

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 15, 2018

In the opinion of Briggs and Morgan, Professional Association, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "TAX EXEMPTION" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF CHANHASSEN, MINNESOTA (Carver and Hennepin Counties)

\$3,595,000* GENERAL OBLIGATION WATER REVENUE BONDS, SERIES 2018A

PROPOSAL OPENING: February 26, 2018, 10:00 A.M., C.T.

CONSIDERATION: February 26, 2018, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,595,000* General Obligation Water Revenue Bonds, Series 2018A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, by the City of Chanhassen, Minnesota (the "City") for the purpose of financing the construction of various water utility system improvements within the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Briggs and Morgan, Professional Association, Minneapolis, Minnesota.

DATE OF BONDS: March 15, 2018

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$275,000	2023	\$290,000	2027	\$310,000
2020	275,000	2024	295,000	2028	320,000
2021	280,000	2025	300,000	2029	325,000
2022	285,000	2026	305,000	2030	335,000

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2019 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing February 1, 2027 and thereafter are subject to call for prior redemption on February 1, 2026 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$3,551,860

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$71,900 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Briggs and Morgan, Professional Association

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement.



REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. *This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers & Associates, Inc., payable entirely by the City, is contingent upon the sale of the issue.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the Bonds are exempt or required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY COUNCIL

		<u>Term Expires</u>
Denny Laufenburger	Mayor	January 2019
Jerry McDonald	Council Member	January 2021
Bethany Tjornhom	Council Member	January 2021
Dan Champion	Council Member	January 2019
Elise Ryan	Council Member	January 2019

ADMINISTRATION

Greg Sticha, Finance Director

Todd Gerhardt, City Manager

PROFESSIONAL SERVICES

Briggs and Morgan, Professional Association, Bond Counsel, Minneapolis, Minnesota

Ehlers & Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other offices located in Waukesha, Wisconsin, Chicago, Illinois and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Chanhassen, Minnesota (the "City") and the issuance of its \$3,595,000* General Obligation Water Revenue Bonds, Series 2018A (the "Bonds") or the "Obligations". Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution awarding the sale of the Bonds (the "Award Resolution") to be adopted by the City Council on February 26, 2018.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of March 15, 2018. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2027 shall be subject to optional redemption prior to maturity on February 1, 2026 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, by the City for the purpose of providing financing to complete construction of the West Water Treatment Plant and related utility system improvements within the City. Total project costs are estimated to be \$17 million with the remainder already financed in part by the \$3,630,000 General Obligation Water Revenue Bonds, Series 2016B, dated December 29, 2016 and the \$10,000,000 General Obligation Water Revenue Bonds, Series 2017A, dated February 1, 2017.

ESTIMATED SOURCES AND USES

Sources		
Par Amount of Bonds	<u>\$3,595,000</u>	
Total Sources		\$3,595,000
Uses		
Project Costs	\$3,500,000	
Contingency	3,860	
Estimated Discount	43,140	
Finance Related Expenses	<u>48,000</u>	
Total Uses		\$3,595,000

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. Principal and interest on the Bonds will be paid entirely from net revenues of the water system which is owned and operated by the City. Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy a tax for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AAA" by S&P Global Ratings ("S&P").

The City has requested a rating on this issue from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter the "Rule"), the City shall covenant to take certain actions pursuant to a Resolution adopted by the City Council by entering into a Continuing Disclosure Undertaking (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. In the interest of full disclosure, the City notes the following: Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and operating data would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on this issue or any issue outstanding. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. Ehlers is currently engaged as disclosure dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Briggs and Morgan, Professional Association, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

On the date of issuance of the Bonds, Briggs and Morgan, Professional Association, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions are subject to the condition that the City complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

Other Federal and State Tax Considerations

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisers.

Original Issue Discount

Some of the Bonds ("the OID Bonds) may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2016 have been audited by Redpath and Company, Ltd., St. Paul, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (water revenues) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2014/15	2015/16	2016/17
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,140,000 - 0.50% ² Over \$2,140,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,050,000 - 0.50% ² Over \$2,050,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$106,000 - .75% Over \$106,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$115,000 - .75% Over \$115,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2016/17 Economic Market Value \$4,409,705,743¹

2016/17 Assessor's Estimated Market Value

	Carver County	Hennepin County	Total
Real Estate	\$3,900,494,800	\$ 70,442,000	\$3,970,936,800
Personal Property	<u>33,903,800</u>	<u>259,200</u>	<u>34,163,000</u>
Total Valuation	<u><u>\$3,934,398,600</u></u>	<u><u>\$ 70,701,200</u></u>	<u><u>\$4,005,099,800</u></u>

2016/17 Net Tax Capacity

	Carver County	Hennepin County	Total
Real Estate	\$43,345,873	\$ 1,400,360	\$44,746,233
Personal Property	<u>672,076</u>	<u>5,184</u>	<u>677,260</u>
Net Tax Capacity	\$44,017,949	\$ 1,405,544	\$45,423,493
Less: Fiscal Disparities Contribution ²	<u>(3,464,006)</u>	<u>(540,654)</u>	<u>(4,004,660)</u>
Taxable Net Tax Capacity	\$40,553,943	\$ 864,890	\$41,418,833
Plus: Fiscal Disparities Distribution ³	<u>1,949,199</u>	<u>0</u>	<u>1,949,199</u>
Adjusted Taxable Net Tax Capacity	<u><u>\$42,503,142</u></u>	<u><u>\$ 864,890</u></u>	<u><u>\$43,368,032</u></u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the portion of the City of Chanhassen which is located in Carver County is about 90.73% and the portion in Hennepin County is about 91.87% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by 91.87% and 90.73% respectively, and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$4,409,705,743.

² Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2016/17 NET TAX CAPACITY BY CLASSIFICATION

	2016/17 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$29,805,092	65.62%
Agricultural	278,224	0.61%
Commercial/industrial	9,896,034	21.79%
Public utility	3,722	0.01%
Railroad operating property	5,072	0.01%
Non-homestead residential	4,665,745	10.27%
Commercial & residential seasonal/rec.	92,344	0.20%
Personal property	677,260	1.49%
Total	<u><u>\$45,423,493</u></u>	<u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Adjusted Taxable Net Tax Capacity²	Percent +/- in Estimated Market Value
2012/13	\$3,234,684,400	\$3,118,066,700	\$36,544,424	\$34,303,795	- 1.10%
2013/14	3,406,614,900	3,294,605,000	38,455,944	36,231,132	+ 5.32%
2014/15	3,794,392,600	3,686,786,400	42,757,460	40,593,512	+11.38%
2015/16	3,909,078,700	3,802,904,100	44,190,580	41,967,542	+ 3.02%
2016/17	4,005,099,800	3,899,829,200	45,423,493	43,368,032	+ 2.46%

¹ Net Tax Capacity is before fiscal disparities adjustments.

² Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments.

LARGER TAXPAYERS/TAXPAYING PARCELS¹

Taxpayer	Type of Property	2016/17 Net Tax Capacity	Percent of City's Total Net Tax Capacity
CSM Investors Inc.	Industrial	\$ 590,310	1.30%
Istar Minnesota LLC	Commercial	430,910	0.95%
SGO Minnesota West Village LLC	Commercial	424,776	0.94%
Xcel Energy	Commercial/ Utilities	363,530	0.80%
Rosemount Inc.	Commercial	323,340	0.71%
LTF Real Estate Company Inc.	Commercial	313,164	0.69%
Individual	Commercial/Residential	248,188	0.55%
Lake Susan Apartment Homes	Rental/Residential	222,368	0.49%
Centerpoint Energy Minnegasco	Commercial/ Utilities	212,848	0.47%
James Campbell Company LLC	Commercial/ Utilities	209,138	0.46%
Total		<u><u>\$3,338,572</u></u>	<u><u>7.35%</u></u>

City's Total 2016/17 Net Tax Capacity \$45,423,493

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpaying Parcels have been furnished by Carver and Hennepin Counties.

¹ Hennepin County has provided only the ten largest taxpaying *parcels* which appear on the tax rolls of the County, and therefore the information stated above may not be reflective of the entire valuation of all parcels and may not include all classifications of property.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total g.o. debt being paid from revenues (includes the Bonds)*	\$ 23,500,000
Total g.o. debt being paid from taxes	1,630,000
Total g.o. debt being paid from revenues and taxes	6,090,000
Total g.o. debt being paid from housing revenues (Carver County CDA)	<u>3,845,000</u>
Total General Obligation Debt*	<u><u>\$ 35,065,000</u></u>

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

CITY OF CHANHASSEN, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues
(As of 3/15/18)

Fiscal Year Ending	Dated Amount	Maturity	GO Bonds 1) Series 2011A		Refunding 2) Series 2011B		Water & Sewer Rev Series 2012A		Water Rev Series 2016B		Water Rev Series 2017A		Water Rev Series 2018A		Total Principal	Total Interest	Total P & I Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest					
2018			0	22,111	0	52,100	0	69,119	0	147,950	0	0	0	0	1,715,000	295,425.00	295,425	0.00%	2018
2019	695,000		695,000	38,663	470,000	99,500	138,238	0	138,238	294,400	294,400	275,000	100,927	100,927	1,735,000	679,391.53	2,394,392	7.30%	2019
2020	705,000		705,000	26,758	480,000	87,600	138,238	0	138,238	294,400	294,400	275,000	68,131	68,131	1,790,000	618,447.50	2,363,448	14.68%	2020
2021	725,000		725,000	13,163	500,000	72,900	138,238	0	138,238	288,550	288,550	280,000	63,205	63,205	1,790,000	580,612.50	2,370,613	22.30%	2021
2022	275,000		275,000	2,956	515,000	57,675	138,238	0	138,238	285,250	285,250	295,000	58,049	58,049	1,360,000	545,170.00	1,905,170	28.09%	2022
2023					535,000	41,925	138,238	0	138,238	280,500	280,500	290,000	52,585	52,585	1,120,000	514,293.75	1,634,294	32.85%	2023
2024					555,000	25,575	138,238	0	138,238	274,100	274,100	295,000	46,508	46,508	1,010,000	484,720.00	1,494,720	37.15%	2024
2025					575,000	8,025	138,238	0	138,238	267,600	267,600	300,000	40,708	40,708	1,040,000	455,170.00	1,495,170	41.57%	2025
2026							138,238	0	138,238	170,000	170,000	305,000	34,279	34,279	475,000	433,416.25	908,416	43.60%	2026
2027							138,238	0	138,238	595,000	595,000	310,000	27,513	27,513	905,000	414,323.00	1,319,323	47.45%	2027
2028							138,238	0	138,238	615,000	615,000	320,000	20,265	20,265	935,000	388,927.50	1,323,928	51.43%	2028
2029							138,238	0	138,238	635,000	635,000	325,000	12,524	12,524	960,000	362,436.25	1,322,436	55.51%	2029
2030							138,238	0	138,238	655,000	655,000	335,000	4,271	4,271	990,000	334,833.75	1,324,834	59.72%	2030
2031							138,238	0	138,238	670,000	670,000	350,000			670,000	310,687.50	980,688	62.57%	2031
2032							138,238	0	138,238	690,000	690,000	375,000			690,000	290,287.50	980,288	65.51%	2032
2033							138,238	0	138,238	715,000	715,000	400,000			715,000	262,125.00	977,125	68.55%	2033
2034							138,238	0	138,238	735,000	735,000	430,000			735,000	225,112.50	960,113	71.69%	2034
2035							138,238	0	138,238	755,000	755,000	465,000			755,000	176,387.50	931,388	74.89%	2035
2036							138,238	0	138,238	780,000	780,000	500,000			780,000	117,862.50	897,863	78.21%	2036
2037							138,238	0	138,238	800,000	800,000	540,000			800,000	61,862.50	861,863	81.62%	2037
2038							138,238	0	138,238	825,000	825,000	585,000			825,000	17,862.50	842,863	85.15%	2038
2039							138,238	0	138,238	855,000	855,000	635,000			855,000	0	855,000	88.66%	2039
2040							138,238	0	138,238	885,000	885,000	685,000			885,000	0	885,000	92.30%	2040
2041							138,238	0	138,238	925,000	925,000	735,000			925,000	0	925,000	96.06%	2041
2042							138,238	0	138,238	965,000	965,000	785,000			965,000	0	965,000	100.00%	2042
			2,400,000	103,650	3,630,000	445,900	645,000	26,938	3,630,000	4,039,100	9,600,000	3,595,000	529,263	529,263	23,500,000	8,256,800	31,756,800		

*Preliminary, subject to change.

- 1) A portion of this issue refunded the 2014 through 2021 maturities of the City's \$5,465,000 General Obligation Water Revenue Bonds, Series 2005B, dated November 16, 2005.
- 2) This issue effected a partial advance crossover refunding of the 2019 through 2025 maturities of the \$7,930,000 General Obligation Water Revenue Bonds, Series 2004B, dated August 10, 2004.

CITY OF CHANHASSEN, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues and Taxes
(As of 3/15/18)

GO Bonds 1)
Series 2016A

Fiscal Year Ending	3/3/16		2/01		Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Interest	Principal	Interest				
2018		78,625	0		78,625	6,090,000	0.00%	2018
2019		145,925	475,000		620,925	5,615,000	7.80%	2019
2020		131,375	495,000		626,375	5,120,000	15.93%	2020
2021		116,225	515,000		631,225	4,605,000	24.38%	2021
2022		100,550	530,000		630,550	4,075,000	33.09%	2022
2023		84,350	550,000		634,350	3,525,000	42.12%	2023
2024		67,700	560,000		627,700	2,965,000	51.31%	2024
2025		53,500	580,000		633,500	2,385,000	60.84%	2025
2026		41,750	595,000		636,750	1,790,000	70.61%	2026
2027		31,500	430,000		461,500	1,360,000	77.67%	2027
2028		22,800	440,000		462,800	920,000	84.89%	2028
2029		13,850	455,000		468,850	465,000	92.36%	2029
2030		4,650	465,000		469,650	0	100.00%	2030
		892,800	6,090,000		892,800	6,982,800		

1) This issue will refund the 2019 through 2030 maturities of the City's \$7,550,000 General Obligation Capital Improvement Plan Bonds, Series 2008A, dated November 18, 2008. The Refunding Portion of the Bonds of this offering is subject to the debt limit (\$4,805,000 current principal outstanding). The Water Projects portion is paid entirely from revenues (\$1,285,000 current principal outstanding).

CARVER COUNTY COMMUNITY DEVELOPMENT AGENCY, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Payable from Housing Revenues
(As of 3/15/18)

Fiscal Year Ending	Housing Refunding 1) Series 2014		Taxable Housing & Refunding 1) Series 2014T		Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest				
2018			0	44,824	60,686	3,845,000	0.00%	2018
2019			200,000	89,648	119,373	3,645,000	5.20%	2019
2020			200,000	89,648	115,373	3,445,000	10.40%	2020
2021			205,000	21,675	111,323	3,240,000	15.73%	2021
2022			210,000	17,525	107,173	3,030,000	21.20%	2022
2023			215,000	13,275	102,923	2,815,000	26.79%	2023
2024			220,000	8,375	98,023	2,595,000	32.51%	2024
2025			225,000	2,813	92,460	2,370,000	38.36%	2025
2026					98,023	2,140,000	44.34%	2026
2027					85,853	1,905,000	50.46%	2027
2028					78,004	1,660,000	56.83%	2028
2029					69,540	1,410,000	63.33%	2029
2030					60,505	1,150,000	70.09%	2030
2031					50,940	880,000	77.11%	2031
2032					40,600	600,000	84.40%	2032
2033					29,600	305,000	92.07%	2033
2034					18,100	0	100.00%	2034
			1,475,000	134,975	1,246,573	3,845,000		
					6,100	0		
					5,091,573			

1) The Series 2014 and a portion of the Series 2014T Bonds, together effected a current refunding of the 2015 through 2025 maturities of the Agency's \$4,645,000 Housing Development Revenue Refunding Bonds, Series 2004, dated September 1, 2004.

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt: (1) obligations payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations issued to finance any public revenue producing convenience (includes the Bonds); (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) funds held as sinking funds for payment of principal and interest on debt other than those deductible under 1-4 above; and (6) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2016/17 Assessor's Estimated Market Value	\$4,005,099,800
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 120,152,994
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes ¹	<u>(6,435,000)</u>
Unused Debt Limit	<u><u>\$ 113,717,994</u></u>

¹ Also includes the refunding portion of the \$6,370,000 General Obligation Bonds, Series 2016A, which is paid entirely from taxes (\$4,805,000 current principal outstanding).

OVERLAPPING DEBT¹

Taxing District	2016/17 Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Carver County	\$ 132,936,590	31.9725%	\$31,743,000	\$10,149,031
Hennepin County	1,718,948,808	0.0503%	950,945,000 ³	478,325
I.S.D. No. 112 (Eastern Carver County)	76,235,370	37.7366%	159,015,000 ⁴	60,006,854
I.S.D. No. 272 (Eden Prairie)	100,972,870	0.8563%	60,645,000	519,303
I.S.D. No. 276 (Minnetonka Public Schools)	73,812,446	0.0003%	111,860,000 ⁴	336
Metropolitan Council	3,295,889,335	0.0262%	148,045,000 ⁵	38,788
Three Rivers Park District	996,253,340	0.0868%	53,355,000	46,312
City's Share of Total Overlapping Debt				<u>\$71,238,949</u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

³ Hennepin County also has General Obligation Solid Waste Revenue Bonds outstanding which are payable entirely from the County's solid waste enterprise fund; General Obligation Bonds (Century Plaza Debt) which are expected to be paid from building rental fees from County departments and non-County tenants; and General Obligation Ice Arena Revenue Bonds which are expected to be paid from building rental payments from Augsburg College. These issues have not been included in the overlapping debt or debt ratios.

⁴ Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

⁵ The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding all of which are supported entirely by revenues and have not been included in the Overlapping Debt or Debt Ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$4,409,705,743)	Debt/ Current Population Estimate (25,448)
Direct G.O. Debt Being Paid From:			
Revenues*	\$ 23,500,000		
Taxes	1,630,000		
Revenues & Taxes	6,090,000		
Housing Revenues (Carver County CDA)	<u>3,845,000</u>		
Total General Obligation Debt (includes the Obligations)*	\$ 35,065,000		
Less: G.O. Debt Paid Entirely from Revenues ¹	<u>(28,630,000)</u>		
Tax Supported General Obligation Debt*	\$ 6,435,000	0.15%	\$252.87
 City's Share of Total Overlapping Debt	 <u>\$ 71,238,949</u>	 <u>1.62%</u>	 <u>\$2,799.39</u>
 Total*	 <u><u>\$ 77,673,949</u></u>	 <u><u>1.76%</u></u>	 <u><u>\$3,052.26</u></u>

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt. This includes the water projects portion of the \$6,370,000 General Obligation Bonds, Series 2016A, which is paid entirely from water revenues (\$1,285,000 current principal outstanding).

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2012/13	\$10,153,617	\$10,105,041	\$10,156,426	100.03%
2013/14	10,314,128	10,269,271	10,311,290	99.97%
2014/15	10,502,100	10,446,353	10,494,445	99.93%
2015/16	10,624,244	10,564,528	10,564,528	99.44%
2016/17	10,794,844	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through December 31, 2016 for Carver County and June 1, 2017 for Hennepin County.

³ Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES¹

	2012/13	2013/14	2014/15	2015/16	2016/17
Carver County	46.115%	45.211%	40.488%	38.880%	38.851%
Hennepin County	49.461%	49.959%	46.398%	45.356%	44.087%
City of Chanhassen (rural)	22.249%	21.304%	19.013%	18.686%	18.235%
City of Chanhassen (urban)	28.428%	27.239%	24.633%	24.252%	23.855%
I.S.D. No. 112 (Eastern Carver County)	45.319%	44.917%	39.120%	39.245%	37.005%
I.S.D. No. 272 (Eden Prairie)	29.067%	27.817%	22.030%	20.948%	21.865%
I.S.D. No. 276 (Minnetonka Public Schools)	24.487%	24.374%	25.093%	22.887%	22.770%
Metropolitan Council	1.025%	1.048%	0.947%	0.914%	0.877%
Metropolitan Transit	1.728%	1.712%	1.477%	1.490%	1.484%
Metropolitan Mosquito	0.577%	0.551%	0.492%	0.478%	0.473%
Lower Minnesota River WS #1	0.599%	0.648%	0.409%	0.622%	0.676%
Minnehaha Creek WS #3	1.805%	1.788%	1.703%	1.771%	1.882%
Riley Purgatory Creek WS #2	1.474%	1.803%	1.766%	1.834%	1.999%
Carver County CDA	1.799%	1.759%	1.589%	1.701%	1.731%
Carver County RRA	0.121%	0.114%	0.097%	0.110%	0.105%
Carver County WMO	1.019%	1.016%	0.891%	0.912%	0.919%
Three Rivers Park District	4.054%	4.169%	3.789%	3.601%	3.365%
Park Museum	0.754%	0.766%	0.702%	0.712%	0.711%
Hennepin County RRA	1.561%	1.777%	1.817%	1.879%	1.925%
Hennepin County HRA	0.478%	0.514%	0.471%	0.439%	0.497%

Referendum Market Value Rates:

City of Chanhassen	0.01396%	0.01335%	0.01194%	0.01177%	0.01148%
I.S.D. No. 112 (Eastern Carver County)	0.23642%	0.20144%	0.19497%	0.25671%	0.23815%
I.S.D. No. 272 (Eden Prairie)	0.16505%	0.16743%	0.24421%	0.23086%	0.22013%
I.S.D. No. 276 (Minnetonka Public Schools)	0.24607%	0.27019%	0.26449%	0.30072%	0.29966%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Carver and Hennepin Counties.

¹ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers & Associates.

THE ISSUER

CITY GOVERNMENT

The City of Chanhassen was organized as a municipality in 1967. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Manager and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 72 full-time, 27 part-time, and 23 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
International Union of Operating Engineers, Local No. 49	December 31, 2018 ¹

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits (some mandated by State Statute and others that cover a portion of the cost of health insurance during retirement) for the majority of its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 45 (GASB 45). The City has completed an actuarial study of its obligations. The study shows an actuarial accrued liability of \$116,025 with a discount rate of 2% as of January 1, 2014. The City is currently funding these obligations on a pay-as-you-go basis and will continue to do so in the future.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

¹ The contract has been negotiated and is set for approval on February 26, 2018.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (As of December 31, 2017)

Fund	Total Cash and Investments
General	\$ 5,695,536
Special Revenue	519,068
Debt Service	2,818,601
Capital Projects	3,131,366
Assessments	995,336
Enterprise Funds	11,723,335
Investments	336,658
Escrow	2,519,291
Total Funds on Hand	<u><u>\$27,739,192</u></u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2014	2015	2016
Water			
Total Operating Revenues	\$ 2,571,303	\$ 2,608,986	\$ 2,712,322
Less: Operating Expenses	<u>(3,039,773)</u>	<u>(3,118,078)</u>	<u>(4,103,998)</u>
Operating Income	\$ (468,470)	\$ (509,092)	\$(1,391,676)
Plus: Depreciation	<u>1,497,666</u>	<u>1,555,151</u>	<u>1,603,505</u>
Revenues Available for Debt Service	<u><u>\$ 1,029,196</u></u>	<u><u>\$ 1,046,059</u></u>	<u><u>\$ 211,829</u></u>
Sewer			
Total Operating Revenues	\$ 2,459,478	\$ 2,522,424	\$ 2,619,663
Less: Operating Expenses	<u>(3,159,296)</u>	<u>(3,290,883)</u>	<u>(3,248,974)</u>
Operating Income	\$ (699,818)	\$ (768,459)	\$ (629,311)
Plus: Depreciation	<u>952,259</u>	<u>959,419</u>	<u>981,753</u>
Revenues Available for Debt Service	<u><u>\$ 252,441</u></u>	<u><u>\$ 190,960</u></u>	<u><u>\$ 352,442</u></u>
Surface Water Management			
Total Operating Revenues	\$ 636,683	\$ 667,381	\$ 682,395
Less: Operating Expenses	<u>(1,491,763)</u>	<u>(1,328,144)</u>	<u>(1,388,979)</u>
Operating Income	\$ (855,080)	\$ (660,763)	\$ (706,584)
Plus: Depreciation	<u>822,299</u>	<u>825,048</u>	<u>847,427</u>
Revenues Available for Debt Service	<u><u>\$ (32,781)</u></u>	<u><u>\$ 164,285</u></u>	<u><u>\$ 140,843</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2016 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2014 Audited	2015 Audited	2016 Audited	2017 Adopted Budget ¹	2018 Adopted Budget ²
Revenues					
Property taxes	\$ 7,785,160	\$ 7,825,804	\$ 8,028,125	\$ 8,503,631	\$ 8,709,333
Intergovernmental	373,397	384,025	406,507	391,000	409,000
Fees, licenses and permits	1,264,263	1,296,003	1,142,778	1,035,800	1,032,800
Fines and forfeitures	100,516	117,189	114,367	116,000	116,000
Charges for services	607,764	597,567	622,569	612,200	627,700
Investment earnings	54,140	62,861	33,578	50,000	30,000
Net change in fair value of investments	(1,919)	(13,292)	(6,498)	0	0
Contributions and donations	22,690	26,400	24,275	0	0
Refunds and reimbursements	69,280	63,558	60,804	0	0
Other miscellaneous revenues	191,721	190,129	195,200	282,769	278,767
Total Revenues	\$ 10,467,012	\$ 10,550,244	\$ 10,621,705	\$ 10,991,400	\$ 11,203,600
Expenditures					
Current:					
General government	\$ 2,033,277	\$ 2,036,920	\$ 2,087,320	\$ 2,128,500	\$ 2,163,600
Public safety	3,141,772	3,308,152	3,312,704	3,570,400	3,665,500
Public works	2,390,991	2,326,612	2,324,835	2,563,100	2,586,800
Parks and recreation	1,980,862	1,972,053	2,056,716	0	0
Community development	440,107	485,226	471,807	501,600	534,400
Culture and recreation	0	0	0	2,227,800	2,253,300
Total Expenditures	\$ 9,987,009	\$ 10,128,963	\$ 10,253,382	\$ 10,991,400	\$ 11,203,600
Excess of revenues over (under) expenditures	\$ 480,003	\$ 421,281	\$ 368,323	\$ 0	\$ 0
Other Financing Sources (Uses)					
Sale of capital assets	\$ 288,547	\$ 0	\$ 35,324		
Operating transfers in	0	0	0		
Operating transfers out	(450,810)	(700,000)	(421,281)		
Total Other Financing Sources (Uses)	\$ (162,263)	\$ (700,000)	\$ (385,957)		
Net Changes in Fund Balances	\$ 317,740	\$ (278,719)	\$ (17,634)		
General Fund Balance January 1	5,291,325	5,609,065	5,330,346		
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance December 31	\$ 5,609,065	\$ 5,330,346	\$ 5,312,712		
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$ 58,333	\$ 72,114	\$ 25,832		
Unassigned	5,550,732	5,258,232	5,286,880		
Total	\$ 5,609,065	\$ 5,330,346	\$ 5,312,712		

¹ The 2017 budget was adopted on December 12, 2016.

² The 2018 budget was adopted on December 11, 2017.

GENERAL INFORMATION

LOCATION

The City of Chanhassen, with a 2010 U.S. Census population of 22,952 and a current population estimate of 25,448, and comprising an area of 23.8 square miles, is located approximately 17 miles southwest of the City of Minneapolis.

LARGER EMPLOYERS¹

Larger employers in the City of Chanhassen include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No.112 (Eastern Carver County)	Elementary and secondary education	1,670
Emerson - Rosemount Inc	Measuring instruments	1,200
United Mailing Inc	Direct mail advertising	1,100
IWCO Direct	Commercial printing	1,000
Automated Building Components	Commercial & institutional building	1,000
Bernard Group	Outdoor advertising	600
General Mills	Breakfast cereal production facility	600
Mt Olivet Rolling Acres	Nursing care facility	400
Life Time Fitness	Health club & fitness center	350
Chanhassen Dinner Theaters	Dinner theater company	250

Source: *ReferenceUSA, written and telephone survey (January 2018), and the Minnesota Department of Employment and Economic Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

BUILDING PERMITS

	2013	2014	2015	2016	2017 ¹
<u>New Single Family Homes</u>					
No. of building permits	90	57	80	46	55
Valuation	\$31,965,000	\$21,863,000	\$30,397,000	\$18,834,000	\$22,798,000
<u>New Multiple Family Buildings</u>					
No. of building permits	25	24	11	1	3
Valuation	\$14,160,000	\$17,040,000	\$5,661,000	\$441,000	\$2,472,000
<u>New Commercial/Industrial</u>					
No. of building permits	4	6	8	5	5
Valuation	\$10,689,000	\$9,560,000	\$8,535,500	\$16,100,000	\$4,514,000
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	999	990	1,138	985	968
Valuation	\$78,582,500	\$70,019,250	\$70,681,847	\$64,127,415	\$64,564,100

Source: The City.

¹ As of December 31, 2017.

U.S. CENSUS DATA

Population Trend: City of Chanhassen, Minnesota

2000 U.S. Census population	20,321
2010 U.S. Census population	22,952
2016 State Demographer's Estimate	25,448
Percent of Change 2000 - 2010	+ 12.95%

Income and Age Statistics

	City of Chanhassen	Carver County	State of Minnesota	United States
2016 per capita income	\$52,452	\$41,759	\$33,225	\$29,829
2016 median household income	\$115,449	\$88,638	\$63,217	\$55,322
2016 median family income	\$132,083	\$105,464	\$79,595	\$67,871
2016 median gross rent	\$1,215	\$976	\$873	\$949
2016 median value owner occupied units	\$339,800	\$277,600	\$191,500	\$184,700
2016 median age	38.4 yrs.	37.1 yrs.	37.8 yrs.	37.7 yrs.

	State of Minnesota	United States
City % of 2016 per capita income	157.87%	175.84%
City % of 2016 median family income	165.94%	194.61%

Housing Statistics

	<u>City of Chanhassen</u>		
	2000	2016	Percent of Change
All Housing Units	7,013	8,921	27.21%

Source: 2000 and 2010 Census of Population and Housing, and 2016 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Carver County	Carver County	Carver County	State of Minnesota
2013	50,966		4.3%	5.0%
2014	52,105		3.6%	4.2%
2015	53,010		3.2%	3.7%
2016	53,533		3.3%	3.8%
2017, December	55,288		2.7%	3.3%

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY OF CHANHASSEN, MINNESOTA
FOR THE YEAR ENDED
DECEMBER 31, 2016**

Finance Department

Greg Sticha, Finance Director

**Member of Government Finance Officers
Association of United States and Canada**



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Chanhassen, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Chanhassen, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Chanhassen, Minnesota'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 entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Chanhassen, Minnesota, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Chanhassen, Minnesota's 2015 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated June 24, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of funding progress, and the schedules of pension liabilities and contributions, 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 of Chanhassen, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section and other information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial 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 nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, statistical section and other information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2017, on our consideration of the City of Chanhassen, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 of Chanhassen, Minnesota's internal control over financial reporting and compliance.

Redpath and Company, LTD.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 16, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Chanhassen, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$154,265,775 (net position). Of this amount, \$20,738,020 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.

The City's total net position increased by \$1,810,676.

As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$21,528,879. Of this amount, \$8,673,981 is restricted by external constraints established by creditors, grantors, contributors, or by state statutory provisions.

At the end of the current fiscal year, the General Fund had a fund balance of \$5,312,712. Of that amount, \$25,832 was in a nonspendable form and the remaining \$5,286,880 was unassigned.

Total debt increased by \$7,904,272 during the current fiscal year, from \$19,336,235 to \$27,240,507. Please refer to the Capital Asset and Debt Administration portion of this analysis for an explanation of the increase.

Overview of the Financial Statements

The management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

Management's Discussion and Analysis

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes, and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and community development. The business-type activities include water, sewer, and surface water management.

The government-wide financial statements can be found on Statements 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Management's Discussion and Analysis

The City maintains three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the following major funds:

- General Fund
- Revolving Assessment Fund
- TH101 Improvements – Lyman to Pioneer

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General Fund and for the Contribution, Cemetery and CAV special revenue funds. Budgetary comparison statements have been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Statements 3 through 5 of this report.

Proprietary funds. The City maintains three enterprise funds as a part of its proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the following funds:

- Water
- Sewer
- Surface Water Management

The basic proprietary fund financial statements can be found on Statements 6 through 8 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on Statement 9 of this report.

Management's Discussion and Analysis

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following Statement 9 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on Statement 18 through 30 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$154,265,775 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$130,067,915, or 84%) reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Chanhassen, Minnesota's Net Position

	Governmental Activities		Business-Type Activities		Totals
	2016	2015	2016	2015	
Assets:					
Current and other assets	\$25,828,754	\$21,265,024	\$17,610,363	\$13,334,591	\$43,439,117
Capital assets	81,182,242	81,404,668	65,998,971	64,125,738	147,181,213
Total assets	107,010,996	102,669,692	83,609,334	76,460,329	190,620,330
Total deferred outflows of resources	2,766,838	747,394	469,375	103,303	3,236,213
Liabilities:					
Long-term liabilities outstanding	20,427,351	15,079,152	15,238,791	10,172,746	35,666,142
Other liabilities	2,318,730	1,177,486	692,976	653,359	3,074,686
Total liabilities	22,746,081	16,256,638	15,931,767	10,826,105	38,680,833
Total deferred inflows of resources	761,269	442,838	148,671	90,327	909,940
Net position:					
Net investment in capital assets	70,588,940	71,225,823	57,478,975	55,704,478	130,667,915
Restricted	3,459,840	5,982,262	-	-	3,459,840
Unrestricted	10,221,704	9,510,105	10,516,316	10,032,731	20,738,020
Total net position	\$86,270,484	\$86,717,890	\$67,995,291	\$65,737,209	\$154,265,775
					\$53,165
					126,930,001
					5,982,262
					1,740,486
					20,992,394

Management's Discussion and Analysis

\$3,459,840 of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$20,738,020) may be used to meet ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

Total net position of the governmental activities decreased \$447,406, or 1%. The most significant components of change in net position are as follows:

- Net investment in capital assets increased \$1,363,417 due to a \$1,795,000 reduction in capital related debt. This reduction was partially offset because depreciation expense exceeded capital asset additions.
- Restricted net position decreased \$2,522,422. This decrease occurred because restricted resources on hand at the end of 2015 were used during 2016 to pay the remaining balance of the 2009A G.O. Refunding Bonds. Also, \$774,111 of previously restricted net position became unrestricted once these bonds were paid off. Finally, net position restricted for park improvements decreased \$391,139 as a portion of monies collected in previous years were spent during 2016.
- Unrestricted net position increased \$711,599 primarily because net position previously restricted for debt service (\$774,111) became unrestricted during 2016.

Business-Type Activities

The total net position of the City's business-type activities increased by \$2,258,082, or 3%, primarily because contributions of capital assets and other capital asset additions were greater than depreciation expense and transfers out for construction projects. Unrestricted net position increased \$483,585, primarily because operating revenues exceeded operating expenses, excluding depreciation expense.

Management's Discussion and Analysis

City of Chanhausen, Minnesota's Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$2,978,107	\$2,836,868	\$6,021,366	\$5,806,597	\$8,999,473	\$8,643,465
Operating grants and contributions	753,840	823,943	7,007	45,130	807,847	869,073
Capital grants and contributions	3,703,857	5,812,825	5,199,139	3,140,823	8,944,976	8,953,668
General revenues	10,643,917	10,536,216	-	-	10,643,917	10,536,216
General property taxes	111,761	200,338	-	-	111,761	200,338
Tax increment collections	19,754	21,679	-	-	19,754	21,679
Grants and contributions not restricted to specific programs	156,202	176,731	79,765	132,406	235,967	309,137
Unrestricted investment earnings	41,129	66,248	2,224	57,510	66,353	123,738
Gain on sale of capital assets	-	-	-	-	-	-
Total revenues	18,392,867	20,974,848	11,397,501	9,182,466	29,790,368	29,657,314
Expenses:						
General government	2,887,111	2,775,663	-	-	2,887,111	2,775,663
Public safety	3,973,031	3,826,376	-	-	3,973,031	3,826,376
Public works	7,591,530	11,153,322	-	-	7,591,530	11,153,322
Parks and recreation	3,278,139	2,952,985	-	-	3,278,139	2,952,985
Community development	689,448	527,268	-	-	689,448	527,268
Interest and fees on long-term debt	493,746	409,676	4,423,789	3,290,765	4,917,535	3,690,441
Debt service	-	-	3,254,619	3,297,128	3,254,619	3,297,128
Sewer	-	-	1,388,979	1,328,144	1,388,979	1,328,144
Surface water management	-	-	9,066,387	7,913,537	9,066,387	7,913,537
Total expenses	18,913,005	21,645,290	18,843,805	25,843,079	37,756,810	47,488,757
Increase (decrease) in net position before transfers	(520,138)	(1,170,442)	2,331,114	1,266,929	1,810,976	96,487
Transfers	73,032	(612,078)	(73,032)	612,078	-	-
Change in net position	(447,106)	(1,782,520)	2,258,082	1,879,007	1,810,976	96,487
Net position - beginning, as previously reported	86,717,890	92,080,291	65,737,209	64,578,809	152,455,099	156,659,100
Prior period adjustment	-	(3,579,881)	-	(720,667)	(4,300,488)	(4,300,488)
Net position - beginning, as restated	86,717,890	88,500,410	65,737,209	63,858,202	152,455,099	152,358,612
Net position - ending	\$86,270,784	\$86,717,890	\$67,995,291	\$65,737,209	\$154,265,775	\$152,455,099

Management's Discussion and Analysis

Governmental Activities

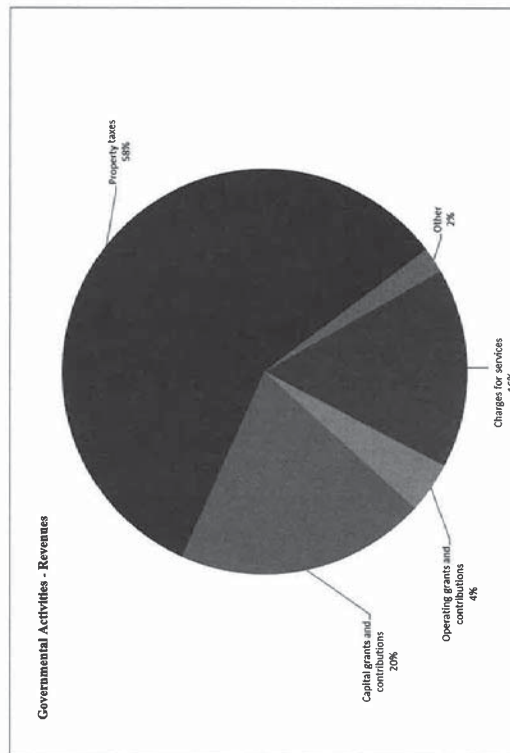
Revenues

Revenues for the governmental activities decreased by \$2,082,281, or 10%. The primary reason for the change was a decrease to capital grants and contributions as compared to the previous year. During 2015, a significantly higher amount of state aid was received for road improvement projects. 2016 capital grant and contribution revenue is comparable to 2014 amounts.

Expenses

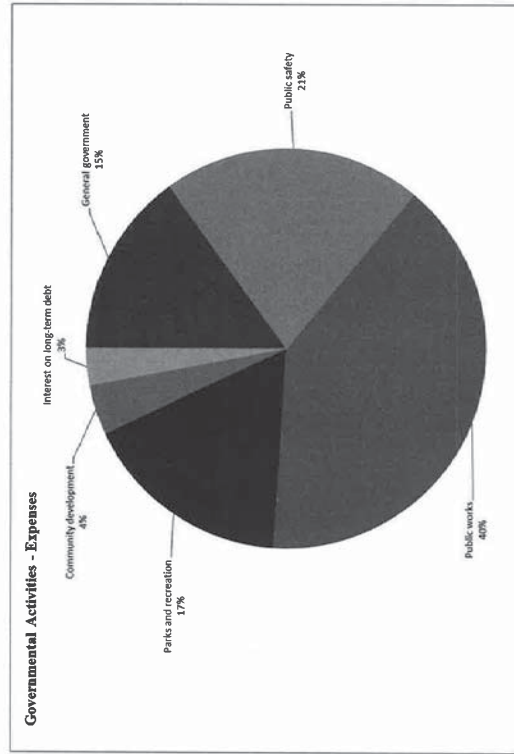
Expenses for the governmental activities decreased by \$2,732,285, or 13%. As noted above, the decrease was due to less state aid for improvement projects; as such, there was a corresponding decrease in construction expense, a significant portion of which was not capitalized in 2015.

Below are specific graphs which provide comparisons of the governmental activities revenues and expenses:



Management's Discussion and Analysis

Governmental Activities - Expenses



Business-Type Activities

Revenues

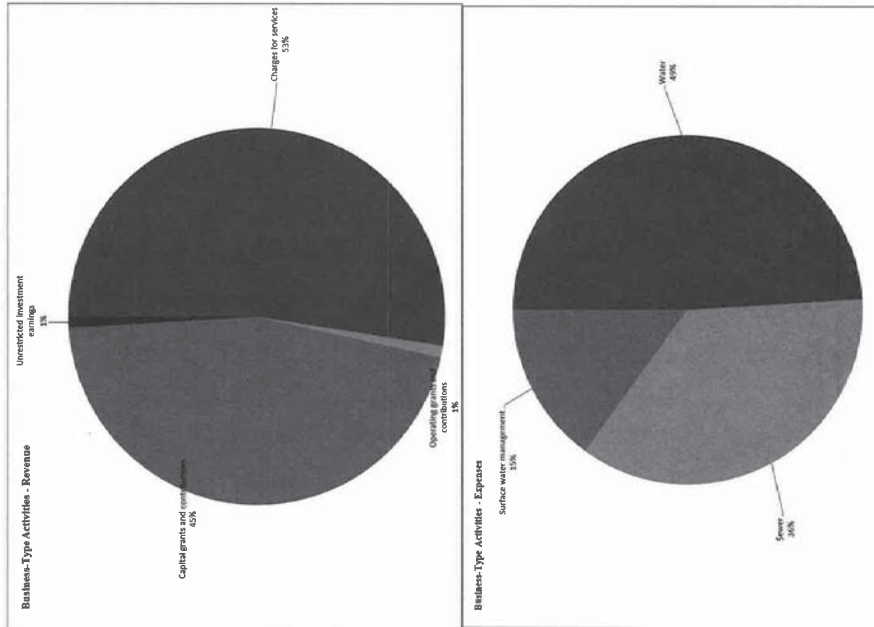
Revenues for the business-type activities increased by \$2,215,035, or 24%. More specifically, capital grants and contributions increased \$2,058,316 from the previous year. An increase in developer contributed assets in the Water and Sewer Funds accounted for most of the change.

Expenses

Expenses for business-type activities increased by \$1,150,850, or 15%. Almost the entire increase occurred in the Water Fund. The two most significant items were 1) \$755,450 of non-capitalized expenses were incurred for the Lake Lucy water tower repainting project and 2) \$126,196 of costs were incurred relating to the issuance of the 2016A and 2016B Water Revenue Bonds.

Management's Discussion and Analysis

Below are specific graphs showing the business-type activities revenue and expense comparisons:



Management's Discussion and Analysis

Financial Analysis of the Government's Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,528,879. Approximately 40% of this total amount (\$8,673,981) constitutes fund balance restricted by external constraints established by creditors, grantors, contributors, or by state statutory provisions. \$25,832 of fund balance is not in a spendable form, \$7,806,958 has been assigned, and \$5,022,108 is unassigned.

The General Fund balance decreased by \$17,634 in 2016. There were no significant items that contributed to this change in fund balance.

The Revolving Assessment Fund balance increased by \$736,991. The majority of the increase was due to transfers from other funds. One of the transfers (\$301,281) was from the General Fund for the prior year surplus and the other transfer (\$211,442) was for costs attributable to the enterprise funds for a construction project accounted for in this fund.

The TH101 Improvements – Lyman to Pioneer Fund balance increased by \$2,037, which equals the current year investment income of the fund.

The nonmajor special revenue funds increased by \$64,164. There were no significant items that contributed to this change in fund balance.

The nonmajor debt service funds increased by \$4,128,298. The increase was due to the issuance of the 2016A General Obligation Bonds.

The nonmajor capital project funds decreased by \$1,007,226. The decrease was due to a number of capital expenditures in excess of revenues including two significant park improvement projects totaling \$871,589, the unplanned purchase of a fire truck (\$254,190) and a number of other smaller street improvement projects in excess of anticipated cost.

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

The unrestricted net position in the respective proprietary funds is \$4,580,751 (Water), \$4,610,885 (Sewer) and \$1,324,680 (Surface Water Management). All three proprietary funds experienced increases in net position due to large contributions of capital assets from developer installed projects as compared to the previous year.

Management's Discussion and Analysis

Budgetary Highlights

General Fund

There were no budget amendments to the General Fund in 2016.

Budgetary Variances – Revenues

The positive General Fund revenue variance of \$135,705 was mostly due to building permit revenue exceeding budget.

Budgetary Variances – Expenses

Expenses for the General Fund had a positive variance of \$232,618. The variance was due to vacant positions throughout the year and fuel costs significantly lower than budgeted.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016 amounts to \$147,181,213 (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, infrastructure, machinery, and equipment.

**City of Chanhassen, Minnesota's Capital Assets
(Net of Depreciation)**

	Beginning Balance	Increase	Decrease	Ending Balance
Primary Government	\$19,865,817	\$ -	(\$64,100)	\$19,801,717
Governmental activities:	955,311	977,488	(314,619)	1,618,180
Land	1,198,179	300,815	-	1,498,994
Construction in progress	22,019,307	1,278,303	(378,719)	22,918,891
Permanent easements	23,079,587	109,150	-	23,188,737
Total capital assets not being depreciated	8,589,923	630,986	(472,713)	8,748,196
Capital assets being depreciated:	12,931	-	(12,931)	-
Buildings and structures	7,414,759	86,427	-	7,501,186
Machinery and equipment	115,362,992	2,990,102	-	118,353,094
Other improvements	154,460,192	3,816,665	(485,644)	157,791,213
Infrastructure	7,269,105	565,390	-	7,834,495
Total capital assets being depreciated	5,839,993	518,169	(445,224)	5,912,938
Less accumulated depreciation for:	12,931	-	(12,931)	-
Buildings and structures	3,266,808	297,764	-	3,564,572
Machinery and equipment	78,686,054	3,529,803	-	82,215,857
Other improvements	95,074,891	4,911,126	(458,155)	99,527,862
Infrastructure	881,404,608	\$183,842	(\$406,208)	\$81,182,242
Total accumulated depreciation				
Governmental activities capital assets - net				

Management's Discussion and Analysis

Primary Government

Business-type activities:

Capital assets not being depreciated:

	Beginning Balance	Increase	Decrease	Ending Balance
Land	\$2,077,335	\$8,100	\$ -	\$2,085,435
Construction in progress	3,424,667	902,905	(3,070,515)	1,257,057
Permanent easements	1,219,527	92,721	-	1,312,248
Total capital assets not being depreciated	6,721,529	1,003,726	(3,070,515)	4,654,740
Capital assets being depreciated:	12,445,429	-	-	12,445,429
Buildings and structures	1,738,005	138,470	(71,956)	1,804,519
Machinery and equipment	106,318,290	7,256,013	(41,285)	113,533,018
Other improvements	120,501,724	7,394,483	(113,241)	127,782,966
Total capital assets being depreciated	1,991,997	248,917	-	2,240,914
Less accumulated depreciation for:	806,254	127,241	(50,180)	883,315
Buildings and structures	60,299,264	3,056,527	(41,285)	63,314,506
Machinery and equipment	63,097,515	3,432,685	(91,465)	66,438,735
Other improvements	64,125,738	4,965,524	(3,092,291)	65,998,971
Total accumulated depreciation	\$145,530,346	\$5,149,366	(\$3,498,499)	\$147,181,213

Additional information on the City's capital assets can be found in Note 5.

Governmental Activities Capital Assets. There was a decrease in capital assets due to the reduction in depreciable assets (current year depreciation expense exceeded current year additions).

Business-Type Activities Capital Assets. There was an increase in capital assets due to the receipt of capital assets from developer installed projects.

Long-term debt. At the end of the current fiscal year, the City had total bonds payable outstanding of \$27,240,507, an increase of \$7,904,272 from 2015. In addition to scheduled debt service payments, the City paid off its G.O. Improvement Refunding Bonds of 2009A which had a balance of \$1,155,000 at December 31, 2015.

During 2016, the City issued \$6,370,000 of General Obligation Bonds, Series 2016A and \$3,630,000 of General Obligation Water Revenue Bonds, Series 2016B. \$4,805,000 of the 2016A bonds will be used to refund the General Obligation Bonds, Series 2008A, on February 1, 2018. Until that date, the City will report greater debt than, in substance, it will be responsible for paying. The remaining \$1,565,000 of 2016A bonds and proceeds from the 2016B bonds are being used for improvements to the water utility system, including construction of a new water treatment plant.

Management's Discussion and Analysis

The balance of the bonds payable outstanding is comprised of \$13,090,000 in general obligation bonds, \$13,520,000 of revenue bonds which financed capital investments for the water, sewer, and surface water management operations, and an unamortized bond premium of \$630,507.

Additional long-term debt in the amount of \$944,163 for compensated absences was also outstanding at the end of 2016.

City of Chanhassen, Minnesota's Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$13,090,000	\$8,925,000	\$ -	\$ -	\$13,090,000	\$8,925,000
Revenue bonds	-	-	13,520,000	9,130,000	13,520,000	9,130,000
General improvement bonds	-	1,155,000	-	-	-	1,155,000
Bond premium	223,788	-	406,719	126,235	630,507	126,235
Compensated absences	763,563	769,264	180,600	163,977	944,163	933,241
Total	\$14,077,351	\$10,849,264	\$14,107,319	\$9,420,212	\$28,184,670	\$20,269,476

As the financial statements will indicate, the City maintained strong financial reserves and continues its practice of utilizing multiple long term financial planning documents. The City's bond rating was reaffirmed in February 2016 and again in December 2016 by Standard & Poor's. The City of Chanhassen is one of approximately 20 communities in the State of Minnesota to have an AAA bond rating from either Standard & Poor's or Moody's.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of the total estimated market value. The current debt limitation for the City is \$14,087,123. Of the City's outstanding debt, \$7,800,000 is applicable to the statutory limitation.

Additional information on the City's long-term debt can be found in Note 6.

Requests for Information. This financial report is designed to provide a general overview of the City of Chanhassen, Minnesota's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 7700 Market Boulevard, P.O. Box 147, Chanhassen, Minnesota 55317.

CITY OF CHANHASSEN, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2016
With Comparative Totals For December 31, 2015

Statement 1

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2016	2015
Assets:				
Cash and investments	\$15,294,797	\$13,491,288	\$28,786,085	\$26,767,060
Cash with escrow agent	5,414,798	-	5,414,798	-
Restricted cash	-	3,724,395	3,724,395	-
Accrued interest-receivable	48,322	46,896	95,218	176,478
Due from other governmental units	245,027	35,142	280,169	1,051,895
Accounts receivable - net	256,296	1,153,702	1,409,998	1,346,976
Property taxes receivable	217,259	-	217,259	176,859
Prepaid items	25,832	2,191	28,023	87,059
Inventories - at cost	-	51,113	51,113	35,210
Internal balances	1,000,120	(1,000,120)	-	-
Contract for deed receivable	1,252,869	-	1,252,869	1,282,486
Special assessments receivable	2,073,434	105,756	2,179,190	2,675,592
Capital assets (net of accumulated depreciation):				
Nondepreciable	22,918,891	4,654,740	27,573,631	28,740,836
Depreciable	58,263,351	61,344,231	119,607,582	116,789,510
Total assets	<u>107,010,996</u>	<u>83,609,334</u>	<u>190,620,330</u>	<u>179,129,961</u>
Deferred outflows of resources related to pensions	<u>2,766,838</u>	<u>469,375</u>	<u>3,236,213</u>	<u>850,697</u>
Liabilities:				
Accounts payable	338,127	184,923	523,050	365,726
Due to other governmental units	68,329	179,305	247,634	149,806
Salaries payable	196,988	39,924	236,912	206,079
Contracts payable	428,628	198,381	627,009	609,181
Accrued interest payable	185,353	92,573	277,926	235,916
Unearned revenue	1,101,305	850	1,102,155	173,788
Compensated absences payable:				
Due within one year	125,975	29,797	155,772	136,443
Due in more than one year	637,588	150,803	788,391	796,798
Other post employment benefits payable:				
Due in more than one year	34,050	-	34,050	30,603
Bonds payable:				
Due within one year	670,000	955,000	1,625,000	2,024,026
Due in more than one year	12,643,788	12,971,719	25,615,507	17,312,209
Net pension liability:				
Due in more than one year	6,315,950	1,131,472	7,447,422	4,951,819
Total liabilities	<u>22,746,081</u>	<u>15,934,747</u>	<u>38,680,828</u>	<u>26,992,394</u>
Deferred inflows of resources related to pensions	<u>761,269</u>	<u>148,671</u>	<u>909,940</u>	<u>533,165</u>
Net position:				
Net investment in capital assets	72,588,940	57,478,975	130,067,915	126,930,001
Restricted for:				
Debt service	1,390,127	-	1,390,127	3,455,172
Park improvements	1,505,784	-	1,505,784	1,896,923
Tax increment purposes	399,178	-	399,178	475,357
Other purposes	164,751	-	164,751	154,810
Unrestricted	10,221,704	10,516,316	20,738,020	19,542,836
Total net position	<u>\$86,270,484</u>	<u>\$67,995,291</u>	<u>\$154,265,775</u>	<u>\$152,455,099</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CHANHASSEN, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges For Services</u>
Primary government:		
Governmental activities:		
General government	\$2,887,111	\$508,067
Public safety	3,973,031	1,219,943
Public works	7,591,530	253,468
Parks and recreation	3,278,139	968,122
Community development	689,448	28,507
Interest and fees on long-term debt	493,746	-
Total governmental activities	<u>18,913,005</u>	<u>2,978,107</u>
Business-type activities:		
Water	4,422,789	2,717,285
Sewer	3,254,619	2,619,882
Surface water management	1,388,979	684,199
Total business-type activities	<u>9,066,387</u>	<u>6,021,366</u>
Total primary government	<u>\$27,979,392</u>	<u>\$8,999,473</u>

The accompanying notes are an integral part of these financial statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Position			
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
		Governmental Activities	Business-Type Activities	2016	2015
\$24,602	\$ -	(\$2,354,442)	\$ -	(\$2,354,442)	(\$2,288,922)
493,343	-	(2,259,745)	-	(2,259,745)	(2,033,287)
194,520	3,705,857	(3,437,685)	-	(3,437,685)	(4,746,128)
23,375	-	(2,286,642)	-	(2,286,642)	(2,203,052)
-	-	(660,941)	-	(660,941)	(490,589)
-	-	(493,746)	-	(493,746)	(409,676)
<u>735,840</u>	<u>3,705,857</u>	<u>(11,493,201)</u>	<u>0</u>	<u>(11,493,201)</u>	<u>(12,171,654)</u>
5,187	2,150,002	-	449,685	449,685	848,403
-	1,705,131	-	1,070,394	1,070,394	(49,992)
<u>66,820</u>	<u>1,344,006</u>	<u>-</u>	<u>706,046</u>	<u>706,046</u>	<u>278,602</u>
<u>72,007</u>	<u>5,199,139</u>	<u>0</u>	<u>2,226,125</u>	<u>2,226,125</u>	<u>1,077,013</u>
<u>\$807,847</u>	<u>\$8,904,996</u>	<u>(11,493,201)</u>	<u>2,226,125</u>	<u>(9,267,076)</u>	<u>(11,094,641)</u>
General revenues:					
General property taxes		10,643,917	-	10,643,917	10,536,216
Tax increment collections		111,761	-	111,761	200,338
Grants and contributions not restricted to specific programs		19,754	-	19,754	21,679
Unrestricted investment earnings		156,202	79,765	235,967	309,137
Gain on sale of capital assets		41,129	25,224	66,353	123,758
Transfers		73,032	(73,032)	-	-
Total general revenues and transfers		<u>11,045,795</u>	<u>31,957</u>	<u>11,077,752</u>	<u>11,191,128</u>
Change in net position		<u>(447,406)</u>	<u>2,258,082</u>	<u>1,810,676</u>	<u>96,487</u>
Net position - January 1, as previously reported		86,717,890	65,737,209	152,455,099	156,659,100
Prior period adjustment		-	-	-	(4,300,488)
Net position - January 1, as restated		<u>86,717,890</u>	<u>65,737,209</u>	<u>152,455,099</u>	<u>152,358,612</u>
Net position - December 31		<u>\$86,270,484</u>	<u>\$67,995,291</u>	<u>\$154,265,775</u>	<u>\$152,455,099</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CHANHASSEN, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

	<u>General Fund</u>	<u>601 Revolving Assessment Fund</u>
Assets:		
Cash and investments	\$5,522,414	\$1,930,632
Cash with escrow agent	-	-
Accrued interest receivable	15,939	5,071
Due from other governmental units	70,003	78,751
Accounts receivable - net	59,728	-
Due from other funds	-	-
Property taxes receivable	193,936	3,856
Prepaid items	25,832	-
Interfund loan receivable	-	564,892
Contract for deed receivable	-	-
Special assessments receivable	948	1,392,979
Total assets	<u>\$5,888,800</u>	<u>\$3,976,181</u>
 Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities:		
Accounts payable	\$199,378	\$18,968
Due to other governmental units	42,921	-
Salaries payable	193,638	-
Contracts payable	-	77,425
Due to other funds	-	-
Interfund loan payable	-	-
Unearned revenue	45,056	69,969
Total liabilities	<u>480,993</u>	<u>166,362</u>
 Deferred inflows of resources:		
Unavailable revenue	95,095	1,386,860
 Fund balances:		
Nonspendable	25,832	-
Restricted	-	-
Assigned	-	2,422,959
Unassigned	5,286,880	-
Total fund balances	<u>5,312,712</u>	<u>2,422,959</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$5,888,800</u>	 <u>\$3,976,181</u>

Fund balance reported above

Amounts reported for governmental activities in the statement of net position are different because:

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

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Long-term liabilities, including pension related deferred outflows and inflows, are not due and payable in the current period and, therefore, are not reported in the funds (see Note 1U).

Net position of governmental activities

The accompanying notes are an integral part of these financial statements.

604 TH101 Improvements - Lyman to Pioneer	Other Governmental Funds	Total Governmental Funds	
		2016	2015
\$848,246	\$6,993,505	\$15,294,797	\$14,938,421
-	5,414,798	5,414,798	-
1,199	26,113	48,322	100,890
58,004	38,269	245,027	946,030
-	196,568	256,296	177,482
-	-	-	588,022
-	19,467	217,259	176,859
-	-	25,832	72,950
-	700,000	1,264,892	1,400,000
-	1,252,869	1,252,869	1,282,486
-	679,507	2,073,434	2,538,703
<u>\$907,449</u>	<u>\$15,321,096</u>	<u>\$26,093,526</u>	<u>\$22,221,843</u>
\$ -	\$119,781	\$338,127	\$302,739
-	25,408	68,329	44,940
-	3,350	196,988	174,917
-	351,203	428,628	321,607
-	-	-	588,022
-	264,772	264,772	368,797
<u>904,651</u>	<u>81,629</u>	<u>1,101,305</u>	<u>173,788</u>
<u>904,651</u>	<u>846,143</u>	<u>2,398,149</u>	<u>1,974,810</u>
-	684,543	2,166,498	2,624,784
-	-	25,832	1,325,819
-	8,673,981	8,673,981	5,824,354
2,798	5,381,201	7,806,958	5,586,353
-	(264,772)	5,022,108	4,885,723
<u>2,798</u>	<u>13,790,410</u>	<u>21,528,879</u>	<u>17,622,249</u>
<u>\$907,449</u>	<u>\$15,321,096</u>	<u>\$26,093,526</u>	<u>\$22,221,843</u>
		\$21,528,879	\$17,622,249
		81,182,242	81,404,608
		2,166,498	2,624,784
		<u>(18,607,135)</u>	<u>(14,933,751)</u>
		<u>\$86,270,484</u>	<u>\$86,717,890</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CHANHASSEN, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

	<u>General Fund</u>	<u>601 Revolving Assessment Fund</u>
Revenues:		
General property taxes	\$8,028,125	\$431,698
Tax increment collections	-	-
Licenses and permits	1,142,778	-
Intergovernmental	406,507	138,186
Special assessments	-	629,161
Charges for services	622,569	-
Fines and forfeits	114,367	-
Investment earnings	33,578	70,328
Net change in fair value of investments	(6,498)	(2,067)
Contributions and donations	24,275	-
Refunds and reimbursements	60,804	12,831
Other	195,200	-
Total revenues	<u><u>10,621,705</u></u>	<u><u>1,280,137</u></u>
Expenditures:		
Current:		
General government	2,087,320	-
Public safety	3,312,704	-
Public works	2,324,835	871,797
Parks and recreation	2,056,716	-
Community development	471,807	-
Capital outlay:		
General government	-	-
Public safety	-	-
Public works	-	362,852
Parks and recreation	-	-
Decertification of TIF district	-	-
Debt service:		
Principal	-	-
Interest and paying agent fees	-	-
Total expenditures	<u><u>10,253,382</u></u>	<u><u>1,234,649</u></u>
Revenues over (under) expenditures	<u><u>368,323</u></u>	<u><u>45,488</u></u>
Other financing sources (uses):		
Sale of capital assets	35,324	-
Bonds issued	-	-
Bonds premium	-	-
Transfers in	-	720,337
Transfers out	(421,281)	(28,834)
Total other financing sources (uses)	<u><u>(385,957)</u></u>	<u><u>691,503</u></u>
Net change in fund balance	(17,634)	736,991
Fund balance - January 1	<u><u>5,330,346</u></u>	<u><u>1,685,968</u></u>
Fund balance - December 31	<u><u>\$5,312,712</u></u>	<u><u>\$2,422,959</u></u>

The accompanying notes are an integral part of these financial statements.

604 TH101 Improvements - Lyman to Pioneer	Other Gov't Funds	Total Governmental Funds	
		2016	2015
\$ -	\$2,180,492	\$10,640,315	\$10,529,994
-	111,761	111,761	200,338
-	511,080	1,653,858	1,565,900
3,750	426,474	974,917	4,897,139
-	190,865	820,026	1,664,424
-	223,971	846,540	799,543
-	-	114,367	117,189
2,526	69,470	175,902	224,119
(489)	(10,646)	(19,700)	(47,388)
-	36,527	60,802	78,175
-	76,458	150,093	85,955
-	80,867	276,067	267,622
<u>5,787</u>	<u>3,897,319</u>	<u>15,804,948</u>	<u>20,383,010</u>
-	391,951	2,479,271	2,391,195
-	400,442	3,713,146	3,431,541
3,217	761,167	3,961,016	7,537,376
-	199,598	2,256,314	2,068,532
-	47,875	519,682	515,382
-	62,713	62,713	-
-	314,004	314,004	122,143
533	95,757	459,142	2,566,867
-	1,153,763	1,153,763	476,323
-	139,594	139,594	-
-	1,795,000	1,795,000	1,810,000
-	483,533	483,533	439,470
<u>3,750</u>	<u>5,845,397</u>	<u>17,337,178</u>	<u>21,358,829</u>
<u>2,037</u>	<u>(1,948,078)</u>	<u>(1,532,230)</u>	<u>(975,819)</u>
-	54,994	90,318	41,015
-	4,805,000	4,805,000	-
-	239,773	239,773	-
-	627,546	1,347,883	2,158,844
-	(593,999)	(1,044,114)	(1,701,005)
<u>0</u>	<u>5,133,314</u>	<u>5,438,860</u>	<u>498,854</u>
2,037	3,185,236	3,906,630	(476,965)
761	10,605,174	17,622,249	18,099,214
<u>\$2,798</u>	<u>\$13,790,410</u>	<u>\$21,528,879</u>	<u>\$17,622,249</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CHANHASSEN, 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, 2016
With Comparative Totals For The Year Ended December 31, 2015

Statement 5

	<u>2016</u>	<u>2015</u>
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Net changes in fund balances - total governmental funds (Statement 4)	\$3,906,630	(\$476,965)
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:		
Capital outlay	1,989,622	3,165,333
Depreciation expense	(4,911,126)	(4,935,869)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase (decrease) net position.		
Developer contributed infrastructure	2,979,064	685,717
Transfer of capital assets to Enterprise Funds	(230,737)	(1,069,917)
Gain (loss) on disposal of capital assets	(49,189)	25,233
Decrease in estimated portion of projects pertaining to governmental activities	-	(56,372)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in delinquent property taxes	3,602	6,222
Change in deferred and delinquent special assessments	(467,814)	(668,808)
Change in other unavailable revenue	5,926	659
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 position. Also, governmental funds report the effects of bond premiums when the debt is first issued, whereas amounts are deferred and amortized over the life of the debt in the statement of activities.		
Issuance of bonds, including bond premium	(5,044,773)	-
Repayment of principal	1,795,000	1,810,000
Amortization of bond premiums	15,985	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Expenses reported in the statement of activities include the effects of the changes in these expense accruals as follows:		
Change in compensated absences payable	5,701	22,373
Change in other post employment benefits payable	(3,447)	(5,072)
Change in accrued interest payable	(26,198)	29,794
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities. This is the amount by which pension expense exceeds pension contributions.	<u>(415,652)</u>	<u>(314,848)</u>
Change in net position of governmental activities (Statement 2)	<u><u>(\$447,406)</u></u>	<u><u>(\$1,782,520)</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF CHANHASSEN, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

Statement 6

	Water	Sewer	Surface Water Management	Totals	
				2016	2015
Assets:					
Current assets:					
Cash and cash equivalents	\$7,079,872	\$5,031,128	\$1,380,288	\$13,491,288	\$11,828,639
Restricted cash	3,724,395	-	-	3,724,395	-
Accrued interest receivable	24,790	17,392	4,714	46,896	75,588
Due from other governmental units	1,480	174	33,488	35,142	105,865
Accounts receivable - net	470,691	525,308	157,703	1,153,702	1,169,494
Interfund loan receivable	264,772	-	-	264,772	368,797
Prepaid items	1,023	828	340	2,191	14,109
Water meter inventory	51,113	-	-	51,113	35,210
Special assessments receivable	73,319	3,044	-	76,363	98,145
Connection charges receivable	24,273	5,120	-	29,393	38,744
Total current assets	11,715,728	5,582,994	1,576,533	18,875,255	13,734,591
Noncurrent assets:					
Capital assets:					
Nondepreciable	2,681,717	596,825	1,376,198	4,654,740	6,721,529
Depreciable	63,390,722	36,051,666	28,340,578	127,782,966	120,501,724
Total capital assets	66,072,439	36,648,491	29,716,776	132,437,706	127,223,253
Less: Allowance for depreciation	(28,640,630)	(22,765,258)	(15,032,847)	(66,438,735)	(63,097,515)
Net capital assets	37,431,809	13,883,233	14,683,929	65,998,971	64,125,738
Total assets	49,147,537	19,466,227	16,260,462	84,874,226	77,860,329
Deferred outflows of resources related to pensions	201,197	164,895	103,283	469,375	103,303
Liabilities:					
Current liabilities:					
Accounts payable	157,573	8,514	18,836	184,923	62,987
Due to other governmental units	19,059	154,126	6,120	179,305	104,866
Salaries payable	19,710	11,864	8,350	39,924	31,162
Contracts payable	187,704	10,677	-	198,381	287,574
Accrued interest payable	90,335	2,238	-	92,573	76,761
Unearned revenue	-	-	850	850	-
Interfund loan payable - due within one year	192,175	-	-	192,175	163,446
Compensated absences payable - due within one year	12,501	10,813	6,483	29,797	23,974
Bonds payable - due within one year	895,000	60,000	-	955,000	819,026
Total current liabilities	1,574,057	258,232	40,639	1,872,928	1,569,796
Noncurrent liabilities:					
Interfund loan payable	1,072,717	-	-	1,072,717	1,236,554
Compensated absences payable	63,268	54,725	32,810	150,803	140,003
Bonds payable	12,586,719	385,000	-	12,971,719	8,437,209
Net pension liability	485,005	397,494	248,973	1,131,472	752,534
Total noncurrent liabilities	14,207,709	837,219	281,783	15,326,711	10,566,300
Total liabilities	15,781,766	1,095,451	322,422	17,199,639	12,136,096
Deferred inflows of resources related to pensions	63,727	52,230	32,714	148,671	90,327
Net position:					
Net investment in capital assets	28,922,490	13,872,556	14,683,929	57,478,975	55,704,478
Unrestricted	4,580,751	4,610,885	1,324,680	10,516,316	10,032,731
Total net position	\$33,503,241	\$18,483,441	\$16,008,609	\$67,995,291	\$65,737,209

The accompanying notes are an integral part of these financial statements.

CITY OF CHANHASSEN, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

Statement 7

	Water	Sewer	Surface Water Management	Totals	
				2016	2015
Operating revenues:					
Charges for services	\$2,626,645	\$2,552,679	\$665,364	\$5,844,688	\$5,562,574
Penalties and other	85,677	66,984	17,031	169,692	236,217
Total operating revenues	<u>2,712,322</u>	<u>2,619,663</u>	<u>682,395</u>	<u>6,014,380</u>	<u>5,798,791</u>
Operating expenses:					
Personal services	665,347	422,033	275,464	1,362,844	1,241,894
Materials and supplies	241,172	34,367	41,643	317,182	372,872
Contractual services:					
MCES	-	1,445,540	-	1,445,540	1,567,672
Other	1,235,775	238,738	223,831	1,698,344	808,305
Repairs and maintenance	358,199	126,543	614	485,356	406,744
Depreciation	1,603,505	981,753	847,427	3,432,685	3,339,618
Total operating expenses	<u>4,103,998</u>	<u>3,248,974</u>	<u>1,388,979</u>	<u>8,741,951</u>	<u>7,737,105</u>
Operating income (loss)	<u>(1,391,676)</u>	<u>(629,311)</u>	<u>(706,584)</u>	<u>(2,727,571)</u>	<u>(1,938,314)</u>
Nonoperating revenues (expenses):					
Investment earnings	52,312	36,640	9,931	98,883	167,911
Net change in fair value of investments	(10,106)	(7,090)	(1,922)	(19,118)	(35,505)
Intergovernmental	5,187	-	66,820	72,007	45,130
Refunds and reimbursements	4,963	219	1,804	6,986	20,948
Interest and fiscal charges	(318,791)	(5,645)	-	(324,436)	(178,432)
Gain on disposal of capital assets	12,612	12,612	-	25,224	57,510
Total nonoperating revenues (expenses)	<u>(253,823)</u>	<u>36,736</u>	<u>76,633</u>	<u>(140,454)</u>	<u>77,562</u>
Income before contributions and transfers	<u>(1,645,499)</u>	<u>(592,575)</u>	<u>(629,951)</u>	<u>(2,868,025)</u>	<u>(1,860,752)</u>
Transfers in	72,286	-	-	72,286	61,849
Transfers out	(204,312)	(107,976)	(63,767)	(376,055)	(519,688)
Capital contributions:					
Contributions of capital assets	1,268,976	1,362,245	1,254,909	3,886,130	2,525,354
Special assessments	6,212	1,611	-	7,823	7,295
Connection charges	973,128	379,840	182,955	1,535,923	1,664,949
Total contributions and transfers	<u>2,116,290</u>	<u>1,635,720</u>	<u>1,374,097</u>	<u>5,126,107</u>	<u>3,739,759</u>
Change in net position	<u>470,791</u>	<u>1,043,145</u>	<u>744,146</u>	<u>2,258,082</u>	<u>1,879,007</u>
Net position - January 1, as previously reported	33,032,450	17,440,296	15,264,463	65,737,209	64,578,809
Prior period adjustment	-	-	-	-	(720,607)
Net position - January 1, as restated	<u>33,032,450</u>	<u>17,440,296</u>	<u>15,264,463</u>	<u>65,737,209</u>	<u>63,858,202</u>
Net position - December 31	<u>\$33,503,241</u>	<u>\$18,483,441</u>	<u>\$16,008,609</u>	<u>\$67,995,291</u>	<u>\$65,737,209</u>
Amounts reported above			Capital Contributions	Transfers - Net	
Amounts reported for business-type activities in the statement of activities are different because:			\$5,429,876	(\$303,769)	
Transfer in of capital assets from governmental activities			(230,737)	230,737	
Amounts reported on the statement of activities			<u>\$5,199,139</u>	<u>(\$73,032)</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF CHANHASSEN, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For The Year Ended December 31, 2016

With Comparative Totals For The Year Ended December 31, 2015

Statement 8

	Water	Sewer	Surface Water Management	Totals	
				2016	2015
Cash flows from operating activities:					
Receipts from customers and users	\$2,742,054	\$2,613,162	\$746,529	\$6,101,745	\$5,743,386
Payment to suppliers	(1,733,172)	(1,717,423)	(303,437)	(3,754,032)	(3,226,691)
Payment to employees	(621,760)	(387,566)	(256,923)	(1,266,249)	(1,235,149)
Miscellaneous revenue	10,150	219	68,624	78,993	66,078
Net cash flows provided by operating activities	<u>397,272</u>	<u>508,392</u>	<u>254,793</u>	<u>1,160,457</u>	<u>1,347,624</u>
Cash flows from noncapital financing activities:					
Transfers in	34,203	-	-	34,203	61,849
Transfers out	(204,312)	(69,893)	(63,767)	(337,972)	(519,688)
Interfund loan receivable - collections	104,025	-	-	104,025	98,136
Interfund loan payable - (payments) proceeds	(163,446)	-	-	(163,446)	1,400,000
Net cash flows provided by (used in) noncapital financing activities	<u>(229,530)</u>	<u>(69,893)</u>	<u>(63,767)</u>	<u>(363,190)</u>	<u>1,040,297</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(1,101,006)	(219,557)	(115,404)	(1,435,967)	(1,624,832)
Connection charges	980,591	381,728	182,955	1,545,274	1,679,492
Special assessment collections	27,289	2,316	-	29,605	26,770
Proceeds from issuance of bonds	5,500,545	-	-	5,500,545	-
Principal paid on bonds	(745,000)	(60,000)	-	(805,000)	(775,000)
Interest and fiscal charges	(347,242)	(5,895)	-	(353,137)	(194,323)
Net cash flows provided by (used in) capital and related financing activities	<u>4,315,177</u>	<u>98,592</u>	<u>67,551</u>	<u>4,481,320</u>	<u>(887,893)</u>
Cash flows from investing activities:					
Investment earnings	54,553	42,649	11,255	108,457	105,532
Net (decrease) in cash and cash equivalents	4,537,472	579,740	269,832	5,387,044	1,605,560
Cash and cash equivalents - January 1	6,266,795	4,451,388	1,110,456	11,828,639	10,223,079
Cash and cash equivalents - December 31	<u>\$10,804,267</u>	<u>\$5,031,128</u>	<u>\$1,380,288</u>	<u>\$17,215,683</u>	<u>\$11,828,639</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(\$1,391,676)	(\$629,311)	(\$706,584)	(\$2,727,571)	(\$1,938,314)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Miscellaneous revenue (expense)	10,150	219	68,624	78,993	66,078
Depreciation	1,603,505	981,753	847,427	3,432,685	3,339,618
Changes in assets and liabilities, deferred outflows and inflows:					
Decrease (increase) in receivables	29,732	(6,501)	63,284	86,515	(55,405)
Decrease (increase) in prepaid items	4,401	3,955	3,562	11,918	(1,758)
Decrease (increase) in inventory	(15,903)	-	-	(15,903)	1,112
Decrease (increase) in deferred outflows of resources	(156,891)	(128,611)	(80,570)	(366,072)	(71,954)
Increase (decrease) in payables	126,719	133,207	(37,316)	222,610	(82,658)
Increase (decrease) in net pension liability	162,249	133,177	83,512	378,938	578
Increase (decrease) in deferred inflows of resources	24,986	20,504	12,854	58,344	90,327
Total adjustments	<u>1,788,948</u>	<u>1,137,703</u>	<u>961,377</u>	<u>3,888,028</u>	<u>3,285,938</u>
Net cash provided by operating activities	<u>\$397,272</u>	<u>\$508,392</u>	<u>\$254,793</u>	<u>\$1,160,457</u>	<u>\$1,347,624</u>

Noncash investing, capital and financing activities:

Capital assets in the amount of \$1,268,976 and \$411,238 were contributed to the Water Fund in 2016 and 2015, respectively.

Capital assets in the amount of \$1,362,245 and \$548,045 were contributed to the Sewer Fund in 2016 and 2015, respectively.

Capital assets in the amount of \$1,254,909 and \$1,566,071 were contributed to the Surface Water Fund in 2016 and 2015, respectively.

Capital assets with a net book value of \$38,083 were transferred from the Sewer Fund to the Water fund in 2016.

The accompanying notes are an integral part of these financial statements.

CITY OF CHANHASSEN, MINNESOTA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

Statement 9

	<u>Agency Funds</u>	
	<u>2016</u>	<u>2015</u>
Assets:		
Cash and investments	\$1,639,041	\$1,306,003
Accounts receivable	10,905	-
Total assets	<u>\$1,649,946</u>	<u>\$1,306,003</u>
Liabilities:		
Accounts payable	\$10,905	\$ -
Escrow deposits payable	1,639,041	1,306,003
Total liabilities	<u>\$1,649,946</u>	<u>\$1,306,003</u>

The accompanying notes are an integral part of these financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Chanhassen, Minnesota (the City) was incorporated in 1967 and operates under the State of Minnesota Statutory Plan B form of government. The governing body consists of a five member City council elected by voters of the City.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. FINANCIAL REPORTING ENTITY

In accordance with GASB pronouncements and accounting principles generally accepted in the United States of America, the financial statements of the reporting entity should include those of the City (the primary government) and its component units. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

COMPONENT UNITS

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component unit have been included in the financial report as a blended component unit.

Pursuant to the authorization of Minnesota Statutes Section 469.094, on April 28, 1997 the City transferred to the Economic Development Authority of the City all activities, programs, operations, and authority of the existing City Housing and Redevelopment Authority (HRA). The Economic Development Authority (EDA), an entity legally separate from the City, is governed by a board which is substantially the same as the City Council. The City is in a relationship of financial benefit or burden with the EDA. Separate financial statements for the EDA are not prepared.

JOINTLY GOVERNED ORGANIZATIONS

Southwest Area Transit Commission: The City, in conjunction with the Cities of Eden Prairie and Chaska, has agreed to establish the Southwest Area Transit Commission (the Commission). The purpose of the Commission is to provide alternative methods of public transit service to the three cities. The Commission's board is composed of two commissioners from each of the cities.

Western Area Fire Training Association (WAFTA): The City is a member of a joint powers group along with ten other communities. WAFTA operates a fire training facility in western Carver County.

JOINT POWERS AGREEMENT

The Chanhassen Recreation Center is owned by Independent School District No. 112 and operates under a joint powers agreement between the City and the School District. The ninety-nine year agreement expires in 2093. According to the terms of the agreement, the City reimburses the School District 24% of the cost to operate and maintain the facility.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *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 business-type activity, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *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 or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments

receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Revolving Assessment Fund (601) accounts for the City's annual street re-construction program. The individual property owner pays a portion of the cost of the annual project with assessments and the City funds its portion with the reserves created in this fund and an annual tax levy.

TH101 Improvements - Lyman to Pioneer Fund (604) accounts for the funding sources and costs of the Trunk Highway 101 improvement project, which includes widening of the highway between Lyman Boulevard and Pioneer Trail, pedestrian/bicycle trails and a trail underpass.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the water service charges which are used to finance the water system operating expenses.

The *Sewer Fund* accounts for the sewer service charges which are used to finance the sanitary sewer system operating expenses.

The *Surface Water Management Fund* accounts for the surface water charges which are used to finance the surface water system operating expenses.

Additionally, the City reports the following fund type:

Agency funds account for the assets of various escrow deposits and the Moon Valley Restoration Funds held by the City in a trustee capacity or as an agent.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* 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 of the water, sewer, and surface water management enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and for the Contribution, Cemetery, and CATV Special Revenue Funds.

Budgeted amounts are reported as originally adopted, or as amended by the City Council. There were no budget amendments during 2016. Budgeted expenditure appropriations lapse at year end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

E. LEGAL COMPLIANCE - BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Management may authorize transfer of budgeted amounts between departments within any fund. All budget amendments between funds must be approved by the City Council. The legal level of budgetary control is at the fund level. Budgetary monitoring, by departments or divisions and by category, is required by City policy.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and for the Contribution, Cemetery and CATV Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.

During 2016, the CATV Special Revenue Fund had expenditures of \$171,672, which exceeded budgeted expenditures of \$150,500 by \$21,172.

F. CASH AND INVESTMENTS

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Investments are stated at fair value. Investment income is accrued at the balance sheet date and allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the cash and investments allocated to the Proprietary Fund types have original maturities of 90 days or less. Therefore, the entire balance in such fund types is considered cash equivalents.

G. RECEIVABLES

Property taxes and special assessment receivables have been reported net of estimated uncollectible accounts (See Note I H and I). Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported.

H. PROPERTY TAX REVENUE RECOGNITION

The City Council annually adopts a tax, levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 15 and December 15 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes property tax revenue in the period for which taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENT FUND FINANCIAL STATEMENTS

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January are fully offset by deferred inflows of resources because they are not available to finance current expenditures.

The City's property tax revenue includes payments from the Metropolitan Revenue Distribution (Fiscal Disparities Formula) per State Statute 473F. This statute provides a means of spreading a portion of the taxable valuation of commercial/industrial real property to various taxing authorities within the

defined metropolitan area. The valuation "shared" is a portion of commercial/industrial property valuation growth since 1971.

I. SPECIAL ASSESSMENT REVENUE RECOGNITION

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

GOVERNMENT FUND FINANCIAL STATEMENTS

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources.

J. INVENTORIES

GOVERNMENTAL FUNDS

The original cost of materials and supplies are recorded as expenditures at the time of purchase. These funds do not maintain material amounts of inventories.

PROPRIETARY FUNDS

Inventories of the Proprietary Funds are stated at cost, which approximates market, using the first-in, first-out (FIFO) method.

K. PREPAID ITEMS

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

L. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, trails, sidewalks, and similar items), and intangible assets such as easements and computer software, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

In the case of the initial capitalization of general infrastructure assets, the City chose to include all such items regardless of their acquisition date amount. These assets are reported at historical or estimated historical cost, using the 1987 base highway construction price trend, when historical costs were unavailable.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2016, \$55,910 of interest was capitalized in connection with construction in progress.

Capital assets of the City are depreciated/amortized using the straight line method over the following estimated useful lives:

Buildings and structures	20 – 50 years
Machinery and equipment (including software)	3 – 30 years
Drainage systems	30 years
Water and sewer lines	30 years
Streets	25 – 50 years
Trails	15 years
Sidewalks	25 years
Other improvements	7 – 40 years
Temporary easements	2 years

M. COMPENSATED ABSENCES

The City compensates all employees upon termination for unused vacation and unused sick time up to a maximum based upon length of service. The City compensates nonexempt employees for unused comp time. All vacation pay and comp time is accrued when incurred in the government-wide and

proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is vested as severance pay.

N. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, if material, are amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in the category. It is the pension related deferred outflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The government has pension related deferred inflows of resources reported in the government-wide Statement of Net Pension and the proprietary funds Statements of Net Position. The government also has an item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes, special assessments and other revenue not collected within 60 days from year-end.

P. FUND BALANCE CLASSIFICATIONS

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

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

Committed - consists of internally imposed constraints. These constraints are established by Resolution of City Council, and committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by resolution.

Assigned - consists of internally imposed constraints for the specific purpose of the City's intended use. Pursuant to the City's Fund Balance Policy, the City Manager or Finance Director are authorized to assign fund balance that reflects the City's intended use of those funds.

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

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned. The exception to this is the Park Aquisition and Development Fund (410), where it is the City's policy to use resources in the following order: 1) assigned, 2) committed, and 3) restricted.

Q. INTERFUND TRANSACTIONS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Interfund services provided and used 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.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund. Short-term interfund loans are classified as "due to/from other funds." Long-term interfund loans are classified as "interfund loan receivable/payable." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All other interfund transactions are reported as transfers.

R. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

S. COMPARATIVE TOTALS

The basic financial statements and schedules, required supplementary information, and combining and individual fund financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

T. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - PENSIONS

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

U. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balances - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including pension related deferred outflows and inflows, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this (\$18,607,135) difference are as follows:

Bonds payable	(\$13,090,000)
Unamortized bond premium	(223,788)
Accrued interest payable	(185,553)
Compensated absences payable	(763,563)
Other post employment benefits payable	(34,050)
Net pension liability	(6,315,950)
Deferred outflows of resources related to pensions	2,766,838
Deferred inflows of resources related to pensions	(761,269)
	<u>(\$18,607,135)</u>

Net adjustment to decrease fund balances - total governmental funds to arrive at net position - governmental activities

Note 2. DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Minnesota Statutes require that insurance, surety bonds or collateral protect all City deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. The City has no additional deposit policies addressing custodial credit risk. As of December 31, 2016, the bank balance of the City's deposits was insured by the FDIC or covered by pledged collateral held in the City's name.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes, treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- d) General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and
- f) Time deposits that are fully insured by any federal agency.

At December 31, 2016, the carrying amount of the City's deposits with financial institutions was \$3,846,950.

B. INVESTMENTS

Minnesota Statutes authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities, or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.

- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) State and local securities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers' acceptance of United States banks.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

As of December 31, 2016, the City had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)			
			Less Than 1	1-5	6-10	Greater Than 10
Money Market	NR	\$7,313,048		\$ -		
Bond Certificates of Deposit	NR	7,234,388	2,983,758	4,240,640		
Municipal Bonds	(1)	10,405,179	2,770,708	7,634,471		
Federal National Mortgage Assn. Notes	Aaa	1,610,697		1,610,697		
Federal Home Loan Mortgage Corp. Notes	Aaa	1,267,838		1,267,838		
Federal Home Loan Bank Notes	Aaa	490,655		490,655		
Resolution Funding Corp. Strip Bonds	NR	1,328,897		1,328,897		
Private Export Funding Corp. Bonds	Aaa	660,324		660,324		
Total		\$30,801,926	\$13,068,416	\$17,233,522		\$0
Total investments			\$30,801,926			
Deductions:			3,846,950			
Cash with escrow agent			5,411,798			
Petty cash			635			
Total cash and investments			\$39,564,319			

(1) \$5,351,225 are rated Aaa, \$1,861,912 are rated Aa1, \$2,312,060 are rated Aa2, and \$899,233 are rated Aa3.

NR - Not Rated

Classifications above are by maturity date. Some investments listed above have call dates that occur in less than one year.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments

CITY OF CHANHASSEN, MINNESOTA
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are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

The City has the following recurring fair value measurements as of December 31, 2016:

Investment Type	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Investments at fair value:	12/31/2016		
Brokered Certificates of Deposit	\$ 7,224,398	\$ 7,224,398	\$ -
Municipal Bonds	10,405,179	10,405,179	-
Federal National Mortgage Assn. Notes	1,610,697	1,610,697	-
Federal Home Loan Mortgage Corp. Notes	1,267,838	1,267,838	-
Federal Home Loan Bank Notes	490,655	490,655	-
Resolution Funding Corp. Strip Bonds	1,328,897	1,328,897	-
Private Export Funding Corp. Bonds	660,324	660,324	-
Total/subtotal	22,987,988	\$0	\$22,987,988

Investments not categorized:

Money Market	7,313,948
Total	\$30,301,936

Cash and investments are presented in the financial statements as follows:

Cash and investments:	
Governmental and business-type (Statement 1)	\$28,786,085
Fiduciary (Statement 9)	1,639,041
Cash with escrow agent (Statement 1)	5,414,798
Restricted cash (Statement 1)	3,724,395
Total	\$39,564,319

C. INVESTMENT RISKS

Custodial credit risk – investments – For investments in securities, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures. The City's investment policy requires the City's security broker/dealers to provide its audited financial statements, proof of NASD certification, proof of state registration, and certification of having read, understood and agreed to comply with the City's investment policy. Investments in securities are held by the City's broker-dealer of which \$500,000 per broker is insured through SIPC. Each broker-dealer has provided additional protection by providing additional insurance. This insurance is subject to aggregate limits applied to all of the broker-dealer's accounts.

Interest rate risk – Interest rate risk is the risk that changes in interest rates of debt investments could adversely affect the fair value of an investment. The City's investment policy requires the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity. The policy also states the City's investment portfolio will remain

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sufficiently liquid to enable the City to meet all operating requirements which might be reasonable, i.e., not investing in maturities longer than seven years.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. State law limits investments to commercial paper to those rated in the highest quality category by at least two nationally recognized rating agencies; in any security of the State of Minnesota or any of its municipalities which is rated "A" or better by a national bond rating service for general obligation and rated "AA" or better for a revenue obligation; a general obligation of the Minnesota Housing Finance Agency to those rated "A" or better by a national bond rating agency; mutual funds or money market funds whose investments are restricted to securities described in MS 118A.04. The City's investment policy does not place further restrictions on investment options.

Concentration of credit risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The City's investment policy states investments shall be diversified by limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities). At December 31, 2016, the City had no investments in a single issuer exceeding 5% of the City's overall cash and investment portfolio.

Note 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2016 are as follows:

Major Funds:	Interfund Loan Receivable	Delinquent Property Taxes	Special Assessments Receivable	Total
General	\$ -	\$26,359	\$17	\$26,376
Revolving Assessment Fund	372,717	-	1,058,750	1,431,467
Water	154,506	-	60,327	214,833
Nonmajor Funds	700,000	-	569,266	1,269,266
	\$1,227,223	\$26,359	\$1,688,360	\$2,941,942

CONTRACT FOR DEED RECEIVABLE

During 2012, the City sold its old public works building for \$1,475,000. The City received \$30,000 at the time of closing, and entered into an agreement to collect the remaining amount due, plus 5% interest, in monthly payments through July 2017, plus a balloon payment of approximately \$1,237,000 due August 2017. The principal amount outstanding at December 31, 2016 was \$1,252,869.

CITY OF CHANHASSEN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 4 UNAVAILABLE REVENUE

Governmental funds report deferred inflows of resources in connection with receivables of revenues that are not considered to be available to liquidate liabilities of the current period. At December 31, 2016, the various components of unavailable revenue were as follows:

	Major Funds			Total
	General Fund	Revolving Assessment Fund	Nonmajor Funds	
Delinquent property taxes receivable	\$79,693	\$ -	\$ -	\$79,693
Special assessments not yet due	948	1,386,860	679,018	2,066,826
Other	14,454	-	5,525	19,979
Total unavailable revenue	\$95,095	\$1,386,860	\$684,543	\$2,166,498

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Primary Government				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$19,865,817	\$ -	(\$64,100)	\$19,801,717
Construction in progress	955,311	977,488	(314,619)	1,618,180
Permanent easements	1,198,179	300,815	-	1,498,994
Total capital assets not being depreciated	22,019,307	1,278,303	(378,719)	22,918,891
Capital assets being depreciated:				
Buildings and structures	23,079,587	109,150	-	23,188,737
Machinery and equipment	8,589,923	630,986	(472,713)	8,748,196
Temporary easements	12,931	-	(12,931)	-
Other improvements	7,414,759	86,427	-	7,501,186
Infrastructure	115,362,982	2,990,102	-	118,353,084
Total capital assets being depreciated	154,460,192	3,816,665	(485,644)	157,791,213
Less accumulated depreciation for:				
Buildings and structures	7,269,105	565,390	-	7,834,495
Machinery and equipment	5,839,993	518,169	(445,224)	5,912,938
Temporary easements	12,931	-	(12,931)	-
Other improvements	3,266,808	297,764	-	3,564,572
Infrastructure	78,686,054	3,529,803	-	82,215,857
Total accumulated depreciation	95,074,891	4,911,126	(458,155)	99,527,862
Governmental activities capital assets - net	\$81,404,608	\$183,842	(\$406,208)	\$81,182,242

CITY OF CHANHASSEN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Primary Government

Business-type activities:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$2,077,335	\$8,100	\$ -	\$2,085,435
Construction in progress	3,424,667	902,905	(3,070,515)	1,257,057
Permanent easements	1,219,527	92,721	-	1,312,248
Total capital assets not being depreciated	6,721,529	1,003,726	(3,070,515)	4,654,740
Capital assets being depreciated:				
Buildings and structures	12,445,429	-	-	12,445,429
Machinery and equipment	1,738,005	138,470	(71,956)	1,804,519
Other improvements	106,318,290	7,256,013	(41,285)	113,533,018
Total capital assets being depreciated	120,501,724	7,394,483	(113,241)	127,782,866
Less accumulated depreciation for:				
Buildings and structures	1,991,997	248,917	-	2,240,914
Machinery and equipment	806,254	127,241	(50,180)	883,315
Other improvements	60,299,264	3,056,527	(41,285)	63,314,506
Total accumulated depreciation	63,097,515	3,432,685	(91,465)	66,438,735
Business-type activities capital assets - net	64,125,738	4,965,524	(3,092,291)	65,998,971
Total capital assets - net	\$145,530,346	\$5,149,366	(\$3,498,499)	\$147,181,213

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$340,485
Public safety	122,838
Public works	3,516,216
Parks and recreation	931,587
Total depreciation expense - governmental activities	\$4,911,126
Business-type activities:	
Water	\$1,603,505
Sewer	981,753
Surface water management	847,427
Total depreciation expense - business-type activities	\$3,432,685

CITY OF CHANHASSEN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

GOVERNMENTAL ACTIVITIES

Annual debt service requirements to maturity for the governmental activities long-term debt are as follows:

Year Ending December 31,	General Obligation Bonds	
	Principal	Interest
2017	\$670,000	\$433,248
2018	5,985,000	294,464
2019	720,000	156,480
2020	745,000	134,505
2021	770,000	111,780
2022	800,000	88,015
2023	385,000	70,025
2024	395,000	58,325
2025	410,000	48,300
2026	420,000	40,000
2027	430,000	31,500
2028	440,000	22,800
2029	455,000	13,850
2030	465,000	4,650
Total	\$13,090,000	\$1,507,942

It is not practicable to determine the specific year for payment of long-term accrued compensated absences.

CITY OF CHANHASSEN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 6 - CITY INDEBTEDNESS

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

As of December 31, 2016, the governmental activities long-term debt of the City consisted of the following:

	Issue Date	Final Maturity Date	Interest Rate	Authorized And Issued	Outstanding 12/31/16
General Long-Term Debt:					
General Obligation Bonds:					
G.O. Capital Improvement Plan Bonds, Series 2008A	11/18/08	2/1/2018	4.00% - 4.60%	\$7,550,000	\$5,925,000
G.O. Library Refunding Bonds, Series 2010A	1/27/10	2/1/2022	2.00% - 3.10%	3,660,000	2,360,000
G.O. Bonds, Series 2016A	3/3/2016	2/1/2030	2.00% - 3.00%	4,805,000	4,805,000
Bond premium				239,773	225,788
Total general obligation bonds				16,254,773	13,315,788
Compensated absence payable				N/A	763,563
Total City indebtedness - governmental activities				\$16,254,773	\$14,079,351

BUSINESS-TYPE ACTIVITIES

As of December 31, 2016, the business-type activities long-term debt of the City consisted of the following:

	Issue Date	Final Maturity Date	Interest Rate	Authorized And Issued	Outstanding 12/31/16
G.O. Revenue Bonds:					
Water Revenue Bonds, Series 2011A	10/6/2011	2/1/2022	0.30% - 2.15%	\$5,920,000	\$3,745,000
Water Revenue Bonds, Series 2011B	10/6/2011	2/1/2025	2.00% - 3.00%	3,720,000	3,690,000
Water and Sewer Revenue Bonds, Series 2012A	11/15/2012	2/1/2023	2.00% - 1.55%	1,245,000	890,000
Water Revenue Bonds, Series 2016A	3/3/2016	2/1/2026	2.00% - 3.00%	1,365,000	1,365,000
Water Revenue Bonds, Series 2016B	12/29/2016	2/1/2042	3.50% - 4.00%	3,650,000	3,650,000
Bond premium				476,848	466,719
Total G.O. revenue bonds				16,356,848	13,926,719
Compensated absence payable				N/A	180,600
Total City indebtedness - business-type activities				\$16,356,848	\$14,107,319

CITY OF CHANHASSEN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

BUSINESS-TYPE ACTIVITIES

Annual debt service requirements to maturity for the business-type long-term debt are as follows:

Year Ending December 31,	G.O. Revenue Bonds	
	Business-Type Principal	Business-Type Interest
2017	\$955,000	\$295,107
2018	975,000	337,666
2019	1,435,000	316,991
2020	1,460,000	287,417
2021	1,510,000	252,984
2022	1,080,000	221,072
2023	835,000	195,534
2024	720,000	173,188
2025	745,000	152,063
2026	139,988	139,988
2027	138,238	138,238
2028	-	138,238
2029	-	138,238
2030	-	138,238
2031	-	138,238
2032	-	138,238
2033	-	138,238
2034	-	138,238
2035	-	138,238
2036	-	138,238
2037	-	138,238
2038	140,000	135,788
2039	825,000	118,900
2040	855,000	88,431
2041	885,000	54,700
2042	925,000	18,500
Total	\$13,520,000	\$4,308,947

It is not practicable to determine the specific year for payment of long-term accrued compensated absences.

CITY OF CHANHASSEN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$8,925,000	\$4,805,000	(\$640,000)	\$13,090,000	\$670,000
G.O. improvement bonds	1,155,000	-	(1,155,000)	-	-
Bond premium	-	239,773	(15,985)	223,788	-
Compensated absences	769,264	557,032	(562,733)	763,563	125,975
Total governmental activity	\$10,849,264	\$5,601,805	(\$2,373,718)	\$14,077,351	\$795,975
Business-type activities:					
G.O. revenue bonds	\$9,130,000	\$5,195,000	(\$805,000)	\$13,520,000	\$955,000
Bond premium	126,235	305,544	(25,060)	406,719	-
Compensated absences	163,977	126,683	(110,060)	180,600	29,797
Total business-type activity	\$9,420,212	\$5,627,227	(\$940,120)	\$14,107,319	\$984,797

For the governmental activities, compensated absences are generally liquidated by the General and Special Revenue Funds.

All long-term bonded indebtedness outstanding at December 31, 2016 is backed by the full faith and credit of the City. General Obligation Revenue Bonds are serviced by the Sewer and Water Enterprise Funds and are carried as debt of those funds. Other bonds are supported by various Debt Service Funds.

NONEXCHANGE FINANCIAL GUARANTEE OF DEBT

On August 1, 2014 the Carver County Community Development Agency, a legally separate entity from the City, issued \$2,110,000 of Housing Development Refunding Bonds, Series 2014 and \$2,370,000 of Taxable Housing Development and Refunding Bonds, Series 2014T. The proceeds were used to refund a portion of prior bonds and to fund certain capital improvements of the Centennial Hill Apartments, which are located within the City.

In accordance with Minnesota Statutes, Section 469.034, Subd. 2, the City has pledged its full faith and credit and taxing powers to the payment of debt service on the Series 2014 and Series 2014T bonds. In the event that the Carver County Community Development Agency is unable to pay the debt service on the bonds due to insufficient housing revenues and cash reserves, the City is obligated to pay the debt service. The City's guarantee extends until the bonds have fully matured, which is scheduled to occur in 2034. The total amount of outstanding guaranteed debt, including interest, at December 31, 2016 is \$5,666,387.

The City's management does not expect the City will be required to make any debt service payments towards these bonds. Accordingly, the bonds are not reflected in the financial statements of the City.

CITY OF CHANHASSEN, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

CROSSOVER REFUNDING

Series 2016A Bonds

On March 3, 2016, the City issued \$6,370,000 in General Obligation Bonds, Series 2016A with an average interest rate of 2.35%. Bonds in the amount of \$1,565,000 were issued to provide funding for water system improvements. The remaining \$4,805,000 of bonds, along with \$475,000 of cash on hand, will be used to advance refund \$5,290,000 of outstanding 2008A Series Bonds with an average interest rate of 4.42%. The net proceeds were used to purchase U.S. government securities in the amount of \$5,448,832. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the interest on the refunding bonds through the crossover date of February 1, 2018 and called principal on the refunded bonds (2019 through 2030 maturities) on February 1, 2018.

The City advance refunded the 2019 through 2030 maturities of the 2008A Series Bonds to reduce its total debt service payments during the years 2017 through 2030 by \$928,572 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$757,654.

The City is responsible for the debt service of the refunded bonds through February 1, 2018 and the debt service of the refunding bonds beginning August 1, 2018. The debt service of the refunding bonds due prior to August 1, 2018 is payable from the escrow account. Assets held with the escrow agent total \$5,414,798 at December 31, 2016.

The financial statements present each bond issue and the escrow account assets pursuant to GASB Statement No. 7. The effect on the financial statements is to report greater debt than, in substance, the City will be responsible for paying.

CITY OF CHANHASSEN, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

The refunding portion of the 2016A bonds are crossover refunding bonds whereby the City and the escrow agent are responsible for debt service payments as follows:

Year Ending December 31,	Refunded Bonds Total	Refunding Bonds Total	Debt Service Commitment	
			Escrow Account	City
2017	\$559,468	\$117,950	\$117,950	\$559,468
2018	5,736,634	117,950	5,348,975	505,609
2019	-	443,000	-	443,000
2020	-	447,875	-	447,875
2021	-	452,300	-	452,300
2022	-	451,350	-	451,350
2023	-	455,025	-	455,025
2024	-	453,325	-	453,325
2025	-	458,300	-	458,300
2026	-	460,000	-	460,000
2027	-	461,500	-	461,500
2028	-	462,800	-	462,800
2029	-	468,850	-	468,850
2030	-	469,650	-	469,650
Total	\$6,296,102	\$5,719,875	\$5,466,925	\$6,549,052

REVENUE PLEDGED

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Type	Revenue Pledged		Term of Pledge	Remaining Principal and Interest	Current Year Principal and Interest Paid	Budgeted Revenue Received
			Percent of Total Debt Service	Debt Service as a % of net revenues				
2006A CIP bonds	Public Works Facility construction	Property taxes	100%	n/a	2009 - 2029	\$6,549,023	\$555,560	\$594,000
2010A Library Refunding bonds	Library construction - refunded the 2002A Library bonds	Property taxes	100%	n/a	2012 - 2021	\$2,981,965	\$420,992	\$452,792
2011A Water Revenue bonds	Water infrastructure improvements - refunded the 2008B bonds	Water usage charges	100%	26.5%	2012 - 2021	\$3,924,413	\$194,501	\$2,712,232
2011B Water Revenue bonds	Water infrastructure improvements - refunded the 2008B bonds	Water usage charges	100%	5.9%	2012 - 2024	\$4,293,400	\$132,700	\$2,712,232
2012A Water & Sewer Revenue bonds	Purchase of meter reading equipment	Water and sewer usage charges	100%	2.5%	2012 - 2022	\$911,648	\$113,340	\$531,989
2014A Water Revenue bonds	Water infrastructure improvements	Water usage charges	100%	0.7%	2016 - 2025	\$1,778,800	\$17,883	\$2,712,232
2016B Water Revenue bonds	Water Treatment Plant	Water usage charges	100%	n/a	2017 - 2041	\$6,892,486	\$ -	\$ -

Note 7 - DEFERRED AD VALOREM TAX LEVIES - BONDED DEBT

General obligation bond issues sold by the City are financed by ad valorem tax levies. Special assessment bond issues sold by the City are partially financed by ad valorem tax levies in addition to special assessments levied against the benefiting properties. When a bond issue to be financed partially or completely by ad valorem tax levies is sold, specific annual amounts of such tax levies are stated in the bond resolution and the County Auditor is notified and instructed to levy these taxes over the appropriate years. The future tax levies are subject to cancellation when and if the City has provided alternative sources of financing. The City Council is required to levy any additional taxes found necessary for full payment of principal and interest.

These future scheduled tax levies are not shown as assets in the accompanying financial statements at December 31, 2016.

Future scheduled tax levies for all bonds outstanding at December 31, 2016 totaled \$8,712,468.

Note 8 - DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

All full-time (with the exception of employees covered by PEPFF) and certain part-time employees of the City are covered by the GERF. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. The City no longer has any employees who are members of the Basic Plan. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following 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.

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's 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 member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% of average salary for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. CONTRIBUTIONS

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in calendar year 2016. The City was required to contribute 7.5% for Coordinated Plan members in calendar year 2016. The City's contributions to the GERF for the year ended December 31, 2016 were \$358,611. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2016. The City was required to contribute 16.2% of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the year ended December 31, 2016 were \$30,790. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

1. GERF Pension Costs

At December 31, 2016, the City reported a liability of \$6,162,704 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$80,496. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.0759%, which was a decrease of 0.0032% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$745,864 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional \$24,002 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

At December 31, 2016, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$500,628
Changes in actuarial assumptions	1,206,663	-
Difference between projected and actual investment earnings	1,169,708	-
Changes in proportion	-	309,125
Contributions paid to PERA subsequent to the measurement date	180,143	-
Total	<u>\$2,556,514</u>	<u>\$809,753</u>

\$180,143 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense
2017	\$394,260
2018	394,260
2019	555,491
2020	222,607
2021	-
Thereafter	-

2. PEPFF Pension Costs

At December 31, 2016, the City reported a liability of \$762,503 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.0190%, which was a decrease of 0.0010% from its proportion measured as of June 30, 2015. For the year ended December 31, 2016, the City also recognized \$1,710 as revenue (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$143,333 for its proportionate share of the PEPFF's pension expense.

At December 31, 2016, the City reported its proportionate share of the PEPF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$87,474
Changes in actuarial assumptions	419,639	-
Difference between projected and actual investment earnings	116,363	-
Changes in proportion	50,402	9,355
Contributions paid to PERA subsequent to the measurement date	15,401	-
Total	\$601,805	\$96,829

\$15,401 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense
2017	\$107,205
2018	107,205
2019	107,203
2020	97,800
2021	70,162
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disability were based on RP-2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be one percent per year for all future years for the General Employees Plan and Police and Fire Plan.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period July 1, 2004 through June 30, 2009. The most recent five-year experience study for the Police and Fire Plan was completed in 2016, but the results were not adopted at the time of valuation.

The following changes in actuarial assumptions occurred in 2016:

- General Employees Fund**
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
 - The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
 - Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Police and Fire Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

The long-term expected rate of return on pension plan investments is 7.5%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statute. Based

on those assumptions, the fiduciary net position of the GERS was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057 for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of the projected benefits through the point of asset depletion and 2.85% after.

G. PENSION LIABILITY SENSITIVITY

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the GERS net pension liability	\$8,752,865	\$6,162,704	\$4,029,115
	1% Decrease in Discount Rate (4.6%)	Discount Rate (5.6%)	1% Increase in Discount Rate (6.6%)
City's proportionate share of the PEPPF net pension liability	\$1,067,403	\$762,503	\$513,377

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

Note 9 SINGLE EMPLOYER PENSION PLAN

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Chanhassen Fire Department Relief Association (the Relief Association) and additions to/deductions from the Relief Association's fiduciary net position have been determined on the same basis as they were reported by the Relief Association. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

B. PLAN DESCRIPTION

All members of the Chanhassen Fire Department are covered by a defined benefit pension plan administered by the Relief Association. The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, Chapter 69.

C. BENEFITS PROVIDED

Twenty Year Service Pension

Prior to April 1997, each member who is at least 50 years of age, has retired from the Fire Department, has served at least twenty years of active service with such department before retirement, and has been a member of the Relief Association in good standing at least ten years prior to such retirement shall be entitled to receive either a monthly lifetime service pension or a defined benefit lump sum pension. After April 1997, each member shall be entitled to receive a defined benefit lump sum pension.

Monthly service pensions shall be \$410 per month. Defined benefit service pension per year of service shall be \$6,000. The maximum service pension shall not exceed the maximum service pension amount permitted under the flexible service pension maximums pursuant to Minnesota Section 424A.02, Subdivision 3. Members who choose the lump sum receive no additional interest accrual.

Ten Year Service But Less Than Twenty Year Service

Each member who is at least 50 years of age; who has retired from the Fire Department; who has served at least five years of active service with such department before retirement but has not served at least 20 years of active service; and, who has been a member of the Relief Association in good standing at least ten years prior to such retirement, shall be entitled to either a pro-rated monthly service pension or a pro-rated lump sum service pension based on the percentages in the following table:

For Duty of:	more than	but	less than
5 years	6 years	7 years	40%
6	7	8	44
7	8	9	48
8	9	10	52
9	10	11	56
10	11	12	60
11	12	13	64
12	13	14	68
13	14	15	72
14	15	16	76
15	16	17	80
16	17	18	84
17	18	19	88
18	19	20	92
19	20		96
20			100

The payment amount will be calculated by using the amount payable per year of service in effect at the time of such early retirement, multiplied by the number of accumulated years of service, multiplied by the appropriate percentage as defined above.

During the time a member is on early-vested pension, he or she will not be eligible for disability benefits.

Survivors Benefit

Prior to April 1997, if any active vested or deferred member dies leaving an eligible surviving spouse, they shall receive a monthly pension for a guaranteed fifteen year period. After April 1997, an eligible surviving spouse shall receive a lump sum payment calculated in accordance with the by-laws. If there is no surviving spouse, then the deceased member's designated beneficiary or their estate would receive the payment.

A surviving spouse of a member receiving a monthly pension shall receive 50% of the member's monthly benefit, based on the date of death.

Permanent Disability

Any member of the Relief Association contracting sickness or injury, incapacitating the member from attending to their business, from causes outside or within their line of duty, and a physician's report shows that that member is unable to perform their duties, they are entitled to their full accrued lump sum benefit, payable immediately.

Temporary Disability

Any member of the Relief Association who becomes temporarily incapacitated from attending to their business due to illness or injury, sustained in the performance of such business, and is unable to work for a period of one week or longer, shall be paid a benefit of \$5 per day for a period of no longer than 120 days in any one fiscal year, providing the member is under the care of a physician or doctor during this period.

Death Benefit

Upon the death of any active or deferred member, the beneficiaries of the deceased member shall be paid a death benefit in an amount equivalent to the accrued service pension.

D. EMPLOYEES COVERED BY BENEFIT TERMS

At December 31, 2016, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	7
Retired members entitled to benefits but have not received them	27
Active members:	
Fully-vested (20 years or more)	3
Partially-vested (5 years to 19 years)	19
Non-vested (less than 5 years)	17
Total	73

E. CONTRIBUTIONS

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State Aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten-year period. The significant actuarial assumptions used to compute the municipal support are not the same as those used to compute the accrued pension liability. The Relief Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations).

Contributions totaling \$176,831 from the State of Minnesota were made to the Relief Association in accordance with state statute requirements for the year ended December 31, 2016.

F. ACTUARIAL METHOD AND SIGNIFICANT ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of December 31, 2016 using the following actuarial assumptions, applied to all periods in the measurement:

Valuation date (liability calculation rolled forward to 12/31/16)	12/31/2015
Measurement date (assets and funded status)	12/31/2016
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
	Closed 20-year period
	Market Value
Asset valuation method	
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases	N/A
Includes inflation at	3%
Cost-of-living adjustments	N/A
Age of service retirement	The later of the age 50 and
Post-retirement benefit increases	20 years of service
	None

Mortality assumptions were determined using the RP-2014 Blue Collar Mortality with fully generational improvements from 2006 based on assumptions from the Social Security Administration's 2016 trustees report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity investments	60%	5.1%
Mutual funds	30%	0.6%
Other	5%	0.6%
Cash	5%	0.0%
	100%	

G. DISCOUNT RATES

The discount rate used to measure the total pension liability was 5%. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB 67, which states that "if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in making the evaluations." The determination of the discount rate assumed that the plan's current

underfunded status, combined with Minnesota statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, the plan's long-term expected return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. CHANGES IN THE NET PENSION LIABILITY

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Increase (Decrease) Net Pension Liability (a) - (b)
Balance at December 31, 2015	\$2,532,712	\$1,907,513	\$625,199
Changes for the year:			
Service cost	88,924	-	88,924
Interest	128,235	-	128,235
Changes in benefit terms	-	-	-
Changes of assumptions	(203)	-	(203)
Contributions - employer	-	-	-
On behalf contributions - State of MN	-	177,831	(177,831)
Contributions - employee	-	-	-
Net investment income	-	158,581	(158,581)
Benefit payments, including refunds of employee contributions	(113,883)	(113,883)	-
Administrative expense	-	(16,972)	16,972
Other changes	103,073	500	(500)
Net changes	206,057	206,057	(102,984)
Balance at December 31, 2016	\$2,635,785	\$2,113,570	\$522,215

I. PENSION LIABILITY SENSITIVITY

The following presents the net pension liability of the Relief Association, calculated using the discount rate of 5.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.0 percent) or 1-percentage-point higher (6.0 percent) than the current rate:

	1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
Net pension liability	\$662,503	\$522,215	\$389,017

J. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued Relief Association financial report. That report may be obtained by writing to Chanhassen Fire Department Relief Association, P.O. Box 147, Chanhassen, Minnesota, 55317.

K. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended December 31, 2016, the City recognized pension expense of \$166,607, including \$177,831 as pension expense (and grant revenue) for the State of Minnesota's on-behalf contribution to the plan. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$3,196
Changes in actuarial assumptions	-	162
Difference between projected and actual investment earnings	77,894	-
Total	\$77,894	\$3,358

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31,	Pension Expense
2017	\$29,026
2018	29,026
2019	29,030
2020	(12,546)
2021	-
Thereafter	-

L. TOTAL PENSION EXPENSE

Pension expense recognized by the City for all pension plans for the fiscal year ended December 31, 2016 is as follows:

GERF (Note 8)	\$769,866
PEPPF (Note 8)	143,333
Fire Relief	166,607
Total	\$1,079,806

Note 10 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 8 and 9, the City provides post-employment health care benefits (as defined in paragraph B) for retired employees through a single-employer defined benefit plan. The City's OPEB plan is administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a, and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The Plan does not issue a separate report.

B. BENEFITS PROVIDED

Retirees

The City is required by State Statute to allow retirees to continue participation in the City's group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Employees who satisfy the rule of 80 or attain age 55 and have completed 10 years of service at termination can immediately commence medical benefits. Retirees may obtain dependent coverage while the participating retiree is under age 65. Covered spouses may continue coverage after the retiree's death. The surviving spouse of an active employee may continue coverage in the group health insurance plan after the employee's death.

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

C. PARTICIPANTS

As of the January 1, 2014 actuarial valuation, participants consisted of:

Retirees and beneficiaries currently purchasing health insurance through the City	1
Active employees	60
Total	61
Participating employers	1

D. FUNDING POLICY

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

E. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of December 31, 2016, was calculated as follows:

Annual required contribution (ARC)	\$13,175
Interest on net OPEB obligation	1,224
Adjustment to ARC	(1,770)
Annual OPEB cost	12,629
Contributions made during the year	(9,182)
Increase (decrease) in net OPEB obligation	3,447
Net OPEB obligation - beginning of year	30,603
Net OPEB obligation - end of year	\$34,050

For governmental activities, the net OPEB obligation is generally liquidated by the General Fund.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the previous three years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	\$12,823	\$7,080	55.2%	\$25,531
December 31, 2015	12,719	7,647	60.1%	30,603
December 31, 2016	12,629	9,182	72.7%	34,050

F. FUNDED STATUS AND FUNDING PROGRESS

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded Actuarial Accrued Liability (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a) / c)
January 1, 2014	\$0	\$116,025	\$116,025	0.0%	\$4,568,337	2.5%

*Using the projected unit credit actuarial pay cost method.

G. ACTUARIAL METHODS AND ASSUMPTIONS

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

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

In the January 1, 2014 actuarial valuation, the projected unit credit actuarial pay cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses).

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and an annual health care cost trend rate of 7.5% for 2016, decreasing by 0.5% annually to an ultimate rate of 4.0%. These rates include a 3% inflation rate. The actuarial value of assets was \$0. The plan's unfunded actuarial liability is being amortized using the level percentage of projected payroll method over 30 years on an open basis. The remaining amortization period at December 31, 2016 was 30 years.

Note 11 INTERFUND LOANS AND TRANSFERS

Amounts reported as interfund loan receivable/payable at December 31, 2016 are as follows:

Major Funds:	Interfund	
	Loan Receivable	Loan Payable
Revolving Assessment Fund	\$564,892	\$ -
Water Fund	264,772	1,264,892
Nonmajor Funds	700,000	264,772
Total	\$1,529,664	\$1,529,664

During 2010, the City adopted resolution 2010-16A authorizing an interfund loan for advance of certain costs in connection with the Transit Station Public Improvement Project. The Transit Station Assessment Fund borrowed \$729,253 from the Water Fund. Repayments, including interest, will be made as funds become available. There were \$104,025 of repayments in 2016 and \$110,266 is expected to be repaid in 2017.

During 2015, the City adopted resolution 2015-15 authorizing an interfund loan to finance construction of Well #15. The Water Fund borrowed \$700,000 from the Revolving Assessment Fund and \$700,000 from the Capital Equipment Replacement Fund. The loan will be repaid at an interest rate of 2.5% over eight years, beginning in 2016. Payments during years 2016-2019 will be made to the Revolving Assessment Fund and payments during years 2020-2023 will be made to the Capital Replacement Fund. There were \$163,446 of repayments in 2016 and \$192,175 is expected to be repaid in 2017.

Interfund transfers made during 2016 are summarized as follows:

Major Funds:	Transfers In		Transfers Out	
General Fund	\$ -		\$421,281	
Revolving Assessment Fund	720,337		28,834	
Water Fund	72,286		204,312	
Sewer Fund	-		107,976	
Surface Water Management Fund	-		63,767	
Nonmajor Funds	627,546		593,999	
Total	\$1,420,169		\$1,420,169	

\$907,086 of interfund transfers were made to allocate financial resources to funds that received benefit from services provided by another fund. These transfers are considered routine and consistent with previous

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practices. Additionally, a \$475,000 transfer was made from the 2008A bond fund to the 2016A refunding bond fund as part of the crossover refunding transaction. Finally, a capital asset with a net book value of \$38,083 was transferred from the Sewer Fund to the Water Fund.

Note 12 CONDUIT DEBT

From time to time, the City has issued conduit debt to provide financial assistance to private-sector entities for the acquisition and construction of 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, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2016, the outstanding conduit debt is as follows:

Project Name	Bonds Issued	Original Principal	12/31/16 Principal	Maturity Date
St. Hubert Catholic Community, Series 2007	10/07	5,942,140	3,018,187	2027
Presbyterian Homes, Series 2014B	06/14	9,300,000	8,410,366	2034

Note 13 DEFICIT FUND BALANCES

The City has a deficit fund balance of \$264,772 in the Transit Station Assessment Capital Project Fund at December 31, 2016. The deficit will be eliminated through special assessment collections.

Note 14 COMMITMENTS AND CONTINGENCIES

A. 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. The City continues to carry commercial insurance for risks of loss, including workers compensation, property and general liability and employee health and accident 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 fiscal years.

B. LITIGATION

Any existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance, of an immaterial amount; or, in the judgment of the City's management, are remotely recoverable by plaintiffs.

C. WESTERN AREA FIRE TRAINING ACADEMY

A potential claim may be asserted against the City arising out of its membership in the Western Area Fire Training Academy (WAFTA). WAFTA is a joint powers entity consisting of 11 member cities that was formed in 1974 to purchase property to be used and operated as a fire training facility. In the late 1980's, WAFTA became aware that the site was contaminated. Since that time, WAFTA has been working with the Minnesota Pollution Control Agency (MPCA) and other responsible parties to address the contamination issues on the site. At this time, the City's share of the potential cost to remediate the site cannot be determined, nor has a claim been asserted against WAFTA or the City. Based on recent studies of the site, it is Management's belief that the amount of any potential claim is not material to the financial statements.

D. FEDERAL AND STATE FUNDS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2016.

E. TAX ABATEMENTS – PAY-AS-YOU-GO TAX INCREMENT

The City occasionally provides tax abatements pursuant to Minnesota Statutes 469.174 to 469.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within the City. TIF captures the increase in tax capacity and property taxes from development or redevelopment to provide funding for the related project.

As of December 31, 2016, there were no outstanding pay-as-you-go notes.

F. COMMITTED CONTRACTS

At December 31, 2016, the City had commitments of \$15,398,704 for uncompleted construction contracts. In addition, the City entered into construction contracts during 2017 totaling \$4,443,998.

Note 15 FUND BALANCE

A. CLASSIFICATIONS

Definitions of fund balance classifications are included in Note 1P. At December 31, 2016, a summary of the governmental fund balance classifications are as follows:

	General Fund	Revolving Assessment Fund	TH 101 Improvements	Other Governmental Funds	Total
Nonspendable:					
Prepaid items	\$ 25,832	\$ -	\$ -	\$ -	\$ 25,832
Contract for deed receivable	-	-	-	-	-
Total nonspendable	25,832	0	0	0	25,832
Restricted for:					
Debt service	-	-	-	6,604,268	6,604,268
Park improvements	-	-	-	1,505,784	1,505,784
Tax increment purposes	-	-	-	399,178	399,178
CATV - public education	-	-	-	112,161	112,161
Public safety - fire	-	-	-	52,590	52,590
Total restricted	0	0	0	8,673,981	8,673,981
Assigned for:					
Capital improvements	-	2,422,959	2,798	3,428,711	5,854,468
Cable communications	-	-	-	324,564	324,564
Cemetery operations	-	-	-	34,411	34,411
Debt service reserve	-	-	-	1,593,515	1,593,515
Total assigned	0	2,422,959	2,798	5,381,201	7,806,958
Unassigned	5,286,880	-	-	(264,772)	5,022,108
Total	\$5,312,712	\$2,422,959	\$2,798	\$13,790,410	\$21,528,879

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year – June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The City's fund balance policy states the year end General Fund balance shall be sufficient to cover 50% of the property taxes budgeted to be received during the following year. At December 31, 2016, the fund balance of the General Fund exceeded this level.

Note 16 LEASE REVENUE

The City receives revenue from agreements for the lease of space above its water towers and on City property to communication companies. The space is used for antennas and other equipment necessary to provide radio communications. For accounting purposes, the leases are considered operating leases. Lease revenue for the year ended December 31, 2016 totaled \$182,378. Terms of each lease outstanding at year end are as follows:

Lessee	Terms	Current Term
Sprint	\$25,082 per year with 3% annual increases	8/1/06 - 7/31/21
Sprint	\$23,486 per year with 3% annual increases	12/1/05 - 11/30/20
Verizon	\$2,068 per month	8/1/13 - 4/30/18
Nexel West Corp.	\$22,926 per year with 3% annual increases	12/1/14 - 11/30/19
T-Mobile	\$2,153 per month with 3% annual increases	11/1/05 - 10/31/20
T-Mobile	\$22,258 per year with 3% annual increases	1/1/14 - 12/31/19
StoneBridge/Nextera	5% of gross revenues associated with equipment used on property	4/1/06 - 12/31/19
Cingular/AT&T	\$2,029 per month with 3% annual increases	8/1/12 - 7/31/2022

Note 17 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Boards (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

Statement No. 80 Blending Requirements for Certain Component Units. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81 Irrevocable Split-Interest Agreements. The provisions of this Statement are effective for reporting periods beginning after December 15, 2016.

Statement No. 82 Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Statement No. 83 Certain Asset Retirement Obligations. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84 Fiduciary Activities. The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 85 Omnibus 2017. The provisions of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 86 Certain Debt Extinguishment Issues. The provisions of this Statement are effective for reporting periods beginning after June 15, 2017.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 75 will have a material impact.

Note 18 SUBSEQUENT EVENT

On February 1, 2017, the City issued \$10,000,000 of General Obligation Water Revenue Bonds, Series 2017A, with an average coupon rate of 3.13%. The bonds were issued to provide funding for construction of the West Water Treatment Plant.

	2016		Variance with Final Budget	2015	
	Budgeted Amounts Original	Actual Amounts Final		Actual Amounts Final	Actual Amounts

Revenues:					
General property taxes	\$8,052,431	\$7,995,056	(\$5,737)	\$7,805,301	
Excess tax increment received	-	33,069	33,069	20,503	
Total general property taxes	8,052,431	8,028,125	(24,306)	7,825,804	
Licenses and permits:					
Licenses - general government	5,300	3,000	(2,300)	3,600	
Licenses - public safety	97,500	92,721	(4,779)	92,190	
Permits - public safety	879,500	994,456	114,956	1,141,363	
Permits - public works	33,000	43,676	10,676	49,965	
Permits - community development	6,500	8,925	2,425	8,885	
Total licenses and permits	1,021,800	1,142,778	120,978	1,296,003	
Intergovernmental:					
State aid - police - public safety	140,000	149,504	9,504	134,909	
State aid - fire - public safety	160,000	189,502	29,502	186,517	
PERA - public safety	20,000	19,467	(533)	19,467	
Other	45,000	48,034	3,034	43,132	
Total intergovernmental	365,000	406,507	41,507	384,025	
Charges for services:					
General government	76,550	76,205	(345)	76,714	
Public safety	6,000	6,282	282	7,384	
Public works	70,000	65,917	(4,083)	40,733	
Park and recreation	425,550	454,583	29,033	444,942	
Community development	28,600	19,582	(9,018)	27,794	
Total charges for services	606,700	622,569	15,869	597,567	
Fines and forfeits:					
Public safety	111,000	114,367	3,367	117,189	
Investment earnings	45,000	33,578	(11,422)	62,861	
Contributions and donations:					
General government	500	600	100	600	
Public safety	200	300	100	400	
Park and recreation	22,569	23,375	806	25,400	
Total contributions and donations	23,269	24,275	1,006	26,400	
Refunds and reimbursements:					
General government	4,500	10,268	5,768	5,281	
Public safety	10,000	8,050	(1,950)	7,150	
Public works	50,500	40,030	(10,470)	42,438	
Park and recreation	10,000	2,456	(7,544)	8,689	
Total refunds and reimbursements	75,000	60,804	(14,196)	63,558	
Other:					
General government	179,800	189,487	9,687	184,576	
Public safety	6,000	4,067	(1,933)	5,553	
Public works	-	1,646	1,646	-	
Total other	185,800	195,200	9,400	190,129	
Total revenues	10,486,000	10,621,705	135,705	10,550,244	

	2016		Variance with Final Budget	2015	
	Budgeted Amounts Original	Actual Amounts Final		Actual Amounts Final	Actual Amounts

Expenditures:					
General government:					
Legislative:					
Current:					
Personal services	\$32,200	\$30,821	\$1,379	\$30,538	
Contractual services	71,600	80,208	(8,608)	70,105	
Total legislative	103,800	111,029	(7,229)	100,643	
Administrative office:					
Current:					
Personal services	443,200	487,834	(44,634)	468,877	
Materials and supplies	-	-	-	17	
Contractual services	52,400	61,290	(8,890)	54,558	
Total administrative office	495,600	549,124	(53,524)	523,452	
Finance:					
Current:					
Personal services	275,500	281,815	(6,315)	268,219	
Materials and supplies	200	-	200	-	
Contractual services	65,000	41,269	23,731	69,774	
Total finance	340,700	323,084	17,616	337,993	
Election:					
Current:					
Personal services	22,500	29,581	(7,081)	-	
Materials and supplies	3,500	731	2,769	-	
Contractual services	12,200	14,559	(2,359)	-	
Total election	38,200	44,871	(6,671)	0	
Legal:					
Current:					
Contractual services	168,000	187,471	(19,471)	167,264	
Property assessment:					
Current:					
Contractual services	134,000	146,371	(12,371)	138,862	
M.I.S.:					
Current:					
Personal services	199,700	161,476	38,224	193,918	
Materials and supplies	32,900	32,900	0	21,843	
Contractual services	47,200	54,777	(7,577)	43,930	
Total M.I.S.	279,800	238,096	41,704	261,660	

CITY OF CHANHASSEN, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2016
 With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 10
 Page 3 of 6

	2016			2015	
	Budgeted	Actual	Variance with	Budgeted	Actual
	Original	Final		Final	Amounts
Expenditures: (continued)					
General government: (continued)					
City hall:					
Current:					
Personal services	\$78,300	\$79,795	(\$1,495)		\$76,058
Materials and supplies	40,200	39,896	304		42,823
Contractual services	276,000	255,629	20,371		278,218
Total City hall	394,500	375,320	19,180		397,099
Library:					
Current:					
Materials and supplies	4,500	2,105	2,395		1,584
Contractual services	108,500	109,849	(1,349)		108,363
Total library	113,000	111,954	1,046		109,947
Total general government	2,067,600	2,087,320	(19,720)		2,036,920
Public safety:					
Police:					
Current:					
Personal services	73,100	30,597	42,503		71,743
Materials and supplies	3,000	475	2,525		2,561
Contractual services	1,734,000	1,685,775	48,225		1,644,130
Total police	1,810,100	1,716,847	93,253		1,718,434
Fire department:					
Current:					
Personal services	696,900	687,197	9,703		719,516
Materials and supplies	48,900	34,527	14,373		42,120
Contractual services	123,100	113,488	9,612		116,528
Total fire department	868,900	835,212	33,688		878,164
Code enforcement:					
Current:					
Personal services	638,200	687,628	(49,428)		639,690
Materials and supplies	6,600	5,742	858		4,886
Contractual services	13,000	8,921	4,079		11,601
Total code enforcement	657,800	702,291	(44,491)		656,177
Animal control:					
Current:					
Personal services	58,600	51,495	7,105		49,363
Materials and supplies	2,300	1,797	503		853
Contractual services	7,600	5,062	2,538		5,161
Total animal control	68,500	58,354	10,146		55,377
Total public safety	3,405,300	3,312,704	92,596		3,308,152

CITY OF CHANHASSEN, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2016
 With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 10
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	2016			2015	
	Budgeted	Actual	Variance with	Budgeted	Actual
	Original	Final		Final	Amounts
Expenditures: (continued)					
Public works:					
Engineering:					
Current:					
Personal services	\$621,700	\$629,262	(\$7,562)		\$614,012
Materials and supplies	800	843	(43)		1,964
Contractual services	28,200	24,389	3,811		24,878
Total engineering	650,700	654,494	(3,794)		640,854
Street maintenance:					
Current:					
Personal services	749,500	730,609	18,891		689,264
Materials and supplies	123,400	123,400	95,257		107,399
Contractual services	30,900	30,900	27,713		22,591
Total street maintenance	903,800	884,909	18,891		819,254
Street lighting:					
Current:					
Materials and supplies	3,000	3,000	2,785		454
Contractual services	348,000	356,777	(8,777)		353,522
Total street lighting	351,000	359,777	(8,777)		353,976
Fleet department:					
Current:					
Personal services	277,400	279,669	(2,269)		267,119
Materials and supplies	207,200	116,830	90,370		182,596
Contractual services	71,100	60,701	10,399		62,813
Total City garage	555,700	457,200	98,500		512,528
Total public works	2,461,200	2,324,835	136,365		2,326,612
Parks and recreation:					
Parks and recreation commission:					
Current:					
Materials and supplies	100	100	100		12
Contractual services	400	400	325		3,174
Total parks and recreation commission	500	500	425		3,186
Parks and recreation administration:					
Current:					
Personal services	216,600	209,634	6,966		146,818
Materials and supplies	200	200	200		153
Contractual services	5,900	4,849	1,051		5,150
Total parks and recreation administration	222,700	214,683	8,217		152,121
Recreation center:					
Current:					
Personal services	217,700	203,502	14,198		205,293
Materials and supplies	31,000	16,056	14,944		20,315
Contractual services	88,700	100,314	(11,614)		80,196
Total recreation center	337,400	319,872	17,528		305,804

CITY OF CHANHASSEN, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2016
 With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 10
 Page 5 of 6

	2016		2015	
	Budgeted Original	Actual Final	Budgeted Original	Actual Final
Expenditures: (continued)				
Parks and recreation: (continued)				
Senior citizen center:				
Current:				
Personal services	\$51,700	\$51,889	(\$189)	\$50,317
Materials and supplies	3,300	2,539	761	4,631
Contractual services	21,800	31,157	(9,357)	28,623
Total senior citizen center	76,800	85,585	(8,785)	83,571
Recreation programs:				
Current:				
Personal services	190,300	188,269	2,031	178,426
Materials and supplies	20,200	19,230	970	22,819
Contractual services	101,200	108,630	(7,430)	96,064
Total recreation programs	311,700	316,129	(4,429)	297,309
Self-supporting programs:				
Current:				
Personal services	34,300	33,164	1,136	30,078
Materials and supplies	3,200	4,142	(942)	4,255
Contractual services	20,000	11,766	8,234	11,315
Total self-supporting programs	57,500	49,072	8,428	45,648
Lake Ann Park operations:				
Current:				
Personal services	10,300	10,096	204	10,909
Materials and supplies	10,200	8,633	1,567	9,512
Contractual services	42,600	46,869	(4,269)	44,488
Total Lake Ann Park operations	63,100	65,598	(2,498)	64,909
Park maintenance:				
Current:				
Personal services	803,600	821,629	(18,029)	832,508
Materials and supplies	78,100	76,369	1,731	84,016
Contractual services	90,000	74,880	15,120	68,643
Total park maintenance	971,700	972,878	(1,178)	985,167
Downtown maintenance:				
Current:				
Contractual services	-	41	(41)	2,010
Recreation sports:				
Current:				
Personal services	27,500	24,571	2,929	24,632
Materials and supplies	8,800	8,162	638	7,696
Contractual services	300	-	300	-
Total recreation sports	36,600	32,733	3,867	32,328
Total parks and recreation	2,078,000	2,056,716	21,284	1,972,053

CITY OF CHANHASSEN, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended December 31, 2016
 With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 10
 Page 6 of 6

	2016		2015	
	Budgeted Original	Actual Final	Budgeted Original	Actual Final
Expenditures: (continued)				
Community development:				
Planning commission:				
Current:				
Personal services	\$-	\$-	\$-	\$163
Materials and supplies	200	200	-	200
Contractual services	1,100	1,100	1,160	(60)
Total planning commission	1,300	1,300	1,160	3,418
Planning administration:				
Current:				
Personal services	425,300	425,300	427,035	(1,735)
Materials and supplies	400	400	119	281
Contractual services	11,500	11,500	7,761	3,739
Total planning administration	437,200	437,200	434,915	2,285
Senior facility commission:				
Current:				
Personal services	25,700	26,403	(703)	25,430
Contractual services	9,700	9,700	9,329	371
Total senior facility commission	35,400	35,400	35,732	(332)
Total community development	473,900	473,900	471,807	2,093
Total expenditures	10,486,000	10,486,000	10,253,382	232,618
Revenues over expenditures	0	0	368,323	368,323
Other financing sources (uses):				
Sale of capital assets	-	-	35,324	35,324
Transfers out	-	-	(421,281)	(421,281)
Total other financing sources (uses)	0	0	(385,957)	(385,957)
Net change in fund balance	\$0	\$0	(17,634)	(\$17,634)
Fund balance - January 1		5,330,346		5,609,065
Fund balance - December 31		\$5,312,712		\$5,330,346

CITY OF CHANHASSEN, MINNESOTA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - RETIREE HEALTH PLAN
For The Year Ended December 31, 2016**

Statement 11

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$0	\$52,268	\$52,268	0.0%	\$4,180,235	1.3%
January 1, 2011	\$0	\$89,875	\$89,875	0.0%	\$4,299,466	2.1%
January 1, 2014	\$0	\$116,025	\$116,025	0.0%	\$4,568,337	2.5%

*Using the projected unit credit actuarial pay cost method.

**CITY OF CHANHASSEN, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
GENERAL EMPLOYEES RETIREMENT FUND
For The Year Ended December 31, 2016**

Statement 12

Measurement Date	Fiscal Year Ending	City's Proportionate Share (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Percentage) of the Net Pension Liability Associated with City (b)	City's Proportionate Share of the Net Pension Liability		City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
					City's Proportionate Share of the Net Pension Liability	City (a+b)		
June 30, 2015	December 31, 2015	0.0791%	\$4,099,373	\$0	\$4,099,373	\$4,651,703	88.1%	78.2%
June 30, 2016	December 31, 2016	0.0759%	6,162,704	80,496	6,243,200	4,708,444	132.6%	68.9%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

Statement 13

CITY OF CHANHASSEN, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS - GENERAL EMPLOYEES RETIREMENT FUND
 For The Year Ended December 31, 2016

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
December 31, 2015	\$346,881	\$346,881	\$0	\$4,625,080	7.5%
December 31, 2016	358,611	358,611	-	4,781,489	7.5%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

Statement 14

CITY OF CHANHASSEN, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
 PUBLIC EMPLOYEES POLICE AND FIRE FUND
 For The Year Ended December 31, 2016

Measurement Date	Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability (a)		Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
			Liability (a)	Payroll (b)	Payroll (b)	Payroll (a/b)	
June 30, 2015	December 31, 2015	0.0200%	\$227,247	\$180,370	126.0%	86.6%	
June 30, 2016	December 31, 2016	0.0190%	762,503	186,408	409.1%	63.9%	

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

Statement 15

CITY OF CHANHASSEN, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS - PUBLIC EMPLOYEES POLICE AND FIRE FUND
 For The Year Ended December 31, 2016

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of	
					Covered Payroll (b/c)	Payroll (b/c)
December 31, 2015	\$29,647	\$29,647	\$0	\$183,006	16.2%	
December 31, 2016	30,790	30,790	-	190,064	16.2%	

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

Statement 16

CITY OF CHANHASSEN, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
 CHANHASSEN FIRE DEPARTMENT RELIEF ASSOCIATION
 For The Year Ended December 31, 2016

Fiscal year ending and measurement date	December 31, 2016	December 31, 2015
Total pension liability:		
Service cost	\$88,924	\$86,369
Interest	128,235	118,909
Changes of benefit terms	-	279,202
Differences between expected and actual experience	-	(5,328)
Changes of assumptions	(203)	-
Benefit payments, including refunds of employee contributions	(113,883)	(470,743)
Net change in total pension liability	103,073	8,409
Total pension liability - beginning	2,532,712	2,524,303
Total pension liability - ending (a)	\$2,635,785	\$2,532,712
Plan fiduciary net position:		
Contributions - employer	\$ -	\$37,571
Contributions - State of Minnesota	177,831	177,784
Contributions - employee	-	-
Net investment income	158,581	(105,958)
Benefit payments, including refunds of employee contributions	(113,883)	(470,743)
Administrative expense	(16,472)	(7,225)
Net change in plan fiduciary net position	206,057	(368,571)
Plan fiduciary net position - beginning	1,907,513	2,276,084
Plan fiduciary net position - ending (b)	\$2,113,570	\$1,907,513
Net pension liability - ending (a) - (b)	\$522,215	\$625,199
Plan fiduciary net position as a percentage of the total pension liability	80.2%	75.3%
Covered payroll*	\$0	\$0
Net pension liability as a percentage of covered payroll*	Not applicable	Not applicable

*The Chanhassen Fire Department Relief Association is comprised of volunteers, therefore there are no payroll expenditures. GASB 68 was implemented in 2015. Information prior to 2015 is not available.

Statement 17
CITY OF CHANHASSEN, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - CHANHASSEN FIRE DEPARTMENT RELIEF ASSOCIATION
 For The Year Ended December 31, 2016

Fiscal Year Ending	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution		Contribution Deficiency (Excess) (a-b-c)	Contributions As a Percentage of Covered Payroll
		Employer Contributions (b)	State of MN Contributions (c)		
December 31, 2015	\$142,501	\$37,571	\$174,784	(\$69,854)	*
December 31, 2016	171,760	-	176,831	(3,071)	*

*The Chanhassen Fire Department Relief Association is comprised of volunteers, therefore, there are no payroll expenditures. (i.e., there are no covered payroll amounts or percentage calculations.)

GASB 68 was implemented in 2015. Information prior to 2015 is not available.

CITY OF CHANHASSEN, MINNESOTA
NOTES TO RSI
 December 31, 2016

A. LEGAL COMPLIANCE – BUDGETS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the expenditure category level.

B. PENSION INFORMATION

PERA – General Employees Retirement Fund

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

PERA – Public Employees Police and Fire Fund

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Single Employer – Fire Relief Association

Valuation date – actuarially determined contribution rates are calculated as of January 1 every other year, which is the same date as the beginning of the fiscal year beginning in which contributions are reported.

2016 Changes in Actuarial Assumptions:

- As of December 31, 2016, the mortality assumption was changed to the RP-2014 Blue Collar Mortality with fully generational improvements from 2006 based on assumptions from the Social Security Administration's 2016 trustees report.

Details can be obtained from the financial reports of the Fire Relief Association.

CITY OF CHANHASSEN, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2016
 With Comparative Totals For December 31, 2015

Statement 18

	Special Revenue	Debt Service	Capital Project	Total Nonmajor Governmental Funds	
				2016	2015
Assets:					
Cash and investments	\$471,946	\$2,761,824	\$3,759,735	\$6,993,505	\$8,847,939
Cash with escrow agent	-	3,414,798	-	5,414,798	-
Accrued interest receivable	1,649	9,182	15,282	26,113	58,817
Due from other governmental units	249	-	38,020	38,269	206,499
Accounts receivable - net	53,232	-	143,336	196,568	137,542
Property taxes receivable	-	11,490	7,977	19,467	12,697
Prepaid items	-	-	-	-	836
Interfund loan receivable	-	-	700,000	700,000	700,000
Contract for deed receivable	-	-	1,252,869	1,282,486	-
Special assessments receivable	-	328,464	351,043	679,507	376,813
Total assets	\$527,076	\$8,525,758	\$6,268,262	\$15,321,096	\$11,623,629
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ -	\$ -	\$119,781	\$119,781	\$87,801
Due to other governmental units	-	-	25,408	25,408	-
Salaries payable	3,350	-	-	3,350	2,870
Contracts payable	-	-	351,203	351,203	13,461
Due to other funds	-	-	-	-	72,271
Interfund loan payable	-	-	264,772	264,772	-
Unearned revenue	-	-	81,629	81,629	94,873
Total liabilities	3,350	0	842,793	846,143	271,276
Deferred inflows of resources:					
Unavailable revenue	-	327,975	356,568	684,543	378,382
Fund balance:					
Nonspendable	-	-	-	-	1,253,705
Restricted	164,751	6,604,268	1,904,962	8,673,981	5,824,354
Assigned	358,975	1,593,515	3,428,711	5,381,201	3,899,624
Unassigned	-	-	(264,772)	(264,772)	(3,712)
Total fund balance	523,726	8,197,783	5,068,901	13,790,410	10,973,971
Total liabilities, deferred inflows of resources, and fund balance	\$527,076	\$8,525,758	\$6,268,262	\$15,321,096	\$11,623,629

CITY OF CHANHASSEN, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2016
 With Comparative Totals For The Year Ended December 31, 2015

Statement 19

	Special Revenue	Debt Service	Capital Project	Total Nonmajor Governmental Funds	
				2016	2015
Revenues:					
General property taxes	\$ -	\$1,287,492	\$893,000	\$2,180,492	\$2,253,998
Tax increment collections	-	-	111,761	111,761	200,338
Licenses and permits	-	-	511,080	511,080	269,897
Intergovernmental	-	-	426,474	426,474	2,978,209
Special assessments	-	44,360	146,505	190,865	787,164
Charges for services	219,932	4,039	32,194	223,971	201,976
Investment earnings	3,476	33,800	-	130,658	-
Net change in fair value of investments	(673)	(3,742)	-	(10,646)	(27,626)
Contributions and donations	36,527	-	-	36,527	51,775
Refunds and reimbursements	249	-	76,209	76,458	22,396
Other	259,511	1,365,949	2,271,859	80,867	77,493
Total revenues	259,511	1,365,949	2,271,859	3,897,319	6,946,278
Expenditures:					
Current:					
General government	172,777	3,891	215,283	391,951	354,275
Public safety	16,670	-	583,772	400,442	123,389
Public works	-	-	761,167	761,167	2,063,753
Parks and recreation	-	-	199,598	199,598	84,929
Community development	-	-	47,875	47,875	30,156
Capital outlay:					
General government	-	-	62,713	62,713	-
Public safety	5,900	-	308,104	314,004	122,143
Public works	-	-	95,757	95,757	1,733,737
Parks and recreation	-	-	1,153,763	1,153,763	467,333
Decertification of TIF district	-	-	139,594	139,594	-
Debt service:					
Principal	-	1,795,000	-	1,795,000	1,810,000
Interest and paying agent fees	-	483,533	-	483,533	439,470
Total expenditures	195,347	2,282,424	3,367,626	5,845,397	7,229,185
Revenues over (under) expenditures	64,164	(916,475)	(1,095,767)	(1,948,078)	(282,907)
Other financing sources (uses):					
Sale of capital assets	-	-	54,994	54,994	41,015
Bonds issued	-	4,805,000	-	4,805,000	-
Bonds premium	-	239,773	-	239,773	-
Transfers in	-	475,000	152,546	627,546	971,240
Transfers out	-	(475,000)	(118,999)	(593,999)	(679,891)
Total other financing sources (uses)	0	5,044,773	88,541	5,133,314	332,364
Net change in fund balance	64,164	4,128,298	(1,007,226)	3,185,236	49,457
Fund balance - January 1	459,562	4,069,485	6,076,127	10,605,174	10,924,514
Fund balance - December 31	\$523,726	\$8,197,783	\$5,068,901	\$13,790,410	\$10,973,971
Reconciliation of beginning fund balance to prior year ending fund balance:					
Prior year ending fund balance reported above					
Reclassification of Transit Station Assessment Fund balance, now presented as a nonmajor fund					
Fund balance - January 1, 2016 as reported on this statement					

CITY OF CHANHASSEN, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

Statement 20

	201 Contribution Fund	202 Cemetery Fund	210 CATV Fund	Total Nonmajor Special Revenue Funds
			2016	2015
Assets:				
Cash and investments	\$47,708	\$34,313	\$389,925	\$395,320
Accrued interest receivable	156	98	1,395	2,593
Due from other governmental units	-	-	249	-
Accounts receivable - net	4,726	-	48,506	66,661
Prepaid items	-	-	-	276
Total assets	\$52,590	\$34,411	\$440,075	\$464,850
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$2,418
Salaries payable	-	-	3,350	2,870
Total liabilities	0	0	3,350	5,288
Fund balance:				
Nonspendable	-	-	-	276
Restricted	52,590	-	112,161	154,810
Assigned	-	34,411	324,564	304,476
Total fund balance	52,590	34,411	436,725	459,562
Total liabilities and fund balance	\$52,590	\$34,411	\$440,075	\$464,850

CITY OF CHANHASSEN, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

Statement 21

	201 Contribution Fund	202 Cemetery Fund	210 CATV Fund	Total Nonmajor Special Revenue Funds
			2016	2015
Revenues:				
Charges for services	\$ -	\$25,850	\$194,082	\$201,976
Investment earnings	329	207	2,940	5,759
Net change in fair value of investments	(64)	(40)	(569)	(1,218)
Contributions and donations	36,527	-	-	36,527
Refunds and reimbursements	-	249	-	249
Total revenues	36,792	26,017	196,702	259,511
Expenditures:				
Current:				
General government	-	1,105	171,672	172,777
Public safety	16,670	-	-	16,670
Capital outlay:				
Public safety	5,900	-	-	5,900
Total expenditures	22,570	1,105	171,672	195,347
Revenues over expenditures	14,222	24,912	25,030	54,943
Fund balance - January 1	38,368	9,499	411,695	404,619
Fund balance - December 31	\$52,590	\$34,411	\$436,725	\$459,562

Statement 23

CITY OF CHANHASSEN, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

	300 Permanent Revolving Debt	367 2008A G.O. Public Works Facility Bonds		368 2009A G.O. Library Refunding Bonds		370 2016A G.O. Refunding Bonds		Total Nonmajor Debt Service Funds	
		2016	2015	2016	2015	2016	2015	2016	2015
Revenues:									
General property taxes	\$ 38,062	\$594,000	\$240,700	\$452,792	\$ -	\$1,287,492	\$1,268,998		
Special assessments	4,039	-	6,298	-	-	44,360	787,164		
Charges for services	6,301	2,164	7,602	3,075	14,458	33,800	44,664		
Investment earnings	(1,219)	(457)	(1,471)	(392)	-	(3,762)	(9,443)		
Net change in fair value of investments	47,183	595,507	253,129	455,272	14,458	1,365,949	2,091,383		
Total revenues									
Expenditures:									
Current:									
General government	-	-	3,891	-	-	3,891	7,000		
Debt service:									
Principal	-	295,000	1,155,000	345,000	-	1,795,000	1,810,000		
Interest and paying agent fees	-	261,260	28,683	75,992	119,347	485,533	439,470		
Total expenditures	0	556,260	1,183,516	420,992	119,347	2,282,424	2,256,470		
Revenues over (under) expenditures	47,183	39,338	(932,387)	34,280	(104,889)	(916,475)	(165,087)		
Other financing sources (uses):									
Bonds issued	-	-	-	-	4,805,000	4,805,000	-		
Bond premium	-	-	-	-	239,773	239,773	-		
Transfers in	-	(475,000)	-	-	475,000	(475,000)	673,373		
Total other financing sources (uses)	0	(475,000)	0	0	5,519,773	5,044,773	673,373		
Net change in fund balance	47,183	(435,662)	(932,387)	34,280	5,414,884	4,128,298	508,286		
Fund balance - January 1	772,221	956,015	1,706,498	634,751	-	4,069,485	3,561,199		
Fund balance - December 31	\$819,404	\$520,353	\$774,111	\$669,031	\$5,414,884	\$8,197,783	\$4,069,485		

Statement 22

CITY OF CHANHASSEN, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

	300 Permanent Revolving Debt	367 2008A G.O. Public Works Facility Bonds		368 2009A G.O. Library Refunding Bonds		370 2016A G.O. Refunding Bonds		Total Nonmajor Debt Service Funds	
		2016	2015	2016	2015	2016	2015	2016	2015
Assets:									
Cash and investments	\$815,924	\$513,930	\$768,355	\$663,530	\$85	\$2,761,824	\$4,042,261		
Cash with escrow agent	-	1,122	3,608	1,460	5,414,798	9,182	20,106		
Accrued interest receivable	2,991	5,301	2,148	4,041	1	11,490	7,118		
Property taxes receivable	17,342	-	311,122	-	-	328,464	369,027		
Special assessments receivable									
Total assets	\$836,257	\$520,353	\$1,085,233	\$669,031	\$5,414,884	\$8,225,758	\$4,438,512		
Liabilities, Deferred Inflows of Resources, and Fund Balance									
Liabilities:									
Deferred inflows of resources:									
Unavailable revenue	16,853	-	311,122	-	-	327,975	369,027		
Fund balance:									
Restricted	819,404	520,353	774,111	669,031	5,414,884	6,604,268	3,297,264		
Assigned	819,404	520,353	774,111	669,031	5,414,884	8,197,783	4,069,485		
Total fund balance	\$836,257	\$520,353	\$1,085,233	\$669,031	\$5,414,884	\$8,225,758	\$4,438,512		

CITY OF CHANHASSEN, MINNESOTA
 SUBCOMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 December 31, 2016
 With Comparative Totals For December 31, 2015

Statement 24
 Page 1 of 2

	400 Capital Replacement Fund	410 Park Acquisition and Development	413 Transit Station Assessment Fund	420 Street Pavement Management
Assets:				
Cash and investments	\$515,777	\$1,810,535	\$ -	\$351,853
Accrued interest receivable	1,873	7,235	-	1,821
Due from other governmental units	360	-	-	12,430
Accounts receivable - net	143,336	-	-	-
Property taxes receivable	7,146	-	-	831
Prepaid items	-	-	-	-
Interfund loan receivable	700,000	-	-	-
Contract for deed receivable	-	-	351,043	-
Special assessments receivable	-	-	-	-
Total assets	\$1,368,492	\$1,817,770	\$351,043	\$366,935

Liabilities, Deferred Inflows of Resources, and Fund Balance

Liabilities:				
Accounts payable	\$103,520	\$15,298	\$ -	\$464
Due to other governmental units	-	-	-	24,658
Contracts payable	54,515	296,688	-	-
Due to other funds	-	-	-	-
Interfund loan payable	-	-	264,772	-
Unearned revenue	-	-	-	80,429
Total liabilities	158,035	311,986	264,772	105,551
Deferred inflows of resources:				
Unavailable revenue	5,525	-	351,043	-
Fund balance:				
Nonspendable	-	-	-	-
Restricted	-	1,505,784	-	-
Assigned	1,204,932	-	-	261,384
Unassigned	-	-	(264,772)	-
Total fund balance	1,204,932	1,505,784	(264,772)	261,384
Total liabilities, deferred inflows of resources, and fund balance	\$1,368,492	\$1,817,770	\$351,043	\$366,935

CITY OF CHANHASSEN, MINNESOTA
 SUBCOMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 December 31, 2016
 With Comparative Totals For December 31, 2015

	422 Old Public Works Building	461 Gateway Place TIF # 9	462 Downtown Transit Station TIF # 10
Assets:			
Cash and investments	\$214,766	\$40,068	\$65
Accrued interest receivable	1,098	78	1
Due from other governmental units	-	-	-
Accounts receivable - net	-	-	-
Property taxes receivable	-	-	-
Prepaid items	-	-	-
Interfund loan receivable	-	-	-
Contract for deed receivable	1,252,869	-	-
Special assessments receivable	-	-	-
Total assets	\$1,468,733	\$40,146	\$66

Liabilities, Deferred Inflows of Resources, and Fund Balance

Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-
Contracts payable	-	-	-
Due to other funds	-	-	-
Interfund loan payable	-	-	-
Unearned revenue	-	-	-
Total liabilities	0	0	0
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Fund balance:			
Nonspendable	-	-	-
Restricted	-	40,146	66
Assigned	1,468,733	-	-
Unassigned	-	-	-
Total fund balance	1,468,733	40,146	66
Total liabilities, deferred inflows of resources, and fund balance	\$1,468,733	\$40,146	\$66

CITY OF CHANHASSEN, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

491 Entertainment TIF # 4	494 North Bay TIF # 5	603 Lyman Boulevard Improvements	605 TH101 Improvements - Pioneer to Flying Cloud		Total Nonmajor Capital Project Funds	
			2016	2015	2016	2015
\$109	\$357,857	\$454,649	\$14,056	\$4,410,358	\$3,759,735	\$4,410,358
266	1,233	1,677	-	36,118	15,282	36,118
-	-	25,230	-	38,020	206,499	206,499
-	-	-	-	70,881	143,336	70,881
-	-	-	-	5,579	7,977	5,579
-	-	-	-	560	-	560
-	-	-	-	700,000	700,000	700,000
-	-	-	-	1,282,486	1,252,869	1,282,486
-	-	-	-	7,786	351,043	7,786
\$375	\$359,090	\$481,556	\$14,056	\$6,720,267	\$6,268,262	\$6,720,267
\$ -	\$499	\$ -	\$ -	\$119,781	\$85,383	\$85,383
-	-	-	750	25,408	25,408	-
-	-	-	-	351,203	13,461	72,271
-	-	-	-	264,772	-	-
-	-	-	1,200	81,629	94,873	-
0	499	0	1,950	842,793	265,988	265,988
-	-	-	-	356,568	9,355	9,355
-	-	-	-	-	1,253,429	1,253,429
375	358,591	-	-	1,904,962	2,372,280	2,372,280
-	-	481,556	12,106	3,428,711	2,822,927	2,822,927
-	-	-	-	(264,772)	(3,712)	(3,712)
375	358,591	481,556	12,106	5,068,901	6,444,924	6,444,924
\$375	\$359,090	\$481,556	\$14,056	\$6,268,262	\$6,720,267	\$6,720,267

Revenues:	400 Capital Replacement Fund	410 Park Acquisition and Development	413 Transit Station Assessment Fund	420 Street Pavement Management	Revenues:
Tax increment collections	-	-	-	-	
Licenses and permits	-	511,080	-	-	
Intergovernmental	-	-	-	416,098	
Special assessments	-	-	138,228	8,277	
Investment earnings	3,946	15,242	-	3,836	
Net change in fair value of investments	(764)	(2,950)	-	(742)	
Contributions and donations	-	-	-	-	
Refunds and reimbursements	68,744	3	-	46	
Other	3,000	-	-	-	
Total revenues	874,926	523,375	138,228	520,515	
Expenditures:					
Current:					
General government	215,283	-	-	-	
Public safety	383,772	-	-	-	
Public works	28,434	-	-	686,539	
Parks and recreation	181,694	17,904	-	-	
Community development	-	-	-	-	
Capital outlay:					
General government	62,713	-	-	-	
Public safety	53,913	-	-	-	
Public works	87,700	-	-	8,057	
Parks and recreation	214,519	896,610	-	42,634	
Decertification of TIF district	-	-	-	-	
Total expenditures	1,228,028	914,514	0	737,230	
Revenues over (under) expenditures	(353,102)	(391,139)	138,228	(216,715)	
Other financing sources (uses):					
Sale of capital assets	54,994	-	-	-	
Transfers in	120,000	-	-	-	
Transfers out	-	-	(34,203)	-	
Total other financing sources (uses)	174,994	0	(34,203)	0	
Net change in fund balance	(178,108)	(391,139)	104,025	(216,715)	
Fund balance - January 1	1,383,040	1,896,923	(368,797)	478,099	
Fund balance - December 31	\$1,204,932	\$1,505,784	(\$264,772)	\$261,384	

	491 Entertainment TIF # 4	494 North Bay TIF # 5	600 Special Assessment Projects	603 Lyman Boulevard Improvements	605 TH101 Improvements - Pioneer to Flying Cloud	Total Nonmajor Capital Project Funds
	2016	2015				
Revenues:						
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$985,000
Tax increment collections	-	88,925	-	-	-	200,338
Licenses and permits	-	-	-	-	-	511,080
Intergovernmental	-	-	-	-	10,376	269,897
Special assessments	-	-	-	-	-	426,474
Investment earnings	560	2,597	3,533	-	-	146,505
Net change in fair value of investments	(108)	(503)	(684)	-	-	80,235
Contributions and donations	-	-	-	-	-	(16,965)
Refunds and reimbursements	-	-	7,416	-	-	12,155
Other	-	-	-	-	-	22,396
Total revenues	452	91,019	0	10,265	14,400	80,867
						2,271,859
Expenditures:						
Current:						
General government	-	-	-	-	-	215,283
Public safety	-	-	-	-	-	383,772
Parks and recreation	-	-	-	46,194	-	761,167
Community development	15,317	31,242	-	-	-	199,598
Capital outlay:						
General government	-	-	-	-	-	47,875
Public safety	-	-	-	-	-	62,713
Parks and recreation	-	-	-	-	-	308,104
Public works	-	-	-	-	-	1,733,737
Parks and recreation	-	-	-	-	-	95,757
Decertification of TIF district	139,594	-	-	-	-	1,153,763
Total expenditures	154,911	31,242	0	46,194	-	139,594
Revenues over (under) expenditures	(154,459)	59,777	0	10,265	(21,418)	(1,095,767)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	54,994
Transfers in	-	(3,712)	(81,084)	-	28,834	152,546
Transfers out	-	(3,712)	(81,084)	-	28,834	(679,891)
Total other financing sources (uses)	0	(3,712)	(81,084)	0	28,834	88,541
Net change in fund balance	(154,459)	56,065	(81,084)	10,265	7,416	(1,007,226)
Fund balance - January 1	154,834	302,526	81,084	471,291	4,690	6,076,127
Fund balance - December 31	\$375	\$358,591	\$0	\$481,556	\$12,106	\$5,068,901

Reconciliation of beginning fund balance to prior year ending fund balance:
 Prior year ending fund balance reported above \$6,444,924
 Reclassification of Transit Station A assessment Fund fund balance, now presented as a nonmajor fund (368,797)
 Fund balance - January 1, 2016 as reported on this statement \$6,076,127

Statement 26

CITY OF CHANHASSEN, MINNESOTA
SPECIAL REVENUE FUND - CONTRIBUTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

	2016		Actual Amounts	Variance with Final Budget	2015 Actual Amounts
	Budgeted Original	Budgeted Final			
Revenues:					
Investment earnings	\$ -	\$ -	\$329	\$329	\$548
Net change in fair value of investments	-	-	(64)	(64)	(116)
Contributions and donations	42,000	42,000	36,527	(5,473)	39,620
Total revenues	42,000	42,000	36,792	(5,208)	40,052
Expenditures:					
Current:					
Public safety:					
Contractual services	20,000	20,000	16,670	3,330	39,618
Capital outlay	20,000	20,000	5,900	14,100	9,462
Total expenditures	40,000	40,000	22,570	17,430	49,080
Revenues over (under) expenditures	\$2,000	\$2,000	14,222	\$12,222	(9,028)
Fund balance - January 1			38,368		47,396
Fund balance - December 31			\$52,590		\$38,368

Statement 27

CITY OF CHANHASSEN, MINNESOTA
SPECIAL REVENUE FUND - CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

	2016		Actual Amounts	Variance with Final Budget	2015 Actual Amounts
	Budgeted Original	Budgeted Final			
Revenues:					
Charges for services	\$8,900	\$8,900	\$25,850	\$16,950	\$1,850
Investment earnings	100	100	207	107	269
Net change in fair value of investments	-	-	(40)	(40)	(57)
Total revenues	9,000	9,000	26,017	17,017	2,062
Expenditures:					
Current:					
General government:					
Contractual services	6,500	6,500	1,105	5,395	19,981
Total expenditures	6,500	6,500	1,105	5,395	19,981
Revenues over (under) expenditures	\$2,500	\$2,500	24,912	\$22,412	(17,919)
Fund balance - January 1			9,499		27,418
Fund balance - December 31			\$34,411		\$9,499

Statement 28

CITY OF CHANHASSEN, MINNESOTA
SPECIAL REVENUE FUND - CATV
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For The Year Ended December 31, 2016
 With Comparative Actual Amounts For The Year Ended December 31, 2015

	2016		Actual Amounts	Variance with Final Budget	2015	
	Budgeted Original	Budgeted Final			Actual Amounts	Actual Amounts
Revenues:						
Franchise and PEG fees	\$190,000	\$190,000	\$194,082	\$4,082	\$200,126	
Refunds and reimbursements	-	-	249	249	-	
Investment earnings	1,000	1,000	2,940	1,940	4,942	
Net change in fair value of investments	-	-	(569)	(569)	(1,045)	
Total revenues	191,000	191,000	196,702	5,702	204,023	
Expenditures:						
Current:						
General government:						
Personal services	103,200	103,200	102,350	850	96,582	
Materials and supplies	5,000	5,000	4,557	443	11,975	
Contractual services	22,300	22,300	64,765	(42,465)	13,576	
Capital outlay	20,000	20,000	-	20,000	-	
Total expenditures	150,500	150,500	171,672	(21,172)	122,133	
Revenues over expenditures	\$40,500	\$40,500	25,030	(\$15,470)	81,890	
Fund balance - January 1			411,695		329,805	
Fund balance - December 31			\$436,725		\$411,695	

FIDUCIARY FUNDS

Fiduciary Funds have been established to account for cash or other assets held by the City as a trustee or agent for others. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the related liability is incurred.

Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

Escrow Fund — This fund is used to account for various deposits required by the City.

Moon Valley Restoration Fund — This is an escrow fund which will be used to finance restoration to a gravel pit when it ceases operation.

CITY OF CHANHASSEN, MINNESOTA
 COMBINING STATEMENT OF NET POSITION
 AGENCY FUNDS
 December 31, 2016
 With Comparative Totals For December 31, 2015

Statement 29

	815 Escrow Fund	913 Moon Valley Restoration Fund	Totals	
			2016	2015
Assets:				
Cash and investments	\$1,552,083	\$86,958	\$1,639,041	\$1,835,459
Accounts receivable	10,905	-	10,905	-
Total assets	\$1,562,988	\$86,958	\$1,649,946	\$1,835,459
Liabilities:				
Accounts payable	\$10,905	\$-	\$10,905	\$-
Escrow deposits payable	1,552,083	86,958	1,639,041	1,835,459
Total liabilities	\$1,562,988	\$86,958	\$1,649,946	\$1,835,459

CITY OF CHANHASSEN, MINNESOTA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 For The Year Ended December 31, 2016

Statement 30

	Balance 01/01/16	Additions	Deletions	Balance 12/31/16
Escrow Fund				
Assets:				
Cash and investments	\$1,748,634	\$671,877	\$868,428	\$1,552,083
Accounts receivable	-	10,905	-	10,905
Total assets	\$1,748,634	\$682,782	\$868,428	\$1,562,988
Liabilities:				
Accounts payable	\$-	\$10,905	\$-	\$10,905
Escrow deposits payable	1,748,634	671,877	868,428	1,552,083
Total liabilities	\$1,748,634	\$682,782	\$868,428	\$1,562,988
Moon Valley Restoration Fund				
Assets:				
Cash and investments	\$86,825	\$133	\$-	\$86,958
Liabilities:				
Escrow deposits payable	\$86,825	\$133	\$-	\$86,958
Totals - All Agency Funds				
Assets:				
Cash and investments	\$1,835,459	\$672,010	\$868,428	\$1,639,041
Accounts receivable	-	10,905	-	10,905
Total assets	\$1,835,459	\$682,915	\$868,428	\$1,649,946
Liabilities:				
Accounts payable	\$-	\$10,905	\$-	\$10,905
Escrow deposits payable	1,835,459	672,010	868,428	1,639,041
Total liabilities	\$1,835,459	\$682,915	\$868,428	\$1,649,946

III. STATISTICAL SECTION (UNAUDITED)

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III. STATISTICAL SECTION (UNAUDITED)

This part of the City of Chanhassen, Minnesota's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City of Chanhassen, Minnesota's overall financial health.

Contents	Pages
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	138-147
Revenue Capacity These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.	148-153
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	154-159
Demographic and Economic These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	160-161
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	162-167

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive financial reports for the relevant year.

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CITY OF CHANHASSEN, MINNESOTA
NET POSITION BY COMPONENT
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Table 1

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$68,982,379	\$70,611,368	\$72,106,198	\$73,272,450	\$70,866,708	\$69,987,563	\$71,260,946	\$71,867,072	\$71,225,523	\$72,588,940
Restricted:										
Debt service	11,047,062	12,165,653	6,461,780	9,655,951	5,709,727	5,905,553	6,595,927	3,441,810	3,455,172	1,390,127
Park improvements	-	-	-	2,088,246	2,516,027	1,650,118	1,714,972	1,751,739	1,896,923	1,305,784
Tax increment purposes	386,552	129,033	195,265	319,864	338,029	471,930	711,287	330,809	475,357	399,178
Other purposes	-	-	-	121,137	168,147	142,747	165,838	176,089	154,810	164,751
Unrestricted	15,041,678	15,664,273	15,066,634	8,722,413	13,363,047	15,094,966	14,361,011	14,512,772	9,510,105	10,221,704
Total governmental activities net position	\$95,457,671	\$98,570,327	\$93,829,877	\$94,180,061	\$92,961,685	\$93,252,877	\$94,809,981	\$92,080,291	\$86,717,890	\$86,270,484
Business-type activities:										
Net investment in capital assets	\$52,502,257	\$55,541,752	\$55,496,919	\$57,028,340	\$55,430,138	\$54,475,353	\$52,541,451	\$54,111,608	\$55,704,478	\$57,478,975
Unrestricted	17,292,106	13,117,323	12,129,049	10,259,836	9,484,947	10,631,342	11,391,338	10,467,201	10,032,731	10,516,316
Total business-type activities net position	\$69,794,363	\$68,659,075	\$67,625,968	\$67,288,176	\$64,915,085	\$65,106,695	\$63,932,789	\$64,578,809	\$65,737,209	\$67,995,291
Primary government:										
Net investment in capital assets	\$121,484,636	\$126,153,120	\$127,603,117	\$130,300,790	\$126,296,846	\$124,462,916	\$123,802,397	\$125,978,680	\$126,930,001	\$130,067,915
Restricted:										
Debt service	11,047,062	12,165,653	6,461,780	9,655,951	5,709,727	5,905,553	6,595,927	3,441,810	3,455,172	1,390,127
Park improvements	-	-	-	2,088,246	2,516,027	1,650,118	1,714,972	1,751,739	1,896,923	1,305,784
Tax increment purposes	386,552	129,033	195,265	319,864	338,029	471,930	711,287	330,809	475,357	399,178
Other purposes	-	-	-	121,137	168,147	142,747	165,838	176,089	154,810	164,751
Unrestricted	32,333,784	28,781,596	27,195,683	18,982,249	22,847,994	25,726,308	25,752,349	24,979,973	19,542,836	20,738,020
Total primary government net position	\$165,252,034	\$167,229,402	\$161,455,845	\$161,468,237	\$157,876,770	\$158,359,572	\$158,742,770	\$156,659,100	\$152,455,099	\$154,265,775

Note: GASB 65 was implemented in 2013. Unamortized bond issuance costs are no longer included within net position. Net position for years prior to 2013 was not restated.

Note: GASB 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net pension liability and pension related deferred outflows of resources. Net position for years prior to 2014 was not restated.

CITY OF CHANHASSEN, MINNESOTA
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Table 2
Page 1 of 2

	2011	2012	2013	2014	2015	2016
Expenses						
Governmental activities:						
General government	\$2,565,486	\$2,690,853	\$2,630,405	\$3,099,004	\$2,775,663	\$2,887,111
Public safety	3,061,122	3,176,441	3,313,694	3,416,088	3,826,376	3,973,031
Public works	8,607,534	7,743,147	14,224,453	9,604,525	11,153,322	7,591,530
Parks and recreation	2,921,593	3,114,340	2,919,183	3,062,592	2,952,985	3,278,139
Community development	799,379	646,262	523,651	1,043,848	527,268	689,448
Interest and fees on long-term debt	838,421	725,881	588,352	465,935	409,676	493,746
Total governmental activities expenses	18,793,535	18,096,924	24,199,738	20,691,992	21,645,290	18,913,005
Business-type activities:						
Water	3,581,955	3,646,787	4,702,686	3,347,965	3,290,265	4,422,789
Sewer	3,317,329	3,235,324	3,548,200	3,171,696	3,297,128	3,254,619
Surface water management	1,173,115	1,347,345	1,334,173	1,491,763	1,328,144	1,388,979
Total business-type activities expenses	8,072,399	8,229,456	9,585,059	8,011,424	7,915,537	9,066,387
Total primary government expenses	\$26,865,934	\$26,326,380	\$33,784,797	\$28,703,416	\$29,560,827	\$27,979,392
Program revenues						
Governmental activities:						
Charges for services:						
Licenses and permits	\$1,381,326	\$1,595,358	\$2,113,770	\$1,691,634	\$1,565,900	\$1,653,858
Charges for services	1,047,726	1,394,356	1,396,068	1,149,372	1,153,779	1,209,882
Fines and forfeits	126,571	119,997	99,984	100,516	117,189	114,367
Operating grants and contributions	692,428	404,663	472,298	532,337	823,943	735,840
Capital grants and contributions	1,646,573	2,953,496	10,718,999	3,296,748	5,812,825	3,705,857
Total governmental activities program revenues	4,894,624	6,467,870	14,801,119	6,770,607	9,473,636	7,419,804
Business-type activities:						
Charges for services:						
Water	2,611,327	3,146,886	2,829,226	2,573,027	2,611,895	2,717,285
Sewer	2,297,677	2,434,370	2,358,854	2,472,536	2,525,731	2,619,882
Surface water management	534,473	590,323	615,896	639,087	668,971	684,199
Operating grants and contributions	12,589	121,925	63,112	210,857	45,130	72,007
Capital grants and contributions	1,086,655	1,861,689	2,852,437	2,633,793	3,140,823	5,199,139
Total business-type activities program revenues	6,542,721	8,155,193	8,719,525	8,529,300	8,992,550	11,292,512
Total primary government program revenues	\$11,437,345	\$14,623,063	\$23,520,644	\$15,299,907	\$18,466,186	\$18,712,316

CITY OF CHANHASSEN, MINNESOTA
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Table 2
 Page 2 of 2

	2007	2008	2009	2010
Net (expense) revenue:				
Governmental activities	(\$6,091,777)	(\$9,517,053)	(\$16,300,557)	(\$10,005,325)
Business-type activities	956,890	(789,044)	(409,980)	(973,696)
Total primary government net (expense) revenue	(\$5,134,887)	(\$10,306,097)	(\$16,710,537)	(\$10,979,021)
General revenues and other changes in net position				
Governmental activities:				
Property taxes	9,419,763	9,651,758	9,921,598	10,014,684
Tax increment collections	420,526	574,101	473,674	539,523
Grants and contributions not restricted to specific programs	189,616	108,039	27,612	45,767
Unrestricted investment earnings	1,397,746	1,150,993	357,953	222,719
Gain on sale of capital assets	10,806	32,195	4,524	20,727
Special item - sale of public works building	-	-	-	-
Transfers	(5,077,531)	(1,112,623)	774,746	(487,911)
Total governmental activities	6,360,926	12,629,709	11,560,107	10,355,509
Business-type activities:				
Unrestricted investment earnings	786,455	797,079	141,070	114,349
Miscellaneous	127,143	22,464	10,549	33,644
Gain on sale of capital assets	-	-	-	-
Transfers	5,077,531	(1,112,623)	(774,746)	487,911
Total business-type activities	5,991,129	(293,080)	(623,127)	635,904
Total primary government	\$12,352,055	\$12,336,629	\$10,936,980	\$10,991,413
Change in net position:				
Governmental activities	\$269,149	\$3,112,656	(\$4,740,450)	\$350,184
Business-type activities	6,948,019	(1,082,124)	(1,033,107)	(337,792)
Total primary government	\$7,217,168	\$2,030,532	(\$5,773,557)	\$12,392

	2011	2012	2013	2014	2015	2016
Governmental activities	(\$13,898,911)	(\$11,629,054)	(\$9,398,619)	(\$13,921,385)	(\$12,171,654)	(\$11,493,201)
Business-type activities	(1,529,678)	(74,263)	(865,534)	517,876	1,077,013	2,226,125
Total primary government net (expense) revenue	(\$15,428,589)	(\$11,703,317)	(\$10,264,153)	(\$13,403,509)	(\$11,094,641)	(\$9,267,076)
General revenues and other changes in net position						
Governmental activities:						
Property taxes	9,849,882	10,064,176	10,059,324	10,482,273	10,536,216	10,643,917
Tax increment collections	566,045	533,011	545,906	307,940	200,338	111,761
Grants and contributions not restricted to specific programs	28,304	20,071	19,941	19,736	21,679	19,754
Unrestricted investment earnings	505,541	173,523	(14,764)	183,602	176,731	156,202
Gain on sale of capital assets	44,000	56,610	37,720	191,755	66,248	41,129
Special item - sale of public works building	-	1,246,275	-	-	-	-
Transfers	1,061,763	(173,420)	307,596	6,389	(612,078)	73,032
Total governmental activities	12,055,535	11,920,246	10,955,723	11,191,695	10,389,134	11,043,795
Business-type activities:						
Unrestricted investment earnings	211,707	92,453	(776)	134,533	132,406	79,765
Miscellaneous	6,643	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	57,510	25,224
Transfers	(1,061,763)	173,420	(307,596)	(6,389)	612,078	(73,032)
Total business-type activities	(843,413)	265,873	(308,372)	128,144	801,994	31,957
Total primary government	\$11,212,122	\$12,186,119	\$10,647,351	\$11,319,839	\$11,191,128	\$11,077,752
Change in net position:						
Governmental activities	(\$1,843,376)	\$291,192	\$1,557,104	(\$2,729,690)	(\$1,782,520)	(\$447,406)
Business-type activities	(2,373,091)	191,610	(1,173,906)	646,020	1,879,007	2,258,082
Total primary government	(\$4,216,467)	\$482,802	\$383,198	(\$2,083,670)	\$96,487	\$1,810,676

Note: GASB 65 was implemented in 2013. Bond issuance costs are now expensed in the year of issuance. Expenses for years prior to 2013 were not restated.

Note: GASB 68 was implemented in 2015. Pension expense for years prior to 2015 were not restated.

CITY OF CHANHASSEN, MINNESOTA
FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Table 3

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$13,210	\$21,173	\$46,750	\$55,826						
Unreserved:										
Designated	3,416,950	3,586,750	3,690,000	3,754,000						
Undesignated	2,061,126	1,273,796	1,137,109	1,459,792						
Nonspendable	-	-	-	-	17,280	57,137	16,741	58,333	72,114	25,832
Unassigned	-	-	-	-	5,278,118	5,434,641	5,274,584	5,550,732	5,238,232	5,286,880
Total general fund	\$5,491,286	\$4,881,719	\$4,873,859	\$5,269,618	\$5,295,398	\$5,491,778	\$5,291,325	\$5,609,065	\$5,330,346	\$5,312,712
All other governmental funds:										
Reserved	\$7,335,225	\$6,671,271	\$2,950,284	\$5,642,029						
Unreserved:										
Designated:										
Special revenue funds	548,438	525,692	668,992	2,082,929						
Capital project funds	9,934,936	18,732,625	11,418,006	7,487,198						
Undesignated:										
Debt service funds	215,298	237,721	342,877	356,724						
Capital project funds	(239,434)	(11,584)	(2,001,149)	(786,209)						
Nonspendable	-	-	-	-	12,662	1,373,146	1,327,068	1,289,575	1,253,705	-
Restricted	-	-	-	-	10,426,585	6,359,422	9,181,230	5,724,419	5,824,354	8,673,981
Assigned	-	-	-	-	6,561,411	6,731,400	6,366,292	5,951,507	5,886,353	7,806,958
Unassigned	-	-	-	-	(730,120)	(646,856)	(559,515)	(475,352)	(372,509)	(264,772)
Total all other governmental funds	\$17,794,463	\$26,155,725	\$13,379,010	\$14,782,671	\$16,270,538	\$13,817,112	\$16,315,075	\$12,490,149	\$12,291,903	\$16,216,167

The City implemented GASB Statement No. 54 for the fiscal year ended December 31, 2011. Information for years prior to 2011 is presented in accordance with fund balance classifications in effect at that time.

CITY OF CHANHASSEN, MINNESOTA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Table 4

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
General property taxes	\$9,403,109	\$9,582,333	\$9,834,389	\$10,141,168	\$9,760,052	\$10,143,011	\$10,176,483	\$10,489,350	\$10,529,994	\$10,640,315
Tax increment collections	\$420,526	\$574,101	473,674	539,523	566,045	533,011	545,906	307,940	200,338	111,761
Licenses and permits	2,171,558	1,810,545	1,085,754	1,331,374	1,381,326	1,595,358	2,113,770	1,691,634	1,565,900	1,653,858
Intergovernmental	1,148,034	2,147,970	397,438	401,550	1,425,525	2,151,785	7,971,339	2,553,062	4,897,139	974,917
Special assessments	3,922,517	623,893	540,151	790,426	1,242,040	1,667,881	3,193,078	854,966	1,664,424	820,026
Charges for services	738,669	841,209	950,760	923,550	795,616	880,920	907,414	798,578	799,543	846,540
Fines and forfeits	145,682	124,633	122,496	123,609	126,571	119,997	99,984	100,516	117,189	114,367
Investment earnings	1,397,746	1,150,993	357,953	222,719	505,541	173,523	(14,764)	183,602	176,731	156,202
Contributions and donations	47,428	43,410	47,206	58,016	50,685	36,893	33,159	66,918	78,175	60,802
Refunds and reimbursements	-	51,247	61,707	132,616	117,441	253,030	235,363	77,871	85,955	150,093
Other	404,426	238,030	170,688	213,272	846,523	264,038	259,703	265,119	267,622	276,067
Total revenues	19,799,695	17,188,364	14,042,216	14,877,823	16,817,365	17,819,447	25,521,435	17,389,556	20,383,010	15,804,948
Expenditures:										
Current:										
General government	2,116,928	2,102,512	2,070,698	2,525,326	2,162,479	2,326,490	2,274,640	2,350,437	2,391,195	2,479,271
Public safety	2,924,751	2,885,296	2,979,044	3,077,038	2,896,644	3,013,980	3,179,446	3,258,363	3,431,541	3,713,146
Public works	3,735,950	2,786,397	5,710,804	2,739,704	4,779,067	3,726,158	10,628,140	5,552,221	7,537,376	3,961,016
Parks and recreation	1,848,880	1,933,353	2,487,985	1,901,564	1,906,489	2,154,714	2,002,604	2,164,703	2,068,532	2,256,314
Community development	841,306	468,819	527,919	698,818	502,916	621,295	522,538	1,034,047	515,382	659,276
Capital outlay:										
General government	6,734	233,600	143,663	473,753	129,535	75,226	87,707	34,080	-	62,713
Public safety	505,215	54,284	55,152	65,667	52,645	39,314	74,144	23,980	122,143	314,004
Public works	6,693,387	4,677,179	8,179,324	3,995,444	2,122,641	3,502,371	2,482,728	2,894,237	2,566,867	459,142
Parks and recreation	1,491,848	642,508	235,292	490,737	309,524	1,310,366	627,214	485,107	476,323	1,153,763
Debt service:										
Principal	1,750,000	2,689,552	2,553,002	2,370,000	1,025,000	5,100,000	1,590,000	4,190,000	1,810,000	1,795,000
Interest and paying agent fees	769,212	874,848	920,529	888,843	853,152	814,621	599,487	518,722	439,470	483,533
Bond issuance costs	-	93,811	73,182	46,505	-	-	-	-	-	-
Developer assistance	206,753	226,055	90,354	176,643	298,216	21,108	-	-	-	-
Total expenditures	22,890,964	19,668,214	26,026,948	19,450,042	17,038,308	22,705,643	24,068,648	22,305,897	21,358,829	17,337,178
Revenues over (under) expenditures	(3,091,269)	(2,479,850)	(11,984,732)	(4,572,219)	(220,943)	(4,886,196)	1,452,787	(4,916,341)	(975,819)	(1,532,230)
Other financing sources (uses):										
Bonds issued	-	7,550,000	6,020,000	5,200,000	-	-	-	-	-	4,805,000
Loans issued	3,014,744	24,839	-	-	-	-	-	-	-	-
Bond premium	-	-	226,991	35,964	-	-	-	-	-	239,773
Redemption of refunding bonds	-	-	(8,387,123)	-	-	-	-	-	-	-
Transfers in	537,564	2,646,011	1,324,015	1,105,000	1,734,590	1,203,031	888,711	1,783,719	2,158,844	1,347,883
Transfers out	(1,163,065)	16,740	10,695	-	-	(48,881)	(43,988)	(676,095)	(1,701,005)	(1,044,114)
Sale of capital assets	16,740	-	16,274	30,675	-	-	-	301,531	41,015	90,318
Special item - sale of old public works building	-	-	-	-	-	1,475,000	-	-	-	-
Total other financing sources (uses)	2,405,983	10,231,545	(799,843)	6,371,639	1,734,590	2,629,150	844,723	1,409,155	498,854	5,438,860
Net change in fund balance	(\$683,286)	\$7,751,695	(\$12,784,575)	\$1,799,420	\$1,513,647	(\$2,257,046)	\$2,297,510	(\$3,507,186)	(\$476,965)	\$3,906,630
Debt service as a percentage of noncapital expenditures	18.0%	26.4%	20.5%	23.2%	13.3%	33.3%	10.5%	25.0%	12.4%	14.8%
Debt service as percentage of total expenditures	11.0%	18.6%	13.6%	17.0%	11.0%	26.0%	9.1%	21.1%	10.5%	13.1%

CITY OF CHANHASSEN, MINNESOTA
TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Fiscal Year Ended December 31,	Residential Property	Agricultural	Commercial/Industrial Property	All Other	Total Tax Capacity
2007	\$27,853,083	\$316,461	\$8,114,703	\$428,203	\$36,712,450
2008	29,821,326	208,789	9,135,911	435,603	39,601,629
2009	30,741,292	190,844	9,665,269	471,749	41,069,154
2010	30,301,115	170,857	10,229,329	477,663	41,178,964
2011	28,951,885	131,751	9,778,491	511,185	39,373,312
2012	27,198,238	137,012	9,149,904	520,743	37,005,897
2013	26,970,557	105,160	8,927,095	541,612	36,544,424
2014	28,725,937	132,728	8,984,174	613,105	38,455,944
2015	32,778,287	153,500	9,205,053	620,620	42,757,460
2016	33,790,483	222,144	9,508,063	669,890	44,190,580

Sources: Carver County Taxpayer Services and Hennepin County

Table 5

Captured Tax Capacity on Tax Increment District	Fiscal Disparity Contribution	Adjusted Tax Capacity Value	City Direct Tax Rate	Estimated Market Value	Tax Capacity as a Percent of EMV
(\$418,018)	(\$955,204)	\$35,339,228	23.78800	\$3,175,746,500	1.11%
(479,494)	(1,498,894)	37,623,241	23.71300	3,394,928,100	1.11%
(473,702)	(1,627,749)	38,967,703	22.99300	3,501,886,800	1.11%
(532,007)	(1,861,362)	38,785,595	25.18300	3,491,841,800	1.11%
(509,863)	(1,998,912)	36,864,537	26.60256	3,350,141,800	1.10%
(469,759)	(2,038,437)	34,497,701	28.53211	3,153,275,000	1.09%
(435,999)	(1,804,630)	34,303,795	28.42838	3,118,066,700	1.10%
(252,884)	(1,971,928)	36,231,132	27.23862	3,294,605,000	1.10%
(267,337)	(1,896,611)	40,593,512	24.63317	3,686,777,200	1.10%
(103,638)	(2,119,400)	41,967,542	24.25249	3,802,904,100	1.10%

CITY OF CHANHASSEN, MINNESOTA
DIRECT AND OVERLAPPING PROPERTY TAX CAPACITY RATES
 Last Ten Fiscal Years

Table 6

Fiscal Year	City Direct Rate ⁽¹⁾		Overlapping Rates			Total	
	Operational and Capital	Debt Service	City Total	School District #112	Carver County		Other
2007	18.961	4.827	23,788	35.831	37,802	5,132	102,553
2008	19.110	4.603	23,713	35,970	37,563	5,547	102,793
2009	18.864	4.129	22,993	35,505	38,033	5,458	101,989
2010	20.722	4.461	25,183	35,840	39,509	5,639	106,171
2011	21.915	4.688	26,603	40,236	41,752	6,021	114,610
2012	23.701	4.831	28,532	44,382	43,562	6,681	123,158
2013	23.635	4.793	28,428	45,319	46,115	6,603	126,467
2014	22.708	4.531	27,239	44,917	45,211	6,873	124,239
2015	21.532	3.101	24,633	39,120	40,488	6,270	110,512
2016	21.314	2.938	24,252	39,245	38,880	6,417	108,795

Source: Carver County Taxpayer Services

⁽¹⁾The City Direct Rate is the Urban Based Rate, not including market value levies.

CITY OF CHANHASSEN, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

Table 7

Taxpayer	2016			2017		
	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Istar Minnesota LLC	\$430,422	1	1.0%	\$293,026	2	0.8%
SGO MN West Village LLC	391,666	2	0.9%	-	-	-
Rosemount Inc	321,864	3	0.8%	288,270	3	0.8%
LTF Real Estate Company Inc	306,584	4	0.7%	-	-	-
Northern States Power Co	290,656	5	0.7%	230,006	4	0.7%
Prince R Nelson	228,494	6	0.5%	-	-	-
PHM/Chanhasen Inc	209,474	7	0.5%	-	-	-
Centerpoint Energy Minnegasco	204,488	8	0.5%	-	-	-
Target Corporation T-0862	204,178	9	0.5%	179,680	8	0.5%
LTF Real Estate MP I LLC	202,346	10	0.5%	219,250	5	0.6%
IRET Properties	-	-	-	312,746	1	0.9%
DRF Chanhasen Medical Bldg	-	-	-	203,798	6	0.6%
Park Avenue Lofts LLC	-	-	-	181,266	7	0.5%
McGlynn Bakeries Inc #366	-	-	-	172,694	9	0.5%
Market Square Assoc Lid Partnership	-	-	-	160,394	10	0.5%
Total	\$2,790,172		6.5%	\$2,241,130		6.4%
Total All Property	\$42,734,822			\$34,789,850		

Source: Carver County Taxpayer Services

CITY OF CHANHASSEN, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

Table 8

Fiscal Year Ended December 31,	Taxes Levied For The Fiscal Year	Collected Within The Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$9,575,778	\$9,447,692	98.7%	\$114,938	\$9,562,630	99.9%
2008	9,834,965	9,555,489	97.2%	144,961	9,700,449	98.6%
2009	10,074,565	9,668,713	96.0%	156,702	9,825,415	97.5%
2010	10,213,190	9,918,528	97.1%	(20,050)	9,898,478	96.9%
2011	10,267,390	9,739,125	94.9%	184,260	9,923,385	96.6%
2012	10,153,690	10,005,877	98.5%	50,040	10,055,918	99.0%
2013	10,195,890	10,105,393	99.1%	16,625	10,122,018	99.3%
2014	10,334,140	10,269,518	99.4%	31,572	10,301,090	99.7%
2015	10,484,021	10,446,765	99.6%	37,256	10,484,021	100.0%
2016	10,629,621	10,564,815	99.4%	-	10,564,815	99.4%

Source: City Finance Department

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CITY OF CHANHASSEN, MINNESOTA
 RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

Table 9

Fiscal Year	Governmental Activities			Business-Type Activities		Total Debt	Debt Per Capita	Bonded Debt Per Total Carver County Personal Income ⁽¹⁾
	General Obligation Bonds	Revenue Bonds	Tax Increment Bonds	General Improvement Bonds	G.O. Revenue Bonds			
2007	\$7,315,000	\$530,000	\$1,070,000	\$8,455,000	\$13,915,000	\$35,113,166	\$1,444	0.8%
2008	13,905,000	455,000	1,015,000	7,155,000	12,415,000	38,300,125	1,564	0.8%
2009	13,045,000	335,000	960,000	6,625,000	11,695,000	32,660,000	1,322	0.7%
2010	16,860,000	250,000	900,000	5,805,000	10,955,000	34,750,000	1,514	0.7%
2011	16,195,000	120,000	840,000	5,615,000	20,077,339	42,847,339	1,849	0.9%
2012	11,475,000	-	775,000	5,420,000	20,578,313	38,248,313	1,629	0.7%
2013	10,155,000	-	705,000	5,220,000	16,324,287	32,404,287	1,353	0.6%
2014	9,550,000	-	635,000	1,705,000	10,045,261	21,935,261	899	0.4%
2015	8,925,000	-	-	1,155,000	9,256,235	19,336,235	784	0.3%
2016	13,313,788	-	-	-	13,926,719	27,240,507	1,092	(a)

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾Information pertaining to Chanhassen Personal Income is not available, information for Carver County was included instead.

(a) Information not available

CITY OF CHANHASSEN, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

Table 10

Fiscal Year	General Obligation Bonds	G.O. Increment Bonds	G.O. Improvement Bonds	G.O. Revenue Bonds	Total General Obligation Bonded Debt	Less Amounts Retained for Debt Service	Net General Obligation Bonded Debt	Percentage of Tax Capacity	Net General Obligation Bonded Debt Per Capita
2007	\$7,315,000	\$1,070,000	\$8,455,000	\$13,915,000	\$30,755,000	\$11,047,062	\$19,707,938	56.65%	\$810
2008	13,905,000	1,015,000	7,155,000	12,415,000	34,490,000	12,165,653	22,324,347	59.56%	912
2009	13,045,000	960,000	6,625,000	11,695,000	32,325,000	6,461,780	25,863,220	66.29%	1,047
2010	16,860,000	900,000	5,805,000	10,955,000	34,520,000	9,217,254	25,302,746	64.55%	1,102
2011	16,195,000	840,000	5,615,000	20,077,339	42,727,339	16,998,401	25,728,938	68.61%	1,110
2012	11,475,000	775,000	5,420,000	20,578,313	38,248,313	13,020,206	25,228,107	71.80%	1,074
2013	10,155,000	705,000	5,220,000	16,324,287	32,404,287	10,266,366	22,137,921	63.62%	924
2014	9,550,000	635,000	1,705,000	10,045,261	21,935,261	3,441,810	18,493,451	50.09%	758
2015	8,925,000	-	1,155,000	9,256,235	19,336,235	3,455,172	15,881,063	38.60%	644
2016	13,313,788	-	-	13,926,719	27,240,507	6,418,913	20,821,594	48.72%	834

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF CHANHASSEN, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 December 31, 2016

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Direct debt:			
City of Chanhassen ⁽¹⁾	\$13,090,000	100.00%	\$13,090,000
Overlapping debt:			
Eastern Carver County School District	246,825,000	37.71%	93,077,708
Eden Prairie Independent School District	53,008,080	0.90%	477,073
Carver County	29,255,000	31.94%	9,344,047
Hennepin County	811,375,883	0.05%	405,688
Hennepin Suburban Park District	47,787,952	0.08%	38,230
Hennepin Regulatory Railroad Authority	32,848,204	0.08%	26,279
Metropolitan Council	38,874,706	0.03%	11,662
Subtotal - overlapping debt	1,259,974,825		103,380,686
Total direct and overlapping debt	\$1,273,064,825		\$116,470,686

⁽¹⁾Excludes debt related to the City's business-type activities.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

*For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF CHANHASSEN, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years

Table 12

Legal Debt Margin Calculation for Fiscal Year 2016

Market value	\$3,802,904,100
Applicable percentage	3%
Debt limit	<u>114,087,123</u>
Debt applicable to limit:	
Total bonded debt	27,240,507
Less:	
Enterprise Fund debt	(13,926,719)
Less:	
Cash and investments in G.O. Bond Debt Service Fund	<u>(6,592,343)</u>
	<u>6,721,445</u>
Legal debt margin	<u>\$107,365,678</u>

CITY OF CHANHASSEN, MINNESOTA
PLEGGED REVENUE COVERAGE
 Last Ten Fiscal Years

Table 13

Legal Debt Margin Calculation for Fiscal Years 2007 Through 2016

Fiscal Year	Special Assessment Collections	Improvement Bonds			Coverage
		Principal	Debt Service	Interest	
2007	\$3,922,517	\$755,000	\$360,852	\$360,852	3.515
2008	623,891	1,300,000	287,727	287,727	0.393
2009	540,148	1,220,000	142,963	142,963	0.396
2010	790,422	1,050,000	230,084	230,084	0.617
2011	1,242,038	330,000	185,733	185,733	2.408
2012	1,527,253	595,000	178,115	178,115	1.975
2013	3,193,076	970,000	164,220	164,220	2.815
2014	854,966	3,515,000	103,875	103,875	0.236
2015	1,664,423	550,000	42,900	42,900	2.807
2016	820,026	1,155,000	26,175	26,175	0.694

Legal Debt Margin Calculation for Fiscal Years 2007 Through 2016

Fiscal Year	Population	Debt Limit	Legal Debt Margin	Amount of Debt Applicable to Debt Limit	Net Debt Applicable to Limit Per Capita
2007	24,321	\$63,514,930	\$57,670,282	9.20%	\$240
2008	24,481	101,847,843	89,923,405	11.71%	487
2009	24,699	105,056,604	93,881,518	10.64%	452
2010	22,952	104,755,254	88,923,423	15.11%	690
2011	23,179	100,504,254	85,748,996	14.68%	637
2012	23,484	94,598,250	84,480,903	10.70%	431
2013	23,954	93,542,001	84,856,043	9.31%	363
2014	24,388	98,838,150	90,807,197	8.13%	329
2015	24,655	110,603,316	103,256,733	6.64%	298
2016	24,951	114,087,123	107,365,678	5.89%	269

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF CHANHASSEN, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

Table 14

Fiscal Year	Chanhassen Population ⁽¹⁾	Chanhassen Unemployment Rate ⁽²⁾	Carver County Unemployment Rate ⁽²⁾	Carver County Personal Income (Thousands) ⁽³⁾	Carver County Per Capita Personal Income ⁽³⁾
2007	24,321	2.9%	4.0%	\$4,454,024	\$51,037
2008	24,481	3.6%	4.9%	4,700,313	52,924
2009	24,699	5.8%	7.2%	4,443,704	49,242
2010	22,952	6.1%	6.8%	4,642,812	50,800
2011	23,179	4.9%	5.5%	5,034,748	54,229
2012	23,484	4.5%	4.8%	5,433,676	57,852
2013	23,954	4.1%	4.3%	5,548,893	58,000
2014	24,388	3.4%	3.6%	5,924,329	60,827
2015	24,655	3.0%	3.2%	6,249,370	63,291
2016	24,951	3.1%	3.3%	(a)	(a)

Sources:

⁽¹⁾Federal Census Data and Chanhassen Planning Department

⁽²⁾State of Minnesota, Department of Employment and Economic Development

⁽³⁾U.S. Department of Commerce, Bureau of Economic Analysis

(a) Information not available

Note: Information pertaining to Chanhassen Personal Income and Per Capita Personal Income is not available, information for Carver County was included instead.

CITY OF CHANHASSEN, MINNESOTA
PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago

Table 15

Employer	2016			2017		
	Employees	Rank	Percentage of Total City Employment ⁽¹⁾	Employees	Rank	Percentage of Total City Employment ⁽¹⁾
Lifetime Fitness	1,218	1	21.0%	980	2	16.3%
Instant Web Companies	1,193	2	20.6%	824	4	13.7%
Rosemount Inc	943	3	16.3%	1,377	1	26.2%
The Bernard Group	581	4	10.0%	-	-	-
Eastern Carver County Schools	400	5	6.9%	165	10	2.7%
RR Donnelley	382	6	6.6%	280	7	4.7%
General Mills	326	7	5.6%	475	5	7.9%
Chanhassen Dinner Theatres	275	8	4.7%	300	6	5.0%
Minnesota Landscape Arboretum	270	9	4.7%	240	9	4.0%
Checkpoint Systems Inc.	204	10	3.5%	-	-	-
Super Value Headquarters	-	-	-	900	3	14.9%
Byerly's	-	-	-	280	7	4.7%
Total	5,792			6,021		

Source: Survey by City Administration and Finance Departments

⁽¹⁾The statistic for total City employment is not available, therefore the percentage represents the percentage of the top ten listed.

CITY OF CHANHASSEN, MINNESOTA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Table 16

Function/Program	Full-Time Equivalent Employees as of December 31,			
	2007	2008	2009	
General government	13	13	13	
Public safety	3	3	3	
Public works	26	26	26	
Parks & recreation	11	11	11	
Community development	16	16	16	
Total	69	69	69	69

Source: City Finance Department

	Full-Time Equivalent Employees as of December 31,						
	2010	2011	2012	2013	2014	2015	2016
	13	13	13	13	13	13	13
	3	3	3	3	3	3	2
	26	26	26	26	26	26	27
	11	11	11	11	11	11	12
	15	15	14	14	14	14	16
Total	68	68	67	67	67	67	70

CITY OF CHANHASSEN, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Table 17

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Building:										
Total permits issued	3,013	2,838	2,608	2,910	3,397	3,285	3,201	3,076	3,266	2,891
Total estimated value	\$125,865,426	\$124,885,965	\$67,811,817	\$65,046,933	\$82,991,029	\$83,531,808	\$89,370,069	\$80,591,941	\$82,145,483	\$73,881,121
Election:										
Registered voters	15,319	16,544	16,544	15,326	15,326	16,916	16,916	16,344	16,344	17,769
Fire:										
Average number of employees	44	45	45	45	45	45	45	45	45	45
General government:										
Area of city - square miles	23.78	23.78	23.78	23.78	23.78	23.78	23.78	23.79	23.79	23.79
Average number of permanent full-time employees (excluding fire department)	69	69	69	68	68	67	67	67	67	70
Police:										
Average number of employees	13	14	15	15	15	15	15	15	15	15
Number of crimes - MNCJRS ⁽¹⁾	1,202	1,013	702	647	757	777	748	838	870	313
Number of crimes - NIBRS ⁽¹⁾	-	-	-	-	-	-	-	-	-	472
Water:										
Number of customers	6,804	7,039	7,427	7,620	7,655	7,741	7,953	8,075	8,195	8,254
Daily average consumption - gallons	3,031,400	3,200,000	3,642,410	2,698,559	2,257,542	2,570,349	2,876,383	2,542,413	2,495,868	2,565,905
Plant capacity - gallons	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000

Source: Various City Departments

⁽¹⁾Crime statistics in Minnesota had been reported for the last forty years utilizing Minnesota's Criminal Justice Reporting System (MNCJRS). The Federal Bureau of Investigations has mandated that all states become National Incident Based Reporting System (NIBRS) compliant by 2019. The Carver County Sheriff's Office transitioned to NIBRS June 1, 2016.

CITY OF CHANHASSEN, MINNESOTA
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Table 18

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fire:										
Number of stations	2	2	2	2	2	2	2	2	2	2
Parks and recreation:										
Acres of parks	383	383	383	396	489	401	401	405	405	405
Acres of open space	434	434	434	434	489	503	503	503	503	503
Number of shelter buildings	3	3	4	4	4	4	4	4	4	4
Number of picnic shelters	5	5	5	5	5	5	5	7	13	15
Number of playgrounds	26	26	26	26	26	26	27	28	28	28
Number of swimming beaches	6	6	6	5	5	5	5	5	5	5
Number of tennis courts	17	17	17	17	17	15	15	15	15	15
Number of outdoor pickleball courts	-	-	-	-	-	2	3	6	6	6
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Public works:										
Miles of streets	106.2	107.0	110.9	111.9	112.0	112.6	113.5	113.7	113.9	116.5
Miles of sidewalks	26.9	28.4	31.1	31.9	31.9	31.9	31.9	32.0	32.0	34.0
Miles of trails	47.2	53.0	53.6	53.6	56.1	56.4	58.6	59.2	59.9	62.4
Sewer:										
Miles of storm sewers	66.2	67.1	69.5	71.0	74.5	75.3	76.5	77.0	78.8	84.3
Miles of sanitary sewers	119.6	120.8	123.0	123.6	123.7	123.9	124.3	124.5	125.3	128.2
Number of lift stations	31	31	31	31	31	31	31	31	31	31
Water:										
Miles of water mains	126.0	129.6	135.1	136.8	137.8	138.0	139.1	139.3	140.6	145.5
Number of wells	11	12	12	12	12	12	12	12	12	13

Source: Various City Departments

CITY OF CHANHASSEN, MINNESOTA
 COMBINED SCHEDULE OF INDEBTEDNESS
 December 31, 2016

Exhibit 1

	Interest Rates	Issue Date	Final Maturity Date
Bonded indebtedness:			
General obligation bonds:			
G.O. Capital Improvement Plan Bonds, Series 2008A	4.00%-4.60%	11/18/08	02/01/30
G.O. Library Refunding Bonds, Series 2010A	2.00%-3.10%	01/27/10	02/01/22
G.O. Bonds, Series 2016A	2.00%-3.00%	03/03/16	02/01/30
Total general obligation bonds			
General improvement bonds:			
G.O. Improvement Bonds, Series 2009A	3.00%	06/03/09	08/01/16
Enterprise Fund debt:			
G.O. Water Revenue Bonds, Series 2011A	0.30%-2.15%	10/06/11	02/01/22
G.O. Water Revenue Refunding Bonds, Series 2011B	2.00%-3.00%	10/06/11	02/01/25
G.O. Water and Sewer Revenue Bonds, Series 2012A	1.00%-1.55%	11/15/12	02/01/23
G.O. Water Revenue Bonds, Series 2016A	2.00%-3.00%	03/03/16	02/01/26
G.O. Water Revenue Bonds, Series 2016B	3.50%-4.00%	12/29/16	02/01/42
Total Enterprise Fund debt			

	Prior Years		Payable January 1, 2016	2016		Payable December 31, 2016	Principal Due in 2017
	Original Issue	Payments		Issued	Payments		
	\$7,550,000	\$1,330,000	\$6,220,000	\$ -	\$295,000	\$5,925,000	\$310,000
	3,660,000	955,000	2,705,000	-	345,000	2,360,000	360,000
	4,805,000	-	-	4,805,000	-	4,805,000	-
	16,015,000	2,285,000	8,925,000	4,805,000	640,000	13,090,000	670,000
	6,020,000	4,865,000	1,155,000	-	1,155,000	-	-
	5,920,000	1,520,000	4,400,000	-	655,000	3,745,000	665,000
	3,720,000	-	3,720,000	-	30,000	3,690,000	30,000
	1,245,000	235,000	1,010,000	-	120,000	890,000	120,000
	1,565,000	-	-	1,565,000	-	1,565,000	140,000
	3,630,000	-	-	3,630,000	-	3,630,000	-
	16,080,000	1,755,000	9,130,000	5,195,000	805,000	13,520,000	955,000
	\$38,115,000	\$8,905,000	\$19,210,000	\$10,000,000	\$2,600,000	\$26,610,000	\$1,625,000

CITY OF CHANHASSEN, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION REVENUE BONDS
 December 31, 2016

Exhibit 2

CITY OF CHANHASSEN, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
GENERAL OBLIGATION BONDS - GOVERNMENTAL ACTIVITIES
 December 31, 2016

	G.O. Capital Improvement Plan Bonds, Series 2008A	G.O. Library Refunding Bonds, Series 2010A	G.O. Bonds, Series 2016A	Total
Bonds payable	\$5,925,000	\$2,360,000	\$4,805,000	\$13,090,000
Future interest payable	371,102	221,965	914,875	1,507,942
	<u>\$6,296,102</u>	<u>\$2,581,965</u>	<u>\$5,719,875</u>	<u>\$14,597,942</u>
Payments to maturity:				
2017	\$559,468	\$425,830	\$117,950	\$1,103,248
2018	5,736,634	424,880	117,950	6,279,464
2019	-	433,480	443,000	876,480
2020	-	431,630	447,875	879,505
2021	-	429,480	452,300	881,780
2022	-	436,665	451,350	888,015
2023	-	-	455,025	455,025
2024	-	-	453,325	453,325
2025	-	-	458,300	458,300
2026	-	-	460,000	460,000
2027	-	-	461,500	461,500
2028	-	-	462,800	462,800
2029	-	-	468,850	468,850
2030	-	-	469,650	469,650
	<u>\$6,296,102</u>	<u>\$2,581,965</u>	<u>\$5,719,875</u>	<u>\$14,597,942</u>

	G.O. Water Revenue Bonds, Series 2011A	G.O. Water Revenue Bonds, Series 2011B	G.O. Water & Sewer Revenue Bonds, Series 2012A	G.O. Water Revenue Bonds, Series 2016A	G.O. Water Revenue Bonds, Series 2016B	Total
Bonds payable	\$3,745,000	\$3,690,000	\$890,000	\$1,565,000	\$3,630,000	\$13,520,000
Future interest payable	187,413	603,400	41,848	213,800	3,262,486	4,308,947
	<u>\$3,932,413</u>	<u>\$4,293,400</u>	<u>\$931,848</u>	<u>\$1,778,800</u>	<u>\$6,892,486</u>	<u>\$17,828,947</u>
Payments to maturity:						
2017	\$722,060	\$135,100	\$130,140	\$181,400	\$81,407	\$1,250,107
2018	728,813	134,500	133,915	177,200	138,238	1,312,666
2019	733,663	569,500	132,665	177,925	138,238	1,751,991
2020	731,758	567,600	131,321	178,500	138,238	1,747,417
2021	738,163	572,900	134,758	178,925	138,238	1,762,984
2022	277,956	572,675	133,003	179,200	138,238	1,301,072
2023	-	576,925	136,046	179,325	138,238	1,030,534
2024	-	580,575	-	174,375	138,238	893,188
2025	-	583,625	-	175,200	138,238	897,063
2026	-	-	-	176,750	138,238	314,988
2027	-	-	-	-	138,238	138,238
2028	-	-	-	-	138,238	138,238
2029	-	-	-	-	138,238	138,238
2030	-	-	-	-	138,238	138,238
2031	-	-	-	-	138,238	138,238
2032	-	-	-	-	138,238	138,238
2033	-	-	-	-	138,238	138,238
2034	-	-	-	-	138,238	138,238
2035	-	-	-	-	138,238	138,238
2036	-	-	-	-	138,238	138,238
2037	-	-	-	-	138,238	138,238
2038	-	-	-	-	275,788	275,788
2039	-	-	-	-	943,900	943,900
2040	-	-	-	-	943,431	943,431
2041	-	-	-	-	939,700	939,700
2042	-	-	-	-	943,500	943,500
	<u>\$3,932,413</u>	<u>\$4,293,400</u>	<u>\$931,848</u>	<u>\$1,778,800</u>	<u>\$6,892,486</u>	<u>\$17,828,947</u>

Exhibit 3

CITY OF CHANHASSEN, MINNESOTA
 SCHEDULE OF DEFERRED TAX LEVIES
 December 31, 2016

Exhibit 4

Years of Levy/ Collection	Library Bonds of 2002A/ 2010A	G.O. Capital Improvement Plan Bonds of 2008A	Total Deferred Tax Levies
2016/2017	\$451,952	\$596,700	\$1,048,652
2017/2018	461,297	470,348	931,645
2018/2019	459,512	475,702	935,214
2019/2020	457,412	480,585	937,997
2020/2021	465,497	479,745	945,242
2021/2022	-	483,840	483,840
2022/2023	-	482,213	482,213
2023/2024	-	485,520	485,520
2024/2025	-	487,410	487,410
2025/2026	-	489,090	489,090
2026/2027	-	490,560	490,560
2027/2028	-	497,070	497,070
2028/2029	-	498,015	498,015
	<u>\$2,295,670</u>	<u>\$6,416,798</u>	<u>\$8,712,468</u>

FORM OF LEGAL OPINION

(See following page)



2200 IDS Center
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FAX 612-977-8650
URL Briggs.com

PROPOSED FORM OF LEGAL OPINION

\$3,595,000
GENERAL OBLIGATION WATER REVENUE BONDS, SERIES 2018A
CITY OF CHANHASSEN
CARVER AND HENNEPIN COUNTIES
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Chanhassen, Carver and Hennepin Counties, Minnesota (the "Issuer"), of its \$3,595,000 General Obligation Water Revenue Bonds, Series 2018A, bearing a date of original issue of March 15, 2018 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest

PROPOSED FORM OF LEGAL OPINION

thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

BRIGGS AND MORGAN
Professional Association

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following page)

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Chanhassen, Minnesota (the "Issuer"), in connection with the issuance of its \$3,595,000 General Obligation Water Revenue Bonds, Series 2018A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on February 26, 2018 (the "Resolution"). Pursuant to the Resolution and this Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated February 15, 2018, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2017, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2018, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Current Property Valuations; Direct Debt; Tax Levies and Collections; US Census Data/Population Trend; and Employment/Unemployment Data.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of

this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: _____, 2018.

CITY OF CHANHASSEN, MINNESOTA

By _____
Its Mayor

By _____
Its City Manager

APPENDIX E

TERMS OF PROPOSAL

\$3,595,000* GENERAL OBLIGATION WATER REVENUE BONDS, SERIES 2018A CITY OF CHANHASSEN, MINNESOTA

Proposals for the purchase of \$3,595,000* General Obligation Water Revenue Bonds, Series 2018A (the "Bonds") of the City of Chanhassen, Minnesota (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on February 26, 2018, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, by the City for the purpose of financing the construction of various water utility system improvements within the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated March 15, 2018, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$275,000	2023	\$290,000	2027	\$310,000
2020	275,000	2024	295,000	2028	320,000
2021	280,000	2025	300,000	2029	325,000
2022	285,000	2026	305,000	2030	335,000

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2027 shall be subject to optional redemption prior to maturity on February 1, 2026 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about March 1, 2018, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Briggs and Morgan, Professional Association, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$3,551,860 plus accrued interest on the principal sum of \$3,595,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$71,900 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the Underwriter. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the Underwriter on its proposal form to determine the issue price for the Bonds. On its proposal form, each Underwriter must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement

to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the 10% test, the Underwriter agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a certain maturity have been sold.

(f) By submitting a proposal, each bidder confirms that (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Chanhassen, Minnesota

PROPOSAL FORM

The City Council
City of Chanhassen, Minnesota

February 26, 2018

RE: \$3,595,000* General Obligation Water Revenue Bonds, Series 2018A
DATED: March 15, 2018

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$3,551,860) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% due	2019	_____	% due	2023	_____	% due	2027
_____	% due	2020	_____	% due	2024	_____	% due	2028
_____	% due	2021	_____	% due	2025	_____	% due	2029
_____	% due	2022	_____	% due	2026	_____	% due	2030

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$71,900, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about March 1, 2018.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: NO: .

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from March 15, 2018 of the above proposal is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Chanhassen, Minnesota, on February 26, 2018.

By: _____ By: _____
Title: _____ Title: _____