

**CHASKA**

**Government-Wide Financial Statements**

**City of Chaska**

**December 31, 2007**

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## CITY OF CHASKA, MINNESOTA

STATEMENT OF NET ASSETS  
DECEMBER 31, 2007

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash And Investments	\$ 9,374,923	\$ 2,249,941	\$ 11,624,864
Receivables:			
Taxes	285,274	-	285,274
Special Assessments	8,855,301	-	8,855,301
Accounts	134,059	3,712,605	3,846,664
Interest	273,076	5,868	278,944
Other Receivables	2,739,097	-	2,739,097
Internal Balances	(7,241,581)	7,241,581	-
Due From Other Governments	3,454,261	164,405	3,618,666
Lease Receivable - Current	-	375,509	375,509
Inventories	-	1,105,619	1,105,619
Prepaid Items:			
Net Pension Obligation	344,244	-	344,244
Long Term Lease Receivable	-	26,263,440	26,263,440
Restricted Cash & Investments:			
Cash with Escrow Agent - Debt Service	806,263	34,161,051	34,967,314
Accrued Interest on Investments	-	343,050	343,050
Deferred Charges	272,189	1,274,856	1,547,045
Land Held For Resale	4,349,212	-	4,349,212
Capital Assets (net of accumulated depreciation):			
Land	41,150,909	364,805	41,515,714
Works of Art & Historical Treasures	82,662	-	82,662
Buildings	6,162,147	35,396,261	41,558,408
Other Improvements	5,414,702	454,987	5,869,689
Furniture & Equipment	1,737,706	2,912,921	4,650,627
Infrastructure	76,224,933	7,964,712	84,189,645
Construction in Progress	14,347,958	-	14,347,958
<b>TOTAL ASSETS</b>	<b>168,767,335</b>	<b>123,991,611</b>	<b>292,758,946</b>
<b>LIABILITIES</b>			
Accounts Payable	1,499,633	186,443	1,686,076
Salaries Payable	229,749	152,385	382,134
Deposits Payable	-	169,025	169,025
Accrued Interest Payable	160,982	904,299	1,065,281
Due To Other Governments	241,039	1,536,744	1,777,783
Unearned Revenue	2,691,640	117,774	2,809,414
Non-current Liabilities:			
Due Within One Year	9,928,770	1,645,759	11,574,529
Due in More than One Year	35,613,234	77,398,077	113,011,311
<b>TOTAL LIABILITIES</b>	<b>50,365,047</b>	<b>82,110,506</b>	<b>132,475,553</b>
<b>NET ASSETS</b>			
Invested In Capital Assets, Net of Related Debt	121,169,497	30,822,638	151,992,135
Restricted for:			
Special Purposes	414,948	-	414,948
Capital Acquisition	1,963,174	-	1,963,174
Debt Service	8,171,918	4,713,735	12,885,653
Capital Projects	1,383,360	-	1,383,360
Unrestricted	(14,700,609)	6,344,732	(8,355,877)
<b>TOTAL NET ASSETS</b>	<b>\$ 118,402,288</b>	<b>\$ 41,881,105</b>	<b>\$ 160,283,393</b>

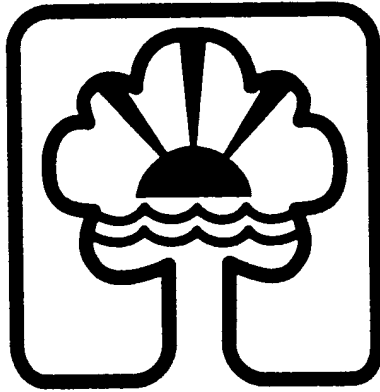
The notes to the financial statements are an integral part of this statement.

CITY OF CHASKA, MINNESOTA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Governmental Activities:</b>							
General Government	\$ 3,450,473	\$ 1,235,804	\$ 44,471	\$ 658	\$ (2,169,540)	\$ -	\$ (2,169,540)
Economic Development	2,200,184	139,847	924,650	602,112	(533,575)	-	(533,575)
Public Safety	3,659,198	102,505	437,105	69,024	(3,050,564)	-	(3,050,564)
Public Works	9,365,787	515,324	47,252	12,039,869	3,236,658	-	3,236,658
Parks, Recreation and Arts	766,363	39,532	99,640	89,671	(537,520)	-	(537,520)
Interest on Long-Term Debt	2,489,286	-	-	-	(2,489,286)	-	(2,489,286)
<b>Total Governmental Activities</b>	<b>21,931,291</b>	<b>2,033,012</b>	<b>1,553,118</b>	<b>12,801,334</b>	<b>(5,543,827)</b>	<b>-</b>	<b>(5,543,827)</b>
<b>Business-type Activities:</b>							
Electric	25,980,352	26,222,586	44,887	94,868	-	381,989	381,989
Water	2,383,082	1,365,768	-	7,098	-	(1,010,216)	(1,010,216)
Sewer	2,404,022	1,995,090	-	10,963	-	(397,969)	(397,969)
Community Center	3,514,325	2,689,163	-	-	-	(825,162)	(825,162)
Par 30 Golf Course	204,028	162,874	-	-	-	(41,154)	(41,154)
Chaska Town Course	1,988,836	1,661,042	-	-	-	(327,794)	(327,794)
Turbine Generator	3,511,709	2,296,256	-	-	-	(1,215,453)	(1,215,453)
Internet Service Provider	1,355,758	869,124	-	-	-	(486,634)	(486,634)
<b>Total Business-type Activities</b>	<b>41,342,112</b>	<b>37,261,903</b>	<b>44,887</b>	<b>112,929</b>	<b>-</b>	<b>(3,922,393)</b>	<b>(3,922,393)</b>
<b>TOTAL</b>	<b>\$ 63,273,403</b>	<b>\$ 39,294,915</b>	<b>\$ 1,598,005</b>	<b>\$ 12,914,263</b>	<b>(5,543,827)</b>	<b>(3,922,393)</b>	<b>(9,466,220)</b>
			<b>General Revenues:</b>				
			Property Taxes		8,459,653	-	8,459,653
			Franchise Taxes		2,437,831	-	2,437,831
			Grants & Contributions Not Restricted to Specific Functions		348,105	-	348,105
			Investment Earnings		2,039,260	1,883,168	3,922,428
			Other		460,268	255,056	715,324
			Transfers		(535,258)	535,258	-
			<b>Total General Revenues &amp; Transfers</b>		<b>13,209,859</b>	<b>2,673,482</b>	<b>15,883,341</b>
			<b>Change in Net Assets</b>		<b>7,666,032</b>	<b>(1,248,911)</b>	<b>6,417,121</b>
			<b>Net Assets - Beginning</b>		<b>40,749,791</b>	<b>43,130,016</b>	<b>83,879,807</b>
			<b>Change in Accounting Principle</b>		<b>76,127,849</b>	<b>-</b>	<b>76,127,849</b>
			<b>Prior Period Adjustment</b>		<b>(6,141,384)</b>	<b>-</b>	<b>(6,141,384)</b>
			<b>Net Assets - Beginning - as restated</b>		<b>110,736,256</b>	<b>43,130,016</b>	<b>153,866,272</b>
			<b>Net Assets - Ending</b>		<b>\$ 118,402,288</b>	<b>\$ 41,881,105</b>	<b>\$ 160,283,393</b>

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



**CHASKA**



**CITY OF CHASKA, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<u>GENERAL</u>	<u>TIF DISTRICT #4 REVOLVING</u>	<u>NONMAJOR GOVERNMENTAL</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash And Investments	\$ 2,978,785	\$ -	\$ 2,884,559	\$ 5,863,344
Investment With Escrow Agent	-	-	806,263	806,263
Receivables:				
Taxes	112,268	123,078	49,928	285,274
Special Assessments	4,428	347,473	8,503,400	8,855,301
Accounts	73,369	9,078	51,612	134,059
Interest	1,401	259,561	9,918	270,880
Other Receivables	47,916	460,890	2,230,291	2,739,097
Due from Other Funds	-	-	3,629,933	3,629,933
Due From Other Governments	45,463	1,385,000	2,023,798	3,454,261
Interfund Receivable	-	-	14,414,111	14,414,111
Advance to Other Funds	-	-	49,236	49,236
Land Held for Resale	-	-	4,349,212	4,349,212
<b>TOTAL ASSETS</b>	<b><u>\$ 3,263,630</u></b>	<b><u>\$ 2,585,080</u></b>	<b><u>\$ 39,002,261</u></b>	<b><u>\$ 44,850,971</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 119,536	\$ 384	\$ 1,379,713	\$ 1,499,633
Salaries Payable	229,749	-	-	229,749
Due To Other Funds	-	273,733	3,375,441	3,649,174
Due To Other Governments	1,919	-	239,120	241,039
Interfund Payable	-	14,467,215	3,899,454	18,366,669
Deferred and Unearned Revenue	127,742	2,539,678	13,034,890	15,702,310
Advance from Other Funds	-	-	3,166,687	3,166,687
<b>TOTAL LIABILITIES</b>	<b><u>478,946</u></b>	<b><u>17,281,010</u></b>	<b><u>25,095,305</u></b>	<b><u>42,855,261</u></b>
<b>FUND BALANCES:</b>				
Reserved	-	-	18,810,350	18,810,350
Unreserved, Designated Reported In:				
General Fund	2,772,221	-	-	2,772,221
Special Revenue Funds	-	-	1,774,122	1,774,122
Unreserved, Undesignated Reported In:				
General Fund	12,463	-	-	12,463
Special Revenue Funds	-	-	23,210	23,210
Capital Project Funds	-	(14,695,930)	(6,700,726)	(21,396,656)
<b>TOTAL FUND BALANCES</b>	<b><u>2,784,684</u></b>	<b><u>(14,695,930)</u></b>	<b><u>13,906,956</u></b>	<b><u>1,995,710</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,263,630</u></b>	<b><u>\$ 2,585,080</u></b>	<b><u>\$ 39,002,261</u></b>	<b><u>\$ 44,850,971</u></b>

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

**CITY OF CHASKA, MINNESOTA**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

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Total fund balances - governmental funds \$ 1,995,710

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. 272,189

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

Cost of Capital Assets	184,205,010
Less: Accumulated Depreciation	(39,083,993)

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. 13,010,670

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. 3,513,775

Internal balances from business-type activities for internal service fund services. (152,331)

Governmental funds do not report an asset for net pension obligations. 344,244

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. (160,982)

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

Due within one year	(9,928,770)
Due in more than one year	<u>(35,613,234)</u>

Net assets of governmental activities \$ 118,402,288

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, 2007**

	GENERAL	TIF DISTRICT #4 REVOLVING	NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL FUNDS
<b><u>REVENUES</u></b>				
Taxes:				
Property	\$ 3,468,748	\$ 4,203,409	\$ 686,738	\$ 8,358,895
Franchise	2,437,831	-	-	2,437,831
Licenses and Permits	466,213	-	-	466,213
Intergovernmental	749,813	39,768	4,242,176	5,031,757
Charges for Services	975,650	-	507,831	1,483,481
Fines and Forfeitures	68,140	-	-	68,140
Special Assessments	1,991	7,886	1,913,174	1,923,051
Other Revenue	244,676	158,638	2,378,063	2,781,377
<b>TOTAL REVENUES</b>	<b>8,413,062</b>	<b>4,409,701</b>	<b>9,727,982</b>	<b>22,550,745</b>
<b><u>EXPENDITURES</u></b>				
<b>CURRENT:</b>				
General Government	2,873,806	-	175,200	3,049,006
Economic Development	-	1,167,211	1,021,890	2,189,101
Public Safety	3,262,054	-	79,920	3,341,974
Public Works	2,332,388	16,213	2,587,075	4,935,676
Parks, Recreation and Arts	419,461	-	127,842	547,303
<b>DEBT SERVICE:</b>				
Principal	-	-	8,800,000	8,800,000
Interest	-	82,435	2,433,156	2,515,591
<b>CAPITAL OUTLAY</b>	<b>12,863</b>	<b>27,002</b>	<b>6,188,644</b>	<b>6,228,509</b>
<b>TOTAL EXPENDITURES</b>	<b>8,900,572</b>	<b>1,292,861</b>	<b>21,413,727</b>	<b>31,607,160</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(487,510)</b>	<b>3,116,840</b>	<b>(11,685,745)</b>	<b>(9,056,415)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	458,004	-	9,314,804	9,772,808
Transfers Out	-	(3,447,958)	(6,860,108)	(10,308,066)
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<b>458,004</b>	<b>(3,447,958)</b>	<b>2,454,696</b>	<b>(535,258)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(29,506)</b>	<b>(331,118)</b>	<b>(9,231,049)</b>	<b>(9,591,673)</b>
<b>FUND BALANCES, January 1</b>	<b>2,814,190</b>	<b>(14,364,812)</b>	<b>23,138,005</b>	<b>11,587,383</b>
<b>FUND BALANCES, December 31</b>	<b>\$ 2,784,684</b>	<b>\$ (14,695,930)</b>	<b>\$ 13,906,956</b>	<b>\$ 1,995,710</b>

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

CITY OF CHASKA, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

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Total net change in fund balances - governmental funds \$ (9,591,673)

Amounts reported for governmental activities in the Statement of Activities are different because:

Issuance costs are recorded as expenditures in the current period in the governmental funds.

Under full accrual, the expenditures are recorded as deferred charges and amortized over the life of the debt. (27,363)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Further detail on increases/decreases can be found in the note on capital assets. (Increases include donations of capital assets and Construction in Progress that is reclassified.)

Capital Outlay 4,687,260  
Less: Depreciation Expense (3,782,882)

Donations of capital assets typically are not reported in the governmental funds. Such donations must be reported, however, in both of the government-wide financial statements. This amount represents revenue from developer donated capital assets. 7,468,477

Certain revenues are recognized as soon as it is earned. Under modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period. (222,063)

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) (459,227)  
Reductions to long-term debt (increases governmental fund balances) 9,205,091

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. 26,305

Net pension obligation activity is not recognized in the Governmental Funds but recognized as the expense/revenue is incurred in the Statement of Activities. 40,789

Internal service funds are used by management to charge the costs of property & liability insurance to individual funds. This amount represents the change in net assets of internal service funds, which is reported with governmental activities. 321,318

Change in net assets - governmental activities \$ 7,666,032

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, 2007

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	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>			
Taxes:			
Property	\$ 3,525,742	\$ 3,468,748	\$ (56,994)
Franchise	2,127,000	2,437,831	310,831
Licenses And Permits	701,732	466,213	(235,519)
Intergovernmental	728,435	749,813	21,378
Charges For Services	1,005,128	975,650	(29,478)
Fines And Forfeitures	57,304	68,140	10,836
Special Assessments	-	1,991	1,991
Other Revenue	93,214	244,676	151,462
<b>TOTAL REVENUES</b>	<u>8,238,555</u>	<u>8,413,062</u>	<u>174,507</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	2,759,335	2,873,806	(114,471)
Public Safety	3,169,747	3,262,054	(92,307)
Public Works	2,251,378	2,332,388	(81,010)
Parks, Recreation and Arts	434,469	419,461	15,008
Capital Outlay	-	12,863	(12,863)
<b>TOTAL EXPENDITURES</b>	<u>8,614,929</u>	<u>8,900,572</u>	<u>(285,643)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(376,374)</u>	<u>(487,510)</u>	<u>(111,136)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	376,374	458,004	81,630
<b>NET CHANGE IN FUND BALANCES</b>	-	(29,506)	(29,506)
<b>FUND BALANCES, January 1</b>	<u>2,814,190</u>	<u>2,814,190</u>	-
<b>FUND BALANCES, December 31</b>	<u>\$ 2,814,190</u>	<u>\$ 2,784,684</u>	<u>\$ (29,506)</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, 2007**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>ELECTRIC</b>	<b>WATER</b>	<b>COMMUNITY CENTER</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash And Investments	\$ 357,875	\$ 378,215	\$ 82,587
<b>Restricted Assets:</b>			
Cash And Investments With Escrow Agent	-	-	308,476
Accrued Interest On Investments	-	-	-
<b>Receivables:</b>			
<b>Accounts:</b>			
Current	2,072,384	86,079	151,409
Unbilled	1,002,181	44,742	-
Allowance For Uncollectible Accounts	(20,027)	(851)	(306)
Interest	4,130	645	-
Due From Other Funds	19,241	-	-
Due From Other Governments	-	-	159,053
Interfund Receivable	4,759,488	-	-
Lease Receivable	-	-	-
Inventories	937,426	98,826	-
<b>Total Current Assets</b>	<b>9,132,698</b>	<b>607,656</b>	<b>701,219</b>
<b>Noncurrent Assets:</b>			
Restricted Cash And Investments with Escrow Agent	-	-	-
Lease Receivable	-	-	-
Advance To Other Funds	3,880,954	-	-
Deferred Charges	-	219,750	85,587
<b>Capital Assets:</b>			
Land	240,721	33,618	90,466
Buildings	5,079,031	17,255,218	21,963,979
Other Improvements	-	-	367,941
Furniture & Equipment	1,294,530	265,665	1,274,353
Infrastructure	12,617,540	3,067,972	-
Construction In Progress	-	-	-
Less: Accumulated Depreciation	(9,630,211)	(5,084,678)	(8,832,427)
<b>Total Net Capital Assets</b>	<b>9,601,611</b>	<b>15,537,795</b>	<b>14,864,312</b>
<b>Total Noncurrent Assets</b>	<b>13,482,565</b>	<b>15,757,545</b>	<b>14,949,899</b>
<b>TOTAL ASSETS</b>	<b>22,615,263</b>	<b>16,365,201</b>	<b>15,651,118</b>

			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
<u>TURBINE GENERATOR</u>	<u>NONMAJOR ENTERPRISE</u>	<u>TOTALS</u>	
\$ 832,883	\$ 598,381	\$ 2,249,941	\$ 3,511,579
1,351,225	-	1,659,701	-
343,050	-	343,050	-
-	280,357	2,590,229	-
-	99,370	1,146,293	-
-	(2,733)	(23,917)	-
-	1,093	5,868	2,196
-	1,398,721	1,417,962	-
-	5,352	164,405	-
27,049	-	4,786,537	-
375,509	-	375,509	-
-	69,367	1,105,619	-
<u>2,929,716</u>	<u>2,449,908</u>	<u>15,821,197</u>	<u>3,513,775</u>
32,501,350	-	32,501,350	-
26,263,440	-	26,263,440	-
1,250,602	-	5,131,556	-
969,519	-	1,274,856	-
-	-	364,805	-
-	8,265,839	52,564,067	-
-	229,269	597,210	-
-	3,384,707	6,219,255	-
-	1,498,703	17,184,215	-
-	-	-	-
-	(6,288,550)	(29,835,866)	-
-	7,089,968	47,093,686	-
<u>60,984,911</u>	<u>7,089,968</u>	<u>112,264,888</u>	<u>-</u>
<u>63,914,627</u>	<u>9,539,876</u>	<u>128,086,085</u>	<u>3,513,775</u>

(Continued)

**CITY OF CHASKA, MINNESOTA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2007**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>ELECTRIC</b>	<b>WATER</b>	<b>COMMUNITY CENTER</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	17,036	23,829	68,466
Contracts Payable	-	-	13,152
Salaries Payable	49,078	13,627	54,485
Deposits Payable	104,538	-	22,969
Compensated Absences	62,612	19,437	35,177
Accrued Interest Payable	-	43,763	20,329
Due To Other Funds	-	-	-
Due To Other Governments	1,496,226	16,347	18,110
Interfund Payable	27,049	-	-
Revenue Bonds Payable	-	690,000	-
Unearned Revenue	-	-	52,083
<b>Total Current Liabilities</b>	<b>1,756,539</b>	<b>807,003</b>	<b>284,771</b>
<b>Noncurrent Liabilities:</b>			
Compensated Absences	29,253	10,103	39,620
Advance From Other Funds	1,250,602	-	-
Revenue Bonds Payable	-	12,635,000	2,900,000
Unamortized Premium On Revenue Bonds	-	41,355	4,693
<b>Total Noncurrent Liabilities</b>	<b>1,279,855</b>	<b>12,686,458</b>	<b>2,944,313</b>
<b>TOTAL LIABILITIES</b>	<b>3,036,394</b>	<b>13,493,461</b>	<b>3,229,084</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	9,601,611	2,171,440	11,959,619
Restricted	-	-	-
Unrestricted	9,977,258	700,300	462,415
<b>TOTAL NET ASSETS</b>	<b>\$ 19,578,869</b>	<b>\$ 2,871,740</b>	<b>\$ 12,422,034</b>

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

(Continued)

<u>TURBINE GENERATOR</u>	<u>NONMAJOR ENTERPRISE</u>	<u>TOTALS</u>	<u>GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND</u>
-	63,960	173,291	-
-	-	13,152	-
-	35,195	152,385	-
-	41,518	169,025	-
-	38,533	155,759	-
840,207	-	904,299	-
-	1,398,721	1,398,721	-
-	6,061	1,536,744	-
-	806,930	833,979	-
800,000	-	1,490,000	-
-	65,691	117,774	-
<u>1,640,207</u>	<u>2,456,609</u>	<u>6,945,129</u>	<u>-</u>
-	36,455	115,431	-
-	763,503	2,014,105	-
60,850,000	-	76,385,000	-
851,598	-	897,646	-
<u>61,701,598</u>	<u>799,958</u>	<u>79,412,182</u>	<u>-</u>
<u>63,341,805</u>	<u>3,256,567</u>	<u>86,357,311</u>	<u>-</u>
-	7,089,968	30,822,638	-
4,713,735	-	4,713,735	-
<u>(4,140,913)</u>	<u>(806,659)</u>	<u>6,192,401</u>	<u>3,513,775</u>
<u>\$ 572,822</u>	<u>\$ 6,283,309</u>	<u>41,728,774</u>	<u>\$ 3,513,775</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>152,331</u>	
Net assets of business-type activities		<u>\$ 41,881,105</u>	



CITY OF CHASKA, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	ELECTRIC	WATER	COMMUNITY CENTER
<b>OPERATING REVENUES:</b>			
Sales	\$ 26,267,473	\$ 1,365,768	\$ 2,689,163
<b>OPERATING EXPENSES:</b>			
Production	20,828,030	414,680	-
Distribution / Collections	1,506,632	518,855	-
Administration	687,321	231,583	2,647,346
Franchise Fees	2,249,000	-	-
Depreciation	640,472	668,926	855,314
<b>TOTAL OPERATING EXPENSES</b>	<b>25,911,455</b>	<b>1,834,044</b>	<b>3,502,660</b>
<b>OPERATING INCOME (LOSS)</b>	<b>356,018</b>	<b>(468,276)</b>	<b>(813,497)</b>
<b>NON-OPERATING REVENUES:</b>			
Investment Earnings	301,989	53,929	7,657
Intergovernmental	44,887	2,280	108,110
Payments	-	-	-
Gain on Sale Of Capital Assets	-	-	12,501
Miscellaneous Refunds And Reimbursements	3,087	180	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>349,963</b>	<b>56,389</b>	<b>128,268</b>
<b>NON-OPERATING EXPENSES:</b>			
Interest	78,711	537,863	18,296
Issuance Costs & Fiscal Agent Fees	-	14,650	-
Loss On Disposal Of Capital Assets	-	-	-
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>78,711</b>	<b>552,513</b>	<b>18,296</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>627,270</b>	<b>(964,400)</b>	<b>(703,525)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>94,868</b>	<b>7,098</b>	<b>-</b>
<b>TRANSFERS IN (OUT)</b>			
Transfers In	-	1,217,026	250,000
Transfers Out	(334,600)	(7,800)	(126,568)
<b>Total Transfers In (Out)</b>	<b>(334,600)</b>	<b>1,209,226</b>	<b>123,432</b>
<b>CHANGE IN NET ASSETS</b>	<b>387,538</b>	<b>251,924</b>	<b>(580,093)</b>
<b>NET ASSETS, January 1</b>	<b>19,191,331</b>	<b>2,619,816</b>	<b>13,002,127</b>
<b>NET ASSETS, December 31</b>	<b>\$ 19,578,869</b>	<b>\$ 2,871,740</b>	<b>\$ 12,422,034</b>

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

			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
TURBINE GENERATOR	OTHER NONMAJOR ENTERPRISE	TOTALS	
\$ 2,296,256	\$ 4,688,130	\$ 37,306,790	\$ 667,587
-	1,432,557	22,675,267	-
-	855,854	2,881,341	-
113,231	2,274,733	5,954,214	499,870
-	-	2,249,000	-
-	901,707	3,066,419	-
<u>113,231</u>	<u>5,464,851</u>	<u>36,826,241</u>	<u>499,870</u>
<u>2,183,025</u>	<u>(776,721)</u>	<u>480,549</u>	<u>167,717</u>
1,430,253	89,340	1,883,168	176,355
-	-	155,277	-
78,711	-	78,711	-
-	-	12,501	-
-	-	3,267	3,022
<u>1,508,964</u>	<u>89,340</u>	<u>2,132,924</u>	<u>179,377</u>
3,353,575	81,028	4,069,473	-
44,903	-	59,553	-
-	407,321	407,321	-
<u>3,398,478</u>	<u>488,349</u>	<u>4,536,347</u>	<u>-</u>
293,511	(1,175,730)	(1,922,874)	347,094
-	10,963	112,929	-
-	12,519	1,479,545	-
<u>(455,000)</u>	<u>(20,319)</u>	<u>(944,287)</u>	<u>-</u>
<u>(455,000)</u>	<u>(7,800)</u>	<u>535,258</u>	<u>-</u>
(161,489)	(1,172,567)	(1,274,687)	347,094
<u>734,311</u>	<u>7,455,876</u>	<u>43,003,461</u>	<u>3,166,681</u>
<u>\$ 572,822</u>	<u>\$ 6,283,309</u>	<u>\$ 41,728,774</u>	<u>\$ 3,513,775</u>
Change in net assets - total Enterprise Funds		(1,274,687)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>25,776</u>	
Change in net assets - Business-type Activities		<u>\$ (1,248,911)</u>	

## CITY OF CHASKA, MINNESOTA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	ELECTRIC	WATER	COMMUNITY CENTER
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts From Customers And Users	\$ 26,233,609	\$ 1,345,648	\$ 2,558,688
Payments To Suppliers	(24,149,113)	(731,157)	(1,586,732)
Payments To Employees	(1,248,602)	(397,607)	(1,302,474)
Net Cash Provided (Used) By Operating Activities	<u>835,894</u>	<u>216,884</u>	<u>(330,518)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Transfers From Other Funds	-	1,217,026	250,000
Transfers To Other Funds	(334,600)	(7,800)	(126,568)
Due From Other Funds	943,117	-	-
Due To Other Funds	-	-	-
Interfund Loans To Other Funds	(1,016,924)	-	-
Intergovernmental	44,887	2,280	108,110
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>(363,520)</u>	<u>1,211,506</u>	<u>231,542</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds From Revenue Bonds	-	-	2,900,000
Deferred Issuance Charges	-	14,650	(85,587)
Capital Contributions	94,868	7,098	-
Principal Paid On Bonds	-	(675,000)	-
Interest And Fiscal Charges	(78,711)	(557,321)	6,726
Proceeds From Sale Of Capital Assets	-	-	12,501
Construction And Acquisition of Capital Assets	(345,031)	(14,933)	(2,378,002)
Lease Principal Received	-	-	-
Transfers From Other Funds	-	-	-
Transfers To Other Funds	-	-	-
Interfund Loans To Other Funds	(3,161,755)	-	-
Interfund Loans From Other Funds	(25,508)	-	-
Interest Payments On Interfund Loans	-	-	-
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(3,516,137)</u>	<u>(1,225,506)</u>	<u>455,638</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest On Investments	<u>304,678</u>	<u>53,929</u>	<u>7,657</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,739,085)</b>	<b>256,813</b>	<b>364,319</b>
<b>CASH AND CASH EQUIVALENTS, January 1</b>	<b>3,096,960</b>	<b>121,402</b>	<b>26,744</b>
<b>CASH AND CASH EQUIVALENTS, December 31</b>	<b><u>\$ 357,875</u></b>	<b><u>\$ 378,215</u></b>	<b><u>\$ 391,063</u></b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Cash And Investments	\$ 357,875	\$ 378,215	\$ 82,587
Restricted Assets-Revenue Bonds:			
Cash And Investments	-	-	308,476
Total Cash And Cash Equivalents	<u>\$ 357,875</u>	<u>\$ 378,215</u>	<u>\$ 391,063</u>

			GOVERNMENTAL
			ACTIVITIES -
			INTERNAL
			SERVICE
TURBINE	OTHER	TOTALS	FUND
GENERATOR	NONMAJOR		
	ENTERPRISE		
\$ 2,296,256	\$ 4,634,850	\$ 37,069,051	\$ 667,587
(113,231)	(3,165,384)	(29,745,617)	(497,994)
-	(1,349,327)	(4,298,010)	-
<u>2,183,025</u>	<u>120,139</u>	<u>3,025,424</u>	<u>169,593</u>
-	2,142	1,469,168	-
(455,000)	(9,942)	(933,910)	-
-	(1,398,721)	(455,604)	-
-	436,363	436,363	-
-	-	(1,016,924)	-
-	-	155,277	-
<u>(455,000)</u>	<u>(970,158)</u>	<u>(345,630)</u>	<u>-</u>
-	-	2,900,000	-
42,153	-	(28,784)	-
-	10,963	112,929	-
(765,000)	-	(1,440,000)	-
(3,445,429)	(68,602)	(4,143,337)	-
-	39,600	52,101	-
-	(335,947)	(3,073,913)	-
344,813	-	344,813	-
-	10,377	10,377	-
-	(10,377)	(10,377)	-
25,508	-	(3,136,247)	-
-	(230,675)	(256,183)	-
-	(12,426)	(12,426)	-
<u>(3,797,955)</u>	<u>(597,087)</u>	<u>(8,681,047)</u>	<u>-</u>
<u>1,516,432</u>	<u>92,218</u>	<u>1,974,914</u>	<u>181,493</u>
(553,498)	(1,354,888)	(4,026,339)	351,086
35,238,956	1,953,269	40,437,331	3,160,493
<u>\$ 34,685,458</u>	<u>\$ 598,381</u>	<u>\$ 36,410,992</u>	<u>\$ 3,511,579</u>
\$ 832,883	\$ 598,381	\$ 2,249,941	\$ 3,511,579
33,852,575	-	34,161,051	-
<u>\$ 34,685,458</u>	<u>\$ 598,381</u>	<u>\$ 36,410,992</u>	<u>\$ 3,511,579</u>

(Continued)

CITY OF CHASKA, MINNESOTA

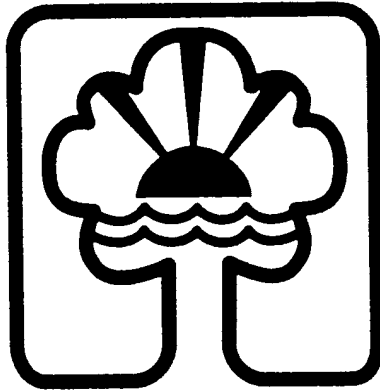
STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>ELECTRIC</u>	<u>WATER</u>	<u>COMMUNITY CENTER</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ 356,018	\$ (468,276)	\$ (813,497)
<b>Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:</b>			
Depreciation Expense	640,472	668,926	855,314
Allowance For Uncollectible Accounts	1,270	128	71
Miscellaneous Revenue	3,087	180	-
<b>(Increase) Decrease In Assets:</b>			
Accounts Receivable	(40,901)	(20,248)	(43,827)
Due From Other Governments	-	-	(97,793)
Inventory	(88,674)	21,358	-
<b>Increase (Decrease) In Liabilities:</b>			
Accounts Payable	7,316	(7,970)	(25,111)
Contracts Payable	-	-	(241,544)
Salaries Payable	2,538	6,538	24,672
Deposits Payable	2,680	-	3,444
Unearned Revenue	-	-	7,630
Due To Other Governments	(47,912)	16,248	123
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 835,894</u>	<u>\$ 216,884</u>	<u>\$ (330,518)</u>

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

(Continued)

<u>TURBINE GENERATOR</u>	<u>OTHER NONMAJOR ENTERPRISE</u>	<u>TOTALS</u>	<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</u>
\$ 2,183,025	\$ (776,721)	\$ 480,549	\$ 167,717
-	901,707	3,066,419	-
-	300	1,769	-
-	-	3,267	3,022
-	(50,194)	(155,170)	-
-	(4,827)	(102,620)	-
-	11,370	(55,946)	-
-	15,025	(10,740)	(1,146)
-	-	(241,544)	-
-	18,410	52,158	-
-	3,804	9,928	-
-	(2,363)	5,267	-
-	3,628	(27,913)	-
<u>\$ 2,183,025</u>	<u>\$ 120,139</u>	<u>\$ 3,025,424</u>	<u>\$ 169,593</u>



**CHASKA**





**CITY OF CHASKA, MINNESOTA**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2007**

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	<b>AGENCY FUNDS</b>
<b><u>ASSETS</u></b>	
Cash And Cash Equivalents	\$ 92,856
Receivables:	
Accounts	14,279
Other	2,861
Due From Other Funds	<u>14,279</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 124,275</u></u></b>
 <b><u>LIABILITIES</u></b>	
Accounts Payable	\$ 2,861
Due To Other Funds	14,279
Due To Other Governments	6,700
Deposits Payable	<u>100,435</u>
<b>TOTAL LIABILITIES</b>	<b><u><u>\$ 124,275</u></u></b>

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

**Note 1 Summary of Significant Accounting Policies**

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

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

**A) Accounting Pronouncements**

For the year ended December 31, 2007, the City has retroactively reported (1980-2002) all major infrastructure assets. GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments permits a phase-in period for retroactively reporting major governmental infrastructure assets placed in service between 1980 and the year the City initially implemented GASB Statement No. 34 (2003). The City has implemented this statement using the phase-in period allowed and has retroactively added the net book value of the assets as of January 1, 2007. As a result, the previously reported historical cost of the City’s governmental infrastructure capital assets was increased by \$97,564,190, and the accumulated depreciation was increased by \$21,436,341 for a net total of \$76,127,849 due to this change in accounting principle.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Direct expenses also include allocated expenses to functional programs from centralized expenses reported in the Self Insurance Fund. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular function, and 3) capital grants and contributions (including special assessments) that are restricted to meeting the capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

### Major Governmental Funds

The City of Chaska reports the following major governmental funds:

- The **General Fund** is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

- **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.

### **Major Proprietary Funds**

The City of Chaska reports the following major Proprietary funds:

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

### **Other Funds – The City reports the following other funds:**

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statement to the extent that those standards do not conflict with or contradict guidance of the

Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

#### **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 which is recognized when due.

#### Proprietary and Fiduciary Funds

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

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues for all of the City of Chaska’s enterprise funds and internal service fund are cost of sales and services, administrative expense, and depreciation of capital assets. All other revenues and expenses are reported as non-operating items.

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

#### **E) Budgetary Accounting**

Budgets for the General fund and Special Revenue funds are adopted on a basis consistent with United States generally accepted accounting principles. The three non-major special revenue funds with budgets are the Mount Pleasant Maintenance & Care fund, the Chaska EDA fund and 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. 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.

**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 20<sup>th</sup>. Levied property taxes are certified to Carver County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

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

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

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

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

## 2. SPECIAL ASSESSMENTS

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

**3. TRADE RECEIVABLES**

All trade receivables are shown net of an allowance for uncollectibles on the Statement of Net Assets. On December 31, 2007 the allowance for uncollectible accounts was \$23,917.

**H) Short-Term Interfund Receivables/Payables**

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

**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) Advances to Other Funds**

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

**K) Land Held for Resale**

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

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

In the government-wide statement of net assets and proprietary fund financial statements, unspent bond proceeds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. In the governmental fund financial statements these proceeds are listed as Investments with Escrow Agent. In the debt service funds, the proceeds of a crossover refunding bond issue held by the refunding bond escrow agent are reported as investments with escrow agent. These proceeds and any interest earned thereon can only be used to retire the related bond issue being refunded on its crossover refunding date (the date at which the refunded issue is callable), or to pay interest on the refunding issue until that time.

**M) Capital Assets**

Capital assets, which include land, building and structures, equipment and infrastructure assets (e.g. roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting



systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of, or materially extend the life of the asset are recorded as expenditures. 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.

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

The City compensates all employees upon termination for unused vacation, personal leave, and compensatory time. Eligible union employees, by contract, are entitled to sick leave at the rate of eight (8) hours for each calendar month of full-time service. All vacation, personal leave, and compensatory pay is recorded as an expense and liability as the benefits accrue to employees in the government-wide and proprietary fund financial statements. A liability for these amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### **O) Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are

deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**P) Fund Balance**

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

**Q) Net Assets**

Net assets represent the difference between assets and liabilities in the government-wide and proprietary fund financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**R) Interfund Transactions**

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

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

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

1. City Administrative Services Director prepares history of actual revenues and expenditures for the prior two years and an estimate for the current year.
2. Department heads review the history and estimate the coming year's revenues and expenditures and project for the subsequent five years. Department heads submit their five-year budgets to the City Administrative Services Director.
3. Department budgets are reviewed and combined into a total five-year budget by the City Administrator and City Administrative Services Director.
4. The City Administrator recommends the five-year budget to the City Council and revenue and expenditure targets for the new budget year are established.
5. Department heads prepare and submit detail budgets for the new budget year.
6. Department budgets are reviewed by the City Administrator and City Administrative Services Director and submitted to the City Council for approval.
7. Public hearings are conducted to obtain public comment.
8. The City Council may amend the recommended budget and then approves the final budget and required tax levy through passage of a resolution in accordance with Minnesota State Statutes on "Truth in Taxation".
9. Budgetary control is maintained by department heads for all assigned divisions (i.e., Mayor and Council, Communication, Administration, etc.). Department heads may reallocate budget appropriations between assigned intrafund divisions but may not reallocate between funds; thus, the legal level of control is at the fund level. Additional expenditures not authorized but proposed by department heads are not authorized unless additional revenues or reserves are identified and available. During the year, expenditures in various category levels (i.e., personal services, operating supplies, other services and charges, capital outlay and other financing uses) in several divisional areas exceeded the level of appropriation. These variances were not significant since additional revenues and reserves were identified and available to offset the additional expenditures.
10. Unused budgeted expenditure appropriations lapse at year-end.

**B) Excess of Expenditures Over Appropriations**

For the year ended December 31, 2007, expenditures exceeded appropriations in the General Fund by \$285,643, the Chaska EDA special revenue fund by \$630,451 and in the Equipment Acquisition special revenue fund by \$151,084. Variances in the General Fund were funded by greater than expected revenue. Variances in the Chaska EDA fund were funded by

greater than expected revenues, reserves and anticipated future revenues. Variances in the Equipment Acquisition fund were funded by greater than expected revenues.

### C) Nonmajor Funds with Negative Equity

The following nonmajor funds maintained a deficit fund balance/net asset position at December 31, 2007:

#### Special Revenue Funds:

Chaska EDA Fund	\$ 41,419
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#### Capital Project Funds:

Hwy 312 RALF Loans	1,762,457
TIF Dist #10 - Nordic Track	94,783
Redevelopment Plan #4 - Non TIF Projects	404,989
TIF Dist #4 - 1999 Taxable Writedowns	229,160
TIF Dist #14 - Downtown Redevelopment	1,556,988
2000 Improvement Projects	114,751
2002 Improvement Projects	92,289
2003 Improvement Projects	447,289
2005 Improvement Projects	826,292
2006 Improvement Projects	65,978
2007 Improvement Projects	189,949
Hwy 312 Improvements	669,130
Annual Street Replacement	357,196

#### Enterprise Funds:

Internet Service Provider	1,824,866
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The deficits in the Capital Project funds relate to capital projects that have incurred expenditures but have not received final financing or grant reimbursement. All funds are expected to recover their deficits. In addition, the deficits in the TIF Districts are due to the timing of tax increments and project costs for the district. Tax increment revenue collected in future years will eliminate these deficits.

The deficit in the Internet Service Provider fund is due to start-up costs for the wireless residential internet service which had its first full year of operations in 2005 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 are as follows:

Statement of Net Assets - Government-Wide	
Cash and Investments	\$ 11,624,864
Restricted Cash and Investments	34,967,314
	<u>46,592,178</u>
Statement of Net Assets - Fiduciary Funds	
Cash and Investments	92,856
Total Cash and Investments	<u>46,685,034</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, 2007 are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Total Bank Deposits	\$ 3,710,435	\$ 3,184,410

At December 31, 2007, all deposits were insured, or collateralized by securities held by the City's agent in the City's name.

## B) Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Interest Risk - Maturity Duration in Years			Total
	Rating	Agency	Less Than 1	1 to 5	More than 5	
U.S. Treasuries	N/A	N/A	551,425	30,056,837	-	30,608,262
U.S. Agencies	AAA	S&P	400,124	-	998,130	1,398,254
U.S. Agencies	A1+	S&P	3,509,046	-	-	3,509,046
Guaranteed Investment Contracts	N/A	N/A	4,557,048	-	-	4,557,048
Investments in Mutual Funds & Money Markets						
First American Treasury Obligations	AAA	S&P	N/A	N/A	N/A	1,114,739
First American Prime Obligations	AAA	S&P	N/A	N/A	N/A	1,509,915
100% Treasury MM Fund	AAA	S&P	N/A	N/A	N/A	799,800
Total Investments			<u>9,017,643</u>	<u>30,056,837</u>	<u>998,130</u>	<u>43,497,064</u>
N/A - Not Applicable					Total Deposits	3,184,410
					Petty Cash	<u>3,560</u>
					Total Deposits and Investments	<u>46,685,034</u>

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 the Federal Home Loan Mortgage Corporation and a Guaranteed Investment Contract with MBIA Inc. These percentages are 5.77% and 5.62%, 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 Detail of Other Receivables

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

	<b>Governmental Funds</b>				
	General Fund	TIF District #4 Revolving Fund	Nonmajor Governmental Funds	Government Wide Total	Fiduciary Funds
Other Receivables:					
Contracts	\$ -	\$ 155,543	\$ 200,000	\$ 355,543	\$ -
Notes	47,916	305,347	2,030,291	2,383,554	-
Other	-	-	-	-	2,861
Total Other Receivables	<u>\$ 47,916</u>	<u>\$ 460,890</u>	<u>\$ 2,230,291</u>	<u>\$ 2,739,097</u>	<u>\$ 2,861</u>

\$2,197,095 of the \$2,383,554 Notes Receivable balance is not expected to be received within one year. \$339,964 of the \$355,543 Contracts Receivable balance is not expected to be received within one year. In the governmental funds, amounts have been deferred based on the availability criteria.

**Note 5 Capital Assets**

Capital Asset activity for Governmental activities for the year ended December 31, 2007 is as follows:

	BALANCE JAN. 1, 2007	(1) Adjustments	Restated Balance JAN. 1, 2007	INCREASES	DECREASES	RECLASS & TRANSFERS	BALANCE DEC. 31, 2007
<b>Governmental activities:</b>							
Capital assets, not being depreciated:							
Land	\$ 10,658,752	\$ 29,252,859	\$ 39,911,611	\$ 150,623	\$ -	\$ 1,088,675	\$ 41,150,909
Works of Art/Treasures	82,662	-	82,662	-	-	-	82,662
Construction In Progress	20,199,504	(6,141,384)	14,058,120	11,094,856	-	(10,805,018)	14,347,958
Total capital assets, not being depreciated	30,940,918	23,111,475	54,052,393	11,245,479	-	(9,716,343)	55,581,529
Capital assets, being depreciated:							
Buildings	10,448,540	-	10,448,540	-	-	(40,137)	10,408,403
Other Improvements	7,917,517	1,506,017	9,423,534	67,814	-	253,913	9,745,261
Furniture & Equipment	6,743,237	-	6,743,237	482,043	(500,911)	-	6,724,369
Infrastructure	25,050,844	66,805,314	91,856,158	386,723	-	9,502,567	101,745,448
Total capital assets being depreciated	50,160,138	68,311,331	118,471,469	936,580	(500,911)	9,716,343	128,623,481
Less accumulated depreciation for:							
Buildings	(3,924,252)	-	(3,924,252)	(349,103)	-	27,099	(4,246,256)
Other Improvements	(3,440,127)	(518,535)	(3,958,662)	(344,798)	-	(27,099)	(4,330,559)
Furniture & Equipment	(4,971,080)	-	(4,971,080)	(490,172)	474,589	-	(4,986,663)
Infrastructure	(2,003,900)	(20,917,806)	(22,921,706)	(2,598,809)	-	-	(25,520,515)
Total accumulated depreciation	(14,339,359)	(21,436,341)	(35,775,700)	(3,782,882)	474,589	-	(39,083,993)
Total capital assets, being depreciated, net	35,820,779	46,874,990	82,695,769	(2,846,302)	(26,322)	9,716,343	89,539,488
Governmental activities capital assets, net	\$66,761,697	\$ 69,986,465	\$ 136,748,162	\$ 8,399,177	\$ (26,322)	\$ -	\$ 145,121,017

- (1) A prior period adjustment in the amount of (\$6,141,384) has been made to reclassify Construction in Progress that was previously reported; upon completion of the project it was determined that these assets were not city assets.

GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments permits a phase-in period for retroactively reporting major governmental infrastructure assets placed in service between 1980 and the year the City initially implemented GASB Statement No. 34 (2003). The City has implemented this statement using the phase-in period allowed and has retroactively added the net book value of these assets to the scheduled above as of January 1, 2007. As a result, the previously reported historical cost of the City's governmental infrastructure capital assets was increased by \$97,564,190, and the accumulated depreciation was increased by \$21,436,341, for a net total of \$76,127,849 due to this change in accounting principle.



**Notes To The Financial Statements**

**City of Chaska, Minnesota**

**December, 31 2007**

Capital Asset activity for Business-Type activities for the year ended December 31, 2007 is as follows:

	<b>BALANCE JAN. 1, 2007</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>RECLASS &amp; TRANSFERS</b>	<b>BALANCE DEC. 31, 2007</b>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 364,805	\$ -	\$ -	\$ -	\$ 364,805
Construction in Progress	811,300	-	-	(811,300)	-
Total capital assets, not being depreciated:	<u>1,176,105</u>	<u>-</u>	<u>-</u>	<u>(811,300)</u>	<u>364,805</u>
Capital assets, being depreciated:					
Buildings	49,791,805	1,960,962	-	811,300	52,564,067
Other Improvements	415,095	182,115	-	-	597,210
Furniture & Equipment	5,878,950	684,343	(344,038)	-	6,219,255
Infrastructure	18,056,601	246,493	(1,118,879)	-	17,184,215
Total capital assets, being depreciated	<u>74,142,451</u>	<u>3,073,913</u>	<u>(1,462,917)</u>	<u>811,300</u>	<u>76,564,747</u>
Less accumulated depreciation for:					
Buildings	(15,309,879)	(1,857,927)	-	-	(17,167,806)
Other Improvements	(115,836)	(26,387)	-	-	(142,223)
Furniture & Equipment	(2,859,410)	(737,333)	307,271	(16,862)	(3,306,334)
Infrastructure	(9,500,318)	(444,772)	708,725	16,862	(9,219,503)
Total accumulated depreciation	<u>(27,785,443)</u>	<u>(3,066,419)</u>	<u>1,015,996</u>	<u>-</u>	<u>(29,835,866)</u>
Total capital assets, being depreciated, net	<u>46,357,008</u>	<u>7,494</u>	<u>(446,921)</u>	<u>811,300</u>	<u>46,728,881</u>
Business-type activities capital assets, net	<u>\$47,533,113</u>	<u>\$ 7,494</u>	<u>\$ (446,921)</u>	<u>\$ -</u>	<u>\$ 47,093,686</u>

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

**Governmental Activities:**

General Government	\$328,145
Economic Development	11,871
Public Safety	300,619
Public Works	2,982,953
Parks, Recreation & Arts	<u>159,294</u>

Total Depreciation Expense –  
Governmental Activities \$3,782,882

**Business-Type Activities:**

Electric	\$640,472
Water	668,926
Sewer	73,157
Community Center	855,314
Chaska Par 30	14,209
Chaska Town Course	551,287
Internet Service Provider	<u>263,054</u>

Total Depreciation Expense –  
Business-Type Activities \$3,066,419

**Note 6 Lease Receivable Agreement**

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

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

A second agreement between the two parties gives MMPA the annual option to continue this agreement for an additional twenty-year period beginning May 1, 2031. The agreement calls for annual payments of \$500,000 to be made in equal monthly installments. MMPA will have the annual option to cancel the agreement for any of the twenty additional years by giving the City ninety days written notice in advance of May 1<sup>st</sup> of the year the option will not be exercised. MMPA will continue to have this option for the twenty-year life of the agreement, even if it chooses not to exercise the option in one or more years during the term of the agreement.

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

Year Ending December 31,	Lease Receivable	
	Principal	Interest
2008	\$ 375,509	\$ 2,265,558
2009	408,940	2,232,128
2010	445,350	2,195,718
2011	485,001	2,156,067
2012	528,181	2,112,887
2013-2017	3,435,782	9,769,558
2018-2022	5,262,898	7,942,442
2023-2027	8,061,654	5,143,686
2028-2031	7,635,634	1,167,988
Total	<u>\$ 26,638,949</u>	<u>\$ 34,986,032</u>

City of Chaska, Minnesota

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**Note 7 Long-Term Debt**

Long-term liability for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Bonds:					
Equipment Certificates	\$ 1,505,000	\$ -	\$ (270,000)	\$ 1,235,000	\$ 375,000
Tax Increment Bonds	23,405,000	-	(5,345,000)	18,060,000	5,820,000
Improvement Bonds	19,985,000	-	(2,745,000)	17,240,000	2,880,000
Revenue Bonds	8,895,000	-	(440,000)	8,455,000	560,000
Plus: Premium	86,107	-	(6,324)	79,783	-
Total Bonds Payable	<u>53,876,107</u>	<u>-</u>	<u>(8,806,324)</u>	<u>45,069,783</u>	<u>9,635,000</u>
Compensated Absences	411,761	459,227	(398,767)	472,221	293,770
Governmental Activity					
Long-term Liabilities	<u>54,287,868</u>	<u>459,227</u>	<u>(9,205,091)</u>	<u>45,542,004</u>	<u>9,928,770</u>
<b>Business-type Activities:</b>					
Bonds Payable:					
General Obligation Revenue Bonds	14,000,000	-	(675,000)	13,325,000	690,000
Revenue Bonds	62,415,000	2,900,000	(765,000)	64,550,000	800,000
Plus: Premium	932,736	4,693	(39,783)	897,646	-
Total Bonds Payable	<u>77,347,736</u>	<u>2,904,693</u>	<u>(1,479,783)</u>	<u>78,772,646</u>	<u>1,490,000</u>
Compensated absences	244,647	249,853	(223,310)	271,190	155,759
Business-type Activity					
Long-term Liabilities	<u>\$77,592,383</u>	<u>\$ 3,154,546</u>	<u>\$ (1,703,093)</u>	<u>\$79,043,836</u>	<u>\$ 1,645,759</u>

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

**General Obligation Bonds**

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

**General Obligation Equipment Certificates:**

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

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**City of Chaska, Minnesota**

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General obligation equipment certificates currently outstanding are as follows:

	Original Issue	Interest Rates	Issue Date	Final Maturity Date	Outstanding Amount
Governmental Activities:					
G.O. Equipment Certificates	\$ 815,000	2.10-3.00%	06/01/04	12/01/08	\$ 280,000
G.O. Equipment Certificates	955,000	3.75%	12/15/06	12/01/13	955,000
					\$ 1,235,000

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2008	375,000	44,213
2009	165,000	32,250
2010	170,000	26,063
2011	180,000	19,687
2012	185,000	12,937
2013-2017	160,000	6,000
Total	\$ 1,235,000	\$ 141,150

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. These bonds will be repaid through tax increments collected from properties in the benefiting tax increment district. The City is obligated for the payment of tax increment debt not covered by the collection of tax increments.

City of Chaska, Minnesota

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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	\$ 12,120,000	3.90-4.25%	03/01/99	12/01/10	\$ 9,000,000
G.O. Taxable T.I. Bonds	670,000	5.60-5.95%	03/01/99	12/01/10	375,000
G.O. Tax Increment Bonds	4,675,000	4.70-5.20%	08/01/00	12/01/10	2,800,000
G.O. Taxable T.I. Bonds	1,140,000	7.00-7.40%	08/01/00	12/01/10	465,000
G.O. Tax Increment Bonds	890,000	4.00-6.20%	06/15/04	12/01/21	845,000
Governmental Activities - Refunding:					
G.O. T.I. Crossover Refunding	3,550,000	3.15-3.80%	02/01/02	12/01/08	1,400,000
G.O. Taxable T.I. Refunding	1,555,000	2.75-4.70%	09/01/02	12/01/10	705,000
G.O. T.I. Crossover Refunding	2,470,000	3.60-3.75%	06/15/04	12/01/13	2,470,000
					<u>\$ 18,060,000</u>

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2008	5,820,000	798,183
2009	4,445,000	547,370
2010	5,245,000	346,033
2011	665,000	108,850
2012	665,000	84,210
2013-2017	915,000	171,582
2018-2022	305,000	48,220
Total	<u>18,060,000</u>	<u>\$ 2,104,448</u>

#### General Obligation Improvement Bonds:

The City issues improvement bonds to provide funding for the construction of streets and utilities. These bonds will be repaid from amounts levied against the property owners benefited by construction. The City is obligated for the payment of debt not covered through the collection of special assessments. Any obligation by the City would be paid from property taxes.

City of Chaska, Minnesota

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General obligation special assessment bonds currently outstanding are as follows:

	Original Issue	Interest Rates	Issue Date	Final Maturity Date	Outstanding Amount
Governmental Activities:					
G.O. Improvement Bonds	\$ 7,565,000	3.60-4.65%	06/01/01	12/01/11	\$ 2,500,000
G.O. Taxable Improvement Bonds	555,000	2.75-4.90%	09/01/02	12/01/12	260,000
G.O. Improvement Bonds	455,000	1.50-3.75%	09/01/02	12/01/12	200,000
G.O. Improvement Bonds	6,650,000	1.75-4.50%	06/15/04	12/01/20	3,860,000
G.O. Improvement Bonds	8,595,000	3.50-4.13%	12/15/06	12/01/27	8,295,000
Governmental Activities - Refunding:					
G.O. Improvement Refunding	1,420,000	2.50-3.90%	10/01/01	12/01/09	100,000
G.O. Capital Improvement Plan Refunding Bonds	2,780,000	1.10-3.70%	03/01/04	12/01/15	<u>2,025,000</u>
					<u>\$ 17,240,000</u>

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2008	\$ 2,880,000	\$ 647,080
2009	2,425,000	547,015
2010	1,700,000	461,363
2011	1,750,000	398,032
2012	1,180,000	329,918
2013-2017	4,590,000	1,025,427
2018-2022	1,390,000	432,914
2023-2027	1,325,000	146,231
Total	<u>\$ 17,240,000</u>	<u>\$ 3,987,980</u>

General Obligation Revenue Bonds:

In 2003, the City issued G.O. Revenue Bonds to expand its existing water system and construct a new water treatment plant.

The City has one General Obligation Revenue Bond Outstanding.

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

	Original Issue	Interest Rates	Issue Date	Final Maturity Date	Outstanding Amount
Business-type Activities:					
G.O. Water Revenue Bonds	\$ 15,150,000	2.25-4.40%	05/01/03	12/01/22	\$ 13,325,000

Year Ending December 31	Business-type Activities	
	Principal	Interest
2008	\$ 690,000	\$ 525,152
2009	705,000	506,176
2010	725,000	485,026
2011	750,000	458,745
2012	775,000	431,557
2013-2017	4,345,000	1,678,275
2018-2022	5,335,000	713,805
Total	\$ 13,325,000	\$ 4,798,736

**Revenue Bonds:**

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

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

The 1999 EDA School Facilities Lease Revenue Refunding bonds provided funding for the purchase, remodel and addition to buildings being leased to Independent School District #112.

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 will be 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 2001 Public Facilities Lease Revenue bonds provided funding for the construction of an addition to the City Hall and library building.

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The 2005 Electric Revenue Refunding bonds will be used 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 Community Center.

Revenue bonds currently outstanding are as follows:

	Original Issue	Interest Rates	Issue Date	Final Maturity Date	Outstanding Amount
Governmental Activities:					
Public Facilities Lease Revenue	\$ 1,650,000	3.25-4.90%	10/01/01	12/01/14	\$ 1,275,000
Governmental Activities - Refunding:					
EDA School Facilities Lease Revenue Refunding Bonds	9,150,000	5.13-5.50%	06/01/99	12/01/19	7,180,000
Business-type Activities:					
Electric Revenue Bonds	34,580,000	4.90-6.10%	07/01/00	10/01/30	31,150,000
EDA Lease Revenue Bonds	2,900,000	4.00-4.40%	06/01/07	12/01/27	2,900,000
Business-type Activities - Refunding:					
Electric Revenue Refunding Bonds	30,735,000	3.00-5.00%	04/01/05	10/01/30	<u>30,500,000</u>
					<u>\$ 73,005,000</u>



Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 560,000	\$ 442,308	\$ 800,000	\$ 3,543,791
2009	580,000	415,043	845,000	3,440,524
2010	600,000	386,542	29,780,000	3,395,156
2011	615,000	356,880	940,000	1,623,135
2012	655,000	325,950	975,000	1,585,535
2013-2017	3,360,000	1,088,500	6,285,000	7,229,182
2018-2022	2,085,000	193,875	8,005,000	5,535,200
2023-2027	-	-	10,285,000	3,262,915
2028-2032	-	-	6,635,000	677,550
Total	<u>\$ 8,455,000</u>	<u>\$ 3,209,098</u>	<u>\$ 64,550,000</u>	<u>\$ 30,292,988</u>

### **2007 Activity**

On June 1, 2007 the Economic Development Authority of the City of Chaska issued \$2,900,000 in Lease Revenue Bonds with a net effective interest rate of 4.34% (4.0% to 4.40%). Proceeds of the bonds were used to develop a senior citizen activity center at the Chaska Community Center, consisting of approximately 6000 sq. ft. to develop and implement other age group gathering places and re-emphasize the commitment to quality and expand existing City-operated community gathering facilities.

### **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, 2007, the City has two outstanding notes payable, which are for Entegris, Inc., (formerly Flouroware, Inc.) and North Meadows Apartments. The note for Entegris, Inc. was issued in 1997 at 8.5% interest with payments due through 2010. The outstanding balance as of December 31, 2007 is \$1,915,636. 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, 2007 is \$1,220,845. These amounts have not been included in long-term debt because of the nature of the notes in that repayment is required only if sufficient tax increments are received.

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

**CONDUIT DEBT:**

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

As of December 31, 2007, there were six series of IRBs outstanding. The aggregate principal amount payable for the one series issued after July 1, 1995, was \$1,420,000. The aggregate principal amount payable for the six series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$16,870,000.

As of December 31, 2007, there were nine series of HRBs outstanding. The aggregate principal amounts payable for the seven series issued after July 1, 1995 was \$14,265,691. The aggregate principal amount payable for the two series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$6,260,000.

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

The composition of interfund balances as of December 31, 2007 are as follows:

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

<b><u>Receivable Fund</u></b>	<b><u>Payable Fund</u></b>	<b><u>Amount</u></b>	<b><u>Purpose</u></b>
Other Nonmajor Governmental	District #4 Revolving	\$ 254,492	1
Other Nonmajor Governmental	Other Nonmajor Governmental	3,375,441	1
Electric	District #4 Revolving	19,241	1
Other Nonmajor Proprietary	Other Nonmajor Proprietary	1,398,721	1
Fiduciary	Fiduciary	14,279	1
<b>Total</b>		<b><u>\$ 5,062,174</u></b>	

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

<u>Receivable Fund</u>	<u>Pavable Fund</u>	<u>Interfund Receivables/ Pavables</u>	<u>Advances To/From</u>	<u>Total</u>	<u>Purpose</u>
Other Nonmajor Governmental Electric Fund	District #4 Revolving	\$ 13,450,291	\$ -	13,450,291	2
Other Nonmajor Governmental Electric Fund	District #4 Revolving	1,016,924	-	1,016,924	2
Other Nonmajor Governmental Electric Fund	Other Nonmajor Governmental	750,470	49,236	799,706	2/7
Other Nonmajor Governmental Turbine	Other Nonmajor Governmental	3,148,984	3,117,451	6,266,435	3/4/5/6
Other Nonmajor Governmental Electric Fund	Other Nonmajor Proprietary	213,350	-	213,350	8
Other Nonmajor Governmental Electric Fund	Electric Fund	27,049	1,250,602	1,277,651	9
Other Nonmajor Governmental Electric Fund	Other Nonmajor Proprietary	593,580	763,503	1,357,083	10,11
<b>Total</b>		<u>\$ 19,200,648</u>	<u>\$ 5,180,792</u>	<u>24,381,440</u>	

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

(1) \$5,062,174 of the amount 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 \$15,125,373 will be made from tax increment generated by the districts as it becomes available.

(3) \$1,313,984 of this amount is related to financing TIF District #15 (Downtown Redevelopment) project costs with a loan from the Electric Fund. The loan, plus interest, will be paid when the property is developed. An additional \$2,337,451 was financed by the Electric Fund in 2007 for the same purposes.

(4) \$35,000 of this amount is related to a loan that the Electric Fund made to the Public Facilities Improvement Fund for Facility Construction. The balance will be paid in 2008.

(5) \$1,800,000 of this amount relates to the financing for the Chaska Community Center Wellness Addition. Financing was made possible by transferring cash from the Electric Fund to the Community Center Fund. The Electric Fund will be repaid \$1,800,000 when City land is sold in 2008. Therefore, the entire amount will be paid within the year.

(6) \$780,000 of this amount relates to a loan from the Electric Fund to the Chaska EDA fund for construction costs related to a downtown property. The balance will remain outstanding as of year end.

(7) These receivables/payables represent loans between the City of Chaska and Chaska EDA in order to redevelop Tax Increment Districts. Repayment of the loan principal and interest has and will be made from tax increment generated from the Districts. Of these amounts, \$49,236 will not be paid within the next year.

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(8) When the City developed the expanded wireless internet service, the City financed the Capital Investment through the sale of equipment certificates in the amount of \$621,000. This loan is between the Equipment Acquisition Fund and the Internet Service Provider Enterprise Fund. The outstanding balance of \$213,350 will be paid in 2008.

(9) A long-term interfund loan between the Electric Fund and the Turbine Fund was made in 2001 to finance a substation. Of the \$1,277,651 owed at 12/31/07, \$1,250,602 represents the portion that will not be paid within the year.

(10) The additional costs not covered by the loan explained in (8) were funded through an interfund loan between the Electric Utility and the Internet Service Provide Enterprise Fund. Of the \$1,119,583 outstanding, \$602,086 will not be paid within one year.

(11) In 2006, the City financed \$381,000 for equipment purchases for the Town Course through an interfund loan from the Electric Fund. Of the \$237,500 outstanding, \$161,417 will not be paid within one year.

### Explanation of Transfers:

#### Interfund Transfers:

	<b>Transfers In:</b>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			<b>Total</b>
	General	Other	Water	Community	Other	
Fund	Nonmajor	Center		Nonmajor		
<b>Transfers Out:</b>						
District #4 Revolving	\$ -	\$3,447,958	\$ -	\$ -	\$ -	\$ 3,447,958
Other Nonmajor Governmental	353,004	5,140,078	1,217,026	150,000	-	6,860,108
Electric	-	234,600	-	100,000	-	334,600
Water	-	7,800	-	-	-	7,800
Community Center	-	126,568	-	-	-	126,568
Turbine	105,000	350,000	-	-	-	455,000
Other Nonmajor Business-Type	-	7,800	-	-	12,519	20,319
	<u>\$ 458,004</u>	<u>\$ 9,314,804</u>	<u>\$ 1,217,026</u>	<u>\$ 250,000</u>	<u>\$ 12,519</u>	<u>\$ 11,252,353</u>

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

**Note 9 Reserved and Unreserved-Designated Fund Balance**

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

	General	TIF Dist #4 Revolving	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total
Fund Balances:						
Reserved for Debt Requirements	\$ -	\$ -	\$ -	\$ 1,252,405	\$ -	\$ 1,252,405
Reserved for Advance to Other Funds	-	-	-	-	49,236	49,236
Reserved for Construction	-	-	-	-	17,318,269	17,318,269
Reserved for Mt. Pleasant Perpetual Care	-	-	189,878	-	-	189,878
Reserved for Grace Gibson Foundation	-	-	562	-	-	562
Total Reserved Fund Balances:	-	-	190,440	1,252,405	17,367,505	18,810,350
Unreserved Fund Balances:						
Designated for Capital Outlay Acquisition	-	-	1,774,122	-	-	1,774,122
Designated for Compensated Balances	472,221	-	-	-	-	472,221
Designated for Working Capital	2,300,000	-	-	-	-	2,300,000
Total Designated Fund Balances:	2,772,221	-	1,774,122	-	-	4,546,343
Undesignated	12,463	(14,695,930)	23,210	-	(6,700,726)	(21,360,983)
Total Unreserved Fund Balances:	2,784,684	(14,695,930)	1,797,332	-	(6,700,726)	(16,814,640)
Total Fund Balances	<u>\$ 2,784,684</u>	<u>\$ (14,695,930)</u>	<u>\$ 1,987,772</u>	<u>\$ 1,252,405</u>	<u>\$ 10,666,779</u>	<u>\$ 1,995,710</u>

**Note 10 Risk Management**

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

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is not subject to a deductible. The City's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

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

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

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

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

### **Note 11 Committed Contracts**

At December 31, 2007, the City had commitments for ten uncompleted construction contracts with a remaining balance of \$5,910,150.

### **Note 12 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 13 Jointly Governed Organization**

The City, in conjunction with ten other municipalities that provide distribution of electric services, created the Minnesota Municipal Power Agency (MMPA). MMPA began operations on July 1, 1995. MMPA purchases power that is purchased and distributed by the eleven municipalities that operate electric distribution systems. MMPA's board of directors is comprised of one member from each participating entity. Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's purchases of power from MMPA for the year ended December 31, 2007 were \$20,701,008. MMPA issues an annual financial report which may be obtained by writing MMPA, P.O. Box 339, 2015 First Avenue, Anoka, MN 55303, or by calling (763) 323-3337.

**Note 14 Defined Benefit Pension Plans - Statewide****A) Plan Description**

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

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

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

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement is 55 for PEPFF members and 65 for Basic and

Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

## B) Funding Policy

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.75%, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase in 2008 to 6.0%. PEPFF members were required to contribute 7.8% of their annual covered salary in 2007. That rate will increase to 8.6% in 2008. The City of Chaska is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.0% for Coordinated Plan PERF members, and 10.5% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.25% and 11.7% respectively, effective January 1, 2007.

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

	<u>PERF</u>	<u>PEPFF</u>
<b>December 31, 2005</b>	\$ 271,175	\$ 144,846
<b>December 31, 2006</b>	316,527	172,784
<b>December 31, 2007</b>	352,042	205,337



**Note 15 Defined Contribution Plan – Statewide**

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 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 2007 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$660	\$660	5.00%	5.00%	5.00%

**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 2006, the City of Chaska's annual pension cost of \$292,518 was greater than the City's required and actual contribution. The annual required contribution for the year was determined as part of the December 31, 2005 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, 2005 was 11 years (December 31, 2016).

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

Total contributions to the CFDRAPP for the year ended December 31, 2006 were as follows:

<u>Contribution</u>	<u>Amount</u>
State of Minnesota	\$ 126,577
City of Chaska:	
Tax Levy	100,941
Additional	65,000
Total City Contribution	165,941
Total Actual Contribution	\$ 292,518

**D) Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Actual Contribution</u>			<u>Annual Pension Cost</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
	<u>City</u>	<u>State</u>	<u>Total</u>			
12/31/2004	171,566	120,939	292,505	259,875	112.56%	(288,520)
12/31/2005	144,684	120,357	265,041	250,106	105.97%	(303,455)
12/31/2006	165,941	126,577	292,518	251,729	116.20%	(344,244)

Notes To The Financial Statements

City of Chaska, Minnesota

December, 31 2007

Annual Required Contribution	\$ 230,369
Interest on net pension obligation	(15,173)
Adjustment to annual required contribution	36,533
Annual Pension Cost	251,729
Contributions made	(292,518)
Increase (decrease) in net pension obligation	(40,789)
Negative net pension obligation beginning of year	(303,455)
Negative net pension obligation end of year	(\$344,244)

**E) Schedule of Funding Progress**

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
12/31/04	3,055,921	4,224,276	1,168,355	72.3%	1.8000	21.60
12/31/05	3,119,213	4,584,232	1,465,019	68.0%	1.8750	22.50
12/31/06	3,119,213	4,828,724	1,709,511	64.6%	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.)

**Note 17 Prior Period Adjustment**

Capital assets previously reported as Construction in Progress have been determined to not be City assets and therefore should not have been capitalized. A prior period adjustment in the amount of \$6,141,384 has reduced previously reported governmental capital assets and net assets to reflect this.