

**Shakopee Public Utilities Commission
Separate Enterprise Funds of the
City of Shakopee, Minnesota**

Financial Statements

December 31, 2019

**Shakopee Public Utilities Commission
Table of Contents**

Board of Commissioners and Administration	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Fund Financial Statements	
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Notes to Financial Statements	25
Required Supplementary Information	
Schedule of Commission's Proportionate Share of Net Pension Liability General Employees Retirement Fund	44
Schedule of Commission Contributions General Employees Retirement Fund	45
Notes to the Required Supplementary Information	46
Supplementary Information	
Electric Utility	
Statement of Net Position – Electric Utility	50
Statement of Revenues, Expenses, and Changes in Fund Net Position – Electric Utility	51
Statement of Cash Flows – Electric Utility	52
Detailed Statement of Operating Revenues and Expenses – Electric Utility	54
Schedule of Plant in Service – Electric Utility	55
Water Utility	
Statement of Net Position – Water Utility	58
Statement of Revenues, Expenses, and Changes in Fund Net Position – Water Utility	59
Statement of Cash Flows – Water Utility	60
Detailed Statement of Operating Revenues and Expenses – Water Utility	62
Schedule of Plant in Service – Water Utility	63
Minnesota Legal Compliance Report	65

**Shakopee Public Utilities Commission
Board of Commissioners and Administration
December 31, 2019**

<u>Officials</u>	<u>Position</u>	<u>Term Expires</u>
Terry Joos	President	March 31, 2020
Deb Amundson	Vice President/MMPA Rep	March 31, 2021
Mathew Meyer	Commissioner	March 31, 2021
Steven Clay	Commissioner	March 31, 2020
Kathi Mocol	Commissioner	March 31, 2022
<u>Administration</u>		
John R. Crooks	Utilities Manager	
Renee Schmid	Director of Finance and Administration	

Independent Auditor's Report

Board of Commissioners
Shakopee Public Utilities Commission
Shakopee, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Shakopee Public Utilities Commission, Shakopee, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission'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 Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the Shakopee Public Utilities Commission, Shakopee, Minnesota, as of December 31, 2019, and the respective changes in financial position and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Opinions (Continued)

As discussed in the Note 1, the financial statements present only the Commission's Enterprise Funds and are not intended to present fairly the financial position of the City of Shakopee, Minnesota, and the changes in its financial position and its cash flows 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, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 Shakopee Public Utilities Commission's basic financial statements. The detailed fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The detailed fund financial statements and schedules are the responsibility of management and were derived from and relates 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 detailed fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters (Continued)

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Commission's financial statement for the year ended December 31, 2018, from which such partial information was derived.

We have previously audited the Commission's 2018 financial statements and our report, dated March 29, 2019, expressed unmodified opinions on the respective financial statements of each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bergan KDV, Ltd.

St. Cloud, Minnesota
March 19, 2020

Shakopee Public Utilities Commission Management's Discussion and Analysis

The management of the Shakopee Public Utilities Commission (electric and water utilities) offers all persons interested in the financial position of the utilities an objective, easy to read overview, and analysis of the utilities' financial performance during the years ending December 31, 2019. You are invited to read this narrative in conjunction with the Utilities' financial statements.

Financial Highlights

- The electric utility's net position increased \$7,657,935 to \$84,575,793 in 2019, an increase of 10.0%. Total assets increased by \$7,338,726 due to increases in net capital assets of \$261,719, increases in cash and investments of \$7,563,076 from net operating activity, and decreases in accounts receivable and other assets of \$486,069. Deferred outflows of resources decreased \$286,649 reflecting GASB 68 pension reporting. Total liabilities decreased by \$446,211 due to a decrease in accounts payable and other current liabilities of \$429,880, a decrease in net pension liability of \$33,982, decreases in customer deposits of \$120,686 due to expiration of security for a large purchase power agreement, and increases in customer advances and other liabilities of \$138,337 driven by development projects. Deferred inflows of resources decreased \$159,647 (See Table 1).
- The electric utility's operating revenues, generated mostly by user fees, decreased by \$742,675 or 1.5%, driven by lower kWh sales and a decrease in power cost adjustment revenue, driven by lower sales and lower purchased power costs per kilowatt hour. Total kWh sales volume decreased 1.8%. The electric utility added 385 new customers in 2019, an increase of 2.2% (See Table 3).
- The electric utility's operating expenses in 2019 decreased \$1,203,038 or 2.7%, due to decreases in purchased power costs of \$1,356,930 driven by lower sales and a decrease in purchased power costs per kWh of 1.7%, increases in operating expenses of \$65,349, and increases in depreciation expense of \$88,543.
- The water utility's net position increased \$6,939,727 to \$75,060,809 in 2019, an increase of 10.2%. Total assets increased by \$7,433,404 due to an increase in net capital assets of \$5,829,979 for investment in a new booster station and water main construction, an increase of \$1,696,006 in the connection account, an increase in customer deposits of \$22,398, and a decrease in the reconstruction account of \$356,035, and increases in cash and investments, accounts receivables, and other current assets of \$241,056, the result of operating activities. Deferred outflows of resources decreased \$95,548 reflecting the GASB 68 pension reporting activity. Total liabilities increased by \$451,343 due to increases in current liabilities of \$696,245, increases in customer deposit liabilities of \$22,398, decreases in net pension liability of \$11,326, and a decrease in customer advances of \$255,974. Deferred inflows of resources decreased \$53,214 due to GASB 68 pension reporting activity (See Table 2).
- The water utility's 2019 operating revenues, generated mostly by user fees, decreased \$746,758, or 13.3% due to a rate decrease on water reconstruction rates and a decrease in water gallons sold of 9.0%. 2019 was one the highest years on record for precipitation levels which impacted customer usage and water sales. The water utility added 129 new customers in 2019, an increase of 1.1% (See Table 4).
- The water utility's operating expenses in 2019 increased \$315,248 or 7.4% reflecting increases in operating expense of \$145,992 and increase in depreciation expense of \$169,256.
- Non-Operating revenues for the utilities increased from 2018 to 2019 by \$979,463 due to higher investment income, lower amortization expenses due to bond defeasances in 2018, and gains on the disposition of property, and lower rental and miscellaneous income.

Shakopee Public Utilities Commission Management's Discussion and Analysis

Financial Highlights (Continued)

- Capital contributions for the utilities increased from 2018 to 2019 by \$1,083,089 due to increases in water connection fee activity, and offset by decreases in developer capital contributions in electric and water, and decreases in trunk fees.

Overview of the Financial Statements

The electric and water utilities are self-supporting entities and separate enterprise funds of the City of Shakopee. The utilities provide electric and water service to properties within the City of Shakopee and some areas outside the municipality. Water service is provided within the corporate limits of the City of Shakopee. The electric utility service territory is a matter of state law, which became effective in 1975 and is supported by official maps. The areas generally served are the City of Shakopee, Townships of Jackson and Louisville, and part of the City of Prior Lake lying north of Prior Lake and abutting the City of Shakopee.

The electric and water utility is managed by a utilities commission and operates under *Minnesota Statutes* 453. The Commission has, and continues to establish, rates and charges without approval, review, or veto authority of the City Council. The Commission also establishes the policies and service rules that guide the administration and management of the Shakopee Public Utilities. The City Council created the utility commission in the mid-1950s.

The current utility commission is made up of five members having authority under the Power Agency Law, *Minnesota Statutes* 453, adopted by the State Legislature in 1976. The Power Agency Law replaces the original empowerment authority and provides the legal platform for the Commission to operate as the governing body of the "electric utility" and join other utilities to solve the issues of generation and transmission.

This annual report consists of two parts: Management's Discussion and Analysis and the financial statements as well as the Independent Auditor's Report.

An analysis of the utilities' financial position begins with a review of the statement of net position and the statement of revenues, expenses, and changes in net fund position. These two statements report the Utilities' Net Position and changes therein. The Utilities' Net Position, the difference between assets and deferred outflows of resources and liabilities, are important in measuring the financial health of the Utility. Over time, increases or decreases in the net position value are an indicator of whether the financial position is improving or deteriorating. However, it should be noted that the financial position may also be affected by other non-financial factors, including economic conditions, customer growth, climate conditions, and new regulations.

Utility Financial Analysis

The Statement of Net Position includes all of the Utilities' assets and deferred outflows and inflows of resources and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This Statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Utilities.

A summary of the Utilities' Statement of Net Position is presented in Tables 1 and 2.

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

**Table 1
Condensed Statement of Net Position – Electric Utility**

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 47,504,719	\$ 40,427,712
Net capital assets	<u>46,696,778</u>	<u>46,435,059</u>
Total assets	<u>94,201,497</u>	<u>86,862,771</u>
Deferred outflows of resources	<u>242,380</u>	<u>529,029</u>
Total assets and deferred outflows of resources	<u>\$ 94,443,877</u>	<u>\$ 87,391,800</u>
Net pension liability	\$ 2,649,666	\$ 2,683,648
Other liabilities	<u>6,713,910</u>	<u>7,126,139</u>
Total liabilities	<u>9,363,576</u>	<u>9,809,787</u>
Deferred inflows of resources	<u>504,508</u>	<u>664,155</u>
Net investment in capital assets	46,696,778	46,435,059
Unrestricted	<u>37,879,015</u>	<u>30,842,799</u>
Total net position	<u>84,575,793</u>	<u>76,917,858</u>
Total liabilities, deferred inflows, and net position	<u>\$ 94,443,877</u>	<u>\$ 87,391,800</u>

As can be seen from the table above, the electric utility net position increased \$7,657,935 to \$84,575,793 in 2019, an increase of 10.0%. Total assets increased by \$7,338,726 due to increases in net capital assets of \$261,721 reflecting \$1,986,123 in investments in underground lines, transformation, substation improvements, and other infrastructure and equipment, offset by increased accumulated depreciation and increases in work in process, increases in cash and investments of \$7,563,076 from net operating activity, and decreases in accounts receivable and other current assets of \$365,383, and a decrease in Customer deposits of \$120,686 due to expiration of security requirement for a large purchased power contract. Deferred outflows of resources decreased \$286,649 reflecting a decrease in GASB 68 pension reporting activity.

Total liabilities decreased by \$446,211 due to a decrease in accounts payable and other current liabilities of \$429,880, a decrease in Customer deposit liability of \$120,686, a decrease in net pension liability of \$33,982, which were partially offset by an increase of \$138,337 in customer advances and other liabilities. Deferred inflows of resources decreased \$159,647 reflecting changes in GASB 68 pension reporting activity.

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

**Table 2
Condensed Statement of Net Position – Water Utility**

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 25,259,627	\$ 23,656,202
Net capital assets	<u>52,413,496</u>	<u>46,583,517</u>
Total assets	<u>77,673,123</u>	<u>70,239,719</u>
Deferred outflows of resources	<u>80,794</u>	<u>176,342</u>
Total assets and deferred outflows of resources	<u>\$ 77,753,917</u>	<u>\$ 70,416,061</u>
Net pension liability	\$ 883,222	\$ 894,548
Other liabilities	<u>1,641,716</u>	<u>1,179,047</u>
Total liabilities	<u>2,524,938</u>	<u>2,073,595</u>
Deferred inflows of resources	<u>168,170</u>	<u>221,384</u>
Net investment in capital assets	52,413,496	46,583,517
Restricted for connections and reconstruction	15,270,755	13,930,784
Unrestricted	<u>7,376,558</u>	<u>7,606,781</u>
Total net position	<u>75,060,809</u>	<u>68,121,082</u>
Total liabilities, deferred inflows, and net position	<u>\$ 77,753,917</u>	<u>\$ 70,416,061</u>

As can be seen from the table above, the water utility net position increased by \$6,939,727 to \$75,060,809 in 2019, an increase of 10.2%. Total assets increased by \$7,433,404 due to an increase in net capital assets of \$5,829,979 for investment in a new booster station and water main construction, an increase of \$1,696,006 in the connection account, a decrease in the reconstruction account of \$356,035, and increases in cash and investments, accounts receivables and other assets of \$263,454, the result of operating activities. Deferred outflows of resources decreased \$95,548 reflecting GASB 68 pension reporting activity. Total liabilities increased by \$451,343 due to increases in current liabilities of \$696,245, a decrease in net pension liability of \$11,326 that was partially offset by an increase of \$22,398 in customer deposits, and a decrease in customer advances of \$255,974. Deferred inflows of resources decreased \$53,214 reflecting GASB 68 pension reporting activity.

The restricted portion of net position includes accounts that are limited by bond covenants. Listed below are restricted assets:

Customer Deposit Account – Restricted resources from customers required to deposit monies before the utility will begin service. These deposits are subject to repayment when the customer leaves the utility's service area.

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

Connection and Trunk Water Accts – Restricted resources, per enabling legislation, to be used for future water production and trunk distribution facility acquisitions.

The specific nature or source of these changes becomes more evident in the statement of revenues, expenses, and changes in fund net position as shown in Tables 3 and 4.

The statement of revenues, expenses, and changes in fund net position provide an indication of the utilities' financial health.

**Table 3
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
Electric Utility**

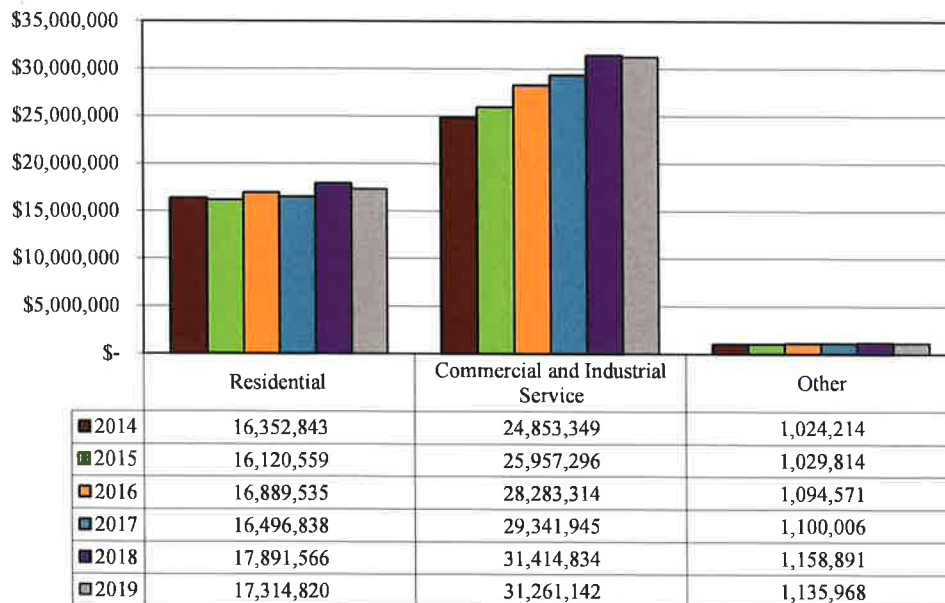
	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 49,650,814	\$ 50,393,489
Operation, customer, and administrative	40,405,850	41,697,431
Depreciation expense	<u>2,326,070</u>	<u>2,237,527</u>
Total operating expenses	<u>42,731,920</u>	<u>43,934,958</u>
Operating income	6,918,894	6,458,531
Non-operating revenues (expenses)	1,404,624	747,115
Capital contributions	759,222	730,662
Transfers to municipality	<u>(1,424,805)</u>	<u>(1,509,222)</u>
Change in net position	7,657,935	6,427,086
Beginning net position	<u>76,917,858</u>	<u>70,490,772</u>
Ending net position	<u>\$ 84,575,793</u>	<u>\$ 76,917,858</u>

Shakopee Public Utilities Commission Management's Discussion and Analysis

Utility Financial Analysis (Continued)

As can be seen in Table 3 on the previous page, the electric utility's operating revenues decreased in 2019 by \$742,675 from 2018 or 1.5% driven by a decrease in total kWh sales volume of 1.8% and a decrease in power cost adjustment revenue driven by lower purchased power costs due to lower sales and decreased cost of purchased power per kWh of 1.7%. Operating expenses decreased \$1,203,038 or 2.7%, primarily due to decreases in purchased power costs of \$1,356,930 driven by lower kWh sales and decreased costs of purchased power per kWh of 1.7%, and partially offset by increases in operating expenses of \$65,349, and increases in depreciation expense of \$88,543 reflecting \$1,986,123 in investment in new underground construction and transformation driven by new development, substation improvements, and other infrastructure and equipment investments. Purchased power costs totaled \$34,198,101 in 2019, a decrease of 3.8% from 2018. Purchased power is the single largest expense item in the electric system operating budget. Non-operating income increased \$657,509 due to higher investment income of \$531,742, lower amortization costs of \$216,694, a gain on the disposition of property of \$78,944, and were partially offset by lower rental and miscellaneous income of \$171,200. Capital contributions increased \$28,560 year to year due to increases in developer capital contributions year to year. Municipal contributions expenses to the City of Shakopee decreased \$84,417 from \$1,509,222 to \$1,424,805 driven by lower electric sales revenue from year to year of \$19,392 and lower costs of free services for energy for street lighting of \$65,025. SPU invested over \$800,000 in 2018 and converted the majority of city streetlights to LED which reduced the costs of energy for street lighting.

**Comparison of Electric Revenues
(without bad debt)**



Residential, commercial, and other sales of electricity decreased in 2019 by \$753,361 or 1.5%. 2019 was a record year for precipitation which impacted customer usage and sales in both the electric and water utilities. The electric utility added 385 new customers in 2019, an increase of 2.2%.

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

Total kWh purchased in 2019 was 459,120,703 as compared to 469,262,264 in 2018, reflecting a decrease of 2.2% year over year. Total kWh sold in 2019 was 454,234,398 as compared to 446,158,441 in 2018, reflecting a decrease of 1.8% for the year 2019. Electric operating revenues totaled \$49,650,814 in 2019 compared to \$50,393,488 in 2018, a decrease of \$742,675 or 1.5% driven by lower kWh sales, and lower power cost adjustment revenue due to decreased sales and decreased costs of power per kWh. Power costs per kWh decreased from 7.58 cents per kWh in 2018 to 7.45 cents per kWh, a decrease of 1.7%.

The utility purchases power from MMPA and joined MMPA as a full member in 2004, with a long-term Purchase Power Agreement extending to 2050.

The following is the total cost of kilowatt-hours purchased, total kilowatt-hours purchased, system peak demand, and total kilowatt-hours delivered for the past ten years.

Historical Power and Energy Requirements				
Energy (kWh)				
<u>Year</u>	<u>Total kWh Purchased</u>	<u>Cost of kWh Purchased</u>	<u>System Peak Demand (kW)</u>	<u>Total kWh Delivered</u>
2019	459,120,703	\$34,198,101	104,661	446,158,441
2018	469,262,264	35,555,031	102,853	454,234,398
2017	452,308,391	33,180,393	99,725	429,261,118
2016	449,534,290	32,282,815	100,501	426,048,194
2015	425,268,243	29,939,985	92,605	406,459,331
2014	417,376,994	29,426,606	93,549	401,272,664
2013	413,119,096	28,499,899	95,148	394,596,477
2012	416,558,417	27,338,777	96,369	399,828,851
2011	414,150,120	26,782,506	97,882	397,223,982
2010	412,310,323	25,808,252	93,027	395,127,626
2009	394,883,403	23,452,081	85,603	376,253,876

Kilowatt (kWh) Hours

Metered Electric Customers

Following are the number of metered connections for the past ten years.

<u>Year</u>	<u>Meters</u>	<u>Year</u>	<u>Meters</u>
2019	17,960	2014	16,700
2018	17,575	2013	16,508
2017	17,126	2012	16,398
2016	17,084	2011	16,314
2015	16,885	2010	16,139

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

**Table 4
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
Water Utility**

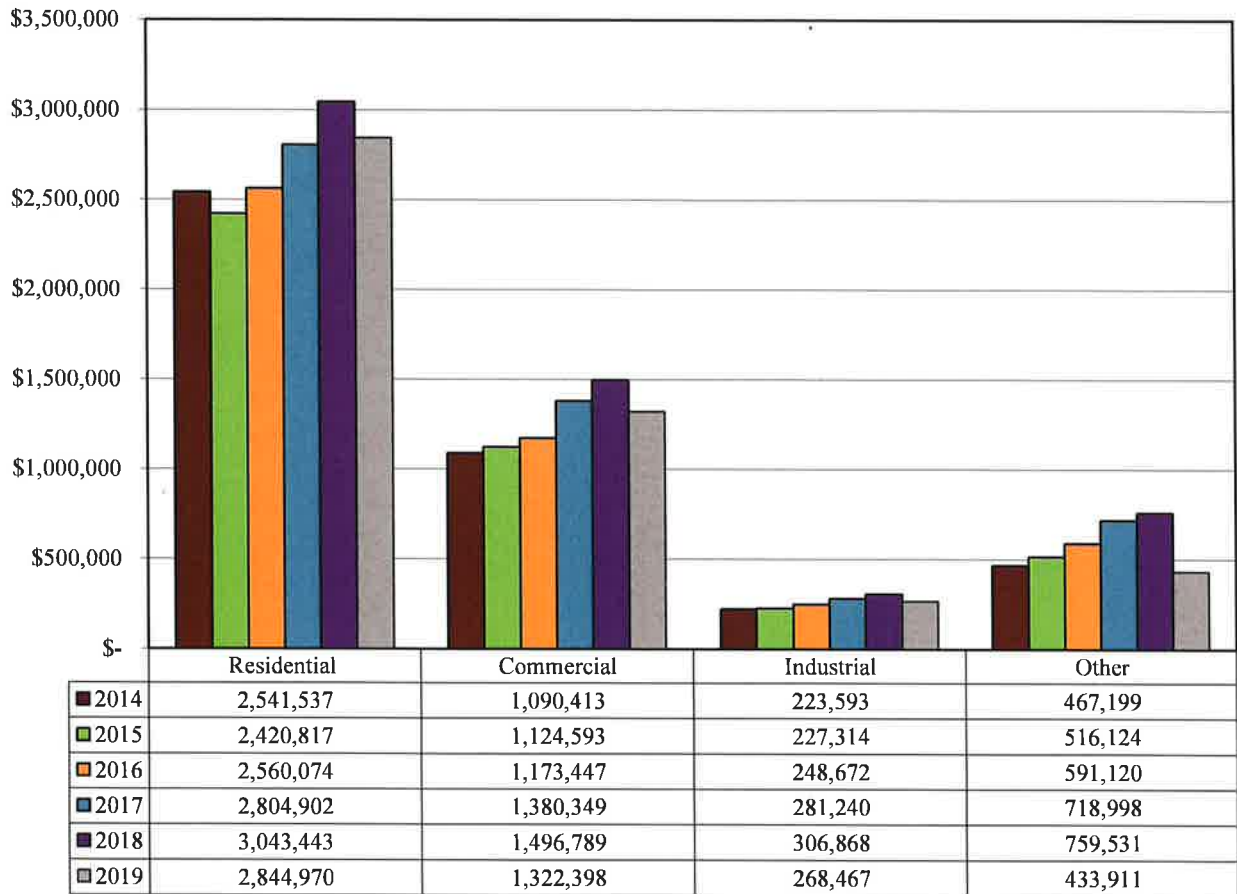
	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 4,861,369	\$ 5,608,127
Operation, customer, and administrative	2,991,997	2,846,005
Depreciation expense	<u>1,584,293</u>	<u>1,415,037</u>
Total operating expenses	<u>4,576,290</u>	<u>4,261,042</u>
Operating income	285,079	1,347,085
Non-operating revenues (expenses)	731,222	409,268
Capital contributions	6,922,746	5,868,217
Transfers to municipality	<u>(999,320)</u>	<u>(1,091,814)</u>
Change in net position	6,939,727	6,532,756
Beginning of year	<u>61,121,082</u>	<u>61,588,326</u>
Ending Net Position	<u>\$ 75,060,809</u>	<u>\$ 68,121,082</u>

In 2019 the water utility's operating revenues decreased by \$746,758, or 13.3% from \$5,608,127 in 2018 to \$4,861,369. The decrease in operating revenues is the result of a decrease in water gallons sold of 9.0%, a decrease in water sales revenues of \$411,266, and a decrease of \$336,776 in water reconstruction fund revenues due to a rate decrease and lower sales. 2019 was one of the highest years on record for precipitation levels which impacted customer usage and water sales. Operating expenses increased \$315,248, or 7.4%. The increase in expense is the result of an increase in operating expense of \$145,992 and increase in depreciation expense of \$169,256 reflecting the addition of a new booster station and new water main construction. Non-Operating income increased \$321,954 from \$409,268 to \$731,222 reflecting an increase in investment income of \$307,779, an increase in miscellaneous income of \$83,408, partially offset by loss on the disposition of property of \$67,927 due to early retirement of water main driven by a new development project. Capital contributions increased by \$1,054,529 year over year due to increases in water connection fees activity of \$1,401,054, and partially offset by decreases in developer constructed water main of \$180,409 and trunk water fees of \$190,760. Municipal contributions expenses to the City of Shakopee decreased \$92,494 from \$1,091,814 to \$999,320 driven by lower water sales revenue from year to year.

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

**Comparison of Water Revenues
(without bad debt)**



Sales of water (without bad debt) decreased in 2019 by \$736,885 or 13.1%. The decrease in operating revenues is the result of a decrease in water gallons sold of 9.03% and a decrease in water reconstruction rates. The water utility added 129 new customers in 2019, an increase of 1.1%.

Water gallons pumped in 2019 totaled 1,664,216 thousand gallons as compared to 1,884,625 thousand gallons in 2018, reflecting a decrease of 9.8% for the year 2019 from 2018. Water gallons sold including hydrant sales in 2019 totaled 1,511,266 thousand gallons as compared to 1,661,211 thousand gallons in 2018, reflecting a decrease of 9.0% for the year 2019 from 2018. Water operating revenues excluding reconstruction fees totaled \$4,485,155 in 2019 as compared to \$4,891,138 in 2018, a decrease of 8.3%.

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

Water Demand

Following is the average daily demand and peak daily demand for the past ten years.

<u>Year</u>	Average Daily	Peak Daily
	<u>Demand</u> <u>(MGD)</u>	<u>Demand</u> <u>(MGD)</u>
2019	4.559	11.149
2018	5.054	11.122
2017	4.873	13.234
2016	4.792	11.582
2015	4.556	9.936
2014	4.631	10.878
2013	4.987	13.379
2012	5.948	16.257
2011	4.852	10.799
2010	4.707	10.624

Water Meters/Production

The following shows the number of meters and production for the water utility for the past ten years:

<u>Year</u>	Average Daily Daily Water <u>Pumped (gallons)</u>	Service <u>Population*</u>	Total Service <u>Connections</u>	Residential <u>Usage</u>	Non-Residential <u>Usage</u>
2019	4,559,496	38,506	11,567	60%	40%
2018	5,053,767	38,519	11,438	59	41
2017	4,873,381	37,643	11,299	59	41
2016	4,792,447	37,254	11,277	60	40
2015	4,555,603	37,254	11,170	60	40
2014	4,631,167	35,300	11,085	62	38
2013	4,987,855	35,120	10,956	62	38
2012	5,948,063	34,652	10,872	60	40
2011	4,852,447	34,652	10,781	62	38
2010	4,706,923	34,076	10,648	61	39
2009	5,111,956	30,000	10,470	63	37

*Total City Population per Metropolitan Council estimates less population served by private and community wells

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

The statement of cash flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

**Condensed Statements of Cash Flows (Table 5)
Electric Utility**

	<u>2019</u>	<u>2018</u>
Cash flows from		
Operating activities	\$ 9,541,006	\$ 8,416,527
Noncapital financing activities	(1,193,433)	(1,167,876)
Capital and related financing activities	(1,878,761)	(9,016,023)
Investing activities	<u>444,443</u>	<u>189,644</u>
Net change in cash and cash equivalents	6,913,255	(1,577,728)
Cash and cash equivalents – beginning of year	<u>18,849,745</u>	<u>20,427,473</u>
Cash and cash equivalents – end of year	<u><u>\$ 25,763,000</u></u>	<u><u>\$18,849,745</u></u>

**Condensed Statements of Cash Flows (Table 6)
Water Utility**

	<u>2019</u>	<u>2018</u>
Cash flows from		
Operating activities	\$ 3,056,489	\$ 1,616,948
Noncapital financing activities	(816,389)	(504,520)
Capital and related financing activities	(558,701)	1,293,413
Investing activities	<u>337,729</u>	<u>187,834</u>
Net change in cash and cash equivalents	2,019,128	2,593,675
Cash and cash equivalents – beginning of year	<u>20,494,348</u>	<u>17,900,673</u>
Cash and cash equivalents – end of year	<u><u>\$22,513,476</u></u>	<u><u>\$20,494,348</u></u>

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

**Table 7
Capital Assets – Electric Utility**

	<u>2019</u>	<u>2018</u>
Capital assets		
Distribution	\$ 56,201,029	\$ 54,441,669
General	<u>17,891,675</u>	<u>17,664,912</u>
Total capital assets	74,092,704	72,106,581
Less accumulated depreciation	(28,325,053)	(26,344,935)
Construction in progress	<u>929,127</u>	<u>673,413</u>
Net capital assets	<u>\$ 46,696,778</u>	<u>\$ 46,435,059</u>

The electric utility's capital assets increased \$261,719 or 0.6% in 2019 from 2018. Capital assets increased \$1,986,123 due to investment in new underground construction and transformation driven by new development, substation improvements, and other infrastructure and equipment investments offset by increases in accumulated depreciation of \$1,980,118 and increases in construction in progress of \$255,714.

**Table 8
Capital Assets – Water Utility**

	<u>2019</u>	<u>2018</u>
Capital assets		
Distribution	\$70,940,281	\$63,920,685
General	<u>1,661,496</u>	<u>1,617,926</u>
Total capital assets	72,601,777	65,538,611
Less accumulated depreciation	(21,192,768)	(19,674,545)
Construction in progress	<u>1,004,487</u>	<u>719,451</u>
Net capital assets	<u>\$52,413,496</u>	<u>\$46,583,517</u>

During 2019, the water utility's capital assets increased by \$5,829,979 or 12.5% from 2018. Capital assets increased \$7,063,166 due to construction of a new booster station, new water main construction, and other system investments offset by increases in accumulated depreciation of \$1,518,223 and increases in construction in progress of \$285,036.

Please refer to the notes to the financial statements for further detail of the utilities' capital assets.

Shakopee Public Utilities Commission Management's Discussion and Analysis

Long-Term Debt

The electric and water utilities have no bonds outstanding as of December 31, 2019. The Shakopee Public Utilities Commission approved defeasance of the remaining bond issue outstanding consisting of \$7,590,000 Crossover Refunding Net Revenue Bonds, Series 2006 as of February 1, 2018.

If the commission were to issue bonds, they would be payable from and secured by a pledge of income and revenue to be derived from the operation of the electric and water utilities and are primarily issued for various infrastructure projects. Expansion of the water and electric utilities is dependent on (1) cash flow from operations (after expenses) for the electric utilities, (2) special water connection and trunk charges for the water utilities, and (3) the ability to access the capital markets to borrow funds. Bonds are issued only on an as needed basis and for projects described within the capital improvement program approved annually by the Commission.

Issued Bonds are limited obligations of the Shakopee Public Utilities Commission, payable solely from net revenues of the Commission. The Bonds are not general obligations of the Commission, and neither the full faith and credit nor the taxing powers of the City of Shakopee, the County of Scott, or the State of Minnesota are available to pay for the principal and interest on the Bonds.

Currently Known Facts/Economic Conditions

The City of Shakopee is located approximately 25 miles southwest of downtown Minneapolis. Shakopee is the county seat of Scott County. The City was organized in 1870 and became a statutory city, Plan A, in April 1975. It is organized under a mayor/council form of government as outlined in *Minnesota Statutes* 412. A Mayor is elected for a four-year term and four City Council Members are elected to staggered four year terms. The community is served by US No. 169 and Scott County Highway No. 101; US No. 169 connects Scott County with Hennepin County and the Metro Center of Minneapolis-Saint Paul.

The City Council has the obligation to appoint the members to the Shakopee Public Utilities Commission.

Contacting Utility Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of the utilities' finances. If you have questions about this report, or need additional financial information, contact the Director of Finance and Administration, Post Office Box 470, 255 Sarazin Street, Shakopee, Minnesota 55379.

General information relating to the Shakopee Public Utilities can be found at the Utility web site: <https://www.spucweb.com>.

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BASIC FINANCIAL STATEMENTS

Shakopee Public Utilities Commission
Statement of Net Position - Proprietary Funds
December 31, 2019
With Comparative Totals as of December 31, 2018

	Electric	Water	Total	
			2019	2018
Assets				
Current assets				
Cash and investments	\$ 39,752,560	\$ 9,210,673	\$ 48,963,233	\$ 40,677,941
Accrued interest receivable	65,627	135,959	201,586	69,946
Customer accounts receivable	3,737,683	305,522	4,043,205	4,330,847
Allowance for uncollectible accounts	(40,833)	(9,799)	(50,632)	(34,071)
Other accounts receivable	104,019	86,826	190,845	1,089,716
Due from City of Shakopee	95,008	116,849	211,857	146,249
Inventory	1,376,162	31,439	1,407,601	1,242,948
Prepaid expenses	46,371	15,458	61,829	67,199
Total current assets	<u>45,136,597</u>	<u>9,892,927</u>	<u>55,029,524</u>	<u>47,590,775</u>
Noncurrent assets				
Restricted assets				
Customer deposits account	2,268,122	95,945	2,364,067	2,462,355
Connection account	-	14,781,889	14,781,889	13,085,883
Water reconstruction account	-	488,866	488,866	844,901
Capital assets				
Plant in service	74,092,704	72,601,777	146,694,481	137,645,192
Accumulated depreciation	(28,325,053)	(21,192,768)	(49,517,821)	(46,019,480)
Construction in progress	929,127	1,004,487	1,933,614	1,392,864
Other assets				
Emergency repairs account	100,000	-	100,000	100,000
Total noncurrent assets	<u>49,064,900</u>	<u>67,780,196</u>	<u>116,845,096</u>	<u>109,511,715</u>
Total assets	<u>94,201,497</u>	<u>77,673,123</u>	<u>171,874,620</u>	<u>157,102,490</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	<u>242,380</u>	<u>80,794</u>	<u>323,174</u>	<u>705,371</u>
Total assets and deferred outflows of resources	<u>\$ 94,443,877</u>	<u>\$ 77,753,917</u>	<u>\$ 172,197,794</u>	<u>\$ 157,807,861</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 3,024,062	\$ 1,114,597	\$ 4,138,659	\$ 3,512,373
Due to City of Shakopee	398,424	180,442	578,866	1,047,763
Other current liabilities	331,261	206,608	537,869	428,893
Total current liabilities	<u>3,753,747</u>	<u>1,501,647</u>	<u>5,255,394</u>	<u>4,989,029</u>
Liabilities payable from restricted assets				
Customer deposits	<u>2,268,122</u>	<u>95,945</u>	<u>2,364,067</u>	<u>2,462,355</u>
Noncurrent liabilities				
Unearned revenues	5,210	-	5,210	3,447
Customer advances	686,831	44,124	730,955	850,355
Net pension liability	2,649,666	883,222	3,532,888	3,578,196
Total noncurrent liabilities	<u>3,341,707</u>	<u>927,346</u>	<u>4,269,053</u>	<u>4,431,998</u>
Total liabilities	<u>9,363,576</u>	<u>2,524,938</u>	<u>11,888,514</u>	<u>11,883,382</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions	<u>504,508</u>	<u>168,170</u>	<u>672,678</u>	<u>885,539</u>
Net Position				
Net investment in capital assets	46,696,778	52,413,496	99,110,274	93,018,576
Restricted for connections and reconstruction	-	15,270,755	15,270,755	13,930,784
Unrestricted	<u>37,879,015</u>	<u>7,376,558</u>	<u>45,255,573</u>	<u>38,089,580</u>
Total net position	<u>84,575,793</u>	<u>75,060,809</u>	<u>159,636,602</u>	<u>145,038,940</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 94,443,877</u>	<u>\$ 77,753,917</u>	<u>\$ 172,197,794</u>	<u>\$ 157,807,861</u>

See notes to financial statements.

Shakopee Public Utilities Commission
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Electric	Water	Total	
			2019	2018
Operating revenues	\$ 49,650,814	\$ 4,861,369	\$ 54,512,183	\$ 56,001,616
Operating expenses	42,731,920	4,576,290	47,308,210	48,196,000
Operating income	6,918,894	285,079	7,203,973	7,805,616
Nonoperating revenues (expenses)				
Rentals and miscellaneous	259,598	268,265	527,863	615,655
Interdepartmental rent from water	90,000	-	90,000	90,000
Investment income	980,761	527,643	1,508,404	668,883
Interest expense	(64,280)	(2,295)	(66,575)	(66,598)
Amortization of bond discount and loss on refunding	-	-	-	(216,694)
Gain (loss) on disposition of property	138,545	(62,391)	76,154	65,137
Total nonoperating revenues (expenses)	1,404,624	731,222	2,135,846	1,156,383
Income before contributions and transfers	8,323,518	1,016,301	9,339,819	8,961,999
Capital contributions	759,222	6,922,746	7,681,968	6,598,879
Municipal contributions	(1,424,805)	(999,320)	(2,424,125)	(2,601,036)
Change in net position	7,657,935	6,939,727	14,597,662	12,959,842
Net position				
Beginning of year	76,917,858	68,121,082	145,038,940	132,079,098
End of year	\$ 84,575,793	\$ 75,060,809	\$ 159,636,602	\$ 145,038,940

See notes to financial statements.

Shakopee Public Utilities Commission
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Electric	Water	Total	
			2019	2018
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 50,442,600	\$ 5,502,074	\$ 55,944,674	\$ 55,742,591
Payments to suppliers	(35,724,978)	(333,456)	(36,058,434)	(38,626,313)
Payments to employees	(5,176,616)	(2,112,129)	(7,288,745)	(7,082,803)
Net cash flows - operating activities	<u>9,541,006</u>	<u>3,056,489</u>	<u>12,597,495</u>	<u>10,033,475</u>
Cash Flows - Noncapital				
Financing Activities				
Payments to City of Shakopee	(1,317,892)	(818,878)	(2,136,770)	(1,849,558)
Proceeds from sale of assets	<u>124,459</u>	<u>2,489</u>	<u>126,948</u>	<u>177,162</u>
Net cash flows - noncapital financing activities	<u>(1,193,433)</u>	<u>(816,389)</u>	<u>(2,009,822)</u>	<u>(1,672,396)</u>
Cash Flows - Capital and Related				
Financing Activities				
Principal paid on debt	-	-	-	(7,590,000)
Interest paid on debt	(64,280)	(2,295)	(66,575)	(203,418)
Acquisition of capital assets	(1,814,481)	(5,291,976)	(7,106,457)	(3,425,948)
Installation fees	-	90,821	90,821	62,300
Connection charges	-	4,446,012	4,446,012	3,044,959
Trunk charges	-	198,737	198,737	389,497
Net cash flows - capital and related financing activities	<u>(1,878,761)</u>	<u>(558,701)</u>	<u>(2,437,462)</u>	<u>(7,722,610)</u>
Cash Flows - Investing Activities				
Proceeds (purchases) of investments	(529,135)	(65,457)	(594,592)	(283,018)
Interest and dividends received	<u>973,578</u>	<u>403,186</u>	<u>1,376,764</u>	<u>660,496</u>
Net cash flows - investing activities	<u>444,443</u>	<u>337,729</u>	<u>782,172</u>	<u>377,478</u>
Net change in cash and cash equivalents	6,913,255	2,019,128	8,932,383	1,015,947
Cash and Cash Equivalents				
Beginning of year	<u>18,849,745</u>	<u>20,494,348</u>	<u>39,344,093</u>	<u>38,328,146</u>
End of year	<u>\$ 25,763,000</u>	<u>\$ 22,513,476</u>	<u>\$ 48,276,476</u>	<u>\$ 39,344,093</u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Electric	Water	Total	
			2019	2018
Reconciliation of Operating Income to Net Cash Flows - Operating Activities				
Operating income	\$ 6,918,894	\$ 285,079	\$ 7,203,973	\$ 7,805,616
Adjustments to reconcile operating income to net cash flows - operating activities				
Free electric service to City of Shakopee	(106,913)	-	(106,913)	(170,988)
Nonoperating revenues	349,598	268,265	617,863	705,655
Depreciation expense	2,326,070	1,584,293	3,910,363	3,652,564
Pension related activity	93,020	31,008	124,028	45,095
Allowance for uncollectible accounts	13,428	3,133	16,561	30
Change in assets and liabilities				
Customer accounts receivable	248,999	38,643	287,642	(101,665)
Other accounts receivable	238,108	660,763	898,871	(926,056)
Due from City of Shakopee	30,915	(96,523)	(65,608)	(70,058)
Inventory	(162,912)	(1,741)	(164,653)	99,836
Prepaid items	4,028	1,342	5,370	(7,596)
Accounts payable	(399,043)	1,025,329	626,286	(1,258,383)
Customer deposits	(120,686)	22,398	(98,288)	(44,466)
Unearned revenue	1,763	-	1,763	2,399
Customer advances	136,574	(255,974)	(119,400)	346,124
Due to City of Shakopee	(68,849)	(580,490)	(649,339)	(33,427)
Other liabilities	38,012	70,964	108,976	(11,205)
Total adjustments	2,622,112	2,771,410	5,393,522	2,227,859
Net cash flows - operating activities	<u>\$ 9,541,006</u>	<u>\$ 3,056,489</u>	<u>\$ 12,597,495</u>	<u>\$ 10,033,475</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Customer deposits account	\$ 2,268,122	\$ 95,945	\$ 2,364,067	\$ 2,462,355
Emergency repairs account	100,000	-	100,000	100,000
Connection account	-	14,781,889	14,781,889	13,085,883
Water reconstruction account	-	488,866	488,866	844,901
Cash and investments	39,752,560	9,210,673	48,963,233	40,677,941
Total	42,120,682	24,577,373	66,698,055	57,171,080
Less long-term investments	(16,357,682)	(2,063,897)	(18,421,579)	(17,826,987)
Cash and cash equivalents	<u>\$ 25,763,000</u>	<u>\$ 22,513,476</u>	<u>\$ 48,276,476</u>	<u>\$ 39,344,093</u>
Noncash Investing, Capital and Financing Activities				
Contributions of capital assets from the municipality and developers	\$ 759,222	\$ 2,187,176	\$ 2,946,398	\$ 3,102,123
Free electric service to City of Shakopee	106,913	-	106,913	170,988

See notes to financial statements.

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Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The electric and water utilities of the Shakopee Public Utilities Commission (the "Commission") are self-supporting entities and collectively comprise separate enterprise funds of the City of Shakopee (the "City"). The Commission provides electric and water operations to properties within the City as well as electric distribution to certain other areas outside of the City. The Commission accounts for the costs of electric and water operations on a continuing basis and is managed by the Commission. The Commission consists of five members who serve three year terms.

Customer and service rates are established by the Commission.

B. Fund Financial Statements

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability.

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

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Description of Funds

Proprietary Funds:

Electric Fund – This fund accounts for the operations of the Commission's electric utility.

Water Fund – This fund accounts for the operations of the Commission's water utility.

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 Electric and Water 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 Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/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.

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Minnesota Statutes authorizes the Commission 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 Investment Pool.

Certain investments for the Commission are reported at fair value as disclosed in Note 2. The Commission 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.

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 or 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 Commission and other funds of the City are reported as receivables from or payables to the City. An allowance for uncollectible accounts is used to account for delinquent customer balances greater than 120 days overdue as of December 31, 2019. Bad debts are expensed annually when deemed uncollectible.

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/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 the financial statements.

Inventory is valued at average cost and using the first-in, first-out (FIFO) method.

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

4. Restricted Assets

Customer Deposit Account – Restricted resources from customers required to deposit monies before the Commission will begin electric or water service. These deposits are subject to repayment when the customer leaves the Commission's service area.

Connection Account – Restricted resources, per enabling legislation, to be used for future expansion of the water system.

Water Reconstruction Account – Restricted resources to be used for future water reconstruction projects.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the proprietary fund financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$3,000 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. Major outlays for capital assets are capitalized as projects are constructed. Interest incurred (net of interest earned on invested proceeds during the construction phase) is reflected in the capitalized value of capital assets constructed.

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.

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

Property, plant, and equipment of the Commission are depreciated using a half year convention the first year with the straight-line method over the remaining estimated useful lives.

	<u>Years</u>
Electric	
Distribution	10 - 40
General	4 - 20
Water	
Distribution	20 - 75
General	4 - 40

6. 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 Commission has one item that qualifies for reporting in this category. The Commission presents deferred outflows of resources on the Statement(s) of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

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 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 Commission has one item that qualifies for reporting in this category. The Commission presents deferred inflows of resources on the Statement(s) of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

7. Electric Plant Acquisition

The Commission acquired a plant from Minnesota Valley Electric Cooperative, including legal, engineering, and plant costs, which was amortized over 25 years using the straight-line method and is shown net of the accumulated amortization and depreciation on the Statement of Net Position. The electric plant became fully amortized in 2015.

8. Customer Advances for Construction

This account represents customer advances for construction which may be refundable in part or in whole.

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Customer Deposits

This account represents required deposits to be used to guaranty electric and water utility billings.

10. Compensated Absences

Commission employees earn vacation time based on years of Commission service. Employees also can earn compensatory time for hours worked above 80 hours per pay period. A liability has been recorded in the Statement of Net Position for accrued vacation and compensatory pay. Employees also earn sick leave; however, this is not paid out upon separation so no liability exists for this benefit.

11. Pensions

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

12. Long-Term Obligations

Long-term debt and other obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

13. Capital Contributions

Cash and capital assets are contributed to the Commission from customers, the municipality, or external parties. The value of property contributed to the utility is reported as revenues on the statement of revenues, expenses, and changes in fund net position.

14. Municipal Contributions

Municipal contributions include the contribution in lieu of taxes to the municipality and free service to the municipality for streetlights.

15. Net Position

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

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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 expense during the reporting period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash balances of the Commission's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

In accordance with applicable *Minnesota Statutes*, the Commission maintains deposits at depository banks authorized by the Commission Board.

A. Deposits

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. 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, 2019, the Commission's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the Commission's name.

The Commission's deposits had a book balance as follows:

	<u>2019</u>
Checking	\$ 6,987,392
CDARS	5,448,754
Money market	<u>236,826</u>
Total deposits	<u><u>\$ 12,672,972</u></u>

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2019, the Commission had the following investments:

	Rating	Fair Value	Years to Maturity	
			Less than 1 Year	1-5 Years
U.S. Agencies	AAA	\$ 9,075,515	\$ 5,050,218	\$ 4,025,296
U.S. Treasuries	AAA	10,325,641	2,400,199	7,925,443
4M Fund	NR	12,920,563	12,920,563	-
4M Plus Fund	NR	3,681,571	3,681,571	-
4M Term Series	NR	18,000,000	18,000,000	-
Money Market Fund	NR	20,093	20,093	-
Total		<u>\$ 54,023,383</u>	<u>\$ 42,072,644</u>	<u>\$ 11,950,739</u>

The Commission has the following recurring fair value measurements as of December 31, 2019:

- \$19,401,156 of investments are valued using a quoted market prices (Level 2 inputs).
- \$34,622,227 of investments are uncategorized in accordance with GASB 72 and GASB 79.

The Commission has a formal investment policy in place as of December 31, 2019, to address the following risks:

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. 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.

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At December 31, 2019, the investment portfolio was concentrated as follows:

Investments	Percent of Portfolio
Federal Home Loan Bank	5.3 %
Federal National Mortgage Association	6.2
Federal Home Loan Mortgage Corporation	6.4
Federal Farm Credit Bank	1.7

Concentration of Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. 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, 2019, the Commission had more than 5% of total investments in three issuers as noted above. U.S. Treasuries and investments in external investment pools and money markets are excluded from this requirement.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The Commission's policy states it will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. 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).

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Deposits and Investments

Summary of cash, deposits, and investments as of December 31, 2019:

	<u>2019</u>
Deposit (Note 2.A.)	\$ 12,672,972
Investments (Note 2.B.)	54,023,383
Petty cash	<u>1,700</u>
Total deposits and investments	<u><u>\$ 66,698,055</u></u>

Deposits and investments are presented in the December 31, 2019, basic financial statements as follows:

	<u>2019</u>
Statement of net position	
Current assets	
Cash and investments	\$ 48,963,233
Noncurrent assets	
Restricted assets	
Customer deposit account	2,364,067
Connection account	14,781,889
Water reconstruction account	488,866
Other assets	
Emergency repairs account	<u>100,000</u>
Total	<u><u>\$ 66,698,055</u></u>

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS

Electric capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and land rights	\$ 4,381,196	\$ -	\$ -	\$ 4,381,196
Construction in progress	673,413	1,707,847	1,452,133	929,127
Total capital assets not being depreciated	<u>5,054,609</u>	<u>1,707,847</u>	<u>1,452,133</u>	<u>5,310,323</u>
Capital assets being depreciated				
Distribution	53,611,802	1,792,535	33,175	55,371,162
General	14,113,583	525,455	298,692	14,340,346
Total capital assets being depreciated	<u>67,725,385</u>	<u>2,317,990</u>	<u>331,867</u>	<u>69,711,508</u>
Less accumulated depreciation	<u>26,344,935</u>	<u>2,326,070</u>	<u>345,952</u>	<u>28,325,053</u>
Total capital assets being depreciated, net	<u>41,380,450</u>	<u>(8,080)</u>	<u>(14,085)</u>	<u>41,386,455</u>
Capital assets, net	<u>\$ 46,435,059</u>	<u>\$ 1,699,767</u>	<u>\$ 1,438,048</u>	<u>\$ 46,696,778</u>

Water capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and land rights	\$ 892,333	\$ 293,424	\$ -	\$ 1,185,757
Construction in progress	719,451	4,080,668	3,795,632	1,004,487
Total capital assets not being depreciated	<u>1,611,784</u>	<u>4,374,092</u>	<u>3,795,632</u>	<u>2,190,244</u>
Capital assets being depreciated				
Distribution	63,028,355	6,855,037	128,868	69,754,524
General	1,617,923	45,655	2,082	1,661,496
Total capital assets being depreciated	<u>64,646,278</u>	<u>6,900,692</u>	<u>130,950</u>	<u>71,416,020</u>
Less accumulated depreciation	<u>19,674,545</u>	<u>1,584,293</u>	<u>66,070</u>	<u>21,192,768</u>
Total capital assets being depreciated, net	<u>44,971,733</u>	<u>5,316,399</u>	<u>64,880</u>	<u>50,223,252</u>
Capital assets, net	<u>\$ 46,583,517</u>	<u>\$ 9,690,491</u>	<u>\$ 3,860,512</u>	<u>\$ 52,413,496</u>

Depreciation expense for 2019 for Electric and Water totaled \$2,326,070 and \$1,584,293 respectively.

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 4 – MUNICIPAL RECEIVABLES, PAYABLES, AND CONTRIBUTIONS

Amounts receivable from and payable to the City of Shakopee as of December 31, 2019, are as follows:

Receivable Fund/Municipality	Payable Fund/Municipality	2019 Amount
Electric Fund	City of Shakopee	\$ 95,008
City of Shakopee	Electric Fund	398,424
Water Fund	City of Shakopee	116,849
City of Shakopee	Water Fund	180,442

The receivables and payables generally represent billing expenses, general operating expenses, and capital projects.

The composition of municipal contributions as of December 31, 2019, was as follows:

Contributions To	Contributions From	2019 Amount
City of Shakopee	Water Fund	\$ 999,320
City of Shakopee	Electric Fund	1,424,805
Total		<u>\$ 2,424,125</u>

Contributions were made from the Water and Electric Funds to the City for contributions in lieu of taxes and for free service to the City.

NOTE 5 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles.

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

The Commission's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2019 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2019, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 6 – PENSION PLANS

The Water and Electric Funds typically liquidate the Liability related to the pension.

Public Employees' Retirement Association

A. Plan Description

The Commission 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

All full-time and certain part-time employees of the Commission are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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 a Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 6 – 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 Employee Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in calendar year 2019 and the Commission was required to contribute 7.5% for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended December 31, 2019, were \$350,018. The Commission's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the Commission reported a liability of \$3,532,888 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 2019. 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 \$109,829. The net pension liability was measured as of June 30, 2019, and the total pension commission liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportionate share 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Commission's proportionate share was 0.0639% which was a decrease of 0.0006% from its proportionate share measured as of June 30, 2018.

Commission's proportionate share of the net pension liability	\$ 3,532,888
State of Minnesota's proportionate share of the net pension liability associated with the Commission	<u>109,829</u>
Total	<u><u>\$ 3,642,717</u></u>

For the year ended December 31, 2019, the Commission recognized pension expense of \$482,271 for its proportionate share of General Employees Fund's pension expense. In addition, the Commission recognized an additional \$8,225 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.

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 6– PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs

At December 31, 2019, the Commission reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 98,286	\$ -
Changes in actuarial assumptions	-	279,540
Difference between projected and actual investment earnings	-	368,175
Changes in proportion	49,879	24,963
Contributions paid to PERA subsequent to the measurement date	<u>175,009</u>	<u>-</u>
Total	<u>\$ 323,174</u>	<u>\$ 672,678</u>

\$175,009 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2020	\$ (156,933)
2021	(293,532)
2022	(79,741)
2023	<u>5,693</u>
Total	<u>\$ (524,513)</u>

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50%	Per year
Salary increase	3.25%	Per year
Investment rate of return	7.50%	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables 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% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long Term
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	0.00
Total	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5%. 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 these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were 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 presents the Commission'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 Commission'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%)
Commission's proportionate share of the General Employees Fund net pension liability	\$ 5,807,877	\$ 3,532,888	\$ 1,654,432

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

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.

NOTE 7 – COMMITMENTS

The Commission has in process various multi-year construction projects which were not completed in the current fiscal year. As of December 31, 2019, outstanding commitments for these multi-year projects total approximately \$94,415.

NOTE 8 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2020.

NOTE 9 – SUBSEQUENT EVENT

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the Commission may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the Commission's financial statements at December 31, 2019 cannot be determined at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

**Shakopee Public Utilities Commission
Schedule of Commission's Proportionate Share
of Net Pension Liability
General Employees Retirement Fund
Last Ten Years**

For Fiscal Year Ended June 30,	Commission's Proportion Share (Percentage) of the Net Pension Liability (Asset)	Commission's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the Commission	Commission's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the Commission	Commission's Covered Payroll	Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0639%	\$ 3,532,888	\$ 109,829	\$ 3,642,717	\$ 4,522,507	78.12%	80.23%
2018	0.0645%	3,578,196	117,344	3,695,540	4,333,280	82.57%	79.53%
2017	0.0644%	4,111,253	51,656	4,162,909	4,145,653	99.17%	75.90%
2016	0.0621%	5,042,212	65,842	5,108,054	3,854,427	130.82%	68.91%
2015	0.0608%	3,150,972	-	3,150,972	3,516,627	89.60%	78.19%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Shakopee Public Utilities Commission
Schedule of Commission Contributions
General Employees Retirement Fund
Last Ten Years**

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Commission's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2019	\$ 350,018	\$ 350,018	\$ -	\$ 4,666,907	7.50%
2018	339,188	339,188	-	4,522,507	7.50%
2017	315,791	315,791	-	4,210,547	7.50%
2016	299,473	299,473	-	3,992,973	7.50%
2015	277,221	277,221	-	3,696,280	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Shakopee Public Utilities Commission
Notes to the Required Supplementary Information

GENERAL EMPLOYEES FUND

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

Shakopee Public Utilities Commission
Notes to the Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2017 Changes (Continued)

Changes in Plan Provisions (Continued)

- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

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, 2015. 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 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.

Changes in Plan Provisions

- On January 1, 2015, 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; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

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SUPPLEMENTARY INFORMATION
ELECTRIC UTILITY FUND

Shakopee Public Utilities Commission
Statement of Net Position - Electric Utility
December 31, 2019
With Comparative Totals as of December 31, 2018

	2019	2018
Assets		
Current assets		
Cash and investments	\$ 39,752,560	\$ 32,189,484
Accrued interest receivable	65,627	58,444
Customer accounts receivable	3,737,683	3,986,682
Allowance for uncollectible accounts	(40,833)	(27,405)
Other accounts receivable	104,019	342,127
Due from City of Shakopee	95,008	125,923
Inventory	1,376,162	1,213,250
Prepaid expenses	46,371	50,399
Total current assets	<u>45,136,597</u>	<u>37,938,904</u>
Noncurrent assets		
Restricted assets		
Customer deposits account	2,268,122	2,388,808
Capital assets		
Plant in service	74,092,704	72,106,581
Accumulated depreciation	(28,325,053)	(26,344,935)
Construction in progress	929,127	673,413
Other assets		
Emergency repairs account	100,000	100,000
Total noncurrent assets	<u>49,064,900</u>	<u>48,923,867</u>
Total assets	<u>94,201,497</u>	<u>86,862,771</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	<u>242,380</u>	<u>529,029</u>
Total assets and deferred outflows of resources	<u>\$ 94,443,877</u>	<u>\$ 87,391,800</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 3,024,062	\$ 3,423,105
Due to City of Shakopee	398,424	467,273
Other current liabilities	331,261	293,249
Total current liabilities	<u>3,753,747</u>	<u>4,183,627</u>
Liabilities payable from restricted assets		
Customer deposits	<u>2,268,122</u>	<u>2,388,808</u>
Noncurrent liabilities		
Unearned revenues	5,210	3,447
Customer advances	686,831	550,257
Net pension liability	2,649,666	2,683,648
Total noncurrent liabilities	<u>3,341,707</u>	<u>3,237,352</u>
Total liabilities	<u>9,363,576</u>	<u>9,809,787</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	<u>504,508</u>	<u>664,155</u>
Net Position		
Net investment in capital assets	46,696,778	46,435,059
Unrestricted	37,879,015	30,482,799
Total net position	<u>84,575,793</u>	<u>76,917,858</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 94,443,877</u>	<u>\$ 87,391,800</u>

Shakopee Public Utilities Commission
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Electric Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019	2018
Operating revenues	\$ 49,650,814	\$ 50,393,489
Operating expenses		
Operation, customer and administrative	40,405,850	41,697,431
Depreciation of capital assets	2,326,070	2,237,527
Total operating expenses	<u>42,731,920</u>	<u>43,934,958</u>
Operating income	6,918,894	6,458,531
Nonoperating revenues (expenses)		
Rentals and miscellaneous	259,598	430,798
Interdepartmental rent from water	90,000	90,000
Investment income	980,761	449,019
Interest expense	(64,280)	(65,609)
Amortization of bond discount and loss on refunding	-	(216,694)
Gain (loss) on disposition of property	138,545	59,601
Total nonoperating revenues (expenses)	<u>1,404,624</u>	<u>747,115</u>
Income before contributions and transfers	8,323,518	7,205,646
Capital contributions	759,222	730,662
Municipal contributions	<u>(1,424,805)</u>	<u>(1,509,222)</u>
Change in net position	7,657,935	6,427,086
Net position		
Beginning of year	<u>76,917,858</u>	<u>70,490,772</u>
End of year	<u><u>\$ 84,575,793</u></u>	<u><u>\$ 76,917,858</u></u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Electric Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019	2018
Cash Flows - Operating Activities		
Receipts from customers and users	\$ 50,442,600	\$ 50,482,328
Payments to suppliers	(35,724,978)	(37,079,969)
Payments to employees	(5,176,616)	(4,985,832)
Net cash flows - operating activities	<u>9,541,006</u>	<u>8,416,527</u>
Cash Flows - Noncapital		
Financing Activities		
Payments to City of Shakopee	(1,317,892)	(1,338,234)
Proceeds from sale of assets	124,459	170,358
Net cash flows - noncapital financing activities	<u>(1,193,433)</u>	<u>(1,167,876)</u>
Cash Flows - Capital and Related		
Financing Activities		
Principal paid on debt	-	(7,590,000)
Interest paid on debt	(64,280)	(202,429)
Acquisition of capital assets	(1,814,481)	(1,223,594)
Net cash flows - capital and related financing activities	<u>(1,878,761)</u>	<u>(9,016,023)</u>
Cash Flows - Investing Activities		
Purchases of investments	(529,135)	(251,911)
Interest and dividends received	973,578	441,555
Net cash flows - investing activities	<u>444,443</u>	<u>189,644</u>
Net change in cash and cash equivalents	6,913,255	(1,577,728)
Cash and Cash Equivalents		
Beginning of year	<u>18,849,745</u>	<u>20,427,473</u>
End of year	<u>\$ 25,763,000</u>	<u>\$ 18,849,745</u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Electric Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019	2018
Reconciliation of Operating		
Income to Net Cash Flows -		
Operating Activities		
Operating income	\$ 6,918,894	\$ 6,458,531
Adjustments to reconcile operating income		
to net cash flows - operating activities		
Free electric service to City of Shakopee	(106,913)	(170,988)
Nonoperating revenues	349,598	520,798
Depreciation expense	2,326,070	2,237,527
Pension related activity	93,020	33,826
Allowance for uncollectible accounts	13,428	4,500
Change in assets and liabilities		
Customer accounts receivable	248,999	(75,261)
Other accounts receivable	238,108	(227,638)
Due from City of Shakopee	30,915	(65,250)
Inventory	(162,912)	98,744
Prepaid items	4,028	(5,697)
Accounts payable	(399,043)	(600,047)
Customer deposits	(120,686)	(65,141)
Unearned revenue	1,763	2,399
Customer advances	136,574	165,420
Due to City of Shakopee	(68,849)	81,661
Other liabilities	38,012	23,143
Total adjustments	<u>2,622,112</u>	<u>1,957,996</u>
Net cash flows - operating		
activities	<u>\$ 9,541,006</u>	<u>\$ 8,416,527</u>
Reconciliation of Cash and Cash		
Equivalents to the Statement		
of Net Position		
Customer deposits account	\$ 2,268,122	\$ 2,388,808
Emergency repairs account	100,000	100,000
Cash and investments	<u>39,752,560</u>	<u>32,189,484</u>
Total	<u>42,120,682</u>	<u>34,678,292</u>
Less long-term investments	<u>(16,357,682)</u>	<u>(15,828,547)</u>
Cash and cash equivalents	<u>\$ 25,763,000</u>	<u>\$ 18,849,745</u>
Noncash Investing, Capital, and		
Financing Activities		
Contributions of capital assets from the		
municipality and developers	\$ 759,222	\$ 730,662
Free electric service to City of Shakopee	106,913	170,988

Shakopee Public Utilities Commission
Detailed Statement of Operating Revenues
and Expenses - Electric Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019	2018
Operating Revenues		
Sales of electricity		
Residential	\$ 17,314,820	\$ 17,891,566
Commercial	31,261,142	31,414,834
Uncollectible accounts	(61,116)	(71,802)
Total sales of electricity	<u>48,514,846</u>	<u>49,234,598</u>
Forfeited discounts	304,445	252,538
Free service to City of Shakopee	106,913	170,988
Conservation program	724,610	735,365
Total operating revenues	<u>49,650,814</u>	<u>50,393,489</u>
Operating Expenses		
Operation and maintenance		
Purchased power	34,198,101	35,555,031
Distribution operation expenses	450,753	417,658
Distribution system maintenance	650,200	942,149
Maintenance of general plant	308,832	258,740
Total operating expenses	<u>35,607,886</u>	<u>37,173,578</u>
Customer accounts		
Meter reading	127,806	115,910
Customer records and collection	523,715	467,845
Energy conservation	724,610	735,365
Total customer accounts	<u>1,376,131</u>	<u>1,319,120</u>
Administrative and general		
Administrative and general salaries	666,835	610,512
Office supplies and expense	173,835	139,740
Outside services employed	133,237	186,004
Insurance	127,006	129,290
Employee benefits	1,953,383	1,830,931
Miscellaneous general	367,537	308,256
Total administrative and general	<u>3,421,833</u>	<u>3,204,733</u>
Total operation, customer, and administrative expenses	40,405,850	41,697,431
Depreciation of capital assets	2,326,070	2,237,527
Total operating expenses	<u>42,731,920</u>	<u>43,934,958</u>
Operating income	<u>\$ 6,918,894</u>	<u>\$ 6,458,531</u>

Shakopee Public Utilities Commission
Schedule of Plant in Service - Electric Utility
December 31, 2019

	Balance 12/31/18	Additions	Retirements/ Adjustments	Balance 12/31/19
Capital Assets				
Distribution				
Land and land rights	\$ 829,867	\$ -	\$ -	\$ 829,867
Structures and improvements	460,701	-	-	460,701
Station equipment	22,683,030	323,090	-	23,006,120
Station battery	1,857	-	-	1,857
Poles, towers, and fixtures	527,824	-	-	527,824
Overhead conductors and devices	2,829,302	20,781	11,520	2,838,563
Underground conduit	906,281	-	-	906,281
Underground conductors and devices	19,253,499	971,690	11,967	20,213,222
Line transformers	5,512,538	362,027	20,396	5,854,169
Services	50,643	-	-	50,643
Meters	1,386,127	126,182	527	1,511,782
Total distribution	<u>54,441,669</u>	<u>1,803,770</u>	<u>44,410</u>	<u>56,201,029</u>
General				
Land and land rights	3,551,329	-	-	3,551,329
Structures and improvements	9,149,163	9,411	-	9,158,574
Office furniture and equipment	1,126,774	22,961	-	1,149,735
Computer equipment	621,772	51,332	-	673,104
Transportation equipment	2,163,285	316,491	266,947	2,212,829
Tools, shop and garage equipment	177,153	17,264	-	194,417
Laboratory equipment	20,041	-	-	20,041
Power operated equipment	548,976	57,295	31,745	574,526
Communication equipment	306,419	50,701	-	357,120
Total general	<u>17,664,912</u>	<u>525,455</u>	<u>298,692</u>	<u>17,891,675</u>
Total plant in service	<u>\$ 72,106,581</u>	<u>\$ 2,329,225</u>	<u>\$ 343,102</u>	<u>\$ 74,092,704</u>

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SUPPLEMENTARY INFORMATION
WATER UTILITY FUND

Shakopee Public Utilities Commission
Statement of Net Position - Water Utility
December 31, 2019
With Comparative Totals as of December 31, 2018

	2019	2018
Assets		
Current assets		
Cash and investments	\$ 9,210,673	\$ 8,488,457
Accrued interest receivable	135,959	11,502
Customer accounts receivable	305,522	344,165
Allowance for uncollectible accounts	(9,799)	(6,666)
Other accounts receivable	86,826	747,589
Due from City of Shakopee	116,849	20,326
Inventory	31,439	29,698
Prepaid Expenses	15,458	16,800
Total current assets	<u>9,892,927</u>	<u>9,651,871</u>
Noncurrent assets		
Restricted assets		
Customer deposits account	95,945	73,547
Connection account	14,781,889	13,085,883
Water reconstruction account	488,866	844,901
Capital assets		
Plant in service	72,601,777	65,538,611
Accumulated depreciation	(21,192,768)	(19,674,545)
Construction in progress	1,004,487	719,451
Total noncurrent assets	<u>67,780,196</u>	<u>60,587,848</u>
Total assets	<u>77,673,123</u>	<u>70,239,719</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to pension activity	<u>80,794</u>	<u>176,342</u>
Total assets and deferred outflows of resources	<u>\$ 77,753,917</u>	<u>\$ 70,416,061</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,114,597	\$ 89,268
Due to City of Shakopee	180,442	580,490
Other current liabilities	206,608	135,644
Total current liabilities	<u>1,501,647</u>	<u>805,402</u>
Liabilities payable from restricted assets		
Customer deposits	95,945	73,547
Noncurrent liabilities		
Customer advances	44,124	300,098
Net pension liability	883,222	894,548
Total noncurrent liabilities	<u>927,346</u>	<u>1,194,646</u>
Total liabilities	<u>2,524,938</u>	<u>2,073,595</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	<u>168,170</u>	<u>221,384</u>
Net Position		
Net investment in capital assets	52,413,496	46,583,517
Restricted for connections and reconstruction	15,270,755	13,930,784
Unrestricted	7,376,558	7,606,781
Total net position	<u>75,060,809</u>	<u>68,121,082</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 77,753,917</u>	<u>\$ 70,416,061</u>

Shakopee Public Utilities Commission
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Water Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019	2018
Operating revenues	\$ 4,861,369	\$ 5,608,127
Operating expenses		
Operation, customer, and administrative	2,991,997	2,846,005
Depreciation	1,584,293	1,415,037
Total operating expenses	<u>4,576,290</u>	<u>4,261,042</u>
Operating income	285,079	1,347,085
Nonoperating revenues (expenses)		
Rentals and miscellaneous	268,265	184,857
Investment income	527,643	219,864
Interest expense	(2,295)	(989)
Gain (loss) on disposition of property	(62,391)	5,536
Total nonoperating revenues (expenses)	<u>731,222</u>	<u>409,268</u>
Income before contributions and transfers	1,016,301	1,756,353
Capital contributions	6,922,746	5,868,217
Municipal contributions	<u>(999,320)</u>	<u>(1,091,814)</u>
Change in net position	6,939,727	6,532,756
Net position		
Beginning of year	<u>68,121,082</u>	<u>61,588,326</u>
End of year	<u><u>\$ 75,060,809</u></u>	<u><u>\$ 68,121,082</u></u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Water Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019	2018
Cash Flows - Operating Activities		
Receipts from customers and users	\$ 5,502,074	\$ 5,260,263
Payments to suppliers	(333,456)	(1,546,344)
Payments to employees	(2,112,129)	(2,096,971)
Net cash flows - operating activities	<u>3,056,489</u>	<u>1,616,948</u>
Cash Flows - Noncapital		
Financing Activities		
Payments to City of Shakopee	(818,878)	(511,324)
Proceeds from sale of assets	2,489	6,804
Net cash flows - noncapital financing activities	<u>(816,389)</u>	<u>(504,520)</u>
Cash Flows - Capital and Related		
Financing Activities		
Interest paid on debt	(2,295)	(989)
Acquisition of capital assets	(5,291,976)	(2,202,354)
Installation fees	90,821	62,300
Connection charges	4,446,012	3,044,959
Trunk charges	198,737	389,497
Net cash flows - capital and related financing activities	<u>(558,701)</u>	<u>1,293,413</u>
Cash Flows - Investing Activities		
Proceeds of investments	(65,457)	(31,107)
Interest and dividends received	403,186	218,941
Net cash flows - investing activities	<u>337,729</u>	<u>187,834</u>
Net change in cash and cash equivalents	<u>2,019,128</u>	<u>2,593,675</u>
Cash and Cash Equivalents		
Beginning of year	<u>20,494,348</u>	<u>17,900,673</u>
End of year	<u><u>\$ 22,513,476</u></u>	<u><u>\$ 20,494,348</u></u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Water Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

**Reconciliation of Operating Income
to Net Cash Flows- Operating Activities**

Operating income	\$ 285,079	\$ 1,347,085
Adjustments to reconcile operating income to net cash flows - operating activities		
Nonoperating revenues	268,265	184,857
Depreciation expense	1,584,293	1,415,037
Pension related activity	31,008	11,269
Allowance for uncollectible accounts	3,133	(4,470)
Change in assets and liabilities		
Customer accounts receivable	38,643	(26,404)
Other accounts receivable	660,763	(698,418)
Due from City of Shakopee	(96,523)	(4,808)
Inventory	(1,741)	1,092
Prepaid items	1,342	(1,899)
Accounts payable	1,025,329	(658,336)
Customer deposits	22,398	20,675
Customer advances	(255,974)	180,704
Due to City of Shakopee	(580,490)	(115,088)
Other liabilities	70,964	(34,348)
Total adjustments	<u>2,771,410</u>	<u>269,863</u>
Net cash flows - operating activities	<u>\$ 3,056,489</u>	<u>\$ 1,616,948</u>

**Reconciliation of Cash and Cash Equivalents
to the Statement of Net Position**

Customer deposits account	\$ 95,945	\$ 73,547
Connection account	14,781,889	13,085,883
Water reconstruction account	488,866	844,901
Cash and investments	<u>9,210,673</u>	<u>8,488,457</u>
Total	24,577,373	22,492,788
Less long-term investments	<u>(2,063,897)</u>	<u>(1,998,440)</u>
Cash and cash equivalents	<u>\$ 22,513,476</u>	<u>\$ 20,494,348</u>

Shakopee Public Utilities Commission
Detailed Statement of Operating Revenues
and Expenses - Water Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019	2018
Operating revenues		
Sales of water	\$ 4,827,271	\$ 5,568,251
Forfeited discounts	42,475	38,380
Uncollectible accounts	(8,377)	1,496
Total operating revenues	<u>4,861,369</u>	<u>5,608,127</u>
Operating expenses		
Operation and maintenance		
Pumping and distribution operation	522,705	474,523
Pumping and distribution maintenance	420,451	427,410
Power for pumping	289,410	300,400
Maintenance of general plant	67,721	37,283
Total operation and maintenance	<u>1,300,287</u>	<u>1,239,616</u>
Customer accounts		
Meter reading	66,830	61,848
Customer records and collection	130,908	129,395
Total customer accounts	<u>197,738</u>	<u>191,243</u>
Administrative and general		
Administrative and general salaries	407,966	397,716
Office supplies and expense	61,984	47,746
Outside services employed	76,964	72,615
Insurance	42,335	43,097
Employee benefits	712,944	666,999
Miscellaneous general	191,779	186,973
Total administrative and general	<u>1,493,972</u>	<u>1,415,146</u>
Total operation, customer, and administrative expenses	2,991,997	2,846,005
Depreciation	<u>1,584,293</u>	<u>1,415,037</u>
Total operating expenses	<u>4,576,290</u>	<u>4,261,042</u>
Operating income	<u>\$ 285,079</u>	<u>\$ 1,347,085</u>

Shakopee Public Utilities Commission
Schedule of Plant in Service - Water Utility
December 31, 2019

	Balance 12/31/18	Additions	Retirements/ Adjustments	Balance 12/31/19
Capital Assets				
Distribution				
Land and land rights	\$ 892,333	\$ 293,424	\$ -	\$ 1,185,757
Wells	4,313,590	84,549	-	4,398,139
Electric pumping equipment	5,493,313	2,975,729	-	8,469,042
Towers and pump houses	7,527,749	54,860	-	7,582,609
Distribution system	42,984,707	3,593,875	128,459	46,450,123
Meters	2,708,993	146,024	406	2,854,611
Total distribution	<u>63,920,685</u>	<u>7,148,461</u>	<u>128,865</u>	<u>70,940,281</u>
General				
Office furniture and equipment	126,864	7,654	156	134,362
Computer equipment	174,754	17,110	1,388	190,476
Transportation equipment	413,155	-	197	412,958
Tools, shop and garage equipment	22,632	-	237	22,395
Laboratory equipment	54,386	3,733	-	58,119
Power operated equipment	5,812	-	-	5,812
Communication equipment	22,480	-	-	22,480
Scada equipment	450,230	13,438	105	463,563
Building improvements	347,613	3,718	-	351,331
Total general	<u>1,617,926</u>	<u>45,653</u>	<u>2,083</u>	<u>1,661,496</u>
Total plant in service	<u>\$ 65,538,611</u>	<u>\$ 7,194,114</u>	<u>\$ 130,948</u>	<u>\$ 72,601,777</u>

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Minnesota Legal Compliance

Independent Auditor's Report

Board of Commissioners
Shakopee Public Utilities Commission
Shakopee, Minnesota

We have audited, in accordance with auditing standards general accepted in the United States of America, the financial statements of each major fund of the Shakopee Public Utilities Commission, Shakopee, Minnesota, as of and for the year ended December 31, 2019, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 19, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the provisions contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the Minnesota Legal Compliance Audit Guide for other Political Subdivisions, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Commission's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the Commission and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

Bergan KDV, Ltd.

St. Cloud, Minnesota
March 19, 2020