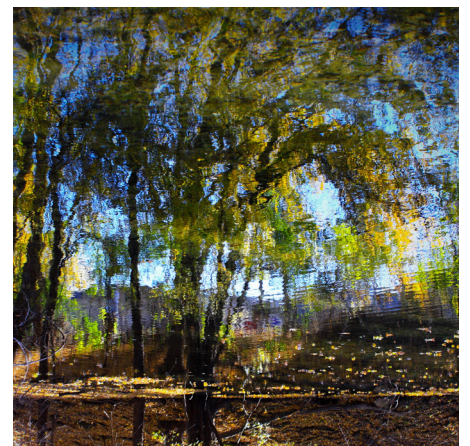
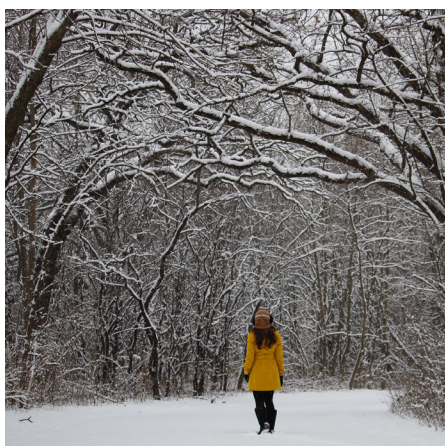
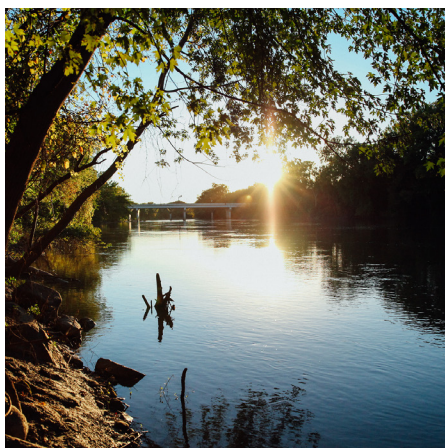


Comprehensive ANNUAL FINANCIAL REPORT

For the fiscal year ended December 31, 2016



2016 Show Off Shakopee Photo Contest Submissions

CITY OF SHAKOPEE, MINNESOTA

Scott County

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2016

Department of Finance

Darin Nelson, Director of Finance
Melissa Schlingman, Accounting Manager

129 Holmes Street South
Shakopee, MN 55379

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CITY OF SHAKOPEE

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CITY OF SHAKOPEE

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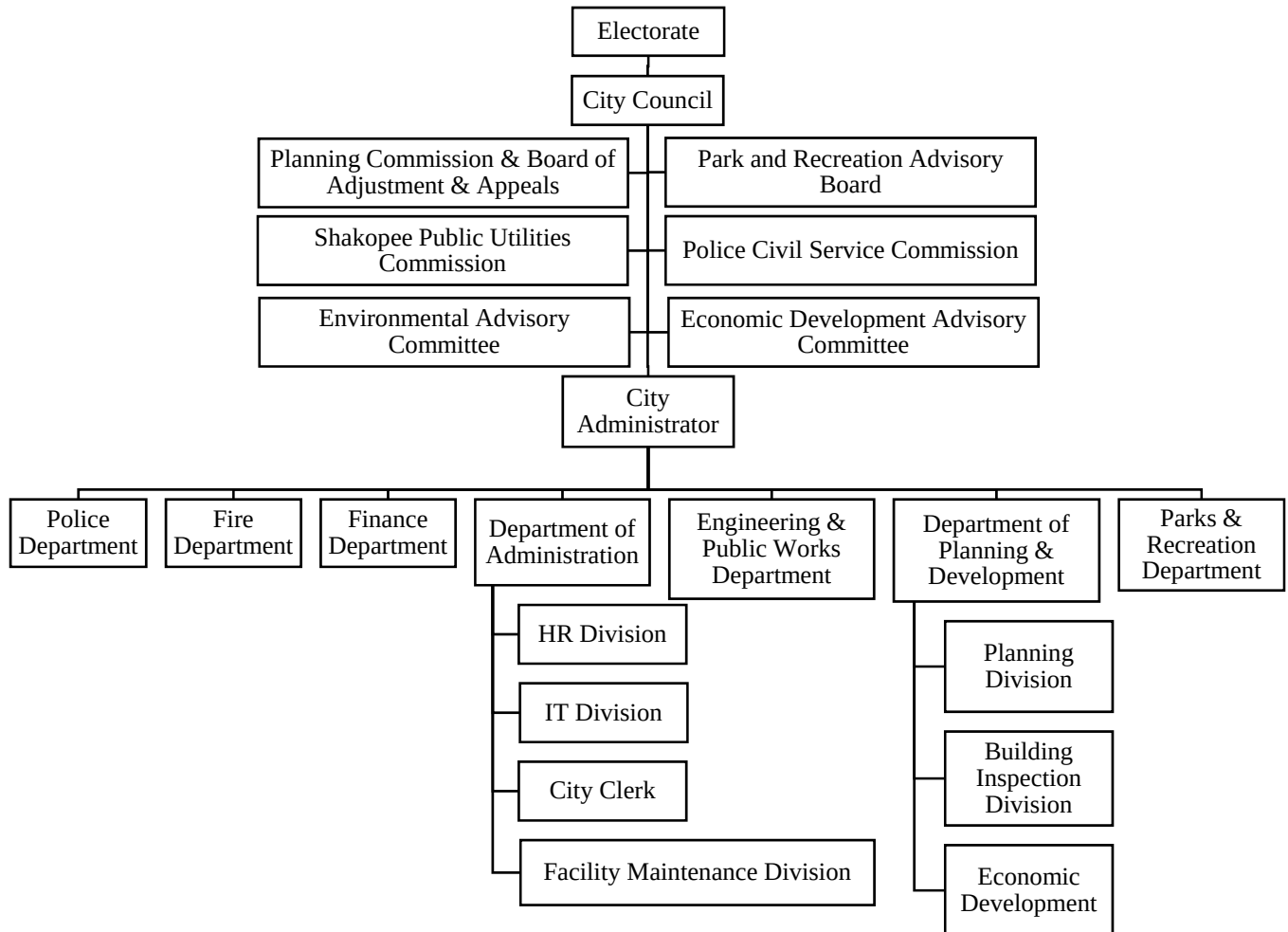
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CITY OF SHAKOPEE
ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2016

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

<u>Administration</u>	
Bill Reynolds	City Administrator
Nathan Burkett	Assistant City Administrator
Darin Nelson	Finance Director
Jennifer Gabbard	HR Manager
Andy Hutson	IT Director
Lori Hensen	City Clerk
Michael Kerski	Director of Planning & Development
Dave Kriesel	Building Official
Jeff Tate	Police Chief
Rick Coleman	Fire Chief
Bruce Loney	Public Works Director/Engineer
Jamie Polley	Park and Recreation Director

CITY OF SHAKOPEE
ORGANIZATION CHART
DECEMBER 31, 2016





May 18, 2017

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

The Comprehensive Annual Financial Report for the City of Shakopee, Minnesota, for the fiscal year ended December 31, 2016, is submitted herewith:

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

The City of Shakopee's financial statements have been audited by BerganKDV, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the city for the year ended December 31, 2016, are fairly presented in conformity with GAAP (generally accepted accounting principles). Based on the audit, the independent auditor concluded that there was reasonable basis for rendering an unmodified ("clean") opinion on the city's financial statements for the year ended December 31, 2016. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used; significant estimates made by management; as well as evaluation of the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the City

The City of Shakopee was incorporated for the second time in 1870 and is located approximately 25 miles southwest of Minneapolis. Bound by the Minnesota River on the north, Shakopee is in the northern part of Scott County and is the county seat. In recent years, the city has been one of the most rapidly growing communities in the state. The 2000 population of the city was 20,568 and the land area covered is approximately 30 square miles. The 2010 census confirmed that the population had increased to 37,076 and has been continuing to experience growth into the current year, with an estimated population of 40,254, in 2016. The city comprises a unique blend of residential, commercial and industrial properties, which provides a wide range of opportunities that are the result of the strong economic health of the community and region. More than 80% of the community is developed, with approximately 35% of the developed land as residential. The city levies a property tax on both real and personal property located within its boundaries except for land owned or controlled by the Shakopee Mdewakanton Sioux Community (SMSC), a federally recognized Native American Tribe. The city may

also by state statute, extend its corporate limits by annexation, which historically has occurred periodically.

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

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

Economic development and redevelopment are controlled by the Shakopee Economic Development Authority (the Authority). The Authority is comprised of the Mayor and City Council members and is included as an integral part of the city's report. The economic development activities of both staff and Council continue to increase from past years, as the strong economic climate in the region has provided the city with the benefit of planned commercial and industrial growth as well as expansion of several existing businesses and commercial sites. 2016 activity has already confirmed that the continuation of the growth trend will carry into the current year as the valuation of building permits for the first quarter of 2017 was \$35 million compared to a similar amount of \$36 million for the same timeframe in 2016.

The annual budget is the basis for the city's financial planning and control. The budget is prepared by fund (e.g., General), function (e.g., Public Works) and division (e.g., Engineering). Major budget requests or initiatives are submitted in July by Department Heads. The City Administrator reviews the submittals with the Finance Director and Department Heads, to determine the prioritization of specific budget requests. The City Council is presented with a proposed budget and a maximum tax levy in September of each year. This information succinctly details changes in the upcoming year budget, such as changes in personnel and position structure. It also includes funding requests that are unique to the specific budget year, the basis for the request, as well as requests for transfers and internal funding needs, such as internal service fund reviews. City Council is required to adopt a maximum tax levy by September 30. The final tax levy and budget are adopted in December after a public meeting, which provides the City Council and community impact information relating to both the budget decisions and property tax levies. Final levy information is submitted to the County for inclusion in the development of the upcoming year property tax statements. Budgeting control is provided by an annual budget resolution passed by City Council. Formal control is at the division level and Council action is necessary to change budgeted amounts between divisions and/or funds. The Finance Director or City Administrator may make changes within divisions.

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

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

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

Local Economy

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

In 2016 and 2017, permits were issued for the construction of the following:

- Marcus Theatres constructed a 54,000-square foot, ten screen movie theatre which opened in April 2017.
- Minnesota Municipal Power Agency (MMPA) constructed a 46-megawatt (MW) natural gas powered electric plant. The plant went online in March of 2017.
- Hy-Vee is constructing a 96,000-square foot grocery store along with an additional convenience store and attached car wash. The grocery store is expected to open in the fall of 2017.
- Apple Chrysler Jeep Dodge Ram constructed a new dealership building that opened in the spring of 2017
- The Shakopee School District is undertaking a major the expansion of the high school which includes an additional 335,000-square feet of learning space. Completion is expected prior to the beginning of the 2018-19 school year.

These projects are in addition to major projects that were issued building permits in 2015 and completed construction in 2016. These major projects included:

- Rahr Malting expansion
- Amazon fulfillment center construction
- Amerisource Bergan pharmaceutical distribution facility construction

- St. Francis Regional Medical Center expansion
- Construction of a 55-unit senior assisted living facility near downtown

In addition, two major residential developments are in the works to break ground in the spring of 2017. The first development is in the Ridge Creek addition, which will include 104 single family homes. The second is the Windermere addition. This development is planned to be a mix of 197 residential lots, seven commercial lots and multifamily housing.

Major Initiatives

The recent commercial, industrial and residential growth has required the city to maintain a commitment to infrastructure plans, and integration with other local and regional projects. The City Council committed funding in 2013 for a dedicated transfer of the property tax levy to fund a portion of the planned capital improvements. The initial \$500,000 commitment allows for street reconstruction and overlays, and miscellaneous other construction projects. The 2014, 2015 and 2016 budgets provided \$750,000, \$1.0 million and \$1.2 million, respectively for continued and expanded capital improvement funding. The 2017 budget continues with the commitment, dedicating \$1,135,000 million towards capital improvement funding through a combination of property and franchise taxes. This will provide for a consistent funding source needed to address recently deferred infrastructure programs. The city also continues to work with Scott County, the State of Minnesota (MnDOT), as well as private developers, to allow for a strong coordination of project planning and benefits to the region's transportation system and business climate.

Supporting retail opportunities, such as restaurants and small retail sites, are investigating locating in Shakopee due to increased employee counts from the commercial ventures that have recently been built in the community.

Scott County has historically dealt with a daily out-migration of workers who work in neighboring counties. This issue is being addressed by decision makers, who want to utilize the skilled and educated work force as an attraction to businesses. The commercial and industrial growth that the city has recently and will continue to experience will eliminate some of the loss of daily work force from the area. By seeking a solution to both transportation and employment issues, the residents of the Shakopee area will be able to benefit by living and working close to home.

The city's community center and ice rink renovation broke ground April 1, 2016. This \$30.4 million project includes the construction of a new two-sheet arena, addition of an aquatic facility, and the expansion of fitness, senior lounge, indoor playground, and child care areas. This project is being funded through the issuance of tax abatement bonds. Project completion is scheduled for the summer of 2017.

The city is also constructing a 25,000-square foot City Hall that will be adjacent to the police station. The City Hall addition will create a centralized city campus. Completion is anticipated to be in July 2017. The project cost is \$8.5 million with financing from a mix of internal transfers and an interfund loan.

Long-Term Financial Planning

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

In addition, the City Council passed an ordinance effective January 1, 2017 assessing the private gas and electric utilities a franchise tax based on three percent of energy sales. This franchise tax is estimated to generate \$750,000 in 2017, with revenue dedicated to the Capital Improvement Fund.

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

A self-insurance internal service fund was created in 2016 to aid in controlling insurance costs by monitoring the premiums against deductible expenses. The long-term goal of the fund is to eventually self-insure for non-catastrophic type of losses.

Relevant Financial Policies

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

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

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

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

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

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Shakopee for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2015. This was the 31st consecutive year that the city has received this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

A blue ink signature of William H. Reynolds, consisting of a stylized 'W' and 'R' followed by a horizontal line.

William H. Reynolds
City Administrator

A blue ink signature of Darin Nelson, written in a cursive style.

Darin Nelson
Finance Director



Government Finance Officers Association

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

Presented to

**City of Shakopee
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

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Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Shakopee
Shakopee, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Shakopee, Minnesota, as of and for the year ended December 31, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

**Auditor's Responsibility (Continued)**

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 first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Shakopee, Minnesota, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this 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 City of Shakopee's basic financial statements. The introductory section, supplementary information and statistical section, are presented for purposes of additional analysis, and are not a required part of the basic financial statements.



Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2017, on our consideration of the City of Shakopee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Shakopee's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

St. Cloud, Minnesota
May 18, 2017

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CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

As management of the City of Shakopee (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages 3 to 8 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by \$ 245.3 million (net position). Of this amount, \$ 40.0 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$ 1,988,045.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$ 30,666,344, increasing from the prior year. Approximately 34.9% of this total amount, \$ 10.7 million is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current year, unassigned fund balance for the General Fund was \$ 10.7 million, or 49.0 %, of total General Fund 2016 expenditures and 44.3% of the 2017 budgeted expenditures.
- The City's total bonded debt increased \$ 27.8 million.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

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

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

The government-wide financial statements can be found on pages 28 and 29 of this report.

Fund Financial Statements

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

Government Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. The governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 29 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Capital Improvements and Community Center and Ice Arena Capital Project Funds. Those are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental funds financial statements can be found on pages 30 to 35 of this report.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 36 to 39 of this report.

Component Units

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

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on page 41 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 45 to 94 of this report.

Other Information

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

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 110 to 127 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. For the City, assets exceeded liabilities by \$ 245.3 million at the close of the most recent year.

By far the largest portion of the City's net position (81.0%) reflects its investment in capital assets (e.g., land, buildings and equipment); less any related debt used to acquire those assets that is still outstanding. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position (Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 56,638	\$ 46,317	\$ 23,992	\$ 27,526	\$ 80,630	\$ 73,843
Capital Assets	155,754	129,046	70,099	68,986	225,853	198,032
Total Assets	<u>\$ 212,392</u>	<u>\$ 175,363</u>	<u>\$ 94,091</u>	<u>\$ 96,512</u>	<u>\$ 306,483</u>	<u>\$ 271,875</u>
Deferred Outflows of Resources	<u>\$ 17,410</u>	<u>\$ 2,352</u>	<u>\$ 199</u>	<u>\$ 44</u>	<u>\$ 17,609</u>	<u>\$ 2,396</u>
Long-Term Liabilities						
Outstanding	\$ 65,120	\$ 18,776	\$ 589	\$ 419	\$ 65,709	\$ 19,195
Other Liabilities	9,795	5,224	268	1,132	10,063	6,356
Total Liabilities	<u>\$ 74,915</u>	<u>\$ 24,000</u>	<u>\$ 857</u>	<u>\$ 1,551</u>	<u>\$ 75,772</u>	<u>\$ 25,551</u>
Deferred Inflows of Resources	<u>\$ 2,970</u>	<u>\$ 1,398</u>	<u>\$ 52</u>	<u>\$ 37</u>	<u>\$ 3,022</u>	<u>\$ 1,435</u>
NET POSITION:						
Net Investment in Capital Assets	\$ 128,560	\$ 120,831	\$ 70,099	\$ 68,986	\$ 198,659	\$ 189,817
Restricted	6,637	7,547	-	-	6,637	7,547
Unrestricted	16,720	23,939	23,282	25,982	40,002	49,921
Total Net Position	<u>\$ 151,917</u>	<u>\$ 152,317</u>	<u>\$ 93,381</u>	<u>\$ 94,968</u>	<u>\$ 245,298</u>	<u>\$ 247,285</u>

An additional portion of the City's net position (2.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$ 40.0 million) may be used to meet the City's ongoing obligations to citizens and creditors.

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

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016

During the current year, the City's net position decreased \$ 2.0 million. Governmental activities decreased as a result of additional bituminous overlay projects during 2016. The business-type activities decreased as a result of expenses exceeding revenues during the year. Expenses also increased due to increased fees from Met Council and increased storm costs related to cost sharing agreements. Increased utility rates are still not covering operational expenses. In addition, the business type activities transferred funds to governmental fund for operations and construction resulting in an overall decrease in net position.

Changes in Net Position (Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES:						
Program Revenues:						
Charges for Services	\$ 8,366	\$ 7,920	\$ 5,030	\$ 4,699	\$ 13,396	\$ 12,619
Operating Grants and Contributions	2,778	2,510	-	-	2,778	2,510
Capital Grants and Contributions	2,187	1,735	183	66	2,370	1,801
General Revenues:						
Property Taxes	18,016	16,807	-	-	18,016	16,807
Other Taxes	465	407	-	-	465	407
Other	546	540	291	367	837	907
Total Revenues	<u>32,358</u>	<u>29,919</u>	<u>5,504</u>	<u>5,132</u>	<u>37,862</u>	<u>35,051</u>
EXPENSES:						
General Government	4,206	4,238	-	-	4,206	4,238
Public Safety	13,281	10,582	-	-	13,281	10,582
Public Works	8,594	8,552	-	-	8,594	8,552
Culture and Recreation	4,653	4,355	-	-	4,653	4,355
Economic Development	2,105	2,604	-	-	2,105	2,604
Interest on Long-Term Debt	1,191	275	-	-	1,191	275
Sewer	-	-	3,843	3,824	3,843	3,824
Storm	-	-	1,849	1,726	1,849	1,726
Refuse	-	-	127	128	127	128
Total Expenses	<u>34,030</u>	<u>30,606</u>	<u>5,819</u>	<u>5,678</u>	<u>39,849</u>	<u>36,284</u>
Increase (Decrease in Net Position before Transfers	(1,672)	(687)	(315)	(546)	(1,987)	(1,233)
Transfers	1,272	496	(1,272)	(496)	-	-
Special Items	<u>-</u>	<u>(634)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(634)</u>
Change in Net Position	(400)	(825)	(1,587)	(1,042)	(1,987)	(1,867)
NET POSTION:						
January 1	152,317	160,386	94,968	96,317	247,285	256,703
Change in Accounting Principle:	-	(7,244)	-	(307)	-	(7,551)
January 1 As Restated*	152,317	153,142	94,968	96,010	247,285	249,152
December 31	<u>\$ 151,917</u>	<u>\$ 152,317</u>	<u>\$ 93,381</u>	<u>\$ 94,968</u>	<u>\$ 245,298</u>	<u>\$ 247,285</u>

*GASB Statement No. 68 was implemented for the year ended December 31, 2015 and required a \$ 7,244,500 and \$ 306,917 restatement of beginning net position for governmental activities and business type activities, respectively.

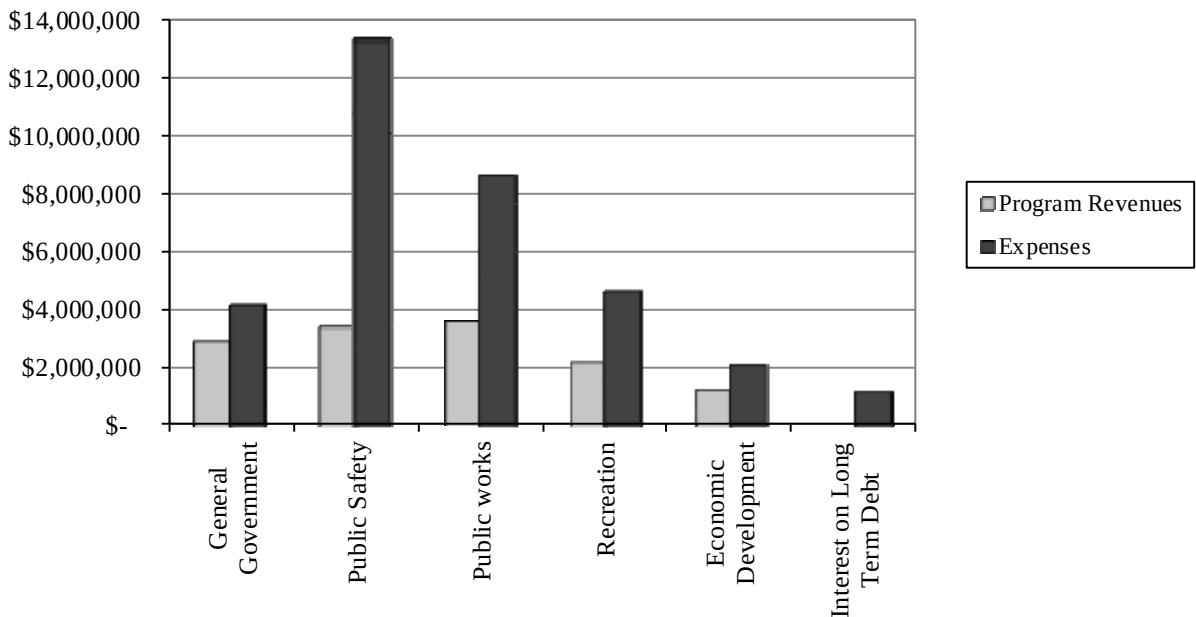
CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016

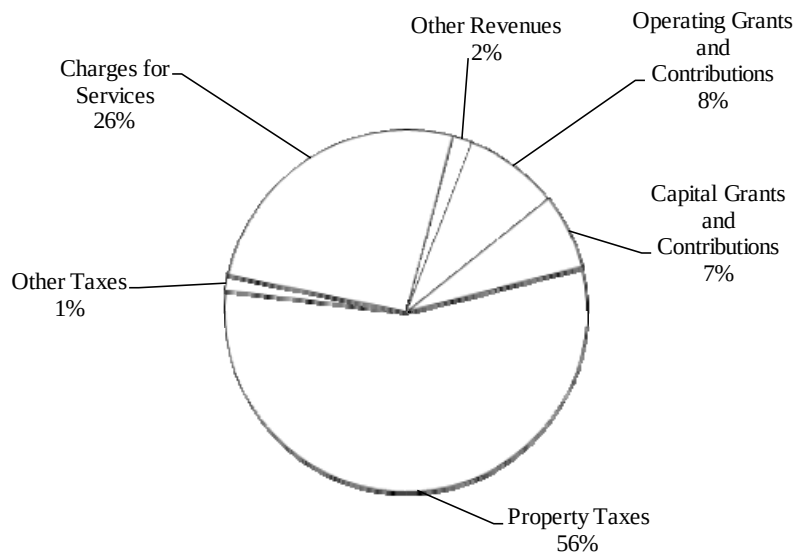
Governmental Activities

Governmental activities decreased the City's net position by \$ 400,905. The major decrease was due to additional bituminous overlay projects during 2016. These projects are considered maintenance and are not capitalized.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

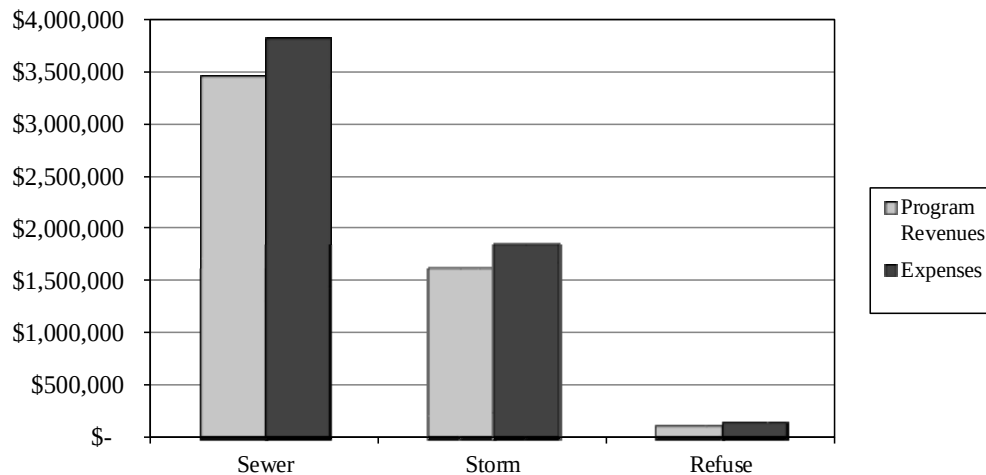


CITY OF SHAKOPEE
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December 31, 2016

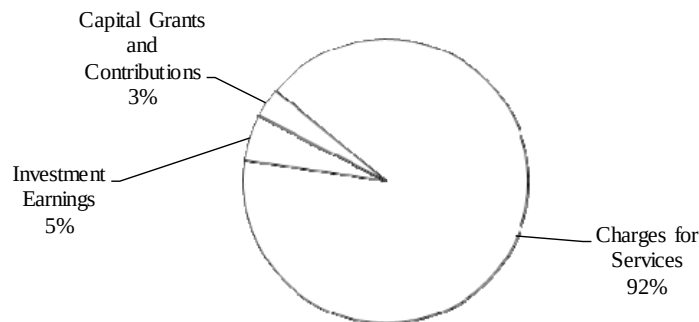
Business-Type Activities

Business-type activities decreased the City's net position by \$ 1,587,140. Revenues and expenses both increased between the current and prior year however overall expenses exceeded revenues as the revenue collected for sewer services does not cover the payments made to suppliers. Additionally, Business type activities transferred \$1,271,853 to the governmental funds for operational and construction expenses. The sewer and storm water activities will continue to experience a higher degree of expense, as the deferral of maintenance and increasing mandates will continue to put pressure on the funds, to meet the demands of on-going and future development needs.

Expenses and Program Revenues – Business-Type Activities



Revenues by Source – Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

Governmental Funds

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

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$30,666,344, an increase of \$9,164,952 in comparison with the prior year. Approximately 34.9%, (\$10,699,250), of the total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. Approximately 23.0%, (\$7,059,661), of the total amount constitutes assigned fund balance, which is assigned for designated purposes. The remainder of fund balance, (\$12,907,433), is not available for new spending because it has already been restricted or is non-spendable.

The General Fund is the chief operating fund of the City. At the end of the current year, fund balance of the General Fund was \$ 10,761,366. As a measure of the General Fund's liquidity, it may be useful to compare fund balance (unassigned) to total fund expenditures. Unassigned fund balance represents 49.0% of total General Fund expenditures.

Fund balance of the City's General Fund increased by \$ 921,256 during the current year. Key factors in this increase consist of the following:

- Before transfers, the fund balance of the General Fund showed a \$ 4,010,877 increase. After the net transfer out of \$ 3,098,755, fund balance increased \$ 921,256. Transfers provided the necessary funding for several significant capital infrastructure programs and projects, payment of some debt service funds, economic development operations as well as funding insurance.
- Overall revenues increased approximately \$ 1,596,205 as a result of increased property taxes. Licenses and permits increased due to increased growth and development during the year. Charges for services increased due to additional contracted services being performed in 2016 as well as increased community center usage. Miscellaneous revenue decreased as a result of insurance moving to a new internal service fund. The City typically receives property and liability insurance dividends each year, which is now being redirected toward the new self-insurance internal service fund to match revenues with expenses.
- Overall expenditures increased approximately \$ 852,000 due to cost of living increases and new positions added in 2016 as well as filling many open positions that were open at the end of 2015.

Fund balance of the Capital Improvements fund decreased \$ 1,385,919. The decrease was attributed to projects being completed that were funded with special assessment and tax increment which will be received in future years. The City paid for the following projects in 2016 from this fund:

- Street Reconstruction Projects
- Bituminous Overlay
- 4th Avenue Reconstruction
- Bituminous Reclamation

Fund balance of the Community Center and Ice Arena fund increased \$ 8,223,533. This project began in 2015 with design work only. In 2016 bond proceeds of approximately \$28 million were received to fund this project. As of December 31, 2016, approximately \$22 million has been completed. The remodel of the community center and the creation of the new indoor pool is still under construction.

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2016

Fund balance of the Non-major Governmental Funds increased \$ 1,406,082. Major changes are as follows:

- Economic Development special revenue fund increased \$829,007 due to the downtown redevelopment project not being completed in 2016 as well as revaluing the land held for resale back to cost.
- Debt service funds increased \$ 627,427 due to regular bond payments offset by bond proceeds, tax levies and assessment revenue related to the bonds. Bond proceeds were received on the 2016A Tax Abatement Bond to pay the first 2 interest payments.
- Park Reserve decreased \$789,587. Quarry Lake Park project that took place during the year along with the completion of Southbridge Community Park and Taphah West baseball fields.
- City Hall increased \$732,502 as a result of transfers from the General fund, Building internal service fund and Sewer and Storm Drainage fund to fund the construction of a new city hall.

Proprietary funds

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

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

	Sewer	Storm Drainage	Refuse
Beginning of Year	\$ 12,061	\$ 14,741	\$ (1,008)
Change During Year	<u>(1,737)</u>	<u>(1,193)</u>	<u>95</u>
End of Year	<u>\$ 10,324</u>	<u>\$ 13,548</u>	<u>\$ (913)</u>

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget amendments of \$902,710 between original and final amended budget were approved during 2016. Following are the main components of the amendments:

- Revenues were increased \$1,032,777 as a result of increased licenses and permits, increased contracted services in public safety and additional state grants for maintenance and pension.
- Expenditures were reduced \$1,114,333. Wages and benefits were reduced approximately \$426,000 due to unfilled positions during 2016. Additionally, budgets were reduced for pavement preservation, motor fuel and contracted services for reductions in spending in 2016.
- Transfers out were increased \$1,245,000 to help fund insurance, make future debt service payments and partially fund the city hall construction.

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

Actual expenditures of \$21,916,614 were \$203,924 over budget. The variances are noted below:

- General government was under budget as a result of not spending contingency funds. Various staff members wage distributions were not adjusted to reflect actual distribution resulting in administration being over budget. Finance was over budget due to lodging tax coming in over budget. Lodging tax is a budget neutral expenditure since we disburse what the city receives so the variance is also noted in revenues. Compensated absences are not budgeted, actual was approximately \$53,000.
- Public safety was over budget due to the implementation of an electronic review system, Project Docs, resulting in approximately \$95,000 in expenditures. Compensated absences are not budgeted, actual was approximately \$110,300.
- Public works was over budget due to street light change outs on Southbridge Parkway of approximately \$53,000 was added when sealcoating was completed. Fleet implemented a new management system for tracking vehicles for approximately \$26,000. Compensated absences are not budgeted, actual was approximately \$39,700.
- Park and recreation actual was consistent with the budget. Compensated absences are not budgeted, actual was approximately \$28,300.

Actual revenues of \$25,927,491 were \$666,691 over budget. The variances are noted below:

- Property taxes came in under budget as a result of tax abatements paid to 3 companies during 2016. Tax abatements are a reduction in the property taxes received by the city. Also, lodging tax come in over budget as noted above.
- Licenses and permits came in over budget as a result of an increases in development and building and conservative budgeting.
- Intergovernmental revenue came in over budget due to additional police aid and PERA aid related to pensions.
- Charges for services come in over budget due to increased community center admissions and memberships as well as additional contracted police services during 2016. Additionally, engineering and grading fees were over budget because of the increased development.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2016, amounts to \$225,853,229 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvement, machinery and equipment, park facilities, roads, highways and bridges.

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

- Purchase of 2 zambonies
- New two sheet ice arena and community center remodel as well as furnishings in both buildings
- Quarry Lake Park phase I construction and a new pedestrian bridge on quarry lake trail
- Reconstruction of streets, sanitary sewer, storm sewer and water mains and bituminous reclamation projects on 4th Avenue, Hilldale Drive, 3rd Avenue, Market Street, Marcia Lane, Eagle Creek, Mckenna Road, County Highway 16, 7th Street, Shumway Street, St Marks Street, Minnesota Street, Shumway Street, and Shenandoah Drive.
- Vehicle replacements in police, fire, streets and parks

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

Additional information on the City's capital assets can be found in Note 6 on pages 64 to 66 of this report.

CAPITAL ASSETS
(Net of Depreciation)
Expressed in Thousands

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 21,005	\$ 20,907	\$ 3,797	\$ 3,797	\$ 24,802	\$ 24,704
ROW	254	254	508	447	762	701
Construction in Progress	29,933	4,136	58	212	29,991	4,348
Line Rights	-	-	792	817	792	817
Infrastructure	69,308	69,489	63,014	61,499	132,322	130,988
Buildings	24,665	25,631	-	-	24,665	25,631
Machinery and Equipment	10,589	8,629	1,930	2,214	12,519	10,843
Total	<u>\$ 155,754</u>	<u>\$ 129,046</u>	<u>\$ 70,099</u>	<u>\$ 68,986</u>	<u>\$ 225,853</u>	<u>\$ 198,032</u>

In 2016, several projects that were "in progress" were continued and completed, as these projects often involved the coordination with County, State and Federal entities. The status of these projects is highly dependent on weather and the funding and staffing of cooperating entities, and will often impact the ability of the City to complete these projects in the anticipated year.

Long-Term Debt

At the end of the current year, the City had total bonded debt outstanding of \$ 36,030,000. Of this amount, \$ 33,935,000 comprises debt backed by the full faith and credit of the government and \$ 2,095,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment.

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

	Governmental Activities	
	2016	2015
G.O. Bonds	\$ 33,935	\$ 5,100
Special Assessment Debt with Governmental Commitment	<u>2,095</u>	<u>3,115</u>
Total	<u>\$ 36,030</u>	<u>\$ 8,215</u>

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

The City's total bonded debt increased by \$ 27,815,000 during the current year. The 2016A Tax Abatement bond was issued in 2016 for \$29,500,000 to fund the community center remodel and ice arena construction. Additionally, another year of payments were made on all outstanding bonds totaling \$1,685,000.

Minnesota Statutes limit the amount of general obligation (G.O.) debt a government entity may issue to a net figure of 3% of the taxable market value. The current legal debt margin for the City is \$83 million, which is significantly in excess of the City's outstanding G.O. debt.

Additional information on the City's long-term debt can be found in Note 7 on pages 66 to 69 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City is currently experiencing the construction and development of several new commercial business sites. These companies such as Marcus Theatres, Minnesota Municipal Power Agency, Hy-Vee and Apple Chrysler Jeep Dodge Ram are expanding and enhancing the economic tax base as well as the employment options in the community. These business ventures will bring not only a strong base of varied jobs to the area but enhanced tax base for the recently developed commercial and industrial sites.

The City is also experiencing growth in residential developments with the addition of two developments in 2017.

During the current year, the unassigned fund balance in the General Fund was \$10,739,178. This can be similarly compared to the unassigned fund balance of 2015 of \$9,818,537. The City continues to maintain a strong financial position as the economic climate and the economic diversification of the region and the state continue to improve.

The general tax levy for 2017 is increased to \$18,926,341, in comparison to the prior year amount of \$16,825,900. This levy was increase to provide needed funding for city positions, infrastructure needs through the capital improvement fund and debt service levies. Historically only 30% of some of the project costs are funded through special assessments which will require a firm commitment of the Council to provide needed resources for maintenance, improvements and additions to the existing infrastructure.

City staff continues to refine and coordinate multi-department development related activities. This is done through review of fees, charges, consistent practices and detailed discussions specific to each development review. As staff continues to refine these practices the achieved outcome will be to provide a higher level of positive customer and development satisfaction.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general view of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 129 Holmes St. S., Shakopee, Minnesota, 55379.

BASIC FINANCIAL STATEMENTS

CITY OF SHAKOPEE

STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and Investments (Including Cash Equivalents)	\$ 48,102,133	\$ 23,095,073	\$ 71,197,206	\$ 36,630,116
Restricted Cash and Investments	-	-	-	13,403,450
Property Tax Receivable	76,631	-	76,631	-
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	501,242	22,000	523,242	4,114,344
Interest Receivable	191,437	106,042	297,479	46,511
Due From Other Governments	593,611	500,462	1,094,073	121,604
Special Assessments Receivable	4,826,856	268,188	5,095,044	-
Inventories	-	-	-	1,173,161
Prepaid Expenses	205,804	-	205,804	52,000
Land Held for Resale	1,023,612	-	1,023,612	-
Net Pension Asset	1,117,106	-	1,117,106	-
Capital Assets, Net of Accumulated Depreciation (Where Applicable):				
Land and Land Improvements	21,004,655	3,796,803	24,801,458	5,097,532
Right of Way	253,904	507,746	761,650	-
Construction in Progress	29,933,034	58,296	29,991,330	8,268,479
Line Rights	-	792,008	792,008	-
Infrastructure	69,308,222	63,014,542	132,322,764	-
Plant in Service	-	-	-	71,712,938
Buildings	24,665,239	-	24,665,239	-
Machinery and Equipment	10,588,887	1,929,893	12,518,780	-
Total Assets	212,392,373	94,091,053	306,483,426	140,620,135
Deferred Outflows of Resources				
Deferral on Refunding	-	-	-	225,899
Deferred Outflows of Resources Related to Pensions	17,410,230	199,023	17,609,253	2,139,453
Total Deferred Outflows of Resources	17,410,230	199,023	17,609,253	2,365,352
Total Assets and Deferred Outflows of Resources	\$ 229,802,603	\$ 94,290,076	\$ 324,092,679	\$ 142,985,487
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Accounts and Contracts Payable	\$ 6,128,960	\$ 140,857	\$ 6,269,817	\$ 4,960,728
Other Current Liabilities	-	-	-	364,607
Due to Other Governments	212,072	99,791	311,863	467,394
Salaries and Benefits Payable	292,498	-	292,498	-
Deposits Payable	-	-	-	2,243,180
Interest Payable	519,065	-	519,065	144,346
Unearned Revenue	1,765	-	1,765	1,661,410
Customer Advances	-	-	-	310,312
Bond Principal Payable, Net:				
Payable Within One Year	1,685,000	-	1,685,000	425,000
Payable After One Year	36,480,590	-	36,480,590	7,581,402
Compensated Absences Payable:				
Payable Within One Year	956,190	27,639	983,829	-
Payable After One Year	1,168,676	33,781	1,202,457	-
Net Other Post Employment Benefits (OPEB) Obligation	1,591,366	77,308	1,668,674	-
Net Pension Liability	25,879,138	478,013	26,357,151	5,042,212
Total Liabilities	74,915,320	857,389	75,772,709	23,200,591
Deferred Inflows of Resources				
Deferred Inflows of Resources Related to Pensions	2,970,605	51,916	3,022,521	531,951
Total Deferred Inflows of Resources	2,970,605	51,916	3,022,521	531,951
Total Liabilities and Deferred Inflows of Resources	\$ 77,885,925	\$ 909,305	\$ 78,795,230	\$ 23,732,542
Net Position				
Net Investment in Capital Assets	128,559,527	70,099,288	198,658,815	77,072,547
Restricted for:				
Economic Development	1,503,917	-	1,503,917	-
Cable PEG Fees	70,795	-	70,795	-
Forfeiture	186,965	-	186,965	-
Debt Service	4,875,714	-	4,875,714	-
Component Units	-	-	-	10,915,924
Unrestricted	16,719,760	23,281,483	40,001,243	31,264,474
Total Net Position	151,916,678	93,380,771	245,297,449	119,252,945
Total Liabilities and Net Position	\$ 229,802,603	\$ 94,290,076	\$ 324,092,679	\$ 142,985,487

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

CITY OF SHAKOPEE

**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016**

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Governmental Activities								
General Government	\$ 4,205,975	\$ 2,858,344	\$ 89,931	\$ -	\$ (1,257,700)	\$ -	\$ (1,257,700)	\$ -
Public Safety	13,281,715	2,744,824	701,497	-	(9,835,394)	-	(9,835,394)	-
Public Works	8,593,885	746,086	609,061	2,150,904	(5,087,834)	-	(5,087,834)	-
Culture and Recreation	4,653,362	1,760,925	343,525	36,135	(2,512,777)	-	(2,512,777)	-
Economic Development	2,104,584	256,312	1,033,968	-	(814,304)	-	(814,304)	-
Interest on Long-Term Debt	1,190,824	-	-	-	(1,190,824)	-	(1,190,824)	-
Total Governmental Activities	34,030,345	8,366,491	2,777,982	2,187,039	(20,698,833)	-	(20,698,833)	-
Business-Type Activities								
Sewer	3,843,232	3,292,166	-	183,142	-	(367,924)	(367,924)	-
Storm Drainage	1,848,768	1,632,218	-	-	-	(216,550)	(216,550)	-
Refuse	127,034	105,309	-	-	-	(21,725)	(21,725)	-
Total Business-Type Activities	5,819,034	5,029,693	-	183,142	-	(606,199)	(606,199)	-
Total Primary Government	\$ 39,849,379	\$ 13,396,184	\$ 2,777,982	\$ 2,370,181	(20,698,833)	(606,199)	(21,305,032)	-
Component Unit - SPUC								
Electric	\$ 41,528,759	\$ 46,609,850	\$ -	\$ 430,031	-	-	-	5,511,122
Water	4,678,000	4,766,202	-	2,446,393	-	-	-	2,534,595
Total Component Unit	\$ 46,206,759	\$ 51,376,052	\$ -	\$ 2,876,424	-	-	-	8,045,717
General Revenues								
Property Taxes					18,015,507	-	18,015,507	-
Tax Increments					464,632	-	464,632	-
Unrestricted Investment Earnings					495,804	289,001	784,805	205,682
Gain on Sale of Asset					50,132	1,911	52,043	4,886
Transfers					1,271,853	(1,271,853)	-	-
Total General Revenues, Transfers and Special Items					20,297,928	(980,941)	19,316,987	210,568
Change in Net Position					(400,905)	(1,587,140)	(1,988,045)	8,256,285
Net Position - Beginning					152,317,583	94,967,911	247,285,494	110,996,660
Net Position - Ending					\$ 151,916,678	\$ 93,380,771	\$ 245,297,449	\$ 119,252,945

CITY OF SHAKOPEE

**BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2016**

		<u>Capital Projects</u>			
	General Fund	Capital Improvements	Community Center & Ice Arena	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 10,962,029	\$ 4,923,524	\$ 10,409,129	\$ 9,855,981	\$ 36,150,663
Delinquent Taxes Receivable	76,491	-	-	140	76,631
Special Assessments Receivable:					
Delinquent	4,364	-	-	29,840	34,204
Deferred	19,369	3,121,051	-	1,652,232	4,792,652
Accounts Receivable	321,322	-	16,463	157,328	495,113
Interest Receivable	56,647	22,666	16,777	38,672	134,762
Due from Other Funds	-	7,802	-	-	7,802
Due From Other Governments	355,857	13,569	192,645	31,540	593,611
Prepaid Items	22,188	-	-	-	22,188
Land Held for Resale	-	-	-	1,023,612	1,023,612
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 11,818,267</u></u>	<u><u>\$ 8,088,612</u></u>	<u><u>\$ 10,635,014</u></u>	<u><u>\$ 12,789,345</u></u>	<u><u>\$ 43,331,238</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 450,767	\$ 157,598	\$ 3,055,187	\$ 896,801	\$ 4,560,353
Contracts Payable	-	65,287	1,032,370	247,866	1,345,523
Due to Other Funds	-	-	-	7,802	7,802
Due to Other Governments	211,647	401	-	24	212,072
Salaries and Benefits Payable	292,498	-	-	-	292,498
Advance from Other Funds	-	-	-	1,341,394	1,341,394
Unearned Revenue	1,765	-	-	-	1,765
Total Liabilities	<u>956,677</u>	<u>223,286</u>	<u>4,087,557</u>	<u>2,493,887</u>	<u>7,761,407</u>
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	76,491	-	-	140	76,631
Unavailable Revenue - Special Assessments	23,733	3,121,051	-	1,682,072	4,826,856
Total Deferred Inflows of Resources	<u>100,224</u>	<u>3,121,051</u>	<u>-</u>	<u>1,682,212</u>	<u>4,903,487</u>
Fund Balances					
Nonspendable	22,188	-	-	-	22,188
Restricted	-	-	6,547,457	6,337,788	12,885,245
Assigned	-	4,744,275	-	2,315,386	7,059,661
Unassigned	10,739,178	-	-	(39,928)	10,699,250
Total Fund Balances	<u>10,761,366</u>	<u>4,744,275</u>	<u>6,547,457</u>	<u>8,613,246</u>	<u>30,666,344</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 11,818,267</u></u>	<u><u>\$ 8,088,612</u></u>	<u><u>\$ 10,635,014</u></u>	<u><u>\$ 12,789,345</u></u>	<u><u>\$ 43,331,238</u></u>

CITY OF SHAKOPEE

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS December 31, 2016

Total Fund Balances - Governmental Funds	\$ 30,666,344
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Cost of Capital Assets	202,910,031
Less Accumulated Depreciation	(80,247,087)

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

1,117,106

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond Principal Payable	(36,030,000)
Unamortized Bond Premium	(2,135,590)
Net OPEB Obligation	(1,591,366)
Net Pension Liability	(25,879,138)

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

Property Taxes	76,631
Special Assessments	34,204

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

Deferred Special Assessments	4,792,652
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Governmental funds do not report a liability for accrued interest due and payable.

(519,065)

Deferred Outflows of Resources and Deferred Inflows of Resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred Inflows of Resources Related to Pensions	(2,970,605)
Deferred Outflows of Resources Related to Pensions	17,410,230

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

44,282,331

Total Net Position - Governmental Activities

\$ 151,916,678

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016**

		Capital Projects			
		Capital	Community	Other	Total
	General Fund	Improvements	Center & Ice Arena	Governmental Funds	Governmental Funds
REVENUES					
Property Taxes	\$ 17,022,204	\$ -	\$ -	1,062,630	\$ 18,084,834
Tax Increment	-	-	-	464,634	464,634
Special Assessments	15,818	830,701	-	768,642	1,615,161
Licenses and Permits	2,564,729	-	-	582,089	3,146,818
Intergovernmental	1,344,279	1,039,329	192,645	1,043,557	3,619,810
Charges for Services	4,750,514	-	-	8,730	4,759,244
Fines and Forfeitures	11,213	46,300	-	47,430	104,943
Miscellaneous	218,734	62,076	139,620	456,678	877,108
Total Revenues	<u>25,927,491</u>	<u>1,978,406</u>	<u>332,265</u>	<u>4,434,390</u>	<u>32,672,552</u>
EXPENDITURES					
Current					
General Government	3,999,953	-	-	16,918	4,016,871
Public Safety	10,585,899	-	-	57,443	10,643,342
Public Works	3,061,172	-	-	-	3,061,172
Culture and Recreation	4,232,167	-	-	37,044	4,269,211
Economic Development	-	-	-	2,092,337	2,092,337
Debt Service					
Principal	-	-	-	1,685,000	1,685,000
Interest and Other Charges	-	-	86,433	778,061	864,494
Capital Outlay	37,423	4,564,325	22,639,151	4,918,513	32,159,412
Total Expenditures	<u>21,916,614</u>	<u>4,564,325</u>	<u>22,725,584</u>	<u>9,585,316</u>	<u>58,791,839</u>
Excess of Revenues Over (Under) Expenditures	4,010,877	(2,585,919)	(22,393,319)	(5,150,926)	(26,119,287)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Asset	9,134	-	-	-	9,134
Bonds Issued	-	-	28,379,125	1,120,875	29,500,000
Premium on Bonds Issued	-	-	2,237,727	-	2,237,727
Transfers In	250,000	1,200,000	-	5,466,355	6,916,355
Transfers Out	(3,348,755)	-	-	(30,222)	(3,378,977)
Total Other Financing Sources (Uses)	(3,089,621)	1,200,000	30,616,852	6,557,008	35,284,239
Net Change in Fund Balances	921,256	(1,385,919)	8,223,533	1,406,082	9,164,952
FUND BALANCES					
Beginning of Year	<u>9,840,110</u>	<u>6,130,194</u>	<u>(1,676,076)</u>	<u>7,207,164</u>	<u>21,501,392</u>
End of Year	<u>\$ 10,761,366</u>	<u>\$ 4,744,275</u>	<u>\$ 6,547,457</u>	<u>\$ 8,613,246</u>	<u>\$ 30,666,344</u>

CITY OF SHAKOPEE

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016**

Net Change in Fund Balances - Governmental Funds \$ 9,164,952

Amounts reported for governmental activities in the Statement of Activities are

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

Capital Outlays	31,081,158
Depreciation Expense	(4,769,425)
Loss on Disposal of Fixed Assets	(9,594)
Contributed Assets	36,135

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

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (428,467)

Governmental funds report the effects of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities 102,137

Proceeds from long-term debt are recognized as an other financing source in the governmental funds but as a decrease in net assets in the Statement of Activities.

Bonds Payable	(29,500,000)
Unamortized Bond Premium	(2,237,727)

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

Special Assessments Delinquent	5,862
Special Assessments Deferred	(493,348)

OPEB obligations are recognized when paid in the government funds but recognized when incurred in the Statement of Activities (246,342)

Delinquent receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are not revenues in the funds. (69,327)

Capital assets transferred from proprietary funds to governmental funds 68,840

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

Pension Expense	(2,934,439)
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Internal service funds are used by management to charge the costs of certain activities such as buildings, equipment, park assets and employee benefits to individual funds. (See Note 2.B.) (1,856,320)

Change in Net Position - Governmental Activities \$ (400,905)

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CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 17,150,900	\$ 17,150,900	\$ 17,022,204	\$ (128,696)
Special Assessments	11,500	11,500	15,818	4,318
Licenses and Permits	1,504,100	2,269,100	2,564,729	295,629
Intergovernmental	1,108,500	1,251,900	1,344,279	92,379
Charges for Services	4,226,275	4,368,150	4,750,514	382,364
Fines and Forfeitures	1,500	1,500	11,213	9,713
Miscellaneous Revenues:				
Investment Income	145,000	125,000	118,764	(6,236)
Contributions and Donations	4,800	6,800	7,266	466
Rents	9,500	9,500	9,460	(40)
Other	65,948	66,450	83,244	16,794
Total Revenues	<u>24,228,023</u>	<u>25,260,800</u>	<u>25,927,491</u>	<u>666,691</u>
EXPENDITURES				
Current				
General Government	4,686,001	4,096,290	3,999,953	(96,337)
Public Safety	10,374,766	10,357,100	10,585,899	228,799
Public Works	3,393,889	2,965,440	3,061,172	95,732
Parks and Recreation	4,370,867	4,233,860	4,232,167	(1,693)
Capital Outlay				
Public Safety	-	60,000	37,423	(22,577)
Park and Recreation	1,500	-	-	-
Total Expenditures	<u>22,827,023</u>	<u>21,712,690</u>	<u>21,916,614</u>	<u>203,924</u>
Excess of Revenues Over (Under) Expenditures	1,401,000	3,548,110	4,010,877	462,767
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	-	600	9,134	8,534
Transfers In	250,000	250,000	250,000	-
Transfers Out	<u>(2,100,000)</u>	<u>(3,345,000)</u>	<u>(3,348,755)</u>	<u>(3,755)</u>
Total Other Financing Sources (Uses)	<u>(1,850,000)</u>	<u>(3,094,400)</u>	<u>(3,089,621)</u>	<u>4,779</u>
Net Change in Fund Balances	<u>\$ (449,000)</u>	<u>\$ 453,710</u>	921,256	<u>\$ 467,546</u>
FUND BALANCES				
Beginning of Year			<u>9,840,110</u>	
End of Year			<u>\$ 10,761,366</u>	

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

CITY OF SHAKOPEE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
December 31, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
ASSETS					
Current Assets					
Cash and Investments, Including Cash Equivalents	\$ 9,176,744	\$ 13,595,766	\$ -	\$ 22,772,510	\$ 12,274,033
Accounts Receivable	-	22,000	-	22,000	6,129
Interest Receivable	42,912	63,406	(276)	106,042	56,675
Special Assessment Receivable:					
Deferred	267,330	858	-	268,188	-
Due from Other Funds	59,355	-	-	59,355	-
Due from Other Governments	350,068	150,394	-	500,462	-
Prepaid Expenses	-	-	-	-	183,616
Total Current Assets	<u>9,896,409</u>	<u>13,832,424</u>	<u>(276)</u>	<u>23,728,557</u>	<u>12,520,453</u>
Noncurrent Assets					
Advances to Other Funds, Noncurrent	853,627	-	-	853,627	1,341,394
Capital Assets:					
Land	4,500	3,792,303	-	3,796,803	221,876
Right of Way	-	507,746	-	507,746	-
Construction in Progress	35,990	22,306	-	58,296	401,288
Line Rights	1,368,569	-	-	1,368,569	-
Infrastructure	43,791,973	43,514,667	-	87,306,640	3,617,493
Buildings	-	-	-	-	34,592,888
Machinery and Equipment	1,894,016	1,024,239	1,172,068	4,090,323	15,324,414
Total Cost	47,095,048	48,861,261	1,172,068	97,128,377	54,157,959
Less Accumulated Depreciation	(13,697,024)	(13,097,523)	(234,542)	(27,029,089)	(21,066,962)
Net Capital Assets	<u>33,398,024</u>	<u>35,763,738</u>	<u>937,526</u>	<u>70,099,288</u>	<u>33,090,997</u>
Total Noncurrent Assets	<u>34,251,651</u>	<u>35,763,738</u>	<u>937,526</u>	<u>70,952,915</u>	<u>34,432,391</u>
Total Assets	<u>44,148,060</u>	<u>49,596,162</u>	<u>937,250</u>	<u>94,681,472</u>	<u>46,952,844</u>
Deferred Outflows of Resources					
Deferred Outflows of Resources Related to Pensions	96,356	102,667	-	199,023	-
Total Assets and Deferred Outflows of Resources	<u>\$ 44,244,416</u>	<u>\$ 49,698,829</u>	<u>\$ 937,250</u>	<u>\$ 94,880,495</u>	<u>\$ 46,952,844</u>
LIABILITIES AND NET POSITION					
Current Liabilities					
Accounts Payable	\$ 28,036	\$ 23,402	\$ -	\$ 51,438	223,084
Contracts Payable	89,419	-	-	89,419	-
Due to Other Funds	-	-	59,355	59,355	-
Due to Other Governments	79,695	20,096	-	99,791	-
Current Compensated Absences	13,459	14,180	-	27,639	956,190
Total Current Liabilities	<u>210,609</u>	<u>57,678</u>	<u>59,355</u>	<u>327,642</u>	<u>1,179,274</u>
Noncurrent Liabilities					
Advances from Other Funds	-	-	853,627	853,627	-
Compensated Absences	16,449	17,332	-	33,781	1,168,676
Net OPEB Obligation	38,654	38,654	-	77,308	-
Net Pension Liability	231,428	246,585	-	478,013	-
Total Noncurrent Liabilities	<u>286,531</u>	<u>302,571</u>	<u>853,627</u>	<u>1,442,729</u>	<u>1,168,676</u>
Total Liabilities	<u>497,140</u>	<u>360,249</u>	<u>912,982</u>	<u>1,770,371</u>	<u>2,347,950</u>
Deferred Inflows of Resources					
Deferred Inflows of Resources Related to Pensions	25,135	26,781	-	51,916	-
Net Position					
Investment in Capital Assets	33,398,024	35,763,738	937,526	70,099,288	33,090,997
Unrestricted	10,324,117	13,548,061	(913,258)	22,958,920	11,513,897
Total Net Position	<u>43,722,141</u>	<u>49,311,799</u>	<u>24,268</u>	<u>93,058,208</u>	<u>44,604,894</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 44,244,416</u>	<u>\$ 49,698,829</u>	<u>\$ 937,250</u>		<u>\$ 46,952,844</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2c)				322,563	
Total Business-Type Activities Net Position				<u>\$ 93,380,771</u>	

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

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2016**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
OPERATING REVENUES					
Charges for Services	\$ 3,085,500	\$ 1,202,004	\$ 105,309	\$ 4,392,813	\$ -
Rental Charges	-	-	-	-	2,364,368
Other Charges	9,943	-	-	9,943	-
Special Assessments	4,578	249	-	4,827	-
Total Operating Revenues	<u>3,100,021</u>	<u>1,202,253</u>	<u>105,309</u>	<u>4,407,583</u>	<u>2,364,368</u>
OPERATING EXPENSES					
Salaries and Benefits	302,773	524,343	-	827,116	38,214
Depreciation	812,027	803,609	117,431	1,733,067	1,847,874
Professional Services	115,733	204,323	-	320,056	1,358
Sewer Disposal Charges	2,443,356	-	-	2,443,356	-
Repairs and Maintenance	44,160	249,068	-	293,228	59,124
Materials and Supplies	35,784	53,041	-	88,825	379,138
Rent	38,530	40,179	-	78,709	-
Insurance	67,060	12,360	-	79,420	134,014
Utilities	79,297	1,916	-	81,213	-
Total Operating Expenses	<u>3,938,720</u>	<u>1,888,839</u>	<u>117,431</u>	<u>5,944,990</u>	<u>2,459,722</u>
Operating Income (Loss)	(838,699)	(686,586)	(12,122)	(1,537,407)	(95,354)
NONOPERATING REVENUES (EXPENSES)					
Investment Income	122,703	167,402	(1,104)	289,001	155,581
Donations	-	-	-	-	366,622
Insurance Dividends	-	-	-	-	145,757
Interest Expense	-	-	(9,603)	(9,603)	-
Gain (Loss) on Sale of Asset	-	1,911	-	1,911	40,998
Capital Asset Transfer	(7,966)	(7,967)	-	(15,933)	(52,907)
Trunk Charges	192,145	431,271	-	623,416	-
Total Nonoperating Revenues (Expenses)	<u>306,882</u>	<u>592,617</u>	<u>(10,707)</u>	<u>888,792</u>	<u>656,051</u>
Income before Capital Contributions and Transfers	(531,817)	(93,969)	(22,829)	(648,615)	560,697
Capital Contributions from Special Assessments	183,142	(1,306)	-	181,836	-
Transfers In	-	-	-	-	105,222
Transfers Out	<u>(630,920)</u>	<u>(625,000)</u>	<u>-</u>	<u>(1,255,920)</u>	<u>(2,386,680)</u>
Change in Net Position	(979,595)	(720,275)	(22,829)	(1,722,699)	(1,720,761)
NET POSITION					
Beginning of Year	<u>44,701,736</u>	<u>50,032,074</u>	<u>47,097</u>	<u>94,780,907</u>	<u>46,325,655</u>
End of Year	<u>\$ 43,722,141</u>	<u>\$ 49,311,799</u>	<u>\$ 24,268</u>	<u>\$ 93,058,208</u>	<u>\$ 44,604,894</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2d)				<u>135,559</u>	
Change in Net Position - Business-Type Activities				<u>\$ (1,587,140)</u>	

CITY OF SHAKOPEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
CASH FLOWS - OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 3,026,147	\$ 1,163,649	\$ 105,309	\$ 4,295,105	\$ 2,358,736
Receipts from Interfund Services	-	-	12,023	12,023	1,091,174
Payments to Suppliers	(3,118,865)	(1,133,211)	-	(4,252,076)	(826,383)
Payments to Employees	(295,209)	(498,763)	-	(793,972)	-
Payments for Interfund Services	(12,023)	-	-	(12,023)	-
Net Cash Flows - Operating Activities	(399,950)	(468,325)	117,332	(750,943)	2,623,527
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES					
Payment Received on Interfund Loan	106,703	-	(106,703)	-	50,000
Interest Expense on Interfund Loan Repayment	-	-	(9,603)	(9,603)	-
Insurance Dividends	-	-	-	-	145,757
Transfer from Other Funds	-	-	-	-	105,222
Transfer to Other Funds	(630,920)	(625,000)	-	(1,255,920)	(2,386,680)
Net Cash Flows - Noncapital Financing Activities	(524,217)	(625,000)	(116,306)	(1,265,523)	(2,085,701)
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES					
Trunk Charges	192,145	431,271	-	623,416	-
Capital Related Special Assessments	190,964	-	-	190,964	-
Donations	-	-	-	-	366,622
Proceeds (Loss) from Disposal of Capital Assets	-	62,183	-	62,183	409,903
Acquisition of Capital Assets	(1,577,369)	(1,344,822)	-	(2,922,191)	(2,437,853)
Net Cash Flows - Capital and Related Financing Activities	(1,194,260)	(851,368)	-	(2,045,628)	(1,661,328)
CASH FLOWS - INVESTING ACTIVITIES					
Interest Received	127,455	168,488	(1,026)	294,917	158,215
Net Cash Flows - Investing Activities	127,455	168,488	(1,026)	294,917	158,215
Net Change in Cash and Cash Equivalents	(1,990,972)	(1,776,205)	-	(3,767,177)	(965,287)
CASH AND CASH EQUIVALENTS					
Beginning of Year	11,167,716	15,371,971	-	26,539,687	13,239,320
End of Year	<u>\$ 9,176,744</u>	<u>\$ 13,595,766</u>	<u>\$ -</u>	<u>\$ 22,772,510</u>	<u>\$ 12,274,033</u>

CITY OF SHAKOPEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

(Continued)

For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (838,699)	\$ (686,586)	\$ (12,122)	\$ (1,537,407)	\$ (95,354)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:					
Depreciation Expense	812,027	803,609	117,431	1,733,067	1,847,874
Pension Expense	(686)	16,156	-	15,470	-
Changes in:					
Accounts Receivable	-	(22,000)	-	(22,000)	(6,129)
Due from Other Funds	(12,023)	-	-	(12,023)	897,344
Due from Other Governments	(13,773)	(14,675)	-	(28,448)	497
Special Assessments	(60,101)	(1,929)	-	(62,030)	-
Due to Other Governments	(293,674)	(268,946)	-	(562,620)	-
Accounts and Contracts Payable	(1,271)	(303,378)	-	(304,649)	(69,133)
Prepaid Expenses	-	-	-	-	(183,616)
Due to Other Funds	-	-	12,023	12,023	-
Compensated Absences Payable	2,904	4,078	-	6,982	232,044
Net OPEB Obligation	5,346	5,346	-	10,692	-
Total Adjustments	438,749	218,261	129,454	786,464	2,718,881
Net Cash Flows - Operating Activities	<u>\$ (399,950)</u>	<u>\$ (468,325)</u>	<u>\$ 117,332</u>	<u>\$ (750,943)</u>	<u>\$ 2,623,527</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Transfer of Capital Assets	\$ (7,966)	\$ (7,967)	\$ -	\$ (15,933)	\$ (52,907)

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CITY OF SHAKOPEE

COMBINED STATEMENT OF FIDUCIARY NET POSITION
December 31, 2016

	Total Agency Funds
ASSETS	
Current	
Cash and Investments	\$ 3,156,064
Due from Other Governments	91,644
Prepays	<u>9,152</u>
Total Assets	<u><u>\$ 3,256,860</u></u>
LIABILITIES	
Accounts Payable	\$ 378,410
Deposits Payable	2,839,140
Due to Other Governments	<u>39,310</u>
Total Liabilities	<u><u>\$ 3,256,860</u></u>

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

CITY OF SHAKOPEE

STATEMENT OF NET POSITION - COMPONENT UNIT - SPUC
December 31, 2016

	Electric	Water	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 30,515,896	\$ 6,114,220	\$ 36,630,116
Restricted Assets:			
Sinking Account	533,930	-	533,930
Accrued Interest Receivable	37,587	8,924	46,511
Customer Accounts Receivable	3,601,559	264,166	3,865,725
Allowance for Uncollectible Accounts	(31,510)	(9,742)	(41,252)
Other Accounts Receivable	107,200	182,671	289,871
Due from City of Shakopee	102,319	19,285	121,604
Inventory	1,136,281	36,880	1,173,161
Prepaid Expenses	39,000	13,000	52,000
Total Current Assets	36,042,262	6,629,404	42,671,666
Noncurrent Assets			
Restricted Assets:			
Customer Deposits Account	2,210,076	33,104	2,243,180
Connection Account	-	10,526,340	10,526,340
Emergency Repairs Account	100,000	-	100,000
Capital Assets:			
Plant in Service	62,220,987	53,985,582	116,206,569
Accumulated Depreciation	(22,415,902)	(16,980,197)	(39,396,099)
Construction in Progress	6,586,352	1,682,127	8,268,479
Total Noncurrent Assets	48,701,513	49,246,956	97,948,469
Total Assets	84,743,775	55,876,360	140,620,135
Deferred Outflows of Resources			
Deferred Outflows of Resources Related to Pensions	1,604,590	534,863	2,139,453
Unamortized loss on refunding	225,899	-	225,899
Total Deferred Outflows of Resources	1,830,489	534,863	2,365,352
 Total Assets and Deferred Outflows of Resources	 \$ 86,574,264	 \$ 56,411,223	 \$ 142,985,487
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 4,846,190	\$ 114,538	\$ 4,960,728
Due to City of Shakopee	415,529	51,865	467,394
Other Current Liabilities	245,474	119,133	364,607
Total Current Liabilities	5,507,193	285,536	5,792,729
Liabilities Payable from Restricted Assets			
Current Portion of Revenue Bonds	425,000	-	425,000
Accrued Interest Payable	144,346	-	144,346
Customer Deposits	2,210,076	33,104	2,243,180
Total Liabilities Payable from Restricted Assets	2,779,422	33,104	2,812,526
Noncurrent Liabilities			
Revenue Bonds	7,590,000	-	7,590,000
Unamortized Bond Discount	(8,598)	-	(8,598)
Unearned Revenues	1,661,410	-	1,661,410
Customer Advances	259,511	50,801	310,312
Net Pension Liability	3,781,660	1,260,552	5,042,212
Total Noncurrent Liabilities	13,283,983	1,311,353	14,595,336
Total Liabilities	21,570,598	1,629,993	23,200,591
Deferred Inflows of Resources Related to Pensions	398,962	132,989	531,951
 Total Liabilities and Deferred Inflows of Resources	 \$ 21,969,560	 \$ 1,762,982	 \$ 23,732,542
Net Position			
Investment in Capital Assets	38,385,035	38,687,512	77,072,547
Restricted for Debt Service	389,584	-	389,584
Restricted for Connections & Reconstruction	-	10,526,340	10,526,340
Unrestricted	25,830,085	5,434,389	31,264,474
Total Net Position	64,604,704	54,648,241	119,252,945
 Total Liabilities and Net Position	 \$ 86,574,264	 \$ 56,411,223	 \$ 142,985,487

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - COMPONENT UNIT - SPUC
For the Year Ended December 31, 2016**

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Operating Revenues	\$ 46,202,101	\$ 4,568,096	\$ 50,770,197
Operating Expenses	<u>41,152,902</u>	<u>4,677,855</u>	<u>45,830,757</u>
Operating Income	<u>5,049,199</u>	<u>(109,759)</u>	<u>4,939,440</u>
NONOPERATING REVENUES (EXPENSES)			
Rentals and Miscellaneous	317,749	212,328	530,077
Interdepartmental Rent from Water	90,000	-	90,000
Investment Income	164,029	41,653	205,682
Interest Expense	(358,055)	(145)	(358,200)
Amortization of Debt Issuance Costs and			
Loss on Refunding	(17,802)	-	(17,802)
Gain(Loss) on Disposition of Property	<u>4,886</u>	<u>(14,222)</u>	<u>(9,336)</u>
Total Nonoperating Revenues (Expenses)	<u>200,807</u>	<u>239,614</u>	<u>440,421</u>
Income Before Contributions and Transfers	5,250,006	129,855	5,379,861
Capital Contributions	430,031	2,446,393	2,876,424
Change in Net Position	5,680,037	2,576,248	8,256,285
NET POSITION			
Beginning of Year	<u>58,924,667</u>	<u>52,071,993</u>	<u>110,996,660</u>
End of Year	<u><u>\$ 64,604,704</u></u>	<u><u>\$ 54,648,241</u></u>	<u><u>\$ 119,252,945</u></u>

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CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

1. Blended Component Unit

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity (Continued)

2. Discretely Presented Component Unit

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

3. Joint Ventures and Jointly Governed Organizations

Local Government Information Systems

Local Government Information Systems (LOGIS) is a joint venture of approximately 44 governmental entities that provides computerized data processing and support services to its members. Legally separate, the City does not appoint a voting majority of the Board and LOGIS is fiscally independent of the City. During 2016, the City paid \$ 163,777 to LOGIS for services provided which is included in expenditures of the General Fund. Financial statements are available by contacting LOGIS, 5750 Duluth Street, Golden Valley, Minnesota 55422-4036.

4. Other Organizations

Shakopee Volunteer Fire Department Relief Association

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

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. The fiduciary funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

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

The Escrow Agency Fund is presented in the fiduciary fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, this Fund is not incorporated into the government-wide statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency Funds report only assets and liabilities and have no measurement focus, but do use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Description of Funds:

Major Governmental Funds:

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

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

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

Proprietary Funds:

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

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Funds: (Continued)

Internal Service Funds:

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

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

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

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

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

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

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

Fiduciary Funds:

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

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

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

Component Unit Funds:

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. All funds of the City are included in the pooled investments with the exclusion of the 2016A bond proceeds which is included in the non-pooled investments.

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

Certain investments for the City and Component Unit are reported at fair value as disclosed in Note 4. The City and Component Unit categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Deposits and Investments (Continued)

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

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

2. Receivables and Payables

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

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

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

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. Inventory, Prepaid Items and Other Assets

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

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

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

4. Land Held for Resale

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

5. Restricted Assets

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

6. Capital Assets

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6. Capital Assets (Continued)

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

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

7. Deferred Outflows/Inflows of Resources

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

7. Deferred Outflows/Inflows of Resources (Continued)

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

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

8. Compensated Absences

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

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Enterprise fund bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

10. Pensions

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

11. Fund Equity

a. Classification

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

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

a. Minimum Fund Balance

The City's target General Fund balance is to maintain an unassigned level between 40% (minimum) and 45% of budgeted expenditures. This level is to provide working capital for cash flow, expected decline in revenues and unforeseen expenditures such as natural disasters. Replenishing fund balance when it falls below the target level shall be accomplished by interfund transfers or budgeting for expenditures and other uses to be less than revenues or other sources over a period not to exceed three years.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

12. Net Position

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

13. Use of Estimates

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

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

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

The governmental fund Balance Sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “Internal Service Funds are used by management to charge the costs of providing certain services for the City.”

Net Position of the Internal Service Funds	\$ 44,604,894
Less Portion Loss Related to Business-Type Activities	<u>(322,563)</u>
Net Adjustment to Increase Fund Balance- Total Governmental Funds to Arrive at Net Position- Governmental Activities	<u><u>\$ 44,282,331</u></u>

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

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

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

Change in Net Position of the Internal Service Fund	\$ (1,720,761)
Less the Net of Indirect Revenues and Expense	<u>(135,559)</u>
Net Adjustment to Decrease Net Change in Fund Balances - Total Government Funds to Arrive at Changes in Net position of Government Activities	<u>\$ (1,856,320)</u>

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

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

Internal Payable Representing Costs less than Charges to Business- Type Activities- Current Year	<u>\$ 322,563</u>
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D. Explanation of Certain Differences between the Proprietary Fund Statements of Revenues, Expenses, and Changes in Fund Net Position and the Government-Wide Statement of Activities

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

Net adjustment to Increase Net Change in Fund Balances- Total Enterprise Funds to Arrive at Changes in Net Position of Business- Type Activities	<u>\$ 135,559</u>
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CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits (Continued)

Custodial Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Minnesota Statutes 118A.04 and 188A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy references Minnesota Statutes and further limits the types of investments that the City is allowed to invest in. The Commission has a deposit policy that requires the Commission's deposits to be collateralized as required by Minnesota Statutes 118.03 for an amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage. As of December 31, 2016, the City and Commission's bank balances were not exposed to custodial credit risk because they were insured through Federal Deposit Insurance Corporation (FDIC) and properly collateralized with securities held by the pledging financial institutions' trust departments or agents in the City's name.

As of December 31, 2016, the City had the following deposits:

City Deposits	\$ 289,709
Component Unit Deposits	<u>9,183,823</u>
Total Deposits	<u><u>\$ 9,473,532</u></u>

B. Investments

As of December 31, 2016, the City held the following investments:

	Fair Value	Years to Maturity				Concentration	Moody's Rating
		Less than One Year	1-5 Years	5-10 Years	10-15 Years		
Pooled Investments:							
Certificate of Deposit	\$ 5,493,668	\$ 3,739,223	\$ 1,754,445	\$ -	\$ -	8.70%	NR
Money Market Fund	103,326	103,326	-	-	-	0.16%	NR
Mortgage							
FFCB	1,202,772	1,202,772	-	-	-	1.91%	AAA
FHLB	9,408,563	7,655,383	1,753,180	-	-	14.91%	AAA
FHLMC	4,634,419	501,981	2,202,998	272,740	1,656,700	7.35%	AAA
FNMA	3,830,112	6,908	164,131	-	3,659,073	6.07%	NR
Municipal Bond	13,279,434	1,957,720	9,383,789	1,937,925	-	21.05%	AAA-AA3
US Treasury Notes	25,143,262	300,171	24,843,091	-	-	39.85%	AAA
Non-Pooled Investments:							
Money Market Fund	2,636,185	2,636,185	-	-	-	24.05%	NR
Mortgage							
FHLB	681,020	681,020	-	-	-	6.21%	AAA
FHLMC	5,892,460	5,892,460	-	-	-	53.75%	AAA
FNMA	1,752,642	1,752,642	-	-	-	15.99%	NR
Total Investments	\$ 74,057,863	\$ 26,429,791	\$ 40,101,634	\$ 2,210,665	\$ 5,315,773		

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

As of December 31, 2016, the component units had the following investments:

	Fair Value	Years to Maturity		Concentration	Rating
		Less than One Year	1-5 Years		
US Agencies	\$ 6,514,828	\$ 4,488,742	\$ 2,026,086	15.95%	AAA
U.S. Treasuries	11,877,365	4,078,618	7,798,747	29.09%	AAA
4M Fund	22,440,673	22,440,673	-	54.92%	N/A
Money Market Fund	15,177	15,177	-	0.04%	N/A
Total	<u>\$ 40,848,043</u>	<u>\$ 31,023,210</u>	<u>\$ 9,824,833</u>	100.00%	

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

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

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states all securities purchased, including appropriate collateral, shall be placed with an independent third party for custodial safekeeping. The Commission's policy states they will minimize risk by only purchasing investments that are held in safekeeping with a Federal Reserve bank, United States Bank with corporate trust powers, a primary reporting dealer to the Federal Reserve Bank of New York, or a broker dealer having its principal executive office in Minnesota and that designated brokers have insurance through the SIPC (Securities Investor Protection Corporation). As of December 31, 2016, all investments of the City and the component units were insured, registered and held by the City or its agent and in the City's name, or by the SPUC and in the SPUC's name.

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

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

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

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

The Commission's policy states they will minimize risk by only purchasing investments that are held in safekeeping with the Federal Reserve bank, United States Bank with corporate trust powers, a primary reporting dealer to the Federal Reserve Bank of New York, or a broker dealer having its principal executive office in Minnesota and that designated brokers have insurance through a SIPC (Securities Investor Protection Corporation). As of December 31, 2016, the City held investments that exceeded 5% of its total investments for all funds as noted in the table on the previous page. The component units' investments noted in the table above exceeded 5% of its total investments as of December 31, 2016.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

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

		Fair Value Measurement Using		
	Fair Value	Level 1	Level 2	Level 3
Investments at Fair Value:				
Certificate of Deposit	\$ 5,493,668	\$ -	\$ 5,493,668	\$ -
Mortgage				
FFCB	1,202,772	-	1,202,772	-
FHLB	10,089,583	-	10,089,583	-
FHLMC	10,526,879	-	10,526,879	-
FNMA	5,582,754	-	5,582,754	-
Municipal Bond	13,279,434	-	13,279,434	-
US Treasury Notes	25,143,262	25,143,262	-	-
Total/Subtotal	71,318,352	\$ 25,143,262	\$ 46,175,090	\$ -

Investments at Amortized Cost:

Money Market Fund	2,739,511
Total	<u>\$ 74,057,863</u>

All of the Component Unit's investments at December 31, 2016 are valued using quoted market prices (Level 1 inputs).

The following is a summary of total deposits and investments as of December 31, 2016:

Deposits (Note 3.A.)	\$ 9,473,532
City Investments	74,057,863
Component Unit Investments	40,848,043
City Petty Cash	5,698
Component Unit Petty Cash	<u>1,700</u>
Total Deposits and Investments	<u>\$ 124,386,836</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Deposits and investments are presented in the December 31, 2016 basic financial statements as follows:

	City Funds	Component Units	Total
Statement of Net Position:			
Cash and Investments	\$ 71,197,206	\$ 36,630,116	\$ 107,827,322
Restricted Assets	-	13,403,450	13,403,450
Statement of Fiduciary Net Position:			
Cash and Investments	3,156,064	-	3,156,064
 Total	<u>\$ 74,353,270</u>	<u>\$ 50,033,566</u>	<u>\$ 124,386,836</u>

NOTE 5 – RECEIVABLES/UNAVAILABLE REVENUE

A. Taxes and Assessments

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

	Delinquent Property Taxes	Delinquent Special Assessments	Deferred Special Assessments	Total
General Fund	\$ 76,491	\$ 4,364	\$ 19,369	\$ 100,224
Capital Improvements	-	-	3,121,051	3,121,051
Nonmajor Funds	140	29,840	1,652,232	1,682,212
 Total	<u>\$ 76,631</u>	<u>\$ 34,204</u>	<u>\$ 4,792,652</u>	<u>\$ 4,903,487</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 20,907,105	\$ 97,550	\$ -	\$ 21,004,655
Right-Of-Way	253,904	-	-	253,904
Construction in Progress	4,136,075	27,675,690	1,878,731	29,933,034
Total Capital Assets not being Depreciated	<u>25,297,084</u>	<u>27,773,240</u>	<u>1,878,731</u>	<u>51,191,593</u>
Capital Assets being Depreciated:				
Buildings	38,314,495	-	125,080	38,189,415
Infrastructure	144,552,591	4,511,522	-	149,064,113
Machinery and Equipment	16,434,014	3,297,679	1,108,824	18,622,869
Total Capital Assets being Depreciated	<u>199,301,100</u>	<u>7,809,201</u>	<u>1,233,904</u>	<u>205,876,397</u>
Less Accumulated Depreciation for:				
Buildings	12,683,403	891,372	50,599	13,524,176
Infrastructure	75,063,491	4,692,400	-	79,755,891
Machinery and Equipment	7,805,261	1,033,527	804,806	8,033,982
Total Accumulated Depreciation	<u>95,552,155</u>	<u>6,617,299</u>	<u>855,405</u>	<u>101,314,049</u>
Total Capital Assets being Depreciated, Net	<u>103,748,945</u>	<u>1,191,902</u>	<u>378,499</u>	<u>104,562,348</u>
Governmental Activities Capital Assets, Net	<u>\$129,046,029</u>	<u>\$ 28,965,142</u>	<u>\$ 2,257,230</u>	<u>\$155,753,941</u>

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

Governmental Activities:	
General Government	\$ 147,812
Public Safety	692,943
Public Works	4,878,142
Parks and Recreation	<u>898,402</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,617,299</u>

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

NOTE 6 – CAPITAL ASSETS

Business-type capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 3,796,803	\$ -	\$ -	\$ 3,796,803
Right-Of-Way	447,746	60,000	-	507,746
Construction in Progress	211,774	58,296	211,774	58,296
Total Capital Assets not being Depreciated	<u>4,456,323</u>	<u>118,296</u>	<u>211,774</u>	<u>4,362,845</u>
Capital Assets being Depreciated:				
Line Rights	1,368,569	-	-	1,368,569
Plant in Service	84,410,270	2,896,370	-	87,306,640
Machinery and Equipment	4,053,941	103,366	66,984	4,090,323
Total Capital Assets being Depreciated	<u>89,832,780</u>	<u>2,999,736</u>	<u>66,984</u>	<u>92,765,532</u>
Less Accumulated Depreciation for:				
Line Rights	551,760	24,801	-	576,561
Plant in Service	22,911,452	1,380,646	-	24,292,098
Machinery and Equipment	1,839,522	327,620	6,712	2,160,430
Total Accumulated Depreciation	<u>25,302,734</u>	<u>1,733,067</u>	<u>6,712</u>	<u>27,029,089</u>
Total Capital Assets being Depreciated, Net	<u>64,530,046</u>	<u>1,266,669</u>	<u>60,272</u>	<u>65,736,443</u>
Business-Type Activities Capital Assets, Net	<u>\$ 68,986,369</u>	<u>\$ 1,384,965</u>	<u>\$ 272,046</u>	<u>\$ 70,099,288</u>

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

Business-Type Activities:	
Sanitary Sewer	\$ 812,027
Storm Drainage	803,609
Refuse	<u>117,431</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,733,067</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 – CAPITAL ASSETS

Component unit capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit Capital Assets not being Depreciated:				
Land and Land Rights	\$ 5,097,532	\$ -	\$ -	\$ 5,097,532
Construction in Progress	8,274,803	7,843,214	7,849,538	8,268,479
Total Capital Assets not being Depreciated	<u>13,372,335</u>	<u>7,843,214</u>	<u>7,849,538</u>	<u>13,366,011</u>
Capital Assets being Depreciated:				
Distribution	87,302,196	9,575,444	182,898	96,694,742
General	14,093,273	347,595	26,573	14,414,295
Total Capital Assets being Depreciated	<u>101,395,469</u>	<u>9,923,039</u>	<u>209,471</u>	<u>111,109,037</u>
Less Accumulated Depreciation	<u>36,443,485</u>	<u>3,041,315</u>	<u>88,701</u>	<u>39,396,099</u>
Total Capital Assets being Depreciated, Net	<u>64,951,984</u>	<u>6,881,724</u>	<u>120,770</u>	<u>71,712,938</u>
Component Unit Capital Assets, Net	<u>\$ 78,324,319</u>	<u>\$ 14,724,938</u>	<u>\$ 7,970,308</u>	<u>\$85,078,949</u>

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

Component Units:	
Electric	\$ 1,841,744
Water	<u>1,199,571</u>
Total Depreciation Expense - Component Units	<u>\$ 3,041,315</u>

NOTE 7 – LONG-TERM DEBT

A. General Obligation Bonds

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – LONG-TERM DEBT

B. Revenue Bonds

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

C. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Governmental Activities:						
G.O. Bonds:						
G.O. Improvement Bonds:						
2006A	07/01/06	4.00%	3,440,000	02/01/17	\$ 360,000	\$ 360,000
2007A	02/01/07	4.00%	1,370,000	02/01/17	150,000	150,000
2007B	09/01/07	4.00%	1,445,000	02/01/18	310,000	155,000
2008A	09/01/08	3.50%-4.00%	2,170,000	02/01/19	635,000	210,000
2010A	08/01/10	0.50%-2.90%	1,555,000	02/01/21	640,000	135,000
G.O. Building Refunding Bonds 2004B	05/01/04	2.25%-4.00%	2,275,000	02/01/17	225,000	225,000
G.O. Building Refunding Bonds 2012A	06/14/12	1.50%-2.125%	4,865,000	02/01/25	4,210,000	450,000
G.O. Tax Abatement Bonds 2016A	01/21/16	3.00%-5.00%	29,500,000	02/01/36	29,500,000	-
Total G.O. Bonds					36,030,000	1,685,000
Unamortized Premiums					2,135,590	-
Compensated Absences					2,124,866	956,190
Total Governmental Activities					<u>\$ 40,290,456</u>	<u>\$ 2,641,190</u>
Business-Type Activities						
Compensated Absences					<u>\$ 61,420</u>	<u>\$ 27,639</u>
Component Unit Long-Term Liabilities:						
Utility Revenue Bonds:						
Series 2006A Crossover Refunding Bonds	11/21/06	4.125%-4.375%	10,570,000	02/01/30	\$ 8,015,000	\$ 425,000
Unamortized Discounts					(8,598)	-
Total Component Unit Long-Term Liabilities					<u>\$ 8,006,402</u>	<u>\$ 425,000</u>

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – LONG-TERM DEBT

D. Changes in Long-Term Liabilities

Long-term liability information for the year ended December 31, 2016 was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 8,215,000	\$ 29,500,000	\$ 1,685,000	\$ 36,030,000	\$ 1,685,000
Unamortized Premiums	-	2,237,727	102,137	2,135,590	-
Compensated Absences	1,892,822	1,214,891	982,847	2,124,866	956,190
Total Governmental Activities	<u>\$ 10,107,822</u>	<u>\$ 32,952,618</u>	<u>\$ 2,769,984</u>	<u>\$ 40,290,456</u>	<u>\$ 2,641,190</u>
Business-Type Activities					
Compensated Absences	<u>\$ 54,438</u>	<u>\$ 40,671</u>	<u>\$ 33,689</u>	<u>\$ 61,420</u>	<u>\$ 27,639</u>
Component Unit Activities:					
G.O. Utility Revenue Bonds	\$ 8,425,000	\$ -	\$ 410,000	\$ 8,015,000	\$ 425,000
Unamortized Discounts	(9,218)	-	(620)	(8,598)	-
Total Component Unit Activities	<u>\$ 8,415,782</u>	<u>\$ -</u>	<u>\$ 409,380</u>	<u>\$ 8,006,402</u>	<u>\$ 425,000</u>

E. Governmental Activity G.O. Bonds

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

Year Ending December 31,	Governmental Bonds		
	Principal	Interest	Total
2017	\$ 1,685,000	\$ 1,229,781	\$ 2,914,781
2018	1,995,000	1,163,474	3,158,474
2019	1,910,000	1,086,058	2,996,058
2020	1,750,000	1,012,644	2,762,644
2021	1,760,000	941,161	2,701,161
2022-2026	8,790,000	3,717,956	12,507,956
2027-2031	8,395,000	2,128,031	10,523,031
2032-2036	<u>9,745,000</u>	<u>759,741</u>	<u>10,504,741</u>
Total	<u>\$36,030,000</u>	<u>\$12,038,846</u>	<u>\$ 48,068,846</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – LONG-TERM DEBT

F. Component Unit Revenue Bonds

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

Year Ending December 31,	Utility Revenue Bonds		
	Principal	Interest	Total
2017	\$ 425,000	\$ 337,400	\$ 762,400
2018	445,000	318,912	763,912
2019	460,000	299,681	759,681
2020	480,000	279,706	759,706
2021	500,000	258,881	758,881
2022-2026	2,870,000	944,081	3,814,081
2027-2031	2,835,000	256,047	3,091,047
Total	<u>\$ 8,015,000</u>	<u>\$ 2,694,708</u>	<u>\$ 10,709,708</u>

NOTE 8 – CONDUIT DEBT OBLIGATIONS

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 – CONDUIT DEBT OBLIGATIONS

As of December 31, 2016, the following conduit debt was outstanding:

Project	Date of Issue	Original Amount of Issue	Balance Outstanding
Scott County CDA Housing Development 2006D Refunding- River City Center Project	07/15/06	\$ 905,000	\$ 215,000
Scott County CDA Housing Development 2012A Refunding- North Ridge Court Redevelopment	04/26/12	5,885,000	5,170,000
Scott County CDA Housing Development 2013A Refunding- River City Center Project	12/01/13	2,330,000	2,005,000
Scott County CDA Housing Development 2013E Refunding- River City Center Project	12/01/13	1,220,000	1,170,000
Benedictine Health System Obligated Group Health Care and Housing Facilities Revenue Refunding Note Series 2013A	12/01/13	9,485,000	7,762,869
Benedictine Health System Obligated Group Health Care and Housing Facilities Revenue Refunding Note Series 2013B	12/01/13	9,575,000	8,511,032
St. Francis Regional Medical Center Health Care Facilities Revenue Refunding Bond Series 2014	06/18/14	41,865,000	39,630,000
Total			<u>\$ 64,463,901</u>

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

NOTE 9 – INTERFUND ASSETS/LIABILITIES

The composition of interfund balances as of December 31, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Improvement Fund	Nonmajor Governmental Funds	\$ 7,802
Sewer Fund	Refuse Fund	59,355
	Total	<u>\$ 67,157</u>

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

NOTE 10 – ADVANCE FROM/TO OTHER FUNDS

The composition of advance from/to other funds as of December 31, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Fund	Refuse Fund	\$ 853,627
Internal Service Fund	Nonmajor Governmental Funds	1,341,394
	Total	<u>\$ 2,195,021</u>

The advance between the Sewer Fund and Refuse Fund represents a long term interfund loan which was used to purchase garbage carts. This will be repaid over 10 years with revenue collected for cart usage at rate of 1% interest. The advance between the Internal Service fund and Nonmajor Governmental Fund represents a long term interfund loan which was used to recreate a Property Acquisition Fund. This will be repaid over 10 years with proceeds from the sale of land or tax levy at rate of 0% interest. The advance between the Internal Service fund and Economic Development Authority Fund represents a long term interfund loan which was used to purchase land which will be resold. This will be repaid once the parcels are sold or developed at rate of 0% interest.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 11 – INTERFUND TRANSFERS

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund (1) (2) (3) (4) (6) (8) (9)	\$ 250,000	\$ 3,348,755
Capital Improvements (3)	1,200,000	-
Other Governmental Funds (2) (4) (5) (6) (7) (9)	5,466,355	30,222
Total Governmental Funds	<u>6,916,355</u>	<u>3,378,977</u>
Proprietary Funds:		
Sewer Fund (1) (5) (6)	-	630,920
Storm Drainage Fund (1) (6)	-	625,000
Total Proprietary Funds	<u>-</u>	<u>1,255,920</u>
Internal Service Funds:		
Buildings (4) (6)	-	2,386,680
Park Asset (7)	30,222	-
Self Insurance (8)	75,000	-
Total Internal Service Funds	<u>105,222</u>	<u>2,386,680</u>
Total	<u><u>\$ 7,021,577</u></u>	<u><u>\$ 7,021,577</u></u>

- (1) Annual transfer to finance General Fund
- (2) Annual transfer to fund operations and improvement loan program
- (3) Annual transfer to fund infrastructure projects
- (4) Annual transfer for bond payment
- (5) Transfer SAC Credit funds to EDA as business subsidies
- (6) Transfer to City Hall Fund for city hall construction
- (7) Transfer related to Fun for all Playground from the Lions Club
- (8) Transfer to provide workers compensation funding.
- (9) Transfer to close Dare Fund to General Fund

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 – PENSION PLANS

The city participates in various pension plans. Total pension expense for the year ended December 31, 2016 was \$4,481,742. The components of pension expense are noted in the following plan summaries.

Public Employees' Retirement Association

A. Plan Description

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

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

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

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

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

B. Benefits Provided

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

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

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 – PENSION PLANS

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Police and Fire Plan Benefits

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

C. Contributions

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 –PENSION PLANS

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City's contributions to the General Employees Fund for the year ended December 31, 2016, was \$459,555. The City's contributions were equal to the required contributions as set by state statute. The Commission's contributions to the General Employees Fund for the year ended December 31, 2016, was \$299,473. The Commission's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2016. The City was required to contribute 16.20% of pay for Police and Fire Fund members in calendar year 2016. The City's contributions to the Police and Fire Fund for the year ended December 31, 2016, were \$ 761,951. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2016, the City reported a liability of \$ 7,575,497 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$ 98,919. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion share was 0.0933%, which was an increase of 0.0003% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$ 1,002,782 for its proportionate share of General Employees Fund's pension expense. In addition, the City recognized an additional \$ 29,495 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 –PENSION PLANS

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

At December 31, 2016, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the sources as follows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 615,395
Changes in actuarial assumptions	1,483,289	-
Difference between projected and actual investment earnings	1,437,860	-
Changes in proportion	11,895	207,356
Contributions paid to PERA subsequent to the measurement date	<u>221,054</u>	<u>-</u>
Total	<u>\$ 3,154,098</u>	<u>\$ 822,751</u>

\$ 221,054 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2017	\$ 550,574
2018	550,572
2019	735,511
2020	<u>273,636</u>
Total	<u>\$ 2,110,293</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 –PENSION PLANS

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2016, the City reported a liability of \$ 18,781,654 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion share was 0.4680 % which was a decrease of 0.0040% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$ 3,269,763 for its proportionate share of the Police and Fire Fund's pension expense. The City also recognized \$ 42,120 for the year ended December 31, 2016, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2016, the City reported its proportionate share of the Police and Fire 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	\$ -	\$ 2,154,609
Changes in actuarial assumptions	10,336,366	-
Difference between projected and actual investment earnings	2,866,217	-
Changes in proportion	171,342	35,892
Contributions paid to PEPFF subsequent to the measurement date	369,101	-
Total	<u>\$ 13,743,026</u>	<u>\$ 2,190,501</u>

\$ 369,101 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense on the following page.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 –PENSION PLANS

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Year Ending December 31,	Pension Expense Amount
2017	\$ 2,411,970
2018	2,411,970
2019	2,411,984
2020	2,180,345
2021	1,767,155
Total	<u>\$ 11,183,424</u>

Component Unit's General Employees Fund Pension Costs

At December 31, 2016, the Commission reported a liability of \$ 5,042,212 for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Commission totaled \$ 65,842. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Commission's proportion share was 0.0621%, which was an increase of 0.0013% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Commission recognized pension expense of \$ 681,569 for its proportionate share of General Employees Fund's pension expense. In addition, the Commission recognized an additional \$ 19,632 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2016, the Commission reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources on the subsequent page.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 –PENSION PLANS

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 409,605
Changes in actuarial assumptions	987,271	-
Difference between projected and actual investment earnings	957,033	-
Changes in proportion	45,412	122,346
Contributions paid to PERA subsequent to the measurement date	149,737	-
Total	<u>\$ 2,139,453</u>	<u>\$ 531,951</u>

\$ 149,737 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense on the following page.

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2017	\$ 386,792
2018	386,792
2019	502,051
2020	182,130
Total	<u>\$ 1,457,765</u>

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 –PENSION PLANS

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% for all future years for the General Employees Plan and Police and Fire Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period July 1, 2004 through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

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

Police and Fire Fund

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 –PENSION PLANS

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50 %
International stock	15%	6.00
Bonds	18%	1.45
Alternative assets	20%	6.40
Cash	2%	0.50
Total	100%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on those assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 –PENSION PLANS

Public Employees' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 10,759,451	\$ 7,575,497	\$ 4,952,786
Commission's proportionate share of the General Employees Fund net pension liability	\$ 7,161,435	\$ 5,042,212	\$ 3,296,549
	1% Decrease in Discount Rate (4.6%)	Discount Rate (5.6%)	1% Increase in Discount Rate (6.6%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 26,291,823	\$ 18,781,654	\$ 12,645,276

H. Pension Plan Fiduciary Net Position

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

Public Employees Defined Contribution Plan (Defined Contribution Plan)

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 –PENSION PLANS

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position (Continued)

The defined contribution plan consists of individual accounts paying a lump-sum benefit, plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the City during fiscal year 2016 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rate</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
\$ 2,503	\$ 2,503	5%	5%	5%

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

A. Plan Description

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

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Shakopee Fire Relief Association, 129 Holmes Street South, Shakopee, Minnesota 55379 or by calling 952-233-9570.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 – PENSION PLANS

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

B. Benefits Provided

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

C. Employees Covered by Benefit Terms

At December 31, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	14
Active Employees	<u>44</u>
 Total	 <u><u>58</u></u>

D. Contributions.

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$ 246,910 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 – PENSION PLANS

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

E. Net Pension Liability (Continued)

Actuarial assumptions.

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 %
Salary increase	0.00 %, average, including inflation
Investment rate of return	6.00 %, net of pensions plan investment expense: including inflation

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	39.82%	5.58%
International Equity	14.50%	5.71%
Fixed Income	25.81%	2.27%
Real Estate and Alternatives	2.02%	4.44%
Cash and Equivalents	<u>17.85%</u>	0.84%
Total	<u>100.00%</u>	

Discount rate.

The discount rate used to measure the total pension liability was 6.00 %. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

NOTE 12 – PENSION PLANS

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

F. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2015	<u>\$ 3,664,402</u>	<u>\$ 5,182,390</u>	<u>\$ (1,517,988)</u>
Changes for the year			
Service Cost	139,447	-	139,447
Interest	228,231	-	228,231
Contributions- Employer	-	244,626	(244,626)
Net Investment Income	-	(268,069)	268,069
Administrative Expense	<u>-</u>	<u>(9,761)</u>	<u>9,761</u>
Net Changes	<u>\$ 367,678</u>	<u>\$ (33,204)</u>	<u>\$ 400,882</u>
Balances at December 31, 2015	<u><u>\$ 4,032,080</u></u>	<u><u>\$ 5,149,186</u></u>	<u><u>\$ (1,117,106)</u></u>

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

	1% Decrease in Discount Rate (5%)	Current Discount Rate (6%)	1% Increase in Discount Rate (7%)
City's proportionate share of the Relief net pension asset	\$ 1,011,040	\$ 1,117,106	\$ 1,217,826

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 – PENSION PLANS

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

F. Changes in the Net Pension Liability (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued relief association financial report.

G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the City recognized pension expense of \$ 177,199. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions paid subsequent to the measurement date	\$ 246,910	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>465,219</u>	<u>9,269</u>
Total	<u><u>\$ 712,129</u></u>	<u><u>\$ 9,269</u></u>

\$246,910 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2017	\$ 113,215
2018	113,215
2019	113,216
2020	<u>116,304</u>
Total	<u><u>\$ 455,950</u></u>

H. Payable to the Pension Plan

At December 31, 2016, the City reported a payable of \$ 0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2016.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 13 – POST EMPLOYMENT HEALTH BENEFITS PLAN

A. Plan Description

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

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Medica. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2016, the City contributed \$ 53,193 to the plan. As of January 1, 2016, there were six retirees and two disabled officers receiving health benefits from the City's health plan. For the most part, the General Fund and the Employee Benefits Internal Service Fund are typically used to liquidate net other post employment benefit obligations.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan.

ARC	\$ 337,572
Interest on Net OPEB Obligation	49,407
Adjustment to ARC	(76,752)
Annual OPEB Cost (Expense)	<u>310,227</u>
Contribution Made	<u>(53,193)</u>
Increase in Net OPEB Obligation	257,034
Net OPEB Obligation - Beginning of Year	<u>1,411,640</u>
Net OPEB Obligation - End of Year	<u><u>\$ 1,668,674</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2016 was as follows:

<u>Fiscal Year</u> <u>End</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Employer</u> <u>Contribution</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/16	\$ 310,227	\$ 53,193	17%	\$ 1,668,674
12/31/15	237,322	69,166	29%	1,411,640
12/31/14	231,421	55,738	24%	1,243,484

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 13 – POST EMPLOYMENT HEALTH BENEFITS PLAN

D. Funded Status and Funding Progress

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

E. Actuarial Methods and Assumptions

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

In the January 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5 % discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7.0% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5.0%, shorter-term, based on City's general assets). The City currently does not fund this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 3.2% initially, increased incrementally to an ultimate rate of 5.3% after five years. Both rates included a 2.75% inflation assumption. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at December 31, 2016 was 30 years.

NOTE 14 – SEGMENT INFORMATION

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

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

NOTE 15 – FUND BALANCE DETAIL

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

	General Fund	Capital Improvements	Community Center/ Ice Arena	Other Governmental Funds	Total
Nonspendable:					
Prepaid Items	\$ 22,188	\$ -	\$ -	\$ -	\$ 22,188
Restricted:					
Forfeitures	-	-	-	186,965	186,965
SCDP Grant	-	-	-	4,734	4,734
Revolving Loans	-	-	-	263,787	263,787
Economic Development	-	-	-	1,503,917	1,503,917
Debt Service	-	-	-	3,712,584	3,712,584
Capital Improvements	-	-	6,547,457	665,801	7,213,258
Total Restricted	-	-	6,547,457	6,337,788	12,885,245
Assigned:					
Telecommunications	-	-	-	70,795	70,795
Capital Improvements	-	4,744,275	-	2,244,591	6,988,866
Total Assigned	-	4,744,275	-	2,315,386	7,059,661
Unassigned:	10,739,178	-	-	(39,928)	10,699,250
Total Fund Balance	<u>\$ 10,761,366</u>	<u>\$ 4,744,275</u>	<u>\$ 6,547,457</u>	<u>\$ 8,613,246</u>	<u>\$ 30,666,344</u>

NOTE 16 – COMMITMENTS

	Project Authorization	Work Completed	12/31/2016 Commitment
2016 Sanitary Sewer Lateral Pipe Rehabilitation	\$ 524,980	\$ 397,682	\$ 127,298
2015 Sanitary Sewer Lateral Pipe Rehabilitation	606,316	534,886	71,430
2016 Street Lighting Project	104,311	-	104,311
4th Avenue Reconstruction	2,119,047	2,002,216	116,831
Community Center Improvements	23,440	17,580	5,860
City Hall	8,556,398	3,368,052	5,188,347
Ice Arena/Community Center Improvements	29,344,881	23,033,939	6,310,943
Quarry Lake Park Phase I	1,189,635	1,169,851	19,783
Shakopee Ice Arena	93,673	64,759	28,915

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 17 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and reinsures through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles ranges from \$ 500 to \$ 50,000 and is considered immaterial to the financial statements.

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

Through the pool, the City is subject to reassessment but due to reserves and reinsurance contracts, the likelihood is very low. The policy limits through the pool included \$ 2,000,000 aggregate for liability, \$ 1,500,000 for automobile coverage, \$ 1,000,000 faithful performance employee bonding and \$ 1,000,000 for universal umbrella coverage. Property coverage is at approximately \$ 134,300,000.

NOTE 18 – CONTINGENCY

The City has been named as a defendant in the cleanup of the Burnsville landfill. The case is pending further information and the outcome of liability to the City is unknown at the present time.

NOTE 19 – TAX ABATEMENT AGREEMENT

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

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

The tax abatement agreements are as follows:

- Datacard Abatement was established in 2013. Entrust Datacard is the world's largest issuer of protected, personalized ID cards, credentials, and credit cards. The City of Shakopee awarded an eleven-year economic development property tax abatement, ending in 2024, which required the creation of 100 new full time jobs in Shakopee. The first year of disbursement occurred in 2014. The total city abatement awarded was \$ 334,869 with an annual maximum award of \$ 36,195. The total county abatement awarded was \$ 324,324 with an annual maximum award of \$ 35,055. During the year ended December 31, 2016, the total disbursed was \$ 69,778 with \$35,920 from Scott County and \$33,858 from the City.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 19 – TAX ABATEMENT AGREEMENT

- Emerson Abatement was established in 2013. Rosemount Emerson Process Management is a leading supplier of process management products and solutions, including control valves, regulators, transmitters, analyzers, and automation systems. The City of Shakopee awarded a nine-year economic development property tax abatement, ending in 2023, which required the creation of 154 new full time jobs in Shakopee. The first year of disbursement occurred in 2015. The total city abatement awarded was \$ 590,496. The total county abatement awarded was \$ 570,608 with an annual maximum award of \$ 64,401. During the year ended December 31, 2016, the total disbursed was \$ 102,349 with \$49,981 from Scott County and \$52,368 from the City.
- Shutterfly Abatement was established in 2014. Shutterfly, Inc. is an Internet-based social expression and personal publishing service that was founded in December of 1999. The City of Shakopee awarded a nine-year economic development property tax abatement, ending in 2024, which required the creation of 258 new jobs in Shakopee. The first year of disbursement occurred in 2016. The total city abatement awarded was \$758,771 with an annual maximum award of \$89,431. The total county abatement awarded was \$734,898 with an annual maximum award of \$86,615. The 2016 disbursement amount was reduced by 11% due to Shutterfly not meeting their job creation goal of 258 new jobs. They created 230 which left them 28 jobs short or 11% short of their goal, therefore the annual award was reduced to reflect the shortage. The abatement was awarded from the City and Scott County. During the year ended December 31, 2016, the total disbursed was \$106,202 with \$54,339 from Scott County and \$51,863 from the City.

NOTE 20 TAX INCREMENT FINANCING

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

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

During the year ended December 31, 2016, the City generated \$464,634 in tax increment revenue and made \$422,329 in payments to developers.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 20 TAX INCREMENT FINANCING

- TIF District No. 10 was established in 1996 for the purpose of establishing multifamily rental housing. River City Centre is 52-units of multifamily rental housing owned and operated by the Scott County Community Development Authority (CDA). Under this agreement, up to \$2,750,000 in development costs would be reimbursed over twenty-five years with the final year being 2024. During the year ended December 31, 2016, the City generated \$41,585 of tax increment revenue and made payments of \$41,585. The available balance at year end was \$2,191,642.
- TIF District No. 14 was established in 2014 as an economic development TIF. J&J Minneapolis/SanMar is a wholesale apparel and accessories distribution company. This TIF required the creation of 150 new full time jobs in Shakopee. The first year of disbursement occurred in 2015 and the final year will be in 2024. Under this agreement, up to \$2,000,000 of development costs will be reimbursed through tax increment over a 9 year period. During the year ended December 31, 2016, the City generated \$280,739 of tax increment revenue and made payments on the pay-as-you-go note of \$ 252,665. The available balance at year end was \$1,494,277.
- TIF District No. 15 was established in 2014 for the purpose of establishing a housing unit. Trident/All Saints Senior Living is an 80-unit senior community providing assisted living, memory care, and care suites with 20% of the units being affordable to persons of low and moderate income. Under the agreement, up to \$1,000,000 of development costs will be reimbursed through tax increment over a 25 year period. During the year ended December 31, 2016, the City generated \$142,310 of tax increment revenue and made payments of \$128,079. The available balance at year end was \$766,848.

NOTE 21 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB Statement 74 relating to postemployment benefit plans other than pension plans administered through trusts that meet certain criteria and includes requirements for OPEB plans not administered through trusts. This new statement requires additional note disclosures and additional required supplementary information. This statement is effective for financial statements for fiscal years beginning after June 15, 2016. We are recommending that a review of your actuarial study be completed with your actuarial firm to ensure compliance with the new standard.

GASB has issued GASB statement 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities. This statement is effective for financial statements for fiscal years beginning after June 15, 2017.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 21 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB statement 80 relating to blending requirements for certain component units. The new statement amends the blending requirements for financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement is effective for financial statements for fiscal years beginning after June 15, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHAKOPEE

SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
December 31, 2016

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

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

CITY OF SHAKOPEE

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

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

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

CITY OF SHAKOPEE

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

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

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

CITY OF SHAKOPEE

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

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

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

CITY OF SHAKOPEE

**SCHEDULE OF CITY CONTRIBUTIONS
LAST 10 YEARS GENERAL EMPLOYEES RETIREMENT FUND**

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

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

CITY OF SHAKOPEE

**SCHEDULE OF CITY CONTRIBUTIONS
LAST 10 YEARS PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT FUND**

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

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

CITY OF SHAKOPEE

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

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

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

CITY OF SHAKOPEE

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

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

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

CITY OF SHAKOPEE

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

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

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

CITY OF SHAKOPEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

GENERAL EMPLOYEES FUND

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 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.

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.

POLICE AND FIRE FUND

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

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SUPPLEMENTARY INFORMATION

CITY OF SHAKOPEE

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016**

	Budget		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Property Taxes				
General Property Taxes	\$ 14,955,400	\$ 14,955,400	\$ 14,814,140	\$ (141,260)
Fiscal Disparities	1,857,500	1,857,500	1,807,792	(49,708)
Lodging Tax	325,000	325,000	388,372	63,372
Aggregate Tax	13,000	13,000	11,900	(1,100)
Total Property Taxes	17,150,900	17,150,900	17,022,204	(128,696)
Special Assessments	11,500	11,500	15,818	4,318
Licenses and Permits	1,504,100	2,269,100	2,564,729	295,629
Intergovernmental Revenues				
Federal Grants	18,000	18,000	30,174	12,174
PERA Aid	18,000	18,000	18,170	170
Police Aid	343,000	343,000	390,012	47,012
Fire Aid	224,000	241,600	246,910	5,310
State Grants	504,500	630,300	657,513	27,213
Other Grants and Aids	1,000	1,000	1,500	500
Total Intergovernmental Revenues	1,108,500	1,251,900	1,344,279	92,379
Charges for Services				
General Government	2,044,825	2,045,500	2,171,067	125,567
Public Safety	594,250	757,250	817,719	60,469
Public Works	522,500	473,900	581,032	107,132
Parks and Recreation	1,064,700	1,091,500	1,180,696	89,196
Total Charges for Services	4,226,275	4,368,150	4,750,514	382,364
Fines and Forfeitures	1,500	1,500	11,213	9,713
Miscellaneous Revenues				
Investment Income	145,000	125,000	118,764	(6,236)
Contributions and Donations	4,800	6,800	7,266	466
Rents	9,500	9,500	9,460	(40)
Other	65,948	66,450	83,244	16,794
Total Miscellaneous Revenues	225,248	207,750	218,734	10,984
Total Revenues	24,228,023	25,260,800	25,927,491	666,691
EXPENDITURES				
General Government				
Current:				
Mayor and Council	\$ 185,260	\$ 176,990	\$ 171,877	\$ (5,113)
Administration	1,555,530	1,355,860	1,430,285	74,425
City Clerk	399,170	326,030	327,235	1,205
Finance	1,243,700	1,154,300	1,194,485	40,185
Planning	674,905	501,720	470,494	(31,226)
Government Buildings	408,986	363,810	370,741	6,931
Unallocated	218,450	217,580	34,836	(182,744)
Total General Government	4,686,001	4,096,290	3,999,953	(96,337)

CITY OF SHAKOPEE

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016**

	Budget		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
EXPENDITURES (Continued)				
Public Safety				
Current:				
Police	7,625,014	7,690,810	7,758,048	67,238
Fire	2,079,785	2,059,380	2,112,184	52,804
Building Inspection	669,967	606,910	715,667	108,757
Capital Outlay	-	60,000	37,423	(22,577)
Total Public Safety	<u>10,374,766</u>	<u>10,417,100</u>	<u>10,623,322</u>	<u>206,222</u>
Public Works				
Current:				
Engineering	739,178	627,340	607,934	(19,406)
Streets	2,225,116	1,934,790	2,004,914	70,124
Shop	429,595	403,310	448,324	45,014
Total Public Works	<u>3,393,889</u>	<u>2,965,440</u>	<u>3,061,172</u>	<u>95,732</u>
Parks and Recreation				
Current:				
Park Maintenance	1,643,096	1,570,640	1,601,390	30,750
Natural Resources	198,092	200,410	178,269	(22,141)
Recreation	2,529,679	2,462,810	2,452,508	(10,302)
Capital Outlay	1,500	-	-	-
Total Parks and Recreation	<u>4,372,367</u>	<u>4,233,860</u>	<u>4,232,167</u>	<u>(1,693)</u>
 Total Expenditures	<u>22,827,023</u>	<u>21,712,690</u>	<u>21,916,614</u>	<u>203,924</u>
 Excess of Revenues Over (Under) Expenditures	1,401,000	3,548,110	4,010,877	462,767
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	-	600	9,134	8,534
Transfers In	250,000	250,000	250,000	-
Transfers Out	<u>(2,100,000)</u>	<u>(3,345,000)</u>	<u>(3,348,755)</u>	<u>(3,755)</u>
Total Other Financing Sources (Uses)	<u>(1,850,000)</u>	<u>(3,094,400)</u>	<u>(3,089,621)</u>	<u>4,779</u>
 Net Change in Fund Balances	<u>\$ (449,000)</u>	<u>\$ 453,710</u>	921,256	<u>\$ 467,546</u>
FUND BALANCES				
Beginning of Year			<u>9,840,110</u>	
End of Year			<u>\$ 10,761,366</u>	

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016**

	<u>Special Revenue</u>		
	<u>Forfeitures</u>	<u>Telecommunication</u>	<u>SCDP Grant</u>
ASSETS			
Cash and Investments	\$ 189,697	\$ 62,082	\$ 4,713
Delinquent Taxes Receivable	-	-	-
Special Assessments Receivable:			
Delinquent	-	-	-
Deferred	-	-	-
Accounts Receivable	-	8,424	-
Interest Receivable	881	289	21
Due From Other Governments	-	-	-
Land Held for Resale	-	-	-
Total Assets	<u>\$ 190,578</u>	<u>\$ 70,795</u>	<u>\$ 4,734</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 3,613	\$ -	\$ -
Contracts Payable	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Advance from Other Funds	-	-	-
Total Liabilities	<u>3,613</u>	<u>-</u>	<u>-</u>
 Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	-
Unavailable Revenue - Special Assessments	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balances			
Restricted for:			
Special Revenue	186,965	-	4,734
Debt Service	-	-	-
Capital Projects	-	-	-
Assigned	-	70,795	-
Unassigned	-	-	-
Total Fund Balances	<u>186,965</u>	<u>70,795</u>	<u>4,734</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 190,578</u>	<u>\$ 70,795</u>	<u>\$ 4,734</u>

Special Revenue			Debt Service		
Revolving Loan	Economic Development Authority	Total	2004B Refunding Bonds	2006A Improvement Bonds	2007A Improvement Bonds
\$ 262,567	\$ 1,511,913	\$ 2,030,972	\$ 225,264	\$ 381,347	\$ 156,950
-	17	17	123	-	-
-	-	-	-	-	29,550
-	-	-	-	-	280,438
-	-	8,424	-	-	-
1,220	7,026	9,437	1,047	1,772	730
-	29,811	29,811	-	-	-
-	923,612	923,612	-	-	-
<u>\$ 263,787</u>	<u>\$ 2,472,379</u>	<u>\$ 3,002,273</u>	<u>\$ 226,434</u>	<u>\$ 383,119</u>	<u>\$ 467,668</u>
\$ -	\$ 27,051	\$ 30,664	\$ 255	\$ 255	\$ 255
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	941,394	941,394	-	-	-
<u>-</u>	<u>968,445</u>	<u>972,058</u>	<u>255</u>	<u>255</u>	<u>255</u>
-	17	17	123	-	-
-	-	-	-	-	309,988
<u>-</u>	<u>17</u>	<u>17</u>	<u>123</u>	<u>-</u>	<u>309,988</u>
263,787	1,503,917	1,959,403	-	-	-
-	-	-	226,056	382,864	157,425
-	-	-	-	-	-
-	-	70,795	-	-	-
-	-	-	-	-	-
<u>263,787</u>	<u>1,503,917</u>	<u>2,030,198</u>	<u>226,056</u>	<u>382,864</u>	<u>157,425</u>
<u>\$ 263,787</u>	<u>\$ 2,472,379</u>	<u>\$ 3,002,273</u>	<u>\$ 226,434</u>	<u>\$ 383,119</u>	<u>\$ 467,668</u>

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
December 31, 2016**

	Debt Service		
	2007B	2008A	2010A
	Improvement	Improvement	Improvement
	Bonds	Bonds	Bonds
ASSETS			
Cash and Investments	\$ 230,531	\$ 282,644	\$ 214,156
Delinquent Taxes Receivable	-	-	-
Special Assessments Receivable:			
Delinquent	290	-	-
Deferred	8,348	101,043	68,079
Accounts Receivable	-	-	-
Interest Receivable	699	1,082	809
Due From Other Governments	28	-	-
Land Held for Resale	-	-	-
Total Assets	<u>\$ 239,896</u>	<u>\$ 384,769</u>	<u>\$ 283,044</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 255	\$ 255	\$ 255
Contracts Payable	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Advance from Other Funds	-	-	-
Total Liabilities	<u>255</u>	<u>255</u>	<u>255</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	-
Unavailable Revenue - Special Assessments	8,638	101,043	68,079
Total Deferred Inflows of Resources	<u>8,638</u>	<u>101,043</u>	<u>68,079</u>
Fund Balances			
Restricted for:			
Special Revenue	-	-	-
Debt Service	231,003	283,471	214,710
Capital Projects	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>231,003</u>	<u>283,471</u>	<u>214,710</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 239,896</u>	<u>\$ 384,769</u>	<u>\$ 283,044</u>

Debt Service			Capital Projects		
2012A Refunding Bonds	2016A Tax Abatement Bond	Total	Park Reserve	TIF District No. 10	TIF District No. 14
\$ 1,663,219	\$ 544,041	\$ 3,698,152	\$ 744,555	\$ -	\$ 54,225
-	-	123	-	-	-
-	-	29,840	-	-	-
1,194,324	-	1,652,232	-	-	-
-	-	-	2,619	-	-
7,727	877	14,743	3,459	(36)	252
1,701	-	1,729	-	-	-
-	-	-	-	-	-
<u>\$ 2,866,971</u>	<u>\$ 544,918</u>	<u>\$ 5,396,819</u>	<u>\$ 750,633</u>	<u>\$ (36)</u>	<u>\$ 54,477</u>
\$ 255	\$ 255	\$ 2,040	\$ 101,036	\$ 764	\$ -
-	-	-	58,493	-	-
-	-	-	-	7,802	-
-	-	-	24	-	-
-	-	-	-	-	-
<u>255</u>	<u>255</u>	<u>2,040</u>	<u>159,553</u>	<u>8,566</u>	<u>-</u>
-	-	123	-	-	-
1,194,324	-	1,682,072	-	-	-
<u>1,194,324</u>	<u>-</u>	<u>1,682,195</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
1,672,392	544,663	3,712,584	-	-	-
-	-	-	591,080	-	54,477
-	-	-	-	-	-
-	-	-	-	(8,602)	-
<u>1,672,392</u>	<u>544,663</u>	<u>3,712,584</u>	<u>591,080</u>	<u>(8,602)</u>	<u>54,477</u>
<u>\$ 2,866,971</u>	<u>\$ 544,918</u>	<u>\$ 5,396,819</u>	<u>\$ 750,633</u>	<u>\$ (36)</u>	<u>\$ 54,477</u>

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
December 31, 2016**

		Capital Projects	
		Road	
	TIF District No.	Expansion	Tree
	15	Dedication	Replacement
ASSETS			
Cash and Investments	\$ 20,150	\$ 94,153	\$ 182,696
Delinquent Taxes Receivable	-	-	-
Special Assessments Receivable:			
Delinquent	-	-	-
Deferred	-	-	-
Accounts Receivable	-	-	-
Interest Receivable	94	438	849
Due From Other Governments	-	-	-
Land Held for Resale	-	-	-
Total Assets	<u>\$ 20,244</u>	<u>\$ 94,591</u>	<u>\$ 183,545</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Contracts Payable	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Advance from Other Funds	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	-
Unavailable Revenue - Special Assessments	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted for:			
Special Revenue	-	-	-
Debt Service	-	-	-
Capital Projects	20,244	-	-
Assigned	-	94,591	183,545
Unassigned	-	-	-
Total Fund Balances	<u>20,244</u>	<u>94,591</u>	<u>183,545</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,244</u>	<u>\$ 94,591</u>	<u>\$ 183,545</u>

Capital Projects				
Sealcoat	Property Acquisition Fund	City Hall	Total	Total Governmental Funds
\$ 72,504	\$ 267,432	\$ 2,691,142	\$ 4,126,857	\$ 9,855,981
-	-	-	-	140
-	-	-	-	29,840
-	-	-	-	1,652,232
-	-	146,285	148,904	157,328
338	1,242	7,856	14,492	38,672
-	-	-	-	31,540
-	100,000	-	100,000	1,023,612
<u>\$ 72,842</u>	<u>\$ 368,674</u>	<u>\$ 2,845,283</u>	<u>\$ 4,390,253</u>	<u>\$ 12,789,345</u>
\$ -	-	762,297	\$ 864,097	\$ 896,801
-	-	189,373	247,866	247,866
-	-	-	7,802	7,802
-	-	-	24	24
-	400,000	-	400,000	1,341,394
<u>-</u>	<u>400,000</u>	<u>951,670</u>	<u>1,519,789</u>	<u>2,493,887</u>
-	-	-	-	140
-	-	-	-	1,682,072
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,682,212</u>
-	-	-	-	1,959,403
-	-	-	-	3,712,584
-	-	-	665,801	665,801
72,842	-	1,893,613	2,244,591	2,315,386
-	(31,326)	-	(39,928)	(39,928)
<u>72,842</u>	<u>(31,326)</u>	<u>1,893,613</u>	<u>2,870,464</u>	<u>8,613,246</u>
<u>\$ 72,842</u>	<u>\$ 368,674</u>	<u>\$ 2,845,283</u>	<u>\$ 4,390,253</u>	<u>\$ 12,789,345</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NON MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016**

	Special Revenue			
	Forfeitures	Telecommunication	SCDP Grant	Revolving Loan
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increment	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	32,495	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	47,430	-	-	-
Miscellaneous	10,652	-	-	-
Investment Income	2,016	1,131	51	2,922
Total Revenues	<u>60,098</u>	<u>33,626</u>	<u>51</u>	<u>2,922</u>
EXPENDITURES				
Current				
General Government	-	16,918	-	-
Public Safety	57,443	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	-	54,540	-	-
Total Expenditures	<u>57,443</u>	<u>71,458</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	2,655	(37,832)	51	2,922
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	-	-
Transfers In	3,755	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	3,755	-	-	-
Net Change in Fund Balances	6,410	(37,832)	51	2,922
FUND BALANCES				
Beginning of Year	<u>180,555</u>	<u>108,627</u>	<u>4,683</u>	<u>260,865</u>
End of Year	<u>\$ 186,965</u>	<u>\$ 70,795</u>	<u>\$ 4,734</u>	<u>\$ 263,787</u>

Special Revenue		Debt Service			
Economic Development Authority	Total	2004B Refunding Bonds	2006A Improvement Bonds	2007A Improvement Bonds	2007B Improvement Bonds
\$ 6	\$ 6	\$ 238,027	\$ 315,390	\$ -	\$ 94,992
-	-	-	-	-	-
-	-	-	16,699	22,375	9,315
-	32,495	-	-	-	-
1,029,810	1,029,810	-	-	-	-
6,000	6,000	-	-	-	-
-	47,430	-	-	-	-
250,312	260,964	-	-	-	-
14,701	20,821	336	1,241	1,599	756
1,300,829	1,397,526	238,363	333,330	23,974	105,063
-	16,918	-	-	-	-
-	57,443	-	-	-	-
-	-	-	-	-	-
1,377,742	1,377,742	-	-	-	-
-	-	220,000	380,000	155,000	150,000
-	-	14,330	25,805	9,805	16,005
-	54,540	-	-	-	-
1,377,742	1,506,643	234,330	405,805	164,805	166,005
(76,913)	(109,117)	4,033	(72,475)	(140,831)	(60,942)
-	-	-	-	-	-
905,920	909,675	-	-	-	80,000
-	-	-	-	-	-
905,920	909,675	-	-	-	80,000
829,007	800,558	4,033	(72,475)	(140,831)	19,058
674,910	1,229,640	222,023	455,339	298,256	211,945
\$ 1,503,917	\$ 2,030,198	\$ 226,056	\$ 382,864	\$ 157,425	\$ 231,003

CITY OF SHAKOPEE

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

For the Year Ended December 31, 2016

	Debt Service			
	2008A Improvement Bonds	2010A Improvement Bonds	2012A Refunding Bonds	2016A Tax Abatement Bond
REVENUES				
Property Taxes	\$ -	\$ 88,500	\$ 47,386	\$ -
Tax Increment	-	-	-	-
Special Assessments	60,391	31,232	628,630	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment Income	2,158	906	11,809	427
Total Revenues	<u>62,549</u>	<u>120,638</u>	<u>687,825</u>	<u>427</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	200,000	135,000	445,000	-
Interest and Other Charges	30,105	18,016	86,592	576,639
Capital Outlay	-	-	-	-
Total Expenditures	<u>230,105</u>	<u>153,016</u>	<u>531,592</u>	<u>576,639</u>
Excess of Revenues Over (Under) Expenditures	(167,556)	(32,378)	156,233	(576,212)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	-	1,120,875
Transfers In	50,000	40,000	226,680	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>40,000</u>	<u>226,680</u>	<u>1,120,875</u>
Net Change in Fund Balances	(117,556)	7,622	382,913	544,663
FUND BALANCES				
Beginning of Year	<u>401,027</u>	<u>207,088</u>	<u>1,289,479</u>	<u>-</u>
End of Year	<u>\$ 283,471</u>	<u>\$ 214,710</u>	<u>\$ 1,672,392</u>	<u>\$ 544,663</u>

Debt Service		Capital Projects			
Total	Park Reserve	TIF District No. 10	TIF District No. 14	TIF District No. 15	Emerson Abatement
\$ 784,295	\$ -	\$ -	\$ -	\$ -	\$ 102,349
-	-	41,585	280,739	142,310	-
768,642	-	-	-	-	-
-	549,594	-	-	-	-
-	-	-	-	-	-
-	2,730	-	-	-	-
-	-	-	-	-	-
-	90,000	-	-	-	-
19,232	15,674	(12)	555	206	-
1,572,169	657,998	41,573	281,294	142,516	102,349
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	41,621	253,451	128,847	102,349
1,685,000	-	-	-	-	-
777,297	-	764	-	-	-
-	1,427,324	-	-	-	-
2,462,297	1,427,324	42,385	253,451	128,847	102,349
(890,128)	(769,326)	(812)	27,843	13,669	-
1,120,875	-	-	-	-	-
396,680	-	-	-	-	-
-	(20,261)	-	-	-	-
1,517,555	(20,261)	-	-	-	-
627,427	(789,587)	(812)	27,843	13,669	-
3,085,157	1,380,667	(7,790)	26,634	6,575	-
\$ 3,712,584	\$ 591,080	\$ (8,602)	\$ 54,477	\$ 20,244	\$ -

CITY OF SHAKOPEE

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

For the Year Ended December 31, 2016

	Capital Projects			
	Shutterfly Abatement	Datacard Abatement	Road Expansion Dedication	Lions Park
REVENUES				
Property Taxes	\$ 106,202	\$ 69,778	\$ -	\$ -
Tax Increment	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment Income	-	(111)	1,049	33
Total Revenues	<u>106,202</u>	<u>69,667</u>	<u>1,049</u>	<u>33</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	106,202	81,589	-	-
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>106,202</u>	<u>81,589</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	-	(11,922)	1,049	33
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	(9,961)
Total Other Financing Sources (Uses)	-	-	-	(9,961)
Net Change in Fund Balances	-	(11,922)	1,049	(9,928)
FUND BALANCES				
Beginning of Year	<u>-</u>	<u>11,922</u>	<u>93,542</u>	<u>9,928</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,591</u>	<u>\$ -</u>

Capital Projects					Total Other Governmental Funds
Tree Replacement	Sealcoat	Property Acquisition Fund	City Hall	Total	
\$ -	\$ -	\$ -	\$ -	\$ 278,329	\$ 1,062,630
-	-	-	-	464,634	464,634
-	-	-	-	-	768,642
-	-	-	-	549,594	582,089
9,589	-	4,158	-	13,747	1,043,557
-	-	-	-	2,730	8,730
-	-	-	-	-	47,430
1,313	38,936	-	-	130,249	391,213
2,233	346	2,914	2,525	25,412	65,465
13,135	39,282	7,072	2,525	1,464,695	4,434,390
-	-	-	-	-	16,918
-	-	-	-	-	57,443
37,044	-	-	-	37,044	37,044
-	-	536	-	714,595	2,092,337
-	-	-	-	-	1,685,000
-	-	-	-	764	778,061
-	-	6,626	3,430,023	4,863,973	4,918,513
37,044	-	7,162	3,430,023	5,616,376	9,585,316
(23,909)	39,282	(90)	(3,427,498)	(4,151,681)	(5,150,926)
-	-	-	-	-	1,120,875
-	-	-	4,160,000	4,160,000	5,466,355
-	-	-	-	(30,222)	(30,222)
-	-	-	4,160,000	4,129,778	6,557,008
(23,909)	39,282	(90)	732,502	(21,903)	1,406,082
207,454	33,560	(31,236)	1,161,111	2,892,367	7,207,164
<u>\$ 183,545</u>	<u>\$ 72,842</u>	<u>\$ (31,326)</u>	<u>\$ 1,893,613</u>	<u>\$ 2,870,464</u>	<u>\$ 8,613,246</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF FUND NET POSITION -
INTERNAL SERVICE FUNDS
December 31, 2016**

	<u>Equipment</u>	<u>Buildings</u>	<u>Park Asset</u>	<u>Employee Benefits</u>	<u>Information and Technology</u>	<u>Self Insurnace</u>	<u>Total</u>
ASSETS							
Current Assets							
Cash and Investments, Including							
Cash Equivalents	\$ 4,510,751	\$ 3,865,428	\$ 1,813,152	\$ 1,042,051	\$ 679,861	\$ 362,790	\$12,274,033
Accounts Receivable	-	-	-	-	-	6,129	6,129
Interest Receivable	20,956	17,958	8,424	4,840	3,159	1,338	56,675
Prepaid Expenses	-	-	-	-	-	183,616	183,616
Total Current Assets	<u>4,531,707</u>	<u>3,883,386</u>	<u>1,821,576</u>	<u>1,046,891</u>	<u>683,020</u>	<u>553,873</u>	<u>12,520,453</u>
Noncurrent Assets							
Advances to Other Funds, Noncurrent	941,394	400,000	-	-	-	-	1,341,394
Capital Assets:							
Land	-	-	221,876	-	-	-	221,876
Construction in Progress	-	-	401,288	-	-	-	401,288
Infrastructure	-	79,820	3,537,673	-	-	-	3,617,493
Buildings	-	31,296,794	3,296,094	-	-	-	34,592,888
Machinery and Equipment	<u>10,945,650</u>	<u>189,539</u>	<u>3,951,903</u>	<u>-</u>	<u>237,322</u>	<u>-</u>	<u>15,324,414</u>
Total Cost	<u>10,945,650</u>	<u>31,566,153</u>	<u>11,408,834</u>	<u>-</u>	<u>237,322</u>	<u>-</u>	<u>54,157,959</u>
Less Accumulated Depreciation	<u>(4,725,030)</u>	<u>(11,877,384)</u>	<u>(4,276,368)</u>	<u>-</u>	<u>(188,180)</u>	<u>-</u>	<u>(21,066,962)</u>
Net Capital Assets	<u>6,220,620</u>	<u>19,688,769</u>	<u>7,132,466</u>	<u>-</u>	<u>49,142</u>	<u>-</u>	<u>33,090,997</u>
Total Noncurrent Assets	<u>7,162,014</u>	<u>20,088,769</u>	<u>7,132,466</u>	<u>-</u>	<u>49,142</u>	<u>-</u>	<u>34,432,391</u>
Total Assets	<u>\$ 11,693,721</u>	<u>\$ 23,972,155</u>	<u>\$ 8,954,042</u>	<u>\$ 1,046,891</u>	<u>\$ 732,162</u>	<u>\$ 553,873</u>	<u>\$46,952,844</u>
LIABILITIES AND NET POSITION							
Current Liabilities							
Accounts Payable	\$ 143,165	\$ -	\$ 43,365	\$ -	\$ 30,933	\$ 5,621	\$ 223,084
Current Compensated Absences	-	-	-	956,190	-	-	956,190
Total Current Liabilities	<u>143,165</u>	<u>-</u>	<u>43,365</u>	<u>956,190</u>	<u>30,933</u>	<u>5,621</u>	<u>1,179,274</u>
Noncurrent Liabilities							
Compensated Absences	-	-	-	1,168,676	-	-	1,168,676
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,168,676</u>	<u>-</u>	<u>-</u>	<u>1,168,676</u>
Total Liabilities	<u>143,165</u>	<u>-</u>	<u>43,365</u>	<u>2,124,866</u>	<u>30,933</u>	<u>5,621</u>	<u>2,347,950</u>
Net Position							
Investment in Capital Assets	6,220,620	19,688,769	7,132,466	-	49,142	-	33,090,997
Unrestricted	<u>5,329,936</u>	<u>4,283,386</u>	<u>1,778,211</u>	<u>(1,077,975)</u>	<u>652,087</u>	<u>548,252</u>	<u>11,513,897</u>
Total Net Position	<u>11,550,556</u>	<u>23,972,155</u>	<u>8,910,677</u>	<u>(1,077,975)</u>	<u>701,229</u>	<u>548,252</u>	<u>44,604,894</u>
Total Liabilities and Net Position	<u>\$ 11,693,721</u>	<u>\$ 23,972,155</u>	<u>\$ 8,954,042</u>	<u>\$ 1,046,891</u>	<u>\$ 732,162</u>	<u>\$ 553,873</u>	<u>\$46,952,844</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2016**

	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Self Insurance	Total
OPERATING REVENUES							
Rental Charges	\$ 612,868	\$ 533,450	\$ 385,900	\$ -	\$ 365,200	\$ 466,950	\$ 2,364,368
Other Charges	-	-	-	-	-	-	-
Total Operating Revenues	<u>612,868</u>	<u>533,450</u>	<u>385,900</u>	<u>-</u>	<u>365,200</u>	<u>466,950</u>	<u>2,364,368</u>
OPERATING EXPENSES							
Salaries and Benefits	-	-	-	38,214	-	-	38,214
Depreciation	741,766	714,862	373,512	-	17,734	-	1,847,874
Professional Services	-	-	-	-	1,358	-	1,358
Repairs and Maintenance	-	6,600	20,869	-	26,034	5,621	59,124
Materials and Supplies	6,426	80,959	1,557	-	290,196	-	379,138
Insurance	-	-	-	-	-	134,014	134,014
Total Operating Expenses	<u>748,192</u>	<u>802,421</u>	<u>395,938</u>	<u>38,214</u>	<u>335,322</u>	<u>139,635</u>	<u>2,459,722</u>
Operating Income (Loss)	(135,324)	(268,971)	(10,038)	(38,214)	29,878	327,315	(95,354)
NONOPERATING REVENUES (EXPENSES)							
Investment Income	51,194	63,764	24,580	8,969	6,894	180	155,581
Donations	-	-	366,622	-	-	-	366,622
Insurance Dividends	-	-	-	-	-	145,757	145,757
Gain (Loss) on Sale of Asset	114,978	(61,942)	(12,038)	-	-	-	40,998
Capital Asset Transfer	15,933	-	(68,840)	-	-	-	(52,907)
Total Nonoperating Revenues (Expenses)	<u>182,105</u>	<u>1,822</u>	<u>310,324</u>	<u>8,969</u>	<u>6,894</u>	<u>145,937</u>	<u>656,051</u>
Income (Loss) before Capital Contributions and Transfers	46,781	(267,149)	300,286	(29,245)	36,772	473,252	560,697
Transfers In	-	-	30,222	-	-	75,000	105,222
Transfers Out	<u>-</u>	<u>(2,386,680)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,386,680)</u>
Change in Net Position	46,781	(2,653,829)	330,508	(29,245)	36,772	548,252	(1,720,761)
NET POSITION							
Beginning of Year	<u>11,503,775</u>	<u>26,625,984</u>	<u>8,580,169</u>	<u>(1,048,730)</u>	<u>664,457</u>	<u>-</u>	<u>46,325,655</u>
End of Year	<u><u>\$11,550,556</u></u>	<u><u>\$ 23,972,155</u></u>	<u><u>\$ 8,910,677</u></u>	<u><u>\$ (1,077,975)</u></u>	<u><u>\$ 701,229</u></u>	<u><u>\$ 548,252</u></u>	<u><u>\$44,604,894</u></u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2016**

	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Self Insurance	Total
CASH FLOWS - OPERATING ACTIVITIES							
Receipts from Customers and Users	\$ 612,868	\$ 533,450	\$ 386,397	\$ -	\$ 365,200	\$ 460,821	\$ 2,358,736
Receipts from Interfund Services	-	897,344	-	193,830	-	-	1,091,174
Payments to Suppliers	(17,074)	(92,918)	(84,934)	-	(313,827)	(317,630)	(826,383)
Net Cash Flows - Operating Activities	595,794	1,337,876	301,463	193,830	51,373	143,191	2,623,527
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES							
Payment Received on Interfund Loan	-	50,000	-	-	-	-	50,000
Insurance Dividends	-	-	-	-	-	145,757	145,757
Transfer from Other Funds	-	-	30,222	-	-	75,000	105,222
Transfer to Other Funds	-	(2,386,680)	-	-	-	-	(2,386,680)
Net Cash Flows - Noncapital Financing Activities	-	(2,336,680)	30,222	-	-	220,757	(2,085,701)
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES							
Donations	-	-	366,622	-	-	-	366,622
Proceeds (Loss) from Disposal of Capital Assets	409,402	501	-	-	-	-	409,903
Acquisition of Capital Assets	(1,446,070)	-	(991,783)	-	-	-	(2,437,853)
Net Cash Flows - Capital and Related Financing Activities	(1,036,668)	501	(625,161)	-	-	-	(1,661,328)
CASH FLOWS - INVESTING ACTIVITIES							
Interest Received	50,798	69,685	24,890	7,655	6,345	(1,158)	158,215
Net Cash Flows - Investing Activities	50,798	69,685	24,890	7,655	6,345	(1,158)	158,215
Net Change in Cash and Cash Equivalents	(390,076)	(928,618)	(268,586)	201,485	57,718	362,790	(965,287)
CASH AND CASH EQUIVALENTS							
Beginning of Year	4,900,827	4,794,046	2,081,738	840,566	622,143	-	13,239,320
End of Year	<u>\$ 4,510,751</u>	<u>\$ 3,865,428</u>	<u>\$ 1,813,152</u>	<u>\$ 1,042,051</u>	<u>\$ 679,861</u>	<u>\$ 362,790</u>	<u>\$ 12,274,033</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES							
Operating Income (Loss)	\$ (135,324)	\$ (268,971)	\$ (10,038)	\$ (38,214)	\$ 29,878	\$ 327,315	\$ (95,354)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:							
Depreciation Expense	741,766	714,862	373,512	-	17,734	-	1,847,874
Changes in:							
Accounts Receivable	-	-	-	-	-	(6,129)	(6,129)
Due from Other Funds	-	897,344	-	-	-	-	897,344
Due from Other Governments	-	-	497	-	-	-	497
Accounts and Contracts Payable	(10,648)	(5,359)	(62,508)	-	3,761	5,621	(69,133)
Prepaid Expenses	-	-	-	-	-	(183,616)	(183,616)
Compensated Absences Payable	-	-	-	232,044	-	-	232,044
Total Adjustments	731,118	1,606,847	311,501	232,044	21,495	(184,124)	2,718,881
Net Cash Flows - Operating Activities	<u>\$ 595,794</u>	<u>\$ 1,337,876</u>	<u>\$ 301,463</u>	<u>\$ 193,830</u>	<u>\$ 51,373</u>	<u>\$ 143,191</u>	<u>\$ 2,623,527</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES							
Contributions of Capital Assets from the Transfer of Capital Assets	\$ 15,933	\$ -	\$ (68,840)	\$ -	\$ -	\$ -	\$ (52,907)

CITY OF SHAKOPEE

**COMBINED STATEMENT OF FIDUCIARY NET POSITION
December 31, 2016**

	<u>Escrow Agency Fund</u>	<u>Holiday Lighting Agency Fund</u>	<u>Southwest Metro Drug Task Force Agency Fund</u>	<u>Total Agency Funds</u>
ASSETS				
Current				
Cash and Investments	\$ 2,779,900	\$ 36	\$ 376,128	\$ 3,156,064
Due from Other Governments	-	-	91,644	91,644
Prepays	<u>-</u>	<u>-</u>	<u>9,152</u>	<u>9,152</u>
Total Assets	<u><u>\$ 2,779,900</u></u>	<u><u>\$ 36</u></u>	<u><u>\$ 476,924</u></u>	<u><u>\$ 3,256,860</u></u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 378,410	\$ 378,410
Deposits Payable	2,779,900	36	59,204	2,839,140
Due to Other Governments	<u>-</u>	<u>-</u>	<u>39,310</u>	<u>39,310</u>
Total Liabilities	<u><u>\$ 2,779,900</u></u>	<u><u>\$ 36</u></u>	<u><u>\$ 476,924</u></u>	<u><u>\$ 3,256,860</u></u>

CITY OF SHAKOPEE

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
December 31, 2016**

Escrow Agency Fund			
	Balance at December 31, 2015	Additions	Deductions
			Balance at December 31, 2016
ASSETS			
Current			
Cash and Investments	\$ 2,293,485	\$ 2,017,295	\$ 1,530,880
			\$ 2,779,900
LIABILITIES			
Deposits Payable	\$ 2,293,485	\$ 2,017,295	\$ 1,530,880
			\$ 2,779,900

Holiday Lighting Agency Fund			
	Balance at December 31, 2015	Additions	Deductions
			Balance at December 31, 2016
ASSETS			
Current			
Cash and Investments	\$ -	\$ 3,860	\$ 3,824
			\$ 36
LIABILITIES			
Deposits Payable	\$ -	\$ 3,860	\$ 3,824
			\$ 36

Southwest Metro Drug Task Force Agency Fund			
	Balance at December 31, 2015	Additions	Deductions
			Balance at December 31, 2016
ASSETS			
Current			
Cash and Investments	\$ 555,344	\$ 250,056	\$ 429,272
Interest Receivable	2,321	-	2,321
Due from Other Governments	22,000	69,644	91,644
Prepays	-	9,152	-
			9,152
Total Assets	\$ 579,665	\$ 328,852	\$ 431,593
			\$ 476,924
LIABILITIES			
Accounts Payable	\$ 413,426	\$ 256,366	\$ 291,382
Deposits Payable	139,883	59,037	139,716
Due to Other Governments	26,356	13,449	495
			39,310
Total Liabilities	\$ 579,665	\$ 328,852	\$ 431,593
			\$ 476,924

CITY OF SHAKOPEE

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
December 31, 2016**

	Total Agency Funds			
	Balance at December 31, 2015	Additions	Deductions	Balance at December 31, 2016
ASSETS				
Current				
Cash and Investments	\$ 2,848,829	\$ 2,271,211	\$ 1,963,976	\$ 3,156,064
Interest Receivable	2,321	-	2,321	-
Due from Other Governments	22,000	69,644	-	91,644
Prepays	-	9,152	-	9,152
Total Assets	<u>\$ 2,873,150</u>	<u>\$ 2,350,007</u>	<u>\$ 1,966,297</u>	<u>\$ 3,256,860</u>
LIABILITIES				
Accounts Payable	\$ 413,426	\$ 256,366	\$ 291,382	\$ 378,410
Deposits Payable	2,433,368	2,080,192	1,674,420	2,839,140
Due to Other Governments	26,356	13,449	495	39,310
Total Liabilities	<u>\$ 2,873,150</u>	<u>\$ 2,350,007</u>	<u>\$ 1,966,297</u>	<u>\$ 3,256,860</u>

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STATISTICAL SECTION

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CITY OF SHAKOPEE

STATISTICAL SECTION

December 31, 2016

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

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

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

Debt Capacity	144
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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

Operating Information	154
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These schedules shown service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the

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

CITY OF SHAKOPEE

**NET POSITION BY COMPONENT
Years 2007 Through 2016**

	2007	2008	2009	2010
Governmental Activities:				
Net Investment in Capital Assets	\$ 113,534,056	\$ 112,909,793	\$ 112,097,148	\$ 111,905,152
Restricted	13,081,337	21,915,945	16,518,865	1,844,129
Unrestricted	28,316,931	22,086,771	28,832,576	43,910,102
Total Governmental Activities Net Position	<u>\$ 154,932,324</u>	<u>\$ 156,912,509</u>	<u>\$ 157,448,589</u>	<u>\$ 157,659,383</u>
Business-Type Activities:				
Net Investment in Capital Assets	\$ 114,546,218	\$ 115,124,238	\$ 114,331,216	\$ 115,064,968
Restricted	1,026,351	1,756,369	3,574,612	4,889,050
Unrestricted	46,169,289	49,366,581	55,595,594	59,014,070
Total Business-Type Activities Net Position	<u>\$ 161,741,858</u>	<u>\$ 166,247,188</u>	<u>\$ 173,501,422</u>	<u>\$ 178,968,088</u>
Primary Government:				
Net Investment in Capital Assets	\$ 228,080,274	\$ 228,034,031	\$ 226,428,364	\$ 226,970,120
Restricted	14,107,688	23,672,314	20,093,477	6,733,179
Unrestricted	74,486,220	71,453,352	84,428,170	102,924,172
Total Primary Government Net Position	<u>\$ 316,674,182</u>	<u>\$ 323,159,697</u>	<u>\$ 330,950,011</u>	<u>\$ 336,627,471</u>

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

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

Table 1

2011	2012	2013	2014	2015	2016
\$ 114,981,955	\$ 115,191,768	\$ 118,166,525	\$ 117,980,552	\$ 120,831,029	\$ 128,559,527
10,914,439	9,912,551	10,454,238	7,103,581	7,547,490	6,637,391
32,771,327	34,823,712	30,642,443	35,302,035	23,939,064	16,719,760
<u>\$ 158,667,721</u>	<u>\$ 159,928,031</u>	<u>\$ 159,263,206</u>	<u>\$ 160,386,168</u>	<u>\$ 152,317,583</u>	<u>\$ 151,916,678</u>
\$ 65,080,070	\$ 64,124,590	\$ 65,181,465	\$ 67,831,099	\$ 68,986,369	\$ 70,099,288
-	-	-	-	-	-
31,927,930	33,354,521	31,183,904	28,485,814	25,981,542	23,281,483
<u>\$ 97,008,000</u>	<u>\$ 97,479,111</u>	<u>\$ 96,365,369</u>	<u>\$ 96,316,913</u>	<u>\$ 94,967,911</u>	<u>\$ 93,380,771</u>
\$ 180,062,025	\$ 179,316,358	\$ 183,347,990	\$ 185,811,651	\$ 189,817,398	\$ 198,658,815
10,914,439	9,912,551	10,454,238	7,103,581	7,547,490	6,637,391
64,699,257	68,178,233	61,826,347	63,787,849	49,920,606	40,001,243
<u>\$ 255,675,721</u>	<u>\$ 257,407,142</u>	<u>\$ 255,628,575</u>	<u>\$ 256,703,081</u>	<u>\$ 247,285,494</u>	<u>\$ 245,297,449</u>

CITY OF SHAKOPEE

CHANGES IN NET POSITION
Years 2007 Through 2016

	2007	2008	2009	2010	2011	2012
EXPENSES:						
Governmental Activities:						
General Government	\$ 3,543,980	\$ 3,514,573	\$ 3,388,268	\$ 3,042,918	\$ 4,252,887	\$ 4,603,027
Public Safety	8,301,075	8,346,104	8,528,413	9,123,316	9,236,767	9,430,785
Public Works	15,264,606	8,099,384	7,860,080	8,397,874	7,094,047	7,083,299
Culture and Recreation	5,323,087	3,637,527	3,859,670	3,765,660	3,866,307	3,817,677
Economic Development	363,805	522,074	316,566	427,169	244,361	152,541
Other	1,042,133	1,033,999	1,040,044	784,824	619,099	587,384
Total Governmental Activities Expenses	33,838,686	25,153,661	24,993,041	25,541,761	25,313,468	25,674,713
Business-Type Activities:						
Electric	34,710,974	36,186,676	30,140,842	32,700,410	-	-
Water	3,332,132	3,461,261	3,316,102	3,293,079	-	-
Sewer	2,938,955	3,308,759	3,398,117	3,685,417	3,807,322	3,926,541
Storm	1,352,078	1,435,376	1,264,261	1,792,749	1,382,391	1,445,633
Refuse	-	-	-	-	-	-
Total Business-Type Activities Expenses	42,334,139	44,392,072	38,119,322	41,471,655	5,189,713	5,372,174
Total Primary Government Expenses	\$ 76,172,825	\$ 69,545,733	\$ 63,112,363	\$ 67,013,416	\$ 30,503,181	\$ 31,046,887
PROGRAM REVENUES:						
Governmental Activities:						
Charges for Services:						
General Government	\$ 583,247	\$ 606,259	\$ 680,681	\$ 652,686	\$ 721,180	\$ 3,356,772
Public Safety	1,650,235	1,506,680	1,677,772	1,716,573	1,503,188	1,524,158
Public Works	2,615,402	2,354,276	1,342,173	941,224	478,788	454,145
Culture and Recreation	1,086,750	1,295,772	1,013,044	1,039,820	1,071,482	2,222,430
Economic Development	-	-	-	-	7,100	16,500
Operating Grants and Contributions	1,943,805	1,660,191	1,485,124	2,943,857	3,606,089	2,106,559
Capital Grants and Contributions	2,463,129	1,825,124	1,241,884	952,450	3,152,881	1,479,343
Total Governmental Activities Program Revenues	10,342,568	9,248,302	7,440,678	8,246,610	10,540,708	11,159,907
Business-Type Activities:						
Charges for Services:						
Electric	37,407,565	38,732,701	34,272,099	36,872,008	-	-
Water	3,525,140	3,390,309	3,605,498	4,417,498	-	-
Sewer	2,806,371	2,556,299	3,485,882	3,508,947	2,941,753	3,728,189
Storm	1,505,247	1,379,821	1,405,560	1,281,986	1,083,878	1,442,394
Refuse	-	-	-	-	-	-
Operating Grants and Contributions	-	-	-	6,415	-	-
Capital Grants and Contributions	4,138,977	1,007,519	1,879,530	1,661,001	93,810	348,756
Total Business-Type Activities Program Revenues	49,383,300	47,066,649	44,648,569	47,747,855	4,119,441	5,519,339
Total Primary Government Program Revenues	\$ 59,725,868	\$ 56,314,951	\$ 52,089,247	\$ 55,994,465	\$ 14,660,149	\$ 16,679,246
Net (Expense) Revenue:						
Governmental Activities	\$ (23,496,118)	\$ (15,905,359)	\$ (17,552,363)	\$ (17,295,151)	\$ (14,772,760)	\$ (14,514,806)
Business-Type Activities	7,049,161	2,674,577	6,529,247	6,276,200	(1,070,272)	147,165
Total Primary Government Net Expense	\$ (16,446,957)	\$ (13,230,782)	\$ (11,023,116)	\$ (11,018,951)	\$ (15,843,032)	\$ (14,367,641)
GENERAL REVENUES AND OTHER						
CHANGES IN NET POSITION:						
Governmental Activities:						
Taxes:						
Property Taxes	\$ 12,767,354	\$ 14,200,833	\$ 14,676,518	\$ 14,229,111	\$ 14,487,805	\$ 15,002,764
Other Taxes	369,240	388,935	151,956	147,561	160,884	113,902
Unrestricted Investment Earnings	2,232,717	1,941,335	1,323,230	1,039,867	1,032,409	546,681
Gain on Disposal of Assets	22,628	56,453	37,162	-	-	11,769
Special Item	-	-	-	-	-	-
Transfers	1,111,046	1,297,988	1,899,577	2,089,406	100,000	100,000
Total Governmental Activities	16,502,985	17,885,544	18,088,443	17,505,945	15,781,098	15,775,116
Business-Type Activities:						
Investment Earnings	3,185,863	3,128,741	1,336,979	1,279,872	758,182	423,946
Gain on Disposal of Assets	-	-	-	-	-	-
Transfers	(1,111,046)	(1,297,988)	(1,899,577)	(2,089,406)	(100,000)	(100,000)
Total Business-Type Activities	2,074,817	1,830,753	(562,598)	(809,534)	658,182	323,946
Total Primary Government	\$ 18,577,802	\$ 19,716,297	\$ 17,525,845	\$ 16,696,411	\$ 16,439,280	\$ 16,099,062
Change in Net Position:						
Government Activities	\$ (6,993,133)	\$ 1,980,185	\$ 536,080	\$ 210,794	\$ 1,008,338	\$ 1,260,310
Business-Type Activities	9,123,978	4,505,330	5,966,649	5,466,666	(412,090)	471,111
Total Primary Government	\$ 2,130,845	\$ 6,485,515	\$ 6,502,729	\$ 5,677,460	\$ 596,248	\$ 1,731,421

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

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

Table 2

2013	2014	2015	2016
\$ 4,704,956	\$ 5,514,412	\$ 4,237,647	\$ 4,205,975
9,868,702	10,543,861	10,582,354	13,281,715
7,578,493	10,667,275	8,552,096	8,593,885
4,020,974	4,250,557	4,355,453	4,653,362
338,907	1,593,968	2,603,741	2,104,584
573,949	453,696	274,960	1,190,824
27,085,981	33,023,769	30,606,251	34,030,345
-	-	-	-
-	-	-	-
4,096,504	3,777,866	3,824,026	3,843,232
1,641,438	1,924,853	1,726,149	1,848,768
-	-	127,781	127,034
5,737,942	5,702,719	5,677,956	5,819,034
\$ 32,823,923	\$ 38,726,488	\$ 36,284,207	\$ 39,849,379
\$ 3,047,447	\$ 3,155,648	\$ 2,904,587	\$ 2,858,344
1,701,875	1,879,209	2,146,840	2,744,824
688,286	693,647	704,687	746,086
2,012,436	1,827,046	2,140,071	1,760,925
18,000	18,000	24,000	256,312
1,894,436	2,880,493	2,509,986	2,777,982
689,424	6,668,531	1,735,543	2,187,039
10,051,904	17,122,574	12,165,714	13,331,512
-	-	-	-
-	-	-	-
3,004,826	2,916,192	2,829,981	3,292,166
1,720,653	1,211,793	1,765,679	1,632,218
-	72,167	103,637	105,309
-	-	-	-
7,780	496,655	65,844	183,142
4,733,259	4,696,807	4,765,141	5,212,835
\$ 14,785,163	\$ 21,819,381	\$ 16,930,855	\$ 18,544,347
\$ (17,034,077)	\$ (15,901,195)	\$ (18,440,537)	\$ (20,698,833)
(1,004,683)	(1,005,912)	(912,815)	(606,199)
\$ (18,038,760)	\$ (16,907,107)	\$ (19,353,352)	\$ (21,305,032)
\$ 15,795,777	\$ 16,446,631	\$ 16,807,367	\$ 18,015,507
113,796	216,441	406,571	464,632
40,589	727,619	452,281	495,804
256,600	52,674	87,819	50,132
-	-	496,484	-
162,490	(419,208)	(634,070)	1,271,853
16,369,252	17,024,157	17,616,452	20,297,928
53,431	538,248	349,776	289,001
-	-	17,438	1,911
(162,490)	419,208	(496,484)	(1,271,853)
(109,059)	957,456	(129,270)	(980,941)
\$ 16,260,193	\$ 17,981,613	\$ 17,487,182	\$ 19,316,987
\$ (664,825)	\$ 1,122,962	\$ (824,085)	\$ (400,905)
(1,113,742)	(48,456)	(1,042,085)	(1,587,140)
\$ (1,778,567)	\$ 1,074,506	\$ (1,866,170)	\$ (1,988,045)

CITY OF SHAKOPEE

FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund:				
Nonspendable:				
Prepays	\$ -	\$ -	\$ -	\$ 149,940
Reserved	1,810,650	1,126,074	799,276	-
Restricted for:				
BATC Litigation	-	-	-	218,032
Committed to:				
Working Capital	-	-	-	345,820
Unreserved	7,896,883	8,733,528	10,703,004	-
Unassigned	-	-	-	8,323,938
Total General Fund	<u>\$ 9,707,533</u>	<u>\$ 9,859,602</u>	<u>\$ 11,502,280</u>	<u>\$ 9,037,730</u>
All Other Governmental Funds				
Reserved:				
Special Revenue Funds	\$ 2,489,775	\$ 2,738,909	\$ 2,677,290	\$ -
Debt Service Funds	-	-	-	-
Capital Projects Funds	3,849,703	4,873,440	4,185,059	-
Restricted for:				
Forfeitures	-	-	-	189,112
Transit	-	-	-	1,158,355
SCDP Grant	-	-	-	55,743
Revolving Loans	-	-	-	143,023
Economic Development	-	-	-	447,319
Debt Service	-	-	-	5,127,697
Capital Improvements	-	-	-	2,203,238
Committed to:				
Working Capital	-	-	-	345,820
Transit	-	-	-	463,470
Revolving Loans	-	-	-	100,000
Economic Development	-	-	-	20,930
Park Projects	-	-	-	1,785,164
Capital Improvements	-	-	-	3,616,689
2008 Projects	-	-	-	190,431
2009 Projects	-	-	-	14,876
2010 Projects	-	-	-	131,398
Fire Station 2	-	-	-	2,476,886
Assigned to:				
Telecommunication	-	-	-	49,192
Capital Improvements	-	-	-	-
Capital Projects Funds	-	-	-	-
Unreserved				
Special Revenue Funds	993,555	1,130,452	-	-
Debt Service Funds	7,941,439	7,658,289	7,504,770	-
Capital Projects Funds	1,673,762	1,994,812	2,453,383	-
Unassigned	-	-	-	(116,803)
Governmental Funds	<u>\$ 16,948,234</u>	<u>\$ 18,395,902</u>	<u>\$ 16,820,502</u>	<u>\$ 18,402,540</u>

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

Only 2010-2016 are reported in compliance with GASB Statement No. 54. 2007-2009 are reported as previously stated.

Table 3

2011	2012	2013	2014	2015	2016
\$ 131,447	\$ 19,189	\$ 16,440	\$ 13,949	\$ 21,573	\$ 22,188
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,172,747	9,503,652	9,076,549	9,824,097	9,818,537	10,739,178
<u>\$ 9,304,194</u>	<u>\$ 9,522,841</u>	<u>\$ 9,092,989</u>	<u>\$ 9,838,046</u>	<u>\$ 9,840,110</u>	<u>\$ 10,761,366</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
208,518	195,823	180,696	174,580	180,555	186,965
1,237,762	1,045,340	941,469	635,247	-	-
22,462	22,447	4,546	4,627	4,683	4,734
249,147	252,639	253,065	257,601	260,865	263,787
497,775	562,959	685,671	361,569	674,910	1,503,917
4,625,946	9,574,198	8,678,680	7,053,086	3,085,157	3,712,584
958,195	1,815,339	1,882,231	1,634,954	1,425,798	7,213,258
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
45,681	66,989	54,499	76,342	108,627	70,795
6,964,247	8,681,475	5,753,669	5,630,178	6,130,194	4,744,275
413,228	394,666	176,398	228,059	1,505,595	2,244,591
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(484,089)	(384,965)	(1,716)	(7,316)	(1,715,102)	(39,928)
<u>\$ 14,738,872</u>	<u>\$ 22,226,910</u>	<u>\$ 18,609,208</u>	<u>\$ 16,048,927</u>	<u>\$ 11,661,282</u>	<u>\$ 19,904,978</u>

CITY OF SHAKOPEE

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
REVENUES:				
Taxes	\$ 13,084,595	\$ 14,437,766	\$ 14,992,051	\$ 14,385,788
Special Assessments	2,301,560	1,879,974	1,810,511	1,404,088
Licenses and Permits	1,378,570	1,221,939	1,492,746	1,338,111
Intergovernmental	2,540,584	2,702,993	1,811,668	2,924,161
Charges for Service	2,089,375	2,209,269	1,808,865	2,202,524
Fines and Forfeits	501,228	442,626	428,662	549,543
Miscellaneous	2,322,755	2,028,529	1,503,722	1,255,038
Total Revenues	<u>24,218,667</u>	<u>24,923,096</u>	<u>23,848,225</u>	<u>24,059,253</u>
EXPENDITURES:				
General Government	3,479,925	3,517,957	3,331,193	2,960,233
Police	8,342,017	8,462,288	8,604,704	9,012,567
Public Works	3,769,491	3,628,954	3,591,049	3,902,622
Culture and Recreation	3,651,539	4,101,175	3,898,844	4,075,919
Economic Development	-	522,074	316,566	270,915
Debt Service:				
Principal	3,110,000	3,280,000	2,660,000	3,800,000
Interest and Other Charges	1,025,868	1,077,711	1,077,325	833,245
Capital Outlay	7,288,033	3,300,942	1,797,299	2,812,488
Total Expenditures	<u>30,666,873</u>	<u>27,891,101</u>	<u>25,276,980</u>	<u>27,667,989</u>
Excess of Revenues Under Expenditures	<u>(6,448,206)</u>	<u>(2,968,005)</u>	<u>(1,428,755)</u>	<u>(3,608,736)</u>
OTHER FINANCING SOURCES (USES):				
Bonds Issued	2,815,000	2,170,000	-	1,555,000
Sale of Assets	17,700	-	-	6,000
Premium on Bonds Issued	9,956	16,741	-	-
Transfers In	4,411,281	4,605,693	4,958,133	13,199,807
Transfers Out	(2,188,333)	(2,224,692)	(3,462,100)	(12,380,403)
Special Items	-	-	-	-
Total Other Financing Sources (Uses)	<u>5,065,604</u>	<u>4,567,742</u>	<u>1,496,033</u>	<u>2,380,404</u>
Net Change in Fund Balance	<u>\$ (1,382,602)</u>	<u>\$ 1,599,737</u>	<u>\$ 67,278</u>	<u>\$ (1,228,332)</u>
Debt Service as a Percentage of Noncapital Expenditures	16%	17%	16%	18%

Table 4

2011	2012	2013	2014	2015	2016
\$ 14,699,066	\$15,141,903	\$ 15,851,560	\$ 16,798,542	\$ 17,225,535	\$ 18,549,468
1,475,324	1,499,810	930,331	2,673,132	1,157,405	1,615,161
1,281,150	2,441,246	2,349,945	2,318,447	2,989,038	3,146,818
3,941,830	2,548,692	1,857,803	4,743,014	3,427,130	3,619,810
3,958,237	4,449,003	4,583,551	4,683,722	4,479,845	4,759,244
411,211	418,474	381,470	429,021	171,856	104,943
705,969	836,868	189,717	675,643	604,816	877,108
<u>26,472,787</u>	<u>27,335,996</u>	<u>26,144,377</u>	<u>32,321,521</u>	<u>30,055,625</u>	<u>32,672,552</u>
4,004,684	4,396,219	4,495,662	5,225,483	3,864,337	4,016,871
9,460,824	9,483,999	9,731,407	10,193,496	10,209,739	10,643,342
2,602,104	2,349,042	2,631,154	2,829,846	3,036,284	3,061,172
3,902,386	3,799,723	3,771,068	3,981,999	3,891,542	4,269,211
247,591	155,692	340,904	1,595,628	2,352,621	2,092,337
2,565,000	1,950,000	2,070,000	3,160,000	5,615,000	1,685,000
658,265	634,063	618,695	504,460	365,898	864,494
6,301,406	2,164,053	6,883,191	7,245,157	5,461,607	32,159,412
<u>29,742,260</u>	<u>24,932,791</u>	<u>30,542,081</u>	<u>34,736,069</u>	<u>34,797,028</u>	<u>58,791,839</u>
<u>(3,269,473)</u>	<u>2,403,205</u>	<u>(4,397,704)</u>	<u>(2,414,548)</u>	<u>(4,741,403)</u>	<u>(26,119,287)</u>
-	4,865,000	-	-	-	29,500,000
-	-	150	314	-	9,134
-	73,480	-	-	-	2,237,727
2,968,919	3,367,400	4,890,809	3,531,038	6,135,344	6,916,355
(2,750,830)	(3,002,400)	(4,540,809)	(2,932,028)	(5,145,452)	(3,378,977)
-	-	-	-	(634,070)	-
<u>218,089</u>	<u>5,303,480</u>	<u>350,150</u>	<u>599,324</u>	<u>355,822</u>	<u>35,284,239</u>
<u>\$ (3,051,384)</u>	<u>\$ 7,706,685</u>	<u>\$ (4,047,554)</u>	<u>\$ (1,815,224)</u>	<u>\$ (4,385,581)</u>	<u>\$ 9,164,952</u>
14%	11%	11%	12%	20%	9%

CITY OF SHAKOPEE

Table 5

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

Fiscal Year	Residential Property	Commercial Industrial Property	Other Property	Less: Tax Increment Property	Less Net Fiscal Disparities	Net Taxable Tax Capacity	Total Direct Tax Rate	Estimated Taxable Market Value	Taxable Tax Capacity as a Percentage of Estimated Market Value
2007	26,817,616	14,013,644	675,479	378,593	1,963,379	39,164,767	0.31939	3,419,040,600	1.15%
2008	29,942,078	15,426,355	741,679	411,490	1,846,919	43,851,703	0.31925	3,800,795,500	1.15%
2009	29,805,971	16,088,685	1,319,935	156,799	1,862,715	45,195,077	0.32630	3,850,591,200	1.17%
2010	27,805,069	16,459,872	1,279,807	151,914	1,584,552	43,808,282	0.33710	3,710,814,056	1.18%
2011	24,652,932	18,351,835	1,304,688	161,430	1,630,522	42,517,503	0.34731	3,570,069,500	1.19%
2012	23,180,073	17,956,273	852,512	155,002	1,740,447	40,093,409	0.36655	3,347,179,800	1.20%
2013	22,824,263	17,577,547	576,049	107,928	1,707,617	39,162,314	0.41996	3,064,695,700	1.28%
2014	22,782,372	17,580,049	589,717	214,592	1,961,307	38,776,239	0.41437	3,206,518,700	1.21%
2015	26,419,959	18,769,230	625,872	408,172	1,918,874	43,488,015	0.37862	3,629,757,200	1.20%
2016	27,838,939	20,111,657	670,839	384,578	1,857,605	46,379,252	0.37902	3,844,106,800	1.21%

Source: Scott County Auditor

CITY OF SHAKOPEE

Table 6

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

Fiscal Year	City Direct Rate			Shakopee School District	Scott County	Other Jurisdictions	General Obligation Debt Service Market Value Rate
	Operating Rate	Debt Service Rate	Total Direct Rate				
2007	0.29822	0.02117	0.31939	0.27132	0.33140	0.04434	0.00728
2008	0.29874	0.02051	0.31925	0.26103	0.32646	0.04642	0.00537
2009	0.30401	0.02229	0.32630	0.27274	0.32684	0.04960	0.00651
2010	0.32152	0.01558	0.33710	0.29050	0.33240	0.04980	0.00651
2011	0.32996	0.01735	0.34731	0.31182	0.35541	0.05020	0.00342
2012	0.34005	0.02650	0.36655	0.35512	0.38802	0.05610	0.00345
2013	0.41996	-	0.41996	0.39715	0.40674	0.05701	0.00467
2014	0.39305	0.02131	0.41437	0.36963	0.39720	0.05569	0.00524
2015	0.35235	0.02626	0.37862	0.35578	0.36638	0.05169	0.00536
2016	0.34757	0.03145	0.37902	0.53478	0.36175	0.05129	0.00605

Sources: Scott County Auditor and League of Minnesota Cities Reports

CITY OF SHAKOPEE

Table 7

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	2016			2007		
		2015/16 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value	2006/07 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value
Excel Energy	Electrical Generation	\$ 631,975	1	1.45%	\$ 565,320	1	1.57%
J & J Minneapolis LLC	Manufacturing	449,000	2	1.03%			
Rahr Malting	Grain Processing	443,141	3	1.02%	411,700	3	1.14%
Liberty Properties LP	Distribution	432,750	4	1.00%			
Seagate	Manufacturing/Research	419,250	5	0.96%	399,250	4	1.11%
Rosemount Inc	Manufacturing	399,470	6	0.92%			
Lothenbach Properties	Warehouse/Manufacturing	399,250	7	0.92%			
Kin LLC	Warehouse/Manufacturing	399,250	7	0.92%			
St. Francis RMC	Health Care	374,500	9	0.86%			
Certainteed	Manufacturing	365,250	10	0.84%	344,552	7	0.95%
Shakopee Crossing LTD	Retail				424,789	2	1.18%
Walmart	Retail				373,630	5	1.04%
Shakopee Valley Market	Retail				349,682	6	0.97%
Valleyfair	Amusement Park				319,819	8	0.89%
First Industrial LP	Warehouse				305,462	9	0.85%
Ryan Companies	Property Management				292,170	10	0.81%
		<u>\$ 4,313,836</u>		<u>9.92%</u>	<u>\$ 3,786,374</u>		<u>10.51%</u>

Source: Scott County Auditor

CITY OF SHAKOPEE

Table 8

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Year Collected	Tax Levy	Collections of Current Years Taxes	Percentage of Levy Collected	Collections of Prior Years Taxes	Total Collections	Percentage of Total Collections To Tax Levy	Accumulated Delinquent Taxes	Ratio of Accumulated Delinquent Taxes to Current Years Taxes
2007	\$ 12,745,449	\$ 12,418,768	97%	\$ 91,200	\$ 12,509,968	98%	\$ 331,315	2.60%
2008	14,222,007	13,661,366	96%	208,470	13,869,836	98%	483,317	3.40%
2009	14,983,677	14,457,378	96%	157,920	14,615,298	98%	319,740	2.13%
2010	14,918,665	13,971,356	94%	55,020	14,026,376	94%	310,624	2.08%
2011	14,837,438	14,019,831	94%	278,981	14,298,812	96%	260,248	1.75%
2012	14,837,438	14,553,417	98%	188,750	14,742,167	99%	235,011	1.58%
2013	15,483,223	15,109,599	98%	279,485	15,389,084	99%	293,025	1.89%
2014	16,312,179	16,177,463	99%	-	16,177,463	99%	157,555	0.97%
2015	16,773,267	16,351,700	97%	-	16,351,700	97%	145,958	0.87%
2016	17,610,195	17,316,074	98%	41,140	17,357,214	99%	76,631	0.44%

Source: Scott County Auditor

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

CITY OF SHAKOPEE

Table 9

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

Fiscal Year	Governmental Activities		Business-type Activities Revenue Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
	G.O. Bonds	Special Assessment Bonds				
2007	\$ 7,560,000	\$ 17,165,000	\$ 33,895,000	\$ 58,620,000	4.5%	1,752
2008	7,165,000	16,450,000	33,225,000	56,840,000	4.1%	1,689
2009	6,755,000	14,200,000	22,235,000	43,190,000	4.1%	1,276
2010	6,340,000	12,370,000	21,470,000	40,180,000	3.4%	1,084
2011	5,905,000	10,240,000	-	16,145,000	1.3%	428
2012	10,325,000	8,735,000	-	19,060,000	1.6%	504
2013	9,865,000	7,125,000	-	16,990,000	1.4%	446
2014	9,390,000	4,440,000	-	13,830,000	1.1%	353
2015	5,100,000	3,115,000	-	8,215,000	0.7%	208
2016	33,935,000	2,095,000	-	36,030,000	2.7%	895

Sources: See Table 14 for income and population data.

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

CITY OF SHAKOPEE

Table 10

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

<u>Fiscal Year</u>	<u>G.O. Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>	<u>Percentage of Total Personal Income</u>
2007	\$ 7,560,000	0.22%	226	0.61%
2008	7,165,000	0.19%	213	0.52%
2009	6,755,000	0.18%	199	0.65%
2010	6,340,000	0.17%	171	0.54%
2011	5,905,000	0.17%	157	0.49%
2012	10,325,000	0.31%	273	0.86%
2013	9,865,000	0.32%	259	0.81%
2014	9,390,000	0.29%	240	0.75%
2015	5,100,000	0.14%	129	0.40%
2016	33,935,000	0.88%	843	2.58%

Sources:

1. Metropolitan Council estimated for population.
2007-2009 populations are the City's estimate.
2. Scott County Auditor

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CITY OF SHAKOPEE

Table 11

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT December 31, 2016

	G.O. Debt	Percentage Applicable To City of Shakopee (1)	Amount Applicable To City of Shakopee
Direct Debt:			
City of Shakopee	\$ 36,030,000	100.0%	\$ 36,030,000
Overlapping Debt:			
Independent School District No. 720	210,545,000	85.4%	179,856,678
Independent School District No. 191	207,630,000	2.3%	4,801,655
Scott County	74,730,000	27.3%	20,395,033
Metropolitan Council (2)	189,226,614	1.3%	2,386,869
Total Overlapping Debt:	682,131,614		207,440,235
Total Direct and Overlapping Debt	\$ 718,161,614		\$ 243,470,235

Source:

Scott County Taxation Department
Metropolitan Council

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

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

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

CITY OF SHAKOPEE

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Market Value (Taxable)	\$ 3,419,040,600	\$ 3,800,795,500	\$ 3,850,591,200	\$ 3,710,814,056
Debt Limit - Percent of Market Value (Note A)	<u>68,380,812</u>	<u>114,023,865</u>	<u>115,517,736</u>	<u>107,102,085</u>
Amount of Debt Applicable to Debt Limit:				
G.O. Bonds	7,560,000	7,165,000	6,755,000	6,340,000
Available in Debt Service Funds	<u>(834,155)</u>	<u>(847,608)</u>	<u>(837,100)</u>	<u>(786,306)</u>
Total Debt Applicable to Debt Limit	<u>6,725,845</u>	<u>6,317,392</u>	<u>5,917,900</u>	<u>5,553,694</u>
Legal Debt Margin	<u><u>\$ 61,654,967</u></u>	<u><u>\$ 107,706,473</u></u>	<u><u>\$ 109,599,836</u></u>	<u><u>\$ 101,548,391</u></u>

NOTE (A):

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

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

NOTE (B):

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

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

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

Table 12

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 3,570,069,500	\$ 3,347,179,800	\$ 3,064,695,700	\$ 3,206,518,700	\$ 3,629,757,200	\$ 3,844,106,800
<u>107,102,085</u>	<u>100,415,394</u>	<u>91,940,871</u>	<u>96,195,561</u>	<u>108,892,716</u>	<u>115,323,204</u>
5,905,000	10,325,000	9,865,000	9,390,000	5,100,000	33,935,000
<u>(826,957)</u>	<u>(4,974,768)</u>	<u>(4,836,597)</u>	<u>(4,833,096)</u>	<u>(1,511,502)</u>	<u>(2,443,111)</u>
<u>5,078,043</u>	<u>5,350,232</u>	<u>5,028,403</u>	<u>4,556,904</u>	<u>3,588,498</u>	<u>31,491,889</u>
<u>\$ 102,024,042</u>	<u>\$ 95,065,162</u>	<u>\$ 86,912,468</u>	<u>\$ 91,638,657</u>	<u>\$ 105,304,218</u>	<u>\$ 83,831,315</u>

CITY OF SHAKOPEE

Table 13

**PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years**

Fiscal Year	Utility Bonds					
	Utility Service Charges	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 44,692,049	\$ 36,644,414	\$ 8,047,635	\$ 640,000	\$ 1,574,925	3.63
2008	45,499,791	38,689,351	6,810,440	670,000	1,523,198	3.11
2009	42,437,910	33,009,500	9,428,410	710,000	1,012,874	5.47
2010	45,586,795	36,375,440	9,211,355	765,000	939,426	5.40
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-

1. Operating expense excludes depreciation and amortization.

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

CITY OF SHAKOPEE

Table 14

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>	<u>Total Employment</u>	<u>Per Capita Income (3)</u>	<u>Personal Income (4)</u>
2007	33,460	6,905	4.6%	19,020	\$ 39,042	\$ 1,306,345,320
2008	33,660	7,163	6.3%	18,967	31,900	1,375,044,660
2009	33,860	7,465	7.4%	18,728	30,900	1,046,274,000
2010	37,076	7,814	6.5%	19,933	31,700	1,175,309,200
2011	37,721	8,115	5.2%	20,449	32,017	1,207,713,257
2012	37,841	8,392	4.6%	20,926	31,628	1,196,835,148
2013	38,120	8,452	3.8%	21,233	31,829	1,213,321,480
2014	39,144	8,698	3.6%	21,439	32,174	1,259,419,056
2015	39,523	8,939	3.0%	21,877	31,965	1,263,352,695
2016	40,254	8,927	3.2%	21,571	32,704	1,316,466,816

Source: 1. 2010 is the official census figure. 2007-2009, 2011-2016 are the City's estimate.
2. Shakopee School District, SACS, Bloomington Lutheran
3. Minnesota Department of Employment and Economic Development
4. Per capita income times population

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CITY OF SHAKOPEE

Table 15

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	2016			2007		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
Amazon	Distribution	2,000	1	9.27%			
Valley Fair	Amusement Park	1,600	2	7.42%	1,600	1	8.78%
School District No. 720	Education	1,055	3	4.89%	785	5	4.31%
Canterbury Park	Horse Racing	877	4	4.07%	1,000	3	5.49%
St. Francis RMC	Health Care	875	5	4.06%	800	4	4.39%
Imagine Print Solutions	Printing	823	6	3.82%			
Entrust Datacard	Manufacturing	820	7	3.80%			
Seagate	Manufacturing/Research	775	8	3.59%	1,500	2	8.23%
Scott County	Government	638	9	2.96%	675	6	3.70%
Emerson	Manufacturing	504	10	2.34%			
Northstar Auto Auction	Auto Auction				313	7	1.72%
TORO	Manufacturing				280	8	1.54%
CertainTeed	Manufacturing				275	9	1.51%
American Color - SVP	Printing				273	10	1.50%
		<u>9,967</u>		<u>46.22%</u>	<u>7,501</u>		<u>41.17%</u>
Total Employment				21,571			19,020

Source: Minnesota Department of Employment and Economic Development and Shakopee Chamber of Commerce.

CITY OF SHAKOPEE

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

	2007	2008	2009	2010	2011
General Government:					
Administration	5	5	5	5	5
City Clerk	4	4	4	4	4
Finance	3	3	3	3	3
Planning	5	5	5	5	5
Facilities Maintenance	6	7	6	6	6
Information Technology	2	2	2	2	2
Public Safety:					
Police:					
Licensed	46	47	47	47	50
Other	7	6	6	6	6
Fire:					
Full time	1	2	3	3	3
Paid On Call	48	48	44	44	42
Building Inspection	7	6	5	5	5
Public Works:					
Engineering	7	7	7	7	7
Street	12	13	13	13	13
Shop	3	3	3	3	4
Park and Recreation:					
Park Maintenance	8	8	8	8	8
Natural Resources	-	-	-	-	-
Recreation	10	7	7	7	7
Economic Development:					
EDA	-	-	-	-	-
Total	174	173	168	168	170

Source: City departments

Table 16

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
6	7	8	6	8
3	3	3	3	3
4	4	4	4	4
5	5	5	5	5
4	4	4	3	3
2	2	2	4	5
49	47	47	48	48
7	10	10	11	11
3	7	7	7	7
44	44	43	43	43
5	5	5	4	5
7	7	8	8	8
13	13	14	14	14
3	3	4	4	4
8	8	9	9	9
-	1	2	2	1
7	7	7	9	12
-	1	1	1	1
<u>170</u>	<u>178</u>	<u>183</u>	<u>185</u>	<u>191</u>

CITY OF SHAKOPEE

OPERATING INDICATORS BY FUNCTION/PROGRAM Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government				
Planning				
Number of Case Files	67	68	35	33
Number of Plats Filed	3	2	2	1
Number of Acres Platted	38	50	34	6
Public Safety				
Police				
Arrests	2,199	1,881	1,913	1,962
Citations	6,073	4,058	6,127	5,528
Calls for Service	19,606	19,057	17,909	17,831
Fire				
Calls for Service	609	538	517	557
Building Inspection				
Building Permits Issued	1,194	1,019	1,102	1,083
Number of Inspections	8,174	5,946	9,726	8,048
Single Family Homes Permitted	138	94	314	160
Public Works				
Street				
Miles of Roadway	154	154	154	154
Park and Recreation				
Park Maintenance				
Acres Maintained	930	933	933	933
Recreation				
Program Participants	10,847	11,410	10,377	13,001
Community Center Members	597	613	823	2,534
Community Center Admissions	100,044	100,397	109,257	117,336

Source: City departments

Table 17

2011	2012	2013	2014	2015	2016
24	47	49	45	75	50
2	5	8	7	9	7
68	89	99	68	335	79
1,666	1,798	1,387	1,524	2,121	1,543
5,647	5,636	5,656	4,934	5,510	4,396
17,852	18,349	17,822	17,846	19,357	21,117
600	617	584	730	745	792
1,881	1,413	1,066	1,519	1,054	1,030
8,004	8,191	7,408	7,854	6,835	6,659
118	97	66	61	50	45
154	154	154	156	156	156
933	933	933	1,015	1,402	1,402
13,157	13,104	15,854	18,540	29,446	10,926
3,682	4,009	5,025	2,610	2,028	2,329
120,667	128,929	140,778	124,124	112,000	96,236

CITY OF SHAKOPEE

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police:					
Stations	1	1	1	1	1
Patrol Zones	4	4	4	4	4
Patrol Units	15	15	15	15	15
Fire Stations	2	2	2	2	2
Street:					
Miles of Roadway	154	154	154	154	154
Traffic Signals	25	26	27	27	27
Parks:					
Acres	1,015	1,019	1,024	1,024	1,024
Ball Fields	47	49	49	52	54
Playgrounds	22	24	24	24	26

Source: City Departments

Table 18

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1	1	1	1	1
4	4	4	4	4
15	15	15	15	15
2	2	2	2	2
154	154	156	156	156
29	29	30	30	30
1,048	1,048	1,055	1,055	1,055
56	56	56	56	56
26	26	26	26	26

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