDA fund \$780,000 for construction costs related to a downtown property. \$610,000 was repaid in 2009. The outstanding balance of \$170,000 will be repaid as cash becomes available.
- (6) A long-term interfund loan between the Electric Fund and the Turbine Generator Fund was made in 2001 to finance a substation. Of the \$1,159,252 owed at 12/31/11, \$1,125,052 is considered due in more than one year.
- (7) This interfund loan from the Electric Fund to Chaska.net was used to develop the expanded wireless internet service. The entire loan amount of \$1,169,964 is expected to remain outstanding throughout 2012.

Interfund Transfers:

	Transfers In:					
	Governmental Activities		Business-Type Activities			Total
	General Fund	Nonmajor	Water	Community Center	Nonmajor	
Transfers Out:						
General Fund	\$ -	\$ 346,000	\$ -	\$ -	\$ -	\$ 346,000
District #4 Revolving	-	3,566,540	-	-	-	3,566,540
District #14 Downtown Redevelopment	-	131,688	-	-	-	131,688
Nonmajor Governmental	30,210	2,004,526	623,795	-	-	2,658,531
Electric	-	308,700	-	213,000	84,651	606,351
Water	-	54,500	-	-	-	54,500
Turbine Generator	105,000	350,000	-	-	-	455,000
Nonmajor Enterprise	-	314,400	-	-	-	314,400
	<u>\$ 135,210</u>	<u>\$ 7,076,354</u>	<u>\$ 623,795</u>	<u>\$ 213,000</u>	<u>\$ 84,651</u>	<u>\$ 8,133,010</u>

Explanation of Transfers:

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

Note 8 Fund Balance

A summary of the governmental fund balance classifications as of December 31, 2011 are as follows:

	General	TIF Dist #4 Revolving	TIF Dist #14 Downtown Redevelopmt	Nonmajor Governmental	Totals
Restricted for:					
Mt. Pleasant Cemetary Care	\$ -	\$ -	\$ -	\$ 39,592	\$ 39,592
Debt Requirements	-	-	-	982,867	982,867
Economic Development	-	3,619,753	2,761,865	1,718,937	8,100,555
Job Creation	-	-	-	59,564	59,564
Unspent Bond Proceeds	-	-	-	542,828	542,828
Housing Loan Program	-	-	-	13,183	13,183
Total Restricted Fund Balances	<u>-</u>	<u>3,619,753</u>	<u>2,761,865</u>	<u>3,356,971</u>	<u>9,738,589</u>
Committed to:					
Compensated Absences	597,734	-	-	-	597,734
Mt. Pleasant Cemetary Care	-	-	-	208,028	208,028
Concerts in the Park	-	-	-	362	362
Street Improvement Program	-	-	-	70,786	70,786
Total Committed Fund Balances	<u>597,734</u>	<u>-</u>	<u>-</u>	<u>279,176</u>	<u>876,910</u>
Assigned to:					
Mt. Pleasant Cemetary Care	-	-	-	6,675	6,675
Concerts in the Park	-	-	-	227	227
Economic Development	-	-	-	99,285	99,285
Fire Protection Improvements	-	-	-	79,448	79,448
Capital Equipment	-	-	-	1,295,569	1,295,569
Capital Improvements	-	-	-	1,902,127	1,902,127
Total Assigned Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,383,331</u>	<u>3,383,331</u>
Unassigned	<u>2,134,923</u>	<u>-</u>	<u>(5,198,902)</u>	<u>(2,459,006)</u>	<u>(5,522,985)</u>
Total Fund Balances	<u>\$ 2,732,657</u>	<u>\$ 3,619,753</u>	<u>\$ (2,437,037)</u>	<u>\$ 4,560,472</u>	<u>\$ 8,475,845</u>

Note 9 Risk Management

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

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is not subject to a deductible. The City's workers compensation coverage is retrospectively rated. With this type of coverage, final

premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

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

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

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

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

Note 10 Committed Contracts

At December 31, 2011, the City had commitments for twenty-eight uncompleted construction contracts with a remaining balance of \$623,025.

Note 11 Contingent Liabilities

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

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

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

Note 12 Jointly Governed Organization

The City, in conjunction with ten other municipalities that provide distribution of electric services, comprise 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, 2011 were \$20,869,124. MMPA issues an annual financial report that may be obtained by writing MMPA, 200 S. 6th Street, Suite 300, Minneapolis, MN 55402, or by calling (612) 349-6868.

Note 13 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 General Employees Retirement Fund (GERF) 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.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. 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 PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 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 GERF 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 age 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 GERF and PEPFF. That report may be obtained on the Internet at 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. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011. In 2011, the City of Chaska was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 14.4% for PEPFF members.

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

	<u>GERF</u>	<u>PEPFF</u>
December 31, 2009	\$ 431,165	\$ 294,150
December 31, 2010	438,146	284,587
December 31, 2011	471,143	301,188

Note 14 Defined Contribution Plan – Statewide

Five 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 plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. Plan provisions are established and may be amended by the state legislature. 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 twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City of Chaska during fiscal year 2011 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$1,800	\$1,800	5.00%	5.00%	5.00%

Note 15 Other Post-Employment Benefits**A) Plan Description**

In addition to providing the pension benefits described in Note 13, the City provides post-employment health care benefits (as defined in paragraph B) for retired employees through a single-employer defined benefit plan. The term *plan* refers to the City's requirement by State Statute to provide retirees with access to health insurance. The OPEB plan is administered by the City. The authority to provide these benefits is established in Minnesota Statutes Section 471.61 Subd. 2a and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, and an irrevocable trust has not been established to account for the plan. The Plan does not issue a separate report.

B) Benefits ProvidedRetirees

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

retiree's death. The surviving spouse of an active employee may continue coverage in the group health insurance plan after the employee's death.

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

C) Participants

As of the actuarial valuation dated January 1, 2011 participants consisted of:

Retirees and beneficiaries currently purchasing health insurance through the City	4
Active Employees	<u>117</u>
Total	<u><u>121</u></u>
Participating employers	<u><u>1</u></u>

D) Funding Policy

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

E) Annual OPEB Costs and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The annual OPEB cost is accrued in the government-wide and proprietary funds financial statements as it is earned. OPEB benefits are recorded on a pay-as-you-go basis in the governmental funds.

The net OPEB obligation as of December 31, 2011 was calculated as follows:

Annual Required Contribution	\$ 94,472
Interest on net OPEB obligation	5,321
Adjustment to Annual Required Contribution	<u>(7,693)</u>
Annual OPEB Cost	92,100
Contributions made during the year	<u>(21,415)</u>
Increase (decrease) in net OPEB obligation	70,685
Net OPEB obligation beginning of year	<u>133,032</u>
Net OPEB obligation end of year	<u><u>\$ 203,717</u></u>

The City had an actuarial valuation performed for the plan as of January 1, 2011 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended December 31, 2011. The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009, 2010 and 2011 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percent Contributed	OPEB Obligation
12/31/2009	\$60,560	26.61%	\$95,486
12/31/2010	59,767	37.18%	133,032
12/31/2011	92,100	23.25%	203,717

F) Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)*	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/08	-	\$484,551	\$484,551	0.0%	\$6,894,120	7.0%
01/01/11	-	725,699	725,699	0.0%	7,816,638	9.3%

*Using the projected unit credit cost method

Note: The first OPEB actuarial valuation was conducted as of January 1, 2008. There is no data available prior to the first valuation.

G) Actuarial Methods and Assumptions

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

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

In the January 1, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 10% reduced by .50% each year to arrive at an ultimate health cost trend rate of 5%. Both rates include a 3% inflation assumption. The actuarial value of assets was \$0.00. The plans unfunded actuarial accrued liability is being amortized using the level dollar amount over 30 years on an open basis. The remaining amortization period at January 1, 2011, was 30 years.

Note 16 Defined Benefit Pension Plans – Local**A) Plan Description**

The City of Chaska contributes to the Chaska Fire Department Relief Association Pension Plan (CFDRAPP); a single-employer defined benefit pension plan administered by the Chaska Fire Department Relief Association (CFDRA) and governed by a board of nine trustees. The members of the CFDRA elect six trustees, each to a three year term. The Fire Chief, Mayor and Chief Financial Officer of the City are appointed by the City as ex-officio trustees. Ex-officio trustees are not permitted to hold any additional office in the CFDRA. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. These benefit provisions are established and can be amended by the CFDRA's Board of Trustees with approval by the Chaska City Council. The CFDRA issues a publicly available financial report that includes financial statements and required supplementary information for CFDRAPP. That report may be obtained by writing to City of Chaska, One City Hall Plaza, Chaska, MN 55318-1962 or by calling (952) 448-9200.

B) Funding Policy

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

C) Annual Pension Cost and Net Pension Obligations

For 2011, the City of Chaska's annual pension cost of \$285,177 was greater than the City's required contribution of \$246,000. The annual required contribution for the year was determined as part of the December 31, 2009 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, 2009 was 9 years (December 31, 2018).

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

Total contributions to the CFDRAPP for the year ended December 31, 2011 were as follows:

<u>Contribution</u>	<u>Amount</u>
State of Minnesota	\$ 94,569
City of Chaska:	
Formula	140,361
Additional	65,000
Total City Contribution	<u>205,361</u>
Total Actual Contribution	<u><u>\$ 299,930</u></u>

City of Chaska, Minnesota

December 31, 2011

D) Three-Year Trend Information

Fiscal Year Ending	Actual Contribution			Annual Pension Cost	Percent Contributed	Net Pension Obligation
	City	State	Total			
12/31/2009	\$ 186,807	\$ 79,332	\$ 266,139	\$ 255,551	104.14%	\$ (389,556)
12/31/2010	187,573	83,772	271,345	286,795	94.61%	(374,106)
12/31/2011	205,361	94,569	299,930	285,177	105.17%	(388,859)
Annual Required Contribution					\$ 246,000	
Interest on net pension obligation					(18,705)	
Adjustment to annual required contribution					57,882	
Annual Pension Cost					285,177	
Contributions made					(299,930)	
(Increase) decrease in negative net pension obligation					(14,753)	
Negative net pension obligation beginning of year					(374,106)	
Negative net pension obligation end of year					<u>(\$388,859)</u>	

E) Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Total Unfunded Actuarial Liability	Funded Ratio	Pension Benefit per Month	
						Per Month of Service	Estimated Per Year of Service
12/31/2009	12/31/07	\$ 3,757,850	\$ 4,829,810	\$ 1,071,960	77.8%	\$ 1.9750	\$ 23.70
12/31/2010	12/31/09	3,660,038	4,862,491	1,202,453	75.3%	1.9750	23.70
12/31/2011	12/31/09	3,660,038	4,862,491	1,202,453	75.3%	1.9750	23.70

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.)

Schedule of Funding Progress - Other Post-Employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)*	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/08	-	\$484,551	\$484,551	0.0%	\$6,894,120	7.0%
01/01/11	-	725,699	725,699	0.0%	7,816,638	9.3%

This schedule was implemented in 2008, and therefore only contains two actuarial studies.