

Comprehensive ANNUAL FINANCIAL REPORT

For the fiscal year ended December 31, 2017



2017 Show Off Shakopee Photo Contest Submission, "Rainbow over Industrial Park," Randy Monnens

City of Shakopee | 485 Gorman St., Shakopee MN 55379 | 952 233-9300 | www.ShakopeeMN.gov

Shakopee
Minnesota

CITY OF SHAKOPEE, MINNESOTA

Scott County

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2017

Department of Finance

Darin Nelson, Director of Finance
Melissa Schlingman, Accounting Manager

485 Gorman Street
Shakopee, MN 55379

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CITY OF SHAKOPEE

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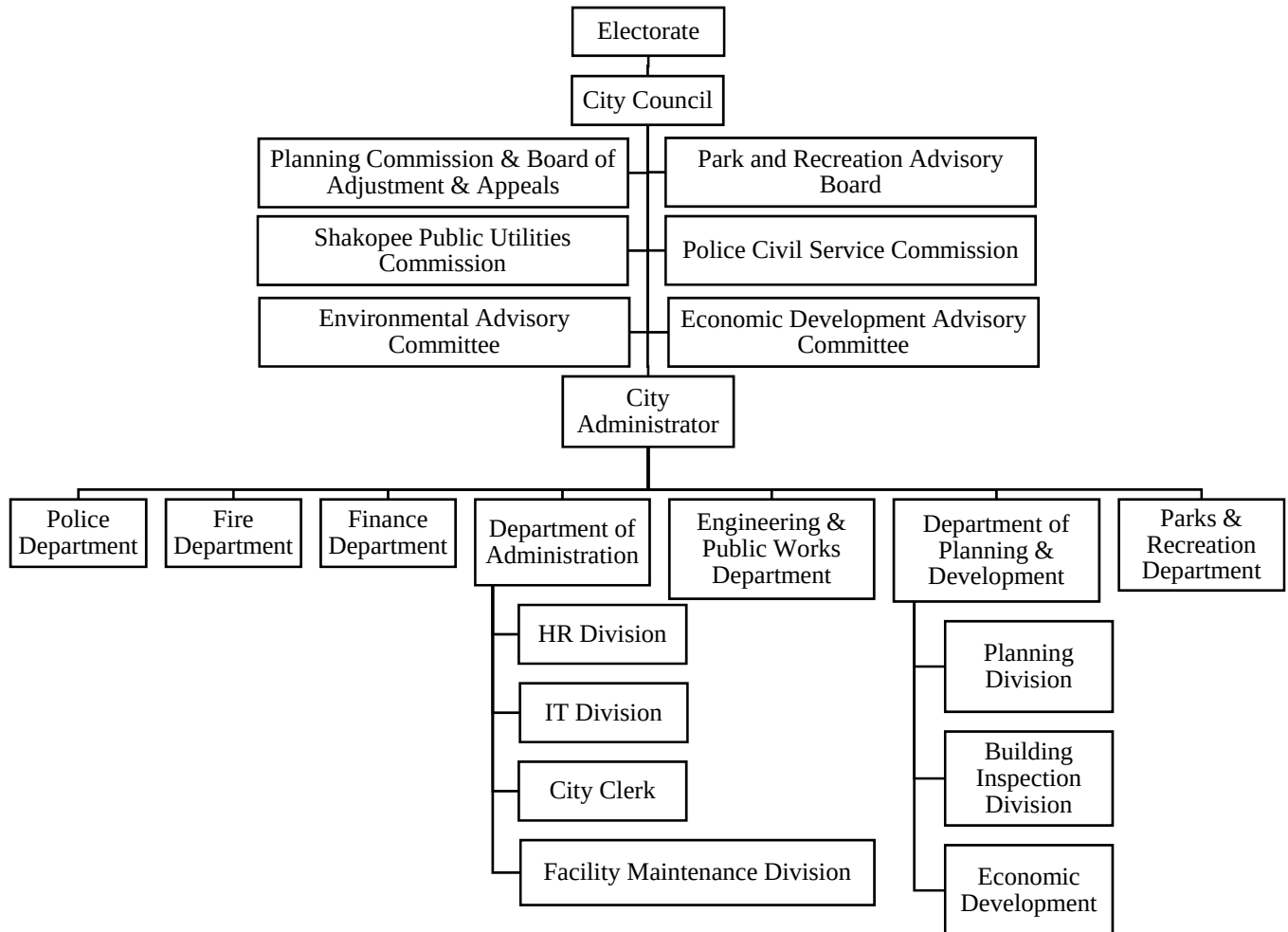
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CITY OF SHAKOPEE
ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2017

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
William Mars	Mayor	December 31, 2018
Matthew Lehman	Council Member	December 31, 2020
Jay Whiting	Council Member	December 31, 2020
Michael Luce	Council Member	December 31, 2018
Kathleen Mocol	Council Member	December 31, 2018

<u>Administration</u>	
William H. Reynolds	City Administrator
Nathan Burkett	Assistant City Administrator
Darin Nelson	Finance Director
Michael Kerski	Director of Planning & Development
Jeff Tate	Police Chief
Rick Coleman	Fire Chief
Steve Lillehaug	Public Works Director/Engineer
Jamie Polley	Park and Recreation Director

CITY OF SHAKOPEE
ORGANIZATION CHART
DECEMBER 31, 2017





May 18, 2018

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Shakopee:

The Comprehensive Annual Financial Report for the City of Shakopee, Minnesota, for the fiscal year ended December 31, 2017, is submitted herewith:

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. The costs of internal control should not exceed anticipated benefits and therefore the object is to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

The City of Shakopee's financial statements have been audited by Abdo Eick & Meyers LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the city for the year ended December 31, 2017, are fairly presented in conformity with GAAP (generally accepted accounting principles). Based on the audit, the independent auditor concluded that there is reasonable basis for rendering an unmodified ("clean") opinion on the city's financial statements for the year ended December 31, 2017. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used; significant estimates made by management; as well as evaluation of the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

Management Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the City

The City of Shakopee was incorporated for the second time in 1870 and is located approximately 25 miles southwest of Minneapolis. Bound by the Minnesota River on the north, Shakopee is in the northern part of Scott County and is the county seat. In recent years, the city has been one of the most rapidly growing communities in the state. The 2000 population of the city was 20,568 and the land area covered is approximately 30 square miles. The 2010 census confirmed that the population had increased to 37,076 and has been continuing to experience growth into the current year, with an estimated population of 40,643, in 2017. The city comprises a unique blend of residential, commercial and industrial properties, which provides a wide range of opportunities that are the result of the strong economic health of the community and region. More than 80% of the community is developed, with approximately 35% of the developed land as residential. The city levies a property tax on both real and personal property located within its boundaries except for land owned or controlled by the Shakopee Mdewakanton Sioux Community (SMSC), a Federally recognized Native American Tribe. The city may also by state statute, extend its corporate limits

by annexation, which historically has occurred periodically. The city recently executed an orderly annexation agreement with Jackson Township that will allow the city to actively annex certain portions of the township.

Shakopee is organized in Minnesota under Plan A, which includes a City Administrator, but the City Council retains primary decision-making authority such as policy setting, adopting ordinances and budget and staffing. The City Council has four members who serve staggered terms of four years plus the Mayor who serves a two-year term. All council positions are non-partisan, part-time and members are elected at large. In 2019, the Mayor's term will also become a four-year term.

The city provides typical municipal services such as police and fire protection, street and infrastructure construction, public works maintenance, parks, recreation, planning and zoning. Also provided are utilities such as sewer and storm drainage utilities, organized refuse collection, and recycling. Electric and water utilities are operated by Shakopee Public Utilities Commission which is appointed by the City Council but operates independently of the City of Shakopee.

Economic development and redevelopment are controlled by the Shakopee Economic Development Authority (the Authority). The Authority is comprised of the Mayor and City Council members and is included as an integral part of the city's report. The economic development activities of both staff and Council continue to increase from past years, as the strong economic climate in the region has provided the city with the benefit of planned commercial and industrial growth as well as expansion of several existing businesses and commercial sites.

2018 activity has already confirmed that the continuation of the growth trend will carry into the current year as the valuation of building permits for the first quarter of 2018 was \$33 million compared to a similar amount of \$35 million for the same timeframe in 2017. Additionally, 2018 single-family building permits through the first quarter have already exceeded the total number of single-family building permits for all of 2017.

The annual budget is the basis for the city's financial planning and control. The budget is prepared by fund (e.g., General), function (e.g., Public Works) and division (e.g., Engineering). Major budget requests or initiatives are submitted in July by department directors. The City Administrator reviews the submittals with the Finance Director and department directors to determine the prioritization of specific budget requests.

The City Council is presented with a proposed budget and a maximum tax levy in September of each year. This information succinctly details changes in the upcoming year budget, such as changes in personnel and position structure. It also includes funding requests that are unique to the specific budget year, the basis for the request, as well as requests for transfers and internal funding needs, such as internal service fund reviews.

City Council is required to adopt a maximum tax levy by September 30. The final tax levy and budget are adopted in December after a public meeting, which provides the City Council and community impact information relating to both the budget decisions and property tax levies. Final

levy information is submitted to the County for inclusion in the development of the upcoming year property tax statements.

Budgeting control is provided by an annual budget resolution passed by City Council. Formal control is at the division level and Council action is necessary to change budgeted amounts between divisions and/or funds. The Finance Director or City Administrator may make changes within divisions.

Along with the operating budget, the city annually prepares a five-year capital improvement plan (CIP) that is the basis for the long-term goal of providing and maintaining a functional public facility program, that provides the residents and businesses with infrastructure necessary for the on-going growth and development.

The capital plans have historically provided details on the infrastructure and capital equipment projects that are funded through property tax levy, franchise taxes, special assessments, utility funds and other intergovernmental revenue sources. These projects primarily allow for the upgrades, expansion and coordination of transportation-based needs, as well as trails, signals and other infrastructure improvements. The City Council also reviews and discusses the park planned improvements that are funded through the Park Reserve fund, which provides for the use of park and community facilities that have historically been funded through the collection of Park Dedication fees. The capital plans are reviewed with the Council and city staff, and the funding sources and priorities developed for the annual and future budget practices.

A five-year major equipment list is also annually prepared and presented to Council. The funding for this program is through the Internal Service fund rate charges, which are determined by departmental use, replacement plans and determination of the remaining life. Internal Service funds are utilized for the definition and application of other charges, including governmental buildings, park assets facilities, and information technology. These charges are integrated into the individual budgets of the General fund and departments that are benefitted by the activities of the programs. The Internal Service funds continue to be reviewed and updated as community needs and council directives are considered during each budget cycle.

Local Economy

Shakopee is the county seat of Scott County, and it abuts the largest county in the region, Hennepin County. Shakopee continues to benefit from its strategic location within the metropolitan region, as well as its direct access to TH 169, which connects the city to other major regional roadways, the MSP International Airport, and major employment centers. The city is also at the heart of regional attractions which includes Valleyfair, Canterbury Park horse racing track, Mystic Lake and Little Six casinos, and the Minnesota Renaissance Festival. These and other factors have propelled the city through a period of strong and consistent growth that is likely to continue for years to come.

In 2017, permits were issued for the construction of the following:

- Hometown Bank at Hy-Vee
- D.R. Horton first phase of Windermere, a major mixed-use community in the city's West End

- Lady Bug Daycare
- River Valley Montessori School
- Shakopee Dental at Dean Lakes
- O'Brien Dental Care downtown
- Northland Concrete corporate HQ
- Lennar Homes at Ridge Creek, 103 single family houses
- West Vierling Apartments at Hy-Vee, 133 market rate units
- Trio Apartments (Sand Companies), 100 market rate apartments, first phase of three
- My Pillow corporate HQ, distribution and production
- SAIA Trucking terminal
- Shakopee Brew Hall – Downtown
- 4th and Sarazin, RTL Construction headquarters

There are several projects in final permitting for 2018. These major projects include:

- Rahr Malting expansion phase two
- Living Hope Church expansion
- Canterbury Park - \$400 million redevelopment. First phase is a 600 unit luxury apartment building
- BHS Senior Living Facility at Windermere, first phase is \$35 million
- The Willows at Windermere – 60 unit affordable housing development by CommonBond
- Windermere South by Dr Horton – 158 single family homes

Major Initiatives

The city's community center and ice rink expansion and renovation project broke ground April 1, 2016. This \$30.4 million project includes the construction of a new two-sheet arena, addition of an aquatic facility, and the expansion of fitness, senior lounge, indoor playground, and child care areas. This project is being funded through the issuance of tax abatement bonds. The final phase of construction was completed in July of 2017. Both the community center and ice arena facilities are experiencing a substantial uptick in patronage.

The city is also finished in August 2017 the construction of a 25,000-square foot city hall that is adjacent to the police station. The City Hall addition creates a centralized city campus. The \$10 million project is financed from a mix of internal transfers and an interfund loan. The old city hall was subsequently demolished, and the city is looking for a private developer to complete a major redevelopment.

The city acquired several acres along First Avenue and the river front and is working with a private developer for a 125 unit luxury housing development with commercial that will break ground in 2019.

The city is also working on disposal of 30 acres acquired in the West End from MNDOT. Two sites have already been sold for a Doggie Day Care and Spa and a residential treatment facility. There are several parties interested in the remaining parcels for housing and business park.

The city went to 100% electronic submissions for building permits in April 2017 and for Planning and Engineering permits in December 2017. This has resulted in shorter turnaround times for building permits and has reduced applicants' expense since printed drawings are no longer required. Electronic submission process has also allowed for better communication and coordination with Scott County, Shakopee Public Utilities, Charter and the State of Minnesota (MNDOT).

The city is currently completing its 2040 Comprehensive Planning Process entitled Envision Shakopee. Thousands of residents have participated at public meetings, special events and on line to provide their input into the future of our community. The Plan includes land use proposals along with a detailed vision of the future. As part of that process, the city is also retaining a consultant to evaluate the entire Parks and Recreation system to ensure that it meets the community's needs while also being fiscally sustainable.

As mentioned earlier, the city also signed an orderly annexation agreement with the Jackson Township that will allow for annexation of all but two areas of the Township over the next few decades. The city can annex on its own 250 acres a year. The Township includes large tracts of land that will serve as employment centers for the next several decades. The city is bringing infrastructure to the area through the Windermere development.

Long-Term Financial Planning

Historically, the city has issued only limited debt, in the form of bonds and internal funding for planned infrastructure projects, expansion specific to streets, underground utilities, trails and sidewalk expansion. A portion of the long-term debt is funded by special assessments against benefited properties. The city applies special assessments against benefitted properties at a rate of 30% of the assessable project costs. This limited amount of special assessment revenue does require the city to clearly define the other recognized components of the payment of project costs. The city does not assess for overlays, which then requires funding from the tax levy or other regional revenues sources. The City Council has recently allowed for the use of inter-fund transfers, use of existing fund balance position, as well as review of charges and fees that may be applicable to the projects, and currently not tapped for future funding sources.

In addition, the City Council passed an ordinance effective January 1, 2017 assessing the private gas and electric utilities a franchise tax based on three percent of energy sales. This franchise tax generated approximately \$775,000 in 2017, with revenue dedicated to the Capital Improvement Fund.

City capital and equipment needs are currently identified and funded in a manner that will not place an undue burden or single year expense fluctuation on the taxpayers. The planned capital and equipment replacement program clearly identifies the needs for current projects as well as future use. This is based on known and anticipated programs and mandates, such as environmental program adjustments and possible community expansion and growth. The capital and equipment needs of the city require constant appraisal for replacement cost, life span and the assurance that the insurance coverage is providing for the most comprehensive, yet affordable, coverage.

A Self-Insurance Internal Service Fund was created in 2016 to aid in controlling general liability insurance costs by monitoring the premiums against deductible expenses. The long-term goal of the fund is to eventually self-insure for non-catastrophic type of losses. The city is also considering the move to self-insurance for employee health insurance. This move would also aid in controlling costs and stabilizing rates for both the city and its employees. The City Council approved a \$600,000 transfer from the General Fund to the Self-Insurance Fund as a first step in establishing the necessary reserves to move in this direction. It is anticipated that for calendar year 2019, the City will be self-insured for health insurance.

Relevant Financial Policies

The city's target General Fund balance is to maintain an unassigned level between 40% and 45% of expenditures. This level is to provide working capital for cash flow, expected declines in revenues, and for unforeseen expenditures such as natural disasters, or for unforeseen but urgent requests. Replenishing the fund balance when it falls below the target level shall be accomplished by inter-fund transfers, or adjusting of expenditures or revenues, over a period not to exceed three years.

The city historically receives no local government aid (LGA). Annual legislative actions may impact the financial position of those cities that are currently reliant on these and other government derived revenue sources, which leaves them vulnerable to the economies of the State as a whole. As of this writing, it was not anticipated that actions by the Minnesota Legislature would negatively impact the city and its operations and planning. The standard budget process, which provides for the presentation and approval of the property tax levies for the General fund (including Economic Development), debt service and referendum debt, will be consistent with prior year actions.

The accounting, auditing and financial reporting policies are designed to maintain a system of financial monitoring, control and reporting for all operations and funds to provide effective means of ensuring that overall city goals and objectives will be met and to assure the city's residents and investors that the city is well managed and fiscally sound.

The investment policy provides for conservative investing, preserving capital and maintaining adequate liquidity for forecasted cash needs. A third-party investment manager handles a majority of the portfolio and all investments are held in a trust account.

The debt policy ensures that the city's debt; 1) does not weaken the city's financial structure; and 2) provides limits on debt to avoid problems in servicing debt. This policy is critical for maintaining the best possible credit rating.

Capital policies include having expenditures forecasted ahead for five to ten years and are updated annually. Internal Service Funds for major equipment, major buildings and facilities, park asset replacement and information technology costs stabilize the annual impact of those items to the General fund.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Shakopee for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2016. This was the 32st consecutive year that the city has received this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department, Accounting Manager Melissa Schlingman, and the entire city staff. We express appreciation to those staff members who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Councilors for their support in maintaining the highest standards of professionalism in the management of the City of Shakopee's finances.

Respectfully submitted,

A stylized, handwritten signature in black ink, appearing to read 'W. Reynolds'.

William H. Reynolds
City Administrator

A handwritten signature in black ink that reads 'Darin Nelson'.

Darin Nelson
Finance Director



Government Finance Officers Association

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

Presented to

**City of Shakopee
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrell

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Shakopee, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Shakopee, Minnesota (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shakopee Public Utilities Commission, the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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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, the discretely presented component units, each major fund and the aggregate remaining fund information of the City as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 14 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, Schedule of Changes in the Net Pension Liability and Related Ratios and the Schedule of Funding Progress for Other Post-Employment Benefit Plan starting on page 98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

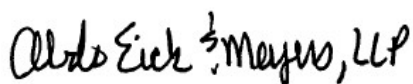
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 23, 2018

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

As management of the City of Shakopee (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 year ended December 31, 2017. 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 on pages 3 to 9 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by \$255.1 million (net position). Of this amount, \$39.1 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$4,262,672.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$21,808,434, decreasing from the prior year. Approximately 39.8 percent of this total amount, \$8.7 million is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current year, unassigned fund balance for the General Fund was \$11.9 million, or 50.3 percent, of total General Fund 2017 expenditures and 44.8 percent of the 2018 budgeted expenditures.
- The City's total bonded debt decreased \$1.6 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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 private-sector business.

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them 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 the City's net position changed during the most recent 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 employee leaves).

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,

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2017

highways and streets, economic development and recreation. The business-type activities of the City include sewer, storm drainage utilities and refuse.

The government-wide financial statements include not only the City itself (known as the primary government), but also two legally separate entities for which the City is financially accountable. The component units are Shakopee Public Utilities Commission (SPUC) and the Economic Development Authority (EDA). SPUC's financial information is reported separately from the financial information presented for the primary government as a discretely presented component unit. The EDA, which functions like a department of the City although it is a legally separate entity, is presented within the City's government-wide financial statements. The City Council is the EDA Board.

The government-wide financial statements can be found on pages 28 and 29 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 of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Government Funds

Government 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 year. Such information may be useful in evaluating a City's near-term financing's 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 financing decisions. The governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 24 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Economic Development Authority Special Revenue Fund, the Capital Improvements, Community Center and Ice Arena, City Hall and TIF District No. 17 Capital Project Funds. Those are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been prepared for the fund to demonstrate compliance with the budget.

The basic governmental funds financial statements can be found on pages 30 to 37 of this report.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

Proprietary Funds

The City maintains three different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, storm drainage and refuse operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and mobile equipment, its major buildings, the replacement of park assets, information technology items, insurance funding and for employee compensated absences. All of these services predominantly benefit governmental rather than business-type functions.

Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the sewer, storm drainage and refuse operations, all of which are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 38 to 41 of this report.

Component Units

Component units are legally separate organizations for which the City is financially accountable. The government-wide financial statements present information for the component units in a single column on the Statement of Net Position. Also, some information on the Statement of Changes in Net Position is aggregated for component units. The component units' Statements of Net Position and Statement of Changes in Net Position provide detail for each major component unit.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statements can be found on page 43 of this report.

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 on pages 47 to 96 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2017

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 112 to 129 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. For the City, assets exceeded liabilities by \$255.1 million at the close of the most recent year.

By far the largest portion of the City's net position (82.7 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure and equipment); less any related debt used to acquire those assets that is still outstanding. The City used 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.

Net Position (Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 41,399	\$ 56,638	\$ 23,732	\$ 23,992	\$ 65,131	\$ 80,630
Capital Assets	171,689	155,754	75,547	70,099	247,236	225,853
Total Assets	\$ 213,088	\$ 212,392	\$ 99,279	\$ 94,091	\$ 312,367	\$ 306,483
Deferred Outflows of Resources	\$ 11,800	\$ 17,410	\$ 181	\$ 199	\$ 11,981	\$ 17,609
Long-Term Liabilities						
Outstanding	\$ 49,943	\$ 65,120	\$ 715	\$ 589	\$ 50,658	\$ 65,709
Other Liabilities	5,959	9,795	357	268	6,316	10,063
Total Liabilities	\$ 55,902	\$ 74,915	\$ 1,072	\$ 857	\$ 56,974	\$ 75,772
Deferred Inflows of Resources	\$ 12,141	\$ 2,970	\$ 110	\$ 52	\$ 12,251	\$ 3,022
NET POSITION:						
Net Investment in Capital Assets	\$ 135,442	\$ 128,560	\$ 75,547	\$ 70,099	\$ 210,989	\$ 198,659
Restricted	6,343	6,637	-	-	6,343	6,637
Unrestricted	15,060	16,720	22,731	23,282	37,791	40,002
Total Net Position	\$ 156,845	\$ 151,917	\$ 98,278	\$ 93,381	\$ 255,123	\$ 245,298

An additional portion of the City's net position (2.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$37.7 million) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City was able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2017

During the current year, the City's net position increased \$9.8 million. Governmental activities increased as a result of increased tax revenue, increases in operating revenue related to permits and community center and ice arena operations and contributed assets from outside developers during 2017. The business-type activities increased as a result of contributed assets from outside developers during the year. Additionally, both governmental and business-type activities recognized contributed assets from prior years as a prior period adjustment in 2017.

Changes in Net Position (Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES:						
Program Revenues:						
Charges for Services	\$ 9,255	\$ 7,918	\$ 4,784	\$ 5,030	\$ 14,039	\$ 12,948
Operating Grants and Contributions	2,068	2,778	1	-	2,069	2,778
Capital Grants and Contributions	3,847	2,187	2,702	183	6,549	2,370
General Revenues:						
Taxes	19,229	18,016	-	-	19,229	18,016
Franchise Taxes	1,252	448	-	-	1,252	448
Tax Increment	1,015	465	-	-	1,015	465
Other	393	546	246	291	639	837
Total Revenues	<u>37,059</u>	<u>32,358</u>	<u>7,733</u>	<u>5,504</u>	<u>44,792</u>	<u>37,862</u>
EXPENSES:						
General Government	4,625	4,206	-	-	4,625	4,206
Public Safety	11,981	13,281	-	-	11,981	13,281
Public Works	9,696	8,594	-	-	9,696	8,594
Culture and Recreation	5,359	4,653	-	-	5,359	4,653
Economic Development	1,631	2,105	-	-	1,631	2,105
Interest on Long-Term Debt	1,113	1,191	-	-	1,113	1,191
Sewer	-	-	4,226	3,843	4,226	3,843
Storm	-	-	1,774	1,849	1,774	1,849
Refuse	-	-	125	127	125	127
Total Expenses	<u>34,405</u>	<u>34,030</u>	<u>6,125</u>	<u>5,819</u>	<u>40,530</u>	<u>39,849</u>
Increase (Decrease in Net Position before Transfers	2,654	(1,672)	1,608	(315)	4,262	(1,987)
Transfers	<u>27</u>	<u>1,272</u>	<u>(27)</u>	<u>(1,272)</u>	<u>-</u>	<u>-</u>
Change in Net Position	2,681	(400)	1,581	(1,587)	4,262	(1,987)
NET POSITION:						
January 1	<u>151,917</u>	<u>152,317</u>	<u>93,381</u>	<u>94,968</u>	<u>245,298</u>	<u>247,285</u>
Prior Period Adjustment	<u>2,247</u>	<u>-</u>	<u>3,316</u>	<u>-</u>	<u>5,563</u>	<u>-</u>
January 1 As Restated	<u>154,164</u>	<u>152,317</u>	<u>96,697</u>	<u>94,968</u>	<u>250,861</u>	<u>247,285</u>
December 31	<u>\$ 156,845</u>	<u>\$ 151,917</u>	<u>\$ 98,278</u>	<u>\$ 93,381</u>	<u>\$ 255,123</u>	<u>\$ 245,298</u>

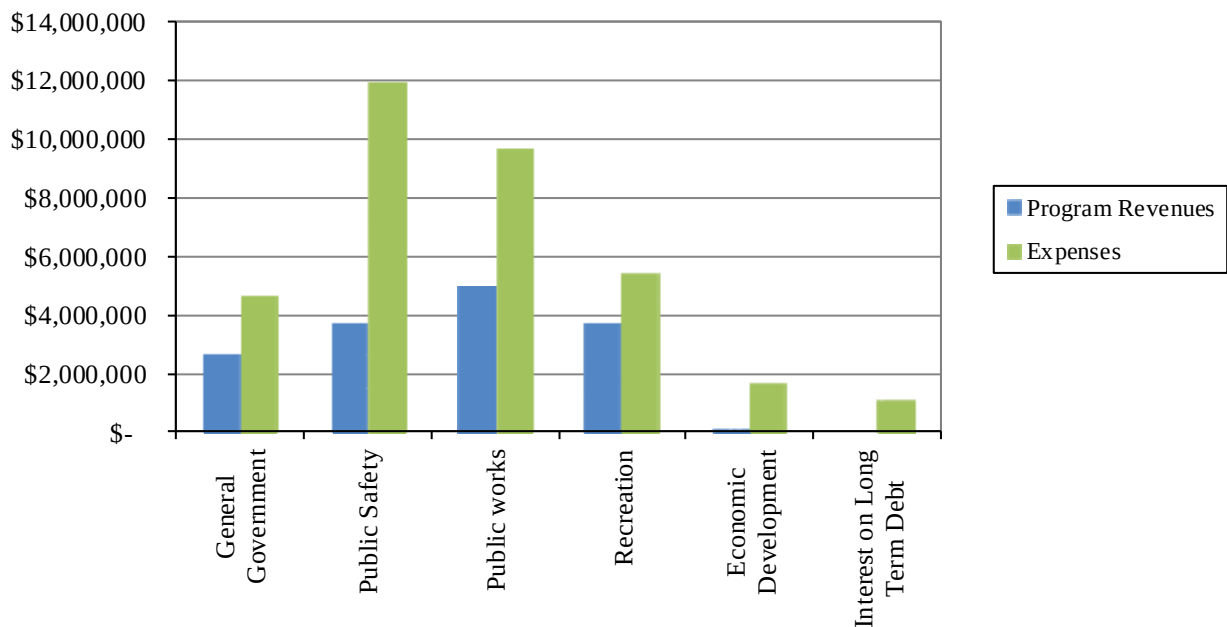
CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2017

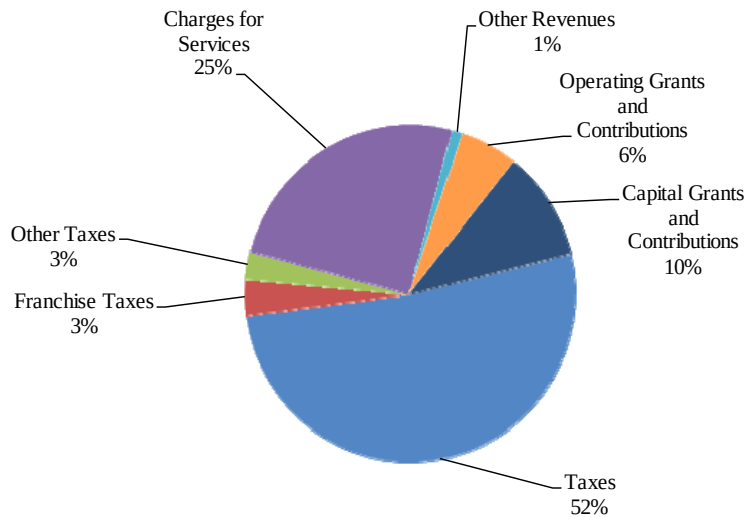
Governmental Activities

Governmental activities increased the City's net position by \$4,927,805. The major increase was related to developer contributed capital in 2017 which totaled approximately \$2.2 million. Additionally, increased services at the community center and ice arena with the completion of construction during 2017 increased memberships, ice rentals and admission revenues. A prior period adjustment was recorded to recognize capital contributions from developer installed infrastructure for the years 2010 through 2016 which also increase the City's net position at the end of 2017.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



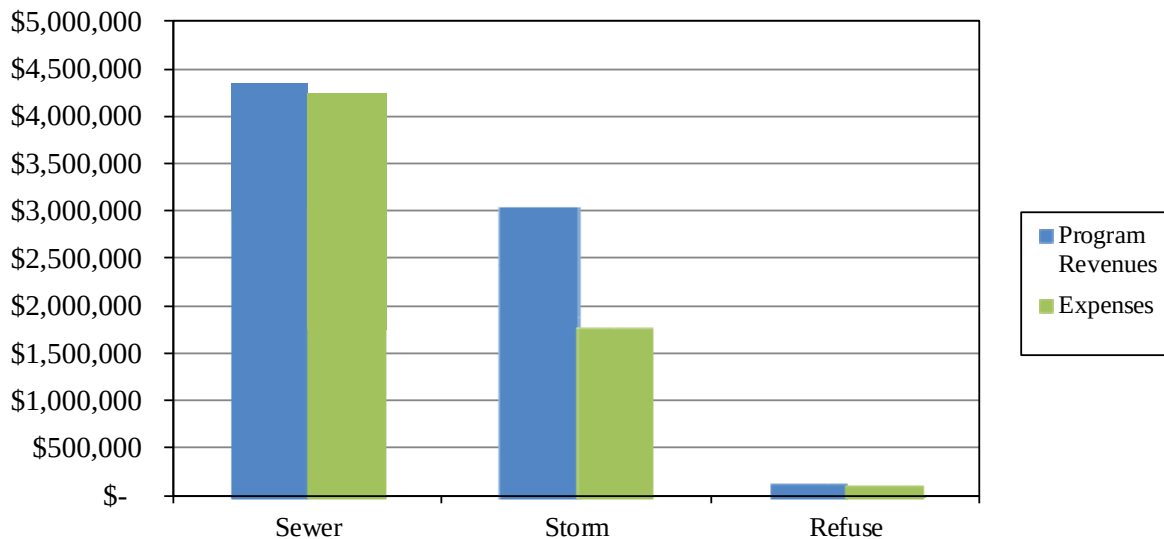
CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2017

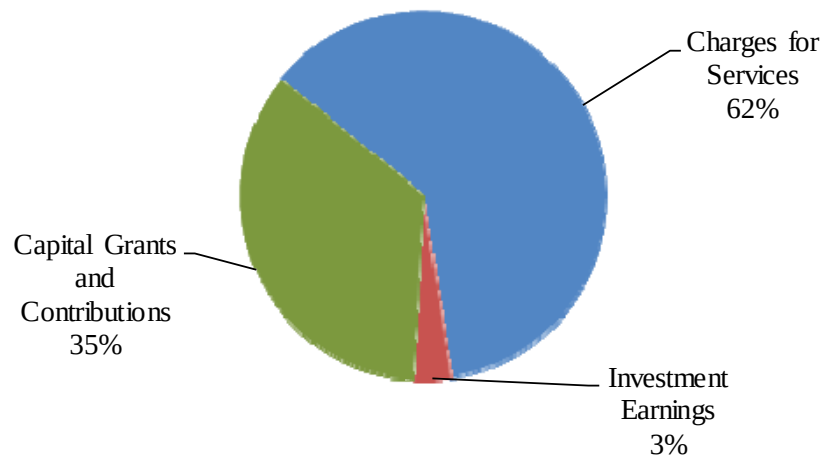
Business-Type Activities

Business-type activities increased the City's net position by \$4,897,424. Revenues and expenses both increased between the current and prior year. The major increase was related to developer contributed capital in 2017 which totaled approximately \$1.9 million. A prior period adjustment of approximately \$3.3 million was recorded to recognize capital contributions from developer installed infrastructure for the years 2010 through 2016 which also increase the City's net position at the end of 2017. The sewer and storm water activities will continue to experience ongoing expenses as capital investment is required to maintain and reconstruct the City's utilities. In addition, new development will also require investment of the City.

Expenses and Program Revenues – Business-Type Activities



Revenues by Source – Business-Type Activities



CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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, assigned and unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$21,808,434, a decrease of \$8,857,910 in comparison with the prior year. Approximately 39.8 percent, \$8,677,956, of the total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. Approximately 33.0 percent, \$7,197,290, of the total amount constitutes assigned fund balance, which is assigned for designated purposes. The remainder of fund balance, \$5,933,188, is not available for new spending because it has already been restricted or is non-spendable.

The General Fund is the chief operating fund of the City. At the end of the current year, fund balance of the General Fund was \$11,977,994. As a measure of the General Fund's liquidity, it may be useful to compare fund balance (unassigned) to total fund expenditures. Unassigned fund balance represents 50.3 percent of total General Fund expenditures or 44.8 percent of the 2018 budgeted expenditures.

Fund balance of the City's General Fund increased by \$1,216,628 during the current year. Key factors in this increase consist of the following:

- Before transfers, the fund balance of the General Fund showed a \$2,766,628 increase. After the net transfer out of \$1,550,000, fund balance increased \$1,216,628. Transfers provided the necessary funding for several significant capital infrastructure programs and projects, economic development operations as well as funding the self-insurance fund.
- Overall revenues increased approximately \$429,000 as a result of increased charges for services related to increase operations at the community center and ice arena. In addition, the City experienced increased contracted police services and engineering services related to private development. Licenses and permit revenue also increase with the increase in private development in 2017. Property taxes decreased in the general fund due to a designated levy for capital improvements in 2017 and an overall decrease in the general levy in 2017 as the debt levy increased related to specific debt issuances.
- Overall expenditures increased approximately \$1.7 million due to cost of living increases and new positions added in 2017 as well as increase operational cost for the community center and ice arena with the completion of construction.

Fund balance of the Economic Development Authority fund decreased \$1,147,329. During 2017 the City completed the majority of the downtown redevelopment project, only a small amount remains to be completed in 2018.

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2017

Fund balance of the Capital Improvements fund increased \$1,848,547. The increase was primarily related to a transfer from TIF District No 17. The 4th avenue reconstruction project that took place last year was to be funded as part of a tax increment financing project. With the first year of increment on the TIF district in 2017 a transfer was made for approximately \$1.8 million to reimburse the fund for the prior year costs. Additionally, in 2017 the City started to receive utility franchise payment and the designated tax levy dollars which were used for the following projects in 2017:

- Street Reconstruction Projects
- Bituminous Overlay
- Street Lighting
- Lewis Street Parking Lot
- Vierling Drive Extension

Fund balance of the Community Center and Ice Arena fund decreased \$6,359,240. This project began in 2015 with design work only. In 2016 bond proceeds of approximately \$28 million were received to fund this project. Much of the construction was completed in 2016, however in 2017 the remodel of the community center and the creation of the new indoor pool was completed.

Fund balance of the City Hall fund decreased \$2,965,333. This project began in 2016 and is being funded internally. During 2017 approximately \$6 million in construction was completed and the City Hall building was opened in August 2017. Transfers from the Building Internal Service fund were completed in 2017 as part of the designated funding related to this project.

Fund balance of TIF District No. 17 decreased \$2,164,600. This fund was created in 2017. This TIF district was created to fund the Highway 101 and Shenandoah Drive development project. The majority of the project was completed in 2016 and funds were transferred to the Capital Improvement, Sewer and Storm Drainage funds. This fund will be replenished with future tax increment.

Fund balance of the Non-major Governmental Funds increased \$713,417. Major changes are as follows:

- Revolving Loan special revenue fund decreased \$125,783 due to a transfer to the Economic Development Authority Fund for the improvement loan program.
- Debt service funds decreased \$104,131 due to regular bond payments offset by tax levies and assessment revenue related to the bonds.
- Park Reserve increased \$637,470. During 2017 the city completed the Tahpah West baseball fields however future project are on hold in this fund as funding levels increase.
- Tree Replacement capital improvement fund increased \$117,860. The city received fees related to the blue lake wastewater treatment facility.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

Proprietary funds

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

Unrestricted net position of the enterprise funds (expressed in thousands):

	Sewer	Storm Drainage	Refuse
Beginning of Year	\$ 10,324	\$ 13,548	\$ (913)
Change During Year	(996)	251	122
End of Year	<u>\$ 9,328</u>	<u>\$ 13,799</u>	<u>\$ (791)</u>

The City has undertaken several new development projects and continues to review fees charged to make sure costs are covering operations of the funds. A portion of these projects are funded through special assessments, but a significant portion of this is funded through the anticipated future revenues collected for services. The Refuse fund was created during 2014 with the City's purchase of garbage carts. The negative net position is anticipated to be reduced each year as service charges continue to be collected from customers.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget amendments of \$399,950 between original and final amended budget were approved during 2017. Following are the main components of the amendments:

- Revenues were increased \$631,100 as a result of increased licenses and permits, increased contracted services in public safety and increased engineering services related to private development.
- Expenditures were increased \$231,150. Wages and benefits were increased to account for overtime and compensated absences expenses related to employee severance payments.

Actual expenditures of \$23,673,607 were \$889,843 under budget. The variances are noted below:

- General government was under budget as a result of not spending contingency funds.
- Public safety was under budget due to longer than expected vacancies in positions. Additionally, the capital budget related to body cameras was not spent in 2017 as they City is still working through the policies needed to implement this system.
- Public works was under budget due to less snowplowing during 2017 resulting in decreases in overtime, material (sand and salt) and fuel. Vacancies in filling positions and reallocations of time as well as a sales tax refund related to gas and electric also attributed to the variance.
- Park and recreation came in under budget due to unfilled positions mainly for the new indoor pool. Park and recreation capital outlay came in over budget as a result of the capital lease issuance related to the equipment purchase, see variance in capital outlay issuance.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

Actual revenues of \$26,356,474 were \$1,025,924 over budget. The variances are noted below:

- Property taxes came in under budget as a result of tax petitions.
- Licenses and permits came in over budget on account of an increase in development and building and conservative budgeting.
- Intergovernmental revenue came in under budget due to a decrease in PERA aid related to pensions.
- Charges for services come in over budget due to increased community center admissions and memberships and ice rentals with the completion of the construction on those facilities. Additionally, contracted police services increased and engineering and grading fees were over budget because of the increased development.

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, 2017, amounts to \$247,235,835 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvement, machinery and equipment, park facilities, roads, highways and bridges.

CAPITAL ASSETS
(Net of Depreciation)
Expressed in Thousands

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 21,848	\$ 21,005	\$ 3,797	\$ 3,797	\$ 25,645	\$ 24,802
ROW	254	254	508	508	762	762
Construction in Progress	2,956	29,933	715	58	3,671	29,991
Line Rights	-	-	767	792	767	792
Infrastructure	71,995	69,308	68,061	63,014	140,056	132,322
Buildings	60,394	24,665	-	-	60,394	24,665
Machinery and Equipment	14,242	10,589	1,699	1,930	15,941	12,519
Total	<u>\$ 171,689</u>	<u>\$ 155,754</u>	<u>\$ 75,547</u>	<u>\$ 70,099</u>	<u>\$ 247,236</u>	<u>\$ 225,853</u>

Major capital assets events during the current year included the following:

- Completion of the City hall, Community Center and Ice Arena and indoor pool at the Community Center.
- Taphah west baseball fields, playgrounds at Hiawatha and Emerald Lane and Muenchow Park trail.
- Reconstruction of streets, sanitary sewer, storm sewer and water mains on Shakopee Avenue, Dakota Street, Vierling Drive and Whispering Oaks.
- Downtown redevelopment of the plaza and gateway and Chief Sakpe statue.
- Developer contributed assets of streets, sanitary sewer and storm sewer at Ridge Creek and Windermere.
- Vehicle replacements in police, fire, streets and parks.

CITY OF SHAKOPEE
MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2017

Additional information on the City’s capital assets can be found in Note 6 on pages 66 to 68 of this report.

In 2017, several projects that were “in progress” were continued and completed, as these projects often involved the coordination with County, State and Federal entities. The status of these projects is highly dependent on weather and the funding and staffing of cooperating entities, and will often impact the ability of the City to complete these projects in the anticipated year.

Long-Term Debt

At the end of the current year, the City had total bonded debt outstanding of \$34,345,000. Of this amount, \$33,260,000 comprises debt backed by the full faith and credit of the government and \$1,085,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment.

Outstanding Debt
G.O. and Revenue Bonds
Expressed in Thousands

	Governmental Activities	
	2017	2016
G.O. Bonds	\$ 33,260	\$ 33,935
Special Assessment Debt with Governmental Commitment	1,085	2,095
Total	<u>\$ 34,345</u>	<u>\$ 36,030</u>

The City’s total bonded debt decreased by \$1,685,000 during the current year as a result of bond payments.

Minnesota Statutes limit the amount of general obligation (G.O.) debt a government entity may issue to a net figure of 3 percent of the taxable market value. The current legal debt margin for the City is \$88 million, which is significantly in excess of the City’s outstanding G.O. debt.

Additional information on the City’s long-term debt can be found in Note 8 on pages 70 to 72 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City is currently experiencing the construction and development of several new industrial and residential sites. The City’s past years commercial and industrial growth has spurred the need for new housing. The City is seeing all types of housing, from single family to multi-family and senior housing filling this need. The diversified commercial and industrial base provides a strong base of jobs and tax base. In turn the backfilling of housing will help support the employment needs of these businesses.

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2017

During the current year, the unassigned fund balance in the General Fund was \$11,918,971. This can be similarly compared to the unassigned fund balance of 2017 of \$10,739,178. The City continues to maintain a strong financial position as the economic climate and the economic diversification of the region and the state continue to improve.

The general tax levy for 2018 is increased to \$19,260,548, in comparison to the prior year amount of \$18,926,341. The levy was increased to provide needed funding for city positions, infrastructure needs through the capital improvement fund and debt service levies. Historically only 30 percent of some of the project costs are funded through special assessments which will require a firm commitment of the Council to provide needed resources for maintenance, improvements and additions to the existing infrastructure.

City staff continues to refine and coordinate multi-department development related activities. As staff continues to refine these practices the achieved outcome will be to provide a higher level of positive customer and development satisfaction. This past year the City moved toward 100 percent electronic submissions for building permits. This has resulted in shorter turnaround time for applicants with reduced costs. In addition to better coordination within city departments, this improvement has also allowed for better communication and coordination with outside agencies.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general view of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 485 Gorman St., Shakopee, Minnesota, 55379.

BASIC FINANCIAL STATEMENTS

CITY OF SHAKOPEE

STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and Investments (Including Cash Equivalents)	\$ 34,167,917	\$ 21,104,599	\$ 55,272,516	\$ 40,894,897
Restricted Cash and Investments	-	-	-	14,977,218
Property Tax Receivable	95,933	-	95,933	-
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	558,634	45,679	604,313	4,358,801
Interest Receivable	159,557	96,724	256,281	61,559
Due From Other Governments	892,313	584,180	1,476,493	76,191
Special Assessments Receivable	4,363,204	244,200	4,607,404	-
Inventories	34,421	6,073	40,494	1,342,784
Prepaid Expenses	218,314	-	218,314	59,603
Land Held for Resale	1,179,781	-	1,179,781	-
Advances from Other Funds (Internal Balances)	(1,650,000)	1,650,000	-	-
Net Pension Asset	1,379,164	-	1,379,164	-
Capital Assets, Net of Accumulated Depreciation (Where Applicable):				
Land and Land Improvements	21,847,814	3,796,803	25,644,617	5,097,532
Right of Way	253,904	507,746	761,650	-
Construction in Progress	2,956,383	715,159	3,671,542	2,808,158
Line Rights	-	767,275	767,275	-
Infrastructure	71,994,758	68,060,969	140,055,727	-
Plant in Service	-	-	-	82,349,404
Buildings	60,393,978	-	60,393,978	-
Machinery and Equipment	14,241,554	1,699,492	15,941,046	-
Total Assets	213,087,629	99,278,899	312,366,528	152,026,147
Deferred Outflows of Resources				
Deferral on Refunding	-	-	-	208,715
Deferred Outflows of Resources Related to Pensions	11,799,895	181,065	11,980,960	1,126,457
Total Deferred Outflows of Resources	11,799,895	181,065	11,980,960	1,335,172
Total Assets and Deferred Outflows of Resources	\$ 224,887,524	\$ 99,459,964	\$ 324,347,488	\$ 153,361,319
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Accounts and Contracts Payable	\$ 1,522,766	\$ 246,434	\$ 1,769,200	\$ 4,770,756
Other Current Liabilities	-	-	-	440,098
Due to Other Governments	318,314	80,740	399,054	500,700
Salaries and Benefits Payable	333,475	-	333,475	-
Deposits Payable	-	-	-	2,506,821
Interest Payable	496,841	-	496,841	136,820
Unearned Revenue	258,561	-	258,561	1,048
Customer Advances	-	-	-	504,231
Bond Principal Payable, Net:				
Payable Within One Year	1,995,000	-	1,995,000	7,590,000
Payable After One Year	34,374,168	-	34,374,168	(7,978)
Capital Lease Payable				
Payable Within One Year	18,788	-	18,788	-
Payable After One Year	46,542	-	46,542	-
Compensated Absences Payable:				
Payable Within One Year	1,015,109	29,335	1,044,444	-
Payable After One Year	1,240,689	35,854	1,276,543	-
Net Other Post Employment Benefits (OPEB) Obligation	1,829,966	87,406	1,917,372	-
Net Pension Liability	12,452,080	591,908	13,043,988	4,111,253
Total Liabilities	55,902,299	1,071,677	56,973,976	20,553,749
Deferred Inflows of Resources				
Deferred Inflows of Resources Related to Pensions	12,140,742	110,092	12,250,834	728,472
Total Liabilities and Deferred Inflows of Resources	\$ 68,043,041	\$ 1,181,769	\$ 69,224,810	\$ 21,282,221
Net Position				
Net Investment in Capital Assets	135,442,110	75,547,444	210,989,554	82,673,072
Restricted for:				
Economic Development	356,588	-	356,588	-
SCDP Grant	10,805	-	10,805	-
Revolving Loan	138,004	-	138,004	-
Forfeiture	221,048	-	221,048	-
Debt Service	4,265,148	-	4,265,148	-
Component Units	-	-	-	12,233,577
Capital Improvements	1,351,050	-	1,351,050	-
Unrestricted	15,059,730	22,730,751	37,790,481	37,172,449
Total Net Position	156,844,483	98,278,195	255,122,678	132,079,098
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 224,887,524	\$ 99,459,964	\$ 324,347,488	\$ 153,361,319

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SHAKOPEE

**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017**

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 4,624,885	\$ 101,108	\$ -	\$ (1,979,651)	\$ -	\$ (1,979,651)
Public Safety	11,981,416	755,518	-	(8,236,128)	-	(8,236,128)
Public Works	9,695,789	559,864	3,487,547	(4,768,017)	-	(4,768,017)
Culture and Recreation	5,359,259	601,929	283,354	(1,660,025)	-	(1,660,025)
Economic Development	1,630,516	50,000	76,100	(1,477,896)	-	(1,477,896)
Interest on Long-Term Debt	1,112,571	-	-	(1,112,571)	-	(1,112,571)
Total Governmental Activities	34,404,436	2,068,419	3,847,001	(19,234,288)	-	(19,234,288)
Business-Type Activities						
Sewer	4,226,027	-	944,733	-	99,027	99,027
Storm Drainage	1,773,670	890	1,757,159	-	1,256,885	1,256,885
Refuse	125,647	-	-	-	6,106	6,106
Total Business-Type Activities	6,125,344	890	2,701,892	-	1,362,018	1,362,018
Total Primary Government	\$ 40,529,780	\$ 2,069,309	\$ 6,548,893	(19,234,288)	1,362,018	(17,872,270)
Component Unit - SPUC						
Electric	\$ 42,906,690	\$ -	\$ 1,158,713	-	-	-
Water	5,128,201	-	4,468,735	-	-	-
Total Component Unit	\$ 48,034,891	\$ -	\$ 5,627,448	-	-	-
General Revenues						
Taxes				19,229,300	-	19,229,300
Franchise Taxes				1,251,819	-	1,251,819
Tax Increments				1,014,774	-	1,014,774
Unrestricted Investment Earnings				390,911	240,345	631,256
Gain on Sale of Asset				1,576	6,217	7,793
Transfers				26,990	(26,990)	-
Total General Revenues, Transfers and Special Items				21,915,370	219,572	22,134,942
Change in Net Position				2,681,082	1,581,590	4,262,672
Net Position - Beginning				151,916,678	93,380,771	245,297,449
Prior Period Adjustment				2,246,723	3,315,834	5,562,557
Net Position - Beginning, As Restated				154,163,401	96,696,605	250,860,006
Net Position - Ending				\$ 156,844,483	\$ 98,278,195	\$ 255,122,678
						\$ 132,079,098

CITY OF SHAKOPEE

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2017

		Special Revenue	Capital Projects		
	General Fund	Economic Development Authority	Capital Improvements	Community Center & Ice Arena	City Hall
ASSETS					
Cash and Investments	\$ 12,224,603	\$ 736,568	\$ 4,398,752	\$ 200,463	\$ -
Delinquent Taxes Receivable	95,849	12	-	-	-
Special Assessments Receivable:					
Delinquent	4,550	-	29,736	-	-
Deferred	20,519	-	3,154,935	-	-
Accounts Receivable	360,139	-	167,135	-	14,075
Interest Receivable	56,712	6,801	22,713	253	-
Due from Other Funds	-	-	2,168,470	-	-
Due From Other Governments	393,111	-	497,496	-	1,529
Inventories	34,421	-	-	-	-
Prepaid Items	24,602	-	-	-	-
Land Held for Resale	-	1,179,781	-	-	-
	<u>-</u>	<u>1,179,781</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 13,214,506</u>	<u>\$ 1,923,162</u>	<u>\$ 10,439,237</u>	<u>\$ 200,716</u>	<u>\$ 15,604</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 343,049	\$ 190,879	\$ 428,884	\$ 12,499	\$ 19,425
Contracts Payable	712	84,289	94,376	-	94,464
Due to Other Funds	-	-	-	-	973,435
Due to Other Governments	179,797	-	138,484	-	-
Salaries and Benefits Payable	333,475	-	-	-	-
Advance from Other Funds	-	1,291,394	-	-	-
Unearned Revenue	258,561	-	-	-	-
Total Liabilities	<u>1,115,594</u>	<u>1,566,562</u>	<u>661,744</u>	<u>12,499</u>	<u>1,087,324</u>
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	95,849	12	-	-	-
Unavailable Revenue - Special Assessments	25,069	-	3,184,671	-	-
Total Deferred Inflows of Resources	<u>120,918</u>	<u>12</u>	<u>3,184,671</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable	59,023	-	-	-	-
Restricted	-	356,588	-	188,217	-
Assigned	-	-	6,592,822	-	-
Unassigned	11,918,971	-	-	-	(1,071,720)
Total Fund Balances	<u>11,977,994</u>	<u>356,588</u>	<u>6,592,822</u>	<u>188,217</u>	<u>(1,071,720)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,214,506</u>	<u>\$ 1,923,162</u>	<u>\$ 10,439,237</u>	<u>\$ 200,716</u>	<u>\$ 15,604</u>

Capital Projects

TIF District No. 17	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 5,997,703	\$ 23,558,089
-	72	95,933
-	-	34,286
-	1,153,464	4,328,918
-	9,122	550,471
-	24,574	111,053
-	-	2,168,470
-	177	892,313
-	-	34,421
-	-	24,602
-	-	1,179,781
<u>\$ -</u>	<u>\$ 7,185,112</u>	<u>\$ 32,978,337</u>

\$ -	\$ 76,492	\$ 1,071,228
-	22,048	295,889
2,164,600	3,870	3,141,905
-	33	318,314
-	-	333,475
-	-	1,291,394
-	-	258,561
<u>2,164,600</u>	<u>102,443</u>	<u>6,710,766</u>

-	72	95,933
-	1,153,464	4,363,204
-	1,153,536	4,459,137

-	-	59,023
-	5,329,360	5,874,165
-	604,468	7,197,290
(2,164,600)	(4,695)	8,677,956
<u>(2,164,600)</u>	<u>5,929,133</u>	<u>21,808,434</u>

<u>\$ -</u>	<u>\$ 7,185,112</u>	<u>\$ 32,978,337</u>
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CITY OF SHAKOPEE

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS December 31, 2017

Total Fund Balances - Governmental Funds \$ 21,808,434

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

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

Cost of Capital Assets	223,950,733
Less Accumulated Depreciation	(85,253,280)

Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	1,379,164
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond Principal Payable	(34,345,000)
Unamortized Bond Premium	(2,024,168)
Loan Payable	-
Capital Lease Payable	(65,330)
Net OPEB Obligation	(1,829,966)
Net Pension Liability	(12,452,080)

Delinquent property taxes and assessments receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.

Property Taxes	95,933
Special Assessments	34,286

Deferred special assessments receivable are not available to pay for current expenditures and, therefore, are reported as unavailable revenue in the funds.

Deferred Special Assessments	4,328,918
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Governmental funds do not report a liability for accrued interest due and payable.	(496,841)
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Deferred Outflows of Resources and Deferred Inflows of Resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred Inflows of Resources Related to Pensions	(12,140,742)
Deferred Outflows of Resources Related to Pensions	11,799,895

Internal service funds are used by management to charge the costs of equipment, buildings, park assets and employee benefits to individual funds. A portion of the assets and liabilities of those funds are included in governmental activities in the Statement of Net Position.

42,054,527

Total Net Position - Governmental Activities	<u>\$ 156,844,483</u>
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CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017**

		Special Revenue		Capital Projects	
		Economic		Community	
		Development		Center & Ice	
	General Fund	Authority	Capital	Arena	City Hall
			Improvements		
REVENUES					
Taxes	\$ 16,771,524	\$ 2	\$ 1,158,819	\$ -	\$ -
Tax Increment	-	-	-	-	-
Special Assessments	3,875	-	647,838	-	-
Licenses and Permits	2,391,942	-	-	-	-
Intergovernmental	1,369,027	-	1,072,240	-	-
Charges for Services	5,653,774	20,520	-	-	-
Fines and Forfeitures	2,719	-	-	-	-
Miscellaneous	163,613	66,540	65,969	294,976	5,304
Total Revenues	<u>26,356,474</u>	<u>87,062</u>	<u>2,944,866</u>	<u>294,976</u>	<u>5,304</u>
EXPENDITURES					
Current					
General Government	4,415,257	-	-	-	-
Public Safety	11,004,434	-	-	-	-
Public Works	2,973,840	-	-	-	-
Culture and Recreation	5,170,130	-	-	-	-
Economic Development	-	489,019	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest and Other Charges	16,605	-	-	-	-
Capital Outlay	<u>93,341</u>	<u>1,277,626</u>	<u>3,586,708</u>	<u>6,654,216</u>	<u>6,191,637</u>
Total Expenditures	<u>23,673,607</u>	<u>1,766,645</u>	<u>3,586,708</u>	<u>6,654,216</u>	<u>6,191,637</u>
Excess of Revenues Over (Under) Expenditures	2,682,867	(1,679,583)	(641,842)	(6,359,240)	(6,186,333)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Asset	4,661	-	-	-	-
Capital Lease Issued	79,100	-	-	-	-
Transfers In	250,000	961,763	2,490,389	-	3,221,000
Transfers Out	<u>(1,800,000)</u>	<u>(429,509)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	(1,466,239)	532,254	2,490,389	-	3,221,000
Net Change in Fund Balances	1,216,628	(1,147,329)	1,848,547	(6,359,240)	(2,965,333)
FUND BALANCES					
Beginning of Year	<u>10,761,366</u>	<u>1,503,917</u>	<u>4,744,275</u>	<u>6,547,457</u>	<u>1,893,613</u>
End of Year	<u>\$ 11,977,994</u>	<u>\$ 356,588</u>	<u>\$ 6,592,822</u>	<u>\$ 188,217</u>	<u>\$ (1,071,720)</u>

<u>Capital Projects</u>		
<u>TIF District No.</u>	<u>Other</u>	<u>Total</u>
<u>17</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Funds</u>	<u>Funds</u>
\$ -	2,531,472	\$ 20,461,817
376,827	637,947	1,014,774
-	282,060	933,773
-	891,553	3,283,495
-	6,528	2,447,795
-	7,418	5,681,712
-	239,155	241,874
-	408,263	1,004,665
<u>376,827</u>	<u>5,004,396</u>	<u>35,069,905</u>
-	-	4,415,257
-	34,786	11,039,220
-	-	2,973,840
-	58,799	5,228,929
222,351	899,703	1,611,073
-	1,685,000	1,685,000
-	1,243,382	1,259,987
-	582,732	18,386,260
<u>222,351</u>	<u>4,504,402</u>	<u>46,599,566</u>
154,476	499,994	(11,529,661)
-	100,000	104,661
-	-	79,100
-	359,777	7,282,929
<u>(2,319,076)</u>	<u>(246,354)</u>	<u>(4,794,939)</u>
(2,319,076)	213,423	2,671,751
(2,164,600)	713,417	(8,857,910)
-	5,215,716	30,666,344
<u>\$ (2,164,600)</u>	<u>\$ 5,929,133</u>	<u>\$ 21,808,434</u>

CITY OF SHAKOPEE

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017**

Net Change in Fund Balances - Governmental Funds \$ (8,857,910)

Amounts reported for governmental activities in the Statement of Activities are

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital Outlays	17,045,642
Depreciation Expense	(5,003,769)
Loss on Disposal of Fixed Assets	(544,374)
Contributed Assets	2,290,287

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities. 1,685,000

Payments on capital leases are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities. 13,770

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 22,224

Governmental funds report the effects of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities 111,422

Proceeds from long-term debt are recognized as an other financing source in the

Capital lease issuances are recognized as an other financing source in the governmental funds but as a decrease in net assets in the Statement of Activities. (79,100)

Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Special Assessments Delinquent	29,696
Special Assessments Deferred	(493,348)

OPEB obligations are recognized when paid in the government funds but recognized when incurred in the Statement of Activities (238,600)

Delinquent receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are not revenues in the funds. 19,302

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the statement of activities factors in items related to pensions on a full accrual perspective.

Pension Expense	(1,091,356)
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Internal service funds are used by management to charge the costs of certain activities such as buildings, equipment, park assets and employee benefits to individual funds. (See Note 2.B.) (2,227,804)

Change in Net Position - Governmental Activities \$ 2,681,082

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2017**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 16,965,400	\$ 16,982,200	\$ 16,771,524	\$ (210,676)
Special Assessments	12,000	6,500	3,875	(2,625)
Licenses and Permits	1,286,400	1,532,700	2,391,942	859,242
Intergovernmental	1,287,100	1,402,300	1,369,027	(33,273)
Charges for Services	4,927,600	5,229,150	5,653,774	424,624
Fines and Forfeitures	1,500	1,500	2,719	1,219
Miscellaneous Revenues:				
Investment Income	135,000	150,000	118,878	(31,122)
Contributions and Donations	4,500	6,700	17,600	10,900
Rents	9,800	9,800	9,838	38
Other	73,900	9,700	17,297	7,597
Total Revenues	<u>24,703,200</u>	<u>25,330,550</u>	<u>26,356,474</u>	<u>1,025,924</u>
EXPENDITURES				
Current				
General Government	4,620,000	4,591,610	4,415,257	(176,353)
Public Safety	10,936,600	11,105,940	11,004,434	(101,506)
Public Works	3,372,300	3,333,470	2,973,840	(359,630)
Culture and Recreation	5,324,300	5,336,730	5,170,130	(166,600)
Debt Service:				-
Interest and Other Charges	-	16,600	16,605	5
Capital Outlay				
Public Safety	-	100,000	-	(100,000)
Culture and Recreation	-	-	93,341	93,341
Total Expenditures	<u>24,253,200</u>	<u>24,484,350</u>	<u>23,673,607</u>	<u>(810,743)</u>
 Excess of Revenues Over (Under) Expenditures	 450,000	 846,200	 2,682,867	 1,836,667
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	-	3,750	4,661	911
Capital Lease Issued	-	-	79,100	79,100
Transfers In	250,000	250,000	250,000	-
Transfers Out	<u>(700,000)</u>	<u>(700,000)</u>	<u>(1,800,000)</u>	<u>(1,100,000)</u>
 Total Other Financing Sources (Uses)	 <u>(450,000)</u>	 <u>(446,250)</u>	 <u>(1,466,239)</u>	 <u>(1,019,989)</u>
 Net Change in Fund Balances	 <u>\$ -</u>	 <u>\$ 399,950</u>	 1,216,628	 <u>\$ 816,678</u>
FUND BALANCES				
Beginning of Year			<u>10,761,366</u>	
End of Year			<u>\$ 11,977,994</u>	

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SHAKOPEE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
December 31, 2017

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
ASSETS					
Current Assets					
Cash and Investments, Including Cash Equivalents	\$ 8,348,595	\$ 12,361,761	\$ -	\$ 20,710,356	\$ 11,004,071
Accounts Receivable	2,985	15,196	27,498	45,679	8,163
Interest Receivable	35,966	61,060	(302)	96,724	48,504
Special Assessment Receivable:					
Delinquent	3,208	-	-	3,208	-
Deferred	238,598	2,394	-	240,992	-
Due from Other Funds	71,072	-	-	71,072	973,435
Due from Other Governments	402,690	181,490	-	584,180	-
Inventories	139	5,934	-	6,073	-
Prepaid Expenses	-	-	-	-	193,712
Total Current Assets	<u>9,103,253</u>	<u>12,627,835</u>	<u>27,196</u>	<u>21,758,284</u>	<u>12,227,885</u>
Noncurrent Assets					
Advances to Other Funds, Noncurrent	746,924	1,650,000	-	2,396,924	1,291,394
Capital Assets:					
Land	4,500	3,792,303	-	3,796,803	221,876
Right of Way	-	507,746	-	507,746	-
Construction in Progress	627,304	87,855	-	715,159	807,837
Line Rights	1,368,569	-	-	1,368,569	-
Infrastructure	46,556,534	47,356,691	-	93,913,225	3,802,176
Buildings	-	-	-	-	32,682,713
Machinery and Equipment	1,894,016	1,161,122	1,172,068	4,227,206	16,245,988
Total Cost	<u>50,450,923</u>	<u>52,905,717</u>	<u>1,172,068</u>	<u>104,528,708</u>	<u>53,760,590</u>
Less Accumulated Depreciation	<u>(14,582,166)</u>	<u>(14,047,445)</u>	<u>(351,653)</u>	<u>(28,981,264)</u>	<u>(20,769,652)</u>
Net Capital Assets	<u>35,868,757</u>	<u>38,858,272</u>	<u>820,415</u>	<u>75,547,444</u>	<u>32,990,938</u>
Total Noncurrent Assets	<u>36,615,681</u>	<u>40,508,272</u>	<u>820,415</u>	<u>77,944,368</u>	<u>34,282,332</u>
Total Assets	<u>45,718,934</u>	<u>53,136,107</u>	<u>847,611</u>	<u>99,702,652</u>	<u>46,510,217</u>
Deferred Outflows of Resources					
Deferred Outflows of Resources Related to Pensions	77,641	103,424	-	181,065	-
Total Assets and Deferred Outflows of Resources	<u>\$ 45,796,575</u>	<u>\$ 53,239,531</u>	<u>\$ 847,611</u>	<u>\$ 99,883,717</u>	<u>\$ 46,510,217</u>
LIABILITIES AND NET POSITION					
Current Liabilities					
Accounts Payable	\$ 6,300	\$ 82,174	\$ -	\$ 88,474	155,649
Contracts Payable	152,437	5,523	-	157,960	-
Due to Other Funds	-	-	71,072	71,072	-
Due to Other Governments	65,338	15,402	-	80,740	-
Current Compensated Absences	13,801	15,534	-	29,335	1,015,109
Total Current Liabilities	<u>237,876</u>	<u>118,633</u>	<u>71,072</u>	<u>427,581</u>	<u>1,170,758</u>
Noncurrent Liabilities					
Advances from Other Funds	-	-	746,924	746,924	1,650,000
Compensated Absences	16,867	18,987	-	35,854	1,240,689
Net OPEB Obligation	43,703	43,703	-	87,406	-
Net Pension Liability	253,812	338,096	-	591,908	-
Total Noncurrent Liabilities	<u>314,382</u>	<u>400,786</u>	<u>746,924</u>	<u>1,462,092</u>	<u>2,890,689</u>
Total Liabilities	<u>552,258</u>	<u>519,419</u>	<u>817,996</u>	<u>1,889,673</u>	<u>4,061,447</u>
Deferred Inflows of Resources					
Deferred Inflows of Resources Related to Pensions	47,208	62,884	-	110,092	-
Net Position					
Investment in Capital Assets	35,868,757	38,858,272	820,415	75,547,444	32,990,938
Unrestricted	9,328,352	13,798,956	(790,800)	22,336,508	9,457,832
Total Net Position	<u>45,197,109</u>	<u>52,657,228</u>	<u>29,615</u>	<u>97,883,952</u>	<u>42,448,770</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 45,796,575</u>	<u>\$ 53,239,531</u>	<u>\$ 847,611</u>		<u>\$ 46,510,217</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2c)				394,243	
Total Business-Type Activities Net Position				<u>\$ 98,278,195</u>	

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2017**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
OPERATING REVENUES					
Charges for Services	\$ 3,355,853	\$ 1,249,927	\$ 104,726	\$ 4,710,506	\$ -
Rental Charges	15,520	300	-	15,820	3,230,109
Other Charges	8,536	22,000	27,027	57,563	8,977
Special Assessments	411	279	-	690	-
Total Operating Revenues	<u>3,380,320</u>	<u>1,272,506</u>	<u>131,753</u>	<u>4,784,579</u>	<u>3,239,086</u>
OPERATING EXPENSES					
Salaries and Benefits	423,878	628,690	-	1,052,568	109,879
Depreciation	843,756	823,470	117,111	1,784,337	1,940,195
Professional Services	164,008	114,150	-	278,158	13,254
Sewer Disposal Charges	2,578,133	-	-	2,578,133	-
Repairs and Maintenance	57,545	147,459	-	205,004	165,036
Materials and Supplies	36,787	34,596	-	71,383	256,051
Rent	24,751	25,465	-	50,216	1,088
Insurance	66,190	13,720	-	79,910	612,607
Utilities	81,231	7,548	-	88,779	-
Total Operating Expenses	<u>4,276,279</u>	<u>1,795,098</u>	<u>117,111</u>	<u>6,188,488</u>	<u>3,098,110</u>
Operating Income (Loss)	(895,959)	(522,592)	14,642	(1,403,909)	140,976
NONOPERATING REVENUES (EXPENSES)					
Investment Income	97,952	143,151	(759)	240,344	130,534
Grants and Contributions	-	890	-	890	-
Donations	-	-	-	-	60,174
Insurance Dividends	-	-	-	-	61,923
Interest Expense	-	-	(8,536)	(8,536)	-
Gain (Loss) on Sale of Asset	-	6,217	-	6,217	(103,085)
Total Nonoperating Revenues (Expenses)	<u>97,952</u>	<u>150,258</u>	<u>(9,295)</u>	<u>238,915</u>	<u>149,546</u>
Income before Capital Contributions and Transfers	(798,007)	(372,334)	5,347	(1,164,994)	290,522
Capital Contributions from Special Assessments	37,966	-	-	37,966	-
Capital Contributions from Outside Developers	906,768	1,757,160	-	2,663,928	14,354
Transfers In	294,338	132,709	-	427,047	600,000
Transfers Out	<u>(190,120)</u>	<u>(263,917)</u>	<u>-</u>	<u>(454,037)</u>	<u>(3,061,000)</u>
Change in Net Position	250,945	1,253,618	5,347	1,509,910	(2,156,124)
NET POSITION					
Beginning of Year	43,722,141	49,311,799	24,268	93,058,208	44,604,894
Prior Period Adjustment	1,224,023	2,091,811	-	3,315,834	-
Beginning of Year, Restated	<u>44,946,164</u>	<u>51,403,610</u>	<u>24,268</u>	<u>96,374,042</u>	<u>44,604,894</u>
End of Year	<u>\$ 45,197,109</u>	<u>\$ 52,657,228</u>	<u>\$ 29,615</u>	<u>\$ 97,883,952</u>	<u>\$ 42,448,770</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2d)				<u>71,680</u>	
Change in Net Position - Business-Type Activities				<u>\$ 1,581,590</u>	

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SHAKOPEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
CASH FLOWS - OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 3,342,415	\$ 1,245,372	\$ 104,255	\$ 4,692,042	\$ 3,237,052
Receipts from Interfund Services	-	-	11,717	11,717	21,053
Payments to Suppliers	(2,981,859)	(289,271)	-	(3,271,130)	(1,125,567)
Payments to Employees	(354,897)	(493,775)	-	(848,672)	-
Payments for Interfund Services	(11,717)	-	-	(11,717)	(973,435)
Net Cash Flows - Operating Activities	(6,058)	462,326	115,972	572,240	1,159,103
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES					
Interfund Loan Issued	-	(1,650,000)	-	(1,650,000)	1,650,000
Payment Received on Interfund Loan	106,703	-	(106,703)	-	50,000
Interest Expense on Interfund Loan Repayment	-	-	(8,536)	(8,536)	-
Insurance Dividends	-	-	-	-	61,923
Transfer from Other Funds	294,338	132,709	-	427,047	600,000
Transfer to Other Funds	(190,120)	(263,917)	-	(454,037)	(3,061,000)
Net Cash Flows - Noncapital Financing Activities	210,921	(1,781,208)	(115,239)	(1,685,526)	(699,077)
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES					
Trunk Charges	126,754	550,160	-	676,914	-
Capital Related Special Assessments	45,788	1,306	-	47,094	-
Capital Grant	-	890	-	890	-
Donations	-	-	-	-	60,174
Proceeds (Loss) from Disposal of Capital Assets	-	6,217	-	6,217	106,173
Acquisition of Capital Assets	(1,310,452)	(619,193)	-	(1,929,645)	(2,035,040)
Net Cash Flows - Capital and Related Financing Activities	(1,137,910)	(60,620)	-	(1,198,530)	(1,868,693)
CASH FLOWS - INVESTING ACTIVITIES					
Interest Received	104,898	145,497	(733)	249,662	138,705
Net Cash Flows - Investing Activities	104,898	145,497	(733)	249,662	138,705
Net Change in Cash and Cash Equivalents	(828,149)	(1,234,005)	-	(2,062,154)	(1,269,962)
CASH AND CASH EQUIVALENTS					
Beginning of Year	9,176,744	13,595,766	-	22,772,510	12,274,033
End of Year	<u>\$ 8,348,595</u>	<u>\$ 12,361,761</u>	<u>\$ -</u>	<u>\$ 20,710,356</u>	<u>\$ 11,004,071</u>

CITY OF SHAKOPEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

(Continued)

For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (895,959)	\$ (522,592)	\$ 14,642	\$ (1,403,909)	\$ 140,976
Adjustments to Reconcile Operating Income (Loss) to Net Cash					
Flows - Operating Activities:					
Depreciation Expense	843,756	823,470	117,111	1,784,337	1,940,195
Pension Expense	63,172	126,857	-	190,029	-
Changes in:					
Accounts Receivable	(2,985)	6,804	(27,498)	(23,679)	(2,034)
Due from Other Funds	(11,717)	-	-	(11,717)	(973,435)
Due from Other Governments	(52,622)	(31,096)	-	(83,718)	-
Special Assessments	17,702	(2,842)	-	14,860	-
Due to Other Governments	(14,357)	(4,694)	-	(19,051)	-
Accounts and Contracts Payable	41,282	64,295	-	105,577	(67,435)
Inventory	(139)	(5,934)	-	(6,073)	-
Prepaid Expenses	-	-	-	-	(10,096)
Due to Other Funds	-	-	11,717	11,717	-
Compensated Absences Payable	760	3,009	-	3,769	130,932
Net OPEB Obligation	5,049	5,049	-	10,098	-
Total Adjustments	889,901	984,918	101,330	1,976,149	1,018,127
Net Cash Flows - Operating Activities	<u>\$ (6,058)</u>	<u>\$ 462,326</u>	<u>\$ 115,972</u>	<u>\$ 572,240</u>	<u>\$ 1,159,103</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Contributions of Capital Assets from Developers	780,014	1,207,000	-	1,987,014	14,354

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CITY OF SHAKOPEE

COMBINED STATEMENT OF FIDUCIARY NET POSITION
December 31, 2017

	Total Agency Funds
ASSETS	
Current	
Cash and Investments	\$ 2,277,668
Accounts Receivable	49
Interest Receivable	1,489
Due from Other Governments	25,000
Prepays	6,932
Total Assets	<u><u>\$ 2,311,138</u></u>
LIABILITIES	
Accounts Payable	\$ 230,726
Deposits Payable	2,041,197
Due to Other Governments	39,215
Total Liabilities	<u><u>\$ 2,311,138</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF SHAKOPEE

STATEMENT OF NET POSITION - COMPONENT UNIT - SPUC
December 31, 2017

	Electric	Water	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 32,905,423	\$ 7,989,474	\$ 40,894,897
Restricted Assets:			
Sinking Account	544,737	-	544,737
Accrued Interest Receivable	50,980	10,579	61,559
Customer Accounts Receivable	3,911,421	317,761	4,229,182
Allowance for Uncollectible Accounts	(22,905)	(11,136)	(34,041)
Other Accounts Receivable	114,489	49,171	163,660
Due from City of Shakopee	60,673	15,518	76,191
Inventory	1,311,994	30,790	1,342,784
Prepaid Expenses	44,702	14,901	59,603
Total Current Assets	38,921,514	8,417,058	47,338,572
Noncurrent Assets			
Restricted Assets:			
Customer Deposits Account	2,453,949	52,872	2,506,821
Connection Account	-	11,690,574	11,690,574
Water Reconstruction Account	-	135,086	135,086
Emergency Repairs Account	100,000	-	100,000
Capital Assets:			
Plant in Service	70,029,117	60,173,555	130,202,672
Accumulated Depreciation	(24,441,184)	(18,314,552)	(42,755,736)
Construction in Progress	1,241,154	1,567,004	2,808,158
Total Noncurrent Assets	49,383,036	55,304,539	104,687,575
Total Assets	88,304,550	63,721,597	152,026,147
Deferred Outflows of Resources			
Deferred Outflows of Resources Related to Pensions	844,842	281,615	1,126,457
Unamortized loss on refunding	208,715	-	208,715
Total Deferred Outflows of Resources	1,053,557	281,615	1,335,172
Total Assets and Deferred Outflows of Resources	\$ 89,358,107	\$ 64,003,212	\$ 153,361,319
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 4,023,152	\$ 747,604	\$ 4,770,756
Due to City of Shakopee	385,612	115,088	500,700
Other Current Liabilities	270,106	169,992	440,098
Total Current Liabilities	4,678,870	1,032,684	5,711,554
Liabilities Payable from Restricted Assets			
Current Portion of Revenue Bonds	7,590,000	-	7,590,000
Accrued Interest Payable	136,820	-	136,820
Customer Deposits	2,453,949	52,872	2,506,821
Total Liabilities Payable from Restricted Assets	10,180,769	52,872	10,233,641
Noncurrent Liabilities			
Unamortized Bond Discount	(7,978)	-	(7,978)
Unearned Revenues	1,048	-	1,048
Customer Advances	384,837	119,394	504,231
Net Pension Liability	3,083,436	1,027,817	4,111,253
Total Noncurrent Liabilities	3,461,343	1,147,211	4,608,554
Total Liabilities	18,320,982	2,232,767	20,553,749
Deferred Inflows of Resources Related to Pensions	546,353	182,119	728,472
Total Liabilities and Deferred Inflows of Resources	\$ 18,867,335	\$ 2,414,886	\$ 21,282,221
Net Position			
Investment in Capital Assets	39,247,065	43,426,007	82,673,072
Restricted for Debt Service	407,917	-	407,917
Restricted for Connections & Reconstruction	-	11,825,660	11,825,660
Unrestricted	30,835,790	6,336,659	37,172,449
Total Net Position	70,490,772	61,588,326	132,079,098
Total Liabilities and Net Position	\$ 89,358,107	\$ 64,003,212	\$ 153,361,319

CITY OF SHAKOPEE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - COMPONENT UNIT - SPUC For the Year Ended December 31, 2017

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Operating Revenues	\$ 46,887,042	\$ 5,184,201	\$ 52,071,243
Operating Expenses	<u>42,540,308</u>	<u>5,127,888</u>	<u>47,668,196</u>
Operating Income	<u>4,346,734</u>	<u>56,313</u>	<u>4,403,047</u>
NONOPERATING REVENUES (EXPENSES)			
Rentals and Miscellaneous	435,087	215,809	650,896
Interdepartmental Rent from Water	90,000	-	90,000
Investment Income	215,222	81,118	296,340
Interest Expense	(348,580)	(313)	(348,893)
Amortization of Debt Issuance Costs and			
Loss on Refunding	(17,802)	-	(17,802)
Gain(Loss) on Disposition of Property	<u>6,694</u>	<u>(74,373)</u>	<u>(67,679)</u>
Total Nonoperating Revenues (Expenses)	<u>380,621</u>	<u>222,241</u>	<u>602,862</u>
Income Before Contributions and Transfers	4,727,355	278,554	5,005,909
Capital Contributions	1,158,713	4,468,735	5,627,448
Change in Net Position	5,886,068	4,747,289	10,633,357
NET POSITION			
Beginning of Year	<u>64,604,704</u>	<u>54,648,241</u>	<u>119,252,945</u>
Prior Period Adjustment	<u>-</u>	<u>2,192,796</u>	<u>2,192,796</u>
Beginning of Year, as Restated	<u>64,604,704</u>	<u>56,841,037</u>	<u>121,445,741</u>
End of Year	<u><u>\$ 70,490,772</u></u>	<u><u>\$ 61,588,326</u></u>	<u><u>\$ 132,079,098</u></u>

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CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Shakopee is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

Blended Component Unit – Reported as if they were part of the City.

Discretely Presented Component Unit – Entails reporting the component unit financial data in statements separate from the financial date of the City.

Joint Ventures and Jointly Governed Organizations – The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

1. Blended Component Unit

The Shakopee Economic Development Authority (EDA) was organized to promote development, improve housing and reduce blighted areas in the City. It is included by reason of the City Council having final approval for Shakopee EDA actions and the Shakopee EDA Board being comprised entirely of City Council Members. City staff handles Shakopee EDA activity including Shakopee EDA funds and the City approves Shakopee EDA tax levies and bonding activity. Therefore, the City has financial oversight for Shakopee EDA activities. The City also has operational responsibility of the EDA.

The activity of the Shakopee EDA is shown in the Shakopee EDA Special Revenue Fund in the City's financial statements. No separate financial statements for the Shakopee EDA are issued. For any information desired beyond what is presented in this report, contact the Finance Director for the City of Shakopee at 129 Holmes Street South, Shakopee, Minnesota 55379-1351.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity (Continued)

2. Discretely Presented Component Unit

The electric and water utilities of the Shakopee Public Utilities Commission (SPUC) are self-supporting entities and collectively comprise separate enterprise funds of the City of Shakopee (the “City”). The utility provides electric and water operations to properties within the City as well as electric distribution to certain other areas outside of the City. The utility accounts for the costs of electric and water operations on a continuing basis and is managed by the SPUC. The SPUC Board consists of five members who serve three year consecutive terms. SPUC is presented as a discretely presented component unit because of the nature and significance of its relationship with the primary government. Separate financial statements are included in this report for the SPUC Funds to emphasize that it is legally separate from the City. Based on its relationship with the City, it would be misleading to exclude SPUC as a component unit. It is this criterion that results in SPUC being reported as a discretely presented component unit. The complete financial statements can be obtained from the Shakopee Public Utility Commission, 225 Sarazin Street, Shakopee, Minnesota 55379.

3. Joint Ventures and Jointly Governed Organizations

Local Government Information Systems

Local Government Information Systems (LOGIS) is a joint venture of approximately 44 governmental entities that provides computerized data processing and support services to its members. Legally separate, the City does not appoint a voting majority of the Board and LOGIS is fiscally independent of the City. During 2017, the City paid \$416,103 to LOGIS for services provided which is included in expenditures of the General Fund. Financial statements are available by contacting LOGIS, 5750 Duluth Street, Golden Valley, Minnesota 55422-4036.

4. Other Organizations

Shakopee Volunteer Fire Department Relief Association

The Shakopee Volunteer Fire Department Relief Association (the “Association”) is organized as a nonprofit organization, legally separate from the City, by its members to provide pensions and other benefits to such members in accordance with *Minnesota Statutes*. It is not a component unit of the City because the Board of Directors is appointed by the membership of the Association and not by the City Council. The financial oversight of the City is limited to approval authority for amending the Association bylaws when the change results in an increase in the pension benefit level requiring an increased City contribution. The Association has the authority to levy its own taxes for pensions and deficits and would continue to exist for its members if the City was dissolved. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City’s reporting entity.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 City. The fiduciary funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. 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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Escrow Agency Fund is presented in the fiduciary fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, this Fund is not incorporated into the government-wide 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 Agency Funds report only assets and liabilities and have no measurement focus, but do use the accrual basis of accounting to recognize receivables and payables.

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 revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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, franchise taxes, licenses and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current 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.

Description of Funds:

Major Governmental Funds:

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

Economic Development Authority Special Revenue Fund – This Fund accounts for development, improve housing and reduce blighted areas of the City. Taxes, grants and contributions are the dedicated funding sources.

Capital Improvements Capital Project Fund – This Fund accounts for the capital projects of the City not accounted for in separate capital funds.

Community Center & Ice Arena Capital Project Fund – This Fund accounts for the construction costs associated with the construction of the community center and ice arena.

City Hall Capital Project Fund – This Fund accounts for the construction costs associated with the construction of the city hall.

TIF District No. 17 Capital Project Fund – This Fund accounts for tax increment financing district number 17- Highway 101 and Shenandoah Drive development project.

Proprietary Funds:

Sewer Fund – This Fund accounts for operations of the City’s sewer utility.

Storm Drainage Fund – This Fund accounts for the activities of the City’s storm drainage utility.

Refuse Fund – This Fund accounts for operations associated with the City’s garbage carts and recycling operations.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Description of Funds: (Continued)

Internal Service Funds:

Equipment Fund – This Fund accounts for the City’s acquisition of larger pieces of equipment.

Buildings Fund – This Fund accounts for the City’s funds accumulated for construction, improvement or major repairs of major public buildings.

Park Assets Fund – This Fund accounts for the City’s funds accumulated for the replacement of park assets.

Employee Benefits Fund – This Fund accounts for the City’s funds accumulated for compensated absences and OPEB.

Information and Technology Fund – This Fund accounts for the City’s funds accumulated for information technology resources.

Self Insurance Fund – This Fund is used to account for all revenues and expenses associated with premiums, deductibles and claims for general liability and workers compensation policy through LMCIT.

The City’s internal service funds are allocated between governmental and business-type activities and are combined, as allocated in Note 2, with the respective governmental activities and business-type activities in the government-wide financial statements.

Fiduciary Funds:

Escrow Agency Fund – This Fund accounts for the monies held for specific purposes for individuals, private organizations, other government units and other funds. Escrows are held on behalf of builders and developers, for security deposits and police evidence deposits.

Holiday Lighting Agency Fund – This Fund accounts for the monies held for holiday lighting.

Southwest Metro Drug Task Force Agency Fund – This Fund accounts for the activity related to the task force held by the City in a strictly custodial capacity.

Component Unit Funds:

Electric Fund – This Fund accounts for the operations of the SPUC’s electric utility.

Water Fund – This Fund accounts for the operations of the SPUC’s water utility.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments, where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's utility function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 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.

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

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. All funds of the City are included in the pooled investments with the exclusion of the 2017A bond proceeds which is included in the non-pooled investments.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

Certain investments for the City and Component Unit are reported at fair value as disclosed in Note 4. The City and Component Unit 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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Equity (Continued)

1. Deposits and Investments (Continued)

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Money Market Fund.

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "interfund balances".

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Scott County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Equity (Continued)

3. Inventory, Prepaid Items and Other Assets

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

Inventories of enterprise funds are valued at average cost using the first in, first out (FIFO) method. Inventory in the governmental funds are recorded as an expenditure when consumed rather than when purchased.

Other assets include unamortized debt issuance costs, the Emergency Repairs Account and the asset and related amortization relating to the Electric Plant Acquisition.

4. Land Held for Resale

Land is acquired by the City for subsequent resale for redevelopment purposes. Land held for resale is reported as an asset at the lower of cost or estimated realized value in the fund that acquired it.

5. Restricted Assets

Certain cash and investments in the component units are classified as restricted. The Electric Fund has monies restricted for customer deposits and debt service. The Water Fund has monies restricted for water production and trunk distribution facility acquisition, based on trunk and connection fees collected from users, construction projects and debt service.

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City, excluding the component unit, as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Capital assets for the component unit are defined as assets with an initial, individual cost of more than \$1,000 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.

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.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Equity (Continued)

6. Capital Assets (Continued)

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Park Buildings	30
Building Improvements	25
Light Vehicles	4-10
Machinery and Equipment	4-20
Utility Distribution System	50-75
Infrastructure	30-50
Fire Trucks	20-25

7. 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. The City and Component Unit present deferred outflows of resources on the Statement of Net Position for the deferred charge related to pensions. The Component Unit also has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position- component unit - SPUC. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City presents deferred outflows of resources on the Statements of Net Position for deferred outflows of resources related to pensions. Deferred outflows of resources related to pensions results from the net effect of the change in proportionate share, the difference between projected and actual investments earnings and employer contributions paid to PERA and the firefighters relief association subsequent to the measurement date.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City only has one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item is reported only in the governmental funds balance sheet as unavailable revenue.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Equity (Continued)

7. Deferred Outflows/Inflows of Resources (Continued)

The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City presents deferred inflows of resources on the Statements of Net Position for deferred inflows of resources related to pensions. Deferred inflows of resources related to pensions results from the net difference between projected and actual earnings on plan investments, changes in proportionate share and the differences between expected and actual economic experience.

8. Compensated Absences

Vacation and sick leave benefits are recorded as expenditures in the Employee Benefits Internal Service Fund and governmental funds when the obligations have matured and are expected to be liquidated with expendable financial resources. City employees earn vacation time based on years of City service. Employees who have 0 to 15 years of employment may accumulate no more than 240 hours. Employees who have 16 or more years of service may accumulate no more than 360 hours of vacation leave. Upon termination, employees will receive compensation for all unused vacation. Employees earn sick leave and may accumulate to a maximum of 960 hours. The City compensates employees who leave municipal service at the rate of 45% up to 15 years of service. After 15 years of service, employees who leave are compensated at the rate of 55% plus 2% for each year of service beyond 15 years up to 75% of unused sick leave.

9. 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. Enterprise fund bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Equity (Continued)

10. 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 the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association 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.

11. Fund Equity

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Non-spendable fund balances include amounts that cannot be spent because they are not in spendable form. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution are classified as committed fund balances. Amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by the City's Finance Director based on the City Council's direction. Positive unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to a specific purpose in the General Fund. For governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund. The City's policy is to consider unrestricted fund balance to be spent by City Council action, appropriations or emergency situations.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

b. Minimum Fund Balance

The City's target General Fund balance is to maintain an unassigned level between 40% (minimum) and 45% of budgeted expenditures. This level is to provide working capital for cash flow, expected decline in revenues and unforeseen expenditures such as natural disasters.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Equity (Continued)

11. Fund Equity

b. Minimum Fund Balance

Replenishing fund balance when it falls below the target level shall be accomplished by interfund transfers or budgeting for expenditures and other uses to be less than revenues or other sources over a period not to exceed three years.

12. Net Position

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

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund Balance Sheet includes reconciliation between fund balance – 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 “Internal Service Funds are used by management to charge the costs of providing certain services for the City.”

Net Position of the Internal Service Funds	\$ 42,448,770
Less Portion Loss Related to Business-Type Activities	<u>(394,243)</u>
Net Adjusmtent to Increase Fund Balance- Total Governmental Funds to Arrive at Net Position- Governmental Activities	<u>\$ 42,054,527</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

B. Explanation of Certain Differences between the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

Another element of that reconciliation states that “Internal Service Funds are used by management to charge the costs of providing various services for the City.” The details of this difference are as follows:

Change in Net Position of the Internal Service Fund	\$ (2,156,124)
Less the Net of Indirect Revenues and Expense	<u>(71,680)</u>
Net Adjustment to Decrease Net Change in Fund Balances - Total Government Funds to Arrive at Changes in Net position of Government Activities	<u><u>\$ (2,227,804)</u></u>

C. Explanation of Certain Differences between the Proprietary Fund Statements of Net Position and the Government-Wide Statement of Net Position

The proprietary fund Statement of Net Position includes reconciliation between net position – total enterprise funds and net position of business-type activities as reported in the government-wide Statement of Net Position. The description of the sole reconciliation is “adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.” The details are as follows:

Internal Payable Representing Costs less than Charges to Business- Type Activities- Current Year	<u><u>\$ 394,243</u></u>
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D. Explanation of Certain Differences between the Proprietary Fund Statements of Revenues, Expenses, and Changes in Fund Net Position and the Government-Wide Statement of Activities

Another element of that reconciliation states that “Internal Service Funds are used by management to charge the costs of providing various services for the City.” The details of this difference are as follows:

Net adjustment to Increase Net Change in Fund Balances- Total Enterprise Funds to Arrive at Changes in Net Position of Business- Type Activities	<u><u>\$ 71,680</u></u>
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CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annually appropriated budgets are adopted for the General Fund.

Budgeted amounts present the originally adopted budget and final amended budget approved by the City Council. The City does not use encumbrances. Budgeted expenditure appropriations lapse at year-end.

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Expenditures may not legally exceed budgeted appropriations at the division level. The division level expenditures are presented in the schedule of revenues, expenditures and changes in fund balances – budget and actual – general fund. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between divisions within any fund. Management may amend budgets within a division level, so long as the total division budget is not changed.
5. An annual budget is adopted for the General Fund. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and budgets are not adopted.
6. Budgeted amounts are as originally adopted and as amended by the City Council. Budgeted expenditure appropriations lapse at year-end

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the City and the Component Unit maintains deposits at depository banks authorized by the City Council and the Commissioners.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits (Continued)

Custodial Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Minnesota Statutes 118A.04 and 188A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy references Minnesota Statutes and further limits the types of investments that the City is allowed to invest in. The Commission has a deposit policy that requires the Commission's deposits to be collateralized as required by Minnesota Statutes 118.03 for an amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage. As of December 31, 2017, the City and Commission's bank balances were not exposed to custodial credit risk because they were insured through Federal Deposit Insurance Corporation (FDIC) and properly collateralized with securities held by the pledging financial institutions' trust departments or agents in the City's name.

As of December 31, 2017, the City had the following deposits:

City Deposits	\$ 195,382
Component Unit Deposits	<u>10,753,924</u>
Total Deposits	<u><u>\$ 10,949,306</u></u>

B. Investments

As of December 31, 2017, the City held the following investments:

	Fair Value	Years to Maturity				Concentration	Moody's Rating
		Less than One Year	1-5 Years	5-10 Years	10-15 Years		
Pooled Investments:							
Certificate of Deposit	\$ 6,193,760	\$ 2,492,922	\$ 3,700,838	\$ -	\$ -	10.84%	NR
Commercial Paper	4,494,773	4,494,773	-	-	-	7.86%	NR
Money Market Fund	160,728	160,728	-	-	-	0.28%	NR
Mortgage							
FHLB	3,497,589	3,497,589	-	-	-	6.12%	AAA
FHLMC	3,685,112	6,752	2,087,619	176,261	1,414,480	6.45%	AAA
FNMA	3,719,776	11,768	544,731	-	3,163,277	6.51%	NR
Municipal Bond	12,753,207	321,595	10,985,411	1,446,201	-	22.32%	AAA-BAA1
US Treasury Notes	22,644,478	2,986,942	19,657,536	-	-	39.62%	AAA
Non-Pooled Investments:							
Money Market Fund	200,463	200,463	-	-	-	100.00%	NR
Total Investments	\$ 57,349,886	\$ 14,173,532	\$ 36,976,135	\$ 1,622,462	\$ 4,577,757		

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

As of December 31, 2017, the component units had the following investments:

	Fair Value	Years to Maturity		Concentration	Rating
		Less than One Year	1-5 Years		
US Agencies	\$ 7,605,740	\$ 324,742	\$ 7,280,998	16.86%	AAA
U.S. Treasuries	10,872,871	8,017,776	2,855,095	24.11%	AAA
4M Fund	26,607,361	26,607,361	-	58.96%	N/A
Money Market Fund	30,519	30,519	-	0.07%	N/A
Total	<u>\$ 45,116,491</u>	<u>\$ 34,980,398</u>	<u>\$ 10,136,093</u>	100.00%	

The City's investment policy, which covers all funds except the component units, addresses the following risks. The City's component units also have a formal policy to address the following risks.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Minnesota Statutes 118A.04 and 188A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy references Minnesota Statutes and further limits the types of investments that the City is allowed to invest in. The Commission's policy states to ensure safety, it is the policy of the Shakopee Public Utilities Commission that when Considering an investment, all depositories under consideration be cross-checked against existing investments to make certain that funds in excess of insurance limits are not made in the same institution unless collateralized as outlined below. Furthermore, the Shakopee Public Utilities Commission will approve all financial institutions, brokers, and advisers with which the Shakopee Public Utilities Commission will do business.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states all securities purchased, including appropriate collateral, shall be placed with an independent third party for custodial safekeeping. The Commission's policy states they will minimize risk by only purchasing investments that are held in safekeeping with a Federal Reserve bank, United States Bank with corporate trust powers, a primary reporting dealer to the Federal Reserve Bank of New York, or a broker dealer having its principal executive office in Minnesota and that designated brokers have insurance through the SIPC (Securities Investor Protection Corporation). As of December 31, 2017, all investments of the City and the component units were insured, registered and held by the City or its agent and in the City's name, or by the SPUC and in the SPUC's name.

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. The City's policy states the investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. To the extent possible, the City shall attempt to match its investments in short-term operating funds with anticipated cash flow requirements.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than ten years from the date of purchase. Long-term funds shall not be invested in securities exceeding 10 years in modified duration, at time of purchase. The Commission's policy states that will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operation, thereby avoiding the need to sell securities on the open market prior to maturity.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. According to the City's investment policy, the aggregate investment portfolio shall be diversified by:

- Limiting investments to avoid over concentration in securities from a specific issuer or business sector.
- Limiting investments in securities that have higher credit risks.
- Investing in securities with varying maturities.
- Continuously investing a portion of the portfolio in readily available funds, such as Local Government Investment Pools (LGIP), money market funds or repurchase agreements to ensure appropriate liquidity is maintained in order to meet ongoing obligations.
- Having all investments, other than those in direct obligations or agencies of the United States, secured by collateral or repurchase agreements, shall not exceed 50% of the aggregate investment portfolio. Mortgage backed securities shall not exceed 35% of the aggregate investment portfolio, at the time of investment (i.e., commercial paper or bankers' acceptance).
- Limiting investments in any one corporation to 5% of the aggregate investment portfolio.

The Commission's policy states they will minimize risk by only purchasing investments that are held in safekeeping with the Federal Reserve bank, United States Bank with corporate trust powers, a primary reporting dealer to the Federal Reserve Bank of New York, or a broker dealer having its principal executive office in Minnesota and that designated brokers have insurance through a SIPC (Securities Investor Protection Corporation). As of December 31, 2017, the City held investments that exceeded 5% of its total investments for all funds as noted in the table on the previous page. The component units' investments noted in the table above exceeded 5% of its total investments as of December 31, 2017.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

The City has the following recurring fair value measurements as of December 31, 2017:

		Fair Value Measurement Using			
	Fair Value	Level 1	Level 2	Level 3	
Investments at Fair Value:					
Certificate of Deposit	\$ 6,193,760	\$ -	\$ 6,193,760	\$ -	
Commercial Paper	4,494,773	-	4,494,773	-	
Mortgage					
FHLB	3,497,589	-	3,497,589	-	
FHLMC	3,685,112	-	3,685,112	-	
FNMA	3,719,776	-	3,719,776	-	
Municipal Bond	12,753,207	-	12,753,207	-	
US Treasury Notes	22,644,478	22,644,478	-	-	
Total/Subtotal	56,988,695	\$ 22,644,478	\$ 34,344,217	\$ -	

Investments at Amortized Cost:

Money Market Fund	361,191
Total	<u>\$ 57,349,886</u>

Publicly traded assets are valued in accordance with market quotation or valuation methods from services believed by our broker to be reliable. Assets, which are not publicly traded, may reflect values from other external sources or special valuations prepared by our broker. Assets for which a current value is not available may be reflected as not valued, at par value, or at a nominal value of \$1.00.

18,509,130 of \$45,116,491 of the Component Unit's investments at December 31, 2017 are valued using a quoted market prices (Level 2 inputs). \$26,607,361 are investments at amortized cost.

The following is a summary of total deposits and investments as of December 31, 2017:

Deposits (Note 3.A.)	\$ 10,949,306
City Investments	57,349,886
Component Unit Investments	45,116,491
City Petty Cash	4,916
Component Unit Petty Cash	<u>1,700</u>
Total Deposits and Investments	<u>\$ 113,422,299</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Deposits and investments are presented in the December 31, 2017 basic financial statements as follows:

	City Funds	Component Units	Total
Statement of Net Position:			
Cash and Investments	\$ 55,272,516	\$ 40,894,897	\$ 96,167,413
Restricted Assets	-	14,977,218	14,977,218
Statement of Fiduciary Net Position:			
Cash and Investments	2,277,668	-	2,277,668
 Total	 <u>\$ 57,550,184</u>	 <u>\$ 55,872,115</u>	 <u>\$113,422,299</u>

NOTE 5 – RECEIVABLES/UNAVAILABLE REVENUE

A. Taxes and Assessments

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current year, the various components of unavailable revenue reported in the governmental funds were as follows:

	Delinquent Property Taxes	Delinquent Special Assessments	Deferred Special Assessments	Total
General Fund	\$ 95,849	\$ 4,550	\$ 20,519	\$ 120,918
Economic Development Authority	12	-	-	12
	-	-	-	-
Capital Improvements	-	29,736	3,154,935	3,184,671
	-	-	-	-
Nonmajor Funds	72	-	1,153,464	1,153,536
 Total	 <u>\$ 95,933</u>	 <u>\$ 34,286</u>	 <u>\$4,328,918</u>	 <u>\$4,459,137</u>

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 6 – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Prior Period Adjustment	Beginning Balance, Restated	Increases	Decreases	Ending Balance
Governmental Activities:						
Capital Assets not being Depreciated:						
Land	\$ 21,004,655	\$ -	\$ 21,004,655	\$ 1,378,159	\$ 535,000	\$ 21,847,814
Right-Of-Way	253,904	-	253,904	-	-	253,904
Construction in Progress	29,933,034	-	29,933,034	2,841,194	29,817,845	2,956,383
Total Capital Assets not being Depreciated	51,191,593	-	51,191,593	4,219,353	30,352,845	25,058,101
Capital Assets being Depreciated:						
Buildings	38,189,415	-	38,189,415	36,806,313	1,910,175	73,085,553
Infrastructure	149,064,113	2,457,500	151,521,613	5,326,741	-	156,848,354
Machinery and Equipment	18,622,869	-	18,622,869	5,005,675	909,229	22,719,315
Total Capital Assets being Depreciated	205,876,397	2,457,500	208,333,897	47,138,729	2,819,404	252,653,222
Less Accumulated Depreciation for:						
Buildings	13,524,176	-	13,524,176	875,001	1,707,602	12,691,575
Infrastructure	79,755,891	210,777	79,966,668	4,886,928	-	84,853,596
Machinery and Equipment	8,033,982	-	8,033,982	1,182,036	738,257	8,477,761
Total Accumulated Depreciation	101,314,049	210,777	101,524,826	6,943,965	2,445,859	106,022,932
Total Capital Assets being Depreciated, Net	104,562,348	2,246,723	106,809,071	40,194,764	373,545	146,630,290
Governmental Activities Capital Assets, Net	<u>\$155,753,941</u>	<u>\$ 2,246,723</u>	<u>\$158,000,664</u>	<u>\$ 44,414,117</u>	<u>\$ 30,726,390</u>	<u>\$171,688,391</u>

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

Governmental Activities:	
General Government	\$ 154,400
Public Safety	712,535
Public Works	5,082,049
Parks and Recreation	<u>994,981</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,943,965</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 – CAPITAL ASSETS

Business-type capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Prior Period Adjustment	Beginning Balance, Restated	Increases	Decreases	Ending Balance
Business-Type Activities:						
Capital Assets not being Depreciated:						
Land	\$ 3,796,803	\$ -	\$ 3,796,803	\$ -	\$ -	\$ 3,796,803
Right-Of-Way	507,746	-	507,746	-	-	507,746
Construction in Progress	58,296	-	58,296	666,850	9,987	715,159
Total Capital Assets not being Depreciated	4,362,845	-	4,362,845	666,850	9,987	5,019,708
Capital Assets being Depreciated:						
Line Rights	1,368,569	-	1,368,569	-	-	1,368,569
Plant in Service	87,306,640	3,416,381	90,723,021	3,190,204	-	93,913,225
Machinery and Equipment	4,090,323	-	4,090,323	261,900	125,017	4,227,206
Total Capital Assets being Depreciated	92,765,532	3,416,381	96,181,913	3,452,104	125,017	99,509,000
Less Accumulated Depreciation for:						
Line Rights	576,561		576,561	24,733	-	601,294
Plant in Service	24,292,098	100,547	24,392,645	1,459,611	-	25,852,256
Machinery and Equipment	2,160,430	-	2,160,430	385,592	18,308	2,527,714
Total Accumulated Depreciation	27,029,089	100,547	27,129,636	1,869,936	18,308	28,981,264
Total Capital Assets being Depreciated, Net	65,736,443	3,315,834	69,052,277	1,582,168	106,709	70,527,736
Business-Type Activities Capital Assets, Net	<u>\$ 70,099,288</u>	<u>\$ 3,315,834</u>	<u>\$ 73,415,122</u>	<u>\$ 2,249,018</u>	<u>\$ 116,696</u>	<u>\$ 75,547,444</u>

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

Business-Type Activities:	
Sanitary Sewer	\$ 843,756
Storm Drainage	909,069
Refuse	<u>117,111</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,869,936</u>

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 6 – CAPITAL ASSETS

Component unit capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Prior Period Adjustment	Beginning Balance, Restated	Increases	Decreases	Ending Balance
Component Unit Capital Assets not being Depreciated:						
Land and Land Rights	\$ 5,097,532	\$ -	\$ 5,097,532	\$ -	\$ -	\$ 5,097,532
Construction in Progress	8,268,479	-	8,268,479	4,560,238	10,020,559	2,808,158
Total Capital Assets not being Depreciated	13,366,011	-	13,366,011	4,560,238	10,020,559	7,905,690
Capital Assets being Depreciated:						
Distribution	96,694,742	2,307,752	99,002,494	11,285,238	215,845	110,071,887
General	14,414,295	-	14,414,295	673,487	54,529	15,033,253
Total Capital Assets being Depreciated	111,109,037	2,307,752	113,416,789	11,958,725	270,374	125,105,140
Less Accumulated Depreciation	39,396,099	114,956	39,511,055	3,374,546	129,865	42,755,736
Total Capital Assets being Depreciated, Net	71,712,938	2,192,796	73,905,734	8,584,179	140,509	82,349,404
Component Unit Capital Assets, Net	\$ 85,078,949	\$ 2,192,796	\$ 87,271,745	\$ 13,144,417	\$ 10,161,068	\$90,255,094

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

Component Units:

Electric	\$ 2,055,840
Water	1,318,706
Total Depreciation Expense - Component Units	<u>\$ 3,374,546</u>

NOTE 7 – LEASES

A. Operating Leases

The government leases office equipment under noncancelable operating leases. Total costs for such leases were \$30,555 for the year ended December 31, 2017. The future minimum lease payments for these leases are as follows:

Year Ending Dec. 31	Amount
2018	\$ 40,740
2019	\$ 40,740
2020	\$ 40,740
2021	\$ 10,185
Total	\$ 132,405

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7 – LEASES

B. Capital Leases

The government has entered into a lease agreement as lessee for financing the community center weight equipment with a down payment of \$1,845. This lease agreement qualifies as a capital lease for accounting purposes and, therefore have been recorded at the present value of its future minimum lease payment as of the inception date.

The asset acquired through a capital lease is as follows:

Asset:

Machinery and Equipment	\$ 79,100
Less: Accumulated Depreciation	-
Total	<u>\$ 79,100</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of December 31, 2017, were as follows:

Year Ending Dec. 31	Governmental Activities
2018	\$ 22,140
2019	22,140
2020	22,140
2021	<u>5,535</u>
Total Minimum Lease Payments	71,955
Less: Amount Representing Interest	<u>(6,625)</u>
Present Value of Minimum Lease Payments	\$ 65,330

NOTE 8 – LONG-TERM DEBT

A. General Obligation Bonds

The City issues general obligation (G.O.) bonds to provide for financing tax increment projects, street improvements and construction of government buildings. Debt service is covered respectively by tax increments and special assessments against benefited properties with any shortfalls being paid from general taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with equal debt service payments each year. G.O. bonds currently outstanding are shown on the following page.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8 – LONG-TERM DEBT

B. Revenue Bonds

The Commission issues Revenue Bonds for electric and water activity. Debt service is covered through the revenue producing activities of these funds.

C. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Governmental Activities:						
G.O. Bonds:						
G.O. Improvement Bonds:						
2007B	09/01/07	4.00%	1,445,000	02/01/18	\$ 155,000	\$ 155,000
2008A	09/01/08	3.50%-4.00%	2,170,000	02/01/19	425,000	210,000
2010A	08/01/10	0.50%-2.90%	1,555,000	02/01/21	505,000	135,000
G.O. Building Refunding Bonds 2012A	06/14/12	1.50%-2.125%	4,865,000	02/01/25	3,760,000	455,000
G.O. Tax Abatement Bonds 2016A	01/21/16	3.00%-5.00%	29,500,000	02/01/36	29,500,000	1,040,000
Total G.O. Bonds					<u>34,345,000</u>	<u>1,995,000</u>
Unamortized Premiums					2,024,168	-
Capital Lease					65,330	18,788
Compensated Absences					<u>2,255,798</u>	<u>1,015,109</u>
Total Governmental Activities					<u>\$ 38,624,966</u>	<u>\$ 3,010,109</u>
Business-Type Activities						
Compensated Absences					<u>\$ 65,189</u>	<u>\$ 29,335</u>
Component Unit Long-Term Liabilities:						
Utility Revenue Bonds:						
Series 2006A Crossover Refunding Bonds	11/21/06	4.125%-4.375%	10,570,000	02/01/30	\$ 7,590,000	\$ 7,590,000
Unamortized Discounts					<u>(7,978)</u>	<u>-</u>
Total Component Unit Long-Term Liabilities					<u>\$ 7,582,022</u>	<u>\$ 7,590,000</u>

Long-term bonded indebtedness listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. For the most part, the General Fund and the Employee Benefits Internal Service Fund are typically used to liquidate governmental compensated absences payable. The Sewer and Storm Drainage funds are typically used to liquidate business type compensated absences payable.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8 – LONG-TERM DEBT

D. Changes in Long-Term Liabilities

Long-term liability information for the year ended December 31, 2017 was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 36,030,000	\$ -	\$ 1,685,000	\$ 34,345,000	\$ 1,995,000
Unamortized Premiums	2,135,590	-	111,422	2,024,168	-
Capital Lease	-	79,100	13,770	65,330	18,788
Compensated Absences	2,124,866	1,250,875	1,119,943	2,255,798	1,015,109
Total Governmental Activities	<u>\$ 40,290,456</u>	<u>\$ 1,329,975</u>	<u>\$ 2,930,135</u>	<u>\$ 38,690,296</u>	<u>\$ 3,028,897</u>
Business-Type Activities					
Compensated Absences	<u>\$ 61,420</u>	<u>\$ 41,339</u>	<u>\$ 37,570</u>	<u>\$ 65,189</u>	<u>\$ 29,335</u>
Component Unit Activities:					
G.O. Utility Revenue Bonds	\$ 8,015,000	\$ -	\$ 425,000	\$ 7,590,000	\$ 7,590,000
Unamortized Discounts	(8,598)	-	(620)	(7,978)	-
Total Component Unit Activities	<u>\$ 8,006,402</u>	<u>\$ -</u>	<u>\$ 424,380</u>	<u>\$ 7,582,022</u>	<u>\$ 7,590,000</u>

E. Governmental Activity G.O. Bonds

Debt service to maturity for outstanding G.O. bonds is as follows:

Year Ending December 31,	Governmental Bonds		
	Principal	Interest	Total
2018	\$ 1,995,000	\$ 1,163,474	\$ 3,158,474
2019	1,910,000	1,086,058	2,996,058
2020	1,750,000	1,012,644	2,762,644
2021	1,760,000	941,161	2,701,161
2022	1,745,000	868,656	2,613,656
2023-2027	8,615,000	3,380,381	11,995,381
2028-2032	8,660,000	1,864,356	10,524,356
2033-2036	7,910,000	492,335	8,402,335
Total	<u>\$34,345,000</u>	<u>\$10,809,065</u>	<u>\$ 45,154,065</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8 – LONG-TERM DEBT

F. Component Unit Revenue Bonds

Debt service to maturity for outstanding revenue bonds is as follows:

Year Ending December 31,	Utility Revenue Bonds		
	Principal	Interest	Total
2018	<u>\$ 7,590,000</u>	<u>\$ 164,184</u>	<u>\$ 7,754,184</u>

NOTE 9 – CONDUIT DEBT OBLIGATIONS

Conduit debt obligations are certain limited obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued various revenue bonds to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2017, the following conduit debt was outstanding:

Project	Date of Issue	Original Amount of Issue	Balance Outstanding
Scott County CDA Housing Development 2006D Refunding- River City Center Project	07/15/06	\$ 905,000	\$ 51,563
Scott County CDA Housing Development 2012A Refunding- North Ridge Court Redevelopment	04/26/12	5,885,000	4,955,000
Scott County CDA Housing Development 2013A Refunding- River City Center Project	12/01/13	2,330,000	1,835,000
Scott County CDA Housing Development 2013E Refunding- River City Center Project	12/01/13	1,220,000	1,145,000
Benedictine Health System Obligated Group Health Care and Housing Facilities Revenue Refunding Note Series 2013A	12/01/13	9,485,000	7,149,789
Benedictine Health System Obligated Group Health Care and Housing Facilities Revenue Refunding Note Series 2013B	12/01/13	9,575,000	8,132,759
St. Francis Regional Medical Center Health Care Facilities Revenue Refunding Bond Series 2014	06/18/14	41,865,000	38,215,000
Total			<u>\$ 61,484,111</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 10 – INTERFUND ASSETS/LIABILITIES

The composition of interfund balances as of December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Improvement Fund	TIF District No. 17	\$ 2,164,600
Capital Improvement Fund	Nonmajor Governmental Funds	3,870
Internal Service Fund	City Hall	973,435
Sewer Fund	Refuse Fund	71,072
	Total	<u>\$ 3,212,977</u>

The due from/due to other funds balance represents borrowing to eliminate a cash deficit. This will be repaid as funds are available.

NOTE 11 – ADVANCE FROM/TO OTHER FUNDS

The composition of advance from/to other funds as of December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
Sewer Fund	Refuse Fund	\$ 746,924
Internal Service Fund	Economic Development Authority	1,291,394
Storm Drainage Fund	Internal Service Fund	1,650,000
	Total	<u>\$ 3,688,318</u>

The advance between the Sewer Fund and Refuse Fund represents a long term interfund loan which was used to purchase garbage carts. This will be repaid over 10 years with revenue collected for cart usage at rate of 1% interest. The advance between the Internal Service fund and Economic Development Authority Fund represents two interfund loans. The first is a long term interfund loan which was used to purchase property, this will be repaid over 10 years with proceeds from the sale of land or tax levy at rate of 0% interest. The second represents a long term interfund loan which was used to purchase land which will be resold. This will be repaid once the parcels are sold or developed at rate of 0% interest. The advance between the Storm Drainage Fund and the Internal Service fund represents a long term interfund loan which was used as a financing source related to the building of the new city hall building. This will be repaid over 15 years with rent collection at rate of 1.25% interest.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 12 – INTERFUND TRANSFERS

	Transfer In	Transfer Out
Governmental Funds:		
General Fund (1) (2) (6) (11)	\$ 250,000	\$ 1,800,000
Economic Development Authority (2) (3) (5) (7) (9)	961,763	429,509
Capital Improvements (3) (8) (10)	2,490,389	-
City Hall (6)	3,221,000	-
TIF District No. 17 (8)	-	2,319,076
Other Governmental Funds (3) (4) (7) (9) (10)	359,777	246,354
Total Governmental Funds	7,282,929	4,794,939
Proprietary Funds:		
Sewer (1) (5) (8)	-	(294,338)
Storm Drainage (1) (3) (8)	-	(132,709)
Total Proprietary Funds	-	(427,047)
Internal Service Funds:		
Buildings (4) (6)	-	3,061,000
Self Insurance (11)	600,000	-
Total Internal Service Funds	600,000	3,061,000
Total	\$ 7,882,929	\$ 7,428,892

- (1) Annual transfer to finance General Fund
- (2) Annual transfer to fund operations and downtown capital project
- (3) Annual transfer to fund infrastructure projects (Lewis Street Parking Lot and Alley and the 4th Avenue Reconstruction)
- (4) Annual transfer for bond payment
- (5) Transfer sewer access connection credit funds to Economic Development Authority as business subsidies
- (6) Transfer to City Hall Fund for city hall construction
- (7) Transfer from the Revolving Loan Fund for Anchor Glass MIF Loan
- (8) Transfer to reimburse funds for 4th Avenue Reconstruction project which will be funded with tax increment
- (9) Transfer to close Property Acquisition Fund to Economic Development Authority Fund
- (10) Transfer to close bond funds as the final payment made during the year
- (11) Transfer to provide self insurance funding

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 – PENSION PLANS

The city participates in various pension plans. Total pension expense for the year ended December 31, 2017 was \$1,327,053. The components of pension expense are noted in the following plan summaries.

Public Employees' Retirement Association

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.

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan 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. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund))

The Police and Fire Plan, 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 Police and Fire Plan 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 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given one percent 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.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 – PENSION PLANS

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For 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.

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2015, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2015, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan 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.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 –PENSION PLANS

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017, was \$499,333. The City's contributions were equal to the required contributions as set by state statute. The Commission's contributions to the General Employees Fund for the year ended December 31, 2017, was \$315,791. The Commission's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2017. The City was required to contribute 16.20 percent of pay for Police and Fire Fund members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017, was \$788,803. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$6,549,916 for its proportionate share of the General Employees Fund'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 2017. 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 \$82,350. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion share was 0.1026 percent, which was an increase of 0.0093 percent from its proportion measured as of June 30, 2016.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 –PENSION PLANS

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

For the year ended December 31, 2017, the City recognized pension expense of \$1,024,203 for its proportionate share of General Employees Fund's pension expense. In addition, the City recognized an additional \$2,378 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the sources as follows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 217,355	\$ 422,524
Changes in actuarial assumptions	1,097,432	656,630
Difference between projected and actual investment earnings	-	853
Changes in proportion	433,037	138,237
Contributions paid to PERA subsequent to the measurement date	255,796	-
Total	<u>\$ 2,003,620</u>	<u>\$ 1,218,244</u>

Deferred outflows of resources totaling \$255,796 related to pensions resulting from City contributions to General Employees Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2018	\$ 357,982
2019	438,683
2020	10,946
2021	<u>(278,031)</u>
Total	<u>\$ 529,580</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 –PENSION PLANS

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$6,494,072 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion share was 0.4810 percent which was an increase of 0.0130 percent from its proportion measured as of June 30, 2016. The City also recognized \$43,290 for the year ended December 31, 2017 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 Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017, the City recognized pension expense of \$809,166 for its proportionate share of the Police and Fire Fund's pension expense.

At December 31, 2017, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 149,574	\$ 1,716,907
Changes in actuarial assumptions	8,515,634	9,219,972
Difference between projected and actual investment earnings	45,914	-
Changes in proportion	304,470	28,713
Contributions paid to PEPFF subsequent to the measurement date	405,777	-
Total	<u>\$ 9,421,369</u>	<u>\$ 10,965,592</u>

Deferred outflows of resources totaling \$405,777 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense on the following page.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 –PENSION PLANS

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Year Ending December 31,	Pension Expense Amount
2018	\$ 194,712
2019	194,712
2020	(94,030)
2021	(469,339)
2022	<u>(1,776,055)</u>
Total	<u>\$ (1,950,000)</u>

Component Unit's General Employees Fund Pension Costs

At December 31, 2017, the Commission reported a liability of \$4,111,253 for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. 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 Commission totaled \$51,656. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Commission's proportion share was 0.0644 percent, which was an increase of 0.0023 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Commission recognized pension expense of \$595,842 for its proportionate share of General Employees Fund's pension expense. In addition, the Commission recognized an additional \$1,492 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the Commission reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources on the subsequent page.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 –PENSION PLANS

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 135,494	\$ 253,909
Changes in actuarial assumptions	658,180	412,155
Difference between projected and actual investment earnings	-	2,515
Changes in proportion	173,747	59,893
Contributions paid to PERA subsequent to the measurement date	159,036	-
Total	<u>\$ 1,126,457</u>	<u>\$ 728,472</u>

\$159,036 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense on the following page.

Year Ending December 31,	Pension Expense Amount
2018	\$ 169,266
2019	282,114
2020	(37,917)
2021	<u>(174,514)</u>
Total	<u>\$ 238,949</u>

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per Year
Active member payroll growth	3.25 % Per Year
Investment rate of return	7.50 %

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 –PENSION PLANS

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1 percent per year for the General Employees Fund through 2044 and Police and Fire Plan through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017, 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 most recent five-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 –PENSION PLANS

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Police and Fire Fund (Continued)

- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.6 percent to 7.5 percent.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	39.00%	5.10%
International Equity	19.00%	5.30%
Fixed Income	20.00%	7.50%
Real Estate and Alternatives	20.00%	5.90%
Cash and Equivalents	<u>2.00%</u>	0.00%
Total	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5 percent, a reduction from the 7.9 percent used in 2016. 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 Statutes*. Based on those assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Plan 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.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 –PENSION PLANS

Public Employees' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following table 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 General Employees Fund net pension liability	\$ 10,159,407	\$ 6,579,916	\$ 3,594,893
Commission's proportionate share of the General Employees Fund net pension liability	\$ 6,376,860	\$ 4,111,253	\$ 2,256,443
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 12,230,233	\$ 6,494,072	\$ 1,758,555

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 on the Internet at www.mnpera.org.

Public Employees Defined Contribution Plan (Defined Contribution Plan)

Four Council Members of the City are covered the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 –PENSION PLANS

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position (Continued)

The defined contribution plan consists of individual accounts paying a lump-sum benefit, plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (.0025) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the City during fiscal year 2017 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rate</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
\$ 2,393	\$ 2,393	5%	5%	5%

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association

A. Plan Description

The Shakopee Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Shakopee Fire Department per *Minnesota State Statutes*.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Shakopee Fire Relief Association, 485 Gorman Street, Shakopee, Minnesota 55379 or by calling 952-233-9570.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 – PENSION PLANS

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

B. Benefits Provided

Volunteer firefighters of the City are members of the Shakopee Fire Fighter's Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service for lump sum service pension. Partial benefits are payable to members who have reached 50 and have completed 5 years of service. Disability benefits and widow and children's survivor benefits are also payable to members or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

C. Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	20
Active Employees	<u>42</u>
 Total	 <u><u>62</u></u>

D. 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 aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$246,910 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 – PENSION PLANS

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

E. Net Pension Liability (Continued)

Actuarial assumptions.

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

Inflation	2.75 %
Salary increase	0.00 %, average, including inflation
Investment rate of return	5.75 %, net of pensions plan investment expense: including inflation

The Association is comprised of volunteers; therefore, there are no salary increases.

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	40.00%	5.39%
International Equity	15.00%	5.20%
Fixed Income	30.00%	1.98%
Real Estate and Alternatives	15.00%	4.25%
Cash and Equivalents	<u>0.00%</u>	79.00%
Total	<u>100.00%</u>	

Discount rate.

The discount rate used to measure the total pension liability was 5.75 %. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 13 – PENSION PLANS

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

F. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2016	<u>\$ 4,032,080</u>	<u>\$ 5,149,186</u>	<u>\$ (1,117,106)</u>
Changes for the year			
Service Cost	151,879	-	151,879
Interest	247,134	-	247,134
Difference between expected and actual experience	(75,511)	-	(75,511)
Changes of assumptions	31,553	-	31,553
Contributions- State and Local	-	247,910	(247,910)
Net Investment Income	-	385,789	(385,789)
Benefit Payments, including refunds of employee contributions	(130,106)	(130,106)	-
Administrative Expense	<u>-</u>	<u>(16,676)</u>	<u>16,676</u>
Net Changes	<u>\$ 224,949</u>	<u>\$ 486,917</u>	<u>\$ (261,968)</u>
Balances at December 31, 2016	<u><u>\$ 4,257,029</u></u>	<u><u>\$ 5,636,103</u></u>	<u><u>\$ (1,379,074)</u></u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate disclosed on the proceeding page, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (4.75%)	Current Discount Rate (5.75%)	1% Increase in Discount Rate (6.75%)
City's proportionate share of the Relief net pension asset	\$ 1,248,325	\$ 1,379,074	\$ 1,502,552

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.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 – PENSION PLANS

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

G. 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 negative \$48,171. 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
Contributions paid subsequent to the measurement date	\$ 250,336	\$ -
Difference between expected and actual liability	-	66,998
Changes in assumptions	27,996	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>277,639</u>	<u>-</u>
Total	<u>\$ 555,971</u>	<u>\$ 66,998</u>

\$250,336 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2018	\$ 91,985
2019	91,986
2020	95,074
2021	(21,230)
2022	(4,956)
Thereafter	<u>(14,222)</u>
Total	<u>\$ 238,637</u>

H. Payable to the Pension Plan

At December 31, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 14 – POST EMPLOYMENT HEALTH BENEFITS PLAN

A. Plan Description

The City provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage administered by Medica. It is the City's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees.

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Medica. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2017, the City contributed \$69,193 to the plan. As of January 1, 2017, there were five retirees and three disabled officers receiving health benefits from the City's health plan. For the most part, the General Fund and the Employee Benefits Internal Service Fund are typically used to liquidate net other post employment benefit obligations.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the City, 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 following table shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan.

ARC	\$ 350,215
Interest on Net OPEB Obligation	58,404
Adjustment to ARC	<u>(90,728)</u>
Annual OPEB Cost (Expense)	317,891
Contribution Made	<u>(69,193)</u>
Increase in Net OPEB Obligation	248,698
Net OPEB Obligation - Beginning of Year	<u>1,668,674</u>
Net OPEB Obligation - End of Year	<u><u>\$ 1,917,372</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 was as shown on the following page.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 14 – POST EMPLOYMENT HEALTH BENEFITS PLAN

C. Annual OPEB Cost and Net OPEB Obligation

<u>Fiscal Year</u> <u>End</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Employer</u> <u>Contribution</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/17	\$ 317,891	\$ 69,193	22%	\$ 1,917,372
12/31/16	310,227	53,193	17%	1,668,674
12/31/15	237,322	69,166	29%	1,411,640

D. Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$2,629,107 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,629,107. The covered payroll (annual payroll of active employees covered by the plan) was 12,403,330 and the ratio of the UAAL to the covered payroll was 21.2%.

Actuarial valuations 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 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 – Other Post Employment Benefits, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5 % discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7.0% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5.0%, shorter-term, based on City's general assets). The City currently does not fund this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 3.2% initially, increased incrementally to an ultimate rate of 5.3% after five years. Both rates included a 2.75% inflation assumption. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at December 31, 2017 was 29 years.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 15 – SEGMENT INFORMATION

The City maintains three enterprise funds that account for the sewer, storm drainage and refuse utilities. The City considers each of its enterprise funds to be a segment. Since the required segment information is already included in the City's proprietary funds' Balance Sheet and Statement of Revenues, Expenses and Changes in Fund Net Position balances, this information has not been repeated in the Notes to the Financial Statements.

NOTE 16 – FUND BALANCE DETAIL

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Economic Development Authority	Capital Improvements	Community Center/ Ice Arena	City Hall	TIF District No. 17	Other Governmental Funds	Total
Nonspendable:								
Prepaid Items	\$ 59,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,023
Restricted:								
Forfeitures	-	-	-	-	-	-	221,048	221,048
SCDP Grant	-	-	-	-	-	-	10,805	10,805
Revolving Loans	-	-	-	-	-	-	138,004	138,004
Economic Development	-	356,588	-	-	-	-	-	356,588
Debt Service	-	-	-	-	-	-	3,608,453	3,608,453
Capital Improvements	-	-	-	188,217	-	-	1,351,050	1,539,267
Total Restricted	-	356,588	-	188,217	-	-	5,329,360	5,874,165
Assigned:								
Telecommunications	-	-	-	-	-	-	74,139	74,139
Capital Improvements	-	-	6,592,822	-	-	-	530,329	7,123,151
Total Assigned	-	-	6,592,822	-	-	-	604,468	7,197,290
Unassigned:	11,918,971	-	-	-	(1,071,720)	(2,164,600)	(4,695)	8,677,956
Total Fund Balance	<u>\$ 11,977,994</u>	<u>\$ 356,588</u>	<u>\$ 6,592,822</u>	<u>\$ 188,217</u>	<u>\$ (1,071,720)</u>	<u>\$ (2,164,600)</u>	<u>\$ 5,929,133</u>	<u>\$ 21,808,434</u>

NOTE 17 – COMMITMENTS

	Project Authorization	Work Completed	12/31/2017 Commitment
2016 Sanitary Sewer Lateral Pipe Rehabilitation	\$ 524,980	\$ 397,682	\$ 127,298
Whispering Oaks	644,014	573,454	70,560
Vierling Drive Extension	321,713	294,012	27,701
2 Pumper Trucks	1,235,674	498,566	737,108
Quarry Lake Park Phase 2	63,800	22,803	40,997
Downtown	2,011,261	1,839,957	171,304

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 18 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and reinsures through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles ranges from \$10,000 to \$50,000 and is considered immaterial to the financial statements.

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

Through the pool, the City is subject to reassessment but due to reserves and reinsurance contracts, the likelihood is very low. The policy limits through the pool included \$3,000,000 aggregate for liability, \$2,000,000 for automobile coverage, \$1,000,000 faithful performance employee bonding and \$2,000,000 for universal umbrella coverage. Property coverage is at approximately \$79,000,000.

NOTE 19 – TAX ABATEMENT AGREEMENT

The City has entered into three Tax Abatement Financing agreements which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from *Minnesota Statute 469*. The City entered into these agreements for the purpose of economic development.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax abatement).

The tax abatement agreements are as follows:

- Datacard Abatement was established in 2014. Entrust Datacard is the world's largest issuer of protected, personalized ID cards, credentials, and credit cards. The City of Shakopee awarded an eleven-year economic development property tax abatement, ending in 2024, which required the creation of 100 new full time jobs in Shakopee. The first year of disbursement occurred in 2014. The total city abatement awarded was \$334,869 with an annual maximum award of \$36,195. The total county abatement awarded was \$324,324 with an annual maximum award of \$35,055. During the year ended December 31, 2017, the total disbursed was \$67,203 with \$32,416 from Scott County and \$34,787 from the City.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 19 – TAX ABATEMENT AGREEMENT

- Emerson Abatement was established in 2013. Rosemount Emerson Process Management is a leading supplier of process management products and solutions, including control valves, regulators, transmitters, analyzers, and automation systems. The City of Shakopee awarded a nine-year economic development property tax abatement, ending in 2023, which required the creation of 154 new full-time jobs in Shakopee. The first year of disbursement occurred in 2016. The total city abatement awarded was \$590,496. The total county abatement awarded was \$570,608 with an annual maximum award of \$64,401. During the year ended December 31, 2017, the total disbursed was \$109,647 with \$52,890 from Scott County and \$56,757 from the City.
- Shutterfly Abatement was established in 2014. Shutterfly, Inc. is an Internet-based social expression and personal publishing service that was founded in December of 1999. The City of Shakopee awarded a nine-year economic development property tax abatement, ending in 2024, which required the creation of 258 new jobs in Shakopee. The first year of disbursement occurred in 2017. The total city abatement awarded was \$758,771 with an annual maximum award of \$89,431. The total county abatement awarded was \$734,898 with an annual maximum award of \$86,615. The 2017 disbursement amount was reduced by 11% due to Shutterfly not meeting their job creation goal of 258 new jobs. They created 230 which left them 28 jobs short or 11% short of their goal, therefore the annual award was reduced to reflect the shortage. The abatement was awarded from the City and Scott County. During the year ended December 31, 2017, the total disbursed was \$131,376 with \$63,370 from Scott County and \$68,006 from the City.

NOTE 20 TAX INCREMENT FINANCING

The City has entered into five Tax Increment Financing agreements which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from *Minnesota Statute 469*. The City entered into these agreements for the purpose of economic development.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2017, the City generated \$1,014,773 in tax increment revenue and made \$803,465 in payments to developers.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 20 TAX INCREMENT FINANCING

- TIF District No. 10 was established in 1996 for the purpose of establishing multifamily rental housing. River City Centre is 52-units of multifamily rental housing owned and operated by the Scott County Community Development Authority (CDA). Under this agreement, up to \$2,115,000 in development costs would be reimbursed over twenty-five years with the final year being 2024. During the year ended December 31, 2017, the City generated \$55,246 of tax increment revenue and made payments of \$49,721. The available balance at year end was \$1,195,000.
- TIF District No. 14 was established in 2015 as an economic development TIF. J&J Minneapolis/SanMar is a wholesale apparel and accessories distribution company. This TIF required the creation of 150 new full time jobs in Shakopee. The first year of disbursement occurred in 2016 and the final year will be in 2024. Under this agreement, up to \$2,000,000 of development costs will be reimbursed through tax increment over a 9 year period. During the year ended December 31, 2017, the City generated \$315,985 of tax increment revenue and made payments on the pay-as-you-go note of \$284,387. The available balance at year end was \$1,503,422.
- TIF District No. 15 was established in 2015 for the purpose of establishing a housing unit. Trident/All Saints Senior Living is an 80-unit senior community providing assisted living, memory care, and care suites with 20% of the units being affordable to persons of low and moderate income. Under the agreement, up to \$1,000,000 of development costs will be reimbursed through tax increment over a 25 year period. During the year ended December 31, 2017, the City generated \$154,345 of tax increment revenue and made payments of \$138,910. The available balance at year end was \$816,345.
- TIF District No.16 was established in 2015 for the construction of a facility. Rahr Malting Company produces and distributes malt and industry related brewing supplies. Under the agreement, up to \$1,883,086 of development costs will be reimbursed through tax increment over a 9 year period. During the year ended December 31, 2017, the City generated \$112,371 of tax increment revenue and made payments of \$109,000. The available balance at year end was \$1,774,087.
- TIF District No.17 was established in 2016 to upgrade the roads surrounding the expansion of Amazon.com. The total amount authorized was \$5,698,326 with 40.7% (\$2,319,076) of these funds going to the City of Shakopee and 59.3% (\$3,379,250) going to Scott County. Under the agreement, up to \$5,698,326 of development costs will be reimbursed through tax increment over a 9 year period to the City and County. During the year ended December 31, 2017, the City generated \$376,827 of tax increment revenue and made payments of \$221,447 to the County and \$151,988 to the City. The available balance at year end was \$3,157,803 for the County and \$2,167,088 for the City.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 21 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$5,562,557 was made to recognize capital contributions from developer installed infrastructure for the years ending 2010 through 2016. The prior period adjustment reflects additions to capital assets in the Sewer fund, Storm Drainage fund, and governmental activities in the amount of \$1,224,023, \$2,091,811, and \$2,246,723, respectively. A prior period adjustment was made for the commission during 2017 to account for contributed capital that had not been previously recognized in prior years. The result of the prior period adjustment increased the beginning net position in the component unit water fund by \$2,192,796.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHAKOPEE

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
December 31, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/08	\$ -	\$ 1,887,961	\$ 1,887,961	0.0%	\$ 6,652,669	28.4%
01/01/09 *	-	1,887,961	1,887,961	0.0%	6,652,669	28.4%
01/01/10	-	1,483,810	1,483,810	0.0%	7,154,161	20.7%
01/01/11 *	-	1,483,810	1,483,810	0.0%	7,154,161	20.7%
01/01/12 *	-	1,483,810	1,483,810	0.0%	7,154,161	20.7%
01/01/13	-	1,938,082	1,938,082	0.0%	8,738,120	22.2%
01/01/14 *	-	1,938,082	1,938,082	0.0%	8,738,120	22.2%
01/01/15 *	-	1,938,082	1,938,082	0.0%	8,738,120	22.2%
01/01/16	-	2,629,107	2,629,107	0.0%	12,403,330	21.2%
01/01/17 *	-	2,629,107	2,629,107	0.0%	12,403,330	21.2%

* Because an actuarial valuation is being performed once every three years, the amounts for the 01/01/08 and 01/01/09, and the 01/01/10, 01/01/11 and 01/01/12, and the 01/01/13, 01/01/14 and 01/01/15, and the 01/01/16 and 01/01/17 valuation are the same.

CITY OF SHAKOPEE

**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 YEARS GENERAL EMPLOYEES RETIREMENT FUND**

For the Fiscal Year Ended	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered- Employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	0.1026%	\$ 6,549,916	\$ 82,350	6,632,266	6,194,560	105.74%	75.90%
June 30, 2016	0.0933%	7,575,497	98,919	7,674,416	5,790,920	130.82%	68.91%
June 30, 2015	0.0930%	4,819,743	-	4,819,743	5,373,627	89.69%	78.19%

* Schedule is to be provided prospectively beginning with the City's fiscal year ended June 30, 2015, or after.

CITY OF SHAKOPEE

**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 YEARS PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT FUND**

For the Fiscal Year Ended	Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered- Employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	0.4810%	\$ 6,494,072	\$ 4,642,759	139.88%	85.40%
June 30, 2016	0.4680%	18,781,654	4,511,556	416.30%	63.88%
June 30, 2015	0.4720%	5,363,024	4,199,481	127.71%	86.61%

* Schedule is to be provided prospectively beginning with the City's fiscal year ended June 30, 2015, or after.

CITY OF SHAKOPEE

SCHEDULE OF COMPONENT UNIT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY LAST 10 YEARS GENERAL EMPLOYEES RETIREMENT FUND

For the Fiscal Year Ended	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered- Employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	0.0644%	\$ 4,111,253	\$ 51,656	\$ 4,162,909	\$ 4,145,653	99.17%	75.90%
June 30, 2016	0.0621%	5,042,212	65,842	5,108,054	3,854,427	130.82%	68.91%
June 30, 2015	0.0608%	3,150,972	-	3,150,972	3,516,627	89.60%	78.19%

* Schedule is to be provided prospectively beginning with the City's fiscal year ended June 30, 2015, or after.

CITY OF SHAKOPEE

SCHEDULE OF CITY CONTRIBUTIONS

LAST 10 YEARS GENERAL EMPLOYEES RETIREMENT FUND

For the Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
December 31, 2017	\$ 499,333	499,333	-	6,657,773	7.50%
December 31, 2016	459,555	459,555	-	6,127,400	7.50%
December 31, 2015	416,647	416,647	-	5,555,293	7.50%

* Schedule is to be provided prospectively beginning with the City's fiscal year ended June 30, 2015, or after.

CITY OF SHAKOPEE

SCHEDULE OF CITY CONTRIBUTIONS

LAST 10 YEARS PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT FUND

For the Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
December 31, 2017	\$ 788,803	\$ 788,803	\$ -	\$ 4,869,154	16.20%
December 31, 2016	761,951	761,951	-	4,703,401	16.20%
December 31, 2015	720,513	720,513	-	4,447,611	16.20%

* Schedule is to be provided prospectively beginning with the City's fiscal year ended June 30, 2015, or after.

CITY OF SHAKOPEE

**SCHEDULE OF COMPONENT UNIT CONTRIBUTIONS
LAST 10 YEARS GENERAL EMPLOYEES RETIREMENT FUND**

For the Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
December 31, 2017	\$ 315,791	\$ 315,791	\$ -	\$ 4,210,547	7.50%
December 31, 2016	299,473	299,473	-	3,992,973	7.50%
December 31, 2015	273,227	273,227	-	3,643,027	7.50%

* Schedule is to be provided prospectively beginning with the City's fiscal year ended June 30, 2015, or after.

CITY OF SHAKOPEE

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - FIRE RELIEF ASSOCIATION**

	2014	2015	2016
Total Pension Liability (TPL)			
Service cost	\$ 135,715	\$ 139,447	\$ 151,879
Interest	224,377	228,231	247,134
Differenced between expected and actual experience	-	-	(75,511)
Changes of assumptions	-	-	31,553
Changes of benefit terms	-	-	-
Benefit payments, including refunds or member contributions	(599,181)	-	(130,106)
Net change in total pension liability	(239,089)	367,678	224,949
Beginning of year	\$ 3,903,491	\$ 3,664,402	\$ 4,032,080
End of year	<u>\$ 3,664,402</u>	<u>\$ 4,032,080</u>	<u>\$ 4,257,029</u>
Plan Fiduciary Net Pension (FNP)			
Contributions - employer	\$ 341,036	\$ 244,626	\$ 247,910
Contributions - employee	-	-	-
Net investment income	315,532	(268,069)	385,789
Benefit payments, including refunds of member contributions	(599,181)	-	(130,106)
Administrative expense	(10,897)	(9,761)	(16,676)
Other	-	-	-
Net change in plan fiduciary net position	46,490	(33,204)	486,917
Beginning of year	5,135,900	5,182,390	5,149,186
End of year	<u>\$ 5,182,390</u>	<u>\$ 5,149,186</u>	<u>\$ 5,636,103</u>
Net Pension Liability (NPL)	<u>\$ (1,517,988)</u>	<u>\$ (1,117,106)</u>	<u>\$ (1,379,074)</u>
Plan fiduciary net position as a percentage of the total pension liability	141.4%	127.7%	132.4%
Covered employee payroll	n/a	n/a	n/a
Net pension liability as a percentage of covered payroll	n/a	n/a	n/a

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten-year presentation, but does not require retroactive reporting. Information prior to 2014 is not available. Additional years will be reported as they become available.

CITY OF SHAKOPEE

**SCHEDULE OF CITY CONTRIBUTIONS AND NON-EMPLOYER
CONTRIBUTING ENTITIES - FIRE RELIEF ASSOCIATION**

For the Fiscal Year Ended	Actuarial Determined Contribution	Actual Contributions Paid	Contribution Deficiency (Excess)	2% State Aid	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
December 31, 2016	\$ -	\$ -	\$ -	\$ 246,910	n/a	n/a
December 31, 2015	-	-	-	244,626	n/a	n/a
December 31, 2014	113,868	113,868	-	227,168	n/a	n/a

The Association implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten-year presentation, but does not require retroactive reporting. Information prior to 2014 is not available. Additional years will be reported as they become available.

CITY OF SHAKOPEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

GENERAL EMPLOYEES FUND

2017 Changes

Changes in actuarial assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 Changes

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, 2016. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

- On January 1, 2016, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

CITY OF SHAKOPEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

POLICE AND FIRE FUND

2017 Changes

Changes in actuarial assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% 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 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.

2015 Changes

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

SUPPLEMENTARY INFORMATION

CITY OF SHAKOPEE

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2017**

	Budget		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes				
General Property	\$ 14,187,200	\$ 14,191,000	\$ 14,056,725	\$ (134,275)
Fiscal Disparities	2,015,700	2,015,700	1,894,576	(121,124)
Lodging	350,000	350,000	364,114	14,114
Franchise	397,000	417,000	445,280	28,280
Aggregate	15,500	8,500	10,829	2,329
Total Taxes	<u>16,965,400</u>	<u>16,982,200</u>	<u>16,771,524</u>	<u>(210,676)</u>
Special Assessments	12,000	6,500	3,875	(2,625)
Licenses and Permits	1,286,400	1,532,700	2,391,942	859,242
Intergovernmental Revenues				
Federal Grants	17,000	20,000	22,210	2,210
PERA Aid	18,100	18,100	18,170	70
Police Aid	344,900	398,100	398,172	72
Fire Aid	241,600	250,300	250,336	36
State Grants	665,500	715,800	664,809	(50,991)
Other Grants and Aids	-	-	15,330	15,330
Total Intergovernmental Revenues	<u>1,287,100</u>	<u>1,402,300</u>	<u>1,369,027</u>	<u>(33,273)</u>
Charges for Services				
General Government	2,035,900	2,166,000	2,337,434	171,434
Public Safety	734,100	796,600	865,075	68,475
Public Works	484,500	599,800	744,440	144,640
Parks and Recreation	1,673,100	1,666,750	1,706,825	40,075
Total Charges for Services	<u>4,927,600</u>	<u>5,229,150</u>	<u>5,653,774</u>	<u>424,624</u>
Fines and Forfeitures	1,500	1,500	2,719	1,219
Miscellaneous Revenues				
Investment Income	135,000	150,000	118,878	(31,122)
Contributions and Donations	4,500	6,700	17,600	10,900
Rents	9,800	9,800	9,838	38
Other	73,900	9,700	17,297	7,597
Total Miscellaneous Revenues	<u>223,200</u>	<u>176,200</u>	<u>163,613</u>	<u>(12,587)</u>
Total Revenues	<u>24,703,200</u>	<u>25,330,550</u>	<u>26,356,474</u>	<u>1,025,924</u>
EXPENDITURES				
General Government				
Current:				
Mayor and Council	\$ 197,900	\$ 179,670	\$ 173,658	\$ (6,012)
Administration	1,707,000	1,676,980	1,619,391	(57,589)
City Clerk	318,000	305,150	291,285	(13,865)
Finance	1,207,900	1,215,670	1,237,510	21,840
Planning	586,800	625,170	681,744	56,574
Government Buildings	384,800	372,720	384,050	11,330
Unallocated	217,600	216,250	27,619	(188,631)
Total General Government	<u>4,620,000</u>	<u>4,591,610</u>	<u>4,415,257</u>	<u>(176,353)</u>

CITY OF SHAKOPEE

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2017**

	Budget		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
EXPENDITURES (Continued)				
Public Safety				
Current:				
Police	7,980,000	8,124,000	8,027,247	(96,753)
Fire	2,160,400	2,169,100	2,148,623	(20,477)
Building Inspection	796,200	812,840	828,564	15,724
Capital Outlay	-	100,000	-	(100,000)
Total Public Safety	<u>10,936,600</u>	<u>11,205,940</u>	<u>11,004,434</u>	<u>(201,506)</u>
Public Works				
Current:				
Engineering	786,200	770,450	676,594	(93,856)
Streets	2,151,100	2,118,960	1,882,592	(236,368)
Shop	435,000	444,060	414,654	(29,406)
Total Public Works	<u>3,372,300</u>	<u>3,333,470</u>	<u>2,973,840</u>	<u>(359,630)</u>
Culture and Recreation				
Current:				
Park Maintenance	1,936,300	1,934,720	1,875,269	(59,451)
Natural Resources	198,000	163,840	183,121	19,281
Recreation	3,190,000	3,238,170	3,111,740	(126,430)
Capital Outlay	-	-	93,341	93,341
Total Parks and Recreation	<u>5,324,300</u>	<u>5,336,730</u>	<u>5,263,471</u>	<u>(73,259)</u>
Debt Service				
Interest and Other Charges	-	16,600	16,605	5
Total Debt Service	<u>-</u>	<u>16,600</u>	<u>16,605</u>	<u>5</u>
 Total Expenditures	<u>24,253,200</u>	<u>24,484,350</u>	<u>23,673,607</u>	<u>(810,743)</u>
 Excess of Revenues Over (Under) Expenditures	450,000	846,200	2,682,867	1,836,667
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	-	3,750	4,661	911
Capital Lease Issued	-	-	79,100	79,100
Transfers In	250,000	250,000	250,000	-
Transfers Out	<u>(700,000)</u>	<u>(700,000)</u>	<u>(1,800,000)</u>	<u>(1,100,000)</u>
Total Other Financing Sources (Uses)	<u>(450,000)</u>	<u>(446,250)</u>	<u>(1,466,239)</u>	<u>(1,019,989)</u>
 Net Change in Fund Balances	<u>\$ -</u>	<u>\$ 399,950</u>	1,216,628	<u>\$ 816,678</u>
FUND BALANCES				
Beginning of Year			<u>10,761,366</u>	
End of Year			<u>\$ 11,977,994</u>	

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017**

	<u>Special Revenue</u>		
	<u>Forfeitures</u>	<u>Telecommunication</u>	<u>SCDP Grant</u>
ASSETS			
Cash and Investments	\$ 223,488	\$ 66,682	\$ 10,759
Delinquent Taxes Receivable	-	-	-
Special Assessments Receivable:			
Deferred	-	-	-
Accounts Receivable	-	7,173	-
Interest Receivable	953	284	46
Due From Other Governments	-	-	-
Total Assets	<u>\$ 224,441</u>	<u>\$ 74,139</u>	<u>\$ 10,805</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 3,393	\$ -	\$ -
Contracts Payable	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Total Liabilities	<u>3,393</u>	<u>-</u>	<u>-</u>
 Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	-
Unavailable Revenue - Special Assessments	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balances			
Restricted for:			
Special Revenue	221,048	-	10,805
Debt Service	-	-	-
Capital Projects	-	-	-
Assigned	-	74,139	-
Unassigned	-	-	-
Total Fund Balances	<u>221,048</u>	<u>74,139</u>	<u>10,805</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 224,441</u>	<u>\$ 74,139</u>	<u>\$ 10,805</u>

Special Revenue		Debt Service			
Revolving Loan	Total	2007B Improvement Bonds	2008A Improvement Bonds	2010A Improvement Bonds	2012A Refunding Bonds
\$ 138,004	\$ 438,933	\$ 164,986	\$ 267,267	\$ 197,357	\$ 1,678,455
-	-	-	72	-	-
-	-	-	50,332	45,864	1,057,268
-	7,173	-	-	-	-
-	1,283	703	1,139	841	7,155
-	-	-	177	-	-
<u>\$ 138,004</u>	<u>\$ 447,389</u>	<u>\$ 165,689</u>	<u>\$ 318,987</u>	<u>\$ 244,062</u>	<u>\$ 2,742,878</u>
\$ -	\$ 3,393	\$ 275	\$ 275	\$ 275	\$ 275
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>3,393</u>	<u>275</u>	<u>275</u>	<u>275</u>	<u>275</u>
-	-	-	72	-	-
-	-	-	50,332	45,864	1,057,268
-	-	-	50,404	45,864	1,057,268
138,004	369,857	-	-	-	-
-	-	165,414	268,308	197,923	1,685,335
-	-	-	-	-	-
-	74,139	-	-	-	-
-	-	-	-	-	-
<u>138,004</u>	<u>443,996</u>	<u>165,414</u>	<u>268,308</u>	<u>197,923</u>	<u>1,685,335</u>
<u>\$ 138,004</u>	<u>\$ 447,389</u>	<u>\$ 165,689</u>	<u>\$ 318,987</u>	<u>\$ 244,062</u>	<u>\$ 2,742,878</u>

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
December 31, 2017**

	<u>Debt Service</u>		<u>Capital Projects</u>
	2016A Tax Abatement Bond	Total	Park Reserve
ASSETS			
Cash and Investments	\$ 1,286,267	\$ 3,594,332	\$ 1,313,980
Delinquent Taxes Receivable	-	72	-
Special Assessments Receivable:			
Deferred	-	1,153,464	-
Accounts Receivable	-	-	1,949
Interest Receivable	5,481	15,319	5,601
Due From Other Governments	-	177	-
Total Assets	<u>\$ 1,291,748</u>	<u>\$ 4,763,364</u>	<u>\$ 1,321,530</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 275	\$ 1,375	\$ 70,899
Contracts Payable	-	-	22,048
Due to Other Funds	-	-	-
Due to Other Governments	-	-	33
Total Liabilities	<u>275</u>	<u>1,375</u>	<u>92,980</u>
 Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	72	-
Unavailable Revenue - Special Assessments	-	1,153,464	-
Total Deferred Inflows of Resources	<u>-</u>	<u>1,153,536</u>	<u>-</u>
 Fund Balances			
Restricted for:			
Special Revenue	-	-	-
Debt Service	1,291,473	3,608,453	-
Capital Projects	-	-	1,228,550
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>1,291,473</u>	<u>3,608,453</u>	<u>1,228,550</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,291,748</u>	<u>\$ 4,763,364</u>	<u>\$ 1,321,530</u>

Capital Projects

TIF District No. 10	TIF District No. 14	TIF District No. 15	TIF District No. 16	Road Expansion Dedication	Lions Park
\$ -	\$ 85,627	\$ 35,024	\$ 1,849	\$ 95,162	\$ 22,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	406	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 85,627</u>	<u>\$ 35,024</u>	<u>\$ 1,849</u>	<u>\$ 95,568</u>	<u>\$ 22,000</u>
\$ 825	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
3,870	-	-	-	-	-
-	-	-	-	-	-
<u>4,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	85,627	35,024	1,849	-	-
-	-	-	-	95,568	22,000
<u>(4,695)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(4,695)</u>	<u>85,627</u>	<u>35,024</u>	<u>1,849</u>	<u>95,568</u>	<u>22,000</u>
<u>\$ -</u>	<u>\$ 85,627</u>	<u>\$ 35,024</u>	<u>\$ 1,849</u>	<u>\$ 95,568</u>	<u>\$ 22,000</u>

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
December 31, 2017**

	<u>Capital Projects</u>		
	Tree Replacement	Sealcoat	Total
ASSETS			
Cash and Investments	\$ 299,913	\$ 110,883	\$ 1,964,438
Delinquent Taxes Receivable	-	-	-
Special Assessments Receivable:			
Deferred	-	-	-
Accounts Receivable	-	-	1,949
Interest Receivable	1,492	473	7,972
Due From Other Governments	-	-	-
Total Assets	<u>\$ 301,405</u>	<u>\$ 111,356</u>	<u>\$ 1,974,359</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	-	-	\$ 71,724
Contracts Payable	-	-	22,048
Due to Other Funds	-	-	3,870
Due to Other Governments	-	-	33
Total Liabilities	<u>-</u>	<u>-</u>	<u>97,675</u>
 Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	-
Unavailable Revenue - Special Assessments	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balances			
Restricted for:			
Special Revenue	-	-	-
Debt Service	-	-	-
Capital Projects	-	-	1,351,050
Assigned	301,405	111,356	530,329
Unassigned	-	-	(4,695)
Total Fund Balances	<u>301,405</u>	<u>111,356</u>	<u>1,876,684</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 301,405</u>	<u>\$ 111,356</u>	<u>\$ 1,974,359</u>

	Total Governmental Funds
\$	5,997,703
	72
	1,153,464
	9,122
	24,574
	177
\$	<u>7,185,112</u>

\$	76,492
	22,048
	3,870
	33
	<u>102,443</u>

	72
	<u>1,153,464</u>
	<u>1,153,536</u>

	369,857
	3,608,453
	1,351,050
	604,468
	<u>(4,695)</u>
	<u>5,929,133</u>

\$	<u>7,185,112</u>
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CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NON MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017**

	Special Revenue			
	Forfeitures	Telecommunication	SCDP Grant	Revolving Loan
REVENUES				
Taxes	\$ -	\$ 32,720	\$ -	\$ -
Tax Increment	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	56,355	-	-	-
Miscellaneous	10,500	-	6,000	-
Investment Income	2,014	733	71	4,217
Total Revenues	<u>68,869</u>	<u>33,453</u>	<u>6,071</u>	<u>4,217</u>
EXPENDITURES				
Current				
Public Safety	34,786	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	-	30,109	-	-
Total Expenditures	<u>34,786</u>	<u>30,109</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	34,083	3,344	6,071	4,217
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	(130,000)
Total Other Financing Sources (Uses)	-	-	-	(130,000)
Net Change in Fund Balances	34,083	3,344	6,071	(125,783)
FUND BALANCES				
Beginning of Year	<u>186,965</u>	<u>70,795</u>	<u>4,734</u>	<u>263,787</u>
End of Year	<u>\$ 221,048</u>	<u>\$ 74,139</u>	<u>\$ 10,805</u>	<u>\$ 138,004</u>

Special Revenue		Debt Service			
Total	2004B Refunding Bonds	2006A Improvement Bonds	2007A Improvement Bonds	2007B Improvement Bonds	2008A Improvement Bonds
\$ 32,720	\$ -	\$ -	\$ -	\$ 92,471	\$ 148,800
-	-	-	-	-	-
-	-	-	-	9,136	56,033
-	-	-	-	-	-
-	-	-	-	-	-
56,355	-	-	-	-	-
16,500	-	-	-	-	-
7,035	698	1,254	509	829	920
112,610	698	1,254	509	102,436	205,753
34,786	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	225,000	360,000	150,000	155,000	210,000
-	4,613	7,200	3,000	13,025	24,975
30,109	-	-	-	-	-
64,895	229,613	367,200	153,000	168,025	234,975
47,715	(228,915)	(365,946)	(152,491)	(65,589)	(29,222)
-	-	-	-	-	-
-	2,859	-	-	-	16,918
(130,000)	-	(16,918)	(4,934)	-	(2,859)
(130,000)	2,859	(16,918)	(4,934)	-	14,059
(82,285)	(226,056)	(382,864)	(157,425)	(65,589)	(15,163)
526,281	226,056	382,864	157,425	231,003	283,471
\$ 443,996	\$ -	\$ -	\$ -	\$ 165,414	\$ 268,308

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NON MAJOR GOVERNMENTAL FUNDS
(Continued)**

For the Year Ended December 31, 2017

	Debt Service			
	2010A Improvement Bonds	2012A Refunding Bonds	2016A Tax Abatement Bond	Total
REVENUES				
Taxes	\$ 107,145	\$ -	\$ 1,842,110	\$ 2,190,526
Tax Increment	-	-	-	-
Special Assessments	25,637	191,254	-	282,060
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment Income	869	14,689	(3,994)	15,774
Total Revenues	<u>133,651</u>	<u>205,943</u>	<u>1,838,116</u>	<u>2,488,360</u>
EXPENDITURES				
Current				
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	135,000	450,000	-	1,685,000
Interest and Other Charges	15,438	83,000	1,091,306	1,242,557
Capital Outlay	-	-	-	-
Total Expenditures	<u>150,438</u>	<u>533,000</u>	<u>1,091,306</u>	<u>2,927,557</u>
Excess of Revenues Over (Under) Expenditures	(16,787)	(327,057)	746,810	(439,197)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	-	-	-	-
Transfers In	-	340,000	-	359,777
Transfers Out	-	-	-	(24,711)
Total Other Financing Sources (Uses)	-	340,000	-	335,066
Net Change in Fund Balances	(16,787)	12,943	746,810	(104,131)
FUND BALANCES				
Beginning of Year	<u>214,710</u>	<u>1,672,392</u>	<u>544,663</u>	<u>3,712,584</u>
End of Year	<u>\$ 197,923</u>	<u>\$ 1,685,335</u>	<u>\$ 1,291,473</u>	<u>\$ 3,608,453</u>

Capital Projects					
Park Reserve	Property Acquisition Fund	TIF District No. 10	TIF District No. 14	TIF District No. 15	Datacard Abatement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,203
-	-	55,246	315,985	154,345	-
-	-	-	-	-	-
891,553	-	-	-	-	-
-	-	-	-	-	-
2,221	-	-	-	-	-
-	-	-	-	-	-
288,133	-	-	-	-	-
8,186	3,460	(67)	450	167	-
<u>1,190,093</u>	<u>3,460</u>	<u>55,179</u>	<u>316,435</u>	<u>154,512</u>	<u>67,203</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	5,491	50,447	285,285	139,732	67,203
-	-	-	-	-	-
-	-	825	-	-	-
552,623	-	-	-	-	-
<u>552,623</u>	<u>5,491</u>	<u>51,272</u>	<u>285,285</u>	<u>139,732</u>	<u>67,203</u>
637,470	(2,031)	3,907	31,150	14,780	-
-	100,000	-	-	-	-
-	-	-	-	-	-
-	(66,643)	-	-	-	-
-	33,357	-	-	-	-
637,470	31,326	3,907	31,150	14,780	-
591,080	(31,326)	(8,602)	54,477	20,244	-
<u>\$ 1,228,550</u>	<u>\$ -</u>	<u>\$ (4,695)</u>	<u>\$ 85,627</u>	<u>\$ 35,024</u>	<u>\$ -</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NON MAJOR GOVERNMENTAL FUNDS
(Continued)**

For the Year Ended December 31, 2017

	Capital Projects			
	TIF District No. 16	Road Expansion Dedication	Lions Park	Tree Replacement
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increment	112,371	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	6,528
Charges for Services	-	-	-	5,197
Fines and Forfeitures	-	-	-	182,800
Miscellaneous	-	-	22,000	6,425
Investment Income	-	977	-	709
Total Revenues	<u>112,371</u>	<u>977</u>	<u>22,000</u>	<u>201,659</u>
EXPENDITURES				
Current				
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	58,799
Economic Development	110,522	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>110,522</u>	<u>-</u>	<u>-</u>	<u>58,799</u>
Excess of Revenues Over (Under) Expenditures	1,849	977	22,000	142,860
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	(25,000)
Total Other Financing Sources (Uses)	-	-	-	(25,000)
Net Change in Fund Balances	1,849	977	22,000	117,860
FUND BALANCES				
Beginning of Year	<u>-</u>	<u>94,591</u>	<u>-</u>	<u>183,545</u>
End of Year	<u>\$ 1,849</u>	<u>\$ 95,568</u>	<u>\$ 22,000</u>	<u>\$ 301,405</u>

Capital Projects		Total Other Governmental Funds
Sealcoat	Total	
\$ -	\$ 308,226	\$ 2,531,472
-	637,947	637,947
-	-	282,060
-	891,553	891,553
-	6,528	6,528
-	7,418	7,418
-	182,800	239,155
37,740	354,298	370,798
774	14,656	37,465
<u>38,514</u>	<u>2,403,426</u>	<u>5,004,396</u>
-	-	34,786
-	58,799	58,799
-	899,703	899,703
-	-	1,685,000
-	825	1,243,382
-	552,623	582,732
<u>-</u>	<u>1,511,950</u>	<u>4,504,402</u>
38,514	891,476	499,994
-	100,000	100,000
-	-	359,777
-	(91,643)	(246,354)
<u>-</u>	<u>8,357</u>	<u>213,423</u>
38,514	899,833	713,417
<u>72,842</u>	<u>976,851</u>	<u>5,215,716</u>
<u>\$ 111,356</u>	<u>\$ 1,876,684</u>	<u>\$ 5,929,133</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF FUND NET POSITION -
INTERNAL SERVICE FUNDS
December 31, 2017**

	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Self Insurance	Total
ASSETS							
Current Assets							
Cash and Investments, Including							
Cash Equivalents	\$ 3,800,619	\$ 1,998,611	\$ 2,208,888	\$ 1,074,070	\$ 704,753	\$ 1,217,130	\$11,004,071
Accounts Receivable	8,163	-	-	-	-	-	8,163
Interest Receivable	16,201	12,671	9,417	4,579	3,005	2,631	48,504
Due from Other Funds	-	973,435	-	-	-	-	973,435
Prepaid Expenses	-	-	-	-	-	193,712	193,712
Total Current Assets	<u>3,824,983</u>	<u>2,984,717</u>	<u>2,218,305</u>	<u>1,078,649</u>	<u>707,758</u>	<u>1,413,473</u>	<u>12,227,885</u>
Noncurrent Assets							
Advances to Other Funds, Noncurrent	941,394	350,000	-	-	-	-	1,291,394
Capital Assets:							
Land	-	-	221,876	-	-	-	221,876
Construction in Progress	498,566	-	111,584	-	197,687	-	807,837
Infrastructure	-	210,141	3,592,035	-	-	-	3,802,176
Buildings	-	29,386,619	3,296,094	-	-	-	32,682,713
Machinery and Equipment	11,442,653	189,539	4,376,474	-	237,322	-	16,245,988
Total Cost	11,941,219	29,786,299	11,598,063	-	435,009	-	53,760,590
Less Accumulated Depreciation	(5,045,447)	(10,872,740)	(4,645,600)	-	(205,865)	-	(20,769,652)
Net Capital Assets	6,895,772	18,913,559	6,952,463	-	229,144	-	32,990,938
Total Noncurrent Assets	<u>7,837,166</u>	<u>19,263,559</u>	<u>6,952,463</u>	<u>-</u>	<u>229,144</u>	<u>-</u>	<u>34,282,332</u>
Total Assets	<u>\$11,662,149</u>	<u>\$22,248,276</u>	<u>\$ 9,170,768</u>	<u>\$ 1,078,649</u>	<u>\$ 936,902</u>	<u>\$ 1,413,473</u>	<u>\$46,510,217</u>
LIABILITIES AND NET POSITION							
Current Liabilities							
Accounts Payable	\$ 11,600	\$ 2,710	\$ 24,075	\$ -	\$ 114,988	\$ 2,276	\$ 155,649
Current Compensated Absences	-	-	-	1,015,109	-	-	1,015,109
Total Current Liabilities	<u>11,600</u>	<u>2,710</u>	<u>24,075</u>	<u>1,015,109</u>	<u>114,988</u>	<u>2,276</u>	<u>1,170,758</u>
Noncurrent Liabilities							
Advances from Other Funds	-	1,650,000	-	-	-	-	1,650,000
Compensated Absences	-	-	-	1,240,689	-	-	1,240,689
Total Noncurrent Liabilities	<u>-</u>	<u>1,650,000</u>	<u>-</u>	<u>1,240,689</u>	<u>-</u>	<u>-</u>	<u>2,890,689</u>
Total Liabilities	<u>11,600</u>	<u>1,652,710</u>	<u>24,075</u>	<u>2,255,798</u>	<u>114,988</u>	<u>2,276</u>	<u>4,061,447</u>
Net Position							
Investment in Capital Assets	6,895,772	18,913,559	6,952,463	-	229,144	-	32,990,938
Unrestricted	4,754,777	1,682,007	2,194,230	(1,177,149)	592,770	1,411,197	9,457,832
Total Net Position	<u>11,650,549</u>	<u>20,595,566</u>	<u>9,146,693</u>	<u>(1,177,149)</u>	<u>821,914</u>	<u>1,411,197</u>	<u>42,448,770</u>
Total Liabilities and Net Position	<u>\$11,662,149</u>	<u>\$22,248,276</u>	<u>\$ 9,170,768</u>	<u>\$ 1,078,649</u>	<u>\$ 936,902</u>	<u>\$ 1,413,473</u>	<u>\$46,510,217</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2017**

	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Self Insurance	Total
OPERATING REVENUES							
Rental Charges	\$ 787,800	\$ 558,400	\$ 657,600	\$ -	\$ 381,800	\$ 844,509	\$ 3,230,109
Other Charges	8,163	814	-	-	-	-	8,977
Total Operating Revenues	<u>795,963</u>	<u>559,214</u>	<u>657,600</u>	<u>-</u>	<u>381,800</u>	<u>844,509</u>	<u>3,239,086</u>
OPERATING EXPENSES							
Salaries and Benefits	-	-	-	109,879	-	-	109,879
Depreciation	819,721	702,957	399,832	-	17,685	-	1,940,195
Professional Services	-	12,260	701	-	293	-	13,254
Repairs and Maintenance	-	-	95,254	-	27,940	41,842	165,036
Materials and Supplies	20,705	654	12,287	-	222,405	-	256,051
Rent	-	-	1,088	-	-	-	1,088
Insurance	-	-	-	-	-	612,607	612,607
Total Operating Expenses	<u>840,426</u>	<u>715,871</u>	<u>509,162</u>	<u>109,879</u>	<u>268,323</u>	<u>654,449</u>	<u>3,098,110</u>
Operating Income (Loss)	(44,463)	(156,657)	148,438	(109,879)	113,477	190,060	140,976
NONOPERATING REVENUES (EXPENSES)							
Investment Income	46,718	43,642	19,735	10,705	7,208	2,526	130,534
Donations	-	-	60,174	-	-	-	60,174
Insurance Dividends	-	-	-	-	-	61,923	61,923
Gain (Loss) on Sale of Asset	<u>97,738</u>	<u>(202,574)</u>	<u>(6,685)</u>	<u>-</u>	<u>-</u>	<u>8,436</u>	<u>(103,085)</u>
Total Nonoperating Revenues (Expenses)	<u>144,456</u>	<u>(158,932)</u>	<u>73,224</u>	<u>10,705</u>	<u>7,208</u>	<u>72,885</u>	<u>149,546</u>
Income (Loss) before Capital Contributions and Transfers	99,993	(315,589)	221,662	(99,174)	120,685	262,945	290,522
Capital Contributions from Outside Developers	-	-	14,354	-	-	-	14,354
Transfers In	-	-	-	-	-	600,000	600,000
Transfers Out	<u>-</u>	<u>(3,061,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,061,000)</u>
Change in Net Position	99,993	(3,376,589)	236,016	(99,174)	120,685	862,945	(2,156,124)
NET POSITION							
Beginning of Year	<u>11,550,556</u>	<u>23,972,155</u>	<u>8,910,677</u>	<u>(1,077,975)</u>	<u>701,229</u>	<u>548,252</u>	<u>44,604,894</u>
End of Year	<u>\$11,650,549</u>	<u>\$20,595,566</u>	<u>\$9,146,693</u>	<u>\$ (1,177,149)</u>	<u>\$ 821,914</u>	<u>\$ 1,411,197</u>	<u>\$42,448,770</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2017**

	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Self Insurance	Total
CASH FLOWS - OPERATING ACTIVITIES							
Receipts from Customers and Users	\$ 787,800	\$ 559,214	\$ 657,600	\$ -	\$ 381,800	\$ 850,638	\$ 3,237,052
Receipts from Interfund Services	-	-	-	21,053	-	-	21,053
Payments to Suppliers	(152,270)	(10,204)	(128,620)	-	(166,583)	(667,890)	(1,125,567)
Payments for Interfund Services	-	(973,435)	-	-	-	-	(973,435)
Net Cash Flows - Operating Activities	635,530	(424,425)	528,980	21,053	215,217	182,748	1,159,103
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES							
Interfund Loan Issued	-	1,650,000	-	-	-	-	1,650,000
Payment Received on Interfund Loan	-	50,000	-	-	-	-	50,000
Insurance Dividends	-	-	-	-	-	61,923	61,923
Transfer from Other Funds	-	-	-	-	-	600,000	600,000
Transfer to Other Funds	-	(3,061,000)	-	-	-	-	(3,061,000)
Net Cash Flows - Noncapital Financing Activities	-	(1,361,000)	-	-	-	661,923	(699,077)
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES							
Donations	-	-	60,174	-	-	-	60,174
Proceeds (Loss) from Disposal of Capital Assets	97,737	-	-	-	-	8,436	106,173
Acquisition of Capital Assets	(1,494,872)	(130,321)	(212,160)	-	(197,687)	-	(2,035,040)
Net Cash Flows - Capital and Related Financing Activities	(1,397,135)	(130,321)	(151,986)	-	(197,687)	8,436	(1,868,693)
CASH FLOWS - INVESTING ACTIVITIES							
Interest Received	51,473	48,929	18,742	10,966	7,362	1,233	138,705
Net Cash Flows - Investing Activities	51,473	48,929	18,742	10,966	7,362	1,233	138,705
Net Change in Cash and Cash Equivalents	(710,132)	(1,866,817)	395,736	32,019	24,892	854,340	(1,269,962)
CASH AND CASH EQUIVALENTS							
Beginning of Year	4,510,751	3,865,428	1,813,152	1,042,051	679,861	362,790	12,274,033
End of Year	<u>\$ 3,800,619</u>	<u>\$ 1,998,611</u>	<u>\$ 2,208,888</u>	<u>\$ 1,074,070</u>	<u>\$ 704,753</u>	<u>\$ 1,217,130</u>	<u>\$ 11,004,071</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES							
Operating Income (Loss)	\$ (44,463)	\$ (156,657)	\$ 148,438	\$ (109,879)	\$ 113,477	\$ 190,060	\$ 140,976
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:							
Depreciation Expense	819,721	702,957	399,832	-	17,685	-	1,940,195
Changes in:							
Accounts Receivable	(8,163)	-	-	-	-	6,129	(2,034)
Due from Other Funds	-	(973,435)	-	-	-	-	(973,435)
Accounts and Contracts Payable	(131,565)	2,710	(19,290)	-	84,055	(3,345)	(67,435)
Prepaid Expenses	-	-	-	-	-	(10,096)	(10,096)
Compensated Absences Payable	-	-	-	130,932	-	-	130,932
Total Adjustments	679,993	(267,768)	380,542	130,932	101,740	(7,312)	1,018,127
Net Cash Flows - Operating Activities	<u>\$ 635,530</u>	<u>\$ (424,425)</u>	<u>\$ 528,980</u>	<u>\$ 21,053</u>	<u>\$ 215,217</u>	<u>\$ 182,748</u>	<u>\$ 1,159,103</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES							
Contributions of Capital Assets from the Municipality and Developers	\$ -	\$ -	\$ 14,354	\$ -	\$ -	\$ -	\$ 14,354

CITY OF SHAKOPEE

COMBINED STATEMENT OF FIDUCIARY NET POSITION December 31, 2017

	Escrow Agency Fund	Holiday Lighting Agency Fund	Southwest Metro Drug Task Force Agency Fund	Total Agency Funds
ASSETS				
Current				
Cash and Investments	\$ 1,925,440	\$ 355	\$ 351,873	\$ 2,277,668
Accounts Receivable	-	-	49	49
Interest Receivable	-	-	1,489	1,489
Due from Other Governments	-	-	25,000	25,000
Prepays	-	-	6,932	6,932
Total Assets	<u>\$ 1,925,440</u>	<u>\$ 355</u>	<u>\$ 385,343</u>	<u>\$ 2,311,138</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 230,726	\$ 230,726
Deposits Payable	1,925,440	355	115,402	2,041,197
Due to Other Governments	-	-	39,215	39,215
Total Liabilities	<u>\$ 1,925,440</u>	<u>\$ 355</u>	<u>\$ 385,343</u>	<u>\$ 2,311,138</u>

CITY OF SHAKOPEE

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS**

For the Year Ended December 31, 2017

Escrow Agency Fund				
	Balance at December 31, 2016	Additions	Deductions	Balance at December 31, 2017
ASSETS				
Current				
Cash and Investments	\$ 2,779,900	\$ 1,176,888	\$ 2,031,348	\$ 1,925,440
LIABILITIES				
Deposits Payable	\$ 2,779,900	\$ 1,176,888	\$ 2,031,348	\$ 1,925,440

Holiday Lighting Agency Fund				
	Balance at December 31, 2016	Additions	Deductions	Balance at December 31, 2017
ASSETS				
Current				
Cash and Investments	\$ 36	\$ 319	\$ -	\$ 355
LIABILITIES				
Deposits Payable	\$ 36	\$ 319	\$ -	\$ 355

Southwest Metro Drug Task Force Agency Fund				
	Balance at December 31, 2016	Additions	Deductions	Balance at December 31, 2017
ASSETS				
Current				
Cash and Investments	\$ 376,128	\$ 341,501	\$ 365,756	\$ 351,873
Accounts Receivable	-	49	-	49
Interest Receivable	-	1,489	-	1,489
Due from Other Governments	91,644	-	66,644	25,000
Prepays	9,152	-	2,220	6,932
Total Assets	\$ 476,924	\$ 343,039	\$ 434,620	\$ 385,343
LIABILITIES				
Accounts Payable	\$ 378,410	\$ 253,192	\$ 400,876	230,726
Deposits Payable	59,204	89,811	33,613	115,402
Due to Other Governments	39,310	36	131	39,215
Total Liabilities	\$ 476,924	\$ 343,039	\$ 434,620	\$ 385,343

CITY OF SHAKOPEE

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS**

For the Year Ended December 31, 2017

	Total Agency Funds			
	Balance at December 31, 2016	Additions	Deductions	Balance at December 31, 2017
ASSETS				
Current				
Cash and Investments	\$ 3,156,064	\$ 1,518,708	\$ 2,397,104	\$ 2,277,668
Accounts Receivable	-	49	-	49
Interest Receivable	-	1,489	-	1,489
Due from Other Governments	91,644	-	66,644	25,000
Prepays	9,152	-	2,220	6,932
Total Assets	<u>\$ 3,256,860</u>	<u>\$ 1,520,246</u>	<u>\$ 2,465,968</u>	<u>\$ 2,311,138</u>
LIABILITIES				
Accounts Payable	\$ 378,410	\$ 253,192	\$ 400,876	\$ 230,726
Deposits Payable	2,839,140	1,267,018	2,064,961	2,041,197
Due to Other Governments	39,310	36	131	39,215
Total Liabilities	<u>\$ 3,256,860</u>	<u>\$ 1,520,246</u>	<u>\$ 2,465,968</u>	<u>\$ 2,311,138</u>

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STATISTICAL SECTION

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CITY OF SHAKOPEE
STATISTICAL SECTION
December 31, 2017

This part of the City's Comprehensive Annual Financial Report (CAFR) presents detailed information for placing in context and understanding what the information shown in the financial statements, note disclosures and required supplementary information reveals about the City's overall financial health.

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Financial Trends	132
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These schedules show trend information to help the reader understand how the City's financial performance and well being have changed over time.

Revenue Capacity	140
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Portrayed is information to help the reader assess the City's most important local revenue source, the property tax.

Debt Capacity	144
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These schedules 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.

Demographic and Economic Information	151
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Shown are demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	154
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These schedules shown 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

Source: Unless noted otherwise, the information in these schedules is from the CAFR for the relevant year.

CITY OF SHAKOPEE

**NET POSITION BY COMPONENT
Years 2008 Through 2017**

	2008	2009	2010	2011
Governmental Activities:				
Net Investment in Capital Assets	\$ 112,909,793	\$ 112,097,148	\$ 111,905,152	\$ 114,981,955
Restricted	21,915,945	16,518,865	1,844,129	10,914,439
Unrestricted	22,086,771	28,832,576	43,910,102	32,771,327
Total Governmental Activities Net Position	<u>\$ 156,912,509</u>	<u>\$ 157,448,589</u>	<u>\$ 157,659,383</u>	<u>\$ 158,667,721</u>
Business-Type Activities:				
Net Investment in Capital Assets	\$ 115,124,238	\$ 114,331,216	\$ 115,064,968	\$ 65,080,070
Restricted	1,756,369	3,574,612	4,889,050	-
Unrestricted	49,366,581	55,595,594	59,014,070	31,927,930
Total Business-Type Activities Net Position	<u>\$ 166,247,188</u>	<u>\$ 173,501,422</u>	<u>\$ 178,968,088</u>	<u>\$ 97,008,000</u>
Primary Government:				
Net Investment in Capital Assets	\$ 228,034,031	\$ 226,428,364	\$ 226,970,120	\$ 180,062,025
Restricted	23,672,314	20,093,477	6,733,179	10,914,439
Unrestricted	71,453,352	84,428,170	102,924,172	64,699,257
Total Primary Government Net Position	<u>\$ 323,159,697</u>	<u>\$ 330,950,011</u>	<u>\$ 336,627,471</u>	<u>\$ 255,675,721</u>

From 2008-2010, the SPUC Funds, Water and Electric Enterprise Funds, were reported as a blended component unit of the City. In 2011, SPUC funds have been presented as discretely presented component units as it no longer met the criteria for blending.

The City implemented GASB Statement No. 68 and GASB Statement No. 71 in 2015. Years prior to 2015 have not been restated.

Table 1

2012	2013	2014	2015	2016	2017
\$ 115,191,768	\$ 118,166,525	\$ 117,980,552	\$ 120,831,029	\$ 128,559,527	\$ 135,442,110
9,912,551	10,454,238	7,103,581	7,547,490	6,637,391	6,342,643
34,823,712	30,642,443	35,302,035	23,939,064	16,719,760	15,059,730
<u>\$ 159,928,031</u>	<u>\$ 159,263,206</u>	<u>\$ 160,386,168</u>	<u>\$ 152,317,583</u>	<u>\$ 151,916,678</u>	<u>\$ 156,844,483</u>
\$ 64,124,590	\$ 65,181,465	\$ 67,831,099	\$ 68,986,369	\$ 70,099,288	\$ 75,547,444
-	-	-	-	-	-
33,354,521	31,183,904	28,485,814	25,981,542	23,281,483	22,730,751
<u>\$ 97,479,111</u>	<u>\$ 96,365,369</u>	<u>\$ 96,316,913</u>	<u>\$ 94,967,911</u>	<u>\$ 93,380,771</u>	<u>\$ 98,278,195</u>
\$ 179,316,358	\$ 183,347,990	\$ 185,811,651	\$ 189,817,398	\$ 198,658,815	\$ 210,989,554
9,912,551	10,454,238	7,103,581	7,547,490	6,637,391	6,342,643
68,178,233	61,826,347	63,787,849	49,920,606	40,001,243	37,790,481
<u>\$ 257,407,142</u>	<u>\$ 255,628,575</u>	<u>\$ 256,703,081</u>	<u>\$ 247,285,494</u>	<u>\$ 245,297,449</u>	<u>\$ 255,122,678</u>

CITY OF SHAKOPEE

CHANGES IN NET POSITION
Years 2008 Through 2017

	2008	2009	2010	2011	2012	2013
EXPENSES:						
Governmental Activities:						
General Government	\$ 3,514,573	\$ 3,388,268	\$ 3,042,918	\$ 4,252,887	\$ 4,603,027	\$ 4,704,956
Public Safety	8,346,104	8,528,413	9,123,316	9,236,767	9,430,785	9,868,702
Public Works	8,099,384	7,860,080	8,397,874	7,094,047	7,083,299	7,578,493
Culture and Recreation	3,637,527	3,859,670	3,765,660	3,866,307	3,817,677	4,020,974
Economic Development	522,074	316,566	427,169	244,361	152,541	338,907
Other	1,033,999	1,040,044	784,824	619,099	587,384	573,949
Total Governmental Activities Expenses	<u>25,153,661</u>	<u>24,993,041</u>	<u>25,541,761</u>	<u>25,313,468</u>	<u>25,674,713</u>	<u>27,085,981</u>
Business-Type Activities:						
Electric	36,186,676	30,140,842	32,700,410	-	-	-
Water	3,461,261	3,316,102	3,293,079	-	-	-
Sewer	3,308,759	3,398,117	3,685,417	3,807,322	3,926,541	4,096,504
Storm	1,435,376	1,264,261	1,792,749	1,382,391	1,445,633	1,641,438
Refuse	-	-	-	-	-	-
Total Business-Type Activities Expenses	<u>44,392,072</u>	<u>38,119,322</u>	<u>41,471,655</u>	<u>5,189,713</u>	<u>5,372,174</u>	<u>5,737,942</u>
Total Primary Government Expenses	<u>\$ 69,545,733</u>	<u>\$ 63,112,363</u>	<u>\$ 67,013,416</u>	<u>\$ 30,503,181</u>	<u>\$ 31,046,887</u>	<u>\$ 32,823,923</u>
PROGRAM REVENUES:						
Governmental Activities:						
Charges for Services:						
General Government	\$ 257,211	\$ 319,066	\$ 289,390	\$ 343,169	\$ 2,966,953	\$ 2,647,951
Public Safety	1,506,680	1,677,772	1,716,573	1,503,188	1,524,158	1,701,875
Public Works	2,354,276	1,342,173	941,224	478,788	454,145	688,286
Culture and Recreation	1,295,772	1,013,044	1,039,820	1,071,482	2,222,430	2,012,436
Economic Development	-	-	-	7,100	16,500	18,000
Operating Grants and Contributions	1,660,191	1,485,124	2,943,857	3,606,089	2,106,559	1,894,436
Capital Grants and Contributions	1,825,124	1,241,884	952,450	3,152,881	1,479,343	689,424
Total Governmental Activities Program Revenues	<u>8,899,254</u>	<u>7,079,063</u>	<u>7,883,314</u>	<u>10,162,697</u>	<u>10,770,088</u>	<u>9,652,408</u>
Business-Type Activities:						
Charges for Services:						
Electric	38,732,701	34,272,099	36,872,008	-	-	-
Water	3,390,309	3,605,498	4,417,498	-	-	-
Sewer	2,556,299	3,485,882	3,508,947	2,941,753	3,728,189	3,004,826
Storm	1,379,821	1,405,560	1,281,986	1,083,878	1,442,394	1,720,653
Refuse	-	-	-	-	-	-
Operating Grants and Contributions	-	-	6,415	-	-	-
Capital Grants and Contributions	1,007,519	1,879,530	1,661,001	93,810	348,756	7,780
Total Business-Type Activities Program Revenues	<u>47,066,649</u>	<u>44,648,569</u>	<u>47,747,855</u>	<u>4,119,441</u>	<u>5,519,339</u>	<u>4,733,259</u>
Total Primary Government Program Revenues	<u>\$ 55,965,903</u>	<u>\$ 51,727,632</u>	<u>\$ 55,631,169</u>	<u>\$ 14,282,138</u>	<u>\$ 16,289,427</u>	<u>\$ 14,385,667</u>
Net (Expense) Revenue:						
Governmental Activities	\$ (16,254,407)	\$ (17,913,978)	\$ (17,658,447)	\$ (15,150,771)	\$ (14,904,625)	\$ (17,433,573)
Business-Type Activities	2,674,577	6,529,247	6,276,200	(1,070,272)	147,165	(1,004,683)
Total Primary Government Net Expense	<u>\$ (13,579,830)</u>	<u>\$ (11,384,731)</u>	<u>\$ (11,382,247)</u>	<u>\$ (16,221,043)</u>	<u>\$ (14,757,460)</u>	<u>\$ (18,438,256)</u>
GENERAL REVENUES AND OTHER						
CHANGES IN NET POSITION:						
Governmental Activities:						
Taxes:						
Property	\$ 14,200,833	\$ 14,676,518	\$ 14,229,111	\$ 14,487,805	\$ 15,002,764	\$ 15,795,777
Franchise	349,048	361,615	363,296	378,011	389,819	399,496
Other	388,935	151,956	147,561	160,884	113,902	113,796
Unrestricted Investment Earnings	1,941,335	1,323,230	1,039,867	1,032,409	546,681	40,589
Gain on Disposal of Assets	56,453	37,162	-	-	11,769	256,600
Special Item	-	-	-	-	-	-
Transfers	1,297,988	1,899,577	2,089,406	100,000	100,000	162,490
Total Governmental Activities	<u>18,234,592</u>	<u>18,450,058</u>	<u>17,869,241</u>	<u>16,159,109</u>	<u>16,164,935</u>	<u>16,768,748</u>
Business-Type Activities:						
Investment Earnings	3,128,741	1,336,979	1,279,872	758,182	423,946	53,431
Gain on Disposal of Assets	-	-	-	-	-	-
Transfers	(1,297,988)	(1,899,577)	(2,089,406)	(100,000)	(100,000)	(162,490)
Total Business-Type Activities	<u>1,830,753</u>	<u>(562,598)</u>	<u>(809,534)</u>	<u>658,182</u>	<u>323,946</u>	<u>(109,059)</u>
Total Primary Government	<u>\$ 20,065,345</u>	<u>\$ 17,887,460</u>	<u>\$ 17,059,707</u>	<u>\$ 16,817,291</u>	<u>\$ 16,488,881</u>	<u>\$ 16,659,689</u>
Change in Net Position:						
Government Activities	\$ 1,980,185	\$ 536,080	\$ 210,794	\$ 1,008,338	\$ 1,260,310	\$ (664,825)
Business-Type Activities	4,505,330	5,966,649	5,466,666	(412,090)	471,111	(1,113,742)
Total Primary Government	<u>\$ 6,485,515</u>	<u>\$ 6,502,729</u>	<u>\$ 5,677,460</u>	<u>\$ 596,248</u>	<u>\$ 1,731,421</u>	<u>\$ (1,778,567)</u>

From 2007-2010, the SPUC funds, Water and Electric Enterprise Funds, were reported as a blended component unit of the City. In 2011, SPUC Funds have been presented as discretely presented component units as it no longer met the criteria for blending.

The City implemented GASB Statement No. 68 and GASB Statement No. 71 in 2015. Years prior to 2015 have not been restated.

Table 2

2014	2015	2016	2017
\$ 5,514,412	\$ 4,237,647	\$ 4,205,975	\$ 4,624,885
10,543,861	10,582,354	13,281,715	11,981,416
10,667,275	8,552,096	8,593,885	9,695,789
4,250,557	4,355,453	4,653,362	5,359,259
1,593,968	2,603,741	2,104,584	1,630,516
453,696	274,960	1,190,824	1,112,571
33,023,769	30,606,251	34,030,345	34,404,436
-	-	-	-
-	-	-	-
3,777,866	3,824,026	3,843,232	4,226,027
1,924,853	1,726,149	1,848,768	1,773,670
-	127,781	127,034	125,647
5,702,719	5,677,956	5,819,034	6,125,344
\$ 38,726,488	\$ 36,284,207	\$ 39,849,379	\$ 40,529,780
\$ 2,751,336	\$ 2,486,042	\$ 2,410,321	\$ 2,544,126
1,879,209	2,146,840	2,744,824	2,989,770
693,647	704,687	746,086	880,361
1,827,046	2,140,071	1,760,925	2,813,951
18,000	24,000	256,312	26,520
2,880,493	2,509,986	2,777,982	2,068,419
6,668,531	1,735,543	2,187,039	3,847,001
16,718,262	11,747,169	12,883,489	15,170,148
-	-	-	-
-	-	-	-
2,916,192	2,829,981	3,292,166	3,380,321
1,211,793	1,765,679	1,632,218	1,272,506
72,167	103,637	105,309	131,753
-	-	-	890
496,655	65,844	183,142	2,701,892
4,696,807	4,765,141	5,212,835	7,487,362
\$ 21,415,069	\$ 16,512,310	\$ 18,096,324	\$ 22,657,510
\$ (16,305,507)	\$ (18,859,082)	\$ (21,146,856)	\$ (19,234,288)
(1,005,912)	(912,815)	(606,199)	1,362,018
\$ (17,311,419)	\$ (19,771,897)	\$ (21,753,055)	\$ (17,872,270)
\$ 16,446,631	\$ 16,807,367	\$ 18,015,507	\$ 19,229,300
404,312	418,545	448,023	1,251,819
216,441	406,571	464,632	1,014,774
727,619	452,281	495,804	390,911
52,674	87,819	50,132	1,576
-	496,484	-	-
(419,208)	(634,070)	1,271,853	26,990
17,428,469	18,034,997	20,745,951	21,915,370
538,248	349,776	289,001	240,345
-	17,438	1,911	6,217
419,208	(496,484)	(1,271,853)	(26,990)
957,456	(129,270)	(980,941)	219,572
\$ 18,385,925	\$ 17,905,727	\$ 19,765,010	\$ 22,134,942
\$ 1,122,962	\$ (824,085)	\$ (400,905)	\$ 2,681,082
(48,456)	(1,042,085)	(1,587,140)	1,581,590
\$ 1,074,506	\$ (1,866,170)	\$ (1,988,045)	\$ 4,262,672

CITY OF SHAKOPEE

FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund:				
Nonspendable:				
Prepays	\$ -	\$ -	\$ 149,940	\$ 131,447
Reserved	1,126,074	799,276	-	-
Restricted for:				
BATC Litigation	-	-	218,032	-
Committed to:				
Working Capital	-	-	345,820	-
Unreserved	8,733,528	10,703,004	-	-
Unassigned	-	-	8,323,938	9,172,747
Total General Fund	<u>\$ 9,859,602</u>	<u>\$ 11,502,280</u>	<u>\$ 9,037,730</u>	<u>\$ 9,304,194</u>
All Other Governmental Funds				
Reserved:				
Special Revenue Funds	\$ 2,738,909	\$ 2,677,290	\$ -	\$ -
Debt Service Funds	-	-	-	-
Capital Projects Funds	4,873,440	4,185,059	-	-
Restricted for:				
Forfeitures	-	-	189,112	208,518
Transit	-	-	1,158,355	1,237,762
SCDP Grant	-	-	55,743	22,462
Revolving Loans	-	-	143,023	249,147
Economic Development	-	-	447,319	497,775
Debt Service	-	-	5,127,697	4,625,946
Capital Improvements	-	-	2,203,238	958,195
Committed to:				
Working Capital	-	-	345,820	-
Transit	-	-	463,470	-
Revolving Loans	-	-	100,000	-
Economic Development	-	-	20,930	-
Park Projects	-	-	1,785,164	-
Capital Improvements	-	-	3,616,689	-
2008 Projects	-	-	190,431	-
2009 Projects	-	-	14,876	-
2010 Projects	-	-	131,398	-
Fire Station 2	-	-	2,476,886	-
Assigned to:				
Telecommunication	-	-	49,192	45,681
Capital Improvements	-	-	-	6,964,247
Capital Projects Funds	-	-	-	413,228
Unreserved				
Special Revenue Funds	1,130,452	-	-	-
Debt Service Funds	7,658,289	7,504,770	-	-
Capital Projects Funds	1,994,812	2,453,383	-	-
Unassigned	-	-	(116,803)	(484,089)
Governmental Funds	<u>\$ 18,395,902</u>	<u>\$ 16,820,502</u>	<u>\$ 18,402,540</u>	<u>\$ 14,738,872</u>

Note: GASB Statement No. 54 was implemented in 2010.

Only 2010-2017 are reported in compliance with GASB Statement No. 54. 2008-2009 are reported as previously stated.

Table 3

2012	2013	2014	2015	2016	2017
\$ 19,189	\$ 16,440	\$ 13,949	\$ 21,573	\$ 22,188	\$ 59,023
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,503,652	9,076,549	9,824,097	9,818,537	10,739,178	11,918,971
<u>\$ 9,522,841</u>	<u>\$ 9,092,989</u>	<u>\$ 9,838,046</u>	<u>\$ 9,840,110</u>	<u>\$ 10,761,366</u>	<u>\$ 11,977,994</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
195,823	180,696	174,580	180,555	186,965	221,048
1,045,340	941,469	635,247	-	-	-
22,447	4,546	4,627	4,683	4,734	10,805
252,639	253,065	257,601	260,865	263,787	138,004
562,959	685,671	361,569	674,910	1,503,917	356,588
9,574,198	8,678,680	7,053,086	3,085,157	3,712,584	3,608,453
1,815,339	1,882,231	1,634,954	1,425,798	7,213,258	1,539,267
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
66,989	54,499	76,342	108,627	70,795	74,139
8,681,475	5,753,669	5,630,178	6,130,194	4,744,275	6,592,822
394,666	176,398	228,059	1,505,595	2,244,591	530,329
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(384,965)	(1,716)	(7,316)	(1,715,102)	(39,928)	(3,241,015)
<u>\$ 22,226,910</u>	<u>\$ 18,609,208</u>	<u>\$ 16,048,927</u>	<u>\$ 11,661,282</u>	<u>\$ 19,904,978</u>	<u>\$ 9,830,440</u>

CITY OF SHAKOPEE

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS Last Ten Fiscal Years

	2008	2009	2010	2011
REVENUES:				
Taxes	\$ 14,437,766	\$ 14,992,051	\$14,385,788	\$ 14,699,066
Special Assessments	1,879,974	1,810,511	1,404,088	1,475,324
Licenses and Permits	1,221,939	1,492,746	1,338,111	1,281,150
Intergovernmental	2,702,993	1,811,668	2,924,161	3,941,830
Charges for Service	2,209,269	1,808,865	2,202,524	3,958,237
Fines and Forfeits	442,626	428,662	549,543	411,211
Miscellaneous	2,028,529	1,503,722	1,255,038	705,969
Total Revenues	<u>24,923,096</u>	<u>23,848,225</u>	<u>24,059,253</u>	<u>26,472,787</u>
EXPENDITURES:				
General Government	3,517,957	3,331,193	2,960,233	4,004,684
Police	8,462,288	8,604,704	9,012,567	9,460,824
Public Works	3,628,954	3,591,049	3,902,622	2,602,104
Culture and Recreation	4,101,175	3,898,844	4,075,919	3,902,386
Economic Development	522,074	316,566	270,915	247,591
Debt Service:				
Principal	3,280,000	2,660,000	3,800,000	2,565,000
Interest and Other Charges	1,077,711	1,077,325	833,245	658,265
Capital Outlay	<u>3,300,942</u>	<u>1,797,299</u>	<u>2,812,488</u>	<u>6,301,406</u>
Total Expenditures	<u>27,891,101</u>	<u>25,276,980</u>	<u>27,667,989</u>	<u>29,742,260</u>
Excess of Revenues Under Expenditures	<u>(2,968,005)</u>	<u>(1,428,755)</u>	<u>(3,608,736)</u>	<u>(3,269,473)</u>
OTHER FINANCING SOURCES (USES):				
Bonds Issued	2,170,000	-	1,555,000	-
Sale of Assets	-	-	6,000	-
Premium on Bonds Issued	16,741	-	-	-
Capital Lease Issued	-	-	-	-
Transfers In	4,605,693	4,958,133	13,199,807	2,968,919
Transfers Out	(2,224,692)	(3,462,100)	(12,380,403)	(2,750,830)
Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>4,567,742</u>	<u>1,496,033</u>	<u>2,380,404</u>	<u>218,089</u>
Net Change in Fund Balance	<u>\$ 1,599,737</u>	<u>\$ 67,278</u>	<u>\$ (1,228,332)</u>	<u>\$ (3,051,384)</u>
Debt Service as a Percentage of Noncapital Expenditures	17%	16%	18%	14%

Table 4

2012	2013	2014	2015	2016	2017
\$ 15,141,903	\$15,851,560	\$ 16,798,542	\$ 17,225,535	\$ 18,549,468	\$ 21,476,591
1,499,810	930,331	2,673,132	1,157,405	1,615,161	933,773
2,441,246	2,349,945	2,318,447	2,989,038	3,146,818	3,283,495
2,548,692	1,857,803	4,743,014	3,427,130	3,619,810	2,447,795
4,449,003	4,583,551	4,683,722	4,479,845	4,759,244	5,681,712
418,474	381,470	429,021	171,856	104,943	241,874
836,868	189,717	675,643	604,816	877,108	1,004,665
27,335,996	26,144,377	32,321,521	30,055,625	32,672,552	35,069,905
4,396,219	4,495,662	5,225,483	3,864,337	4,016,871	4,415,257
9,483,999	9,731,407	10,193,496	10,209,739	10,643,342	11,039,220
2,349,042	2,631,154	2,829,846	3,036,284	3,061,172	2,973,840
3,799,723	3,771,068	3,981,999	3,891,542	4,269,211	5,228,929
155,692	340,904	1,595,628	2,352,621	2,092,337	1,611,073
1,950,000	2,070,000	3,160,000	5,615,000	1,685,000	1,685,000
634,063	618,695	504,460	365,898	864,494	1,259,987
2,164,053	6,883,191	7,245,157	5,461,607	32,159,412	18,386,260
24,932,791	30,542,081	34,736,069	34,797,028	58,791,839	46,599,566
2,403,205	(4,397,704)	(2,414,548)	(4,741,403)	(26,119,287)	(11,529,661)
4,865,000	-	-	-	29,500,000	-
-	150	314	-	9,134	104,661
73,480	-	-	-	2,237,727	-
-	-	-	-	-	79,100
3,367,400	4,890,809	3,531,038	6,135,344	6,916,355	7,282,929
(3,002,400)	(4,540,809)	(2,932,028)	(5,145,452)	(3,378,977)	(4,794,939)
-	-	-	(634,070)	-	-
5,303,480	350,150	599,324	355,822	35,284,239	2,671,751
\$ 7,706,685	\$ (4,047,554)	\$ (1,815,224)	\$ (4,385,581)	\$ 9,164,952	\$ (8,857,910)
11%	11%	12%	20%	9%	10%

CITY OF SHAKOPEE

Table 5

**TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years**

Fiscal Year	Residential Property	Commercial Industrial Property	Other Property	Less: Tax Increment Property	Less Net Fiscal Disparities	Net Taxable Tax Capacity	Total Direct Tax Rate	Estimated Taxable Market Value	Taxable Tax Capacity as a Percentage of Estimated Market Value
2008	29,942,078	15,426,355	741,679	411,490	1,846,919	43,851,703	0.31925	3,800,795,500	1.15%
2009	29,805,971	16,088,685	1,319,935	156,799	1,862,715	45,195,077	0.32630	3,850,591,200	1.17%
2010	27,805,069	16,459,872	1,279,807	151,914	1,584,552	43,808,282	0.33710	3,710,814,056	1.18%
2011	24,652,932	18,351,835	1,304,688	161,430	1,630,522	42,517,503	0.34731	3,570,069,500	1.19%
2012	23,180,073	17,956,273	852,512	155,002	1,740,447	40,093,409	0.36655	3,347,179,800	1.20%
2013	22,824,263	17,577,547	576,049	107,928	1,707,617	39,162,314	0.41996	3,064,695,700	1.28%
2014	22,782,372	17,580,049	589,717	214,592	1,961,307	38,776,239	0.41437	3,206,518,700	1.21%
2015	26,419,959	18,769,230	625,872	408,172	1,918,874	43,488,015	0.37862	3,629,757,200	1.20%
2016	27,838,939	20,111,657	670,839	384,578	1,857,605	46,379,252	0.37902	3,844,106,800	1.21%
2017	28,199,409	23,224,857	608,016	827,765	2,015,785	49,188,732	0.38522	4,034,313,200	1.22%

Source: Scott County Auditor

CITY OF SHAKOPEE

Table 6

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years**

Fiscal Year	City Direct Rate			Shakopee School District	Scott County	Other Jurisdictions	General Obligation Debt Service Market Value Rate
	Operating Rate	Debt Service Rate	Total Direct Rate				
2008	0.29874	0.02051	0.31925	0.26103	0.32646	0.04642	0.00537
2009	0.30401	0.02229	0.32630	0.27274	0.32684	0.04960	0.00651
2010	0.32152	0.01558	0.33710	0.29050	0.33240	0.04980	0.00651
2011	0.32996	0.01735	0.34731	0.31182	0.35541	0.05020	0.00342
2012	0.34005	0.02650	0.36655	0.35512	0.38802	0.05610	0.00345
2013	0.41996	-	0.41996	0.39715	0.40674	0.05701	0.00467
2014	0.39305	0.02131	0.41437	0.36963	0.39720	0.05569	0.00524
2015	0.35235	0.02626	0.37862	0.35578	0.36638	0.05169	0.00536
2016	0.34757	0.03145	0.37902	0.53478	0.36175	0.05129	0.00605
2016	0.26948	0.11574	0.38522	0.49282	0.35896	0.04979	-

Sources: Scott County Auditor and League of Minnesota Cities Reports

CITY OF SHAKOPEE

Table 7

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	2017			2008		
		2016/17 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value	2007/08 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value
Excel Energy	Electrical Generation	\$ 663,788	1	1.35%	\$ 532,876	1	1.32%
Amazon	Distribution	579,250	2	1.18%			
Rahr Malting	Grain Processing	544,355	3	1.11%	408,370	3	1.01%
J & J Minneapolis LLC	Manufacturing	470,100	4	0.96%			
Liberty Properties LP	Distribution	469,750	5	0.95%			
Seagate	Manufacturing/Research	439,250	6	0.89%	399,250	4	0.99%
Lothenbach Properties	Warehouse/Manufacturing	431,250	7	0.88%			
St. Francis RMC	Health Care	430,900	8	0.88%			
Rosemount Inc	Manufacturing	430,470	9	0.88%			
Kin LLC	Warehouse/Manufacturing	429,250	10	0.87%			
Shakopee Crossing LTD	Retail				436,954	2	1.08%
Certainfeed	Manufacturing				397,522	5	0.99%
Shakopee Valley Market	Retail				388,392	6	0.96%
Valleyfair	Amusement Park				358,348	7	0.89%
First Industrial LP	Warehouse				350,574	8	0.87%
Ryan Companies	Property Management				329,094	9	0.82%
Canterbury Park	Horse Racing				314,748	10	0.78%
		<u>\$ 4,888,363</u>		<u>9.95%</u>	<u>\$ 3,916,128</u>		<u>9.71%</u>

Source: Scott County Auditor

CITY OF SHAKOPEE

Table 8

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Year Collected	Tax Levy	Collections of Current Years Taxes	Percentage of Levy Collected	Collections of Prior Years Taxes	Total Collections	Percentage of Total Collections To Tax Levy	Accumulated Delinquent Taxes	Ratio of Accumulated Delinquent Taxes to Current Years Taxes
2008	\$ 14,222,007	\$ 13,661,366	96%	\$ 208,470	\$ 13,869,836	98%	\$ 483,317	3.40%
2009	14,983,677	14,457,378	96%	157,920	14,615,298	98%	319,740	2.13%
2010	14,918,665	13,971,356	94%	55,020	14,026,376	94%	310,624	2.08%
2011	14,837,438	14,019,831	94%	278,981	14,298,812	96%	260,248	1.75%
2012	14,837,438	14,553,417	98%	188,750	14,742,167	99%	235,011	1.58%
2013	15,483,223	15,109,599	98%	279,485	15,389,084	99%	293,025	1.89%
2014	16,312,179	16,177,463	99%	-	16,177,463	99%	157,555	0.97%
2015	16,773,267	16,351,700	97%	-	16,351,700	97%	145,958	0.87%
2016	17,610,195	17,316,074	98%	41,140	17,357,214	99%	76,631	0.44%
2017	18,926,341	18,628,201	98%	-	18,628,201	98%	95,933	0.51%

Source: Scott County Auditor

1. The above data does not include tax increment districts.
2. The State of Minnesota cancelled \$ 243,439 in 2008, \$ 511,956 in 2009, \$ 558,860 in 2010 and \$ 595,572 in 2011 of annual aid payments to the City that were part of the tax levy.

CITY OF SHAKOPEE

Table 9

**RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-type Activities Revenue Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
	G.O. Bonds	Special Assessment Bonds	Capital Leases				
2008	\$ 7,165,000	\$ 16,450,000	\$ -	\$ 33,225,000	\$ 56,840,000	4.1%	1,689
2009	6,755,000	14,200,000	-	22,235,000	43,190,000	4.1%	1,276
2010	6,340,000	12,370,000	-	21,470,000	40,180,000	3.4%	1,084
2011	5,905,000	10,240,000	-	-	16,145,000	1.3%	428
2012	10,325,000	8,735,000	-	-	19,060,000	1.6%	504
2013	9,865,000	7,125,000	-	-	16,990,000	1.4%	446
2014	9,390,000	4,440,000	-	-	13,830,000	1.1%	353
2015	5,100,000	3,115,000	-	-	8,215,000	0.7%	208
2016	36,070,590	2,095,000	-	-	38,165,590	2.9%	948
2017	35,284,168	1,085,000	65,330	-	36,434,498	2.7%	886

Sources: Details regarding the city's outstanding debt can be found in the notes to the financial statements. See Table 14 for income and population data.

Note: From 2008-2010, the SPUC Funds, Water and Electric Enterprise Funds, were reported as a blended component unit of the City. In 2011, SPUC Funds have been presented as discretely presented component units as it no longer met the criteria for blending.

CITY OF SHAKOPEE

Table 10

**RATIOS OF GENERAL BONDED OUTSTANDING
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>G.O. Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>	<u>Percentage of Total Personal Income</u>
2008	\$ 7,165,000	0.19%	213	0.52%
2009	6,755,000	0.18%	199	0.65%
2010	6,340,000	0.17%	171	0.54%
2011	5,905,000	0.17%	157	0.49%
2012	10,325,000	0.31%	273	0.86%
2013	9,865,000	0.32%	259	0.81%
2014	9,390,000	0.29%	240	0.75%
2015	5,100,000	0.14%	129	0.40%
2016	36,070,590	0.94%	896	2.74%
2017	35,284,168	0.87%	858	2.63%

Sources:

1. Metropolitan Council estimated for population. 2008-2009 populations are the City's estimate.
2. Scott County Auditor
3. Details regarding the city's outstanding debt can be found in the notes to the financial statements.

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CITY OF SHAKOPEE

Table 11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2017

	G.O. Debt	Percentage Applicable To City of Shakopee (1)	Amount Applicable To City of Shakopee
Direct Debt:			
City of Shakopee	\$ 36,369,168	100.0%	\$ 36,369,168
Overlapping Debt:			
Independent School District No. 720	199,410,000	79.4%	158,262,052
Independent School District No. 191	202,205,000	3.2%	6,384,622
Scott County	52,465,000	26.0%	13,647,567
Metropolitan Council (2)	188,620,614	1.2%	2,253,898
Total Overlapping Debt:	642,700,614		180,548,139
Total Direct and Overlapping Debt	\$ 679,069,782		\$ 216,917,307

Source:

Scott County and Dakota County Taxation Department
Metropolitan Council

Note: Overlapping governments are those that coincide, at least in part, with 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 government.

(1) The percentage of overlapping debt is estimated using net tax capacity. Applicable percentages were estimated by determining the portion of net tax capacity that is within the City's boundaries and dividing it by total net tax capacity for each entity.

(2) Excludes general obligation debt supported by wastewater revenues and housing rental payments. Includes certificates of participation.

CITY OF SHAKOPEE

**LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Market Value (Taxable)	\$ 3,800,795,500	\$ 3,850,591,200	\$ 3,710,814,056	\$ 3,570,069,500
Debt Limit - Percent of Market Value (Note A)	<u>114,023,865</u>	<u>115,517,736</u>	<u>107,102,085</u>	<u>107,102,085</u>
Amount of Debt Applicable to Debt Limit:				
G.O. Bonds	7,165,000	6,755,000	6,340,000	5,905,000
Available in Debt Service Funds	<u>(847,608)</u>	<u>(837,100)</u>	<u>(786,306)</u>	<u>(826,957)</u>
Total Debt Applicable to Debt Limit	<u>6,317,392</u>	<u>5,917,900</u>	<u>5,553,694</u>	<u>5,078,043</u>
Legal Debt Margin	<u><u>\$ 107,706,473</u></u>	<u><u>\$ 109,599,836</u></u>	<u><u>\$ 101,548,391</u></u>	<u><u>\$ 102,024,042</u></u>

NOTE (A):

M.S.A. Section 475.53 (Limit on Net Debt)

Subdivision 1. Generally, except of otherwise provided in Sections 475.51 to 475.75, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of 2% (3% starting 2008) of the market value of taxable property in the municipality."

NOTE (B):

M.S.A. Section 475.51 Definitions: Subdivision 4. "Net debt" means the amount remaining after deduction from its gross debt the aggregate of the principal of the following:

- (1) Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.
- (2) Warrants or orders having no definite or fixed maturity.
- (3) Obligations payable wholly from the income of revenue-producing conveniences.
- (4) Obligations issued to create or maintain a permanent improvement revolving fund.
- (5) Obligation issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems and on any combination thereof or for any other public convenience from which a revenue is or may be derived.
- (6) Amount of all money and the face value of all securities held as a sinking fund for the extinguishment of obligations other than those deductible under this subdivision.

M.S.A. Section 469.178, subdivision 1. (tax increment bonds) "... The bonds are not included for purposes of computing the net debt of any municipality."

Table 12

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 3,347,179,800	\$ 3,064,695,700	\$ 3,206,518,700	\$ 3,629,757,200	\$ 3,844,106,800	\$ 4,034,313,200
<u>100,415,394</u>	<u>91,940,871</u>	<u>96,195,561</u>	<u>108,892,716</u>	<u>115,323,204</u>	<u>121,029,396</u>
10,325,000	9,865,000	9,390,000	5,100,000	33,935,000	35,284,168
<u>(4,974,768)</u>	<u>(4,836,597)</u>	<u>(4,833,096)</u>	<u>(1,511,502)</u>	<u>(2,443,111)</u>	<u>(2,976,808)</u>
<u>5,350,232</u>	<u>5,028,403</u>	<u>4,556,904</u>	<u>3,588,498</u>	<u>31,491,889</u>	<u>32,307,360</u>
<u>\$ 95,065,162</u>	<u>\$ 86,912,468</u>	<u>\$ 91,638,657</u>	<u>\$ 105,304,218</u>	<u>\$ 83,831,315</u>	<u>\$ 88,722,036</u>

CITY OF SHAKOPEE

Table 13

**PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years**

Fiscal Year	Utility Bonds					
	Utility Service Charges	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$ 45,499,791	\$ 38,689,351	\$ 6,810,440	\$ 670,000	\$ 1,523,198	3.11
2009	42,437,910	33,009,500	9,428,410	710,000	1,012,874	5.47
2010	45,586,795	36,375,440	9,211,355	765,000	939,426	5.40
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-

1. Operating expense excludes depreciation and amortization.

Note: From 2008-2010, the SPUC Funds, Water and Electric Enterprise Funds, were reported as a blended component unit of the City. In 2011, SPUC Funds have been presented as discretely presented component units as it no longer met the criteria for blending.

CITY OF SHAKOPEE

Table 14

**DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>	<u>Total Employment</u>	<u>Per Capita Income (3)</u>	<u>Personal Income (4)</u>
2008	33,660	7,163	6.3%	18,967	\$ 31,900	\$ 1,375,044,660
2009	33,860	7,465	7.4%	18,728	30,900	1,046,274,000
2010	37,076	7,814	6.5%	19,933	31,700	1,175,309,200
2011	37,721	8,115	5.2%	20,449	32,017	1,207,713,257
2012	37,841	8,392	4.6%	20,926	31,628	1,196,835,148
2013	38,120	8,452	3.8%	21,233	31,829	1,213,321,480
2014	39,144	8,698	3.6%	21,439	32,174	1,259,419,056
2015	39,523	8,939	3.0%	21,877	31,965	1,263,352,695
2016	40,254	8,927	3.2%	21,571	32,704	1,316,466,816
2017	41,143	9,036	2.6%	27,156	32,662	1,343,812,666

Source: 1. 2010 is the official census figure. 2008-2009, 2011-2017 are the City's estimate.
2. Shakopee School District, SACS, Bloomington Lutheran
3. Minnesota Department of Employment and Economic Development
4. Per capita income times population

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CITY OF SHAKOPEE

Table 15

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	2017			2008		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
Amazon	Distribution	2,000	1	9.14%			
Valley Fair	Amusement Park	1,600	2	7.31%	1,600	1	8.56%
School District No. 720	Education	1,112	3	5.08%	947	4	5.07%
St. Francis RMC	Health Care	932	4	4.26%	900	5	4.82%
Emerson	Manufacturing	874	5	4.00%			
Canterbury Park	Horse Racing	866	6	3.96%	1,100	3	5.89%
Entrust Datacard	Manufacturing	820	7	3.75%			
Imagine Print Solutions	Printing	778	8	3.56%			
Seagate	Manufacturing/Research	660	9	3.02%	1,200	2	6.42%
Scott County	Government	627	10	2.87%	713	6	3.82%
Northstar Auto Auction	Auto Auction				332	7	1.78%
American Color - SVP	Printing				287	8	1.54%
Anchor Glass	Manufacturing				282	9	1.51%
City of Shakopee	Government				251	10	1.34%
		<u>10,269</u>		<u>46.95%</u>	<u>7,079</u>		<u>40.75%</u>
Total Employment				27,156			18,967

Source: Minnesota Department of Employment and Economic Development.

CITY OF SHAKOPEE

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government:					
Administration	5	5	5	5	6
City Clerk	4	4	4	4	3
Finance	3	3	3	3	4
Planning	5	5	5	5	5
Facilities Maintenance	7	6	6	6	4
Information Technology	2	2	2	2	2
Public Safety:					
Police:					
Licensed	47	47	47	50	49
Other	6	6	6	6	7
Fire:					
Full time	2	3	3	3	3
Paid On Call	48	44	44	42	44
Building Inspection	6	5	5	5	5
Public Works:					
Engineering	7	7	7	7	7
Street	13	13	13	13	13
Shop	3	3	3	4	3
Park and Recreation:					
Park Maintenance	8	8	8	8	8
Natural Resources	-	-	-	-	-
Recreation	7	7	7	7	7
Economic Development:					
EDA	-	-	-	-	-
Total	<u>173</u>	<u>168</u>	<u>168</u>	<u>170</u>	<u>170</u>

Source: City departments

Table 16

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
7	8	6	8	9
3	3	3	3	3
4	4	4	4	4
5	5	5	5	6
4	4	3	3	3
2	2	4	5	5
47	47	48	48	51
10	10	11	11	12
7	7	7	7	8
44	43	43	43	46
5	5	4	5	5
7	8	8	8	9
13	14	14	14	14
3	4	4	4	4
8	9	9	9	9
1	2	2	1	-
7	7	9	12	15
<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<u>178</u>	<u>183</u>	<u>185</u>	<u>191</u>	<u>204</u>

CITY OF SHAKOPEE

OPERATING INDICATORS BY FUNCTION/PROGRAM Last Ten Fiscal Years

	2008	2009	2010	2011
General Government				
Planning				
Number of Case Files	68	35	33	24
Number of Plats Filed	2	2	1	2
Number of Acres Platted	50	34	6	68
Public Safety				
Police				
Arrests	1,881	1,913	1,962	1,666
Citations	4,058	6,127	5,528	5,647
Calls for Service	19,057	17,909	17,831	17,852
Fire				
Calls for Service	538	517	557	600
Building Inspection				
Building Permits Issued	1,019	1,102	1,083	1,881
Number of Inspections	5,946	9,726	8,048	8,004
Single Family Homes Permitted	94	314	160	118
Public Works				
Street				
Miles of Roadway	154	154	154	154
Park and Recreation				
Park Maintenance				
Acres Maintained	933	933	933	933
Recreation				
Program Participants	11,410	10,377	13,001	13,157
Community Center Members	613	823	873	955
Community Center Admissions	100,397	109,257	117,336	120,667
Ice Rental Hours	1,449	1,374	1,429	1,354

Source: City departments

Table 17

2012	2013	2014	2015	2016	2017
47	49	45	75	50	59
5	8	7	9	7	10
89	99	68	335	79	169
1,798	1,387	1,524	2,121	1,543	1,338
5,636	5,656	4,934	5,510	4,396	3,569
18,349	17,822	17,846	19,357	21,117	21,632
617	584	730	745	792	808
1,413	1,066	1,519	1,054	1,030	1,145
8,191	7,408	7,854	6,835	6,659	6,301
97	66	61	50	45	33
154	154	156	156	156	156
933	933	1,015	1,402	1,402	1,402
13,104	15,854	18,540	19,788	23,700	41,289
998	1,043	2,116	2,024	2,463	6,231
128,929	140,778	124,124	113,772	114,158	200,297
1,420	1,446	1,477	1,589	1,773	2,870

CITY OF SHAKOPEE

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police:					
Stations	1	1	1	1	1
Patrol Zones	4	4	4	4	4
Patrol Units	15	15	15	15	15
Fire Stations	2	2	2	2	2
Street:					
Miles of Roadway	154	154	154	154	154
Traffic Signals	26	27	27	27	29
Parks:					
Acres	933	933	933	933	933
Ball Fields	49	49	52	54	56
Playgrounds	24	24	24	26	26

Source: City Departments

Table 18

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1	1	1	1	1
4	4	4	4	3
15	15	15	15	16
2	2	2	2	2
154	156	156	156	156
29	30	30	30	30
933	1,015	1,402	1,402	1,402
56	56	56	56	57
26	27	27	27	27

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