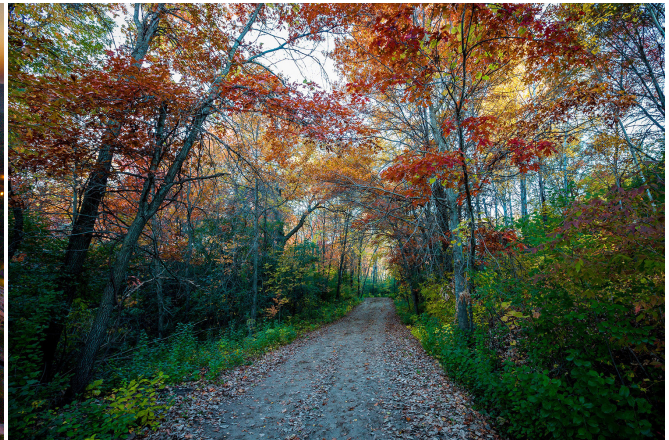


Comprehensive ANNUAL FINANCIAL REPORT

For the fiscal year ended December 31, 2018



2018 SHOW OFF SHAKOPEE PHOTO CONTEST ENTRIES



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CITY OF SHAKOPEE, MINNESOTA

Scott County

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2018

Department of Finance

Darin Nelson, Director of Finance
Melissa Schlingman, Accounting Manager

485 Gorman Street
Shakopee, MN 55379

CITY OF SHAKOPEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

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CITY OF SHAKOPEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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CITY OF SHAKOPEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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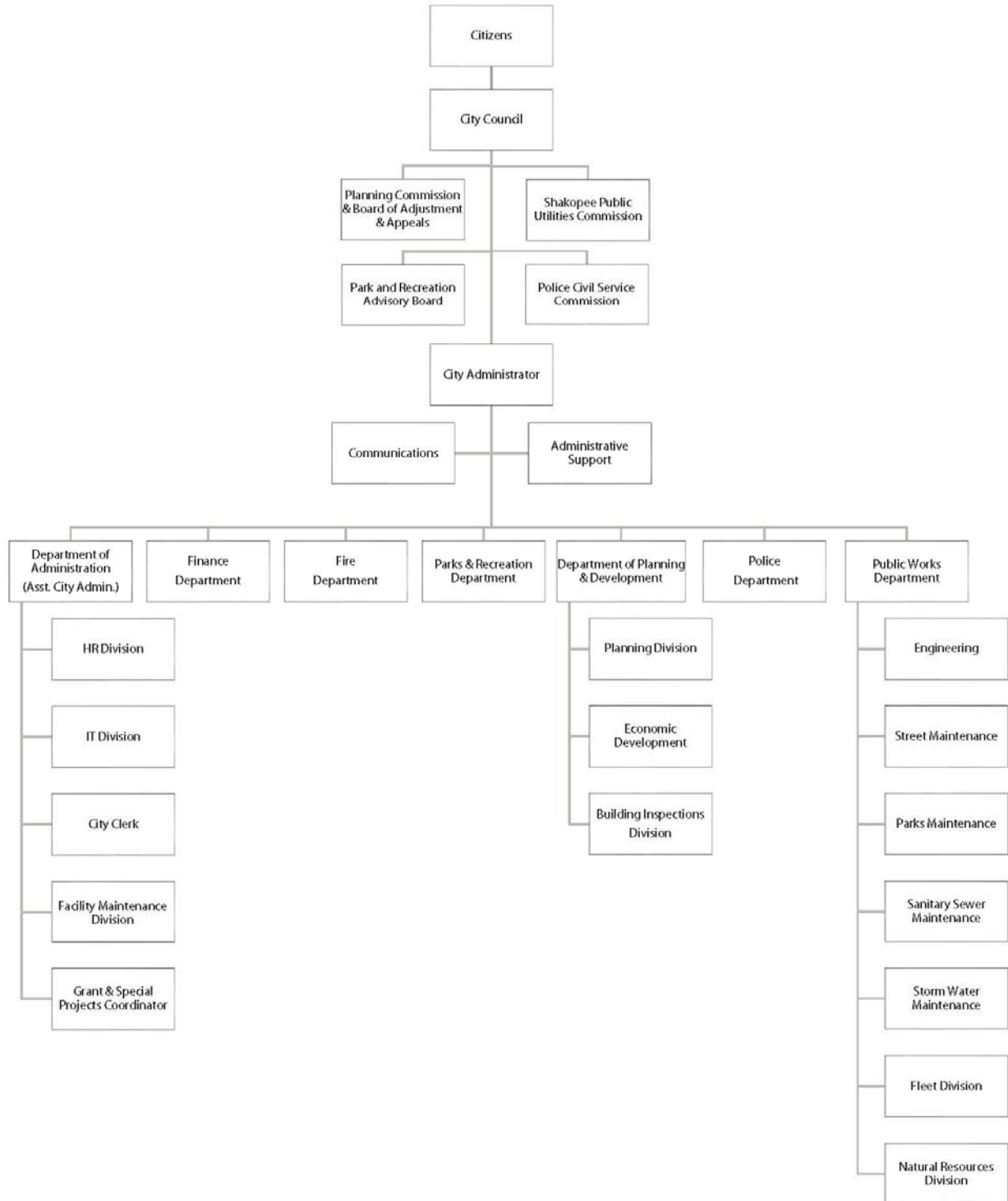
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CITY OF SHAKOPEE
ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2018

<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
Jay Tobin	Park and Recreation Director

CITY OF SHAKOPEE
ORGANIZATION CHART
DECEMBER 31, 2018





May 14, 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, 2018, 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, 2018, 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, 2018. 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 41,519, the latest Metropolitan Council estimates in 2018. 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 70% of the community is developed, with approximately 25% 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 as market forces dictate.

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. January 1, 2019, the Mayor's term 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.

2019 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 2019 was \$107 million compared to a similar amount of \$33 million for the same period in 2018. Included in the first quarter 2019 valuation is 33 single-family home building permits. This number is also expected to increase as additional phases of existing housing developments come on-line in 2019.

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 and equipment necessary for the on-going growth and development.

The capital plans have historically provided details on the infrastructure projects and capital equipment that are funded through property tax levy, franchise taxes, special assessments, utility user-fees 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.

The City also maintains several internal service funds including equipment, park assets, information technology, buildings and self-insurance. 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. 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 2018, permits were issued for the construction of the following:

- BHS at Windermere, almost 200 units of senior housing that includes memory care and assisted living.
- D.R. Horton 2nd phase of Windermere, a major mixed-use community in the city's West End that includes townhouses, single family homes and commercial
- New 40 bed treatment facility in the West End
- Completion of Lennar Homes 103-unit single family home subdivision, Ridge Creek
- Sixton, a 133-unit market rate apartment complex adjacent to HyVee
- Trio, first phase consisting of 100-units of a 300-unit market rate apartment complex
- Triple Crown at Canterbury, first phase including clubhouse and 300 units of market rate apartments by Dorn Companies.
- Construction of more than 100 units of workforce housing by MWF adjacent to Target
- Scannell Development has finished the first phase of a two-building warehouse and distribution development north of Canterbury Park
- Countryside 2nd began construction of 30 new homes across Marystown Road from the Windermere development
- Prairie Meadows 1st and 2nd phases consisting of 50 new homes located west of Marshall Road
- Three new daycares have been opened or began construction in various areas in the community

There are several projects in final permitting for 2019. These major projects include:

- Target renovation
- New development of 89 units of market rate housing and ground floor retail at the former city hall site in Downtown
- New development on the river bluff in Downtown Shakopee of 125 units of market rate housing and restaurant space
- Development of 60 units of workforce housing at Windermere by Common Bound
- New neighborhood under construction consisting of 60 homes known as Stagecoach at Southbridge
- D.R. Horton will continue to develop the Windermere development with Windermere South consisting of 150 new homes.
- United Properties' new 400,000 square foot warehousing and distribution facility north of Canterbury Park.
- Scott County Government Center Expansion
- Lloyd Construction's new processing facility
- New senior care facility for 30 residents located in Southbridge
- Universal Stone's new 50,000 square foot manufacturing, distribution and sales facility located on Stagecoach Road adjacent to TH 169

Major Initiatives

The city approved concept designs for Ridge Creek Park, a new 40-acre facility that will include a boardwalk, paved trails, nature area and overlooks on a new water retention area for the Prior Lake Outlet Channel.

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 space that will break ground in 2019.

The city contracted to sell all of its developable property in the West End that was originally acquired from the MnDOT. The city redeveloped the vacant land by bringing in utilities and street improvements. Facilities planned for the parcels include an 80-unit apartment complex, a 16-acre business park site to OPUS Development, the 40-bed rehab facility already under construction and a parcel for a new \$2 million facility for Doggie Doos that is relocating from the riverfront bluff redevelopment site.

The city developed plans to bring electrical permits and inspections in house to continue to offer better customer service.

The city completed the 2040 Comprehensive Plan and sent it out for comment. This 400+ page document sets the stage for the future development and redevelopment of the community including transportation, sewer, water and power. It also sets up a larger vision on the character of development and the community for the next 20 years.

The city started a Parks, Recreations and Trails Master Plan with Confluence. They are examining the operation of all city parks and facilities and developing plans for redevelopment of a number of parks facilities and plans for future parks development. The project is being overseen by a 16-person community committee.

The Metropolitan Council asked the city to complete an Alternative Urban Area Review (AUAR) Plan for the West End that includes all of the area to be annexed into the Jackson Township. SRF Consulting is completing this plan, that once approved, will allow development to occur in the area without additional environmental reviews as long as it complies with the final plan.

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 \$895,000 in 2018, 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 CIP 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 2020, 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 and taxpayers.

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, 2017. This was the 33rd 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,



William H. Reynolds
City Administrator



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, 2017

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund and Economic Development Authority special revenue 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 102 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

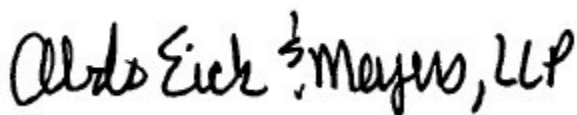
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information and statistical section, are presented for purposes of additional analysis and are not a required 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 14, 2019, 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 solely 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 effectiveness of the City's 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 14, 2019

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

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, 2018. 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 \$262.7 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 \$7,630,622.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$23,176,637, increasing from the prior year. Approximately 40.7 percent of this total amount, \$9.4 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 \$12.2 million, or 47.4 percent, of total General Fund 2018 expenditures and 45.0 percent of the 2019 budgeted expenditures.
- The City's total bonded debt decreased \$1.9 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, highways

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018

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.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the 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 28 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 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 and Economic Development Authority Special Revenue fund. Budgetary comparison statements have been prepared for the funds 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, 2018

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 40 of this report.

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.

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. The statements can be found on pages 44 to 45 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 99 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. These can be found on pages 102 to 114 of this report.

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018

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 118 to 134 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 \$262.7 million at the close of the most recent year.

By far the largest portion of the City's net position (82.4 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	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 43,166	\$ 41,399	\$ 24,059	\$ 23,732	\$ 67,225	\$ 65,131
Capital Assets	172,094	171,689	78,642	75,547	250,736	247,236
Total Assets	\$ 215,260	\$ 213,088	\$ 102,701	\$ 99,279	\$ 317,961	\$ 312,367
Deferred Outflows of Resources	8,929	11,800	123	181	9,052	11,981
Long-Term Liabilities						
Outstanding	\$ 46,243	\$ 49,943	\$ 629	\$ 715	\$ 46,872	\$ 50,658
Other Liabilities	5,344	5,959	425	357	5,769	6,316
Total Liabilities	\$ 51,587	\$ 55,902	\$ 1,054	\$ 1,072	\$ 52,641	\$ 56,974
Deferred Inflows of Resources	11,559	12,141	128	110	11,687	12,251
NET POSITION:						
Net Investment in Capital Assets	\$ 137,799	\$ 135,442	\$ 78,643	\$ 75,547	\$ 216,442	\$ 210,989
Restricted	7,137	6,343	-	-	7,137	6,343
Unrestricted	16,107	15,060	22,999	22,731	39,106	37,791
Total Net Position	\$ 161,043	\$ 156,845	\$ 101,642	\$ 98,278	\$ 262,685	\$ 255,123

An additional portion of the City's net position (2.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$39.1 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, 2018

During the current year, the City's net position increased \$7.6 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 2018. 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 OPEB pension adjustments as a prior period adjustment in 2018.

Changes in Net Position (Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES:						
Program Revenues:						
Charges for Services	\$ 11,404	\$ 9,255	\$ 5,018	\$ 4,784	\$ 16,422	\$ 14,039
Operating Grants and Contributions	2,036	2,068	-	1	2,036	2,069
Capital Grants and Contributions	5,062	3,847	4,234	2,702	9,296	6,549
General Revenues:						
Property Taxes	20,005	19,229	-	-	20,005	19,229
Franchise Taxes	1,344	1,252	-	-	1,344	1,252
Tax Increment	1,657	1,015	-	-	1,657	1,015
Other	524	393	320	246	844	639
Total Revenues	<u>42,032</u>	<u>37,059</u>	<u>9,572</u>	<u>7,733</u>	<u>51,604</u>	<u>44,792</u>
EXPENSES:						
General Government	5,268	4,625	-	-	5,268	4,625
Public Safety	11,376	11,981	-	-	11,376	11,981
Public Works	12,431	11,585	-	-	12,431	11,585
Culture and Recreation	4,954	3,228	-	-	4,954	3,228
Natural Resources	88	242	-	-	88	242
Economic Development	3,069	1,631	-	-	3,069	1,631
Interest on Long-Term Debt	1,009	1,113	-	-	1,009	1,113
Sewer	-	-	3,969	4,226	3,969	4,226
Storm	-	-	1,685	1,774	1,685	1,774
Refuse	-	-	125	125	125	125
Total Expenses	<u>38,195</u>	<u>34,405</u>	<u>5,779</u>	<u>6,125</u>	<u>43,974</u>	<u>40,530</u>
Increase (Decrease) in Net Position before Transfers	3,837	2,654	3,793	1,608	7,630	4,262
Transfers	<u>436</u>	<u>27</u>	<u>(436)</u>	<u>(27)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>4,273</u>	<u>2,681</u>	<u>3,357</u>	<u>1,581</u>	<u>7,630</u>	<u>4,262</u>
NET POSTION:						
January 1	156,845	151,917	98,278	93,381	255,123	245,298
Prior Period Adjustment	(75)	2,247	7	3,316	(68)	5,563
January 1 As Restated	<u>156,770</u>	<u>154,164</u>	<u>98,285</u>	<u>96,697</u>	<u>255,055</u>	<u>250,861</u>
December 31	<u>\$ 161,043</u>	<u>\$ 156,845</u>	<u>\$ 101,642</u>	<u>\$ 98,278</u>	<u>\$ 262,685</u>	<u>\$ 255,123</u>

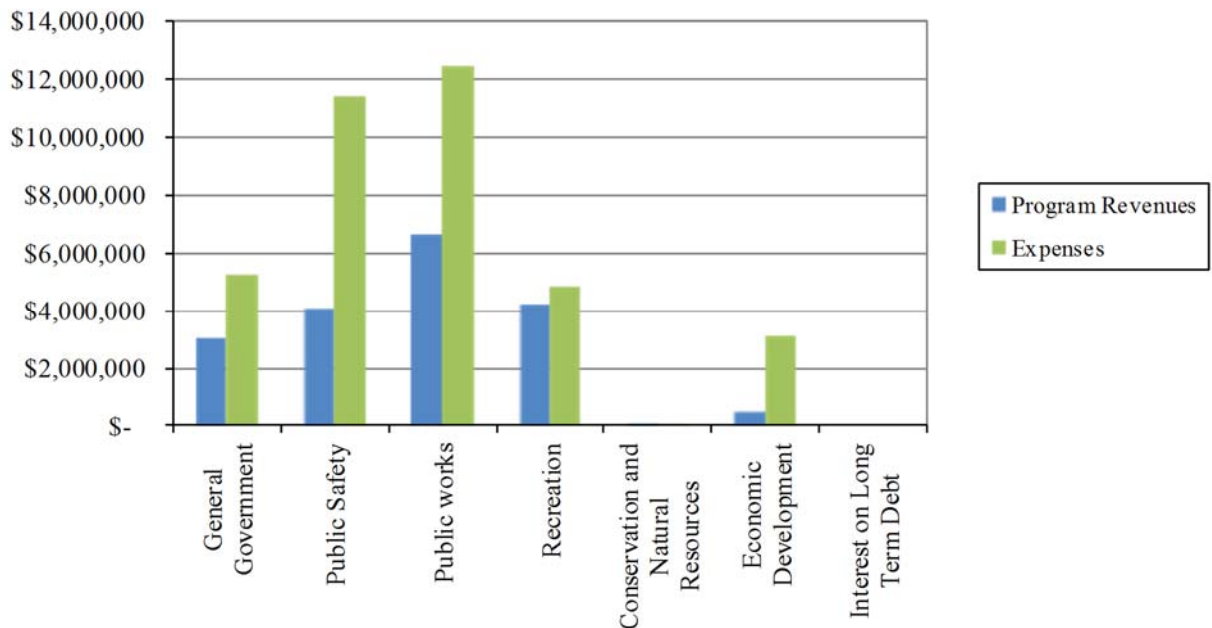
CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018

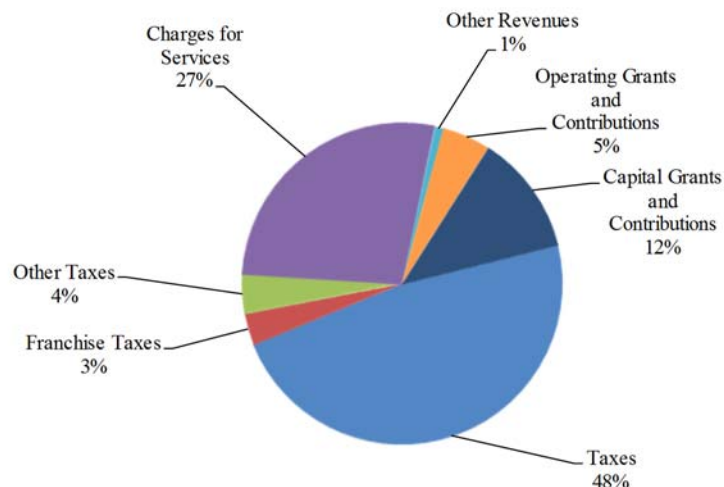
Governmental Activities

Governmental activities increased the City's net position by \$4,274,162. The major increase was related to developer contributed capital in 2018 which totaled approximately \$3.8 million. Additionally, increased services at the community center and ice arena with a full year of operations after the completion of construction during 2017 increased memberships, ice rentals and admission revenues. The City is seeing an influx of development in 2018 which also resulted in increased net position.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



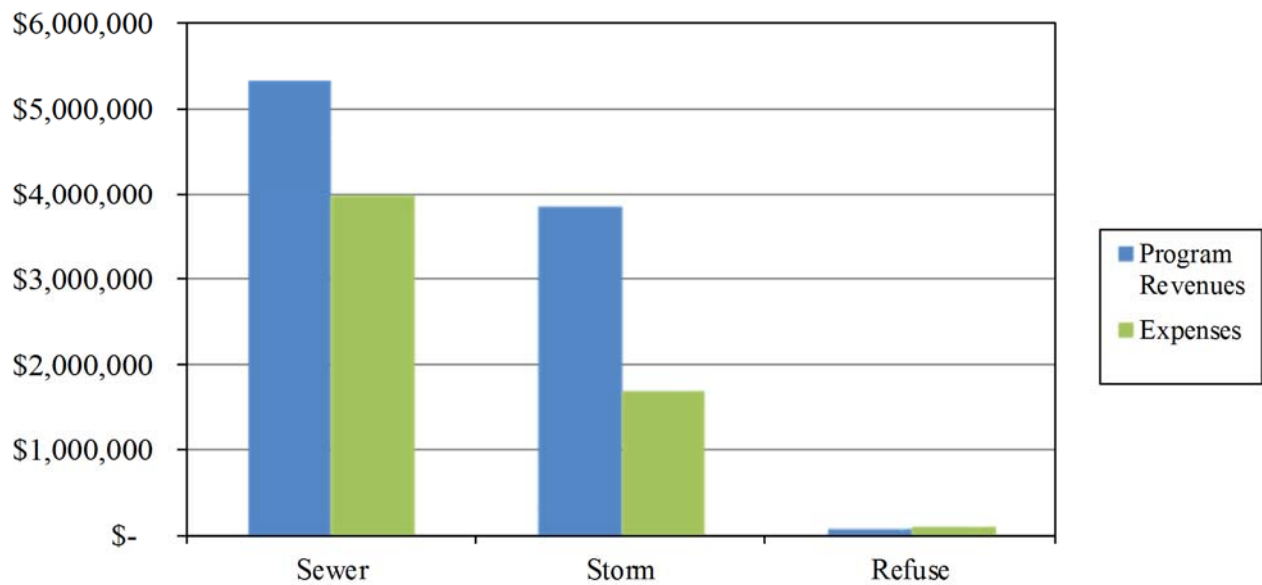
CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018

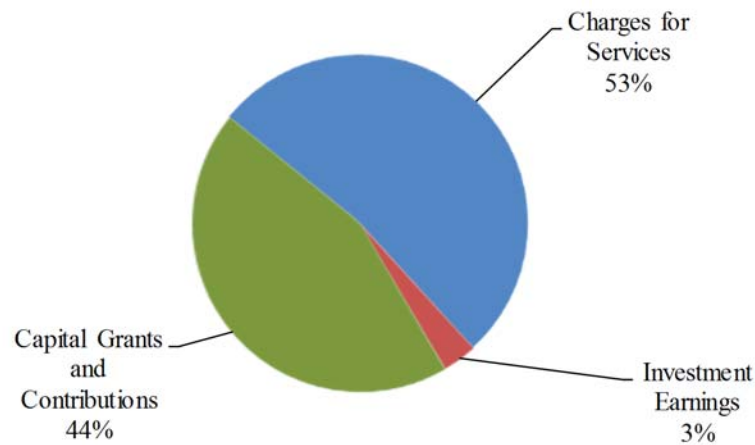
Business-Type Activities

Business-type activities increased the City's net position by \$3,356,460. Revenues increased while expenses decreased between the current and prior year. The major increase was related to developer contributed capital in 2018 which totaled approximately \$4.1 million. 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, 2018

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 \$23,176,637, an increase of \$1,368,203 in comparison with the prior year. Approximately 40.7 percent, \$9,427,224, of the total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. Approximately 30.3 percent, \$7,016,733, of the total amount constitutes assigned fund balance, which is assigned for designated purposes. The remainder of fund balance, \$6,732,680, 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 \$12,319,444. 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 47.4 percent of total General Fund expenditures or 45.0 percent of the 2019 budgeted expenditures.

Fund balance of the City's General Fund increased by \$341,450 during the current year. Key factors in this increase consist of the following:

- Before transfers, the fund balance of the General Fund showed a \$2,265,924 increase. After the net transfer out of \$1,924,474, fund balance increased \$341,450. Transfers provided the necessary funding for several significant capital infrastructure programs.
- Overall revenues increased approximately \$1,750,000 as a result of increased charges for services related to increase operations at the community center and ice arena. Licenses and permit revenue also increase with the increase in private development in 2018. Property taxes increased in the general fund due to an increase in the levy.
- Overall expenditures increased approximately \$2.1 million due to cost of living increases and new positions added in 2018 as well as increase operational cost for the community center and ice arena with the completion of construction in 2017. Additionally, inclement weather caused an increase in equipment maintenance and supplies such as salt purchases to maintain clear roads. Body cameras were also purchased in 2018 for our police department.

Fund balance of the Economic Development Authority fund decreased \$1,178,060. During 2018 the City completed the Vierling Drive project adding sewer, storm, water and streets to the area for future use which resulted in a transfer of approximately \$800,000 to the Capital Improvement Fund for reimbursement of this project. Additionally, the City started work on some redevelopment areas totaling approximately \$370,000 which will continue to be redeveloped in 2019.

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018

Fund balance of the Capital Improvements fund decreased \$168,998. Before transfers fund balance actually decreased \$2,402,649 related to Vierling Drive project, street reconstruction projects and bituminous overlay. Additionally, funds were transferred related to the Vierling Drive project from the Economic Development Authority Special Revenue fund and the Tree Replacement Capital Project fund to reimburse for their portion of the project. Additionally, utility franchise payment and the designated tax levy dollars continued in 2018.

Fund balance of TIF District No. 17 increased improvements to the County Road 83 \$363,507. The first full year of tax increment financing was received in 2018. This TIF district was created to fund the Shenandoah Drive development project. This fund will be replenished with future tax increment.

Fund balance of the Non-major Governmental Funds increased \$2,010,304. Major changes are as follows:

- Revolving Loan special revenue fund balance decreased \$65,000 due to a grant being given to Anchor Glass in 2018.
- Debt service fund balance decreased \$401,354 due to regular bond payments offset by tax levies and assessment revenue related to the bonds.
- Park Reserve fund balance increased \$1,715,326. During 2018 development continued and park dedication funds were received for approximately \$1.7 million. The City is completing a major park study so a hold was placed on park construction until the study can be completed.
- TIF District No. 18 Canterbury Commons fund balance decreased \$150,218. Planning began on this project in 2018 with construction beginning in 2019.
- Community Center and Ice Arena Capital Improvement fund balance decreased \$180,917. 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 and 2017. Finishing items were completed in 2018.
- Tree Replacement capital improvement fund balance decreased \$72,993. A transfer was made related to its portion of the Vierling Drive project.
- City Hall Capital Improvement fund balance increased \$1,021,720. 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 and 2018 as part of the designated funding related to this project. A transfer of approximately \$850,000 was made in 2018. This fund will be closed in 2019.

Proprietary funds

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

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018

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

	<u>Sewer</u>	<u>Storm Drainage</u>	<u>Refuse</u>
Beginning of Year	\$ 9,328	\$ 13,799	\$ (791)
Change During Year	<u>(424)</u>	<u>537</u>	<u>96</u>
End of Year	<u>\$ 8,904</u>	<u>\$ 14,336</u>	<u>\$ (695)</u>

The City has undertaken several new development projects and continues to review fees charged to ensure 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 \$588,800 between original and final amended budget were approved during 2018. Following are the main components of the amendments:

- Revenues were increased \$615,000 as a result of increased licenses and permits, increased contracted services in public safety and increased engineering services related to private development and increased community center and ice arena revenues.
- Expenditures were increased \$26,200. Changes were made between functions related to projects undertaken in 2018.

Actual expenditures of \$25,841,282 were \$780,818 under budget. The variances are noted below:

- General government was under budget as a result of not spending contingency funds and timing of projects in planning and development.
- Public safety was under budget due to longer than expected vacancies in positions.
- Public works was over budget due to an increase in snowplowing during 2018 resulting in increases in overtime, material (sand and salt) and fuel.
- Park and recreation came in under budget due to unfilled positions and staffing still being determined with the new operations.
- Conservation and natural resources came in under budget due to tree pruning timing in 2018.

Actual revenues of \$28,107,206 were \$1,146,306 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 over budget due to a Scott County CDA awarding the City \$87,815 for a west end study as well as a federal grant related to body worn cameras for \$60,000.
- Charges for services came in over budget due to increased community center admissions and memberships and ice rentals. Additionally, contracted police services increased and engineering and grading fees were over budget because of the increased development.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

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, 2018, amounts to \$250,736,567 (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	
	2018	2017	2018	2017	2018	2016
Land	\$ 21,898	\$ 21,848	\$ 3,797	\$ 3,797	\$ 25,695	\$ 25,645
ROW	254	254	508	508	762	762
Construction in Progress	2,015	2,956	140	715	2,155	3,671
Line Rights	-	-	742	767	742	767
Infrastructure	74,127	71,995	71,984	68,061	146,111	140,056
Buildings	58,942	60,394	-	-	58,942	60,394
Machinery and Equipment	14,858	14,242	1,471	1,699	16,329	15,941
Total	<u>\$ 172,094</u>	<u>\$ 171,689</u>	<u>\$78,642</u>	<u>\$ 75,547</u>	<u>\$ 250,736</u>	<u>\$ 247,236</u>

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

- Reconstruction of streets, sanitary sewer, storm sewer and watermain on Shakopee Avenue, Dakota Street, and Minnesota Street.
- Vierling Drive Extension including streets, sanitary sewer, storm sewer and watermain were completed in 2018.
- Trail Rehabilitation at two sections of Vierling Drive and one section of Marshall Road.
- Developer contributed assets of streets, sanitary sewer and storm sewer at Ridge Creek 2nd, Windermere 2nd, Windermere South 1st, Countryside 2nd Windermere Way, Sarazin Flats and Stagecoach at Southbridge.
- 2 new fire rescue/pumper trucks were completed in 2018.
- Vehicle replacements in police, fire, streets and parks.

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.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

Long-Term Debt

At the end of the current year, the City had total bonded debt outstanding of \$32,350,000. Of this amount, \$31,765,000 comprises debt backed by the full faith and credit of the government and \$585,000 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		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
G.O. Bonds	\$ 31,765	\$ 33,260	\$ -	\$ -	\$ 31,765	\$ 33,260
Special Assessment Debt with Governmental Commitment	585	1,085	-	-	585	1,085
Total	<u>\$ 32,350</u>	<u>\$ 34,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,350</u>	<u>\$ 34,345</u>

The City's total bonded debt decreased by \$1,995,000 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 \$99 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 69 to 71 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.

As previously mentioned, the unassigned fund balance in the General Fund increased from \$11,918,971 in 2017 to \$12,250,660 in 2018, which equates to 45 percent of the 2019 expenditure budget. This increase in unassigned fund balance is after transferring \$2.19 million out of the General Fund at yearend in order to maintain an unassigned fund balance of 40 to 45 percent of next year's expenditure budget. The transfers out of the General Fund are excess revenues over expenditures as a result of strong building permits and recreational revenues related to the refurbished community center and ice arena. These transfers out will be used for one-time future capital expenditures within various capital project funds.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

The 2019 general property tax levy is decreasing by approximately \$30,000 to \$19,230,500. The levy is decreasing due in part to maintaining stable operating expenditures, continuing growth in our recreation revenues and another year strong year of building permits with several large projects in the pipeline. Stabilizing the property tax levy is also a result of a multi-year process to revamp the budget process by providing increased transparency and creating a financial foundation that builds upon financial stability and low taxes. By using more systematic system of long and short-term financial forecasting, budgets are more easily stabilized with the goal of minimizing the ebbs and flows of one year over another.

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, 2018

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and Investments (Including Cash Equivalents)	\$ 35,442,257	\$ 21,622,027	\$ 57,064,284	\$ 40,677,941
Restricted Cash and Investments	-	-	-	16,493,139
Property Tax Receivable	102,861	-	102,861	-
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	536,623	31,280	567,903	5,386,492
Interest Receivable	147,855	81,901	229,756	69,946
Due From Other Governments	886,306	563,828	1,450,134	146,249
Special Assessments Receivable	3,895,307	211,934	4,107,241	-
Inventories	43,171	5,772	48,943	1,242,948
Prepaid Expenses	268,300	1,346	269,646	67,199
Land Held for Resale	1,407,313	-	1,407,313	-
Advances from Other Funds (Internal Balances)	(1,540,000)	1,540,000	-	-
Net Pension Asset	1,976,250	-	1,976,250	-
Capital Assets, Net of Accumulated Depreciation (Where Applicable):				
Land and Land Improvements	21,898,060	3,796,803	25,694,863	5,097,532
Right of Way	253,904	507,746	761,650	-
Construction in Progress	2,015,091	140,271	2,155,362	1,392,864
Line Rights	-	742,542	742,542	-
Infrastructure	74,127,024	71,984,333	146,111,357	-
Plant in Service	-	-	-	86,528,180
Buildings	58,942,201	-	58,942,201	-
Machinery and Equipment	14,857,861	1,470,731	16,328,592	-
Total Assets	215,260,384	102,700,514	317,960,898	157,102,490
Deferred Outflows of Resources				
Deferred Outflows of Resources Related to Pensions	8,775,796	116,280	8,892,076	705,371
Deferred Outflows of Resources Related to OPEB	153,641	7,218	160,859	-
Total Deferred Outflows of Resources	8,929,437	123,498	9,052,935	705,371
Total Assets and Deferred Outflows of Resources	\$ 224,189,821	\$ 102,824,012	\$ 327,013,833	\$ 157,807,861
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Accounts and Contracts Payable	\$ 923,177	\$ 285,264	\$ 1,208,441	\$ 3,512,373
Other Current Liabilities	-	-	-	428,893
Due to Other Governments	334,177	108,703	442,880	1,047,763
Salaries and Benefits Payable	422,326	-	422,326	-
Deposits Payable	-	-	-	2,462,355
Interest Payable	464,291	-	464,291	-
Unearned Revenue	195,522	-	195,522	3,447
Customer Advances	-	-	-	850,355
Bond Principal Payable, Net:				
Payable Within One Year	1,910,000	-	1,910,000	-
Payable After One Year	32,352,746	-	32,352,746	-
Capital Lease Payable				
Payable Within One Year	19,927	-	19,927	-
Payable After One Year	26,615	-	26,615	-
Compensated Absences Payable:				
Payable Within One Year	1,074,681	30,634	1,105,315	-
Payable After One Year	1,313,498	37,443	1,350,941	-
Net Other Post Employment Benefits (OPEB) Obligation:				
Payable After One Year	2,118,553	99,530	2,218,083	-
Net Pension Liability:				
Payable After One Year	10,431,892	492,305	10,924,197	3,578,196
Total Liabilities	51,587,405	1,053,879	52,641,284	11,883,382
Deferred Inflows of Resources				
Deferred Inflows of Resources Related to Pensions	11,559,062	128,576	11,687,638	885,539
Total Liabilities and Deferred Inflows of Resources	63,146,467	1,182,455	64,328,922	12,768,921
Net Position				
Net Investment in Capital Assets	137,799,457	78,642,426	216,441,883	93,018,576
Restricted for:				
SCDP Grant	18,368	-	18,368	-
Revolving Loan	73,004	-	73,004	-
Forfeiture	199,123	-	199,123	-
Debt Service	3,694,341	-	3,694,341	-
Component Units Water and Electric	-	-	-	13,930,784
Capital Improvements	3,151,698	-	3,151,698	-
Unrestricted	16,107,363	22,999,131	39,106,494	38,089,580
Total Net Position	161,043,354	101,641,557	262,684,911	145,038,940
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 224,189,821	\$ 102,824,012	\$ 327,013,833	\$ 157,807,861

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, 2018**

Functions/Programs	Expenses	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	Component Units
Governmental Activities							
General Government	\$ 5,267,652	\$ 2,811,252	\$ 250,849	\$ -	\$ (2,205,551)	\$ -	\$ -
Public Safety	11,376,216	3,225,764	815,660	-	(7,334,792)	-	-
Public Works	12,431,309	1,033,398	540,706	5,028,933	(5,828,272)	-	-
Culture and Recreation	4,953,434	4,167,615	23,804	33,000	(729,015)	-	-
Conservation and Natural Resources	87,555	52,384	5,528	-	(29,643)	-	-
Economic Development	3,069,377	113,908	400,000	-	(2,555,469)	-	-
Interest on Long-Term Debt	1,009,230	-	-	-	(1,009,230)	-	-
Total Governmental Activities	38,194,773	11,404,321	2,036,547	5,061,933	(19,691,972)	-	-
Business-Type Activities							
Sewer	3,968,897	3,682,569	-	1,624,012	-	1,337,684	-
Storm Drainage	1,685,266	1,230,592	-	2,609,495	-	2,154,821	-
Refuse	124,579	104,638	-	-	-	(19,941)	-
Total Business-Type Activities	5,778,742	5,017,799	-	4,233,507	-	3,472,564	-
Total Primary Government	\$ 43,973,515	\$ 16,422,120	\$ 2,036,547	\$ 9,295,440	(19,691,972)	3,472,564	-
Component Unit - SPUC							
Electric	\$ 45,726,483	\$ 50,914,287	\$ -	\$ 730,662	-	-	5,918,466
Water	5,353,845	5,798,520	-	5,868,217	-	-	6,312,892
Total Component Unit	\$ 51,080,328	\$ 56,712,807	\$ -	\$ 6,598,879	-	-	12,231,358
General Revenues							
Property Taxes					20,005,373	-	-
Franchise Taxes					1,343,650	-	-
Tax Increments					1,657,231	-	-
Unrestricted Investment Earnings					508,812	318,501	668,883
Gain on Sale of Asset					14,588	1,875	59,601
Transfers					436,480	(436,480)	-
Total General Revenues and Transfers					23,966,134	(116,104)	728,484
Change in Net Position					4,274,162	3,356,460	12,959,842
Net Position - Beginning					156,844,483	98,278,195	132,079,098
Change in Accounting Principle (Note 21)					(75,291)	6,902	-
Net Position - Beginning, As Restated					156,769,192	98,285,097	132,079,098
Net Position - Ending					\$ 161,043,354	\$ 101,641,557	\$ 145,038,940

CITY OF SHAKOPEE

**BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2018**

		Special Revenue	Capital Projects			
		Economic		TIF District	Other	Total
		Development	Capital	No. 17	Governmental	Governmental
	General Fund	Authority	Improvement	Amazon	Funds	Funds
ASSETS						
Cash and Investments	\$ 11,659,859	\$ 131,459	\$ 4,197,694	\$ -	\$ 7,275,426	\$ 23,264,438
Delinquent Taxes Receivable	102,817	4	-	-	40	102,861
Special Assessments Receivable:						
Delinquent	2,656	-	28,704	-	988	32,348
Deferred	33,416	-	2,879,038	-	950,505	3,862,959
Accounts Receivable	286,168	33,027	174,451	-	36,273	529,919
Interest Receivable	53,492	509	18,251	-	26,512	98,764
Due from Other Funds	-	-	1,858,459	-	-	1,858,459
Due From Other Governments	360,280	1,067	524,950	-	9	886,306
Advance to Other Funds	973,050	-	125,750	-	-	1,098,800
Inventories	43,171	-	-	-	-	43,171
Prepaid Items	25,613	-	-	-	3,801	29,414
Land Held for Resale	-	1,407,313	-	-	-	1,407,313
Total Assets	<u>\$ 13,540,522</u>	<u>\$ 1,573,379</u>	<u>\$ 9,807,297</u>	<u>\$ -</u>	<u>\$ 8,293,554</u>	<u>\$ 33,214,752</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 317,860	\$ 7,118	\$ 130,126	\$ -	\$ 168,108	\$ 623,212
Contracts Payable	712	47,498	162,847	-	-	211,057
Due to Other Funds	-	-	-	1,801,093	112,366	1,913,459
Due to Other Governments	145,769	37	182,758	-	5,613	334,177
Salaries and Benefits Payable	422,326	-	-	-	-	422,326
Advance from Other Funds	-	2,340,194	-	-	-	2,340,194
Unearned Revenue	195,522	-	-	-	-	195,522
Total Liabilities	<u>1,082,189</u>	<u>2,394,847</u>	<u>475,731</u>	<u>1,801,093</u>	<u>286,087</u>	<u>6,039,947</u>
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	102,817	4	-	-	40	102,861
Unavailable Revenue - Special Assessments	36,072	-	2,907,742	-	951,493	3,895,307
Total Deferred Inflows of Resources	<u>138,889</u>	<u>4</u>	<u>2,907,742</u>	<u>-</u>	<u>951,533</u>	<u>3,998,168</u>
Fund Balances						
Nonspendable	68,784	-	-	-	3,801	72,585
Restricted	-	-	-	-	6,660,095	6,660,095
Assigned	-	-	6,423,824	-	592,909	7,016,733
Unassigned	12,250,660	(821,472)	-	(1,801,093)	(200,871)	9,427,224
Total Fund Balances	<u>12,319,444</u>	<u>(821,472)</u>	<u>6,423,824</u>	<u>(1,801,093)</u>	<u>7,055,934</u>	<u>23,176,637</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,540,522</u>	<u>\$ 1,573,379</u>	<u>\$ 9,807,297</u>	<u>\$ -</u>	<u>\$ 8,293,554</u>	<u>\$ 33,214,752</u>

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

CITY OF SHAKOPEE

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS December 31, 2018

Total Fund Balances - Governmental Funds	\$ 23,176,637
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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	231,174,545
Less Accumulated Depreciation	(91,265,880)

Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.

1,976,250

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	(32,350,000)
Unamortized Bond Premium	(1,912,746)
Capital Lease Payable	(46,542)
Net OPEB Obligation	(2,118,553)
Net Pension Liability	(10,431,892)

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	102,861
Special Assessments	32,348

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	3,862,959
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Governmental funds do not report a liability for accrued interest due and payable.	(464,291)
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Deferred Outflows of Resources and Deferred Inflows of Resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.

Deferred Inflows of Resources Related to Pensions	(11,559,062)
Deferred Outflows of Resources Related to Pensions	8,775,796
Deferred Outflows of Resources Related to OPEB	153,641

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.

41,937,283

Total Net Position - Governmental Activities	<u>\$ 161,043,354</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, 2018**

		Special Revenue	Capital Projects			
		Economic			Other	Total
	General Fund	Development	Capital	TIF District No.	Governmental	Governmental
		Authority	Improvement	17 Amazon	Funds	Funds
REVENUES						
Taxes	\$ 16,981,069	\$ 347,726	\$ 1,095,130	\$ -	2,918,170	\$ 21,342,095
Tax Increment	-	-	-	883,421	773,810	1,657,231
Special Assessments	7,416	-	721,894	-	254,848	984,158
Licenses and Permits	2,606,018	-	-	-	1,755,036	4,361,054
Intergovernmental	1,460,418	400,000	730,540	-	5,528	2,596,486
Charges for Services	6,782,389	48,000	-	-	11,498	6,841,887
Fines and Forfeitures	1,815	-	-	-	94,006	95,821
Miscellaneous	268,081	67,846	92,730	-	161,208	589,865
Total Revenues	<u>28,107,206</u>	<u>863,572</u>	<u>2,640,294</u>	<u>883,421</u>	<u>5,974,104</u>	<u>38,468,597</u>
EXPENDITURES						
Current						
General Government	4,668,068	-	-	-	379,755	5,047,823
Public Safety	11,626,523	-	-	-	66,010	11,692,533
Public Works	5,634,985	-	-	-	-	5,634,985
Culture and Recreation	3,598,591	-	-	-	-	3,598,591
Conservation and Natural Resources	36,334	-	-	-	53,154	89,488
Economic Development	-	1,264,197	-	519,914	1,064,315	2,848,426
Debt Service						
Principal	-	-	-	-	1,995,000	1,995,000
Interest and Other Charges	-	-	-	-	1,171,990	1,171,990
Capital Outlay	<u>276,781</u>	<u>151,745</u>	<u>5,042,943</u>	<u>-</u>	<u>456,569</u>	<u>5,928,038</u>
Total Expenditures	<u>25,841,282</u>	<u>1,415,942</u>	<u>5,042,943</u>	<u>519,914</u>	<u>5,186,793</u>	<u>38,006,874</u>
Excess of Revenues Over (Under) Expenditures	<u>2,265,924</u>	<u>(552,370)</u>	<u>(2,402,649)</u>	<u>363,507</u>	<u>787,311</u>	<u>461,723</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	262,526	186,480	2,233,651	-	1,355,859	4,038,516
Transfers Out	<u>(2,187,000)</u>	<u>(812,170)</u>	<u>-</u>	<u>-</u>	<u>(132,866)</u>	<u>(3,132,036)</u>
Total Other Financing Sources (Uses)	<u>(1,924,474)</u>	<u>(625,690)</u>	<u>2,233,651</u>	<u>-</u>	<u>1,222,993</u>	<u>906,480</u>
Net Change in Fund Balances	341,450	(1,178,060)	(168,998)	363,507	2,010,304	1,368,203
FUND BALANCES						
Beginning of Year	<u>11,977,994</u>	<u>356,588</u>	<u>6,592,822</u>	<u>(2,164,600)</u>	<u>5,045,630</u>	<u>21,808,434</u>
End of Year	<u>\$ 12,319,444</u>	<u>\$ (821,472)</u>	<u>\$ 6,423,824</u>	<u>\$ (1,801,093)</u>	<u>\$ 7,055,934</u>	<u>\$ 23,176,637</u>

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

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, 2018**

Net Change in Fund Balances - Governmental Funds	\$ 1,368,203
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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	3,436,483
Depreciation Expense	(6,012,600)
Loss on Disposal of Capital Assets	(22,803)
Contributed Assets	3,810,132

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.	1,995,000
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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.	18,788
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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.	32,550
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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
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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	25,451
Special Assessments Deferred	(493,348)

OPEB obligations are recognized when paid in the government funds but recognized when incurred in the Statement of Activities	(59,655)
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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.	6,928
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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	174,855
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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.)

	(117,244)
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Change in Net Position - Governmental Activities	\$ 4,274,162
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CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2018**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 17,529,000	\$ 17,183,000	\$ 16,981,069	\$ (201,931)
Special Assessments	7,000	7,300	7,416	116
Licenses and Permits	1,416,000	1,952,700	2,606,018	653,318
Intergovernmental	1,486,100	1,286,200	1,460,418	174,218
Charges for Services	5,699,800	6,254,000	6,782,389	528,389
Fines and Forfeitures	1,500	800	1,815	1,015
Miscellaneous Revenues:				
Investment Income	150,000	150,000	180,058	30,058
Contributions and Donations	16,800	34,500	58,912	24,412
Rents	10,000	10,000	10,231	231
Other	29,700	82,400	18,880	(63,520)
Total Revenues	<u>26,345,900</u>	<u>26,960,900</u>	<u>28,107,206</u>	<u>1,146,306</u>
EXPENDITURES				
Current				
General Government	5,139,200	5,097,900	4,668,068	(429,832)
Public Safety	11,972,200	11,890,900	11,626,523	(264,377)
Public Works	5,543,800	5,541,300	5,634,985	93,685
Culture and Recreation	3,814,500	3,834,600	3,598,591	(236,009)
Conservation and Natural Resources	126,200	82,400	36,334	(46,066)
Capital Outlay				
General Government	-	-	57,500	57,500
Public Safety	-	175,000	217,186	42,186
Culture and Recreation	-	-	2,095	2,095
Total Expenditures	<u>26,595,900</u>	<u>26,622,100</u>	<u>25,841,282</u>	<u>(780,818)</u>
Excess of Revenues Over (Under) Expenditures	<u>(250,000)</u>	<u>338,800</u>	<u>2,265,924</u>	<u>1,927,124</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	250,000	250,000	262,526	12,526
Transfers Out	<u>-</u>	<u>-</u>	<u>(2,187,000)</u>	<u>(2,187,000)</u>
Total Other Financing Sources (Uses)	<u>250,000</u>	<u>250,000</u>	<u>(1,924,474)</u>	<u>(2,174,474)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ 588,800</u>	<u>\$ 341,450</u>	<u>\$ (247,350)</u>
FUND BALANCES				
Beginning of Year			<u>11,977,994</u>	
End of Year			<u>\$ 12,319,444</u>	

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

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CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended December 31, 2018**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 350,000	\$ 350,000	\$ 347,726	\$ (2,274)
Intergovernmental	-	400,000	400,000	-
Charges for Services	6,000	24,000	48,000	24,000
Miscellaneous Revenues:				
Investment Income	5,000	2,000	9,438	7,438
Other	-	44,300	58,408	14,108
Total Revenues	<u>361,000</u>	<u>820,300</u>	<u>863,572</u>	<u>43,272</u>
EXPENDITURES				
Current				
Economic Development	354,400	1,497,800	1,264,197	(233,603)
Capital Outlay				
Economic Development	-	48,400	151,745	103,345
Total Expenditures	<u>354,400</u>	<u>1,546,200</u>	<u>1,415,942</u>	<u>(130,258)</u>
Excess of Revenues Over (Under) Expenditures	<u>6,600</u>	<u>(725,900)</u>	<u>(552,370)</u>	<u>173,530</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	-	1,100,000	-	(1,100,000)
Transfers In	-	186,500	186,480	(20)
Transfers Out	-	(777,000)	(812,170)	(35,170)
Total Other Financing Sources (Uses)	<u>-</u>	<u>509,500</u>	<u>(625,690)</u>	<u>(1,135,190)</u>
Net Change in Fund Balances	<u>\$ 6,600</u>	<u>\$ (216,400)</u>	<u>\$ (1,178,060)</u>	<u>\$ (961,660)</u>
FUND BALANCES				
Beginning of Year			<u>356,588</u>	
End of Year			<u>\$ (821,472)</u>	

CITY OF SHAKOPEE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
December 31, 2018

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
ASSETS					
Current Assets					
Cash and Investments, Including Cash Equivalents	\$ 8,139,159	\$ 13,029,404	\$ -	\$ 21,168,563	\$ 12,631,283
Accounts Receivable	1,254	3,980	26,046	31,280	6,704
Interest Receivable	31,802	50,410	(311)	81,901	49,090
Special Assessment Receivable:					-
Deferred	209,632	2,302	-	211,934	-
Due from Other Funds	80,272	-	-	80,272	55,000
Due from Other Governments	408,162	155,666	-	563,828	-
Inventories	139	5,633	-	5,772	-
Prepaid Expenses	673	673	-	1,346	238,887
Total Current Assets	8,871,093	13,248,068	25,735	22,144,896	12,980,964
Noncurrent Assets					
Advances to Other Funds, Noncurrent	640,220	1,540,000	-	2,180,220	1,241,394
Capital Assets:					
Land	4,500	3,792,303	-	3,796,803	221,876
Right of Way	-	507,746	-	507,746	-
Construction in Progress	17,489	122,782	-	140,271	78,755
Line Rights	1,368,569	-	-	1,368,569	-
Infrastructure	49,509,817	49,829,914	-	99,339,731	3,806,460
Buildings	-	-	-	-	32,717,849
Machinery and Equipment	1,940,315	1,162,254	1,172,068	4,274,637	17,986,920
Total Cost	52,840,690	55,414,999	1,172,068	109,427,757	54,811,860
Less Accumulated Depreciation	(15,425,680)	(14,890,888)	(468,763)	(30,785,331)	(22,626,384)
Net Capital Assets	37,415,010	40,524,111	703,305	78,642,426	32,185,476
Total Noncurrent Assets	38,055,230	42,064,111	703,305	80,822,646	33,426,870
Total Assets	46,926,323	55,312,179	729,040	102,967,542	46,407,834
Deferred Outflows of Resources					
Deferred Outflows of Resources Related to Pensions	46,045	70,235	-	116,280	-
Deferred Outflows of Resources Related to OPEB	3,609	3,609	-	7,218	-
Total Deferred Outflows of Resources	49,654	73,844	-	123,498	-
Total Assets and Deferred Outflows of Resources	\$ 46,975,977	\$ 55,386,023	\$ 729,040	\$ 103,091,040	\$ 46,407,834
LIABILITIES AND NET POSITION					
Current Liabilities					
Accounts Payable	\$ 133,468	\$ 41,095	\$ -	\$ 174,563	\$ 84,328
Contracts Payable	108,316	2,385	-	110,701	4,580
Due to Other Funds	-	-	80,272	80,272	-
Due to Other Governments	87,294	21,409	-	108,703	-
Current Compensated Absences	14,416	16,218	-	30,634	1,074,681
Total Current Liabilities	343,494	81,107	80,272	504,873	1,163,589
Noncurrent Liabilities					
Advance from Other Funds	-	-	640,220	640,220	1,540,000
Compensated Absences	17,620	19,823	-	37,443	1,313,498
Net OPEB Obligation	49,765	49,765	-	99,530	-
Net Pension Liability	194,945	297,360	-	492,305	-
Total Noncurrent Liabilities	262,330	366,948	640,220	1,269,498	2,853,498
Total Liabilities	605,824	448,055	720,492	1,774,371	4,017,087
Deferred Inflows of Resources					
Deferred Inflows of Resources Related to Pensions	50,914	77,662	-	128,576	-
Net Position					
Investment in Capital Assets	37,415,010	40,524,111	703,305	78,642,426	32,185,476
Unrestricted	8,904,229	14,336,195	(694,757)	22,545,667	10,205,271
Total Net Position	46,319,239	54,860,306	8,548	101,188,093	42,390,747
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 46,975,977	\$ 55,386,023	\$ 729,040		\$ 46,407,834
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2c)				453,464	
Total Business-Type Activities Net Position				\$ 101,641,557	

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

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2018**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
OPERATING REVENUES					
Charges for Services	\$ 3,675,100	\$ 1,207,445	\$ 104,638	\$ 4,987,183	\$ -
Rental Charges	-	-	-	-	3,509,542
Other Charges	7,469	20,625	-	28,094	31,719
Special Assessments	-	2,522	-	2,522	-
Total Operating Revenues	<u>3,682,569</u>	<u>1,230,592</u>	<u>104,638</u>	<u>5,017,799</u>	<u>3,541,261</u>
OPERATING EXPENSES					
Salaries and Benefits	320,924	531,984	-	852,908	86,088
Depreciation	843,514	851,443	117,110	1,812,067	1,993,950
Professional Services	152,683	160,376	-	313,059	26,535
Sewer Disposal Charges	2,498,302	-	-	2,498,302	-
Repairs and Maintenance	26,018	62,012	-	88,030	57,002
Materials and Supplies	35,732	49,905	-	85,637	348,910
Rent	26,200	27,310	-	53,510	-
Insurance	59,580	13,770	-	73,350	692,379
Utilities	39,209	14,422	-	53,631	-
Total Operating Expenses	<u>4,002,162</u>	<u>1,711,222</u>	<u>117,110</u>	<u>5,830,494</u>	<u>3,204,864</u>
Operating Income (Loss)	<u>(319,593)</u>	<u>(480,630)</u>	<u>(12,472)</u>	<u>(812,695)</u>	<u>336,397</u>
NONOPERATING REVENUES (EXPENSES)					
Investment Income (Loss)	125,740	193,887	(1,126)	318,501	167,494
Insurance Dividends	-	-	-	-	26,150
Interest Expense	-	-	(7,469)	(7,469)	(20,625)
Gain (Loss) on Sale of Asset	-	1,875	-	1,875	(102,439)
Total Nonoperating Revenues (Expenses)	<u>125,740</u>	<u>195,762</u>	<u>(8,595)</u>	<u>312,907</u>	<u>70,580</u>
Income before Capital Contributions and Transfers	<u>(193,853)</u>	<u>(284,868)</u>	<u>(21,067)</u>	<u>(499,788)</u>	<u>406,977</u>
Capital Grants and Contribution	6,000	-	-	6,000	5,000
Capital Contributions from Special Assessments	57,287	-	-	57,287	-
Capital Contributions from Outside Developers	1,560,725	2,609,495	-	4,170,220	-
Transfers Out	<u>(311,480)</u>	<u>(125,000)</u>	<u>-</u>	<u>(436,480)</u>	<u>(470,000)</u>
Change in Net Position	<u>1,118,679</u>	<u>2,199,627</u>	<u>(21,067)</u>	<u>3,297,239</u>	<u>(58,023)</u>
NET POSITION					
Beginning of Year	45,197,109	52,657,228	29,615	97,883,952	42,448,770
Prior Period Adjustment	3,451	3,451	-	6,902	-
Beginning of Year, Restated	<u>45,200,560</u>	<u>52,660,679</u>	<u>29,615</u>	<u>97,890,854</u>	<u>42,448,770</u>
End of Year	<u>\$ 46,319,239</u>	<u>\$ 54,860,306</u>	<u>\$ 8,548</u>	<u>\$ 101,188,093</u>	<u>\$ 42,390,747</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2d)				<u>59,221</u>	
Change in Net Position - Business-Type Activities				<u>\$ 3,356,460</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	\$ 3,711,002	\$ 1,267,724	\$ 106,090	\$ 5,084,816	\$ 3,542,720
Receipts from Interfund Services	-	-	-	-	46,293
Payments to Suppliers	(2,733,394)	(366,377)	-	(3,099,771)	(1,236,742)
Payments to Employees	(337,217)	(517,329)	-	(854,546)	-
Net Cash Flows - Operating Activities	640,391	384,018	106,090	1,130,499	2,352,271
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES					
Payment Received on Interfund Loan	106,704	110,000	(106,704)	110,000	(60,000)
Receipts from Interfund Services	-	-	9,200	9,200	918,435
Payments for Interfund Services	(9,200)	-	-	(9,200)	-
Interest Expense on Interfund Loan Repayment	-	-	(7,469)	(7,469)	(20,625)
Insurance Dividends	-	-	-	-	26,150
Transfer to Other Funds	(311,480)	(125,000)	-	(436,480)	(470,000)
Net Cash Flows - Noncapital Financing Activities	(213,976)	(15,000)	(104,973)	(333,949)	393,960
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES					
Trunk Charges	144,219	452,545	-	596,764	-
Capital Related Special Assessments	57,287	-	-	57,287	-
Capital Grant	6,000	-	-	6,000	-
Donations	-	-	-	-	5,000
Proceeds from Disposal of Capital Assets	27,304	74,780	-	102,084	195,403
Acquisition of Capital Assets	(1,000,565)	(433,237)	-	(1,433,802)	(1,486,330)
Net Cash Flows - Capital and Related Financing Activities	(765,755)	94,088	-	(671,667)	(1,285,927)
CASH FLOWS - INVESTING ACTIVITIES					
Interest Received	129,904	204,537	(1,117)	333,324	166,908
Net Cash Flows - Investing Activities	129,904	204,537	(1,117)	333,324	166,908
Net Change in Cash and Cash Equivalents	(209,436)	667,643	-	458,207	1,627,212
CASH AND CASH EQUIVALENTS					
Beginning of Year	8,348,595	12,361,761	-	20,710,356	11,004,071
End of Year	<u>\$ 8,139,159</u>	<u>\$ 13,029,404</u>	<u>\$ -</u>	<u>\$ 21,168,563</u>	<u>\$ 12,631,283</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)	\$ (319,593)	\$ (480,630)	\$ (12,472)	\$ (812,695)	\$ 336,397
Adjustments to Reconcile Operating Income (Loss) to Net Cash					
Flows - Operating Activities:					
Depreciation Expense	843,514	851,443	117,110	1,812,067	1,993,950
Pension Expense	(23,565)	7,231	-	(16,334)	-
Changes in:					
Accounts Receivable	1,731	11,216	1,452	14,399	1,459
Due from Other Governments	(5,472)	25,824	-	20,352	-
Special Assessments	32,174	92	-	32,266	-
Due to Other Governments	21,956	6,007	-	27,963	-
Accounts and Contracts Payable	83,047	(44,217)	-	38,830	(66,741)
Inventory	-	301	-	301	-
Prepaid Expenses	(673)	(673)	-	(1,346)	(45,175)
Compensated Absences Payable	1,368	1,520	-	2,888	132,381
Net OPEB Obligation	5,904	5,904	-	11,808	-
Total Adjustments	959,984	864,648	118,562	1,943,194	2,015,874
Net Cash Flows - Operating Activities	<u>\$ 640,391</u>	<u>\$ 384,018</u>	<u>\$ 106,090</u>	<u>\$ 1,130,499</u>	<u>\$ 2,352,271</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Contributions of Capital Assets from Developers	\$ 1,416,506	\$ 2,156,950	\$ -	\$ 3,573,456	\$ -

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CITY OF SHAKOPEE

COMBINED STATEMENT OF FIDUCIARY NET POSITION
December 31, 2018

	Total Agency Funds
ASSETS	
Cash and Investments	\$ 2,397,835
Accounts Receivable	597
Interest Receivable	1,025
Due from Other Governments	45,248
Prepaid Items	8,534
Total Assets	<u><u>\$ 2,453,239</u></u>
LIABILITIES	
Accounts Payable	\$ 158,378
Deposits Payable	2,253,080
Due to Other Governments	41,781
Total Liabilities	<u><u>\$ 2,453,239</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, 2018

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Investments	\$ 32,189,484	\$ 8,488,457	\$ 40,677,941
Accrued Interest Receivable	58,444	11,502	69,946
Customer Accounts Receivable	3,986,682	344,165	4,330,847
Allowance for Uncollectible Accounts	(27,405)	(6,666)	(34,071)
Other Accounts Receivable	342,127	747,589	1,089,716
Due from City of Shakopee	125,923	20,326	146,249
Inventory	1,213,250	29,698	1,242,948
Prepaid Expenses	50,399	16,800	67,199
Total Current Assets	<u>37,938,904</u>	<u>9,651,871</u>	<u>47,590,775</u>
Noncurrent Assets			
Restricted Assets:			
Customer Deposits Account	2,388,808	73,547	2,462,355
Connection Account	-	13,085,883	13,085,883
Water Reconstruction Account	-	844,901	844,901
Emergency Repairs Account	100,000	-	100,000
Capital Assets:			
Plant in Service	72,106,581	65,538,611	137,645,192
Accumulated Depreciation	(26,344,935)	(19,674,545)	(46,019,480)
Construction in Progress	673,413	719,451	1,392,864
Total Noncurrent Assets	<u>48,923,867</u>	<u>60,587,848</u>	<u>109,511,715</u>
Total Assets	<u>86,862,771</u>	<u>70,239,719</u>	<u>157,102,490</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources Related to Pensions	<u>529,029</u>	<u>176,342</u>	<u>705,371</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 87,391,800</u>	<u>\$ 70,416,061</u>	<u>\$ 157,807,861</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 3,423,105	\$ 89,268	\$ 3,512,373
Due to City of Shakopee	467,273	580,490	1,047,763
Other Current Liabilities	293,249	135,644	428,893
Total Current Liabilities	<u>4,183,627</u>	<u>805,402</u>	<u>4,989,029</u>
Liabilities Payable from Restricted Assets			
Customer Deposits	<u>2,388,808</u>	<u>73,547</u>	<u>2,462,355</u>
Total Liabilities Payable from Restricted Assets	<u>2,388,808</u>	<u>73,547</u>	<u>2,462,355</u>
Noncurrent Liabilities			
Unearned Revenues	3,447	-	3,447
Customer Advances	550,257	300,098	850,355
Net Pension Liability	2,683,648	894,548	3,578,196
Total Noncurrent Liabilities	<u>3,237,352</u>	<u>1,194,646</u>	<u>4,431,998</u>
Total Liabilities	<u>9,809,787</u>	<u>2,073,595</u>	<u>11,883,382</u>
Deferred Inflows of Resources Related to Pensions	<u>664,155</u>	<u>221,384</u>	<u>885,539</u>
Total Liabilities and Deferred Inflows of Resources	<u>10,473,942</u>	<u>2,294,979</u>	<u>12,768,921</u>
Net Position			
Investment in Capital Assets	46,435,059	46,583,517	93,018,576
Restricted for Connections & Reconstruction	-	13,930,784	13,930,784
Unrestricted	30,482,799	7,606,781	38,089,580
Total Net Position	<u>76,917,858</u>	<u>68,121,082</u>	<u>145,038,940</u>
Total Liabilities and Net Position	<u>\$ 87,391,800</u>	<u>\$ 70,416,061</u>	<u>\$ 157,807,861</u>

CITY OF SHAKOPEE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - COMPONENT UNIT - SPUC For the Year Ended December 31, 2018

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Operating Revenues	\$ 50,393,489	\$ 5,608,127	\$ 56,001,616
Operating Expenses	<u>45,444,180</u>	<u>5,352,856</u>	<u>50,797,036</u>
Operating Income	<u>4,949,309</u>	<u>255,271</u>	<u>5,204,580</u>
NONOPERATING REVENUES (EXPENSES)			
Rentals and Miscellaneous	430,798	184,857	615,655
Interdepartmental Rent from Water	90,000	-	90,000
Investment Income	449,019	219,864	668,883
Interest Expense	(65,609)	(989)	(66,598)
Amortization of Debt Issuance Costs and			
Loss on Refunding	(216,694)	-	(216,694)
Gain(Loss) on Disposition of Property	<u>59,601</u>	<u>5,536</u>	<u>65,137</u>
Total Nonoperating Revenues (Expenses)	<u>747,115</u>	<u>409,268</u>	<u>1,156,383</u>
Income Before Contributions	5,696,424	664,539	6,360,963
Capital Contributions	<u>730,662</u>	<u>5,868,217</u>	<u>6,598,879</u>
Change in Net Position	6,427,086	6,532,756	12,959,842
NET POSITION			
Beginning of Year	<u>70,490,772</u>	<u>61,588,326</u>	<u>132,079,098</u>
End of Year	<u><u>\$ 76,917,858</u></u>	<u><u>\$ 68,121,082</u></u>	<u><u>\$ 145,038,940</u></u>

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CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2018, the City paid \$261,197 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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 2016A 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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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.

Assets	Years
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 two items that qualify 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 and other postemployment benefit resources. 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. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 and other postemployment benefit resources. 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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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. Other Postemployment Benefits

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at January 1, 2018. The General fund is typically used to liquidate governmental other postemployment benefits payable.

12. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

14. 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.

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.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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	\$ 42,390,747
Less Portion Loss Related to Business-Type Activities	<u>(453,464)</u>
Net Adjustment to Increase Fund Balance- Total Governmental Funds to Arrive at Net Position- Governmental Activities	<u>\$ 41,937,283</u>

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	\$ (58,023)
Less the Net of Indirect Revenues and Expense	<u>(59,221)</u>
Net Adjustment to Decrease Net Change in Fund Balances - Total Government Funds to Arrive at Changes in Net position of Government Activities	<u>\$ (117,244)</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>\$ 453,464</u>
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CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

D. Explanation of Certain Differences between the Proprietary Fund Statements of Revenues, Expenses, and Changes in 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>\$ 59,221</u>

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 and EDA. 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 in December by the City Council. Budgeted expenditure appropriations lapse at year-end

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Deficit Net Position and Fund Balance

The Economic Development Authority (EDA) special revenue fund had a negative fund balance of \$821,472 on December 31, 2018 as a result of partial construction costs to install utilities and streets in EDA land held for resale. Anticipated land sales in this area are expected to recover this deficit.

The TIF District No. 17 capital projects fund had a negative fund balance of \$1,801,093 on December 31, 2018 as a result of street improvements costs. Tax increment revenue over the next seven years is anticipated to eliminate this deficit.

The TIF District No. 10 capital projects fund had a negative fund balance of \$653 on December 31, 2018. This deficit will be eliminated in 2019, as the administrative portion of tax increment revenue will be used to eliminate this deficit.

The TIF District No. 18 Canterbury Commons capital projects fund had a negative fund balance of \$150,218 on December 31, 2018. This deficit will be eliminated upon the issuance of tax increment bonds in the fall of 2019 to cover the costs incurred and additional street reconstruction costs.

The City Hall capital projects fund had a negative fund balance of \$50,000 on December 31, 2018. This deficit will be eliminated in 2019 with a transfer from the Building internal service fund.

The Employee Benefits internal service fund had a deficit net position of \$1,247,749 on December 31, 2018. This deficit has been in place for many years and is not expected to be resolved. Management's position is that the cash balance should be sufficient enough to cover the current compensated absences and not necessarily the noncurrent portion of compensated absences.

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.

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, 2018, 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.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits (Continued)

As of December 31, 2018, the City had the following deposits:

City Deposits	\$ 527,777
Component Unit Deposits	<u>11,656,452</u>
 Total Deposits	 <u><u>\$ 12,184,229</u></u>

B. Investments

As of December 31, 2018, the City held the following investments:

		Years to Maturity					
	Value	Less than One Year	1-5 Years	5-10 Years	10-15 Years	Concentration	Moody's Rating
Pooled Investments:							
Certificate of Deposit	\$ 7,172,141	\$ 2,289,710	\$ 4,882,431	\$ -	\$ -	12.18%	NR
Commercial Paper	3,193,008	3,193,008	-	-	-	5.42%	NR
Money Market Fund	1,137,221	1,137,221	-	-	-	1.93%	NR
Mortgage							
FHLB	999,540	999,540	-	-	-	1.70%	NR
FHLMC	3,333,240	499,746	1,532,558	125,114	1,175,822	5.66%	AAA
FNMA	8,655,464	4,019	510,780	965,941	7,174,724	14.70%	NR
Municipal Bond	11,809,193	2,069,221	9,036,609	703,363	-	20.05%	AAA-A2
US Treasury Notes	21,389,285	4,221,356	17,167,929	-	-	36.32%	AAA
US Treasury Bill	1,198,464	1,198,464	-	-	-	2.03%	NR
Non-Pooled Investments:							
Money Market Fund	42,076	42,076	-	-	-	100.00%	NR
Total Investments	\$ 58,929,632	\$ 15,654,361	\$ 33,130,307	\$ 1,794,418	\$ 8,350,546		

As of December 31, 2018, the component units had the following investments:

	Value	Years to Maturity		Concentration	Rating
		Less than One Year	1-5 Years		
US Agencies	\$ 11,004,397	\$ 4,935,535	\$ 6,068,862	24.18%	AAA
U.S. Treasuries	7,777,082	866,402	6,910,680	17.10%	AAA
4M Fund	26,692,594	26,692,594	-	58.64%	N/A
Money Market Fund	38,855	38,855	-	0.09%	N/A
 Total	 <u>\$ 45,512,928</u>	 <u>\$ 32,533,386</u>	 <u>\$ 12,979,542</u>	 <u>100.01%</u>	

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.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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, 2018, 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.

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.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- 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, 2018, 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, 2018.

The City has the following recurring fair value measurements as of December 31, 2018:

		Fair Value Measurement Using			
	Value	Level 1	Level 2	Level 3	
Investments at Fair Value:					
Certificate of Deposit	\$ 7,172,141	\$ -	\$ 7,172,141	\$ -	
Commercial Paper	3,193,008	-	3,193,008	-	
Mortgage					
FHLB	999,540	-	999,540	-	
FHLMC	3,333,240	-	3,333,240	-	
FNMA	8,655,464	-	8,655,464	-	
Municipal Bond	11,809,193	-	11,809,193	-	
US Treasury Notes	21,389,285	21,389,285	-	-	
US Treasury Bill	1,198,464	1,198,464	-	-	
Total/Subtotal	57,750,335	\$ 22,587,749	\$ 35,162,586	\$ -	

Investments at Amortized Cost:

Money Market Fund	<u>1,179,297</u>
Total	<u>\$ 58,929,632</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.

\$18,820,334 of \$45,512,928 of the Component Unit's investments at December 31, 2018 are valued using a quoted market prices (Level 2 inputs). \$26,692,594 are investments at amortized cost.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The following is a summary of total deposits and investments as of December 31, 2018:

Deposits (Note 3.A.)	\$ 12,184,229
City Investments	58,929,632
Component Unit Investments	45,512,928
City Petty Cash	4,710
Component Unit Petty Cash	1,700
	<u>1,700</u>
Total Deposits and Investments	<u>\$ 116,633,199</u>

Deposits and investments are presented in the December 31, 2018 basic financial statements as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Statement of Net Position:				
Cash and Investments	\$ 57,064,284	\$ -	\$ 40,677,941	\$ 97,742,225
Restricted Assets	-	-	16,493,139	16,493,139
Statement of Fiduciary Net Position:				
Cash and Investments	-	2,397,835	-	2,397,835
Total	<u>\$ 57,064,284</u>	<u>\$ 2,397,835</u>	<u>\$ 57,171,080</u>	<u>\$ 116,633,199</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	\$ 102,817	\$ 2,656	\$ 33,416	\$ 138,889
Economic Development Authority	4	-	-	4
Capital Improvements	-	28,704	2,879,038	2,907,742
Nonmajor Funds	40	988	950,505	951,533
Total	<u>\$ 102,861</u>	<u>\$ 32,348</u>	<u>\$ 3,862,959</u>	<u>\$ 3,998,168</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 21,847,814	\$ 50,246	\$ -	\$ 21,898,060
Right-Of-Way	253,904	-	-	253,904
Construction in Progress	2,956,383	734,408	1,675,700	2,015,091
Total Capital Assets not being Depreciated	25,058,101	784,654	1,675,700	24,167,055
Capital Assets being Depreciated:				
Buildings	73,085,553	201,760	98,275	73,189,038
Infrastructure	156,848,354	7,102,944	15,000	163,936,298
Machinery and Equipment	22,719,315	2,231,743	257,044	24,694,014
Total Capital Assets being Depreciated	252,653,222	9,536,447	370,319	261,819,350
Less Accumulated Depreciation for:				
Buildings	12,691,575	1,608,002	52,740	14,246,837
Infrastructure	84,853,596	4,963,929	8,251	89,809,274
Machinery and Equipment	8,477,761	1,434,619	76,227	9,836,153
Total Accumulated Depreciation	106,022,932	8,006,550	137,218	113,892,264
Total Capital Assets being Depreciated, Net	146,630,290	1,529,897	233,101	147,927,086
Governmental Activities Capital Assets, Net	<u>\$171,688,391</u>	<u>\$ 2,314,551</u>	<u>\$ 1,908,801</u>	<u>\$172,094,141</u>

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

Governmental Activities:	
General Government	\$ 346,146
Public Safety	697,485
Public Works	5,143,874
Parks and Recreation	1,814,048
Economic Development	4,997
Total Depreciation Expense - Governmental Activities	<u>\$ 8,006,550</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 3,796,803	\$ -	\$ -	\$ 3,796,803
Right-Of-Way	507,746	-	-	507,746
Construction in Progress	715,159	67,242	642,130	140,271
Total Capital Assets not being Depreciated	5,019,708	67,242	642,130	4,444,820
Capital Assets being Depreciated:				
Line Rights	1,368,569	-	-	1,368,569
Plant in Service	93,913,225	5,453,809	27,303	99,339,731
Machinery and Equipment	4,227,206	127,472	80,041	4,274,637
Total Capital Assets being Depreciated	99,509,000	5,581,281	107,344	104,982,937
Less Accumulated Depreciation for:				
Line Rights	601,294	24,733	-	626,027
Plant in Service	25,852,256	1,503,142	-	27,355,398
Machinery and Equipment	2,527,714	284,192	8,000	2,803,906
Total Accumulated Depreciation	28,981,264	1,812,067	8,000	30,785,331
Total Capital Assets being Depreciated, Net	70,527,736	3,769,214	99,344	74,197,606
Business-Type Activities Capital Assets, Net	\$ 75,547,444	\$ 3,836,456	\$ 741,474	\$ 78,642,426

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

Business-Type Activities:	
Sanitary Sewer	\$ 843,514
Storm Drainage	851,443
Refuse	117,110
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,812,067</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Component unit capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit Capital Assets not being Depreciated:				
Land and Land Rights	\$ 5,097,532	\$ -	\$ -	\$ 5,097,532
Construction in Progress	2,808,158	4,956,036	6,371,330	1,392,864
Total Capital Assets not being Depreciated	7,905,690	4,956,036	6,371,330	6,490,396
Capital Assets being Depreciated:				
Distribution	110,071,887	6,913,382	169,115	116,816,154
General	15,033,253	1,029,984	331,731	15,731,506
Total Capital Assets being Depreciated	125,105,140	7,943,366	500,846	132,547,660
Less Accumulated Depreciation	42,755,736	3,652,564	388,820	46,019,480
Total Capital Assets being Depreciated, Net	82,349,404	4,290,802	112,026	86,528,180
Component Unit Capital Assets, Net	<u>\$ 90,255,094</u>	<u>\$ 9,246,838</u>	<u>\$ 6,483,356</u>	<u>\$93,018,576</u>

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

Component Units:	
Electric	\$ 2,237,527
Water	<u>1,415,037</u>
Total Depreciation Expense - Component Units	<u>\$ 3,652,564</u>

NOTE 7 – LEASES

A. Operating Leases

The government leases office equipment under noncancelable operating leases. Total costs for such leases were \$40,740 for the year ended December 31, 2018. The future minimum lease payments for these leases are as follows:

Year Ending Dec. 31	Amount
2019	\$ 40,740
2020	40,740
2021	10,185
Total	<u>\$ 91,665</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7 – LEASES (CONTINUED)

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	(7,906)
Total	<u>\$ 71,194</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of December 31, 2018 were as follows:

Year Ending Dec. 31	Governmental Activities
2019	\$ 22,140
2020	22,140
2021	5,535
Total Minimum Lease Payments	49,815
Less: Amount Representing Interest	(3,273)
Present Value of Minimum Lease Payments	<u>\$ 46,542</u>

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, 2018

NOTE 8 – LONG-TERM DEBT (CONTINUED)

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:						
2008A	09/01/08	3.50%-4.00%	2,170,000	02/01/19	\$ 215,000	\$ 215,000
2010A	08/01/10	0.50%-2.90%	1,555,000	02/01/21	370,000	135,000
G.O. Building Refunding Bonds 2012A	06/14/12	1.50%-2.125%	4,865,000	02/01/25	3,305,000	465,000
G.O. Tax Abatement Bonds 2016A	01/21/16	3.00%-5.00%	29,500,000	02/01/36	28,460,000	1,095,000
Total G.O. Bonds					<u>32,350,000</u>	<u>1,910,000</u>
Unamortized Premiums					1,912,746	-
Capital Lease					46,542	19,927
Compensated Absences					<u>2,388,179</u>	<u>1,074,681</u>
Total Governmental Activities					<u>\$ 36,697,467</u>	<u>\$ 3,004,608</u>
Business-Type Activities						
Compensated Absences					<u>\$ 68,077</u>	<u>\$ 30,634</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.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 – LONG-TERM DEBT (CONTINUED)

D. Changes in Long-Term Liabilities

Long-term liability information for the year ended December 31, 2018 was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 34,345,000	\$ -	\$ 1,995,000	\$ 32,350,000	\$ 1,910,000
Unamortized Premiums	2,024,168	-	111,422	1,912,746	-
Capital Lease	65,330	-	18,788	46,542	19,927
Compensated Absences	2,255,798	1,314,112	1,181,731	2,388,179	1,074,681
Total Governmental Activities	<u>\$ 38,690,296</u>	<u>\$ 1,314,112</u>	<u>\$ 3,306,941</u>	<u>\$ 36,697,467</u>	<u>\$ 3,004,608</u>
Business-Type Activities					
Compensated Absences	<u>\$ 65,189</u>	<u>\$ 46,426</u>	<u>\$ 43,538</u>	<u>\$ 68,077</u>	<u>\$ 30,634</u>
Component Unit Activities:					
G.O. Utility Revenue Bonds	\$ 7,590,000	\$ -	\$ 7,590,000	\$ -	\$ -
Unamortized Discounts	<u>(7,978)</u>	<u>-</u>	<u>(7,978)</u>	<u>-</u>	<u>-</u>
Total Component Unit Activities	<u>\$ 7,582,022</u>	<u>\$ -</u>	<u>\$ 7,582,022</u>	<u>\$ -</u>	<u>\$ -</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
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	1,810,000	814,131	2,624,131
2024-2028	8,435,000	3,041,481	11,476,481
2029-2033	8,920,000	1,600,656	10,520,656
2034-2036	<u>6,020,000</u>	<u>280,803</u>	<u>6,300,803</u>
Total	<u>\$32,350,000</u>	<u>\$ 9,645,590</u>	<u>\$ 41,995,590</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, the following conduit debt was outstanding:

Project	Date of Issue	Original Amount of Issue	Balance Outstanding
Scott County CDA Housing Development	04/26/12	\$ 5,885,000	\$ 4,730,000
2012A Refunding- North Ridge Court Redevelopment			
Scott County CDA Housing Development	12/01/13	2,330,000	1,660,000
2013A Refunding- River City Center Project			
Scott County CDA Housing Development	12/01/13	1,220,000	1,000,000
2013E Refunding- River City Center Project			
Benedictine Health System Obligated Group	12/01/13	9,485,000	6,515,398
Health Care and Housing Facilities Revenue Refunding			
Note Series 2013A			
Benedictine Health System Obligated Group	12/01/13	9,575,000	7,741,339
Health Care and Housing Facilities Revenue Refunding			
Note Series 2013B			
St. Francis Regional Medical Center	06/18/14	41,865,000	36,730,000
Health Care Facilities Revenue Refunding Bond Series			
2014			
Benedictine Health System Obligated Group	12/01/18	52,440,000	52,440,000
Senior Housing Revenue Bonds Series 2018			
Total			<u>\$ 110,816,737</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10 – INTERFUND ASSETS/LIABILITIES

The composition of interfund balances as of December 31, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Improvement Fund	TIF District No. 17	\$ 1,801,093
Capital Improvement Fund	Nonmajor Governmental Funds	57,366
Internal Service Fund	City Hall	55,000
Sewer Fund	Refuse Fund	80,272
	Total	<u>\$ 1,993,731</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, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Economic Development Authority	\$ 973,050
Capital Improvement Fund	Economic Development Authority	125,750
Sewer Fund	Refuse Fund	640,220
Storm Drainage Fund	Internal Service Fund	1,540,000
Internal Service Fund	Economic Development Authority	1,241,394
	Total	<u>\$ 4,520,414</u>

Two advances between the General Fund and Economic Development Authority represents a long term interfund loan related to the Riverfront TIF 19 agreement for \$711,205 and the Old City Hall TIF 20 agreement for \$261,844.74, both to be repaid over 25 years with Tax Increment Financing at a rate of 4% interest. The advance between the Capital Improvement Fund and Economic Development Authority represents a long term interfund loan related to the Canterbury TIF 18 agreement to be repaid over 25 years with Tax Increment Financing at a rate of 4% interest. 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, 2018

NOTE 12 – INTERFUND TRANSFERS

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund (1) (7)	\$ 262,526	\$ 2,187,000
Economic Development Authority (3) (5)	186,480	812,170
Capital Improvements (3) (8)	2,233,651	-
Other Governmental Funds (2) (3) (4) (6) (7)	<u>1,355,859</u>	<u>132,866</u>
Total Governmental Funds	4,038,516	3,132,036
Proprietary Funds:		
Sewer (1) (5)	-	311,480
Storm Drainage (1)	<u>-</u>	<u>125,000</u>
Total Proprietary Funds	-	436,480
Internal Service Funds:		
Buildings (4) (6)	<u>-</u>	<u>470,000</u>
Total	<u><u>\$ 4,038,516</u></u>	<u><u>\$ 4,038,516</u></u>

- (1) Annual transfer to finance General Fund
- (2) Transfer to close bond funds as the final payment made during the year
- (3) Annual transfer to fund infrastructure projects (Vierling Drive Extension)
- (4) Annual transfer for bond payment
- (5) Transfer SAC Credit funds to EDA as business subsidies
- (6) Transfer to City Hall Fund for city hall construction repayment
- (7) Transfer to move seal coat and bituminous trail money related to projects.
- (8) Transfer to fund future infrastructure projects

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2018 was \$1,515,425. 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 the Coordinated Plan members are covered by Social Security.

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.

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, 2018

NOTE 13 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

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

General Employees Fund Contributions

Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2018. The City's contributions to the General Employees Fund for the year ended December 31, 2018, was \$544,381. 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, 2018, was \$333,418. 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 10.80 percent of their annual covered salary and the City was required to contribute 16.20 percent of pay for members in fiscal year 2018. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018, was \$851,625. 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, 2018, the City reported a liability of \$5,797,232 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 \$16 million to the fund in 2018. 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 \$190,111. The net pension liability was measured as of June 30, 2018, 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 proportionate share 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, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion share was 0.1045 percent, which was an increase of 0.0019 percent increase from its proportion measured as of June 30, 2017.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

City's proportionate share of the net pension liability	\$ 5,797,232
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>190,111</u>
Total	<u>\$ 5,987,343</u>

For the year ended December 31, 2018, the City recognized pension expense of \$729,895 for its proportionate share of General Employees Fund's pension expense. In addition, the City recognized an additional \$44,333 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, 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 experience	\$ 154,188	\$ 188,381
Changes in actuarial assumptions	562,140	651,381
Net difference between projected and actual earnings on plan investments	-	605,202
Changes in proportion	378,897	69,118
Contributions to GERF subsequent to the measurement date	<u>274,064</u>	<u>-</u>
Total	<u>\$ 1,369,289</u>	<u>\$ 1,514,082</u>

Deferred outflows of resources totaling \$274,064 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, 2019. 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
2019	\$ 280,571
2020	(147,166)
2021	(431,262)
2022	<u>(121,000)</u>
Total	<u>\$ (418,857)</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2018, the City reported a liability of \$5,126,965 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion share was 0.4810 percent.

For the year ended December 31, 2018, the City recognized pension expense of \$658,837 for its proportionate share of the Police and Fire Fund's pension expense. The City also recognized \$43,290 for the year ended December 31, 2018 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.

At December 31, 2018, 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 experience	\$ 206,715	\$ 1,244,565
Changes in actuarial assumptions	6,386,725	7,547,560
Net difference between projected and actual earnings on plan investments	-	1,100,563
Changes in proportion	209,308	21,534
Contributions to PEPFF subsequent to the measurement date	436,222	-
Total	<u>\$ 7,238,970</u>	<u>\$ 9,914,222</u>

Deferred outflows of resources totaling \$436,222 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, 2019. 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, 2018

NOTE 13 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Year Ending December 31,	Pension Expense Amount
2019	\$ (42,752)
2020	(331,494)
2021	(706,803)
2022	(2,013,514)
2023	(16,911)
Total	<u>\$ (3,111,474)</u>

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2018, was 1,433,065.

Component Unit's General Employees Fund Pension Costs

At December 31, 2018, the Commission reported a liability of \$3,578,196 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 \$16 million to the fund in 2018. 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 \$117,344. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the Commission's proportion share was 0.0645 percent, which was an increase of 0.0001 percent from its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of a 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.

For the year ended December 31, 2018, the Commission recognized pension expense of \$405,878 for its proportionate share of General Employees Fund's pension expense. In addition, the Commission recognized an additional \$27,364 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

At December 31, 2018, 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 are below.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 94,568	\$ 100,477
Changes in actuarial assumptions	329,088	401,623
Net difference between projected and actual earnings on plan investments	-	383,439
Changes in proportion	115,005	-
Contributions to GERF subsequent to the measurement date	166,710	-
Total	<u>\$ 705,371</u>	<u>\$ 885,539</u>

\$166,710 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense below.

Year Ending December 31,	Pension Expense Amount
2019	\$ 168,153
2020	(151,874)
2021	(288,473)
2022	(74,684)
2023	-
Total	<u>\$ (346,878)</u>

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

	<u>GERF</u>	<u>PEPFF</u>
Inflation	2.50% per year	2.50% per year
Active Member Payroll Growth	3.25% after 26 years of service	3.25% after 25 years of service
Investment Rate of Return	7.50%	7.50%

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13 –PENSION PLANS (CONTINUED)

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 after retirement for retirees are assumed to be 1.25 percent per year for GERP and 1.0 percent per year for PEPFF.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERP plan was completed in 2015. The most recent four-year experience study for PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Police and Fire Fund

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger

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 Stocks	36.0%	5.10%
International Stocks	17.0%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash and Equivalents	<u>2.0%</u>	0.00%
Total	<u>100.0%</u>	

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.5 percent. 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.

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	\$ 9,421,243	\$ 5,797,232	\$ 2,805,713
Commission's proportionate share of the General Employees Fund net pension liability	\$ 5,815,026	\$ 3,578,196	\$ 1,731,756
	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	\$ 10,992,534	\$ 5,126,965	\$ 276,383

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.

I. 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, 2018

NOTE 13 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

I. Public Employees Defined Contribution Plan (Defined Contribution Plan) (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 2018 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>	
\$ 2,333	\$ 2,333	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, 2018

NOTE 13 – PENSION PLANS (CONTINUED)

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 \$259,378 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, 2017, 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, 2018

NOTE 13 – PENSION PLANS (CONTINUED)

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, 2017, 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	40.0%	5.39%
International Equity	15.0%	5.20%
Fixed Income	30.0%	1.98%
Real Estate and Alternatives	0.0%	4.25%
Cash and Equivalents	15.0%	0.79%
Total	<u>100.0%</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, 2018

NOTE 13 – PENSION PLANS (CONTINUED)

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

F. Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at January 1, 2017	<u>\$ 4,257,029</u>	<u>\$ 5,636,103</u>	<u>\$ (1,379,074)</u>
Changes for the year			
Service Cost	136,432	-	136,432
Interest	244,054	-	244,054
Change of Benefit Terms	52,084	-	52,084
Contributions- State and Local	-	252,336	(252,336)
Contributions- Donations and Other Local	-	95	(95)
Net Investment Income	-	789,234	(789,234)
Benefit Payments, including refunds of employee contributions	(298,088)	(298,088)	-
Administrative Expense	<u>-</u>	<u>(11,919)</u>	<u>11,919</u>
Net Changes	<u>\$ 134,482</u>	<u>\$ 731,658</u>	<u>\$ (597,176)</u>
Balances at December 31, 2017	<u><u>\$ 4,391,511</u></u>	<u><u>\$ 6,367,761</u></u>	<u><u>\$ (1,976,250)</u></u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability (asset) 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	\$ (1,858,880)	\$ (1,976,250)	\$ (2,086,478)

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, 2018

NOTE 13 – PENSION PLANS (CONTINUED)

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, 2017, the City recognized pension revenue of \$132,686. At December 31, 2017, 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	\$ 259,378	\$ -
Difference between expected and actual liability	-	58,485
Changes in assumptions	24,439	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	200,849
Total	<u>\$ 283,817</u>	<u>\$ 259,334</u>

\$259,378 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, 2019. 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
2019	\$ (3,401)
2020	(313)
2021	(116,617)
2022	(100,342)
2023	(4,956)
Thereafter	(9,266)
Total	<u>\$ (234,895)</u>

H. Payable to the Pension Plan

At December 31, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2018.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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.

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving	
Benefit Payments	9
Active Employees Waiving Coverage	14
Active Plan Members	<u>134</u>
 Total Plan Members	 <u><u>157</u></u>

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 ended December 31, 2018, the City's average contribution rate was 17.70 percent of covered-employee payroll. For the year 2018, the City contributed \$30,812 to the Plan.

C. 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.

The City's total OPEB liability of \$2,218,083 was measured as of December 31, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of December 31, 2017.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.31%
Expected Long-Term Investment Return	N/A
20-Year Municipal Bond Yield	3.31%
Inflation Rate	2.50%
Medical Trend Rate	6.90% in 2018 grading to 5.20% over 4 years until 2047 grading down to 4.00% ultimate rate in 2075

The Actuarial Standards Board (ASB) provides coordinated guidance for measuring pension and retiree group benefit obligations through a series of Actuarial Standards of Practice (ASOPs). ASOP No. 27, Selection of Economic Assumptions for Measuring Pension Obligations, requires that the actuary disclose the rationale used in selecting each non-prescribed economic assumption and any changes to non-prescribed economic assumptions. All non-prescribed economic assumptions are summarized below.

The discount rate used to measure the total OPEB liability was 3.31 percent. Per GASB guidance, the single rate that produces the same present value of expected benefit payments as (1) the expected long-term rate of return on plan assets during the period when projected assets are sufficient to pay future retiree benefits, and (2) the 20-year municipal bond rate after assets are projected to be exhausted. The Fidelity 20-Year Municipal GO AA Index is used because it meets the GASB requirements and is based on a large amount of municipal security data.

Mortality rates were based on the current actuarial assumptions for the pension plan in which the current or future retiree participates.

The inflation rate used to measure the OPEB liability was 2.50%. Based on analysis of historical CPI-U and 30-year TIPS data, the Federal Open Market Committee target inflation rate, and the 2018 Survey of Capital Market Assumptions produced by Horizon Actuarial Services.

Annual salary increases were based on the most recently disclosed assumption for the pension plan in which the employee participates.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2017	<u>\$ 1,985,761</u>
Changes for the Year:	
Service cost	143,652
Interest	79,747
Changes in assumptions or other inputs	81,560
Benefit payments	<u>(72,637)</u>
Net Changes	<u>232,322</u>
Balances at December 31, 2018	<u><u>\$ 2,218,083</u></u>

In 2018, the following benefit changes occurred:

- The discount rate was changed from 3.81% as of 12/31/2016 to 3.31% as of 12/31/2017 based on updated 20-year municipal bond rates as of each measurement date.

Since the prior measurement date, the following benefit terms changed:

- The discount rate was changed from 3.50% to 3.81% based on updated measurement dates and GASB 75 requirements.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2015 PERA General and Police & Fire Employees Retirement Plan to the rates used in the 7/1/2018 valuation.
- The percent of future regular retirees assumed to elect coverage at retirement changed from 50% to 30% to reflect recent plan experience.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward looking market expectations.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.31 percent) or 1-percentage-point higher (4.31percent) than the current discount rate:

1% Decrease (2.31%)	Current (3.31%)	1% Increase (4.31%)
\$ 2,385,592	\$ 2,218,083	\$ 2,056,841

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.90 percent decreasing to 3.00 percent) or 1-percentage-point higher (7.90 percent increasing to 5.00 percent) than the current discount rate:

1% Decrease (5.9% Decreasing to 3%)	Healthcare Cost Trend Rates (6.9% Decreasing to 4%)	1% Increase (7.9% Decreasing to 5%)
\$ 1,958,724	\$ 2,218,083	\$ 2,524,956

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the City recognized OPEB expense of \$71,463. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 73,020	\$ -
Contributions to OPEB subsequent to the measurement date	87,839	-
Total	<u>\$ 160,859</u>	<u>\$ -</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

**F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)**

Deferred outflows of resources totaling \$87,839 related to pensions resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2019	\$ (8,540)
2020	(8,540)
2021	(8,540)
2022	(8,540)
2023	(8,540)
Thereafter	<u>(30,320)</u>
Total	<u>\$ (73,020)</u>

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.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018

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	TIF District No. 17	Other Governmental Funds	Total
Nonspendable:						
Prepaid Items	\$ 68,784	\$ -	\$ -	\$ -	\$ 3,801	\$ 72,585
Restricted:						
Forfeitures	-	-	-	-	195,322	195,322
SCDP Grant	-	-	-	-	18,368	18,368
Revolving Loans	-	-	-	-	73,004	73,004
Debt Service	-	-	-	-	3,207,099	3,207,099
Capital Improvements	-	-	-	-	3,166,302	3,166,302
Total Restricted	-	-	-	-	6,660,095	6,660,095
Assigned:						
Telecommunications	-	-	-	-	76,698	76,698
Capital Improvements	-	-	6,423,824	-	516,211	6,940,035
Total Assigned	-	-	6,423,824	-	592,909	7,016,733
Unassigned:	12,250,660	(821,472)	-	(1,801,093)	(200,871)	9,427,224
Total Fund Balance	<u>\$ 12,319,444</u>	<u>\$ (821,472)</u>	<u>\$ 6,423,824</u>	<u>\$ (1,801,093)</u>	<u>\$ 7,055,934</u>	<u>\$ 23,176,637</u>

NOTE 17 – COMMITMENTS

The City has the following construction commitments at December 31, 2018.

	Project Authorization	Work Completed	12/31/2018 Commitment
HVAC Fire Station #1	\$ 64,000	\$ 16,000	\$ 48,000
Condensing Unit Fire Station #1	19,800	4,950	14,850
Reverance Pond Sculpture	115,000	57,500	57,500
2016 Sanitary Sewer Lateral Pipe Rehab	524,980	397,682	127,298
Whispering Oaks	644,014	573,454	70,560
2018 Sanitary Sewer Lateral Pipe Rehab	556,828	459,690	97,138
2018 Trail Rehabilitation and Overlay	257,129	227,344	29,785
Fire Station Windows	16,915	4,000	12,915

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 \$2,000,000 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 \$98,000,000.

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, 2018, the total disbursed was \$62,217 with \$30,206 from Scott County and \$32,011 from the City.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 19 – TAX ABATEMENT AGREEMENT (CONTINUED)

- 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, 2018, the total disbursed was \$139,253 with \$64,401 from Scott County and \$74,852 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. During the year ended December 31, 2018, the total disbursed was \$121,626 with \$59,049 from Scott County and \$62,577 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 \$1,657,231 in tax increment revenue and made \$1,192,203 in payments to developers.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 20 – TAX INCREMENT FINANCING (CONTINUED)

- 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, 2018, the City generated \$56,972 of tax increment revenue and made payments of \$51,275. The available balance at year end was \$2,969,658.
- 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, 2018, the City generated \$300,997 of tax increment revenue and made payments on the pay-as-you-go note of \$270,897. The available balance at year end was \$1,305,249.
- 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, 2018, the City generated \$178,416 of tax increment revenue and made payments of \$120,574. The available balance at year end was \$735,091.
- 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, 2018, the City generated \$237,425 of tax increment revenue and made payments of \$230,302. The available balance at year end was \$1,543,784.
- 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, 2018, the City generated \$883,421 of tax increment revenue and made payments of \$519,154 to the County and \$356,316 to the City. The available balance at year end was \$2,638,649 for the County and \$1,810,771 for the City.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 20 – TAX INCREMENT FINANCING (CONTINUED)

- TIF District No. 18 was established in 2018 to aid in redeveloping the horse racetrack area known as Canterbury Commons with new and improved public infrastructure. This is a multi-year, three phase project that will entail eliminating blighted properties and in turn provide a mix of housing and other commercial and industrial redevelopment. Under the agreement, \$33,066,500 of public infrastructure costs will be reimbursed through tax increment to a combination of the City of Shakopee and the Developer over the duration of 25 years. The district was created in 2018 and is expected to be certified to the State of Minnesota by June 30, 2019. As of December 31, 2018, no tax increment had been generated. It is anticipated that the first tax increment will be generated in 2020.
- TIF District No. 19 was established in 2018 to aid in redeveloping property located in the downtown area along the riverfront. The developer, Gaughan Shakopee LLC has agreed to purchase three properties from the City at an agreed upon amount of \$725,000 and develop approximately 125 market-rate luxury apartment units including underground parking and 3,500 sq. feet of commercial space. Under the agreement, the developer will reimburse the city's \$725,000 land purchase with 20.5% of future tax increment. The remaining increment will be directed towards reimbursement of developer costs up to a principal amount of \$2,811,700 over the course of 25 years. The district was created in 2018 and is expected to be certified to the State of Minnesota by June 30, 2019. As of December 31, 2018, no tax increment had been generated. It is anticipated that the first tax increment will be generated in 2020.
- TIF District No. 20 was established in 2018 to aid in redeveloping the old downtown city hall location. The developer, Enclave Development, LLC is developing approximately 80 market-rate apartment units, including underground parking, and approximately 1,500 square feet of commercial space including all site improvements. Under the agreement, a redevelopment grant in the amount of \$2,132,400 will be issued to the developer. The city will collect 100% of the future increment over the course of the next 25 years to repay \$300,000 in demolition costs and the \$2.1 million redevelopment grant. The district was created in 2018 and is expected to be certified to the State of Minnesota by June 30, 2019. As of December 31, 2018, no tax increment had been generated. It is anticipated that the first tax increment will be generated in 2020.
- TIF District No. 21 was established in 2018 as a soils condition district to facilitate development of certain property by removing or remediating hazardous substances, pollution or contaminants within the city. Under the agreement, the developer, Shakopee Crossings Limited Partnership is eligible for up to \$2,020,800 of soil remediation costs and will be reimbursed through tax increment collections over the next 20 years. The district was created in 2018 and is expected to be certified to the State of Minnesota by June 30, 2019. As of December 31, 2018, no tax increment had been generated. It is anticipated that the first tax increment will be generated in 2020.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2018, the City implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2018 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1 and 14.

As a result of the restatement of beginning balances were increased in the Governmental Activities \$75,291 and decrease in the Sewer and Storm Drainage Funds \$6,902.

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REQUIRED SUPPLEMENTARY INFORMATION

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 Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2018	0.1045%	\$ 5,797,232	\$ 190,111	\$ 5,987,343	\$ 7,014,843	85.35%	79.50%
June 30, 2017	0.1026%	6,549,916	82,350	6,632,266	6,194,557	107.07%	75.90%
June 30, 2016	0.0933%	7,575,497	98,919	7,674,416	6,246,667	122.86%	68.91%
June 30, 2015	0.0930%	4,819,743	-	4,819,743	5,275,939	91.35%	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	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2018	0.4810%	\$ 5,126,965	\$ 5,069,010	101.14%	88.80%
June 30, 2017	0.4810%	6,494,072	4,642,761	139.88%	85.40%
June 30, 2016	0.4680%	18,781,654	4,827,360	389.07%	63.88%
June 30, 2015	0.4720%	5,363,024	4,169,456	128.63%	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	Component Unit's Proportion of the Net Pension Liability	Component Unit's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the Component Unit	Component Unit's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the Component Unit	Component Unit's Covered Payroll	Component Unit's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2018	0.0645%	\$ 3,578,196	\$ 117,344	\$ 3,695,540	\$ 4,333,280	82.57%	79.50%
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 Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2018	\$ 544,381	\$ 544,381	\$ -	\$ 7,258,413	7.50%
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 Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2018	\$ 851,625	\$ 851,625	\$ -	\$ 5,256,945	16.20%
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)	Component Unit's Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2018	\$ 333,418	\$ 333,418	\$ -	\$ 4,445,573	7.50%
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	2017
Total Pension Liability (TPL)				
Service cost	\$ 135,715	\$ 139,447	\$ 151,879	\$ 136,432
Interest	224,377	228,231	247,134	244,054
Differenced between expected and actual experience	-	-	(75,511)	-
Changes of assumptions	-	-	31,553	-
Changes of benefit terms	-	-	-	52,084
Benefit payments, including refunds or member contributions	(599,181)	-	(130,106)	(298,088)
Net change in total pension liability	(239,089)	367,678	224,949	134,482
Beginning of year	\$ 3,903,491	\$ 3,664,402	\$ 4,032,080	\$ 4,257,029
End of year	\$ 3,664,402	\$ 4,032,080	\$ 4,257,029	\$ 4,391,511
Plan Fiduciary Net Pension (FNP)				
Contributions - employer	\$ 341,036	\$ 244,626	\$ 247,910	\$ 252,336
Contributions - donations and other local	-	-	-	95
Net investment income	315,532	(268,069)	385,789	789,234
Benefit payments, including refunds of member contributions	(599,181)	-	(130,106)	(298,088)
Administrative expense	(10,897)	(9,761)	(16,676)	(11,919)
Other	-	-	-	-
Net change in plan fiduciary net position	46,490	(33,204)	486,917	731,658
Beginning of year	5,135,900	5,182,390	5,149,186	5,636,103
End of year	\$ 5,182,390	\$ 5,149,186	\$ 5,636,103	\$ 6,367,761
Net Pension Liability (NPL)	\$ (1,517,988)	\$ (1,117,106)	\$ (1,379,074)	\$ (1,976,250)
Plan fiduciary net position as a percentage of the total pension liability	141.4%	127.7%	132.4%	145.0%
Covered employee payroll	n/a	n/a	n/a	n/a
Net pension liability as a percentage of covered payroll	n/a	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, 2017	\$ -	\$ -	\$ -	\$ 250,336	n/a	n/a
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.

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CITY OF SHAKOPEE

SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 143,652
Interest	79,747
Changes of assumptions	81,560
Benefit payments	<u>(72,637)</u>
Net change in total OPEB liability	232,322
Total OPEB liability- beginning	<u>1,985,761</u>
Total OPEB liability- ending	<u><u>\$ 2,218,083</u></u>
Covered Employee Payroll	\$12,533,653
City's Total OPEB Liability as a Percentage of Covered Employee Payroll	17.70%

Assumption changes:

In 2018, the following benefit changes occurred:

The discount rate was changed from 3.81% as of 12/31/2016 to 3.31% as of 12/31/2017 based on updated 20-year municipal bond rates as of each measurement date.

Since the most recent GASB 45 valuation, the following changes have been made:

The discount rate was changed from 3.50% to 3.81% based on updated measurement dates and GASB 75 requirements.

Healthcare trend rates were reset to reflect updated const increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

Medical per capita claims costs were updated to reflect recent experience and new plan offerings.

Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2015 PERA General and Police & Fire Employees Retirement Plan to the rates used in the 7/1/2018 valuation.

The percent of future regular retirees assumed to elect coverage at retirement changed from 50% to 30% to reflect recent plan experience.

The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward looking market expectations.

CITY OF SHAKOPEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

GENERAL EMPLOYEES FUND

2018 Changes

Changes in actuarial assumptions

- The morality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year

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

2018 Changes

Changes in actuarial assumptions

- The morality projection scale was changed from MP-2016 to MP-2017
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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.

CITY OF SHAKOPEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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, 2018**

	Budget		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes				
General Property	\$ 14,616,600	\$ 14,640,600	\$ 14,541,438	\$ (99,162)
Fiscal Disparities	2,104,900	2,104,900	2,015,891	(89,009)
Lodging	370,000	-	-	-
Franchise	429,000	429,000	416,044	(12,956)
Aggregate	8,500	8,500	7,696	(804)
Total Taxes	<u>17,529,000</u>	<u>17,183,000</u>	<u>16,981,069</u>	<u>(201,931)</u>
Special Assessments	7,000	7,300	7,416	116
Licenses and Permits	1,416,000	1,952,700	2,606,018	653,318
Intergovernmental Revenues				
Federal Grants	20,000	20,000	85,879	65,879
PERA Aid	18,100	18,100	18,170	70
Police Aid	441,300	441,300	453,159	11,859
Fire Aid	253,800	259,400	259,378	(22)
State Grants	627,900	547,400	551,609	4,209
Other Grants and Aids	125,000	-	92,223	92,223
Total Intergovernmental Revenues	<u>1,486,100</u>	<u>1,286,200</u>	<u>1,460,418</u>	<u>174,218</u>
Charges for Services				
General Government	2,173,600	2,416,600	2,604,041	187,441
Public Safety	851,700	857,000	897,857	40,857
Public Works	574,500	841,500	869,729	28,229
Parks and Recreation	2,100,000	2,138,900	2,410,762	271,862
Total Charges for Services	<u>5,699,800</u>	<u>6,254,000</u>	<u>6,782,389</u>	<u>528,389</u>
Fines and Forfeitures	1,500	800	1,815	1,015
Miscellaneous Revenues				
Investment Income	150,000	150,000	180,058	30,058
Contributions and Donations	16,800	34,500	58,912	24,412
Rents	10,000	10,000	10,231	231
Other	29,700	82,400	18,880	(63,520)
Total Miscellaneous Revenues	<u>206,500</u>	<u>276,900</u>	<u>268,081</u>	<u>(8,819)</u>
Total Revenues	<u>26,345,900</u>	<u>26,960,900</u>	<u>28,107,206</u>	<u>1,146,306</u>

EXPENDITURES

General Government

Current:

Mayor and Council	\$ 169,300	\$ 186,800	\$ 174,814	\$ (11,986)
Administration	1,835,300	1,883,700	1,818,579	(65,121)
City Clerk	405,400	399,500	388,441	(11,059)
Finance	1,265,700	914,200	910,603	(3,597)
Planning	848,400	896,200	707,538	(188,662)
Government Buildings	398,800	601,100	628,269	27,169
Unallocated	216,300	216,400	39,824	(176,576)
Capital Outlay	<u>-</u>	<u>-</u>	<u>57,500</u>	<u>57,500</u>
Total General Government	<u>5,139,200</u>	<u>5,097,900</u>	<u>4,725,568</u>	<u>(372,332)</u>

CITY OF SHAKOPEE

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2018**

	Budget		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
EXPENDITURES (Continued)				
Public Safety				
Current:				
Police	8,694,400	8,562,100	8,379,345	(182,755)
Fire	2,467,200	2,455,200	2,424,894	(30,306)
Building Inspection	810,600	873,600	822,284	(51,316)
Capital Outlay	-	175,000	217,186	42,186
Total Public Safety	<u>11,972,200</u>	<u>12,065,900</u>	<u>11,843,709</u>	<u>(222,191)</u>
Public Works				
Current:				
Engineering	817,600	881,500	913,434	31,934
Streets	2,201,700	2,189,200	2,207,182	17,982
Shop	464,200	431,000	428,616	(2,384)
Park Maintenance	2,060,300	2,039,600	2,085,753	46,153
Total Public Works	<u>5,543,800</u>	<u>5,541,300</u>	<u>5,634,985</u>	<u>93,685</u>
Culture and Recreation				
Current:				
Recreation	3,814,500	3,834,600	3,598,591	(236,009)
Capital Outlay	-	-	2,095	2,095
Total Parks and Recreation	<u>3,814,500</u>	<u>3,834,600</u>	<u>3,600,686</u>	<u>(233,914)</u>
Conservation and Natural Resources				
Current:				
Natural Resources	126,200	82,400	36,334	(46,066)
Total Conservation and Natural Resources	<u>126,200</u>	<u>82,400</u>	<u>36,334</u>	<u>(46,066)</u>
 Total Expenditures	<u>26,595,900</u>	<u>26,622,100</u>	<u>25,841,282</u>	<u>(780,818)</u>
 Excess of Revenues Over (Under)	(250,000)	338,800	2,265,924	1,927,124
OTHER FINANCING SOURCES (USES)				
Transfers In	250,000	250,000	262,526	12,526
Transfers Out	-	-	(2,187,000)	(2,187,000)
Total Other Financing Sources (Uses)	<u>250,000</u>	<u>250,000</u>	<u>(1,924,474)</u>	<u>(2,174,474)</u>
 Net Change in Fund Balances	<u>\$ -</u>	<u>\$ 588,800</u>	341,450	<u>\$ (247,350)</u>
FUND BALANCES				
Beginning of Year			<u>11,977,994</u>	
End of Year			<u>\$ 12,319,444</u>	

CITY OF SHAKOPEE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2018

	Special Revenue		
	Forfeiture	Telecommunication	SCDP Grant
ASSETS			
Cash and Investments	\$ 201,147	\$ 68,377	\$ 18,368
Delinquent Taxes Receivable	-	-	-
Special Assessments Receivable:			
Delinquent	-	-	-
Deferred	-	-	-
Accounts Receivable	-	8,056	-
Interest Receivable	778	265	-
Due From Other Governments	-	-	-
Prepaid Items	3,801	-	-
Total Assets	<u>\$ 205,726</u>	<u>\$ 76,698</u>	<u>\$ 18,368</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 5,834	\$ -	\$ -
Due to Other Funds	-	-	-
Due to Other Governments	769	-	-
Total Liabilities	<u>6,603</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			
Nonspendable	3,801	-	-
Restricted for:			
Special Revenue	195,322	-	18,368
Debt Service	-	-	-
Capital Projects	-	-	-
Assigned	-	76,698	-
Unassigned	-	-	-
Total Fund Balances	<u>199,123</u>	<u>76,698</u>	<u>18,368</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 205,726</u>	<u>\$ 76,698</u>	<u>\$ 18,368</u>

Special Revenue			Debt Service		
Revolving Loan	Lodging Tax	Total	2008A GO Improvement Bonds	2010A GO Improvement Bonds	2012A GO Refunding Bonds
\$ 73,004	\$ -	\$ 360,896	\$ 231,163	\$ 178,853	\$ 1,651,826
-	-	-	40	-	-
-	-	-	-	-	988
-	-	-	-	26,277	924,228
-	21,266	29,322	-	-	-
-	-	1,043	895	691	6,391
-	-	-	9	-	-
-	-	3,801	-	-	-
<u>\$ 73,004</u>	<u>\$ 21,266</u>	<u>\$ 395,062</u>	<u>\$ 232,107</u>	<u>\$ 205,821</u>	<u>\$ 2,583,433</u>
\$ -	\$ 21,266	\$ 27,100	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	769	-	-	-
<u>-</u>	<u>21,266</u>	<u>27,869</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	40	-	-
-	-	-	-	26,277	925,216
<u>-</u>	<u>-</u>	<u>-</u>	<u>40</u>	<u>26,277</u>	<u>925,216</u>
-	-	3,801	-	-	-
73,004	-	286,694	-	-	-
-	-	-	232,067	179,544	1,658,217
-	-	-	-	-	-
-	-	76,698	-	-	-
-	-	-	-	-	-
<u>73,004</u>	<u>-</u>	<u>367,193</u>	<u>232,067</u>	<u>179,544</u>	<u>1,658,217</u>
<u>\$ 73,004</u>	<u>\$ 21,266</u>	<u>\$ 395,062</u>	<u>\$ 232,107</u>	<u>\$ 205,821</u>	<u>\$ 2,583,433</u>

CITY OF SHAKOPEE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
December 31, 2018

	<u>Debt Service</u>		<u>Capital Projects</u>
	2016A GO Tax Abatement Bonds	Total	Park Reserve
ASSETS			
Cash and Investments	\$ 1,132,888	\$ 3,194,730	\$ 2,935,476
Delinquent Taxes Receivable	-	40	-
Special Assessments Receivable:			
Delinquent	-	988	-
Deferred	-	950,505	-
Accounts Receivable	-	-	1,951
Interest Receivable	4,383	12,360	11,357
Due From Other Governments	-	9	-
Prepaid Items	-	-	-
Total Assets	<u>\$ 1,137,271</u>	<u>\$ 4,158,632</u>	<u>\$ 2,948,784</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ 4,908
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>4,908</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	40	-
Unavailable Revenue - Special Assessments	-	951,493	-
Total Deferred Inflows of Resources	<u>-</u>	<u>951,533</u>	<u>-</u>
Fund Balances			
Nonspendable	-	-	-
Restricted for:			
Special Revenue	-	-	-
Debt Service	1,137,271	3,207,099	-
Capital Projects	-	-	2,943,876
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>1,137,271</u>	<u>3,207,099</u>	<u>2,943,876</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,137,271</u>	<u>\$ 4,158,632</u>	<u>\$ 2,948,784</u>

Capital Projects

TIF District No. 10	TIF District No. 14 J&J / Sanmar	TIF District No. 15 All Saints/Trident	TIF District No. 16 Rahr	TIF District No. 18 Canterbury Common	Community Center & Ice Arena
\$ -	\$ 114,948	\$ 132,394	\$ 8,072	\$ -	\$ 14,604
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(1)	-	(219)	67
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 114,948</u>	<u>\$ 132,393</u>	<u>\$ 8,072</u>	<u>\$ (219)</u>	<u>\$ 14,671</u>
\$ -	\$ -	\$ 40,287	\$ -	\$ 88,442	\$ 7,371
653	-	-	-	56,713	-
-	-	-	-	4,844	-
<u>653</u>	<u>-</u>	<u>40,287</u>	<u>-</u>	<u>149,999</u>	<u>7,371</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	114,948	92,106	8,072	-	7,300
-	-	-	-	-	-
(653)	-	-	-	(150,218)	-
<u>(653)</u>	<u>114,948</u>	<u>92,106</u>	<u>8,072</u>	<u>(150,218)</u>	<u>7,300</u>
<u>\$ -</u>	<u>\$ 114,948</u>	<u>\$ 132,393</u>	<u>\$ 8,072</u>	<u>\$ (219)</u>	<u>\$ 14,671</u>

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
December 31, 2018**

	Capital Projects		
	Road Expansion Dedication	Lions Park	Tree Replacement
ASSETS			
Cash and Investments	\$ 133,540	\$ 22,000	\$ 227,531
Delinquent Taxes Receivable	-	-	-
Special Assessments Receivable:			
Delinquent	-	-	-
Deferred	-	-	-
Accounts Receivable	-	-	-
Interest Receivable	516	-	881
Due From Other Governments	-	-	-
Prepaid Items	-	-	-
Total Assets	<u>\$ 134,056</u>	<u>\$ 22,000</u>	<u>\$ 228,412</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Total Liabilities	<u>-</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			
Nonspendable	-	-	-
Restricted for:			
Special Revenue	-	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Assigned	134,056	22,000	228,412
Unassigned	-	-	-
Total Fund Balances	<u>134,056</u>	<u>22,000</u>	<u>228,412</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 134,056</u>	 <u>\$ 22,000</u>	 <u>\$ 228,412</u>

Capital Projects

<u>Seal Coat</u>	<u>City Hall</u>	<u>Total</u>	<u>Total Governmental Funds</u>
\$ 131,235	\$ -	\$ 3,719,800	\$ 7,275,426
-	-	-	40
-	-	-	988
-	-	-	950,505
-	5,000	6,951	36,273
508	-	13,109	26,512
-	-	-	9
-	-	-	3,801
<u>\$ 131,743</u>	<u>\$ 5,000</u>	<u>\$ 3,739,860</u>	<u>\$ 8,293,554</u>
\$ -	\$ -	\$ 141,008	\$ 168,108
-	55,000	112,366	112,366
-	-	4,844	5,613
<u>-</u>	<u>55,000</u>	<u>258,218</u>	<u>286,087</u>
-	-	-	40
-	-	-	951,493
<u>-</u>	<u>-</u>	<u>-</u>	<u>951,533</u>
-	-	-	3,801
-	-	-	286,694
-	-	-	3,207,099
-	-	3,166,302	3,166,302
131,743	-	516,211	592,909
-	(50,000)	(200,871)	(200,871)
<u>131,743</u>	<u>(50,000)</u>	<u>3,481,642</u>	<u>7,055,934</u>
<u>\$ 131,743</u>	<u>\$ 5,000</u>	<u>\$ 3,739,860</u>	<u>\$ 8,293,554</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NON MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018**

	Special Revenue			
	Forfeiture	Telecommunication	SCDP Grant	Revolving Loan
REVENUES				
Taxes	\$ -	\$ 32,476	\$ -	\$ -
Tax Increment	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	44,006	-	-	-
Miscellaneous	9,820	-	7,500	-
Investment Income	3,196	1,085	63	-
Total Revenues	<u>57,022</u>	<u>33,561</u>	<u>7,563</u>	<u>-</u>
EXPENDITURES				
Current				
General Government	-	805	-	-
Public Safety	66,010	-	-	-
Conservation and Natural Resources	-	-	-	-
Economic Development	-	-	-	65,000
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	<u>12,937</u>	<u>30,197</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>78,947</u>	<u>31,002</u>	<u>-</u>	<u>65,000</u>
Excess of Revenues Over (Under) Expenditures	<u>(21,925)</u>	<u>2,559</u>	<u>7,563</u>	<u>(65,000)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(21,925)	2,559	7,563	(65,000)
FUND BALANCES				
Beginning of Year	<u>221,048</u>	<u>74,139</u>	<u>10,805</u>	<u>138,004</u>
End of Year	<u>\$ 199,123</u>	<u>\$ 76,698</u>	<u>\$ 18,368</u>	<u>\$ 73,004</u>

Special Revenue		Debt Service			
Lodging Tax	Total	2007B GO Improvement Bonds	2008A GO Improvement Bonds	2010A GO Improvement Bonds	2012A GO Refunding Bonds
\$ 378,950	\$ 411,426	\$ -	\$ 135,448	\$ 105,940	\$ -
-	-	-	-	-	-
-	-	-	53,382	21,887	179,579
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	44,006	-	-	-	-
-	17,320	-	-	-	-
-	4,344	1,012	1,740	1,498	20,514
378,950	477,096	1,012	190,570	129,325	200,093
378,950	379,755	-	-	-	-
-	66,010	-	-	-	-
-	-	-	-	-	-
-	65,000	-	-	-	-
-	-	155,000	210,000	135,000	455,000
-	-	3,850	16,811	12,704	72,211
-	43,134	-	-	-	-
378,950	553,899	158,850	226,811	147,704	527,211
-	(76,803)	(157,838)	(36,241)	(18,379)	(327,118)
-	-	-	-	-	300,000
-	-	(7,576)	-	-	-
-	-	(7,576)	-	-	300,000
-	(76,803)	(165,414)	(36,241)	(18,379)	(27,118)
-	443,996	165,414	268,308	197,923	1,685,335
\$ -	\$ 367,193	\$ -	\$ 232,067	\$ 179,544	\$ 1,658,217

CITY OF SHAKOPEE

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

For the Year Ended December 31, 2018

	Debt Service		Capital Projects	
	2016A GO			
	Tax			TIF District
	Abatement			No. 10
	Bonds	Total	Park Reserve	
REVENUES				
Taxes	\$ 1,942,260	\$ 2,183,648	\$ -	\$ -
Tax Increment	-	-	-	56,972
Special Assessments	-	254,848	-	-
Licenses and Permits	-	-	1,755,036	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	1,817	-
Fines and Forfeitures	-	-	-	-
Miscellaneous	-	-	23,133	-
Investment Income	1,454	26,218	19,243	-
Total Revenues	<u>1,943,714</u>	<u>2,464,714</u>	<u>1,799,229</u>	<u>56,972</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Conservation and Natural Resources	-	-	-	-
Economic Development	-	-	-	52,008
Debt Service				
Principal	1,040,000	1,995,000	-	-
Interest and Other Charges	1,065,492	1,171,068	-	922
Capital Outlay	-	-	83,903	-
Total Expenditures	<u>2,105,492</u>	<u>3,166,068</u>	<u>83,903</u>	<u>52,930</u>
Excess of Revenues Over (Under) Expenditures	<u>(161,778)</u>	<u>(701,354)</u>	<u>1,715,326</u>	<u>4,042</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	7,576	307,576	-	-
Transfers Out	-	(7,576)	-	-
Total Other Financing Sources (Uses)	<u>7,576</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(154,202)	(401,354)	1,715,326	4,042
FUND BALANCES				
Beginning of Year	<u>1,291,473</u>	<u>3,608,453</u>	<u>1,228,550</u>	<u>(4,695)</u>
End of Year	<u>\$ 1,137,271</u>	<u>\$ 3,207,099</u>	<u>\$ 2,943,876</u>	<u>\$ (653)</u>

Capital Projects

TIF District No. 14 J&J / Sanmar	Shutterfly Abatement	TIF District No. 15 All Saints/Trident	Datacard Abatement	TIF District No. 16 Rahr	TIF District No. 18 Canterbury Common
\$ -	\$ 121,626	\$ -	\$ 62,217	\$ -	\$ -
300,997	-	178,416	-	237,425	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(1)	-	-	387
300,997	121,626	178,415	62,217	237,425	387
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
271,676	121,626	121,333	62,217	231,202	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	150,605
271,676	121,626	121,333	62,217	231,202	150,605
29,321	-	57,082	-	6,223	(150,218)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
29,321	-	57,082	-	6,223	(150,218)
85,627	-	35,024	-	1,849	-
\$ 114,948	\$ -	\$ 92,106	\$ -	\$ 8,072	\$ (150,218)

CITY OF SHAKOPEE

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

For the Year Ended December 31, 2018

	Capital Projects			
	Community Center & Ice Arena	Road Expansion Dedication	Lions Park	Tree Replacement
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increment	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	5,528
Charges for Services	-	7,297	-	2,384
Fines and Forfeitures	-	-	-	50,000
Miscellaneous	-	-	-	-
Investment Income	1,447	1,191	-	5,013
Total Revenues	<u>1,447</u>	<u>8,488</u>	<u>-</u>	<u>62,925</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Conservation and Natural Resources	-	-	-	53,154
Economic Development	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	182,364	-	-	-
Total Expenditures	<u>182,364</u>	<u>-</u>	<u>-</u>	<u>53,154</u>
Excess of Revenues Over (Under) Expenditures	<u>(180,917)</u>	<u>8,488</u>	<u>-</u>	<u>9,771</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	30,000	-	-
Transfers Out	-	-	-	(82,764)
Total Other Financing Sources (Uses)	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>(82,764)</u>
Net Change in Fund Balances	(180,917)	38,488	-	(72,993)
FUND BALANCES				
Beginning of Year	<u>188,217</u>	<u>95,568</u>	<u>22,000</u>	<u>301,405</u>
End of Year	<u>\$ 7,300</u>	<u>\$ 134,056</u>	<u>\$ 22,000</u>	<u>\$ 228,412</u>

Capital Projects			
Seal Coat	City Hall	Total	Total Other Governmental Funds
\$ -	\$ -	\$ 323,096	\$ 2,918,170
-	-	773,810	773,810
-	-	-	254,848
-	-	1,755,036	1,755,036
-	-	5,528	5,528
-	-	11,498	11,498
-	-	50,000	94,006
60,943	-	84,076	101,396
1,970	-	29,250	59,812
<u>62,913</u>	<u>-</u>	<u>3,032,294</u>	<u>5,974,104</u>
-	-	-	379,755
-	-	-	66,010
-	-	53,154	53,154
-	-	999,315	1,064,315
-	-	-	1,995,000
-	-	922	1,171,990
-	(3,437)	413,435	456,569
<u>-</u>	<u>(3,437)</u>	<u>1,466,826</u>	<u>5,186,793</u>
<u>62,913</u>	<u>3,437</u>	<u>1,565,468</u>	<u>787,311</u>
-	1,018,283	1,048,283	1,355,859
<u>(42,526)</u>	<u>-</u>	<u>(125,290)</u>	<u>(132,866)</u>
<u>(42,526)</u>	<u>1,018,283</u>	<u>922,993</u>	<u>1,222,993</u>
20,387	1,021,720	2,488,461	2,010,304
<u>111,356</u>	<u>(1,071,720)</u>	<u>993,181</u>	<u>5,045,630</u>
<u>\$ 131,743</u>	<u>\$ (50,000)</u>	<u>\$ 3,481,642</u>	<u>\$ 7,055,934</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF NET POSITION -
INTERNAL SERVICE FUNDS
December 31, 2018**

	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Self Insurance	Total
ASSETS							
Current Assets							
Cash and Investments, Including							
Cash Equivalents	\$ 3,681,710	\$ 2,852,193	\$ 2,902,259	\$ 1,136,035	\$ 678,258	\$ 1,380,828	\$12,631,283
Accounts Receivable	-	-	-	-	-	6,704	6,704
Interest Receivable	14,246	11,250	11,232	4,395	2,624	5,343	49,090
Due from Other Funds	-	55,000	-	-	-	-	55,000
Prepaid Expenses	-	-	-	-	30,041	208,846	238,887
Total Current Assets	<u>3,695,956</u>	<u>2,918,443</u>	<u>2,913,491</u>	<u>1,140,430</u>	<u>710,923</u>	<u>1,601,721</u>	<u>12,980,964</u>
Noncurrent Assets							
Advances to Other Funds, Noncurrent	941,394	300,000	-	-	-	-	1,241,394
Capital Assets:							
Land	-	-	221,876	-	-	-	221,876
Construction in Progress	-	20,950	57,805	-	-	-	78,755
Infrastructure	-	210,141	3,596,319	-	-	-	3,806,460
Buildings	-	29,421,755	3,296,094	-	-	-	32,717,849
Machinery and Equipment	12,877,967	189,539	4,431,667	-	487,747	-	17,986,920
Total Cost	12,877,967	29,842,385	11,603,761	-	487,747	-	54,811,860
Less Accumulated Depreciation	(5,829,625)	(11,504,116)	(5,069,092)	-	(223,551)	-	(22,626,384)
Net Capital Assets	7,048,342	18,338,269	6,534,669	-	264,196	-	32,185,476
Total Noncurrent Assets	<u>7,989,736</u>	<u>18,638,269</u>	<u>6,534,669</u>	<u>-</u>	<u>264,196</u>	<u>-</u>	<u>33,426,870</u>
Total Assets	<u>\$11,685,692</u>	<u>\$21,556,712</u>	<u>\$ 9,448,160</u>	<u>\$ 1,140,430</u>	<u>\$ 975,119</u>	<u>\$ 1,601,721</u>	<u>\$46,407,834</u>
LIABILITIES AND NET POSITION							
Current Liabilities							
Accounts Payable	\$ -	\$ 35,032	\$ -	\$ -	\$ 41,048	\$ 8,248	\$ 84,328
Contracts Payable	-	4,580	-	-	-	-	4,580
Current Compensated Absences	-	-	-	1,074,681	-	-	1,074,681
Total Current Liabilities	<u>-</u>	<u>39,612</u>	<u>-</u>	<u>1,074,681</u>	<u>41,048</u>	<u>8,248</u>	<u>1,163,589</u>
Noncurrent Liabilities							
Advance from Other Funds	-	1,540,000	-	-	-	-	1,540,000
Compensated Absences	-	-	-	1,313,498	-	-	1,313,498
Total Noncurrent Liabilities	<u>-</u>	<u>1,540,000</u>	<u>-</u>	<u>1,313,498</u>	<u>-</u>	<u>-</u>	<u>2,853,498</u>
Total Liabilities	<u>-</u>	<u>1,579,612</u>	<u>-</u>	<u>2,388,179</u>	<u>41,048</u>	<u>8,248</u>	<u>4,017,087</u>
Net Position							
Investment in Capital Assets	7,048,342	18,338,269	6,534,669	-	264,196	-	32,185,476
Unrestricted	4,637,350	1,638,831	2,913,491	(1,247,749)	669,875	1,593,473	10,205,271
Total Net Position	<u>11,685,692</u>	<u>19,977,100</u>	<u>9,448,160</u>	<u>(1,247,749)</u>	<u>934,071</u>	<u>1,593,473</u>	<u>42,390,747</u>
Total Liabilities and Net Position	<u>\$11,685,692</u>	<u>\$21,556,712</u>	<u>\$ 9,448,160</u>	<u>\$ 1,140,430</u>	<u>\$ 975,119</u>	<u>\$ 1,601,721</u>	<u>\$46,407,834</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2018**

	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Self Insurance	Total
OPERATING REVENUES							
Rental Charges	\$ 889,300	\$ 579,400	\$ 781,300	\$ -	\$ 400,900	\$ 858,642	\$ 3,509,542
Other Charges	-	-	24,980	-	-	6,739	31,719
Total Operating Revenues	<u>889,300</u>	<u>579,400</u>	<u>806,280</u>	<u>-</u>	<u>400,900</u>	<u>865,381</u>	<u>3,541,261</u>
OPERATING EXPENSES							
Salaries and Benefits	-	-	-	86,088	-	-	86,088
Depreciation	860,407	684,115	431,742	-	17,686	-	1,993,950
Professional Services	-	1,677	-	-	4,130	20,728	26,535
Repairs and Maintenance	-	91	-	-	44,122	12,789	57,002
Materials and Supplies	55,744	20,714	40,651	-	231,801	-	348,910
Insurance	-	-	-	-	-	692,379	692,379
Total Operating Expenses	<u>916,151</u>	<u>706,597</u>	<u>472,393</u>	<u>86,088</u>	<u>297,739</u>	<u>725,896</u>	<u>3,204,864</u>
Operating Income (Loss)	<u>(26,851)</u>	<u>(127,197)</u>	<u>333,887</u>	<u>(86,088)</u>	<u>103,161</u>	<u>139,485</u>	<u>336,397</u>
NONOPERATING REVENUES (EXPENSES)							
Investment Income (Loss)	54,110	44,892	34,071	15,488	8,996	9,937	167,494
Insurance Dividends	-	-	-	-	-	26,150	26,150
Interest Expense	-	(20,625)	-	-	-	-	(20,625)
Gain (Loss) on Sale of Asset	<u>7,884</u>	<u>(45,536)</u>	<u>(71,491)</u>	<u>-</u>	<u>-</u>	<u>6,704</u>	<u>(102,439)</u>
Total Nonoperating Revenues (Expenses)	<u>61,994</u>	<u>(21,269)</u>	<u>(37,420)</u>	<u>15,488</u>	<u>8,996</u>	<u>42,791</u>	<u>70,580</u>
Income (Loss) before Capital Contributions and Transfers	35,143	(148,466)	296,467	(70,600)	112,157	182,276	406,977
Capital Grants and Contribution	-	-	5,000	-	-	-	5,000
Transfers Out	<u>-</u>	<u>(470,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(470,000)</u>
Change in Net Position	35,143	(618,466)	301,467	(70,600)	112,157	182,276	(58,023)
NET POSITION							
Beginning 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>
End of Year	<u>\$11,685,692</u>	<u>\$ 19,977,100</u>	<u>\$ 9,448,160</u>	<u>\$ (1,247,749)</u>	<u>\$ 934,071</u>	<u>\$ 1,593,473</u>	<u>\$42,390,747</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2018**

	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Self Insurance	Total
CASH FLOWS - OPERATING ACTIVITIES							
Receipts from Customers and Users	\$ 897,463	\$ 579,400	\$ 806,280	\$ -	\$ 400,900	\$ 858,677	\$ 3,542,720
Receipts from Interfund Services	-	-	-	46,293	-	-	46,293
Payments to Suppliers	(67,344)	14,420	(64,726)	-	(384,034)	(735,058)	(1,236,742)
Net Cash Flows - Operating Activities	830,119	593,820	741,554	46,293	16,866	123,619	2,352,271
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES							
Payment Paid on Interfund Loan	-	(60,000)	-	-	-	-	(60,000)
Interest Expense on Interfund Loan Repayment	-	(20,625)	-	-	-	-	(20,625)
Receipts from Interfund Services	-	918,435	-	-	-	-	918,435
Insurance Dividends	-	-	-	-	-	26,150	26,150
Transfer to Other Funds	-	(470,000)	-	-	-	-	(470,000)
Net Cash Flows - Noncapital Financing Activities	-	367,810	-	-	-	26,150	393,960
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES							
Donations	-	-	5,000	-	-	-	5,000
Proceeds from Disposal of Capital Assets	188,699	-	-	-	-	6,704	195,403
Acquisition of Capital Assets	(1,193,792)	(154,361)	(85,439)	-	(52,738)	-	(1,486,330)
Net Cash Flows - Capital and Related Financing Activities	(1,005,093)	(154,361)	(80,439)	-	(52,738)	6,704	(1,285,927)
CASH FLOWS - INVESTING ACTIVITIES							
Interest Received	56,065	46,313	32,256	15,672	9,377	7,225	166,908
Net Cash Flows - Investing Activities	56,065	46,313	32,256	15,672	9,377	7,225	166,908
Net Change in Cash and Cash Equivalents	(118,909)	853,582	693,371	61,965	(26,495)	163,698	1,627,212
CASH AND CASH EQUIVALENTS							
Beginning of Year	3,800,619	1,998,611	2,208,888	1,074,070	704,753	1,217,130	11,004,071
End of Year	<u>\$ 3,681,710</u>	<u>\$ 2,852,193</u>	<u>\$ 2,902,259</u>	<u>\$ 1,136,035</u>	<u>\$ 678,258</u>	<u>\$ 1,380,828</u>	<u>\$ 12,631,283</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES							
Operating Income (Loss)	\$ (26,851)	\$ (127,197)	\$ 333,887	\$ (86,088)	\$ 103,161	\$ 139,485	\$ 336,397
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:							
Depreciation Expense	860,407	684,115	431,742	-	17,686	-	1,993,950
Changes in:							
Accounts Receivable	8,163	-	-	-	-	(6,704)	1,459
Accounts and Contracts Payable	(11,600)	36,902	(24,075)	-	(73,940)	5,972	(66,741)
Prepaid Expenses	-	-	-	-	(30,041)	(15,134)	(45,175)
Compensated Absences Payable	-	-	-	132,381	-	-	132,381
Total Adjustments	856,970	721,017	407,667	132,381	(86,295)	(15,866)	2,015,874
Net Cash Flows - Operating Activities	<u>\$ 830,119</u>	<u>\$ 593,820</u>	<u>\$ 741,554</u>	<u>\$ 46,293</u>	<u>\$ 16,866</u>	<u>\$ 123,619</u>	<u>\$ 2,352,271</u>

CITY OF SHAKOPEE

COMBINED STATEMENT OF FIDUCIARY NET POSITION
December 31, 2018

	Escrow Agency Fund	Holiday Lighting Agency Fund	Southwest Metro Drug Task Force Agency Fund	Total Agency Funds
ASSETS				
Cash and Investments	\$ 2,133,806	\$ (69)	\$ 264,098	\$ 2,397,835
Accounts Receivable	-	-	597	597
Interest Receivable	-	-	1,025	1,025
Due from Other Governments	-	-	45,248	45,248
Prepays	-	-	8,534	8,534
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 2,133,806</u></u>	<u><u>\$ (69)</u></u>	<u><u>\$ 319,502</u></u>	<u><u>\$ 2,453,239</u></u>
LIABILITIES				
Accounts Payable	\$ -	\$ (69)	\$ 158,447	\$ 158,378
Deposits Payable	2,133,806	-	119,274	2,253,080
Due to Other Governments	-	-	41,781	41,781
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u><u>\$ 2,133,806</u></u>	<u><u>\$ (69)</u></u>	<u><u>\$ 319,502</u></u>	<u><u>\$ 2,453,239</u></u>

CITY OF SHAKOPEE

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

For the Year Ended December 31, 2018

Escrow Agency Fund			
	Balance at December 31, 2017	Additions	Deductions
			Balance at December 31, 2018
ASSETS			
Cash and Investments	\$ 1,925,440	\$ 1,408,329	\$ 1,199,963
			\$ 2,133,806
LIABILITIES			
Deposits Payable	\$ 1,925,440	\$ 1,408,329	\$ 1,199,963
			\$ 2,133,806

Holiday Lighting Agency Fund			
	Balance at December 31, 2017	Additions	Deductions
			Balance at December 31, 2018
ASSETS			
Cash and Investments	\$ 355	\$ 4,320	\$ 4,744
			\$ (69)
LIABILITIES			
Accounts Payable	\$ 355	\$ 4,320	\$ 4,744
			\$ (69)

Southwest Metro Drug Task Force Agency Fund			
	Balance at December 31, 2017	Additions	Deductions
			Balance at December 31, 2018
ASSETS			
Cash and Investments	\$ 351,873	\$ 375,584	\$ 463,359
Accounts Receivable	49	548	-
Interest Receivable	1,489	-	464
Due from Other Governments	25,000	20,248	-
Prepays	6,932	1,602	-
			8,534
Total Assets	\$ 385,343	\$ 397,982	\$ 463,823
			\$ 319,502
LIABILITIES			
Accounts Payable	230,726	236,048	308,327
Deposits Payable	115,402	159,368	155,496
Due to Other Governments	39,215	2,566	-
			41,781
Total Liabilities	\$ 385,343	\$ 397,982	\$ 463,823
			\$ 319,502

CITY OF SHAKOPEE

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

For the Year Ended December 31, 2018

	Total Agency Funds			
	Balance at December 31, 2017	Additions	Deductions	Balance at December 31, 2018
ASSETS				
Cash and Investments	\$ 2,277,668	\$ 1,788,233	\$ 1,668,066	\$ 2,397,835
Accounts Receivable	49	548	-	597
Interest Receivable	1,489	-	464	1,025
Due from Other Governments	25,000	20,248	-	45,248
Prepays	6,932	1,602	-	8,534
Total Assets	<u>\$ 2,311,138</u>	<u>\$ 1,810,631</u>	<u>\$ 1,668,530</u>	<u>\$ 2,453,239</u>
LIABILITIES				
Accounts Payable	\$ 231,081	\$ 240,368	\$ 313,071	\$ 158,378
Deposits Payable	2,040,842	1,567,697	1,355,459	2,253,080
Due to Other Governments	39,215	2,566	-	41,781
Total Liabilities	<u>\$ 2,311,138</u>	<u>\$ 1,810,631</u>	<u>\$ 1,668,530</u>	<u>\$ 2,453,239</u>

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STATISTICAL SECTION

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CITY OF SHAKOPEE
STATISTICAL SECTION
December 31, 2018

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

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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	152
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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	159
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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	162
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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 activities it performs.

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 2009 Through 2018**

	2009	2010	2011	2012
Governmental Activities:				
Net Investment in Capital Assets	\$ 112,097,148	\$ 111,905,152	\$ 114,981,955	\$ 115,191,768
Restricted	16,518,865	1,844,129	10,914,439	9,912,551
Unrestricted	28,832,576	43,910,102	32,771,327	34,823,712
Total Governmental Activities Net Position	<u>\$ 157,448,589</u>	<u>\$ 157,659,383</u>	<u>\$ 158,667,721</u>	<u>\$ 159,928,031</u>
Business-Type Activities:				
Net Investment in Capital Assets	\$ 114,331,216	\$ 115,064,968	\$ 65,080,070	\$ 64,124,590
Restricted	3,574,612	4,889,050	-	-
Unrestricted	55,595,594	59,014,070	31,927,930	33,354,521
Total Business-Type Activities Net Position	<u>\$ 173,501,422</u>	<u>\$ 178,968,088</u>	<u>\$ 97,008,000</u>	<u>\$ 97,479,111</u>
Primary Government:				
Net Investment in Capital Assets	\$ 226,428,364	\$ 226,970,120	\$ 180,062,025	\$ 179,316,358
Restricted	20,093,477	6,733,179	10,914,439	9,912,551
Unrestricted	84,428,170	102,924,172	64,699,257	68,178,233
Total Primary Government Net Position	<u>\$ 330,950,011</u>	<u>\$ 336,627,471</u>	<u>\$ 255,675,721</u>	<u>\$ 257,407,142</u>

From 2009-2010, 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

2013	2014	2015	2016	2017	2018
\$ 118,166,525	\$ 117,980,552	\$ 120,831,029	\$ 128,559,527	\$ 135,442,110	\$ 137,799,457
10,454,238	7,103,581	7,547,490	6,637,391	6,342,643	7,136,534
30,642,443	35,302,035	23,939,064	16,719,760	15,059,730	16,107,363
<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>	<u>\$ 161,043,354</u>
\$ 65,181,465	\$ 67,831,099	\$ 68,986,369	\$ 70,099,288	\$ 75,547,444	\$ 78,642,426
-	-	-	-	-	-
31,183,904	28,485,814	25,981,542	23,281,483	22,730,751	22,999,131
<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>	<u>\$ 101,641,557</u>
\$ 183,347,990	\$ 185,811,651	\$ 189,817,398	\$ 198,658,815	\$ 210,989,554	\$ 216,441,883
10,454,238	7,103,581	7,547,490	6,637,391	6,342,643	7,136,534
61,826,347	63,787,849	49,920,606	40,001,243	37,790,481	39,106,494
<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>	<u>\$ 262,684,911</u>

CITY OF SHAKOPEE

CHANGES IN NET POSITION
Years 2009 Through 2018

	2009	2010	2011	2012	2013	2014
EXPENSES:						
Governmental Activities:						
General Government	\$ 3,388,268	\$ 3,042,918	\$ 4,252,887	\$ 4,603,027	\$ 4,704,956	\$ 5,514,412
Public Safety	8,528,413	9,123,316	9,236,767	9,430,785	9,868,702	10,543,861
Public Works	7,860,080	8,397,874	7,094,047	7,083,299	7,578,493	10,667,275
Culture and Recreation	3,859,670	3,765,660	3,866,307	3,817,677	4,020,974	4,250,557
Conservation and Natural Resources	-	-	-	-	-	-
Economic Development	316,566	427,169	244,361	152,541	338,907	1,593,968
Other	1,040,044	784,824	619,099	587,384	573,949	453,696
Total Governmental Activities Expenses	<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>	<u>33,023,769</u>
Business-Type Activities:						
Electric	30,140,842	32,700,410	-	-	-	-
Water	3,316,102	3,293,079	-	-	-	-
Sewer	3,398,117	3,685,417	3,807,322	3,926,541	4,096,504	3,777,866
Storm	1,264,261	1,792,749	1,382,391	1,445,633	1,641,438	1,924,853
Refuse	-	-	-	-	-	-
Total Business-Type Activities Expenses	<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>	<u>5,702,719</u>
Total Primary Government Expenses	<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>	<u>\$ 38,726,488</u>
PROGRAM REVENUES:						
Governmental Activities:						
Charges for Services:						
General Government	\$ 319,066	\$ 289,390	\$ 343,169	\$ 2,966,953	\$ 2,647,951	\$ 2,751,336
Public Safety	1,677,772	1,716,573	1,503,188	1,524,158	1,701,875	1,879,209
Public Works	1,342,173	941,224	478,788	454,145	688,286	693,647
Culture and Recreation	1,013,044	1,039,820	1,071,482	2,222,430	2,012,436	1,827,046
Conservation and Natural Resources	-	-	-	-	-	-
Economic Development	-	-	7,100	16,500	18,000	18,000
Operating Grants and Contributions	1,485,124	2,943,857	3,606,089	2,106,559	1,894,436	2,880,493
Capital Grants and Contributions	1,241,884	952,450	3,152,881	1,479,343	689,424	6,668,531
Total Governmental Activities Program Revenues	<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>	<u>16,718,262</u>
Business-Type Activities:						
Charges for Services:						
Electric	34,272,099	36,872,008	-	-	-	-
Water	3,605,498	4,417,498	-	-	-	-
Sewer	3,485,882	3,508,947	2,941,753	3,728,189	3,004,826	2,916,192
Storm	1,405,560	1,281,986	1,083,878	1,442,394	1,720,653	1,211,793
Refuse	-	-	-	-	-	72,167
Operating Grants and Contributions	-	6,415	-	-	-	-
Capital Grants and Contributions	1,879,530	1,661,001	93,810	348,756	7,780	496,655
Total Business-Type Activities Program Revenues	<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>	<u>4,696,807</u>
Total Primary Government Program Revenues	<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>	<u>\$ 21,415,069</u>
Net (Expense) Revenue:						
Governmental Activities	\$ (17,913,978)	\$ (17,658,447)	\$ (15,150,771)	\$ (14,904,625)	\$ (17,433,573)	\$ (16,305,507)
Business-Type Activities	6,529,247	6,276,200	(1,070,272)	147,165	(1,004,683)	(1,005,912)
Total Primary Government Net Expense	<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>	<u>\$ (17,311,419)</u>
GENERAL REVENUES AND OTHER						
CHANGES IN NET POSITION:						
Governmental Activities:						
Taxes:						
Property	\$ 14,676,518	\$ 14,229,111	\$ 14,487,805	\$ 15,002,764	\$ 15,795,777	\$ 16,446,631
Franchise	361,615	363,296	378,011	389,819	399,496	404,312
Other	151,956	147,561	160,884	113,902	113,796	216,441
Unrestricted Investment Earnings	1,323,230	1,039,867	1,032,409	546,681	40,589	727,619
Gain on Disposal of Assets	37,162	-	-	11,769	256,600	52,674
Special Item	-	-	-	-	-	-
Transfers	1,899,577	2,089,406	100,000	100,000	162,490	(419,208)
Total Governmental Activities	<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>	<u>17,428,469</u>
Business-Type Activities:						
Investment Earnings	1,336,979	1,279,872	758,182	423,946	53,431	538,248
Gain on Disposal of Assets	-	-	-	-	-	-
Transfers	(1,899,577)	(2,089,406)	(100,000)	(100,000)	(162,490)	419,208
Total Business-Type Activities	<u>(562,598)</u>	<u>(809,534)</u>	<u>658,182</u>	<u>323,946</u>	<u>(109,059)</u>	<u>957,456</u>
Total Primary Government	<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>	<u>\$ 18,385,925</u>
Change in Net Position:						
Government Activities	\$ 536,080	\$ 210,794	\$ 1,008,338	\$ 1,260,310	\$ (664,825)	\$ 1,122,962
Business-Type Activities	5,966,649	5,466,666	(412,090)	471,111	(1,113,742)	(48,456)
Total Primary Government	<u>\$ 6,502,729</u>	<u>\$ 5,677,460</u>	<u>\$ 596,248</u>	<u>\$ 1,731,421</u>	<u>\$ (1,778,567)</u>	<u>\$ 1,074,506</u>

From 2009-2010, 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

In 2018 the City reported Conservation and Natural Resources separately from Culture and Recreation. Prior years have not been restated

Table 2

2015	2016	2017	2018
\$ 4,237,647	\$ 4,205,975	\$ 4,624,885	\$ 5,267,652
10,582,354	13,281,715	11,981,416	11,376,216
8,552,096	8,593,885	9,695,789	12,431,309
4,355,453	4,653,362	5,359,259	4,953,434
-	-	-	87,555
2,603,741	2,104,584	1,630,516	3,069,377
274,960	1,190,824	1,112,571	1,009,230
<u>30,606,251</u>	<u>34,030,345</u>	<u>34,404,436</u>	<u>38,194,773</u>
-	-	-	-
-	-	-	-
3,824,026	3,843,232	4,226,027	3,968,897
1,726,149	1,848,768	1,773,670	1,685,266
127,781	127,034	125,647	124,579
<u>5,677,956</u>	<u>5,819,034</u>	<u>6,125,344</u>	<u>5,778,742</u>
<u>\$ 36,284,207</u>	<u>\$ 39,849,379</u>	<u>\$ 40,529,780</u>	<u>\$ 43,973,515</u>
\$ 2,486,042	\$ 2,410,321	\$ 2,544,126	\$ 2,811,252
2,146,840	2,744,824	2,989,770	3,225,764
704,687	746,086	880,361	1,033,398
2,140,071	1,760,925	2,813,951	4,167,615
-	-	-	52,384
24,000	256,312	26,520	113,908
2,509,986	2,777,982	2,068,419	2,036,547
1,735,543	2,187,039	3,847,001	5,061,933
<u>11,747,169</u>	<u>12,883,489</u>	<u>15,170,148</u>	<u>18,502,801</u>
-	-	-	-
-	-	-	-
2,829,981	3,292,166	3,380,321	3,682,569
1,765,679	1,632,218	1,272,506	1,230,592
103,637	105,309	131,753	104,638
-	-	890	-
<u>65,844</u>	<u>183,142</u>	<u>2,701,892</u>	<u>4,233,507</u>
<u>4,765,141</u>	<u>5,212,835</u>	<u>7,487,362</u>	<u>9,251,306</u>
<u>\$ 16,512,310</u>	<u>\$ 18,096,324</u>	<u>\$ 22,657,510</u>	<u>\$ 27,754,107</u>
\$ (18,859,082)	\$ (21,146,856)	\$ (19,234,288)	\$ (19,691,972)
(912,815)	(606,199)	1,362,018	3,472,564
<u>\$ (19,771,897)</u>	<u>\$ (21,753,055)</u>	<u>\$ (17,872,270)</u>	<u>\$ (16,219,408)</u>
\$ 16,807,367	\$ 18,015,507	\$ 19,229,300	\$ 20,005,373
418,545	448,023	1,251,819	1,343,650
406,571	464,632	1,014,774	1,657,231
452,281	495,804	390,911	508,812
87,819	50,132	1,576	14,588
496,484	-	-	-
(634,070)	1,271,853	26,990	436,480
<u>18,034,997</u>	<u>20,745,951</u>	<u>21,915,370</u>	<u>23,966,134</u>
349,776	289,001	340,345	318,501
17,438	1,911	6,217	1,875
(496,484)	(1,271,853)	(26,990)	(436,480)
(129,270)	(980,941)	319,572	(116,104)
<u>\$ 17,905,727</u>	<u>\$ 19,765,010</u>	<u>\$ 22,234,942</u>	<u>\$ 23,850,030</u>
\$ (824,085)	\$ (400,905)	\$ 2,681,082	\$ 4,274,162
(1,042,085)	(1,587,140)	1,681,590	3,356,460
<u>\$ (1,866,170)</u>	<u>\$ (1,988,045)</u>	<u>\$ 4,362,672</u>	<u>\$ 7,630,622</u>

CITY OF SHAKOPEE

FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2009	2010	2011	2012
General Fund:				
Nonspendable:				
Prepays	\$ -	\$ 149,940	\$ 131,447	\$ 19,189
Reserved	799,276	-	-	-
Restricted for:				
BATC Litigation	-	218,032	-	-
Committed to:				
Working Capital	-	345,820	-	-
Unreserved	10,703,004	-	-	-
Unassigned	-	8,323,938	9,172,747	9,503,652
Total General Fund	<u>\$ 11,502,280</u>	<u>\$ 9,037,730</u>	<u>\$ 9,304,194</u>	<u>\$ 9,522,841</u>
All Other Governmental Funds				
Nonspendable:				
Prepays	\$ -	\$ -	\$ -	\$ -
Reserved:				
Special Revenue Funds	2,677,290	-	-	-
Capital Projects Funds	4,185,059	-	-	-
Restricted for:				
Forfeitures	-	189,112	208,518	195,823
Transit	-	1,158,355	1,237,762	1,045,340
SCDP Grant	-	55,743	22,462	22,447
Revolving Loans	-	143,023	249,147	252,639
Economic Development	-	447,319	497,775	562,959
Debt Service	-	5,127,697	4,625,946	9,574,198
Capital Improvements	-	2,203,238	958,195	1,815,339
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	66,989
Capital Improvements	-	-	6,964,247	8,681,475
Capital Projects Funds	-	-	413,228	394,666
Unreserved				
Debt Service Funds	7,504,770	-	-	-
Capital Projects Funds	2,453,383	-	-	-
Unassigned	-	(116,803)	(484,089)	(384,965)
Total all Other Governmental Funds	<u>\$ 16,820,502</u>	<u>\$ 18,402,540</u>	<u>\$ 14,738,872</u>	<u>\$ 22,226,910</u>

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

Only 2010-2018 are reported in compliance with GASB Statement No. 54. 2009 is reported as previously stated.

Table 3

2013	2014	2015	2016	2017	2018
\$ 16,440	\$ 13,949	\$ 21,573	\$ 22,188	\$ 59,023	68,784
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,076,549	9,824,097	9,818,537	10,739,178	11,918,971	12,250,660
<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>	<u>\$ 12,319,444</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,801
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
180,696	174,580	180,555	186,965	221,048	195,322
941,469	635,247	-	-	-	-
4,546	4,627	4,683	4,734	10,805	18,368
253,065	257,601	260,865	263,787	138,004	73,004
685,671	361,569	674,910	1,503,917	356,588	-
8,678,680	7,053,086	3,085,157	3,712,584	3,608,453	3,207,099
1,882,231	1,634,954	1,425,798	7,213,258	1,539,267	3,166,302
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
54,499	76,342	108,627	70,795	74,139	76,698
5,753,669	5,630,178	6,130,194	4,744,275	6,592,822	6,423,824
176,398	228,059	1,505,595	2,244,591	530,329	516,211
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(1,716)	(7,316)	(1,715,102)	(39,928)	(3,241,015)	(2,823,436)
<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>	<u>\$ 10,857,193</u>

CITY OF SHAKOPEE

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
REVENUES:				
Taxes	\$ 14,992,051	\$ 14,385,788	\$ 14,699,066	\$ 15,141,903
Special Assessments	1,810,511	1,404,088	1,475,324	1,499,810
Licenses and Permits	1,492,746	1,338,111	1,281,150	2,441,246
Intergovernmental	1,811,668	2,924,161	3,941,830	2,548,692
Charges for Service	1,808,865	2,202,524	3,958,237	4,449,003
Fines and Forfeits	428,662	549,543	411,211	418,474
Miscellaneous	1,503,722	1,255,038	705,969	836,868
Total Revenues	<u>23,848,225</u>	<u>24,059,253</u>	<u>26,472,787</u>	<u>27,335,996</u>
EXPENDITURES:				
General Government	3,331,193	2,960,233	4,004,684	4,396,219
Police	8,604,704	9,012,567	9,460,824	9,483,999
Public Works	3,591,049	3,902,622	2,602,104	2,349,042
Culture and Recreation	3,898,844	4,075,919	3,902,386	3,799,723
Conservation and Natural Resources	-	-	-	-
Economic Development	316,566	270,915	247,591	155,692
Debt Service:				
Principal	2,660,000	3,800,000	2,565,000	1,950,000
Interest and Other Charges	1,077,325	833,245	658,265	634,063
Capital Outlay	1,797,299	2,812,488	6,301,406	2,164,053
Total Expenditures	<u>25,276,980</u>	<u>27,667,989</u>	<u>29,742,260</u>	<u>24,932,791</u>
Excess of Revenues Under Expenditures	<u>(1,428,755)</u>	<u>(3,608,736)</u>	<u>(3,269,473)</u>	<u>2,403,205</u>
OTHER FINANCING SOURCES (USES):				
Bonds Issued	-	1,555,000	-	4,865,000
Sale of Assets	-	6,000	-	-
Premium on Bonds Issued	-	-	-	73,480
Capital Lease Issued	-	-	-	-
Transfers In	4,958,133	13,199,807	2,968,919	3,367,400
Transfers Out	(3,462,100)	(12,380,403)	(2,750,830)	(3,002,400)
Special Items	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,496,033</u>	<u>2,380,404</u>	<u>218,089</u>	<u>5,303,480</u>
Net Change in Fund Balance	<u>\$ 67,278</u>	<u>\$ (1,228,332)</u>	<u>\$ (3,051,384)</u>	<u>\$ 7,706,685</u>
Debt Service as a Percentage of Noncapital Expenditures	16%	18%	14%	11%

In 2018 the City reported Conservation and Natural Resources separately from Culture and Recreation. Prior years have not been restated.

Table 4

2013	2014	2015	2016	2017	2018
\$ 15,851,560	\$ 16,798,542	\$ 17,225,535	\$ 18,549,468	\$ 21,476,591	\$ 22,999,326
930,331	2,673,132	1,157,405	1,615,161	933,773	984,158
2,349,945	2,318,447	2,989,038	3,146,818	3,283,495	4,361,054
1,857,803	4,743,014	3,427,130	3,619,810	2,447,795	2,596,486
4,583,551	4,683,722	4,479,845	4,759,244	5,681,712	6,841,887
381,470	429,021	171,856	104,943	241,874	95,821
189,717	675,643	604,816	877,108	1,004,665	589,865
26,144,377	32,321,521	30,055,625	32,672,552	35,069,905	38,468,597
4,495,662	5,225,483	3,864,337	4,016,871	4,415,257	5,047,823
9,731,407	10,193,496	10,209,739	10,643,342	11,039,220	11,692,533
2,631,154	2,829,846	3,036,284	3,061,172	2,973,840	5,634,985
3,771,068	3,981,999	3,891,542	4,269,211	5,228,929	3,598,591
-	-	-	-	-	89,488
340,904	1,595,628	2,352,621	2,092,337	1,611,073	2,848,426
2,070,000	3,160,000	5,615,000	1,685,000	1,685,000	1,995,000
618,695	504,460	365,898	864,494	1,259,987	1,171,990
6,883,191	7,245,157	5,461,607	32,159,412	18,386,260	5,928,038
30,542,081	34,736,069	34,797,028	58,791,839	46,599,566	38,006,874
(4,397,704)	(2,414,548)	(4,741,403)	(26,119,287)	(11,529,661)	461,723
-	-	-	29,500,000	-	-
150	314	-	9,134	104,661	-
-	-	-	2,237,727	-	-
-	-	-	-	79,100	-
4,890,809	3,531,038	6,135,344	6,916,355	7,282,929	4,038,516
(4,540,809)	(2,932,028)	(5,145,452)	(3,378,977)	(4,794,939)	(3,132,036)
-	-	(634,070)	-	-	-
350,150	599,324	355,822	35,284,239	2,671,751	906,480
\$ (4,047,554)	\$ (1,815,224)	\$ (4,385,581)	\$ 9,164,952	\$ (8,857,910)	\$ 1,368,203
11%	12%	20%	9%	10%	9%

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
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%
2018	30,219,157	25,743,850	553,398	1,330,932	2,104,902	53,080,571	0.37212	4,342,662,600	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				
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
2017	0.26948	0.11574	0.38522	0.49282	0.35896	0.04979	-
2018	0.25874	0.11337	0.37212	0.52141	0.35114	0.05732	-

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	2018			2009		
		2017/18 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value	2008/09 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value
RELP Shakopee	Distribution	\$ 1,199,250	1	2.26%			
Excel Energy	Electrical Generation	718,722	2	1.35%	\$ 505,380	1	1.07%
Rahr Malting	Grain Processing	665,252	3	1.25%	415,278	4	0.88%
Rosemount Inc	Manufacturing	524,470	4	0.99%			
St. Francis RMC	Health Care	500,500	5	0.94%	358,500	9	0.76%
Duke Realty Limited Partner.	Manufacturing	473,714	6	0.89%			
J & J Minneapolis LLC	Manufacturing	470,100	7	0.89%			
Liberty Properties LP	Distribution	469,750	8	0.88%			
WOP Addison LLC	Apartments	453,756	9	0.85%			
Seagate Technology LLC	Manufacturing/Research	439,250	10	0.83%	399,250	6	0.85%
Certainteed	Manufacturing				419,420	3	0.89%
Shakopee Valley Market	Retail				422,786	2	0.90%
Ryan Companies	Property Management				406,274	5	0.86%
Ryan Mpls II LLC	Property Management				389,250	7	0.82%
Valleyfair	Amusement Park				361,371	8	0.76%
First Industrial LP	Warehouse				357,864	10	0.76%
		<u>\$ 4,715,514</u>		<u>8.87%</u>	<u>\$ 4,035,373</u>		<u>8.55%</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
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%
2018	19,610,548	19,198,990	98%	43,706	19,242,696	98%	102,862	0.52%

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				
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
2018	33,677,746	585,000	46,542	-	34,309,288	2.5%	826

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 2009-2010, 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>
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%
2018	33,677,746	0.78%	811	2.44%

Sources:

1. Metropolitan Council estimated for population. 2009 population is 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, 2018**

	<u>G.O. Debt</u>	<u>Percentage Applicable To City of Shakopee (1)</u>	<u>Amount Applicable To City of Shakopee</u>
Direct Debt:			
City of Shakopee	<u>\$ 34,262,746</u>	100.0%	<u>\$ 34,262,746</u>
Overlapping Debt:			
Independent School District No. 720	180,560,000	76.4%	138,018,301
Independent School District No. 191	144,690,000	2.9%	4,240,157
Scott County	48,400,000	24.7%	11,951,254
Metropolitan Council (2)	<u>189,310,976</u>	1.1%	<u>2,099,042</u>
Total Overlapping Debt:	<u>562,960,976</u>		<u>156,308,754</u>
 Total Direct and Overlapping Debt	 <u><u>\$ 597,223,722</u></u>		 <u><u>\$ 190,571,500</u></u>

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

	2009	2010	2011	2012
Market Value (Taxable)	\$ 3,850,591,200	\$ 3,710,814,056	\$ 3,570,069,500	\$ 3,347,179,800
Debt Limit - Percent of Market Value (Note A)	115,517,736	107,102,085	107,102,085	100,415,394
Amount of Debt Applicable to Debt Limit:				
G.O. Bonds	6,755,000	6,340,000	5,905,000	10,325,000
Available in Debt Service Funds	(837,100)	(786,306)	(826,957)	(4,974,768)
Total Debt Applicable to Debt Limit	5,917,900	5,553,694	5,078,043	5,350,232
Legal Debt Margin	\$ 109,599,836	\$ 101,548,391	\$ 102,024,042	\$ 95,065,162

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 3,064,695,700	\$ 3,206,518,700	\$ 3,629,757,200	\$ 3,844,106,800	\$ 4,034,313,200	\$ 4,342,662,600
<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>	<u>130,279,878</u>
9,865,000	9,390,000	5,100,000	33,935,000	35,284,168	33,677,746
<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>(2,795,488)</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>30,882,258</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>	<u>\$ 99,397,620</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	
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	-	-	-	-	-	-
2018	-	-	-	-	-	-

1. Operating expense excludes depreciation and amortization.

Note: From 2009-2010, 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>
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
2018	41,519	8,636	2.4%	25,930	33,300	1,382,582,700

Source: 1. 2010 is the official census figure. 2009, 2011-2018 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	2018			2009		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
Valley Fair	Amusement Park	2,070	1	9.46%	1,600	1	8.45%
Emerson	Manufacturing	1,192	2	5.45%			
School District No. 720	Education	1,003	3	4.58%	1,090	3	5.76%
Amazon	Distribution	1,000	4	4.57%			
St. Francis RMC	Health Care	942	5	4.31%	1,000	4	5.28%
Entrust Datacard	Manufacturing	809	6	3.70%			
Imagine Print Solutions	Printing	791	7	3.62%			
Canterbury Park	Horse Racing	722	8	3.30%	801	5	4.23%
Scott County	Government	643	9	2.94%	805	6	4.25%
Seagate	Manufacturing/Research	641	10	2.93%	1,200	2	6.34%
Northstar Auto Auction	Auto Auction				350	7	1.85%
Anchor Glass	Manufacturing				279	8	1.48%
TORO	Manufacturing				240	9	1.27%
City of Shakopee	Government				234	10	1.24%
		<u>9,813</u>		<u>44.86%</u>	<u>7,599</u>		<u>40.15%</u>
Total Employment				25,930			18,728

Source: Minnesota Department of Employment and Economic Development.

CITY OF SHAKOPEE

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

	2009	2010	2011	2012	2013
General Government:					
Administration	5	5	5	6	7
City Clerk	4	4	4	3	3
Finance	3	3	3	4	4
Planning	5	5	5	5	5
Facilities Maintenance	6	6	6	4	4
Information Technology	2	2	2	2	2
Public Safety:					
Police:					
Licensed	47	47	50	49	47
Other	6	6	6	7	10
Fire:					
Full time	3	3	3	3	7
Paid On Call	44	44	42	44	44
Building Inspection	5	5	5	5	5
Public Works:					
Engineering	7	7	7	7	7
Street	13	13	13	13	13
Shop	3	3	4	3	3
Park and Recreation:					
Park Maintenance	8	8	8	8	8
Natural Resources	-	-	-	-	1
Recreation	7	7	7	7	7
Economic Development:					
EDA	-	-	-	-	1
Total	168	168	170	170	178

Source: City departments

Table 16

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
8	6	8	9	9
3	3	3	3	3
4	4	4	4	4
5	5	5	6	6
4	3	3	3	2
2	4	5	5	5
47	48	48	51	51
10	11	11	12	12
7	7	7	8	8
43	43	43	46	46
5	4	5	5	5
8	8	8	9	8
14	14	14	14	15
4	4	4	4	4
9	9	9	9	9
2	2	1	-	-
7	9	12	15	14
<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<u>183</u>	<u>185</u>	<u>191</u>	<u>204</u>	<u>202</u>

CITY OF SHAKOPEE

OPERATING INDICATORS BY FUNCTION/PROGRAM Last Ten Fiscal Years

	2009	2010	2011	2012
General Government				
Planning				
Number of Case Files	35	33	24	47
Number of Plats Filed	2	1	2	5
Number of Acres Platted	34	6	68	89
Public Safety				
Police				
Arrests	1,913	1,962	1,666	1,798
Citations	6,127	5,528	5,647	5,636
Calls for Service	17,909	17,831	17,852	18,349
Fire				
Calls for Service	517	557	600	617
Building Inspection				
Building Permits Issued	1,102	1,083	1,881	1,413
Number of Inspections	9,726	8,048	8,004	8,191
Single Family Homes Permitted	314	160	118	97
Public Works				
Street				
Miles of Roadway	154	154	154	154
Park and Recreation				
Park Maintenance				
Acres Maintained	933	933	933	933
Recreation				
Program Participants	10,377	13,001	13,157	13,104
Community Center Members	823	873	955	998
Community Center Admissions	109,257	117,336	120,667	128,929
Ice Rental Hours	1,374	1,429	1,354	1,420

Source: City departments

Table 17

2013	2014	2015	2016	2017	2018
49	45	75	50	59	72
8	7	9	7	10	11
99	68	335	79	169	161
1,387	1,524	2,121	1,543	1,338	1,741
5,656	4,934	5,510	4,396	3,569	3,470
17,822	17,846	19,357	21,117	21,632	21,916
584	730	745	792	808	914
1,066	1,519	1,054	1,030	1,145	1,274
7,408	7,854	6,835	6,659	6,301	8,350
66	61	50	45	33	76
154	156	156	156	156	156.5
933	1,015	1,402	1,402	1,402	1,402
15,854	18,540	19,788	23,700	41,289	25,559
1,043	2,116	2,024	2,463	6,231	5,416
140,778	124,124	113,772	114,158	200,297	251,223
1,446	1,477	1,589	1,773	2,870	3,158

CITY OF SHAKOPEE

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</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	27	27	27	29	29
Parks:					
Acres	933	933	933	933	933
Ball Fields	49	52	54	56	56
Playgrounds	24	24	26	26	26

Source: City Departments

Table 18

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1	1	1	1	1
4	4	4	3	3
15	15	15	16	16
2	2	2	2	2
156	156	156	156	156.5
30	30	30	30	30
1,015	1,402	1,402	1,402	1,402
56	56	56	57	57
27	27	27	27	27