

CITY OF CHASKA
STATE OF MINNESOTA

2014 COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

**CITY OF CHASKA
STATE OF MINNESOTA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

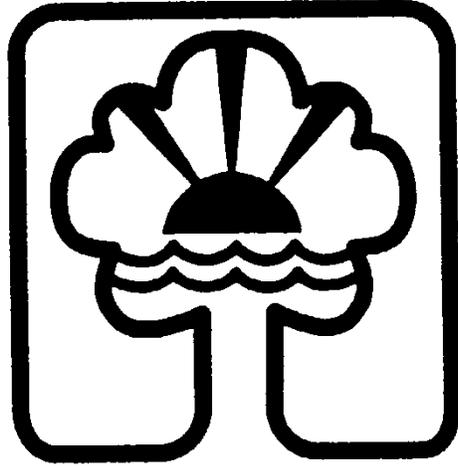
**FOR THE YEAR ENDED
DECEMBER 31, 2014**

Prepared by:
Administrative Services Department

Noel J. Graczyk
Administrative Services Director,
Treasurer

Lisa M. Nelson
Finance Manager

Aaron J. Scharpe
Accountant



CHASKA

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Comprehensive Annual Financial Report

City of Chaska, Minnesota

For the Year Ended December 31, 2014

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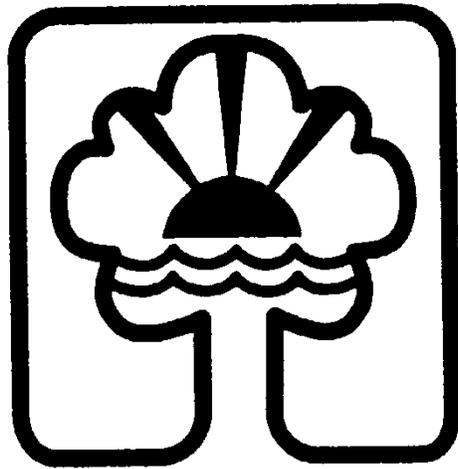
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CHASKA



City of Chaska

June 23, 2015

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

State law requires that all general-purpose local governments publish, each fiscal year, a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) for the City of Chaska for the fiscal year ended December 31, 2014.

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

The City of Chaska's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich, & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Chaska for the fiscal year ended December 31, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the City of Chaska's financial statements for the fiscal year ended December 31, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Chaska was founded in 1851, incorporated March 3, 1891, and since 1975 has operated under a Statutory Plan “A” form of government, as modified, in accordance with *Minnesota State Statutes* Chapter 412.023, Subdivision 5. The Chaska City Council consists of a Mayor, with a two (2) year term of office, and four (4) Council Members, each with a staggered four (4) year term of office. Elections are held on the Tuesday after the first Monday in November, of each even-numbered year. No more than two (2) Council Members’ terms expire in any one (1) year.

The City Administrator is appointed by the Chaska City Council and also serves as the City Clerk. A City Attorney is retained and appointed by the Chaska City Council. The Administrative Service Director also serves as the Treasurer.

The primary mission of the City of Chaska is to enhance and maintain the high quality of life of its “shareholders”, the citizens of Chaska, which have been nurtured in the community since its incorporation in 1891. Consistent with its mission, the City will strive to maintain its unique historical small town image and sense of community while supporting well-planned, orderly growth. To achieve its mission, the city has established six (6) ongoing core strategies:

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

The City of Chaska provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. The City also operates ten (10) enterprises: electric, water, sewer, and storm water utilities; a community center, two (2) golf courses, curling and event center (under construction), a turbine generator utility and is an internet service provider. In addition to these governmental and enterprise activities, the Chaska City Council serves as the board of the Chaska Economic Development Authority (Chaska EDA). The Chaska EDA is included in this report as a blended component unit.

The annual budget serves as the foundation for the City of Chaska’s financial planning and control. The objectives of these budgetary controls are to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Chaska City Council. Activities of the General Fund and certain special revenue and capital project funds are included in the annual appropriated budget. Debt service budgetary control is established by bond sale resolution covenants. Project-length financial plans are adopted for capital projects funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. Expenditures for departments or divisions that exceed appropriations are not authorized unless additional revenue sources or fund balance are identified and available. Unused appropriated expenditures lapse at year-end.

Factors Effecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Chaska operates.

Since the year 2000, the City of Chaska has seen a significant amount of growth in the local economy. In 2000, the population in the City was approximately 17,500. By 2010 the population was 23,770, a 35 percent increase, and is forecast to increase to 28,500 by 2020. This rapid increase in population can be attributed to the addition of approximately 200 - 500 housing units per year, between the years 2002 and 2006, as well as the addition of a significant amount of commercial development in the community. This commercial development included small boutiques and large service centers such as Home Depot, Super Target and Kohl's.

Chaska saw the majority of its industrial development growth in the late 1980's and early 1990's. Nearly 8,000 jobs were created, with over 13,000 jobs total in the community. The industrial park was at full capacity in the 1990's, with the exception of only a few remaining sites. Companies such as Entegris, FSI, Lifecore Biomedical, Beckman Coulter, and Lake Region Medical all offered several hundred jobs at each facility. Housing and commercial development occurring after 2000 resulted directly from both a strong housing market and a significant number of jobs available in Chaska.

As with other communities across the country, the City of Chaska has seen a significant drop in new housing development since 2006. The most significant drop occurred in the five (5) year period 2006 - 2011. From 2002 to 2006 annual average taxable market value increased by an average of 10 - 12 percent each year. While we have seen significant market value decreases over the past several years, the housing and commercial economy has seen a return to growth in 2014. In terms of taxable value, it is estimated that assessed market values will increase for the first time in several years.

In 2014, building permits continued to see a rebound, as we saw approximately 150 new residential units added in the community and several new commercial industrial projects. There were also three residential developments that broke ground in 2014. In total these developments will create an additional 228-single family homes. Also, a 125-unit senior assisted living project at Highway 41 and Hazeltine Boulevard is currently under construction.

In addition to this, several large commercial-industrial projects were completed in 2014. This includes an expansion at Ridgeview's 212 Medical Center located at Highways 212 and 41. This site will ultimately accommodate a 700,000 square foot medical facility that currently houses the only stand-alone emergency room in the State of Minnesota, along with surgical suites, imaging, and special medical uses. Ridgeview opened the first phase of 180,000 square foot in February 2011 and in 2014 completed construction of a three (3) story second phase that will provide an additional 70,000 square feet of medical office space.

Other medical projects completed in the City include Park Dental's 6,000 square foot facility at Hazeltine Boulevard and Highway 41 and Lakeview Medical Center's three (3) story, 47,000 square foot office building at the southwest corner of Pioneer Trail and Highway 41. In addition, two (2) new data center complexes were completed in Chaska. These include the new 50,000 square foot Stream Data facility in West Creek Corporate Center, and the renovation of a vacant 120,000 square foot facility for use by ViaWest Corporation.

Other development opportunities within the City of Chaska include:

Block 6/Firemen's Park Redevelopment - This site was identified as a “catalyst site” in the City’s Downtown Master Plan. Over the past year, the City has gathered feedback from community stakeholders and ultimately will be developing the block and park area as a 50,000 square-foot city-owned events center that will include a world-class curling facility, bar and restaurant, and event/reception space for parties up to 300 people. In addition, the ten-plus acre park will be redeveloped and enhanced with more walking trails, improved recreation facilities, better connections to the rest of the city, etc. The project has received preliminary planning approvals and construction commenced in February of 2015. The goals of the project are to enhance recreational facilities/community gathering spaces, bring more people/traffic downtown, and honor/embrace history and tradition of the community.

Industrial Parks – there are two (2) existing industrial parks located within Chaska with a combined capacity of 679 acres. Currently there are over one hundred enterprises occupying the parks, the largest of which include Lake Region Manufacturing, FSI International Inc., Beckman Coulter, Bailiwick, and Lifecore Biomedical. There are a few remaining sites within the industrial park. The City is currently working with several local businesses on expansion projects slated for 2015. A vacant 50,000 square foot industrial building was also just purchased to allow for the expansion into Chaska of a biomedical company.

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

The first project in this new industrial area is United Health Group’s 250,000 square foot data center that began operations in 2012. The second project is Stream Data’s 115,000 square foot data center that completed construction in late 2014. The City is also working with a third company for development of approximately a 100,000 square foot data center facility in this industrial park, which is slated to start construction in the fall of 2015. The City is actively recruiting other data centers to locate in the remaining vacant parcels in this area.

Southwest Chaska Master Plan – the City recently completed its SW Chaska Master Plan. The plan guides development and land use for an undeveloped two (2) square mile area in southwest Chaska along Highway 212. While most of this area was originally determined to be residential, the new master plan allows for more corporate uses and allows the residential development to be more consistent with market conditions. To support access to the southwest Chaska area, the City received conditional approval in late 2011 for the addition of an interchange off of the 212 freeway at Carver County Road 140, which will open up additional land for corporate/industrial development. The first housing developments were starting to move forward in this area, with infrastructure installed and the first houses erected in three (3) of these neighborhoods.

Long-Term Financial Planning

Each year the City develops a five (5) year financial forecast. The primary purpose of the forecast is to project available revenues and anticipated expenditures for all operating funds supported by property tax levies. In addition, the forecast is used to establish the City’s maximum tax levy, which is required through the Truth in Taxation public hearing process. In preparing the five (5) year forecast, every attempt is made to accurately and conservatively

estimate revenues and expenditures. The 2015 Budget and five (5) year forecast were both developed based on the following objectives:

1. Maintain existing high-quality service levels, making reductions in service levels only when directly associated with decreased need for service.
2. Limit tax levy growth to capture only new growth and inflation.
3. Fund replacement of the City's existing capital investments.
4. Increase levy only if new service levels/assets are being added.
5. Address the implications of levy limits, if applicable, on local governments while maintaining current services levels expected by residents.
6. Develop a plan that allows the City to discontinue drawing from General Fund reserves.
7. Continue to fund levy needs of the Street Reconstruction Program.

Key factors which impact both the costs of providing services and the City's revenue resources are changes in Chaska's population and households.

The current 2014 - 2018 Financial Forecast strives to balance existing service levels within the forecasted revenues while at the same time maintaining a low property tax rate. Chaska's tax levy continues to be one of the lowest in the metropolitan area and significantly lower than neighboring communities. Results of customer service evaluations indicate that citizens are very happy with the level of services provided by the City.

The City recently updated the comprehensive plan which is part of a mandate from Metropolitan Council to make local plans consistent with its updated Regional Development Framework coupled with Chaska's rapid growth and changing conditions. Chaska's 2030 Comprehensive Plan guides the direction of the City in several major areas: land use, transportation, environment, parks and trails, and public facilities. Each of these areas is examined in a comprehensive manner, in order to take advantage of opportunities, avoid problems, and work toward building a stronger community.

Major Initiatives

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

Two (2) major projects associated with this are the complete redevelopment of a major park space in the heart of our downtown, as well as the complete replacement of all streets and utilities in our historic downtown core. The intent is to reinvest into this historic core to make it economically sustainable into the future.

A second major initiative is the start of our new Capital Improvement Plan, which will add additional revenue each year to reinvest back into existing assets in our community, keeping them viable into the future. A key piece of this is the addition of \$1 million annually to our General Fund to reinvest into parks, streets, and trails.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chaska for its comprehensive annual financial report (CAFR) for fiscal year ended December 31, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. A CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one (1) year only. The City of Chaska has received a Certificate of Achievement for the last twenty-five consecutive years (fiscal years ended 1989 - 2013). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

The preparation of this report was made possible by the dedicated service of the City staff, and in particular, members of the Administrative Services Department. Special recognition is in order to Aaron J. Scharpe, Accountant, who assisted in the preparation and production of this report.

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

Respectfully Submitted,



Noel J. Graczyk
Administrative Services Director,
Treasurer
City of Chaska



Lisa M. Nelson
Finance Manager
City of Chaska



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Chaska
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

A handwritten signature in cursive script, reading "Jeffrey R. Egan".

Executive Director/CEO

Organization and Administrative Structure

City of Chaska, Minnesota

For the Year December 31, 2014

ORGANIZATIONAL STRUCTURE

City of Chaska Residents and Businesses

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

ADMINISTRATIVE STRUCTURE [492 Employees (125-7-1-359)]

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

<p>Assistant Administrator, Economic Development Coordinator (1-0-0-0) (1-0-0-0) Human Resource Coordinator (1-0-0-0) Senior Clerk/Admin. Secretary</p> <p>Administrative Services (16-5-0-0) (1-0-0-0) Administrative Services Director (Treasurer) (1-0-0-0) Finance Manager</p> <p>(1-0-0-0) Accountant (1-0-0-0) Senior Accounting Clerk (3-1-0-0) Accounting Clerk (1-0-0-0) Utility Billing Coordinator (1-0-0-0) Assist. Utility Billing Coordinator (3-0-0-0) Utility Account Clerk (0-4-0-0) Customer Service Representative (1-0-0-0) Information Systems Manager</p> <p>(3-0-0-0) IS Network Engineer/Field Support</p> <p>Community Development (6-0-0-0) (1-0-0-0) Building Official (3-0-0-0) Building Inspector (1-0-0-0) Utility Inspector (1-0-0-0) Community Development Clerk</p> <p>Planning Services (2-0-0-0) (1-0-0-0) Director of Planning and Development (1-0-0-0) City Planner (0-0-0-0) Temp. City Planner</p> <p>Engineering Services (2-0-0-0) (1-0-0-0) City Engineer (1-0-0-0) Civil Engineer II</p> <p>Police Services (27-1-0-0) [24 licensed officers] (1-0-0-0) Chief of Police (2-0-0-0) Captain (4-0-0-0) Sergeant (2-0-0-0) Detective (0-0-0-0) Lieutenant (2-0-0-0) School Resource Officer (12-0-0-0) Patrol Officer (1-0-0-0) Community Partnership Officer (1-1-0-0) Community Service Officer (2-0-0-0) Secretary/Administrative Assistant</p> <p>Public Works Services (17-0-0-15) (1-0-0-0) Public Works Superintendent (1-0-0-0) Parks Foreman (1-0-0-0) Streets Foreman (2-0-0-0) Street & Park Leadworkers (1-0-0-0) Mechanic Foreman (2-0-0-0) Mechanic (7-0-0-0) Maintenance III (1-0-0-0) Maintenance II (1-0-0-0) Maintenance I (0-0-0-15) Laborer</p>	<p>Electric Utility Services (15-1-0-0) (1-0-0-0) Electrical Director (0-1-0-0) Assistant Electrical Director (1-0-0-0) Lineworker Foreman (5-0-0-0) Lineworker III (2-0-0-0) Lineworker I (3-0-0-0) Lead Lineworker (1-0-0-0) GIS Technician (0-0-0-0) Metering/Substation Lineworker (2-0-0-0) Office/Inventory Clerk</p> <p>Water and Sewer Utility Services (9-0-0-1) (1-0-0-0) Utility Superintendent (1-0-0-0) Water/Sewer Foreman (1-0-0-0) Lead Worker (4-0-0-0) Maintenance III and II (2-0-0-0) Maintenance II (0-0-0-0) Maintenance I (0-0-0-1) Laborer</p> <p>Parks Recreation and Arts (17-0-0-274) (1-0-0-0) Parks, Recreation and Arts Director</p> <p style="margin-left: 20px;">Parks Recreation and Arts (2-0-0-22) (1-0-0-0) Assistant Park, Recreation, Arts Director (1-0-0-0) Recreation Program Support (0-0-0-0) Cable TV (0-0-0-20) Rink Attendant, Outside (0-0-0-2) Cable TV Camera Operator</p> <p style="margin-left: 20px;">Community Center (14-0-0-252) (1-0-0-0) Ice Arena Manager (1-0-0-0) Maintenance Supervisor (1-0-0-0) Facility Coordinator (1-0-0-0) Aquatics Coordinator (1-0-0-0) Front Desk Supervisor/Coordinator (1-0-0-0) Senior Center Coordinator (2-0-0-0) Recreational Programmer (1-0-0-0) Fitness Coordinator (1-0-0-0) Activities Coordinator (0-0-0-18) Rink Attendant/Monitor/Referee (4-0-0-24) Custodian/Maintenance (0-0-0-82) Pool Staff and Instructors (0-0-0-21) Front Desk/Cashier (0-0-0-34) Day Care (0-0-0-21) Fitness Instructor (0-0-0-52) Activities Instructor/Assistant</p> <p>Golf Courses (8-0-1-69) (1-0-0-0) Golf Professional</p> <p style="margin-left: 20px;">(1-0-1-0) Assistant Golf Professionals</p> <p style="margin-left: 20px;">Chaska Town Course (5-0-0-61) (1-0-0-0) Golf Superintendent (4-0-0-0) Greenskeeper (0-0-0-44) Course Staff (0-0-0-17) Seasonal Maintenance</p> <p style="margin-left: 20px;">Chaska Par Thirty (1-0-0-8) (1-0-0-0) Greenskeeper (0-0-0-7) Course Staff (0-0-0-1) Seasonal Maintenance</p>
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CHASKA VOLUNTEER FIRE DEPARTMENT (2-0-0-0)

(1-0-0-0) Fire Chief
 (1-0-0-0) Fire Marshall

Chaska Volunteer Fire Department
 35 Active Volunteers

Key to Number of Employees:
 (Regular Full-Time - Regular Part-Time - Seasonal Full-Time - Seasonal Part-Time)

Elected Officials

MAYOR:	Term of Office	
	From	To
Mark Windschitl	January 01, 2013	December 31, 2014
COUNCIL MEMBERS:		
Alex Young, First Ward	July 01, 2013	December 31, 2014
Gregory Boe, Second Ward	January 01, 2013	December 31, 2016
Christopher Schulz, Third Ward	January 01, 2011	December 31, 2014
Jay Rohe, Fourth Ward	January 01, 2013	December 31, 2016

Administrative Officials

	NAME
CITY STAFF:	
City Administrator, City Clerk	Matt Podhradsky
Assistant City Administrator	Jeff Dahl
Administrative Services Director, Treasurer	Noel Graczyk
Community Development Director	Kevin Ringwald
City Engineer	William Monk
Chief of Police	Scott Knight
Fire Chief	Timothy Wiebe
Public Works Superintendent	Brian Jung
Director of Parks & Recreation	Thomas Redman
Electrical Director	Toby Saxon
Water & Sewer Superintendent	Matt Haefner
Golf Professional	John Kellin
Executive Director of Chaska Economic Development Authority (EDA)	Matt Podhradsky
INDEPENDENT CONSULTANT:	
City Attorney	Luke Melchert



PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Chaska, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chaska, Minnesota (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2014, the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

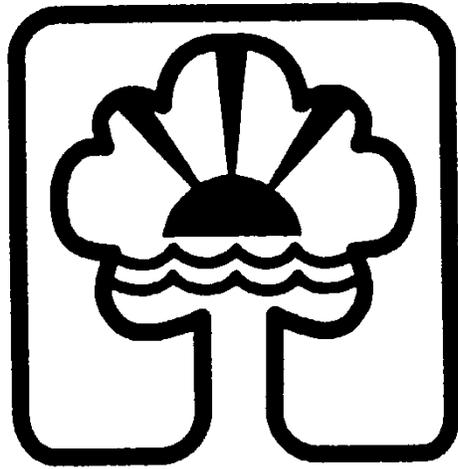
(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
June 23, 2015



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