

CITY OF SHAKOPEE, MINNESOTA

Scott County

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2012

DEPARTMENT OF FINANCE

JULIE LINNIHAN, Director of Finance

MEMBER OF GOVERNMENT FINANCE OFFICERS ASSOCIATION
OF THE UNITED STATES AND CANADA

129 HOLMES STREET SOUTH
SHAKOPEE, MN 55379

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CITY OF SHAKOPEE

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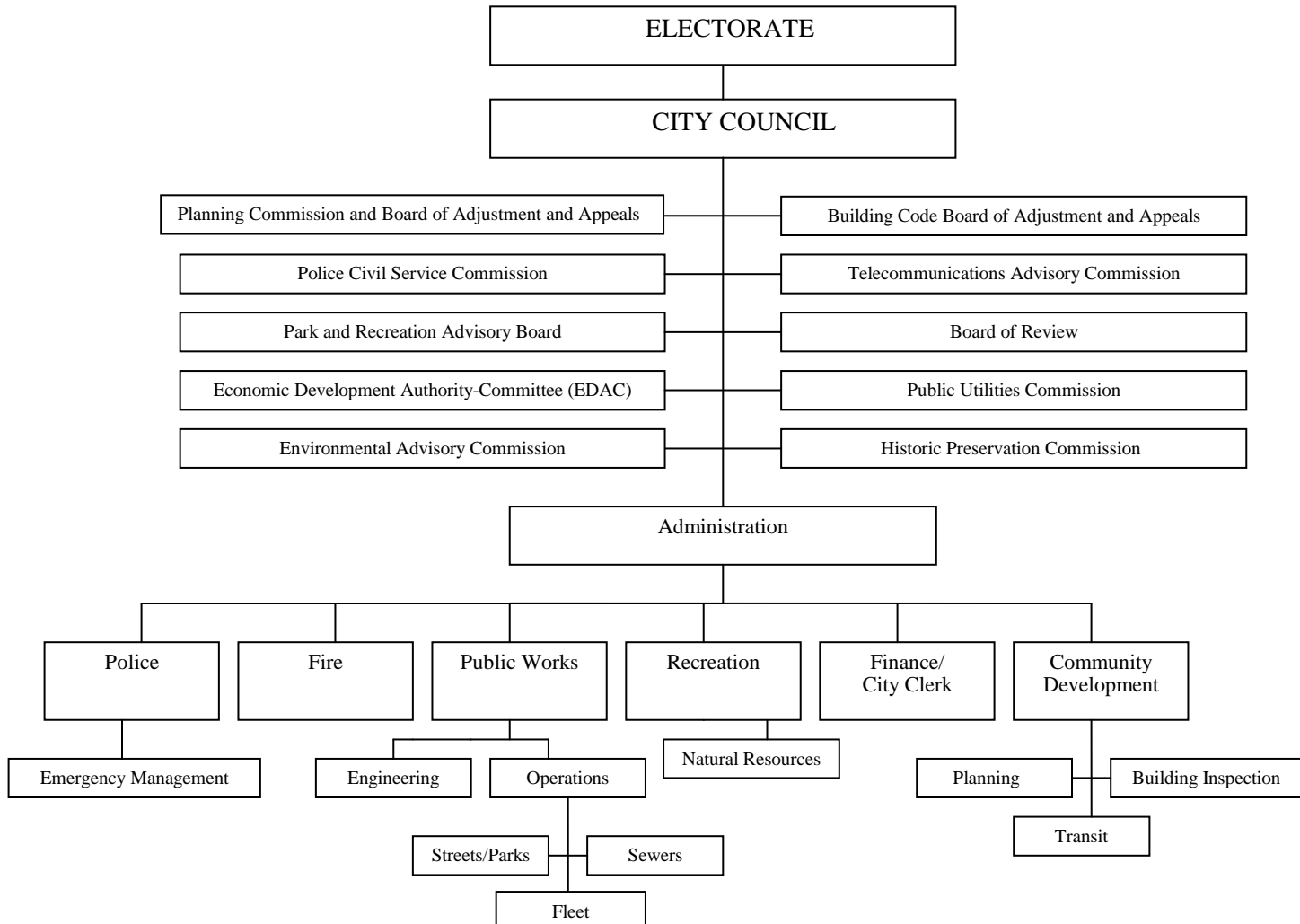
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CITY OF SHAKOPEE
ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2012

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Brad Tabke	Mayor	December 31, 2013
Matthew Lehman	Council Member	December 31, 2015
Jay Whiting	Council Member	December 31, 2015
Steven Clay	Council Member	December 31, 2013
Pamela Schurman	Council Member	December 31, 2013
<u>Administration</u>		
Mark H. McNeill	City Administrator	Appointed
Julie Linnihan	Finance Director	Appointed

CITY OF SHAKOPEE
ORGANIZATION CHART
DECEMBER 31, 2012





April 17th, 2013

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

Minnesota Statutes require that within six months of the close of each fiscal year every city publish a complete set of audited financial statements. This report is published to fulfill that specific requirement for the fiscal year ended December 31, 2012.

The City's management staff has exercised its best efforts to insure that the information presented in the report is complete and reliable and is based upon a comprehensive framework of internal control that has been 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 Kern, DeWenter, Viere, 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, 2012, 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 unqualified ("clean") opinion on the City's financial statements for the year ended December 31, 2012. 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. Bounded 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 37,660 in 2012. 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. Approximately 45% of the community is developed, with approximately 28% of the developed land as residential. However, about 23.3% of the undeveloped land is owned or controlled by the Shakopee Mdewakanton Sioux Community (SMSC), a federally recognized Native American Tribe. The City levies a property tax on both real and personal property located within its boundaries. 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.

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, recycling, and certain transit services. Electric and water utilities are operated by Shakopee Public Utilities Commission which is appointed by the City Council but which 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 City Council members and is included as an integral part of the City's report. The economic development activities of the both staff and Council have increased significantly over the past year, with contacts and inquiries relating to growth and expansion of both commercial and industrial ventures. 2013 continues to offer similar promise for business development in several areas of the City, as well as the current upturn in residential housing construction and plat development.

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 department (e.g., Engineering). Budget requests 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. Presentations are provided to the City Council during work sessions and allow for open community discussion. The City Council is presented with a proposed budget and tax levy in August of each year. City Council is required to adopt a maximum tax levy by September 15. 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 development of the upcoming year property tax statements. Budgeting control is provided by an annual budget resolution passed by City Council (or EDA as appropriate). 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 are reviewed with the Council and City staff, and the funding sources and priorities developed for the annual and future budget practices. A ten-year major equipment list is also annually prepared and presented to Council, the funding for this program through Internal Service fund rate charges, determined by departmental use, replacement plans and determination of life and salvage value. Internal Service funds are utilized for the definition and application of other charges, including governmental buildings, park assets, 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

The City is benefitted by its' convenient location within the Twin Cities metropolitan region, direct access to Highway 169 and proximity to other major metro roadways which provide access to major businesses and a unique and broad variety of attractions. Bordering on Hennepin County, Shakopee is the County seat

of Scott County. The community has benefited from a decade of strong and consistent growth, and for 2012 and future years, continues to benefit from the growth of commercial, industrial and residential ventures.

In 2012, permits were issued and construction initiated on a Holiday Inn Express, which will provide lodging for the growing and expanding recreational activities of the area, including Canterbury Park horse racing, Valleyfair Amusement and Water Park, and historical sites, such as The Landing, providing a family friendly learning environment for the state and region.

During 2012 the Economic Development Authority (EDA), received requests for assistance for several new business ventures. The EDA and City Council (the members of the City Council also serve as the EDA) reviewed and approved tax increment and tax abatement requests for several new businesses in the community. These include the construction of a new facility for SanMar, a 580,000 square foot warehouse and distribution facility. This business is anticipated to provide approximately 150 new jobs for the area as well as adding new value to the property tax base. Trystar, Inc., a privately held company, will initiate construction of a new manufacturing facility in the Dean Lakes PUD/Business Park in Shakopee. This project, which will serve as the administrative headquarters, manufacturing and distribution site of the organization, will provide an estimated 120 new jobs, in the cable technology field. In the summer of 2012, Trident Housing approached the City with a request for Tax Increment Financing for the All Saints Senior Housing project. This project, which will begin construction late spring of 2013, will provide a range of senior living options for the area, including independent living, assisted living, and memory care living options. The facility will provide 83 units, a common area and wellness center. The site is approximately 10 acres, and will be locate near residential neighborhoods.

The City has recently approved the Preliminary Plat of a 66 single family residential subdivision, Dakota Crossings. This 40 acre site will provide needed construction sites for the anticipated needs of a growing community, and also provides for additional roadway connections and access, which are vital in the planning for a growing and mobile community.

The City has also continued to maintain and expand their commitment to the infrastructure needs of the community. The 2012 budget initiated the discussion of an annual funding option for the Capital Improvement Program (CIP), as a portion of the property tax levy. The 2013 adopted budget provides for the first committed funding source for the streets, infrastructure, trails, and requested projects, per the 5 year plan. This action has laid the groundwork for the future funding needs, and allows for a consistent and reliable revenue source for the aging infrastructure, as well as the newly planned projects, which are often unplanned and unbudgeted, due to growth and development requests.

Local commercial industrial areas, similar to many areas of the Midwest, are experiencing strong and consistent interest from the marketplace. The City continues to receive requests for development information, because of a strong economic environment, as well as the availability of a skilled work force and available land and utility and infrastructure availability. The City has traditionally had a strong industrial base with commercial/industrial property currently comprising approximately 23% of market value and 40% of tax capacity. The City is also fortunate to have a broad base of employers and taxpayer base, which reduces the economic risk of reliance on one or two significant employers. Companies in the City manufacture chemicals, food products, roofing products, glass, cardboard and electronics. Health care and related industries continue to progress on positive trends as well benefitting from the continuing expansion of a trained and skilled work force. As in many other areas of the Midwest, the community is also fortunate to experience the expansion of technology based employers, which provides skilled and well-paying jobs. At the State level, the current legislative session and governing activities are moving toward the end of session, with the prospect of a budget agreement and a less than contentious atmosphere than in prior sessions. This provides both the state and local economies with an assurance that last minute and game changing legislation will not negatively impact the planning for the current and upcoming budget and financial planning programs.

Long-Term Financial Planning

Historically, the City has issued bonds and utilized internal funding for the planned infrastructure replacement, expansion and additions, specific to streets, underground utilities and trail and sidewalk expansion. A portion of the debt is funded by special assessments against benefited properties. In prior years, the City has revised the Assessment Policy, and no longer levies special assessments for street overlays. While this has not impacted the funding mechanisms for the majority of street projects, it does require the identification of an alternative funding source, which has been identified as an additional property tax levy, over the operational levy needed for the City. Recent discussions with the City Council have involved the use of inter-fund transfers, 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.

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 program clearly identifies the equipment needs for current projects as well as future use, based on known and anticipated programs and mandates, such as environmental program adjustments and possible community expansion and growth. The 10 year listing is presented to the City Council and public, as a part of budget planning and tax levy consideration.

Relevant Financial Policies

The City's target General Fund balance is to maintain an unassigned level between 40% (minimum) and approximately 45% of current year 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 inter-fund transfers or budgeting for expenditures and other uses to be less than revenues or other sources over a period not to exceed three years.

The City historically receives no local government aid (LGA) or market value homestead credit (MVHC) from the State of Minnesota. Annual legislative actions may impact the financial position of cities that are currently reliant on these and other revenue sources, leaving them vulnerable to the economies of the State as a whole. As previously mentioned, the current legislative session, and legislative body as a whole, do not indicate that the pending legislative actions will 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, as there does not appear to be any specific changes to legislation impacting property tax rate structure, aid to cities or additional unfunded mandates.

The accounting, auditing and financial reporting policies are designed to maintain a system of financial monitoring, control and reporting for all operations and funds in order 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) provide 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 forecast 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, 2011. This was the twenty eighth 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 and the entire city staff. We would like to express our appreciation to all staff members who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and Councilors for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Shakopee's finances.

Respectfully submitted,


Mark McNeill
Administrator


Julie A. Linnihan
Finance Director

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moine

President

Jeffrey P. Enos

Executive Director



Expert advice. When you need it.SM

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 63

As discussed in Note 21 to the financial statements, the City has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress for Retired Health Plan on pages 13 – 24 and page 76 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Shakopee's basic financial statements. The accompanying supplementary information as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as listed in the Table of Contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Information (Continued)

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 April 17, 2013 on our consideration of the City of Shakopee's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Shakopee's internal control over financial reporting and compliance.

Kern, DeWenter, Viere, Ltd.
KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
April 17, 2013

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CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012

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, 2012. 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 7 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by \$ 257.4 million (net position). Of this amount, \$ 68.2 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$ 1,731,421.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$ 31.7 million, increasing from the prior year. Approximately 28.7% of this total amount, \$ 9.1 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 \$ 9.5 million, or 50.9 %, of total General Fund expenditures.
- The City's total bonded debt increased \$ 2,915,000. Refunding bonds were issued in the amount of \$ 4,865,000 which will refund two bonds in upcoming years.

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 liabilities, with the difference between the two 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, 2012

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

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 26 and 27 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 30 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 2004A Improvement Bond Debt Service Fund, and the Capital Improvement Capital Project Fund. Those are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and two of its Special Revenue Funds. A budgetary comparison statement has been prepared for those funds to demonstrate compliance with the budget.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

The basic governmental funds financial statements can be found on pages 28 to 31 of this report.

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 and storm drainage 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 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 and storm drainage 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 34 to 37 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 38 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 41 to 73 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, 2012

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 80 to 98 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 \$ 257.4 million at the close of the most recent year.

By far the largest portion of the City's net position (69.7 %) 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 Thousand)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 54,141	\$ 48,799	\$ 34,525	\$ 33,433	\$ 88,666	\$ 82,232
Capital Assets	129,387	131,127	64,125	65,080	193,512	196,207
Total Assets	\$ 183,528	\$ 179,926	\$ 98,650	\$ 98,513	\$ 282,178	\$ 278,439
Long-Term Liabilities						
Outstanding	\$ 18,793	\$ 15,830	\$ 1,089	\$ 74	\$ 19,882	\$ 15,904
Other Liabilities	4,807	5,428	82	1,431	4,889	6,859
Total Liabilities	\$ 23,600	\$ 21,258	\$ 1,171	\$ 1,505	\$ 24,771	\$ 22,763
NET POSITION:						
Invested in Capital Assets,						
Net of Related Debt	\$ 115,192	\$ 114,982	\$ 64,125	\$ 65,080	\$ 179,317	\$ 180,062
Restricted	9,912	10,915	-	-	9,912	10,915
Unrestricted	34,824	32,771	33,354	31,928	68,178	64,699
Total Net Position	\$ 159,928	\$ 158,668	\$ 97,479	\$ 97,008	\$ 257,407	\$ 255,676

An additional portion of the City's net position (4 %) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$ 68.2 million) may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

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.

During the current year, the City's net position increased by \$ 1.7 million. This is a result of conservative spending in 2012 as well as higher than anticipated property taxes and fiscal disparities. Additionally charges for services increased due to increasing demands for public safety services and intergovernmental revenue increased as a result of more state construction aid. The enterprise fund activities experienced an increase in net position during 2012 with revenues increasing at a greater rate than expenses, due to higher than anticipated usage, and lower than anticipated maintenance and operational costs.

Changes in Net Position
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES:						
Program Revenues:						
Charges for Services	\$ 7,574	\$ 3,781	\$ 5,170	\$ 4,026	\$ 12,744	\$ 7,807
Operating Grants and Contributions	2,107	3,606	-	-	2,107	3,606
Capital Grants and Contributions	1,479	3,153	349	93	1,828	3,246
General Revenues:						
Property Taxes	15,003	14,488	-	-	15,003	14,488
Other Taxes	114	161	-	-	114	161
Other	558	1,032	424	758	982	1,790
Total Revenues	<u>26,835</u>	<u>26,221</u>	<u>5,943</u>	<u>4,877</u>	<u>32,778</u>	<u>31,098</u>
EXPENSES:						
General Government	4,603	4,253	-	-	4,603	4,253
Public Safety	9,431	9,237	-	-	9,431	9,237
Public Works	7,083	7,094	-	-	7,083	7,094
Economic Development	152	244	-	-	152	244
Culture and Recreation	3,818	3,866	-	-	3,818	3,866
Interest on Long-Term Debt	587	619	-	-	587	619
Sewer	-	-	3,926	3,807	3,926	3,807
Storm	-	-	1,446	1,382	1,446	1,382
Total Expenses	<u>25,674</u>	<u>25,313</u>	<u>5,372</u>	<u>5,189</u>	<u>31,046</u>	<u>30,502</u>
Increase (Decrease in Net Position before Transfers	1,161	908	571	(312)	1,732	596
Transfers	<u>100</u>	<u>100</u>	<u>(100)</u>	<u>(100)</u>	<u>-</u>	<u>-</u>
Change in Net Position	1,261	1,008	471	(412)	1,732	596
NET POSITION:						
January 1	158,667	157,659	97,008	97,420	255,675	255,079
December 31	<u>\$ 159,928</u>	<u>\$ 158,667</u>	<u>\$ 97,479</u>	<u>\$ 97,008</u>	<u>\$ 257,407</u>	<u>\$ 255,675</u>

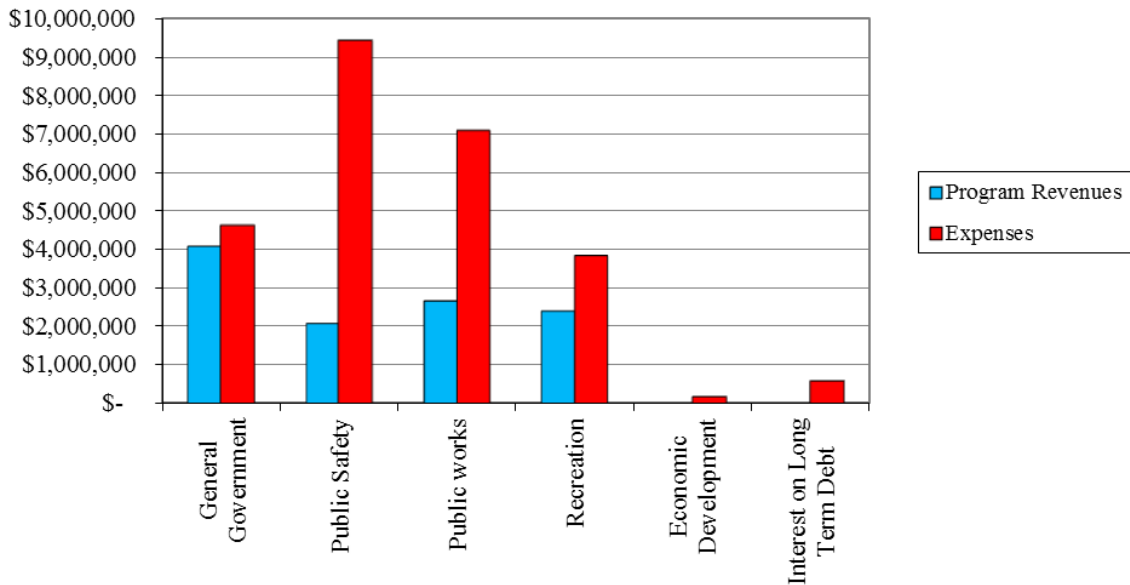
CITY OF SHAKOPEE

**MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2012**

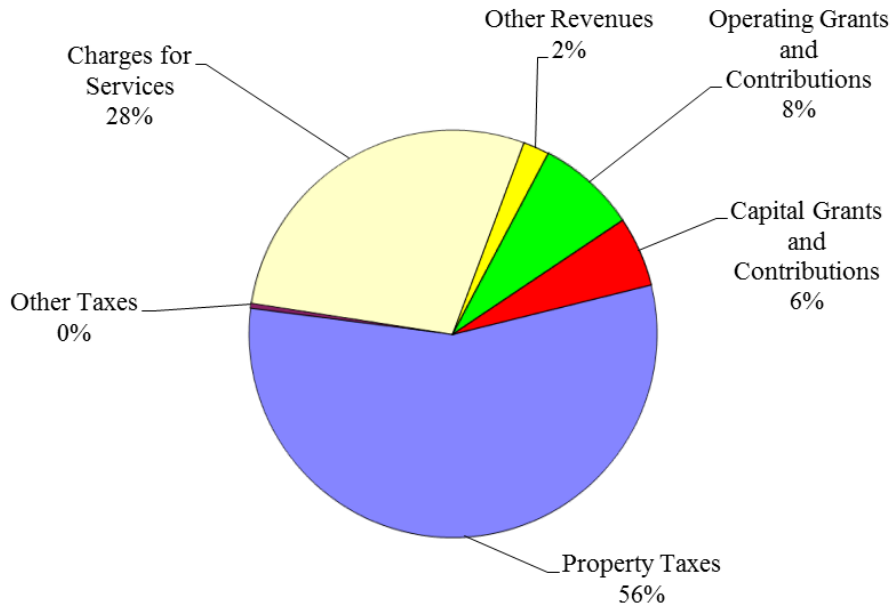
Governmental Activities

Governmental activities increased the City’s net position by \$ 1,260,310. The major increase was a result of municipal state aid revenue received on prior and current year construction projects.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



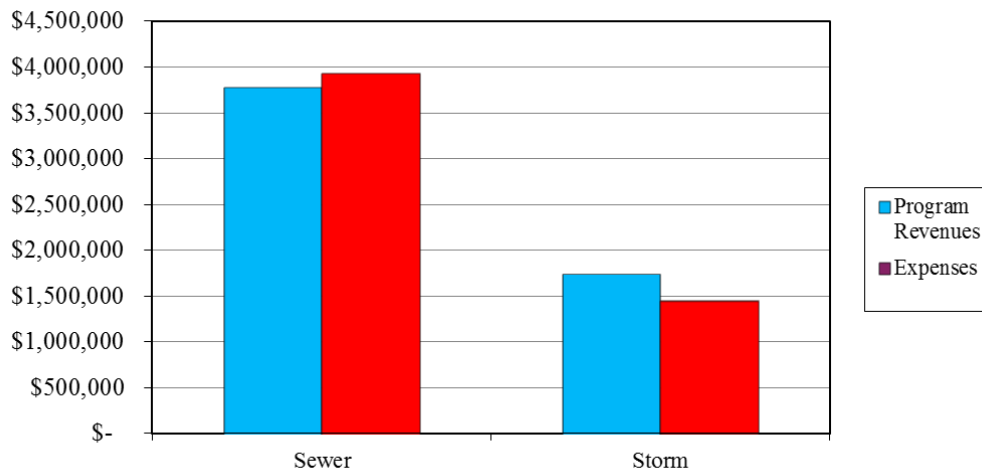
CITY OF SHAKOPEE
MANAGEMENT’S DISCUSSION AND ANALYSIS
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Business-Type Activities

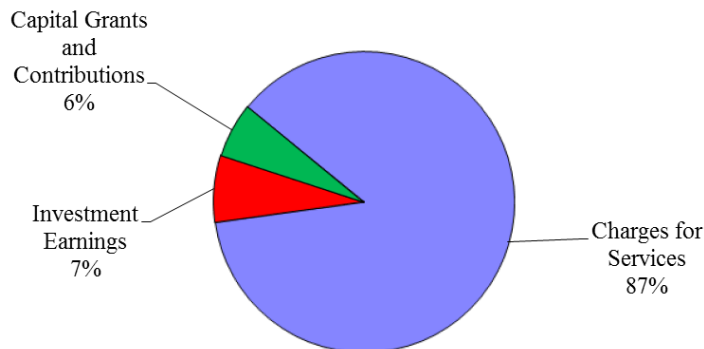
Business-type activities increased the City’s net position by \$ 471,111. During 2011, it was determined SPUC no longer met the criteria of a blended component unit and it was determined SPUC’s funds would be presented as discretely presented component units prospectively. Key elements of this increase are as follows:

- Charges for services increased \$ 1.1 million as the utility funds have experienced increased revenue collections due to increased usage as well as more connection charges due to a rise in new development.
- Expenses increased in 2012 due to higher Met Council fees, which are anticipated to continue annually. This was offset by lower than anticipated maintenance and operational costs.
- The sewer and storm water activities will continue to experience a higher degree of expense, as the deferral of maintenance 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



CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$ 31,749,751, an increase of \$ 7,706,685 in comparison with the prior year. Approximately 28.7%, (\$ 9,118,687), of the total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. Approximately 28.8%, (\$ 9,143,130), of the total amount constitutes assigned fund balance, which is assigned for designated purposes. The remainder of fund balance, (\$ 13,487,934), 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 \$ 9,522,841. As a measure of the General Fund's liquidity, it may be useful to compare fund balance (unassigned) to total fund expenditures. Fund balance represents 50.8% of total General Fund expenditures.

Fund balance of the City's General Fund increased by \$ 218,647 during the current year. Key factors in this increase consist of the following:

- Before transfer fund balance of the General Fund resulted in a \$ 3,076,247 increase. After the net transfer of \$ 2,857,600, fund balance increased \$ 218,647. Transfers provided the necessary funding for several significant capital infrastructure programs and projects, as well as funding for the growing Information Technology needs of the City.
- Reimbursements for services increased in 2012, specific to services provided by Public Safety division, for requested, specific services and events.
- Debt Service funds did not have specific levies for the 2012 budget year, and the transfers at year end provided a needed funding source for these funds, allowing for the cash coverage for future year bond payments
- Revenues exceeded the budget by \$ 2.50 million, or 13%. Tax collections which reflect the recent changes to the property tax classification and structure, specifically Market Value Homestead Credit, have resulted in higher than previous year revenue collections. The 2012 revenue year reflects this positive adjustment, resulting in higher than anticipated and higher than previous year revenue. This is a revenue source that can change annually, depending on the adjustments to property tax classifications and structure, as addressed by the State Legislature. Fiscal disparities, intergovernmental receipts, as well as charges for services from the component unit provided a larger than anticipated revenue base.
- Under-spending the budget by \$ 1.4 million, or 7.1%. City staff continued a trend of conservative spending. Additionally staff vacancies that were unfilled and then filled at a lower wage also impacted the under-budget expenditures. Anticipated budgets for utility fuel and

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

commodity costs were higher than experienced, allowing for many divisions to experience expenditures under budget in 2012.

- The mild weather in 2012 impacted the expenditures specific to Public Works, as both personnel costs and operational costs for ice control, snow plowing and street maintenance were significantly lower than anticipated.

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:

	Sewer	Storm
Beginning of Year	\$ 16,361	\$ 15,509
Change During Year	426	947
End of Year	<u>\$ 16,787</u>	<u>\$ 16,456</u>

The City has undertaken several new development projects, beginning in 2012 and continuing into 2013, which will expand both the collections of revenues for connection fees and charges for services. The capital assets of the projects will increase the capital assets of these funds, as well as 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original legally adopted budget for expenditures was \$ 20,120,671 and transfers out were budgeted at \$ 0 with no budget adjustments. Actual expenditures of \$ 18,694,101 were \$ 1,426,570 under budget. The variance was a result several unique events, including higher than anticipated position turnover and the accompanying lag in replacement hiring time and lower than anticipated commodity costs. Additionally weather related benefits such as a mild winter, and early spring resulted in Public Works projects coming in under budget, and requiring many adjustments to planned workflow. The City was diligent in obtaining many of the services and supplies originally budgeted for the year at a lower than anticipated cost, such as training and training related costs, building maintenance costs and limited use of the contingency funds which provide for unplanned events or occurrences.

The original and final adopted budgets for revenues were \$ 19,268,810 and transfers in were \$ 1,072,400. Actual revenues of \$ 21,770,348 were \$ 2,501,538 over budget. This was a result of an increase in collection of property taxes and fiscal disparities, as well as higher than anticipated lodging tax. The lodging tax revenues are offset by related expenditures at a rate of 95%. Additionally the city saw an increase in dividends from the League of Minnesota Cities Insurance Trust for both workers compensation and property and liability coverage, as well as increased funding from the State for State Aid Maintenance and other state aid funding sources.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

The revenues received from the Electric and Water utility, component units, is recorded as a Charge for Service, and the warm, dry weather increased revenues well beyond the anticipated budget.

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, 2012, amounts to \$ 179,316,358 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvement, machinery and equipment, park facilities, roads, highways and bridges. The City's capital assets for the current year were similar to the previous year, with an increase in construction in progress, and a decrease in related debt.

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

- Main Street utility improvements, which provided for the utility replacement and resurfacing of the Main Street area, north of Highway 101
- County State Aid Highway 21 and accompanying transportation improvements, specific to the Southbridge Park and Ride. This road projects provided for the paving, curb, gutter, aggregate base and other improvements for the Southbridge area of the community, a high growth and transportation area
- County Road 69 Utility project, which provides for an intersection safety improvement area near the Hwy. 169 exit ramp, connected to County Highway 17. This project will continue into future years and involves multiple governmental entities
- Park expansion for several areas of the community, including the Green Meadows park construction which is located in the Greenfield development, a residential neighborhood. This project included a park shelter, and warming house, as well as other significant park amenities
- The 17th Ave. Sports Complex field lighting was completed in 2012, allowing for lighting at the soccer complex for evening play, a requested park amenity
- Riverside Park construction will be delayed from the planned program of 2012, as staff continues to determine cost to estimated budget and available funding. This project, near the residential Riverside Bluffs subdivision is a multi-year planning and construction project
- Trail projects were undertaken for the County Road 18 area, connecting segments of existing trails, as well as 101 trail extension, on the South portion of the 101 road way
- Several bituminous overlay projects were also undertaken in the community, to maintain the infrastructure of the system

In the near future, the impact of planned business, commercial and residential expansions will impact the type and funding of capital projects, as the economy in the area is experiencing upward and steady growth and will impact planning and construction of roads, trails, parks and traffic flows and management.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

Capital Assets
(Net of Depreciation)
Expressed in Thousands

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 20,023	\$ 19,488	\$ 3,944	\$ 3,944	\$ 23,967	\$ 23,432
ROW	-	-	75	75	75	75
Construction in Progress	3,841	5,300	1,289	1,745	5,130	7,045
Line Rights	-	-	891	916	891	916
Infrastructure	73,708	74,817	56,597	56,886	130,305	131,703
Buildings	24,634	24,230	-	-	24,634	24,230
Machinery and Equipment	7,181	7,292	1,329	1,514	8,510	8,806
Total	\$ 129,387	\$ 131,127	\$ 64,125	\$ 65,080	\$ 193,512	\$ 196,207

Additional information on the City's capital assets can be found in Note 6 on pages 58 to 60 of this report.

In 2012, 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 \$ 19,060,000. Of this amount, \$ 5,460,000 comprises debt backed by the full faith and credit of the government and \$ 13,600,000 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	
	2012	2011
G.O. Bonds	\$ 5,460	\$ 5,905
Special Assessment Debt with Governmental Commitment	13,600	10,240
Revenue Bonds	-	-
Total	\$ 19,060	\$ 16,145

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

The City's total bonded debt increased by \$ 2,195,000 during the current year.

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 \$ 99 million, which is significantly in excess of the City's outstanding G.O. debt.

Additional information on the City's long-term debt can be found in Note 7 on pages 60-63 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the state was 5.0% at year-end. This is a decrease from prior years rates.

The City is continuing to benefit from the strong workforce and excellent transportation system of the region. There are currently several business entities approaching the EDA and City Council for Tax Increment Financing and tax abatement proposals. 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.

During the current year, the unassigned fund balance in the General Fund was \$ 9,503,652. This can be similarly compared to the unassigned fund balance of 2011 of \$ 9,172,000. The City has maintained a strong financial position, even with the decrease in certain revenue categories, such as permit revenue, as the strong cash flows from other areas has been consistent.

The tax levy for 2012/2013 is increased to 15,333,223, in comparison to the prior year amount of \$ 14,837,000. This levy increase was approved to provide funding for several position that are to be filled in the City operations, such as a Human Resources specialist, Natural Resources Coordinator, Crime Prevention Specialist, as well as additional funding needed for the Capital Improvement fund, and planned infrastructure activity of 2013. The upcoming year will be a major street reconstruction project year, and 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 and improvements to the existing infrastructure.

Utility rates for the Electric and Water Enterprise Funds slightly increased in 2012. City staff will begin review of the rates and charges related to the Sewer and Storm water funds, in 2013. The City will be reviewing and revising many areas of the Council approved rate chart and rate schedule in upcoming months. It has been several years since these specific areas of revenue and cash flow have been analyzed in detail, and the coordination of the staff and council are critical in maintaining an accurate fee plan for the many components of the City operations. The infrastructure planning and development as well as coordination with capital programs of the City, County and SPUC, as well as coordination with private developers and business and commercial entities will determine and drive many of the planned and unplanned projects and expenditures in 2013.

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, 2012**

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Cash and Investments (Including Cash Equivalents)	\$ 42,946,914	\$ 32,563,019	\$ 75,509,933	\$ 29,226,437
Restricted Cash and Investments	4,881,561	-	4,881,561	8,979,575
Property Tax Receivable	235,011	-	235,011	-
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	438,149	-	438,149	3,532,567
Interest Receivable	186,956	141,138	328,094	41,630
Due From Other Governments	1,181,070	1,173,841	2,354,911	63,572
Special Assessments Receivable	4,062,579	154,884	4,217,463	-
Inventories	-	-	-	977,414
Prepaid Expenses	19,189	-	19,189	84,495
Notes Receivable	190,000	-	190,000	-
Unamortized Debt Issue Costs	-	-	-	438,145
Electric Plant Acquisition (Net of Accumulated Amortization)	-	-	-	262,104
Long-Term SAC Credits	-	492,322	492,322	-
Capital Assets, Net of Accumulated Depreciation (Where Applicable):				
Land and Land Improvements	20,023,040	3,944,380	23,967,420	-
Right of Way	-	75,000	75,000	-
Construction in Progress	3,841,256	1,288,695	5,129,951	137,942
Line Rights	-	891,009	891,009	-
Infrastructure	73,707,331	56,596,735	130,304,066	-
Plant in Service	-	-	-	72,279,728
Buildings	24,633,986	-	24,633,986	-
Machinery and Equipment	7,181,155	1,328,771	8,509,926	-
	<u>\$ 183,528,197</u>	<u>\$ 98,649,794</u>	<u>\$ 282,177,991</u>	<u>\$ 116,023,609</u>
LIABILITIES AND NET POSITION				
Liabilities				
Accounts and Contracts Payable	\$ 671,225	\$ 24,608	\$ 695,833	\$ 3,539,060
Other Current Liabilities	-	19,422	19,422	211,613
Due to Other Governments	540,980	521,198	1,062,178	899,586
Salaries and Benefits Payable	463,998	-	463,998	-
Deposits Payable	-	-	-	1,156,784
Interest Payable	277,046	-	277,046	326,369
Unearned Revenue	-	492,322	492,322	-
Customer Advances	-	-	-	134,072
Bond Principal Payable, Net:				
Payable Within One Year	2,070,000	-	2,070,000	9,090,000
Payable After One Year	16,990,000	-	16,990,000	8,251,414
Compensated Absences Payable:				
Payable Within One Year	784,164	31,277	815,441	-
Payable After One Year	958,423	38,226	996,649	-
Net Other Post Employment Benefits (OPEB) Obligation	844,330	43,630	887,960	-
Total Liabilities	<u>23,600,166</u>	<u>1,170,683</u>	<u>24,770,849</u>	<u>23,608,898</u>
Net Position				
Net Investment in Capital Assets	115,191,768	64,124,590	179,316,358	55,776,505
Restricted for:				
Economic Development	562,959	-	562,959	-
Cable PEG Fees	66,989	-	66,989	-
Transit	1,045,340	-	1,045,340	-
Forfeiture	195,823	-	195,823	-
Debt Service	8,041,440	-	8,041,440	-
Component Units	-	-	-	7,388,373
Unrestricted	34,823,712	33,354,521	68,178,233	29,249,833
Total Net Position	<u>159,928,031</u>	<u>97,479,111</u>	<u>257,407,142</u>	<u>92,414,711</u>
Total Liabilities and Net Position	<u>\$ 183,528,197</u>	<u>\$ 98,649,794</u>	<u>\$ 282,177,991</u>	<u>\$ 116,023,609</u>

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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Governmental Activities								
General Government	\$ 4,603,027	\$ 3,356,772	\$ 705,900	\$ -	\$ (540,355)	\$ -	\$ (540,355)	\$ -
Public Safety	9,430,785	1,524,158	533,282	-	(7,373,345)	-	(7,373,345)	-
Public Works	7,083,299	454,145	713,354	1,475,676	(4,440,124)	-	(4,440,124)	-
Economic Development	152,541	16,500	15,000	3,667	(117,374)	-	(117,374)	-
Culture and Recreation	3,817,677	2,222,430	139,023	-	(1,456,224)	-	(1,456,224)	-
Interest on Long-Term Debt	587,384	-	-	-	(587,384)	-	(587,384)	-
Total Governmental Activities	<u>25,674,713</u>	<u>7,574,005</u>	<u>2,106,559</u>	<u>1,479,343</u>	<u>(14,514,806)</u>	<u>-</u>	<u>(14,514,806)</u>	<u>-</u>
Business-Type Activities								
Sewer	3,926,541	3,728,189	-	46,462	-	(151,890)	(151,890)	-
Storm Drainage	1,445,633	1,442,394	-	302,294	-	299,055	299,055	-
Total Business-Type Activities	<u>5,372,174</u>	<u>5,170,583</u>	<u>-</u>	<u>348,756</u>	<u>-</u>	<u>147,165</u>	<u>147,165</u>	<u>-</u>
Total Primary Government	<u>\$ 31,046,887</u>	<u>\$ 12,744,588</u>	<u>\$ 2,106,559</u>	<u>\$ 1,828,099</u>	<u>(14,514,806)</u>	<u>147,165</u>	<u>(14,367,641)</u>	<u>-</u>
Component Unit - SPUC								
Electric	\$ 36,078,321	\$ 40,050,172	\$ -	\$ 122,617	-	-	-	4,094,468
Water	4,624,441	5,395,965	-	1,858,647	-	-	-	2,630,171
Total Component Unit	<u>\$ 40,702,762</u>	<u>\$ 45,446,137</u>	<u>\$ -</u>	<u>\$ 1,981,264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,724,639</u>
General Revenues								
Property Taxes					15,002,764	-	15,002,764	-
Tax Increments					113,902	-	113,902	-
Unrestricted Investment Earnings					546,681	423,946	970,627	118,274
Gain on Sale of Asset					11,769	-	11,769	-
Transfers					100,000	(100,000)	-	-
Total General Revenues and Transfers					<u>15,775,116</u>	<u>323,946</u>	<u>16,099,062</u>	<u>118,274</u>
Change in Net Position					<u>1,260,310</u>	<u>471,111</u>	<u>1,731,421</u>	<u>6,842,913</u>
Net Position - Beginning					<u>158,667,721</u>	<u>97,008,000</u>	<u>255,675,721</u>	<u>85,571,798</u>
Net Position - Ending					<u>\$ 159,928,031</u>	<u>\$ 97,479,111</u>	<u>\$ 257,407,142</u>	<u>\$ 92,414,711</u>

CITY OF SHAKOPEE

**BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012**

		<u>Debt Service</u>	<u>Capital Project</u>		
		2004A		Other	Total
	<u>General Fund</u>	<u>Improvement</u>	<u>Capital</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Bonds</u>	<u>Improvements</u>	<u>Funds</u>	<u>Funds</u>
ASSETS					
Cash and Investments	\$ 9,496,035	\$ 320,951	\$ 8,006,696	\$ 8,771,164	\$ 26,594,846
Cash with a Fiscal Agent	-	1,135,000	-	3,746,561	4,881,561
Delinquent Taxes Receivable	232,968	-	-	2,043	235,011
Special Assessments Receivable:					
Delinquent	5,477	-	131	19,085	24,693
Deferred	33,849	1,882,716	415,842	1,705,479	4,037,886
Accounts Receivable	262,978	-	-	175,171	438,149
Interest Receivable	53,683	1,394	27,748	31,133	113,958
Due from Other Funds	-	-	383,296	-	383,296
Due From Other Governments	537,305	-	638,842	4,923	1,181,070
Prepaid Items	19,189	-	-	-	19,189
	<u>\$ 10,641,484</u>	<u>\$ 3,340,061</u>	<u>\$ 9,472,555</u>	<u>\$ 14,455,559</u>	<u>\$ 37,909,659</u>
Total Assets					
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 305,385	\$ 200	\$ 11,487	\$ 136,268	\$ 453,340
Contracts Payable	-	-	5,019	19,696	24,715
Due to Other Funds	-	-	-	383,296	383,296
Due to Other Governments	76,966	-	358,601	101,402	536,969
Salaries and Benefits Payable	463,998	-	-	-	463,998
Deferred Revenue	272,294	1,882,716	415,973	1,726,607	4,297,590
Total Liabilities	<u>1,118,643</u>	<u>1,882,916</u>	<u>791,080</u>	<u>2,367,269</u>	<u>6,159,908</u>
Fund Balances					
Nonspendable	19,189	-	-	-	19,189
Restricted	-	1,457,145	-	12,011,600	13,468,745
Assigned	-	-	8,681,475	461,655	9,143,130
Unassigned	9,503,652	-	-	(384,965)	9,118,687
Total Fund Balances	<u>9,522,841</u>	<u>1,457,145</u>	<u>8,681,475</u>	<u>12,088,290</u>	<u>31,749,751</u>
	<u>\$ 10,641,484</u>	<u>\$ 3,340,061</u>	<u>\$ 9,472,555</u>	<u>\$ 14,455,559</u>	<u>\$ 37,909,659</u>
Total Liabilities and Fund Balances					

CITY OF SHAKOPEE

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
December 31, 2012**

Total Fund Balances - Governmental Funds \$ 31,749,751

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 157,487,167
Less Accumulated Depreciation (61,657,216)

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 (19,060,000)
Net OPEB Obligation (844,330)

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 deferred in the funds.

Property Taxes 235,011
Special Assessments 24,693

Deferred special assessments receivable are not available to pay for current expenditures and, therefore, are deferred in the funds.

Deferred Special Assessments 4,037,886

Governmental funds do not report a liability for accrued interest due and payable.

(277,046)

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.

48,232,115

Total Net Position - Governmental Activities

\$ 159,928,031

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012**

	<u>General Fund</u>	<u>Debt Service 2004A Improvement Bonds</u>	<u>Capital Projects Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property Taxes	\$ 14,773,080	\$ -	\$ -	\$ 254,921	\$ 15,028,001
Tax Increment	-	-	-	113,902	113,902
Special Assessments	13,228	239,069	347,843	899,670	1,499,810
Licenses and Permits	1,229,184	-	-	1,212,062	2,441,246
Intergovernmental	991,445	-	788,842	768,405	2,548,692
Charges for Services	4,035,921	-	-	413,082	4,449,003
Fines and Forfeitures	368,167	-	-	50,307	418,474
Miscellaneous	359,323	(767)	132,038	346,274	836,868
Total Revenues	<u>21,770,348</u>	<u>238,302</u>	<u>1,268,723</u>	<u>4,058,623</u>	<u>27,335,996</u>
EXPENDITURES					
Current					
General Government	3,112,118	-	-	1,284,101	4,396,219
Public Safety	9,408,233	-	-	75,766	9,483,999
Public Works	2,349,042	-	-	-	2,349,042
Culture and Recreation	3,792,729	-	-	6,994	3,799,723
Economic Development	-	-	-	155,692	155,692
Debt Service					
Principal	-	285,000	-	1,665,000	1,950,000
Interest and Other Charges	-	74,342	-	559,721	634,063
Capital Outlay	31,979	-	1,551,495	580,579	2,164,053
Total Expenditures	<u>18,694,101</u>	<u>359,342</u>	<u>1,551,495</u>	<u>4,327,853</u>	<u>24,932,791</u>
Excess of Revenues Over (Under) Expenditures	3,076,247	(121,040)	(282,772)	(269,230)	2,403,205
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	1,135,000	-	3,730,000	4,865,000
Premium on Bonds Issued	-	-	-	73,480	73,480
Transfers In	122,400	-	2,000,000	1,245,000	3,367,400
Transfers Out	<u>(2,980,000)</u>	<u>-</u>	<u>-</u>	<u>(22,400)</u>	<u>(3,002,400)</u>
Total Other Financing Sources (Uses)	<u>(2,857,600)</u>	<u>1,135,000</u>	<u>2,000,000</u>	<u>5,026,080</u>	<u>5,303,480</u>
Net Change in Fund Balances	218,647	1,013,960	1,717,228	4,756,850	7,706,685
FUND BALANCES					
Beginning of Year	<u>9,304,194</u>	<u>443,185</u>	<u>6,964,247</u>	<u>7,331,440</u>	<u>24,043,066</u>
End of Year	<u>\$ 9,522,841</u>	<u>\$ 1,457,145</u>	<u>\$ 8,681,475</u>	<u>\$ 12,088,290</u>	<u>\$ 31,749,751</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, 2012**

Net Change in Fund Balances - Governmental Funds \$ 7,706,685

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

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	1,957,893
Depreciation Expense	(4,424,788)
Loss on Disposal of Fixed Assets	(12,274)
Contributed Assets	535,000

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. 1,950,000

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. (26,801)

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

Special Assessments	(1,264,363)
---------------------	-------------

OPEB obligations are recognized when paid in the government funds but recognized when incurred in the Statement of Activities (146,227)

Delinquent and deferred 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. (25,237)

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.)

(124,578)

Change in Net Position - Governmental Activities \$ 1,260,310

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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, 2012**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Property Taxes	\$ 13,407,920	\$ 14,773,080	\$ 1,365,160
Special Assessments	13,000	13,228	228
Licenses and Permits	1,275,300	1,229,184	(46,116)
Intergovernmental	749,560	991,445	241,885
Charges for Services	3,040,630	4,035,921	995,291
Fines and Forfeitures	436,000	368,167	(67,833)
Miscellaneous Revenues:			
Investment Income	275,000	89,975	(185,025)
Contributions and Donations	3,000	24,860	21,860
Rents	4,400	7,436	3,036
Other	64,000	237,052	173,052
Total Revenues	<u>19,268,810</u>	<u>21,770,348</u>	<u>2,501,538</u>
EXPENDITURES			
Current			
General Government	3,497,307	3,112,118	(385,189)
Public Safety	9,667,231	9,408,233	(258,998)
Public Works	2,868,352	2,349,042	(519,310)
Parks and Recreation	3,992,281	3,792,729	(199,552)
Capital Outlay			
General Government	5,500	5,290	(210)
Public Safety	80,000	-	(80,000)
Public Works	10,000	26,689	16,689
Total Expenditures	<u>20,120,671</u>	<u>18,694,101</u>	<u>(1,426,570)</u>
Excess of Revenues Over (Under) Expenditures	(851,861)	3,076,247	3,928,108
OTHER FINANCING SOURCES (USES)			
Transfers In	1,072,400	122,400	(950,000)
Transfers Out	-	<u>(2,980,000)</u>	<u>(2,980,000)</u>
Total Other Financing Sources (Uses)	<u>1,072,400</u>	<u>(2,857,600)</u>	<u>(3,930,000)</u>
Net Change in Fund Balances	<u>\$ 220,539</u>	218,647	<u>\$ (1,892)</u>
FUND BALANCES			
Beginning of Year		<u>9,304,194</u>	
End of Year		<u>\$ 9,522,841</u>	

CITY OF SHAKOPEE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
December 31, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Total	
ASSETS				
Current Assets				
Cash and Investments, Including Cash Equivalents	\$ 16,403,968	\$ 16,047,835	\$ 32,451,803	\$ 16,463,284
Interest Receivable	71,488	69,650	141,138	72,998
Special Assessment Receivable:				
Delinquent	16,538	259	16,797	-
Deferred	138,011	76	138,087	-
Notes Receivable, Current	-	-	-	95,000
Due from Other Governments	752,462	421,379	1,173,841	-
Total Current Assets	17,382,467	16,539,199	33,921,666	16,631,282
Noncurrent Assets				
Long-Term SAC Credits	492,322	-	492,322	-
Notes Receivable, Noncurrent	-	-	-	95,000
Capital Assets:				
Land	4,500	3,939,880	3,944,380	-
Right of Way	-	75,000	75,000	-
Construction in Progress	508,110	780,585	1,288,695	150,752
Line Rights	1,368,569	-	1,368,569	-
Infrastructure	37,794,904	37,881,387	75,676,291	2,923,925
Buildings	-	-	-	34,795,354
Machinery and Equipment	1,815,659	806,550	2,622,209	12,253,573
Total Cost	41,491,742	43,483,402	84,975,144	50,123,604
Less Accumulated Depreciation	(10,631,213)	(10,219,341)	(20,850,554)	(16,566,787)
Net Capital Assets	30,860,529	33,264,061	64,124,590	33,556,817
Total Noncurrent Assets	31,352,851	33,264,061	64,616,912	33,651,817
Total Assets	\$ 48,735,318	\$ 49,803,260	\$ 98,538,578	\$ 50,283,099
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts Payable	\$ 8,179	\$ 16,428	\$ 24,607	\$ 193,170
Contracts Payable	9,944	9,478	19,422	-
Due to Other Governments	505,326	15,873	521,199	4,011
Current Compensated Absences	22,526	8,751	31,277	784,164
Total Current Liabilities	545,975	50,530	596,505	981,345
Noncurrent Liabilities				
Unearned Revenue	492,322	-	492,322	-
Compensated Absences	27,531	10,695	38,226	958,423
Net OPEB Obligation	21,815	21,815	43,630	-
Total Noncurrent Liabilities	541,668	32,510	574,178	958,423
Total Liabilities	1,087,643	83,040	1,170,683	1,939,768
Net Position				
Net Investment in Capital Assets	30,860,529	33,264,061	64,124,590	33,556,817
Unrestricted	16,787,146	16,456,159	33,243,305	14,786,514
Total Net Position	47,647,675	49,720,220	97,367,895	48,343,331
Total Liabilities and Net Position	\$ 48,735,318	\$ 49,803,260		\$ 50,283,099
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2c)			111,216	
Total Business-Type Activities Net Position			\$ 97,479,111	

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2012**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Total	
OPERATING REVENUES				
Charges for Services	\$ 3,730,226	\$ 1,037,427	\$ 4,767,653	\$ -
Rental and Other Charges	-	-	-	2,063,140
Total Operating Revenues	3,730,226	1,037,427	4,767,653	2,063,140
OPERATING EXPENSES				
Salaries and Benefits	293,925	453,613	747,538	123,495
Depreciation	730,107	685,645	1,415,752	1,683,317
Professional Services	86,850	65,821	152,671	9,554
Sewer Disposal Charges	2,348,064	-	2,348,064	-
Repairs and Maintenance	90,267	136,666	226,933	32,022
Materials and Supplies	27,203	50,533	77,736	274,501
Rent	37,703	55,445	93,148	-
Insurance	26,563	23,243	49,806	-
Utilities	312,587	1,395	313,982	-
Total Operating Expenses	3,953,269	1,472,361	5,425,630	2,122,889
Operating Loss	(223,043)	(434,934)	(657,977)	(59,749)
NONOPERATING REVENUES (EXPENSES)				
Investment Income	214,615	209,331	423,946	238,191
Special Assessments	15,025	340	15,365	-
Grants and Contributions	-	290,020	290,020	-
Loss on Sale of Asset	-	-	-	11,769
Other Income	(17,062)	404,627	387,565	-
Total Nonoperating Revenues (Expenses)	212,578	904,318	1,116,896	249,960
Income before Capital Contributions and Transfers	(10,465)	469,384	458,919	190,211
Capital Contributions	46,462	12,274	58,736	3,667
Transfers In	-	-	-	200,000
Transfers Out	(50,000)	(50,000)	(100,000)	(465,000)
Change in Net Position	(14,003)	431,658	417,655	(71,122)
NET POSITION				
Beginning of Year	47,661,678	49,288,562	96,950,240	48,414,453
End of Year	\$ 47,647,675	\$ 49,720,220	97,367,895	\$ 48,343,331
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2d)			53,456	
Change in Net Position - Business-Type Activities			\$ 471,111	

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

CITY OF SHAKOPEE

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2012**

	Business-Type Activities - Enterprise Funds			Governmental
	Sewer	Storm Drainage	Total	Activities - Internal Service Funds
CASH FLOWS - OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 3,288,131	\$ 1,034,434	\$ 4,322,565	\$ 2,063,140
Payments to Suppliers	(2,460,694)	(329,381)	(2,790,075)	(476,398)
Payments to Employees	(289,393)	(450,462)	(739,855)	(84,806)
Net Cash Flows - Operating Activities	538,044	254,591	792,635	1,501,936
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES				
Transfer from Other Funds	-	-	-	200,000
Transfer to Other Funds	(50,000)	(50,000)	(100,000)	(465,000)
Net Cash Flows - Noncapital Financing Activities	(50,000)	(50,000)	(100,000)	(265,000)
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES				
Trunk Charges	(17,062)	404,627	387,565	-
Capital Related Special Assessments	47,032	-	47,032	-
Intergovernmental Capital Grant	-	-	-	-
Proceeds from Disposal of Capital Assets	-	-	-	248,485
Acquisition of Capital Assets	(289,564)	(158,434)	(447,998)	(1,977,737)
Net Cash Flows - Capital and Related Financing Activities	(259,594)	246,193	(13,401)	(1,729,252)
CASH FLOWS - INVESTING ACTIVITIES				
Payment Received for Notes Receivable	-	-	-	90,000
Interest and Dividends Received	207,132	202,296	409,428	230,814
Net Cash Flows - Investing Activities	207,132	202,296	409,428	320,814
Net Change in Cash and Cash Equivalents	435,582	653,080	1,088,662	(171,502)
CASH AND CASH EQUIVALENTS				
Beginning of Year	15,968,386	15,394,755	31,363,141	16,634,786
End of Year	\$ 16,403,968	\$ 16,047,835	\$ 32,451,803	\$ 16,463,284

CITY OF SHAKOPEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer</u>	<u>Storm Drainage</u>	<u>Total</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES				
Operating Loss	\$ (223,043)	\$ (434,934)	\$ (657,977)	\$ (59,749)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:				
Depreciation and Amortization Expense	730,107	685,645	1,415,752	1,683,317
Change in Assets and Liabilities:				
Accounts Receivable, Net	(442,095)	(3,541)	(445,636)	-
Special Assessments Receivable	-	548	548	-
Due to Other Governments	505,326	15,873	521,199	24
Accounts Payable	(46,727)	(18,917)	(65,644)	(160,345)
Contracts Payable	9,944	6,766	16,710	-
Compensated Absences Payable	846	(535)	311	38,689
Net OPEB Obligation	<u>3,686</u>	<u>3,686</u>	<u>7,372</u>	<u>-</u>
Total Adjustments	<u>761,087</u>	<u>689,525</u>	<u>1,450,612</u>	<u>1,561,685</u>
Net Cash Flows - Operating Activities	<u>\$ 538,044</u>	<u>\$ 254,591</u>	<u>\$ 792,635</u>	<u>\$ 1,501,936</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Recognition of Sewer Access Capacity Credits as Asset and Unearned Revenue	\$ 814,837	\$ -	\$ 814,837	\$ -
Contribution of Capital Asset	46,462	12,558	59,020	3,667

CITY OF SHAKOPEE

**COMBINED STATEMENT OF FIDUCIARY NET POSITION
December 31, 2012**

	<u>Total Agency Funds</u>
ASSETS	
Cash and Investments	\$ 1,481,090
Receivables:	
Interest Receivable	3,119
Due from Other Governments	<u>50,033</u>
Total Assets	<u><u>\$ 1,534,242</u></u>
LIABILITIES	
Accounts Payable	\$ 677,467
Due to Other Governments	21,380
Deposits Payable	<u>835,395</u>
Total Liabilities	<u><u>\$ 1,534,242</u></u>

CITY OF SHAKOPEE

STATEMENT OF NET POSITION - COMPONENT UNIT - SPUC
December 31, 2012

	Enterprise Funds		
	Electric	Water	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 24,383,802	\$ 4,842,635	\$ 29,226,437
Restricted Assets:			
Sinking Account	838,266	28,938	867,204
Accrued Interest Receivable	33,659	7,971	41,630
Customer Accounts Receivable	3,264,380	292,640	3,557,020
Allowance for Uncollectible Accounts	(45,282)	(12,805)	(58,087)
Other Accounts Receivable	7,337	26,297	33,634
Due from City of Shakopee	48,155	15,417	63,572
Inventory	941,357	36,057	977,414
Prepaid Expenses	63,371	21,124	84,495
Total Current Assets	<u>29,535,045</u>	<u>5,258,274</u>	<u>34,793,319</u>
Noncurrent Assets			
Restricted Assets:			
Customer Deposits Account	1,148,735	8,049	1,156,784
Connection Account	-	5,986,987	5,986,987
Water Reconstruction Account	-	868,600	868,600
Emergency Repairs Account	100,000	-	100,000
Capital Assets:			
Plant in Service	53,094,177	47,578,086	100,672,263
Accumulated Depreciation	(15,750,607)	(12,641,928)	(28,392,535)
Construction in Progress	101,328	36,614	137,942
Other Assets:			
Unamortized Debt Issuance Costs	421,067	17,078	438,145
Electric Plant Acquisition, Net	262,104	-	262,104
Total Noncurrent Assets	<u>39,376,804</u>	<u>41,853,486</u>	<u>81,230,290</u>
Total Assets	<u>\$ 68,911,849</u>	<u>\$ 47,111,760</u>	<u>\$ 116,023,609</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 3,102,129	\$ 436,931	\$ 3,539,060
Due to City of Shakopee	61,390	838,196	899,586
Other Current Liabilities	146,629	64,984	211,613
Current Portion of Revenue Bonds	7,820,000	680,000	8,500,000
Total Current Liabilities	<u>11,130,148</u>	<u>2,020,111</u>	<u>13,150,259</u>
Liabilities Payable from Restricted Assets			
Current Portion of Revenue Bonds	572,000	18,000	590,000
Accrued Interest Payable	313,932	12,437	326,369
Customer Deposits	1,148,735	8,049	1,156,784
Total Liabilities Payable from Restricted Assets	<u>2,034,667</u>	<u>38,486</u>	<u>2,073,153</u>
Noncurrent Liabilities			
Revenue Bonds	9,195,000	-	9,195,000
Unamortized Loss on Refunding	(887,542)	(56,044)	(943,586)
Customer Advances	75,246	58,826	134,072
Total Noncurrent Liabilities	<u>8,382,704</u>	<u>2,782</u>	<u>8,385,486</u>
Total Liabilities	<u>21,547,519</u>	<u>2,061,379</u>	<u>23,608,898</u>
Net Position			
Investment in Capital Assets	21,428,611	34,347,894	55,776,505
Restricted	524,334	6,864,039	7,388,373
Unrestricted	25,411,385	3,838,448	29,249,833
Total Net Position	<u>47,364,330</u>	<u>45,050,381</u>	<u>92,414,711</u>
Total Liabilities and Net Position	<u>\$ 68,911,849</u>	<u>\$ 47,111,760</u>	<u>\$ 116,023,609</u>

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - COMPONENT UNIT - SPUC
For the Year Ended December 31, 2012**

	Enterprise Funds		
	Electric	Water	Total
Operating Revenues	\$ 39,732,240	\$ 5,287,076	\$ 45,019,316
Operating Expenses			
Operation, Customer and Administrative	32,179,990	2,426,214	34,606,204
Depreciation of Capital Assets	1,707,314	1,109,321	2,816,635
Depreciation of Plant Acquisition	23,141	-	23,141
Amortization of Plant Acquisition	63,004	-	63,004
Total Operating Expenses	33,973,449	3,535,535	37,508,984
Operating Income	5,758,791	1,751,541	7,510,332
NONOPERATING REVENUES (EXPENSES)			
Rentals and Miscellaneous	227,932	99,551	327,483
Interdepartmental Rent from Water	90,000	-	90,000
Investment Income	102,323	15,951	118,274
Interest Expense	(757,491)	(29,917)	(787,408)
Amortization of Debt Issuance Costs and Loss on Refunding	(81,168)	(4,718)	(85,886)
Gain(Loss) on Disposition of Property	(965)	9,338	8,373
Total Nonoperating Revenues (Expenses)	(419,369)	90,205	(329,164)
Income Before Contributions and Transfers	5,339,422	1,841,746	7,181,168
Capital Contributions	122,617	1,858,647	1,981,264
Transfers to Municipality	(1,265,248)	(1,054,271)	(2,319,519)
Change in Net Assets	4,196,791	2,646,122	6,842,913
NET ASSETS			
Beginning of Year	43,167,539	42,404,259	85,571,798
End of Year	\$ 47,364,330	\$ 45,050,381	\$ 92,414,711

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012

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 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, 2012

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. Separate financial statements are included in this report for the SPUC Funds to emphasize that it is legally separate from the City. The water and electric funds are presented as enterprise funds. 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 2012, the City paid \$ 125,845 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.

Scott Joint Prosecution Association

Scott Joint Prosecution Association (SJPA) is a joint venture of approximately seven cities that provides legal prosecution and support services to its members. Legally separate, the City does not appoint a voting majority of the Board of Directors and the SJPA is fiscally independent of the City. During 2012, the City paid \$ 382,417 to the SJPA for services provided which is included in expenditures of the General Fund. Financial statements are available by contacting the SJPA, 200 Fourth Avenue West, Shakopee, Minnesota 55379.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity (Continued)

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.

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.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. 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.

2004A Improvement Bonds Debt Service Fund – This Fund accounts for resources accumulated and payments made for principal and interest on this bond issue.

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

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.

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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.

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

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.

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, 2012

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

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. Investments are stated at fair value.

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.

The Minnesota Municipal Money Market Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

The City's investment policy for all funds except the component units addresses custodial credit risk for deposits. The policy also addresses credit risk, interest rate risk, concentration of credit risk and custodial credit risk for investments. The City's component units also have a formal policy to address all of these risks except custodial credit risk for investments.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Deposits and Investments (Continued)

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. *Minnesota Statutes* require all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds and letters of credit. The City and component unit's investment policies state deposits must be collateralized in order to comply with *Minnesota Statutes*.

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 component unit's investment policy also defines suitable and authorized investments and related minimum ratings.

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. The City's policy states the investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. To the extent possible, the City shall attempt to match its investments in short-term operating funds with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than ten years from the date of purchase. Long-term funds shall not be invested in securities exceeding 10 years in modified duration, at time of purchase. The investment policy for the City's Electric and Water Enterprise Funds (Shakopee Public Utilities Commission) addresses this risk by requiring holding of securities to maturity (subject to certain exceptions) and limiting maturity constraints to a relatively short duration.

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

- Limiting investments to avoid over concentration in securities from a specific issuer or business sector.
- Limiting investments in securities that have higher credit risks.
- Investing in securities with varying maturities.
- Continuously investing a portion of the portfolio in readily available funds, such as Local Government Investment Pools (LGIP), money market funds or repurchase agreements to ensure appropriate liquidity is maintained in order to meet ongoing obligations.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Deposits and Investments (Continued)

- Having all investments, other than those in direct obligations or agencies of the United States, secured by collateral or repurchase agreements, shall not exceed 50% of the aggregate investment portfolio. Mortgage backed securities shall not exceed 35% of the aggregate investment portfolio, at the time of investment (i.e., commercial paper or bankers' acceptance).
- Limiting investments in any one corporation to 5% of the aggregate investment portfolio.

The investment policy for the City's Electric and Water Enterprise Funds (Shakopee Public Utilities Commission) defines suitable and authorized investments and related minimum ratings as well as application of prudent person standards in construction of portfolio management and diversification.

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.

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.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2. Receivables and Payables (Continued)

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.

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. Other assets include unamortized debt issuance costs for the Electric and Water Enterprise Funds (Shakopee Public Utilities Commission). 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 is recorded as an expenditure when consumed rather than when purchased.

4. 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.

5. 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 estimated fair market 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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5. Capital Assets (Continued)

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

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

6. 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.

7. 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, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

7. Long-Term Obligations (Continued)

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.

8. 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.

b. Minimum Fund Balance

The City's target General Fund balance is to maintain an unassigned level between 40% (minimum) and 45% of current year 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, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

9. Net Position

Net position represents the difference between assets and liabilities 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.

10. 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	\$ 48,343,331
Less Portion of of Loss Related to Business-Type Activities	<u>(111,216)</u>
Net Adjustment to Increase Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ 48,232,115</u>

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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	\$ (71,122)
Less the Net of Indirect Revenues and Expense	<u>(53,456)</u>
Net Adjustment to Decrease Net Change in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ (124,578)</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 of this \$ 117,182 are as follows:

Internal Payable Representing Costs less than Charges to Business-Type Activities - Current Year	<u>\$ 111,216</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

Net Adjustment to Increase Net Change in Fund Balances - Total Enterprise Funds to Arrive at Changes in Net Position of Business-Type Activities	<u>\$ 53,456</u>
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CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 and the Shakopee EDA and Transit Special Revenue Funds.

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. 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. Annual budgets are adopted for the General and applicable Special Revenue Funds. 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 or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted, except for transfers in the General, Telecommunication and Recreation Funds.

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk: As of December 31, 2012, the City and Commission's bank balances were not exposed to custodial credit risk because they were insured through Federal Deposit Insurance Corporation (FDIC) and properly collateralized with securities held by the pledging financial institutions' trust departments or agents in the City's name.

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits (Continued)

As of December 31, 2012, the City had the following deposits:

City Deposits	\$ 1,136,852
Component Unit Deposits	<u>8,251,017</u>
 Total Deposits	 <u><u>\$ 9,387,869</u></u>

B. Investments

As of December 31, 2012, the City held the following investments:

	Fair Value	Modified Duration (Years)	Moody's Rating	Concentration
4M	4,483	N/A	Aaa	0.01%
4M Plus	998	N/A	Aaa	0.00%
Certificate of Deposit	9,349,237	1.78	NR	12.33%
Commercial Paper	3,650,798	0.38	NR	4.81%
Money Market Fund	3,077,868	N/A	NR	4.06%
Mortgage				0.00%
FAMC	675,510	4.30	AA1	0.89%
FFCB	2,864,151	2.65	AA1	3.78%
FHLB	17,952,575	3.48	Aaa	23.67%
FHLMC	7,889,325	6.91	Aaa	10.40%
FNMA	1,296,109	5.05	NR	1.71%
GNMA	38,608	1.44	NR	0.05%
Municipal Bond	11,575,752	3.77	AAA-A1	15.26%
US Treasury Notes	<u>17,477,595</u>	<u>1.19</u>	Aaa	23.04%
 Total Investments	 <u><u>\$ 75,853,009</u></u>	 <u><u>3.43</u></u>		

Cash with fiscal agent totaled \$ 4,881,561 at December 31, 2012 and consisted of U.S. Treasury State and Local Government series time deposits with a modified duration of 1.09 years.

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

As of December 31, 2012, the component units had the following investments:

	Rating	Fair Value	Years to Maturity	
			Less than One Year	1-5 Years
U.S. Agencies	AAA	\$ 13,495,183	\$ 5,403,803	\$ 8,091,380
U.S. Treasuries	AAA	5,847,026	5,847,026	-
4M Fund	N/A	10,500,021	10,500,021	-
Money Market Fund	N/A	111,065	111,065	-
Total		<u>\$ 29,953,295</u>	<u>\$ 21,861,915</u>	<u>\$ 8,091,380</u>

Custodial Credit Risk – Investments: As of December 31, 2012, 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.

Concentration of Credit Risk: As of December 31, 2012, 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 in FHLB, FNMA and FHLMC also exceeded 5% of the total investments of those funds at December 31, 2012.

The following is a summary of total deposits and investments as of December 31, 2012:

Deposits (Note 3.A.)	\$ 9,387,869
City Investments	75,853,009
City Investment with Fiscal Agent	4,881,561
Component Unit Investments	29,953,295
Petty Cash	<u>2,862</u>
Total Deposits and Investments	<u>\$ 120,078,596</u>

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Deposits and investments are presented in the December 31, 2012 basic financial statements as follows:

	<u>City Funds</u>	<u>Component Units</u>	<u>Total</u>
Statement of Net Position:			
Cash and Investments	\$ 75,509,933	\$ 29,226,437	\$ 104,736,370
Cash with Fiscal Agent	4,881,561	-	4,881,561
Restricted Assets	-	8,979,575	8,979,575
Statement of Fiduciary Net Assets:			
Cash and Investments	<u>1,481,090</u>	<u>-</u>	<u>1,481,090</u>
 Total	<u><u>\$ 81,872,584</u></u>	<u><u>\$ 38,206,012</u></u>	<u><u>\$ 120,078,596</u></u>

NOTE 5 – RECEIVABLES/DEFERRED REVENUE

A. Taxes and Assessments

Governmental funds report deferred 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 deferred revenue reported in the governmental funds were as follows:

	<u>Delinquent Property Taxes</u>	<u>Delinquent Special Assessments</u>	<u>Deferred Special Assessments</u>	<u>Total</u>
General Fund	\$ 232,968	\$ 5,477	\$ 33,849	\$ 272,294
2004A Improvement Bonds	-	-	1,882,716	1,882,716
Capital Improvements	-	131	415,842	415,973
Nonmajor Funds	<u>2,043</u>	<u>19,085</u>	<u>1,705,479</u>	<u>1,726,607</u>
 Total	<u><u>\$ 235,011</u></u>	<u><u>\$ 24,693</u></u>	<u><u>\$ 4,037,886</u></u>	<u><u>\$ 4,297,590</u></u>

B. Notes Receivable

The Equipment Internal Service Fund has a note receivable with the Scott County HRA that originated in 1998 as a result of the River City Centre Development Project. This note has an interest rate of 6.75% and will be paid in full in February 2014. At December 31, 2012, the note's balance was \$ 190,000. During 2012, \$ 90,000 of principal and \$ 15,863 of interest was paid.

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 6 – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being				
Depreciated:				
Land	\$ 19,488,040	\$ 535,000	\$ -	\$ 20,023,040
Construction in Progress	<u>5,300,319</u>	<u>2,825,366</u>	<u>4,284,429</u>	<u>3,841,256</u>
Total Capital Assets not being Depreciated	<u>24,788,359</u>	<u>3,360,366</u>	<u>4,284,429</u>	<u>23,864,296</u>
Capital Assets being				
Depreciated:				
Buildings	33,742,981	1,244,165	-	34,987,146
Infrastructure	131,609,457	3,298,672	-	134,908,129
Machinery and Equipment	<u>13,473,561</u>	<u>885,445</u>	<u>507,806</u>	<u>13,851,200</u>
Total Capital Assets being Depreciated	<u>178,825,999</u>	<u>5,428,282</u>	<u>507,806</u>	<u>183,746,475</u>
Less Accumulated				
Depreciation for:				
Buildings	9,512,778	840,382	-	10,353,160
Infrastructure	56,792,568	4,408,230	-	61,200,798
Machinery and Equipment	<u>6,182,057</u>	<u>859,493</u>	<u>371,505</u>	<u>6,670,045</u>
Total Accumulated Depreciation	<u>72,487,403</u>	<u>6,108,105</u>	<u>371,505</u>	<u>78,224,003</u>
Total Capital Assets being Depreciated, Net	<u>106,338,596</u>	<u>(679,823)</u>	<u>136,301</u>	<u>105,522,472</u>
Governmental Activities Capital Assets, Net	<u>\$ 131,126,955</u>	<u>\$ 2,680,543</u>	<u>\$ 4,420,730</u>	<u>\$ 129,386,768</u>

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

Governmental Activities:	
General Government	\$ 229,796
Public Safety	591,660
Public Works	4,618,810
Parks and Recreation	<u>667,839</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,108,105</u>

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 6 – CAPITAL ASSETS

Business-type capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 3,944,380	\$ -	\$ -	\$ 3,944,380
Right-Of-Way	75,000	-	-	75,000
Construction in Progress	<u>1,745,002</u>	<u>421,205</u>	<u>877,512</u>	<u>1,288,695</u>
Total Capital Assets not being Depreciated	<u>5,764,382</u>	<u>421,205</u>	<u>877,512</u>	<u>5,308,075</u>
Capital Assets being Depreciated:				
Line Rights	1,368,569	-	-	1,368,569
Plant in Service	74,740,857	935,434	-	75,676,291
Machinery and Equipment	<u>2,664,378</u>	<u>190,528</u>	<u>232,697</u>	<u>2,622,209</u>
Total Capital Assets being Depreciated	<u>78,773,804</u>	<u>1,125,962</u>	<u>232,697</u>	<u>79,667,069</u>
Less Accumulated Depreciation for:				
Line Rights	452,759	24,801	-	477,560
Plant in Service	17,855,089	1,224,467	-	19,079,556
Machinery and Equipment	<u>1,150,268</u>	<u>166,484</u>	<u>23,314</u>	<u>1,293,438</u>
Total Accumulated Depreciation	<u>19,458,116</u>	<u>1,415,752</u>	<u>23,314</u>	<u>20,850,554</u>
Total Capital Assets being Depreciated, Net	<u>59,315,688</u>	<u>(289,790)</u>	<u>209,383</u>	<u>58,816,515</u>
Business-Type Activities Capital Assets, Net	<u>\$ 65,080,070</u>	<u>\$ 131,415</u>	<u>\$ 1,086,895</u>	<u>\$ 64,124,590</u>

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

Business-Type Activities:	
Sanitary Sewer	\$ 730,107
Storm Drainage	<u>685,645</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,415,752</u>

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 6 – CAPITAL ASSETS

Component unit capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component Unit Capital Assets not being Depreciated:				
Land and Land Rights	\$ 5,097,532	\$ -	\$ -	\$ 5,097,532
Construction in Progress	<u>6,179</u>	<u>1,576,026</u>	<u>1,444,263</u>	<u>137,942</u>
Total Capital Assets not being Depreciated	<u>5,103,711</u>	<u>1,576,026</u>	<u>1,444,263</u>	<u>5,235,474</u>
Capital Assets being Depreciated:				
Distribution	80,372,004	2,152,729	288,658	82,236,075
General	<u>13,071,772</u>	<u>303,187</u>	<u>36,303</u>	<u>13,338,656</u>
Total Capital Assets being Depreciated	<u>93,443,776</u>	<u>2,455,916</u>	<u>324,961</u>	<u>95,574,731</u>
Less Accumulated Depreciation	<u>25,710,299</u>	<u>2,816,635</u>	<u>134,399</u>	<u>28,392,535</u>
Total Capital Assets being Depreciated, Net	<u>67,733,477</u>	<u>(360,719)</u>	<u>190,562</u>	<u>67,182,196</u>
Component Unit Capital Assets, Net	<u>\$ 72,837,188</u>	<u>\$ 1,215,307</u>	<u>\$ 1,634,825</u>	<u>\$ 72,417,670</u>

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

Component Units:	
Electric	\$ 1,707,314
Water	<u>1,109,321</u>
Total Depreciation Expense - Component Units	<u>\$ 2,816,635</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, 2012**

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

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Governmental Activities:						
G.O. Bonds:						
G.O. Improvement Bonds:						
2004A	05/01/04	2.25%-4.10%	\$ 4,225,000	02/01/25	\$ 1,665,000	\$ 280,000
2004C	11/01/04	3.00%-4.00%	2,570,000	02/01/15	770,000	255,000
2006A	07/01/06	4.00%	3,440,000	02/01/17	1,820,000	350,000
2007A	02/01/07	4.00%	1,370,000	02/01/17	825,000	205,000
2007B	09/01/07	4.00%	1,445,000	02/01/18	895,000	140,000
2008A	09/01/08	3.50%-4.00%	2,170,000	02/01/19	1,425,000	195,000
2010A	08/01/10	0.50%-2.90%	1,555,000	02/01/21	1,335,000	185,000
G.O. Building Refunding Bonds 2004B	05/01/04	2.25%-4.00%	2,275,000	02/01/17	1,055,000	195,000
G.O. Capital Improvement Bonds 2004D	11/01/04	2.50%-4.20%	6,000,000	02/01/25	4,405,000	265,000
G.O. Building Refunding Bonds 2012A	06/14/12	1.50%-2.125%	4,865,000	02/01/25	4,865,000	-
Total G.O. Bonds					<u>19,060,000</u>	<u>2,070,000</u>
Compensated Absences					<u>1,742,587</u>	<u>784,164</u>
Total Governmental Activities					<u>\$ 20,802,587</u>	<u>\$ 2,854,164</u>
Business-Type Activities						
Compensated Absences					<u>\$ 69,503</u>	<u>\$ 31,277</u>
Component Unit Long-Term Liabilities:						
Utility Revenue Bonds:						
Series 2004 Refunding Bonds	10/01/04	3.50%-4.50%	9,830,000	08/01/28	\$ 8,725,000	\$ 8,725,000
Series 2006A Crossover Refunding Bonds	11/21/06	4.125%-4.375%	10,570,000	02/01/30	9,560,000	365,000
Total Bonds					18,285,000	9,090,000
Unamortized Loss on Refunding					<u>(943,586)</u>	<u>(59,493)</u>
Total Component Unit Long-Term Liabilities					<u>\$ 17,341,414</u>	<u>\$ 9,030,507</u>

Long-term bonded indebtedness listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues.

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 – LONG-TERM DEBT

D. Changes in Long-Term Liabilities

Long-term liability information for the year ended December 31, 2012 was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 16,145,000	\$ 4,865,000	\$ 1,950,000	\$ 19,060,000	\$ 2,070,000
Compensated Absences	1,703,898	1,034,437	995,748	1,742,587	784,164
Total Governmental Activities	<u>\$ 17,848,898</u>	<u>\$ 5,899,437</u>	<u>\$ 2,945,748</u>	<u>\$ 20,802,587</u>	<u>\$ 2,854,164</u>
Business-Type Activities					
Compensated Absences	<u>\$ 69,192</u>	<u>\$ 43,024</u>	<u>\$ 42,713</u>	<u>\$ 69,503</u>	<u>\$ 31,277</u>
Component Unit Activities:					
G.O. Utility Revenue Bonds	\$ 18,885,000	\$ -	\$ 600,000	\$ 18,285,000	\$ 9,090,000
Unamortized Loss on Refunding	(1,003,079)	-	(59,493)	(943,586)	(59,493)
Total Component Unit Activities	<u>\$ 17,881,921</u>	<u>\$ -</u>	<u>\$ 540,507</u>	<u>\$ 17,341,414</u>	<u>\$ 9,030,507</u>

The General Fund, Employee Benefits Internal Service Fund and Sewer and Storm Drainage Enterprise Funds typically liquidate the liability related to compensated absences.

E. Governmental Activity G.O. Bonds

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

<u>Year Ending December 31,</u>	<u>Governmental Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,070,000	\$ 613,348	\$ 2,683,348
2014	2,050,000	524,746	2,574,746
2015	2,230,000	447,828	2,677,828
2016	2,075,000	374,155	2,449,155
2017	2,085,000	304,783	2,389,783
2018-2022	5,605,000	877,069	6,482,069
2023-2027	<u>2,945,000</u>	<u>145,286</u>	<u>3,090,286</u>
Total	<u>\$ 19,060,000</u>	<u>\$ 3,287,215</u>	<u>\$ 22,347,215</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7 – LONG-TERM DEBT

F. Component Unit Revenue Bonds

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

<u>Year Ending December 31,</u>	<u>Utility Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 9,090,000	\$ 771,821	\$ 9,861,821
2014	380,000	387,269	767,269
2015	390,000	371,388	761,388
2016	410,000	354,888	764,888
2017	425,000	337,400	762,400
2018-2022	2,405,000	1,394,386	3,799,386
2023-2027	3,005,000	816,579	3,821,579
2028-2030	2,180,000	146,342	2,326,342
Total	<u>\$ 18,285,000</u>	<u>\$ 4,580,073</u>	<u>\$ 22,865,073</u>

G. Refunding

In June 2012, the City issued \$ 4,865,000 G.O. Improvement Refunding Bonds to refund G.O. Bonds, Series 2004A, maturing in years 2015 through 2025 and G.O. Bonds, Series 2004D, maturing in years 2015 through 2025. The net proceeds of \$ 4,951,424 were deposited with an escrow agent to provide for the payment of the principal maturities at the call date of the refunded bonds and for the interest on the refunding bonds through the call date. The City is responsible for the principal and interest payments on the remaining refunded bond issues through the call date. The call date for the refunded bonds is February 1, 2015. The refunding resulted in reduction of future debt service payments of \$ 442,330 and a net present value savings of \$ 387,886.

Component Unit Refunding

On February 1, 2013, the Shakopee Public Utilities exercised its call option to fully redeem the series 2004 Refunding Bonds in the amount of \$ 8,725,000.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012

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.

As of December 31, 2012, the following conduit debt was outstanding:

<u>Project</u>	<u>Date of Issue</u>	<u>Original Amount of Issue</u>	<u>Retired</u>	<u>Balance Outstanding</u>
St. Francis RMC	10/06/04	\$ 52,520,000	\$ 405,000	\$ 49,060,000
St. Francis RMC	12/23/87	8,000,000	580,000	3,215,000
St. Gertrudes	09/30/10	5,675,000	15,249	<u>5,659,751</u>
Total				<u>\$ 57,934,751</u>

NOTE 9 – PLEDGING AGREEMENTS

The City has pledged its taxing authority to back certain revenue bonds issued by the Scott County Community Development Agency (CDA), formally known as the Scott County Housing and Redevelopment Authority (HRA), for the Blocks 3 and 4 redevelopment project in downtown Shakopee. Refunding bonds were issued during 2006 to advance refund the 1997A, 1997D and 1997E Series Bonds on their call dates. The 1997D Series Bonds were called on September 1, 2006 and the 1997A and 1997E Series Bonds were called on February 1, 2008.

- Scott County CDA Housing Development Refunding Revenue Bonds, Series 2006A, the amount is \$ 3,260,000 and payments are scheduled from February 1, 2007 to 2027, with interest ranging from 4.25% to 4.50%.
- Scott County CDA Housing Development Refunding Revenue Bonds, Series 2006D, the amount is \$ 905,000 and payments are scheduled from February 1, 2007 to 2018, with interest ranging from 5.70% to 6.25%.
- Scott County CDA Housing Development Refunding Revenue Bonds, Series 2006E, the amount is \$ 1,225,000 and payments are scheduled from February 1, 2018 to 2024, with interest ranging from 4.50% to 4.70%.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 9 – PLEDGING AGREEMENTS

The City has pledged its taxing authority to back a series of revenue bonds issued by the Scott County CDA for the North Ridge Court Redevelopment Project in downtown Shakopee. The issue is:

- Scott County CDA Housing Development Revenue Bonds, Series 2003, the amount is \$ 6,640,000 and payments are scheduled from February 1, 2006 to 2034, with interest ranging from 2.00% to 5.00%.

The City and the Shakopee EDA have a development agreement for costs related to an Imagine! Print Solutions, formally known as Challenge Printing, facility moving to Shakopee. The Shakopee EDA issued a Taxable Tax Increment Revenue Note in the amount of \$ 513,900 in support of development costs for the Imagine! Print Solutions Project. Imagine! Print Solutions is the holder of the note. The Shakopee EDA is liable only to the extent of the tax increment received from the Imagine! Print Solutions property. The interest on the note is 6.00%. Payments are scheduled semiannually from August 1, 2006 to February 1, 2015.

The City and the Shakopee EDA have a development agreement for costs related to Open Systems Facility located in Shakopee. The Shakopee EDA issued a Taxable Tax Increment Revenue Note in the amount of \$ 125,000 in support of development costs for the Open Systems Project. Open Systems is the holder of the note. The Shakopee EDA is liable only to the extent of the tax increment received from the Open Systems property. The interest on the note is 6.00%. Payments are scheduled semiannually from August 1, 2007 to February 1, 2014.

NOTE 10 – INTERFUND ASSETS/LIABILITIES

The composition of interfund balances as of December 31, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Improvements	Nonmajor Governmental Funds	\$ 383,296

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

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 11 – INTERFUND TRANSFERS

	Transfer In				Total
	General Fund	Capital Improvements	Other Governmental Funds	Internal Service Fund	
Transfers Out:					
General Fund	\$ -	\$ 2,000,000	\$ 780,000	\$ 200,000	\$ 2,980,000
Other Governmental Funds	22,400	-	-	-	22,400
Sewer Fund	50,000	-	-	-	50,000
Storm Drainage Fund	50,000	-	-	-	50,000
Internal Service Fund	-	-	465,000	-	465,000
	<u>\$ 122,400</u>	<u>\$ 2,000,000</u>	<u>\$ 1,245,000</u>	<u>\$ 200,000</u>	<u>\$ 3,567,400</u>
Total					

Transfers were made according to budgets for operating purposes, to finance projects and for the cancellation of the debt service levy.

NOTE 12 – 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 \$ 2,500 to \$ 5,000 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, \$ 500,000 faithful performance employee bonding and \$ 1,000,000 for universal umbrella coverage. Property coverage is at approximately \$ 91,000,000.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 13 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association

A. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) and the Public Employees' Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These Plans are established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356.

GERF members belong to either the Coordinated or Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement 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 10 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 10 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 PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all GERF and PEPFF members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the Fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active Plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them 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, 2012**

NOTE 13 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees’ Retirement Association (Continued)

A. Plan Description (Continued)

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive, #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.6% of their annual covered salary in 2012. In 2012, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members and 14.4% for PEPFF members. The City’s contributions to the Public Employees’ Retirement Fund for the years ending December 31, 2012, 2011 and 2010 were \$ 349,790, \$ 353,579 and \$ 549,973, respectively. The City’s contributions to the PEPFF for the years ending December 31, 2012, 2011 and 2010 were \$ 529,799, \$ 500,257, and \$ 475,396, respectively. The City’s contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 14 – DEFINED CONTRIBUTION PLAN – STATE-WIDE

Four Council Members of the City are covered by the Public Employees’ Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP 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.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes* Chapter 353D.03 specifies 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. 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 four-tenths of 1% of the assets in each member’s account annually.

Total contributions made by the City during year 2012 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 1,400	\$ 1,400	5%	5%	5%

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 15 – DEFINED BENEFIT PENSION PLAN – SHAKOPEE VOLUNTEER FIRE RELIEF ASSOCIATION

A. Plan Description

The Shakopee Fire Relief Association (the “Association”) is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Shakopee Fire Department.

The Association provides retirement and disability benefits to members, and benefits to survivors upon the death of eligible members. Benefits are established in accordance with *Minnesota Statutes*. The defined retirement benefits are based on a member’s years of service. Benefit provisions can be amended by the Association within the parameters provided by *Minnesota 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.

B. Funding Policy

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10 year period. Actuarial valuations are not required for the Association as the Association follows *Minnesota Statutes* for the valuation calculation. The City has decided to make an annual contribution in addition to state aid received for pension cost. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations).

Contributions totaling \$ 298,118 (\$ 152,677 City of Shakopee and \$ 145,441 State of Minnesota) were made in accordance with contribution requirements as of December 31, 2012. These contributions were entirely for normal service cost.

The City’s annual pension cost for the current year and related information is as follows:

Valuation Date	December 31, 2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level annual dollar closed
Remaining Amortization Period:	
Normal Cost	20 years
Prior Service Cost	10 years
Asset Valuation Method	Market
Actuarial Assumptions:	
Investment Rate of Return	5%
Projected Salary Increases	N/A
Includes Inflation at	N/A
Cost of Living Adjustments	None

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 15 – DEFINED BENEFIT PENSION PLAN – SHAKOPEE VOLUNTEER FIRE RELIEF ASSOCIATION

B. Funding Policy (Continued)

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/10	\$ 339,752	100%	\$ -
12/31/11	351,976	100%	-
12/31/12	152,677	100%	-

<u>Valuation Date</u>	<u>Statutory Value of Assets</u>	<u>Statutory Accrued Liability (SAL)</u>	<u>Funded (Unfunded) SAL</u>	<u>Funded Ratio</u>
12/31/10	\$ 3,690,248	\$ 4,507,908	\$ (817,660)	81.9%
12/31/11	3,974,012	4,480,608	(506,596)	88.7%
12/31/12	4,634,023	4,832,549	(198,526)	95.9%

The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll amounts or percentage calculations).

NOTE 16 – 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 2012, the City contributed \$ 23,595 to the plan. As of January 1, 2012, there were seven retirees and two disabled officers receiving health benefits from the City's health plan.

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 16 – POST EMPLOYMENT HEALTH BENEFITS PLAN

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	\$ 220,284
Interest on Net OPEB Obligation	29,374
Adjustment to ARC	<u>(42,468)</u>
Annual OPEB Cost (Expense)	207,190
Contribution Made	<u>(53,591)</u>
Increase in Net OPEB Obligation	153,599
Net OPEB Obligation - Beginning of Year	<u>734,361</u>
 Net OPEB Obligation - End of Year	 <u><u>\$ 887,960</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012 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>
12/31/12	\$ 207,190	\$ 53,591	26%	\$ 887,960
12/31/11	200,980	45,723	23%	734,361
12/31/10	170,040	27,020	16%	579,104

D. Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$ 1,483,810 and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 1,483,810. The covered payroll (annual payroll of active employees covered by the plan) was \$ 7,154,161 and the ratio of the UAAL to the covered payroll was 20.7%.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 16 – POST EMPLOYMENT HEALTH BENEFITS PLAN

D. Funded Status and Funding Progress (Continued)

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, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 % 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 10% initially, reduced incrementally to an ultimate rate of 5% after five years. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at January 1, 2010 was 30 years.

NOTE 17 – SEGMENT INFORMATION

The City maintains two enterprise funds that account for the sewer and storm drainage 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, 2012**

NOTE 18 – FUND BALANCE DETAIL

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

	General Fund	2004A Improvement Bonds	Capital Improvements	Other Governmental Funds	Total
Nonspendable:					
Prepaid Items	\$ 19,189	\$ -	\$ -	\$ -	\$ 19,189
Restricted:					
Forfeitures	-	-	-	195,823	195,823
Transit	-	-	-	1,045,340	1,045,340
SCDP Grant	-	-	-	22,447	22,447
Revolving Loans	-	-	-	252,639	252,639
Economic Development	-	-	-	562,959	562,959
Debt Service	-	1,457,145	-	8,117,053	9,574,198
Capital Improvements	-	-	-	1,815,339	1,815,339
Total Restricted	-	1,457,145	-	12,011,600	13,468,745
Assigned:					
Telecommunications	-	-	-	66,989	66,989
Capital Improvements	-	-	8,681,475	394,666	9,076,141
Total Assigned	-	-	8,681,475	461,655	9,143,130
Unassigned	9,503,652	-	-	(384,965)	9,118,687
Total Fund Balance	<u>\$ 9,522,841</u>	<u>\$ 1,457,145</u>	<u>\$ 8,681,475</u>	<u>\$ 12,088,290</u>	<u>\$ 31,749,751</u>

NOTE 19 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through April 17, 2013, the date which the financial statements were available to be issued.

NOTE 20 – COMMITMENTS

	<u>Project Authorization</u>	<u>Work Completed</u>	<u>12/31/12 Commitment</u>
2012 Bituminous Overlay	\$ 694,987	\$ 669,244	\$ 25,743
Upper Valley Drainageway	194,725	189,562	5,163
Fire Station #2	2,380,661	2,376,557	4,104

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2012, the City implemented GASB Statement No. 63. This implementation resulted in the establishment of categories outside of assets and liabilities titled deferred outflows and deferred inflows. The Statement also retitled Net Assets as Net Position.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHAKOPEE

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
December 31, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (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%

* 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 valuations are the same.

SUPPLEMENTARY INFORMATION

CITY OF SHAKOPEE
Scott County, Minnesota

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2012**

	Original and Final Budget	Actual Amounts	Variance with Variance with Final Budget - Over (Under)
REVENUES			
Property Taxes			
General Property Taxes	\$ 11,585,400	\$ 12,845,292	\$ 1,259,892
Fiscal Disparities	1,630,520	1,676,669	46,149
Lodging Tax	180,000	230,131	50,131
Tax Increments	-	5,086	5,086
Aggregate Tax	12,000	15,902	3,902
Total Property Taxes	13,407,920	14,773,080	1,365,160
Special Assessments	13,000	13,228	228
Licenses and Permits	1,275,300	1,229,184	(46,116)
Intergovernmental Revenues			
Federal Grants	5,000	23,941	18,941
PERA Aid	11,930	18,170	6,240
Police Aid	300,000	291,264	(8,736)
Fire Aid	-	159,441	159,441
State Grants	424,630	477,966	53,336
Other Grants and Aids	8,000	20,663	12,663
Total Intergovernmental Revenues	749,560	991,445	241,885
Charges for Services			
General Government	1,304,180	2,180,012	875,832
Public Safety	394,200	447,008	52,808
Public Works	283,200	357,048	73,848
Parks and Recreation	1,059,050	1,051,853	(7,197)
Total Charges for Services	3,040,630	4,035,921	995,291
Fines and Forfeitures	436,000	368,167	(67,833)
Miscellaneous Revenues			
Investment Income	275,000	89,975	(185,025)
Contributions and Donations	3,000	24,860	21,860
Rents	4,400	7,436	3,036
Other	64,000	237,052	173,052
Total Miscellaneous Revenues	346,400	359,323	12,923
Total Revenues	19,268,810	21,770,348	2,501,538
EXPENDITURES			
General Government			
Current:			
Mayor and Council	190,729	154,341	(36,388)
Administration	1,013,687	894,981	(118,706)
City Clerk	352,722	257,832	(94,890)
Finance	837,605	843,134	5,529
Legal	-	28,319	28,319
Planning	448,481	430,182	(18,299)
Government Buildings	429,083	392,087	(36,996)
Unallocated	225,000	111,242	(113,758)
Capital Outlay	5,500	5,290	(210)
Total General Government	3,502,807	3,117,408	(385,399)

CITY OF SHAKOPEE
Scott County, Minnesota

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2012
(Continued)**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
EXPENDITURES			
Public Safety			
Police	\$ 7,131,987	\$ 6,836,268	\$ (295,719)
Fire	1,816,277	1,872,288	56,011
Building Inspection	718,967	699,677	(19,290)
Capital Outlay	80,000	-	(80,000)
Total Public Safety	9,747,231	9,408,233	(338,998)
Public Works			
Current:			
Streets and Highways:			
Engineering	661,179	498,876	(162,303)
Streets	2,112,394	1,817,001	(295,393)
Shop	94,779	33,165	(61,614)
Capital Outlay	10,000	26,689	16,689
Total Public Works	2,878,352	2,375,731	(502,621)
Parks and Recreation			
Current:			
Parks and Recreation:			
Park Maintenance	1,581,162	1,574,169	(6,993)
Natural Resources	45,214	24,998	(20,216)
Library/Congregate Dining	-	1,081	1,081
Recreation	2,365,905	2,192,481	(173,424)
Total Parks and Recreation	3,992,281	3,792,729	(199,552)
Total Expenditures	20,120,671	18,694,101	(1,426,570)
Excess of Revenues Over (Under) Expenditures	(851,861)	3,076,247	3,928,108
OTHER FINANCING SOURCES (USES)			
Transfers In	1,072,400	122,400	(950,000)
Transfers Out	-	(2,980,000)	(2,980,000)
Total Other Financing Sources (Uses)	1,072,400	(2,857,600)	(3,930,000)
Net Change in Fund Balances	\$ 220,539	218,647	\$ (1,892)
FUND BALANCES			
Beginning of Year		9,304,194	
End of Year		\$ 9,522,841	

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012**

	Special Revenue			
	Forfeiture	Transit	Telecommunication	SCDP Grant
ASSETS				
Cash and Investments	\$ 197,848	\$ 1,089,306	\$ 58,629	\$ 22,350
Cash with Fiscal Agent	-	-	-	-
Taxes Receivable - Delinquent	-	-	-	-
Special Assessments Receivable:				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Accounts Receivable	2,415	144,516	8,105	-
Interest Receivable	896	4,781	255	97
Due From Other Governments	420	-	-	-
Total Assets	\$ 201,579	\$ 1,238,603	\$ 66,989	\$ 22,447
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 5,392	\$ 92,357	\$ -	\$ -
Contracts Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	364	100,906	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	5,756	193,263	-	-
Fund Balances				
Restricted for:				
Special Revenue	195,823	1,045,340	-	22,447
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Assigned	-	-	66,989	-
Unassigned	-	-	-	-
Total Fund Balances	195,823	1,045,340	66,989	22,447
Total Liabilities and Fund Balances	\$ 201,579	\$ 1,238,603	\$ 66,989	\$ 22,447

Special Revenue			Debt Service		
Revolving Loan	Economic Development Authority	Total	2004B Refunding Bonds	2004C Improvement Bonds	2004D Building Bonds
\$ 251,546	\$ 561,077	\$ 2,180,756	\$ 397,489	\$ 643,103	\$ 492,395
-	-	-	-	-	3,730,000
-	35	35	2,008	-	-
-	-	-	-	-	-
-	-	-	-	322,756	-
-	-	155,036	-	-	-
1,093	2,138	9,260	1,074	2,359	115
-	-	420	1,058	784	-
<u>\$ 252,639</u>	<u>\$ 563,250</u>	<u>\$ 2,345,507</u>	<u>\$ 401,629</u>	<u>\$ 969,002</u>	<u>\$ 4,222,510</u>
\$ -	\$ 256	\$ 98,005	\$ 200	\$ 200	\$ 200
-	-	-	-	-	-
-	-	-	-	-	-
-	-	101,270	-	-	-
-	35	35	2,008	322,756	-
-	291	199,310	2,208	322,956	200
252,639	562,959	2,079,208	-	-	-
-	-	-	399,421	646,046	4,222,310
-	-	-	-	-	-
-	-	66,989	-	-	-
-	-	-	-	-	-
<u>252,639</u>	<u>562,959</u>	<u>2,146,197</u>	<u>399,421</u>	<u>646,046</u>	<u>4,222,310</u>
<u>\$ 252,639</u>	<u>\$ 563,250</u>	<u>\$ 2,345,507</u>	<u>\$ 401,629</u>	<u>\$ 969,002</u>	<u>\$ 4,222,510</u>

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012**

	Debt Service			
	2006A Improvement Bonds	2007A Improvement Bonds	2007B Improvement Bonds	2008A Improvement Bonds
ASSETS				
Cash and Investments	\$ 771,132	\$ 565,256	\$ 381,657	\$ 364,749
Cash with Fiscal Agent	-	-	-	-
Taxes Receivable - Delinquent	-	-	-	-
Special Assessments Receivable:				
Delinquent	172	15,423	-	715
Deferred	165,552	388,358	56,620	390,890
Accounts Receivable	-	-	-	-
Interest Receivable	2,480	2,021	1,441	1,585
Due From Other Governments	-	-	108	-
Total Assets	<u>\$ 939,336</u>	<u>\$ 971,058</u>	<u>\$ 439,826</u>	<u>\$ 757,939</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 201	\$ 201	\$ 200	\$ 200
Contracts Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Deferred Revenue	165,724	403,781	56,620	391,605
Total Liabilities	<u>165,925</u>	<u>403,982</u>	<u>56,820</u>	<u>391,805</u>
Fund Balances				
Restricted for:				
Special Revenue	-	-	-	-
Debt Service	773,411	567,076	383,006	366,134
Capital Projects	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>773,411</u>	<u>567,076</u>	<u>383,006</u>	<u>366,134</u>
Total Liabilities and Fund Balances	<u>\$ 939,336</u>	<u>\$ 971,058</u>	<u>\$ 439,826</u>	<u>\$ 757,939</u>

Debt Service			Capital Projects		
2010A Improvement Bonds	2011A & 2012 Bond	Total	Park Reserve	TIF No. 10	Seal Coat
\$ 405,776	\$ 332,188	\$ 4,353,745	\$ 1,784,620	\$ 20,165	\$ 11,038
-	16,561	3,746,561	-	-	-
-	-	2,008	-	-	-
2,542	233	19,085	-	-	-
234,578	146,725	1,705,479	-	-	-
-	-	-	20,135	-	-
1,328	1,443	13,846	7,732	88	48
1,916	637	4,503	-	-	-
<u>\$ 646,140</u>	<u>\$ 497,787</u>	<u>\$ 9,845,227</u>	<u>\$ 1,812,487</u>	<u>\$ 20,253</u>	<u>\$ 11,086</u>
\$ 200	\$ -	\$ 1,602	\$ 2,157	\$ 19,975	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	132	-	-
237,120	146,958	1,726,572	-	-	-
<u>237,320</u>	<u>146,958</u>	<u>1,728,174</u>	<u>2,289</u>	<u>19,975</u>	<u>-</u>
-	-	-	-	-	-
408,820	350,829	8,117,053	-	-	-
-	-	-	1,810,198	278	-
-	-	-	-	-	11,086
-	-	-	-	-	-
<u>408,820</u>	<u>350,829</u>	<u>8,117,053</u>	<u>1,810,198</u>	<u>278</u>	<u>11,086</u>
<u>\$ 646,140</u>	<u>\$ 497,787</u>	<u>\$ 9,845,227</u>	<u>\$ 1,812,487</u>	<u>\$ 20,253</u>	<u>\$ 11,086</u>

CITY OF SHAKOPEE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012

	Capital Projects			
	Tree Replacement	Lions Park	TIF No. 12	TIF No. 13
ASSETS				
Cash and Investments	\$ 61,149	\$ 14,137	\$ 426	\$ 18,882
Cash with Fiscal Agent	-		-	
Taxes Receivable - Delinquent	-	-	-	-
Special Assessments Receivable:				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Accounts Receivable	-	-	-	-
Interest Receivable	266	61	2	82
Due From Other Governments	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 61,415</u>	<u>\$ 14,198</u>	<u>\$ 428</u>	<u>\$ 18,964</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ 427	\$ 14,102
Contracts Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	427	14,102
Fund Balances				
Restricted for:				
Special Revenue	\$ -	\$ -	-	-
Debt Service	-	-	-	-
Capital Projects	-	-	1	4,862
Assigned	61,415	14,198	-	-
Unassigned	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	61,415	14,198	1	4,862
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 61,415</u>	<u>\$ 14,198</u>	<u>\$ 428</u>	<u>\$ 18,964</u>

Capital Projects

Road Expansion Dedication	2010 Projects	Fire Station 2 Construction	2011 Projects	Total	Total Governmental Funds
\$ 79,714	\$ 129,652	\$ 116,880	\$ -	\$ 2,236,663	\$ 8,771,164
-	-	-	-	-	3,746,561
-	-	-	-	-	2,043
-	-	-	-	-	19,085
-	-	-	-	-	1,705,479
-	-	-	-	20,135	175,171
346	563	508	(1,669)	8,027	31,133
-	-	-	-	-	4,923
<u>\$ 80,060</u>	<u>\$ 130,215</u>	<u>\$ 117,388</u>	<u>\$ (1,669)</u>	<u>\$ 2,264,825</u>	<u>\$ 14,455,559</u>
\$ -	\$ -	\$ -	\$ -	36,661	\$ 136,268
-	-	19,696	-	19,696	19,696
-	-	-	383,296	383,296	383,296
-	-	-	-	132	101,402
-	-	-	-	-	1,726,607
-	-	19,696	383,296	439,785	2,367,269
-	-	-	-	-	2,079,208
-	-	-	-	-	8,117,053
-	-	-	-	1,815,339	1,815,339
80,060	130,215	97,692	-	394,666	461,655
-	-	-	(384,965)	(384,965)	(384,965)
<u>80,060</u>	<u>130,215</u>	<u>97,692</u>	<u>(384,965)</u>	<u>1,825,040</u>	<u>12,088,290</u>
<u>\$ 80,060</u>	<u>\$ 130,215</u>	<u>\$ 117,388</u>	<u>\$ (1,669)</u>	<u>\$ 2,264,825</u>	<u>\$ 14,455,559</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012**

	Special Revenue			
	Forfeiture	Transit	Telecommunication	SCDP Grant
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	35,366	-
Intergovernmental:				
State Grants	-	687,018	-	-
Other Grants and Aids	-	-	-	-
Charges for Services	-	404,351	-	-
Fines and Forfeitures	50,307	-	-	-
Miscellaneous:				
Investment Income	2,825	10,925	1,123	(15)
Contributions and Donations	-	-	-	-
Other	9,939	-	10,395	-
Total Revenues	<u>63,071</u>	<u>1,102,294</u>	<u>46,884</u>	<u>(15)</u>
EXPENDITURES				
Current				
General Government	-	1,283,516	585	-
Public Safety	75,766	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay				
General Government	-	-	24,991	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Park and Recreation	-	-	-	-
Total Expenditures	<u>75,766</u>	<u>1,283,516</u>	<u>25,576</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(12,695)	(181,222)	21,308	(15)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	(11,200)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(11,200)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(12,695)	(192,422)	21,308	(15)
FUND BALANCES				
Beginning of Year	<u>208,518</u>	<u>1,237,762</u>	<u>45,681</u>	<u>22,462</u>
End of Year	<u>\$ 195,823</u>	<u>\$ 1,045,340</u>	<u>\$ 66,989</u>	<u>\$ 22,447</u>

Revolving Loan	Special Revenue		Debt Service		
	Economic Development Authority	Total	2004B Refunding Bonds	2004C Improvement Bonds	2004D Building Bonds
\$ -	\$ 27	\$ 27	\$ 119,444	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	109,053	-
-	10,500	45,866	-	-	-
-	-	687,018	-	-	-
-	15,000	15,000	-	-	-
-	6,000	410,351	-	-	-
-	-	50,307	-	-	-
3,563	7,604	26,025	2,907	3,758	3,255
-	-	-	-	-	-
-	-	20,334	-	-	-
<u>3,563</u>	<u>39,131</u>	<u>1,254,928</u>	<u>122,351</u>	<u>112,811</u>	<u>3,255</u>
-	-	1,284,101	-	-	-
-	-	75,766	-	-	-
-	-	-	-	-	-
-	42,747	42,747	-	-	-
-	-	-	190,000	250,000	255,000
71	-	71	45,651	34,213	185,181
-	-	24,991	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>71</u>	<u>42,747</u>	<u>1,427,676</u>	<u>235,651</u>	<u>284,213</u>	<u>440,181</u>
3,492	(3,616)	(172,748)	(113,300)	(171,402)	(436,926)
-	-	-	-	-	3,730,000
-	-	-	-	-	-
-	80,000	80,000	150,000	100,000	465,000
-	(11,200)	(22,400)	-	-	-
-	68,800	57,600	150,000	100,000	4,195,000
3,492	65,184	(115,148)	36,700	(71,402)	3,758,074
249,147	497,775	2,261,345	362,721	717,448	464,236
<u>\$ 252,639</u>	<u>\$ 562,959</u>	<u>\$ 2,146,197</u>	<u>\$ 399,421</u>	<u>\$ 646,046</u>	<u>\$ 4,222,310</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012**

	Debt Service			
	2006A	2007A	2007B	2008A
	Improvement Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-
Special Assessments	80,937	444,493	23,505	133,482
Licenses and Permits	-	-	-	-
Intergovernmental:				
State Grants	-	-	-	-
Other Grants and Aids	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous:				
Investment Income	1,442	7,227	2,981	1,508
Contributions and Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>82,379</u>	<u>451,720</u>	<u>26,486</u>	<u>134,990</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	340,000	105,000	145,000	190,000
Interest and Other Charges	80,233	35,731	39,249	58,988
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Park and Recreation	-	-	-	-
Total Expenditures	<u>420,233</u>	<u>140,731</u>	<u>184,249</u>	<u>248,988</u>
Excess of Revenues Over (Under) Expenditures	(337,854)	310,989	(157,763)	(113,998)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Transfers In	200,000	100,000	50,000	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>100,000</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balances	(137,854)	410,989	(107,763)	(113,998)
FUND BALANCES				
Beginning of Year	<u>911,265</u>	<u>156,087</u>	<u>490,769</u>	<u>480,132</u>
End of Year	<u>\$ 773,411</u>	<u>\$ 567,076</u>	<u>\$ 383,006</u>	<u>\$ 366,134</u>

Debt Service			Capital Projects			
2010A Improvement Bonds	2011A & 2012 Bond	Total	Seal Coat	Park Reserve	TIF No. 10	Tree Replacement
\$ 135,450	\$ -	\$ 254,894	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	39,950	-
65,578	42,622	899,670	-	-	-	-
-	-	-	-	1,166,196	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	2,731	-	-
-	-	-	-	-	-	-
4,626	8,194	35,898	189	29,477	(54)	1,047
-	-	-	10,897	60,000	-	60,368
-	-	-	-	-	-	-
<u>205,654</u>	<u>50,816</u>	<u>1,190,462</u>	<u>11,086</u>	<u>1,258,404</u>	<u>39,896</u>	<u>61,415</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	6,994	-	-
-	-	-	-	-	39,986	-
190,000	-	1,665,000	-	-	-	-
25,490	54,914	559,650	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	394,405	-	-
<u>215,490</u>	<u>54,914</u>	<u>2,224,650</u>	<u>-</u>	<u>401,399</u>	<u>39,986</u>	<u>-</u>
(9,836)	(4,098)	(1,034,188)	11,086	857,005	(90)	61,415
-	-	3,730,000	-	-	-	-
-	73,480	73,480	-	-	-	-
100,000	-	1,165,000	-	-	-	-
-	-	-	-	-	-	-
<u>100,000</u>	<u>73,480</u>	<u>4,968,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
90,164	69,382	3,934,292	11,086	857,005	(90)	61,415
318,656	281,447	4,182,761	-	953,193	368	-
<u>\$ 408,820</u>	<u>\$ 350,829</u>	<u>\$ 8,117,053</u>	<u>\$ 11,086</u>	<u>\$ 1,810,198</u>	<u>\$ 278</u>	<u>\$ 61,415</u>

CITY OF SHAKOPEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2012

	Capital Projects			
	TIF No. 12	Lions Park	TIF No. 13	Road Expansion Dedication
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increments	42,614	-	31,338	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental:				
State Grants	-	-	-	-
Other Grants and Aids	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous:				
Investment Income	(762)	242	(2)	1,366
Contributions and Donations	-	13,956	-	78,694
Other	-	-	-	-
Total Revenues	<u>41,852</u>	<u>14,198</u>	<u>31,336</u>	<u>80,060</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	42,632	-	30,327	-
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Park and Recreation	-	-	-	-
Total Expenditures	<u>42,632</u>	<u>-</u>	<u>30,327</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(780)	14,198	1,009	80,060
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(780)	14,198	1,009	80,060
FUND BALANCES				
Beginning of Year	<u>781</u>	<u>-</u>	<u>3,853</u>	<u>-</u>
End of Year	<u>\$ 1</u>	<u>\$ 14,198</u>	<u>\$ 4,862</u>	<u>\$ 80,060</u>

Capital Projects

2010 Projects	Fire Station 2 Construction	2011 Projects	Total	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 254,921
-	-	-	113,902	113,902
-	-	-	-	899,670
-	-	-	1,166,196	1,212,062
-	-	66,387	66,387	753,405
-	-	-	-	15,000
-	-	-	2,731	413,082
-	-	-	-	50,307
1,344	(1,417)	8,672	40,102	102,025
-	-	-	223,915	223,915
-	-	-	-	20,334
<u>1,344</u>	<u>(1,417)</u>	<u>75,059</u>	<u>1,613,233</u>	<u>4,058,623</u>
-	-	-	-	1,284,101
-	-	-	-	75,766
-	-	-	6,994	6,994
-	-	-	112,945	155,692
-	-	-	-	1,665,000
-	-	-	-	559,721
-	-	-	-	24,991
-	185,248	-	185,248	185,248
-	-	(24,065)	(24,065)	(24,065)
-	-	-	394,405	394,405
-	<u>185,248</u>	<u>(24,065)</u>	<u>675,527</u>	<u>4,327,853</u>
1,344	(186,665)	99,124	937,706	(269,230)
-	-	-	-	3,730,000
-	-	-	-	73,480
-	-	-	-	1,245,000
-	-	-	-	(22,400)
-	-	-	-	<u>5,026,080</u>
1,344	(186,665)	99,124	937,706	4,756,850
128,871	284,357	(484,089)	887,334	7,331,440
<u>\$ 130,215</u>	<u>\$ 97,692</u>	<u>\$ (384,965)</u>	<u>\$ 1,825,040</u>	<u>\$ 12,088,290</u>

CITY OF SHAKOPEE

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -
TRANSIT FUND**

For the Year Ended December 31, 2012

	<u>Original And Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Intergovernmental Revenue			
State Grants	\$ 719,140	\$ 687,018	\$ (32,122)
Charges for Services			
General Government	237,700	404,351	166,651
Miscellaneous Revenues			
Investment Income	42,000	10,925	(31,075)
Total Revenues	<u>998,840</u>	<u>1,102,294</u>	<u>103,454</u>
EXPENDITURES			
Current:			
General Government	<u>1,240,547</u>	<u>1,283,516</u>	<u>42,969</u>
Excess of Revenues Over (Under) Expenditures	(241,707)	(181,222)	60,485
OTHER FINANCING USES			
Transfers Out	<u>(11,200)</u>	<u>(11,200)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (252,907)</u>	<u>(192,422)</u>	<u>\$ 60,485</u>
FUND BALANCE			
Beginning of Year		<u>1,237,762</u>	
End of Year		<u><u>\$ 1,045,340</u></u>	

CITY OF SHAKOPEE

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -
ECONOMIC DEVELOPMENT AUTHORITY FUND
For the Year Ended December 31, 2012**

	<u>Original And Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Property Taxes			
Property Taxes	\$ 80,000	\$ 27	\$ (79,973)
Licenses and Permits	-	10,500	10,500
Intergovernmental Revenue:			
Other Grants and Aids	-	15,000	15,000
Charges for Services:			
General Government	-	6,000	6,000
Miscellaneous Revenues			
Investment Income	<u>10,000</u>	<u>7,604</u>	<u>(2,396)</u>
Total Revenues	<u>90,000</u>	<u>39,131</u>	<u>(50,869)</u>
EXPENDITURES			
Economic Development			
Current	<u>41,989</u>	<u>42,747</u>	<u>758</u>
Excess of Revenues Over (Under) Expenditures	48,011	(3,616)	(51,627)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	80,000	80,000
Transfers Out	<u>(11,200)</u>	<u>(11,200)</u>	-
Total Other Financing Sources (Uses)	<u>(11,200)</u>	<u>68,800</u>	<u>80,000</u>
Net Change in Fund Balance	<u>\$ 36,811</u>	65,184	<u>\$ 28,373</u>
FUND BALANCE			
Beginning of Year		<u>497,775</u>	
End of Year		<u>\$ 562,959</u>	

CITY OF SHAKOPEE

COMBINING STATEMENT OF FUND NET POSITION -
INTERNAL SERVICE FUNDS
December 31, 2012

	Governmental Activities - Internal Service Funds					Total
	Equipment	Buildings	Park Assets	Employee Benefits	Information and Technology	
ASSETS						
Current Assets						
Cash and Investments, Including						
Cash Equivalents	\$ 7,073,775	\$ 6,007,379	\$ 1,630,637	\$ 1,408,232	\$ 343,261	\$ 16,463,284
Interest Receivable	31,028	28,125	6,671	6,118	1,056	72,998
Notes Receivable, Current Portion	95,000	-	-	-	-	95,000
Total Current Assets	<u>7,199,803</u>	<u>6,035,504</u>	<u>1,637,308</u>	<u>1,414,350</u>	<u>344,317</u>	<u>16,631,282</u>
Noncurrent Assets						
Notes Receivable	95,000	-	-	-	-	95,000
Capital Assets:						
Construction in Progress	-	150,752	-	-	-	150,752
Buildings	-	31,603,795	3,191,559	-	-	34,795,354
Infrastructure	-	-	2,923,925	-	-	2,923,925
Machinery and Equipment	8,470,946	135,700	3,486,925	-	160,002	12,253,573
Total Cost	8,470,946	31,890,247	9,602,409	-	160,002	50,123,604
Less Accumulated Depreciation	(4,289,409)	(9,299,595)	(2,934,136)	-	(43,647)	(16,566,787)
Net Capital Assets	4,181,537	22,590,652	6,668,273	-	116,355	33,556,817
Total Noncurrent Assets	<u>4,276,537</u>	<u>22,590,652</u>	<u>6,668,273</u>	<u>-</u>	<u>116,355</u>	<u>33,651,817</u>
Total Assets	<u>\$ 11,476,340</u>	<u>\$ 28,626,156</u>	<u>\$ 8,305,581</u>	<u>\$ 1,414,350</u>	<u>\$ 460,672</u>	<u>\$ 50,283,099</u>
LIABILITIES AND NET POSITION						
Current Liabilities						
Accounts Payable	\$ 111,961	\$ 77,621	\$ -	\$ -	\$ 3,588	\$ 193,170
Due to Other Governments	3,987	-	-	-	24	4,011
Current Compensated Absences	-	-	-	784,164	-	784,164
Total Current Liabilities	<u>115,948</u>	<u>77,621</u>	<u>-</u>	<u>784,164</u>	<u>3,612</u>	<u>981,345</u>
Noncurrent Liabilities						
Compensated Absences	-	-	-	958,423	-	958,423
Total Liabilities	<u>115,948</u>	<u>77,621</u>	<u>-</u>	<u>1,742,587</u>	<u>3,612</u>	<u>1,939,768</u>
Net Position						
Investment in Capital Assets	4,181,537	22,590,652	6,668,273	-	116,355	33,556,817
Unrestricted	7,178,855	5,957,883	1,637,308	(328,237)	340,705	14,786,514
Total Net Position	<u>11,360,392</u>	<u>28,548,535</u>	<u>8,305,581</u>	<u>(328,237)</u>	<u>457,060</u>	<u>48,343,331</u>
Total Liabilities and Net Position	<u>\$ 11,476,340</u>	<u>\$ 28,626,156</u>	<u>\$ 8,305,581</u>	<u>\$ 1,414,350</u>	<u>\$ 460,672</u>	<u>\$ 50,283,099</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2012**

	Governmental Activities - Internal Service Funds					
	Equipment	Buildings	Park Assets	Employee Benefits	Information and Technology	Total
OPERATING REVENUES						
Rental Charges	\$ 634,280	\$ 664,616	\$ 483,744	\$ -	\$ 275,500	\$ 2,058,140
Other Charges	-	-	5,000	-	-	5,000
Total Operating Revenues	<u>634,280</u>	<u>664,616</u>	<u>488,744</u>	<u>-</u>	<u>275,500</u>	<u>2,063,140</u>
OPERATING EXPENSES						
Employee Benefits	-	-	-	123,495	-	123,495
Materials and Supplies	16	114,441	-	-	160,044	274,501
Repairs and Maintenance	-	24,365	-	-	7,657	32,022
Professional Services	-	669	-	-	8,885	9,554
Depreciation	548,708	735,476	359,050	-	40,083	1,683,317
Total Operating Expenses	<u>548,724</u>	<u>874,951</u>	<u>359,050</u>	<u>123,495</u>	<u>216,669</u>	<u>2,122,889</u>
Operating Income (Loss)	85,556	(210,335)	129,694	(123,495)	58,831	(59,749)
NONOPERATING REVENUES						
Investment Income	120,824	70,031	27,951	16,956	2,429	238,191
Gain (Loss) on Disposal of Assets	11,769	-	-	-	-	11,769
Total Nonoperating Revenues	<u>132,593</u>	<u>70,031</u>	<u>27,951</u>	<u>16,956</u>	<u>2,429</u>	<u>249,960</u>
Income (Loss) before Capital Contributions and Transfers	218,149	(140,304)	157,645	(106,539)	61,260	190,211
Capital Contributions	-	-	3,667	-	-	3,667
Transfers In	-	-	100,000	-	100,000	200,000
Transfers Out	-	(465,000)	-	-	-	(465,000)
Change in Net Position	218,149	(605,304)	261,312	(106,539)	161,260	(71,122)
NET POSITION						
Beginning of Year	<u>11,142,243</u>	<u>29,153,839</u>	<u>8,044,269</u>	<u>(221,698)</u>	<u>295,800</u>	<u>48,414,453</u>
End of Year	<u>\$ 11,360,392</u>	<u>\$ 28,548,535</u>	<u>\$ 8,305,581</u>	<u>\$ (328,237)</u>	<u>\$ 457,060</u>	<u>\$ 48,343,331</u>

CITY OF SHAKOPEE

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2012

	Equipment	Buildings	Park Assets	Employee Benefits	Information and Technology	Total
CASH FLOWS - OPERATING ACTIVITIES						
Receipts from Customers and Users	\$ 634,280	\$ 664,616	\$ 488,744	\$ -	\$ 275,500	\$ 2,063,140
Payments to Suppliers	(16)	(134,454)	-	-	(341,928)	(476,398)
Payments to Employees	-	-	-	(84,806)	-	(84,806)
Net Cash Flows - Operating Activities	<u>634,264</u>	<u>530,162</u>	<u>488,744</u>	<u>(84,806)</u>	<u>(66,428)</u>	<u>1,501,936</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES						
Transfer from Other Funds	-	-	100,000	-	100,000	200,000
Transfer to Other Funds	-	(465,000)	-	-	-	(465,000)
Net Cash Flows - Noncapital Financing Activities	<u>-</u>	<u>(465,000)</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(265,000)</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from Disposal of Capital Assets	248,485	-	-	-	-	248,485
Acquisition of Capital Assets	(690,914)	(1,240,744)	(46,079)	-	-	(1,977,737)
Net Cash Flows - Capital and Related Financing Activities	<u>(442,429)</u>	<u>(1,240,744)</u>	<u>(46,079)</u>	<u>-</u>	<u>-</u>	<u>(1,729,252)</u>
CASH FLOWS - INVESTING ACTIVITIES						
Payment Received for Notes Receivable	90,000	-	-	-	-	90,000
Interest Received	115,075	71,483	24,915	16,957	2,384	230,814
Net Cash Flows - Investing Activities	<u>205,075</u>	<u>71,483</u>	<u>24,915</u>	<u>16,957</u>	<u>2,384</u>	<u>320,814</u>
Net Change in Cash and Cash Equivalents	396,910	(1,104,099)	567,580	(67,849)	35,956	(171,502)
CASH AND CASH EQUIVALENTS						
Beginning of Year	<u>6,676,865</u>	<u>7,111,478</u>	<u>1,063,057</u>	<u>1,476,081</u>	<u>307,305</u>	<u>16,634,786</u>
End of Year	<u>\$ 7,073,775</u>	<u>\$ 6,007,379</u>	<u>\$ 1,630,637</u>	<u>\$ 1,408,232</u>	<u>\$ 343,261</u>	<u>\$ 16,463,284</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 85,556	\$ (210,335)	\$ 129,694	\$ (123,495)	\$ 58,831	\$ (59,749)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:						
Depreciation Expense	548,708	735,476	359,050	-	40,083	1,683,317
Changes in:						
Due to Other Governments	-	-	-	-	24	24
Accounts Payable	-	5,021	-	-	(165,366)	(160,345)
Compensated Absences Payable	-	-	-	38,689	-	38,689
Total Adjustments	<u>548,708</u>	<u>740,497</u>	<u>359,050</u>	<u>38,689</u>	<u>(125,259)</u>	<u>1,561,685</u>
Net Cash Flows - Operating Activities	<u>\$ 634,264</u>	<u>\$ 530,162</u>	<u>\$ 488,744</u>	<u>\$ (84,806)</u>	<u>\$ (66,428)</u>	<u>\$ 1,501,936</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
Contributions of Capital Assets from the Municipality and Developers	\$ -	\$ -	\$ 3,667	\$ -	\$ -	\$ 3,667

CITY OF SHAKOPEE

**COMBINED STATEMENT OF FIDUCIARY NET POSITION
December 31, 2012**

	<u>Escrow Agency Fund</u>	<u>Southwest Metro Drug Task Force</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Investments	\$ 749,973	\$ 731,117	\$ 1,481,090
Interest Receivable	-	3,119	3,119
Due from Other Governments	-	50,033	50,033
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 749,973</u>	<u>\$ 784,269</u>	<u>\$ 1,534,242</u>
LIABILITIES			
Accounts Payable	\$ -	\$ 677,467	\$ 677,467
Due to Other Governments	-	21,380	21,380
Deposits Payable	749,973	85,422	835,395
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 749,973</u>	<u>\$ 784,269</u>	<u>\$ 1,534,242</u>

CITY OF SHAKOPEE

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
For the Year Ended December 31, 2012**

	Escrow Agency Fund			
	Balance at December 31, 2011	Additions	Deductions	Balance at December 31, 2012
ASSETS				
Current				
Cash and Investments	\$ 1,563,629	\$ 568,505	\$ 1,382,161	\$ 749,973
LIABILITIES				
Accounts Payable	\$ 2,777	\$ -	\$ 2,777	\$ -
Deposits Payable	1,560,852	568,505	1,379,384	749,973
Total Liabilities	<u>\$ 1,563,629</u>	<u>\$ 568,505</u>	<u>\$ 1,382,161</u>	<u>\$ 749,973</u>

Southwest Metro Drug Task Force Agency Fund

	Balance at December 31, 2011	Additions	Deductions	Balance at December 31, 2012
ASSETS				
Current				
Cash and Investments	\$ 715,778	\$ 428,607	\$ 413,268	\$ 731,117
Receivables:				
Accounts Receivable	9,379	-	9,379	-
Interest Receivable	2,790	329	-	3,119
Due from Other Governments	39,128	10,905	-	50,033
Total Assets	<u>\$ 767,075</u>	<u>\$ 439,841</u>	<u>\$ 422,647</u>	<u>\$ 784,269</u>
LIABILITIES				
Accounts Payable	\$ 680,278	\$ 359,150	\$ 361,961	677,467
Due to Other Governments	-	21,380	-	21,380
Deposits Payable	86,797	59,311	60,686	85,422
Total Liabilities	<u>\$ 767,075</u>	<u>\$ 439,841</u>	<u>\$ 422,647</u>	<u>\$ 784,269</u>

CITY OF SHAKOPEE
Scott County, Minnesota

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
For the Year Ended December 31, 2012

	Total Agency Funds			Balance at December 31, 2012
	Balance at December 31, 2011	Additions	Deductions	
ASSETS				
Current				
Cash and Investments	\$ 2,279,407	\$ 997,112	\$ 1,795,429	\$ 1,481,090
Receivables:				
Accounts Receivable	9,379	-	9,379	-
Interest Receivable	2,790	329	-	3,119
Due from Other Governments	39,128	10,905	-	50,033
	<u>39,128</u>	<u>10,905</u>	<u>-</u>	<u>50,033</u>
Total Assets	<u>\$ 2,330,704</u>	<u>\$ 1,008,346</u>	<u>\$ 1,804,808</u>	<u>\$ 1,534,242</u>
LIABILITIES				
Accounts Payable	\$ 683,055	\$ 359,150	\$ 364,738	\$ 677,467
Due to Other Governments	-	21,380	-	21,380
Deposits Payable	1,647,649	627,816	1,440,070	835,395
	<u>1,647,649</u>	<u>627,816</u>	<u>1,440,070</u>	<u>835,395</u>
Total Liabilities	<u>\$ 2,330,704</u>	<u>\$ 1,008,346</u>	<u>\$ 1,804,808</u>	<u>\$ 1,534,242</u>

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STATISTICAL SECTION

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CITY OF SHAKOPEE
STATISTICAL SECTION
December 31, 2012

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.

CONTENTS	Page
Financial Trends	104
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	114
Portrayed is information to help the reader assess the City's most important local revenue source, the property tax.	
Debt Capacity	118
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	125
Shown are demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	128
These schedules shown service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

CITY OF SHAKOPEE

**NET POSITION BY COMPONENT
Years 2003 Through 2012**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$ 94,388,758	\$ 90,281,410	\$ 111,237,672	\$ 119,661,761
Restricted	15,231,314	29,731,412	21,638,112	12,998,982
Unrestricted	<u>15,241,647</u>	<u>21,214,073</u>	<u>21,845,121</u>	<u>29,264,714</u>
Total Governmental Activities Net Position	<u>\$ 124,861,719</u>	<u>\$ 141,226,895</u>	<u>\$ 154,720,905</u>	<u>\$ 161,925,457</u>
Business-Type Activities:				
Invested in Capital Assets, Net of Related Debt	\$ 81,725,264	\$ 89,415,817	\$ 99,140,973	\$ 109,337,014
Restricted	978,371	1,867,077	2,232,469	880,069
Unrestricted	<u>38,234,063</u>	<u>37,354,576</u>	<u>41,291,469</u>	<u>42,400,797</u>
Total Business-Type Activities Net Position	<u>\$ 120,937,698</u>	<u>\$ 128,637,470</u>	<u>\$ 142,664,911</u>	<u>\$ 152,617,880</u>
Primary Government:				
Invested in Capital Assets, Net of Related Debt	\$ 176,114,022	\$ 179,697,227	\$ 210,378,645	\$ 228,998,775
Restricted	16,209,685	31,598,489	23,870,581	13,879,051
Unrestricted	<u>53,475,710</u>	<u>58,568,649</u>	<u>63,136,590</u>	<u>71,665,511</u>
Total Primary Government Net Position	<u>\$ 245,799,417</u>	<u>\$ 269,864,365</u>	<u>\$ 297,385,816</u>	<u>\$ 314,543,337</u>

From 2003-2010, 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.

Table 1

2007	2008	2009	2010	2011	2012
\$ 113,534,056	\$ 112,909,793	\$ 112,097,148	\$ 111,905,152	\$ 114,981,955	\$ 115,191,768
13,081,337	21,915,945	16,518,865	1,844,129	10,914,439	9,912,551
28,316,931	22,086,771	28,832,576	43,910,102	32,771,327	34,823,712
<u>\$ 154,932,324</u>	<u>\$ 156,912,509</u>	<u>\$ 157,448,589</u>	<u>\$ 157,659,383</u>	<u>\$ 158,667,721</u>	<u>\$ 159,928,031</u>
\$ 114,546,218	\$ 115,124,238	\$ 114,331,216	\$ 115,064,968	\$ 65,080,070	\$ 64,124,590
1,026,351	1,756,369	3,574,612	4,889,050	-	-
46,169,289	49,366,581	55,595,594	59,014,070	31,927,930	33,354,521
<u>\$ 161,741,858</u>	<u>\$ 166,247,188</u>	<u>\$ 173,501,422</u>	<u>\$ 178,968,088</u>	<u>\$ 97,008,000</u>	<u>\$ 97,479,111</u>
\$ 228,080,274	\$ 228,034,031	\$ 226,428,364	\$ 226,970,120	\$ 180,062,025	\$ 179,316,358
14,107,688	23,672,314	20,093,477	6,733,179	10,914,439	9,912,551
74,486,220	71,453,352	84,428,170	102,924,172	64,699,257	68,178,233
<u>\$ 316,674,182</u>	<u>\$ 323,159,697</u>	<u>\$ 330,950,011</u>	<u>\$ 336,627,471</u>	<u>\$ 255,675,721</u>	<u>\$ 257,407,142</u>

CITY OF SHAKOPEE

**CHANGES IN NET POSITION
Years 2003 Through 2012**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
EXPENSES:				
Governmental Activities:				
General Government	\$ 2,761,210	\$ 3,135,421	\$ 2,563,526	\$ 3,161,106
Public Safety	4,995,127	5,461,190	6,190,689	6,856,485
Public Works	3,673,623	6,036,920	8,298,258	6,798,917
Culture and Recreation	894,321	2,150,765	3,664,944	4,653,240
Economic Development	683,035	360,167	314,858	333,462
Other	668,531	861,864	924,270	896,110
Total Governmental Activities Expenses	<u>13,675,847</u>	<u>18,006,327</u>	<u>21,956,545</u>	<u>22,699,320</u>
Business-Type Activities:				
Electric	17,634,004	19,820,900	23,378,764	29,169,297
Water	2,337,860	2,723,003	2,460,977	2,949,990
Sewer	1,835,242	2,009,468	2,349,047	2,786,234
Storm	800,092	941,842	999,849	1,523,343
Total Business-Type Activities Expenses	<u>24,159,722</u>	<u>25,495,213</u>	<u>29,188,637</u>	<u>36,428,864</u>
Total Primary Government Expenses	<u>\$ 37,835,569</u>	<u>\$ 43,501,540</u>	<u>\$ 51,145,182</u>	<u>\$ 59,128,184</u>
PROGRAM REVENUES:				
Governmental Activities:				
Charges for Services:				
General Government	\$ 1,706,644	\$ 3,591,641	\$ 791,504	\$ 714,105
Public Safety	2,408,012	3,446,465	3,462,283	2,063,023
Public Works	3,691,149	4,534,285	2,668,728	2,986,495
Culture and Recreation	1,330,062	1,497,853	1,826,847	1,676,630
Economic Development	-	-	-	-
Operating Grants and Contributions	2,622,953	4,303,581	3,646,605	1,653,238
Capital Grants and Contributions	11,009	-	8,666,283	6,116,366
Total Governmental Activities Program Revenues	<u>11,769,829</u>	<u>17,373,825</u>	<u>21,062,250</u>	<u>15,209,857</u>
Business-Type Activities:				
Charges for Services:				
Electric	19,733,990	22,161,542	27,425,921	31,906,714
Water	2,569,848	2,349,505	2,627,084	3,127,207
Sewer	2,827,777	3,078,191	2,971,601	3,471,984
Storm	1,947,139	1,806,974	1,937,430	1,859,912
Recreation	758,124	-	-	-
Operating Grants and Contributions	2,345	-	-	-
Capital Grants and Contributions	8,800,811	10,844,269	10,913,464	6,174,786
Total Business-Type Activities Program Revenues	<u>36,640,034</u>	<u>40,240,481</u>	<u>45,875,500</u>	<u>46,540,603</u>
Total Primary Government Program Revenues	<u>\$ 48,409,863</u>	<u>\$ 57,614,306</u>	<u>\$ 66,937,750</u>	<u>\$ 61,750,460</u>
Net (Expense) Revenue:				
Governmental Activities	\$ (1,906,018)	\$ (632,502)	\$ (894,295)	\$ (7,489,463)
Business-Type Activities	12,480,312	14,745,268	16,686,863	10,111,739
Total Primary Government Net Expense	<u>\$ 10,574,294</u>	<u>\$ 14,112,766</u>	<u>\$ 15,792,568</u>	<u>\$ 2,622,276</u>

Table 2

2007	2008	2009	2010	2011	2012
\$ 3,543,980	\$ 3,514,573	\$ 3,388,268	\$ 3,042,918	\$ 4,252,887	\$ 4,603,027
8,301,075	8,346,104	8,528,413	9,123,316	9,236,767	9,430,785
15,264,606	8,099,384	7,860,080	8,397,874	7,094,047	7,083,299
5,323,087	3,637,527	3,859,670	3,765,660	3,866,307	3,817,677
363,805	522,074	316,566	427,169	244,361	152,541
1,042,133	1,033,999	1,040,044	784,824	619,099	587,384
<u>33,838,686</u>	<u>25,153,661</u>	<u>24,993,041</u>	<u>25,541,761</u>	<u>25,313,468</u>	<u>25,674,713</u>
34,710,974	36,186,676	30,140,842	32,700,410	-	-
3,332,132	3,461,261	3,316,102	3,293,079	-	-
2,938,955	3,308,759	3,398,117	3,685,417	3,807,322	3,926,541
1,352,078	1,435,376	1,264,261	1,792,749	1,382,391	1,445,633
42,334,139	44,392,072	38,119,322	41,471,655	5,189,713	5,372,174
<u>\$ 76,172,825</u>	<u>\$ 69,545,733</u>	<u>\$ 63,112,363</u>	<u>\$ 67,013,416</u>	<u>\$ 30,503,181</u>	<u>\$ 31,046,887</u>
\$ 583,247	\$ 606,259	\$ 680,681	\$ 652,686	\$ 721,180	\$ 3,356,772
1,650,235	1,506,680	1,677,772	1,716,573	1,503,188	1,524,158
2,615,402	2,354,276	1,342,173	941,224	478,788	454,145
1,086,750	1,295,772	1,013,044	1,039,820	1,071,482	2,222,430
-	-	-	-	7,100	16,500
1,943,805	1,660,191	1,485,124	2,943,857	3,606,089	2,106,559
2,463,129	1,825,124	1,241,884	952,450	3,152,881	1,479,343
<u>10,342,568</u>	<u>9,248,302</u>	<u>7,440,678</u>	<u>8,246,610</u>	<u>10,540,708</u>	<u>11,159,907</u>
37,407,565	38,732,701	34,272,099	36,872,008	-	-
3,525,140	3,390,309	3,605,498	4,417,498	-	-
2,806,371	2,556,299	3,485,882	3,508,947	2,941,753	3,728,189
1,505,247	1,379,821	1,405,560	1,281,986	1,083,878	1,442,394
-	-	-	-	-	-
-	-	-	6,415	-	-
4,138,977	1,007,519	1,879,530	1,661,001	93,810	348,756
<u>49,383,300</u>	<u>47,066,649</u>	<u>44,648,569</u>	<u>47,747,855</u>	<u>4,119,441</u>	<u>5,519,339</u>
<u>\$ 59,725,868</u>	<u>\$ 56,314,951</u>	<u>\$ 52,089,247</u>	<u>\$ 55,994,465</u>	<u>\$ 14,660,149</u>	<u>\$ 16,679,246</u>
\$ (23,496,118)	\$ (15,905,359)	\$ (17,552,363)	\$ (17,295,151)	\$ (14,772,760)	\$ (14,514,806)
7,049,161	2,674,577	6,529,247	6,276,200	(1,070,272)	147,165
<u>\$ (16,446,957)</u>	<u>\$ (13,230,782)</u>	<u>\$ (11,023,116)</u>	<u>\$ (11,018,951)</u>	<u>\$ (15,843,032)</u>	<u>\$ (14,367,641)</u>

CITY OF SHAKOPEE

**CHANGES IN POSITION
Years 2003 Through 2012**

	2003	2004	2005	2006
GENERAL REVENUES AND OTHER				
CHANGES IN NET ASSETS:				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 7,995,002	\$ 7,842,043	\$ 9,341,977	\$ 10,547,177
Other Taxes	507,706	364,211	314,858	336,648
Unrestricted Investment Earnings	550,705	740,612	951,795	1,661,257
Gain on Disposal of Assets	69,623	294,833	746,340	2,700
Enterprise Fund Reclassed to				
Special Revenue	-	5,539,108	1,658,132	-
Transfers	443,651	2,215,871	1,375,203	2,146,233
Total Governmental Activities	9,566,687	16,996,678	14,388,305	14,694,015
Business-Type Activities:				
Investment Earnings	942,040	709,483	870,714	1,973,715
Gain on Disposal of Assets	9,260	-	409,918	13,749
Special Item	-	(5,539,108)	(1,658,132)	-
Transfers	(443,651)	(2,215,871)	(1,375,203)	(2,146,233)
Total Business-Type Activities	507,649	(7,045,496)	(1,752,703)	(158,769)
Total Primary Government	\$ 10,074,336	\$ 9,951,182	\$ 12,635,602	\$ 14,535,246
Change in Net Position:				
Government Activities	\$ 7,660,669	\$ 16,364,176	\$ 13,494,010	\$ 7,204,552
Business-Type Activities	12,987,961	7,699,772	14,934,160	9,952,970
Total Primary Government	\$ 20,648,630	\$ 24,063,948	\$ 28,428,170	\$ 17,157,522

From 2003-2010, 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.

Table 2 (Continued)

2007	2008	2009	2010	2011	2012
\$ 12,767,354	\$ 14,200,833	\$ 14,676,518	\$ 14,229,111	\$ 14,487,805	\$ 15,002,764
369,240	388,935	151,956	147,561	160,884	113,902
2,232,717	1,941,335	1,323,230	1,039,867	1,032,409	546,681
22,628	56,453	37,162	-	-	11,769
-	-	-	-	-	-
1,111,046	1,297,988	1,899,577	2,089,406	100,000	100,000
<u>16,502,985</u>	<u>17,885,544</u>	<u>18,088,443</u>	<u>17,505,945</u>	<u>15,781,098</u>	<u>15,775,116</u>
3,185,863	3,128,741	1,336,979	1,279,872	758,182	423,946
-	-	-	-	-	-
-	-	-	-	-	-
(1,111,046)	(1,297,988)	(1,899,577)	(2,089,406)	(100,000)	(100,000)
<u>2,074,817</u>	<u>1,830,753</u>	<u>(562,598)</u>	<u>(809,534)</u>	<u>658,182</u>	<u>323,946</u>
<u>\$ 18,577,802</u>	<u>\$ 19,716,297</u>	<u>\$ 17,525,845</u>	<u>\$ 16,696,411</u>	<u>\$ 16,439,280</u>	<u>\$ 16,099,062</u>
\$ (6,993,133)	\$ 1,980,185	\$ 536,080	\$ 210,794	\$ 1,008,338	\$ 1,260,310
9,123,978	4,505,330	5,966,649	5,466,666	(412,090)	471,111
<u>\$ 2,130,845</u>	<u>\$ 6,485,515</u>	<u>\$ 6,502,729</u>	<u>\$ 5,677,460</u>	<u>\$ 596,248</u>	<u>\$ 1,731,421</u>

CITY OF SHAKOPEE

Table 3

FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2003	2004	2005	2006
General Fund:				
Nonspendable:				
Prepays	\$ -	\$ -	\$ -	\$ -
Reserved	79,003	13,586	16,465	1,490,157
Restricted for:				
BATC Litigation	-	-	-	-
Committed to:				
Working Capital	-	-	-	-
Unreserved	5,565,816	7,233,268	9,662,677	8,354,477
Unassigned	-	-	-	-
Total General Fund	<u>\$ 5,644,819</u>	<u>\$ 7,246,854</u>	<u>\$ 9,679,142</u>	<u>\$ 9,844,634</u>
All Other Governmental Funds				
Reserved:				
Special Revenue Funds	\$ 1,778,684	\$ 2,232,061	\$ 2,861,564	\$ 3,386,721
Debt Service Funds	6,369,303	10,837,684	9,236,020	7,930,114
Capital Projects Funds	7,088,887	17,088,803	9,915,610	8,082,799
Restricted for:				
Forfeitures	-	-	-	-
Transit	-	-	-	-
Telecommunication	-	-	-	-
SCDP Grant	-	-	-	-
Revolving Loans	-	-	-	-
Economic Development	-	-	-	-
Debt Service	-	-	-	-
Capital Improvements	-	-	-	-
Committed to:				
Working Capital	-	-	-	-
Transit	-	-	-	-
Revolving Loans	-	-	-	-
Economic Development	-	-	-	-
Park Projects	-	-	-	-
Capital Improvements	-	-	-	-
2008 Projects	-	-	-	-
2009 Projects	-	-	-	-
2010 Projects	-	-	-	-
Fire Station 2	-	-	-	-
Assigned to:				
Capital Improvements	-	-	-	-
Capital Projects Funds	-	-	-	-
Telecommunication	-	-	-	-
Unreserved				
Special Revenue Funds	-	(4,971)	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	(705,537)	(28,081)	(1,833,937)	(1,205,899)
Unassigned	-	-	-	-
Total all Other Governmental Funds	<u>\$ 14,531,337</u>	<u>\$ 30,125,496</u>	<u>\$ 20,179,257</u>	<u>\$ 18,193,735</u>

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

Only 2010-2012 are reported in compliance with GASB Statement No. 54. 2003-2009 are reported as previously stated.

Table 3 (Continued)

2007	2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	149,940	131,447	19,189
1,810,650	1,126,074	799,276	-	-	-
-	-	-	218,032	-	-
-	-	-	345,820	-	-
7,896,883	8,733,528	10,703,004	-	-	-
-	-	-	8,323,938	9,172,747	9,503,652
<u>\$ 9,707,533</u>	<u>\$ 9,859,602</u>	<u>\$ 11,502,280</u>	<u>\$ 9,037,730</u>	<u>\$ 9,304,194</u>	<u>\$ 9,522,841</u>
\$ 2,489,775	\$ 2,738,909	\$ 2,677,290	\$ -	\$ -	\$ -
-	-	-	-	-	-
3,849,703	4,873,440	4,185,059	-	-	-
-	-	-	189,112	208,518	195,823
-	-	-	1,158,355	1,237,762	1,045,340
-	-	-	49,192	45,681	-
-	-	-	55,743	22,462	22,447
-	-	-	143,023	249,147	252,639
-	-	-	447,319	497,775	562,959
-	-	-	5,127,697	4,625,946	9,574,198
-	-	-	2,203,238	958,195	1,815,339
-	-	-	345,820	-	-
-	-	-	463,470	-	-
-	-	-	100,000	-	-
-	-	-	20,930	-	-
-	-	-	1,785,164	-	-
-	-	-	3,616,689	-	-
-	-	-	190,431	-	-
-	-	-	14,876	-	-
-	-	-	131,398	-	-
-	-	-	2,476,886	-	-
-	-	-	-	6,964,247	8,681,475
-	-	-	-	413,228	394,666
-	-	-	-	-	66,989
993,555	1,130,452	-	-	-	-
7,941,439	7,658,289	7,504,770	-	-	-
1,673,762	1,994,812	2,453,383	-	-	-
-	-	-	(116,803)	(484,089)	(384,965)
<u>\$ 16,948,234</u>	<u>\$ 18,395,902</u>	<u>\$ 16,820,502</u>	<u>\$ 18,402,540</u>	<u>\$ 14,738,872</u>	<u>\$ 22,226,910</u>

CITY OF SHAKOPEE

Table 4

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
REVENUES:				
Taxes	\$ 7,991,699	\$ 8,207,254	\$ 9,621,721	\$ 10,815,367
Special Assessments	3,158,560	3,175,161	2,564,470	1,751,871
Licenses and Permits	4,748,457	4,173,804	4,444,491	2,675,935
Intergovernmental	2,612,877	4,162,581	3,646,605	2,877,245
Charges for Service	1,537,412	2,382,405	2,455,171	2,290,996
Fines and Forfeits	275,583	288,492	322,579	422,850
Miscellaneous	605,947	766,614	1,159,536	1,979,419
Total Revenues	<u>20,930,535</u>	<u>23,156,311</u>	<u>24,214,573</u>	<u>22,813,683</u>
EXPENDITURES:				
General Government	3,192,768	3,486,029	3,120,544	3,149,717
Police	3,148,785	3,698,352	4,159,724	4,842,268
Fire	975,656	1,141,700	1,194,610	1,481,327
Protective Inspection	645,030	690,920	855,864	829,526
Public Works	2,221,004	2,564,662	3,003,554	3,095,392
Culture and Recreation	669,570	2,489,749	2,792,590	3,453,545
Economic Development	-	-	-	-
Miscellaneous	317,167	-	-	-
Debt Service:				
Principal	3,720,000	1,775,000	1,845,000	3,055,000
Interest and Other Charges	717,098	701,976	1,106,324	1,195,618
Capital Outlay	5,532,652	7,432,575	14,058,508	10,650,449
Total Expenditures	<u>21,139,730</u>	<u>23,980,963</u>	<u>32,136,718</u>	<u>31,752,842</u>
Excess of Revenues Under Expenditures	<u>(209,195)</u>	<u>(824,652)</u>	<u>(7,922,145)</u>	<u>(8,939,159)</u>
OTHER FINANCING SOURCES (USES):				
Bonds Issued	2,215,567	15,070,000	-	3,440,000
Sale of Assets	41,761	299,183	753,024	2,700
Premium on Bonds Issued	-	-	-	20,275
Refunded Bond Escrow	-	-	(2,190,000)	-
Transfers In	1,732,872	5,963,741	3,374,566	6,683,532
Transfers Out	(2,289,221)	(3,312,078)	(1,529,396)	(3,354,364)
Total Other Financing Sources (Uses)	<u>1,700,979</u>	<u>18,020,846</u>	<u>408,194</u>	<u>6,792,143</u>
Net Change in Fund Balance	<u>\$ 1,491,784</u>	<u>\$ 17,196,194</u>	<u>\$ (7,513,951)</u>	<u>\$ (2,147,016)</u>
Debt Service as a Percentage of Noncapital Expenditures	33%	15%	19%	21%

Table 4 (Continued)

	2007	2008	2009	2010	2011	2012
\$	13,084,595	\$14,437,766	\$ 14,992,051	\$ 14,385,788	\$ 14,699,066	\$ 15,141,903
	2,301,560	1,879,974	1,810,511	1,404,088	1,475,324	1,499,810
	1,378,570	1,221,939	1,492,746	1,338,111	1,281,150	2,441,246
	2,540,584	2,702,993	1,811,668	2,924,161	3,941,830	2,548,692
	2,089,375	2,209,269	1,808,865	2,202,524	3,958,237	4,449,003
	501,228	442,626	428,662	549,543	411,211	418,474
	2,322,755	2,028,529	1,503,722	1,255,038	705,969	836,868
	<u>24,218,667</u>	<u>24,923,096</u>	<u>23,848,225</u>	<u>24,059,253</u>	<u>26,472,787</u>	<u>27,335,996</u>
	3,479,925	3,517,957	3,331,193	2,960,233	4,004,684	4,396,219
	5,562,945	5,818,091	6,038,687	6,361,621	6,705,512	6,912,036
	1,833,876	1,857,482	1,796,134	1,866,037	2,028,186	1,872,289
	945,196	786,715	769,883	784,909	727,126	699,674
	3,769,491	3,628,954	3,591,049	3,902,622	2,602,104	2,349,042
	3,651,539	4,101,175	3,898,844	4,075,919	3,902,386	3,799,723
	-	522,074	316,566	270,915	247,591	155,692
	-	-	-	-	-	-
	3,110,000	3,280,000	2,660,000	3,800,000	2,565,000	1,950,000
	1,025,868	1,077,711	1,077,325	833,245	658,265	634,063
	7,288,033	3,300,942	1,797,299	2,812,488	6,301,406	2,164,053
	<u>30,666,873</u>	<u>27,891,101</u>	<u>25,276,980</u>	<u>27,667,989</u>	<u>29,742,260</u>	<u>24,932,791</u>
	<u>(6,448,206)</u>	<u>(2,968,005)</u>	<u>(1,428,755)</u>	<u>(3,608,736)</u>	<u>(3,269,473)</u>	<u>2,403,205</u>
	2,815,000	2,170,000	-	1,555,000	-	4,865,000
	17,700	-	-	6,000	-	-
	9,956	16,741	-	-	-	73,480
	-	-	-	-	-	-
	4,411,281	4,605,693	4,958,133	13,199,807	2,968,919	3,367,400
	<u>(2,188,333)</u>	<u>(2,224,692)</u>	<u>(3,462,100)</u>	<u>(12,380,403)</u>	<u>(2,750,830)</u>	<u>(3,002,400)</u>
	<u>5,065,604</u>	<u>4,567,742</u>	<u>1,496,033</u>	<u>2,380,404</u>	<u>218,089</u>	<u>5,303,480</u>
\$	<u>(1,382,602)</u>	<u>\$ 1,599,737</u>	<u>\$ 67,278</u>	<u>\$ (1,228,332)</u>	<u>\$ (3,051,384)</u>	<u>\$ 7,706,685</u>
	16%	17%	16%	18%	14%	11%

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
2003	\$13,890,536	\$ 10,452,944	\$ 589,540	\$ 497,860	\$ 2,035,749	\$ 22,399,411	0.33939	\$ 2,062,115,200	1.09%
2004	16,721,302	10,609,240	913,912	497,255	2,121,170	25,626,029	0.32433	2,464,564,300	1.04%
2005	20,394,086	11,749,438	528,300	327,963	2,132,628	30,211,233	0.31115	2,654,161,900	1.14%
2006	23,162,320	12,710,783	565,215	352,543	1,615,190	34,470,585	0.30974	2,987,657,400	1.15%
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%

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				
2003	0.33172	0.00767	0.33939	0.24168	0.38554	0.05685	0.01393
2004	0.31131	0.01302	0.32433	0.21517	0.36635	0.04123	0.01189
2005	0.29855	0.01260	0.31115	0.25215	0.35361	0.04660	0.00969
2006	0.28996	0.01978	0.30974	0.27789	0.34974	0.04578	0.00848
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

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	2012			2003		
		2011/12 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value	2002/03 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value
Excel Energy	Electrical Generation	537,082	1	1.34%	\$ 372,190	4	1.49%
Rahr Malting	Grain Processing	407,838	2	1.02%	316,160	5	1.27%
Seagate	Manufacturing/Research	399,250	3	1.00%	739,250	2	2.96%
St. Francis RMC	Health Care	358,500	4	0.89%			
Shakopee Crossing LTD	Retail	357,420	5	0.89%			
Ryan Companies	Property Management	332,700	6	0.83%			
Canterbury Park	Horse Racing	324,236	7	0.81%			
Certainteed	Manufacturing	319,250	8	0.80%			
Shakopee Valley Market	Retail	315,750	9	0.79%			
Walmart	Retail	315,250	10	0.79%			
ADC Telecommunications	Electronics				740,108	1	2.97%
OIRE	Property Management				411,328	3	1.65%
KMart Warehouse	Warehouse/Distribution Center				285,404	6	1.14%
Principal Mutual Mortgage	Financial				266,918	7	1.07%
1000 Valley Drive	Warehouse				261,250	8	1.05%
Valley Fair	Amusement Park				256,032	9	1.03%
First Industrial LP	Warehouse				178,206	10	0.71%
		<u>\$ 3,667,276</u>		<u>9.16%</u>	<u>\$ 3,826,846</u>		<u>15.34%</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
2003	\$ 7,889,018	\$ 7,191,567	91%	\$ 47,055	\$ 7,238,622	92%	\$ 79,710	1.01%
2004	8,625,695	7,878,618	91%	(86,619)	7,791,999	90%	175,774	2.04%
2005	9,703,206	9,025,261	93%	67,187	9,092,448	94%	164,517	1.70%
2006	10,951,917	9,945,490	91%	38,986	9,984,476	91%	279,316	2.55%
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%

Source: Scott County Auditor

1. The above data does not include tax increment districts.
2. The State of Minnesota cancelled \$ 561,000 in 2003 to 2006, \$ 243,439 in 2008, \$ 511,956 in 2009, \$ 558,860 in 2010 and \$ 595,572 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	G.O. Revenue Tax Increment Bonds	Special Assessment Bonds				
2003	\$ 2,445,000	\$ -	\$ 13,060,000	\$ 25,215,000	\$ 40,720,000	5.0%	1,631
2004	10,595,000	-	18,205,000	25,515,000	54,315,000	5.5%	1,879
2005	8,275,000	-	16,360,000	24,750,000	49,385,000	4.4%	1,593
2006	7,950,000	-	17,070,000	34,535,000	59,555,000	4.9%	1,816
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

Sources: See Table 14 for income and population data.

Note: From 2003-2010, 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>
2003	\$ 2,445,000	0.12%	98	0.30%
2004	10,595,000	0.43%	366	1.07%
2005	8,275,000	0.31%	267	0.76%
2006	7,950,000	0.27%	242	0.65%
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%

Sources:

1. Metropolitan Council estimated for population.
2005-2009 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, 2012**

	G.O. Debt	Percentage Applicable To City of Shakopee (1)	Amount Applicable To City of Shakopee
Direct Debt:			
City of Shakopee	\$ 19,060,000	100.0%	\$ 19,060,000
Overlapping Debt:			
Independent School District No. 720	176,155,000	85.0%	149,731,750
Independent School District No. 191	113,620,000	6.8%	7,726,160
Scott County	96,795,000	29.4%	28,457,730
Metropolitan Council	1,724,988,995	1.0%	18,060,635
Total Overlapping Debt:	2,111,558,995		203,976,275
 Total Direct and Overlapping Debt	 \$ 2,130,618,995		 \$ 223,036,275

Source: Scott County Auditor
Dakota County Auditor
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 tax capacity. Applicable percentages were estimated by determining the portion of Scott County's tax capacity that is within the City's boundaries and dividing it by Scott County's total tax capacity.

CITY OF SHAKOPEE

Table 12

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Market Value (Taxable)	\$ 2,062,115,200	\$ 2,464,564,300	\$ 2,654,161,900	\$ 2,987,657,400
Debt Limit - Percent of Market Value (Note A)	<u>41,242,304</u>	<u>49,291,286</u>	<u>53,083,238</u>	<u>59,753,148</u>
Amount of Debt Applicable to Debt Limit:				
G.O. Bonds	2,445,000	10,595,000	8,275,000	7,950,000
Available in Debt Service Funds	(297,657)	(2,539,292)	(1,155,148)	(810,494)
Total Debt Applicable to Debt Limit	<u>2,147,343</u>	<u>8,055,708</u>	<u>7,119,852</u>	<u>7,139,506</u>
Legal Debt Margin	<u>\$ 39,094,961</u>	<u>\$ 41,235,578</u>	<u>\$ 45,963,386</u>	<u>\$ 52,613,642</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 (Continued)

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 3,419,040,600	\$ 3,800,795,500	\$ 3,850,591,200	\$ 3,710,814,056	\$ 3,570,069,500	\$ 3,347,179,800
<u>68,380,812</u>	<u>114,023,865</u>	<u>115,517,736</u>	<u>107,102,085</u>	<u>107,102,085</u>	<u>100,415,394</u>
7,560,000	7,165,000	6,755,000	6,340,000	5,905,000	10,325,000
(834,155)	(847,608)	(837,100)	(786,306)	(826,957)	(4,623,939)
<u>6,725,845</u>	<u>6,317,392</u>	<u>5,917,900</u>	<u>5,553,694</u>	<u>5,078,043</u>	<u>5,701,061</u>
<u>\$ 61,654,967</u>	<u>\$ 107,706,473</u>	<u>\$ 109,599,836</u>	<u>\$ 101,548,391</u>	<u>\$ 102,024,042</u>	<u>\$ 94,714,333</u>

CITY OF SHAKOPEE

Table 13

**PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years**

Fiscal Year	Utility Bonds						Coverage
	Utility Service Charges	Less: Operating Expense	Net Available Revenue	Debt Service			
				Principal	Interest		
2003	\$ 22,871,121	\$ 17,585,831	\$ 5,285,290	\$ 580,000	\$ 1,348,883	2.74	
2004	25,473,439	19,778,149	5,695,290	640,000	1,307,626	2.92	
2005	33,841,730	25,821,489	8,020,241	765,000	1,074,487	4.36	
2006	38,445,403	31,436,969	7,008,434	785,000	1,174,711	3.58	
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	-	-	-	-	-	-	

1. Operating expense excludes depreciation and amortization.

Note: From 2003-2010, 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 (4)</u>	<u>Personal Income (5)</u>
2003	24,967	4,790	4.3%	15,887	\$ 32,760	\$ 817,918,920
2004	28,913	5,121	3.9%	16,213	34,284	991,253,292
2005	31,000	6,247	3.6%	16,192	35,956	1,114,636,000
2006	32,800	6,643	3.7%	17,787	37,023	1,214,354,400
2007	33,460	6,905	4.6%	18,225	39,042	1,306,345,320
2008	33,660	7,163	6.7%	18,688	31,900	1,375,044,660
2009	33,860	7,465	7.8%	18,926	30,900	1,046,274,000
2010	37,076	7,814	7.0%	18,771	31,700	1,175,309,200
2011	37,721	8,115	4.6%	20,718	32,017	1,207,713,257
2012	37,841	8,392	5.0%	19,971	31,628	1,196,835,148

- Source:
1. Metropolitan Council population estimates except for 2010 which is the official census figure. 2005-2009,2011-2012 are the City's estimate.
 2. Shakopee School District, SACS, Bloomington Lutheran
 3. Minnesota Department of Employment and Economic Development
 4. Bureau of Economic Analysis and MET Council Community Profile Dad
 5. 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	2012			2003		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
Valley Fair	Amusement Park	1,600	1	8.01%	1,200	2	7.55%
Seagate	Manufacturing/Research	1,595	2	7.99%	1,100	3	6.92%
School District No. 720	Education	1,090	3	5.46%	390	8	2.45%
St. Francis RMC	Health Care	1,000	4	5.01%	363	9	2.28%
Canterbury Park	Horse Racing	750	5	3.76%			
Scott County	Government	700	6	3.51%	430	4	2.71%
Northstar Auto Auction	Auto Auction	350	7	1.75%			
Anchor Glass	Manufacturing	279	8	1.40%			
Minnesota Correctional Facilities	Government	259	9	1.30%			
TORO	Manufacturing	240	10	1.20%			
ADC	Manufacturing				1,400	1	8.81%
Kmart	Distribution Center				424	5	2.67%
Shakopee Valley Printing	Printing				415	6	2.61%
American Color - SVP	Printing				415	7	2.61%
CertainTeed	Roofing Manufacturing				300	10	1.89%
		<u>7,863</u>		<u>39.39%</u>	<u>6,437</u>		<u>40.50%</u>
Total Employment				19,971			15,887

Source: Minnesota Department of Employment and Economic Development.

CITY OF SHAKOPEE

Table 16

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government:					
Administration	6	6	6	6	5
City Clerk	4	4	4	4	4
Finance	3	3	3	3	3
Planning	6	5	5	5	5
Facilities Maintenance	1	4	4	6	6
Information Technology	1	2	2	2	2
Public Safety:					
Police:					
Licensed	34	40	42	45	46
Other	7	7	9	7	7
Fire:					
Full time	-	-	-	-	1
Paid On Call	50	50	50	48	48
Building Inspection	7	8	8	8	7
Public Works:					
Engineering	9	9	9	9	7
Street	9	11	12	12	12
Shop	3	3	3	3	3
Park and Recreation:					
Park Maintenance	7	7	7	7	8
Recreation	8	8	10	10	10
Total	<u>155</u>	<u>167</u>	<u>174</u>	<u>175</u>	<u>174</u>

Source: City departments

Table 16 (Continued)

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
5	5	5	5	6
4	4	4	4	3
3	3	3	3	4
5	5	5	5	5
7	6	6	6	4
2	2	2	2	2
47	47	47	50	49
6	6	6	6	7
2	3	3	3	3
48	44	44	42	44
6	5	5	5	5
7	7	7	7	7
13	13	13	13	13
3	3	3	4	3
8	8	8	8	8
7	7	7	7	7
<u>173</u>	<u>168</u>	<u>168</u>	<u>170</u>	<u>170</u>

CITY OF SHAKOPEE

Table 17

**OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government					
Planning					
Number of Case Files	127	109	120	91	67
Number of Plats Filed	11	9	7	10	3
Number of Acres Platted	385	238	321	155	38
Public Safety					
Police					
Arrests	1,147	1,248	1,451	1,770	2,199
Citations	3,129	3,802	3,843	4,970	6,073
Calls for Service	14,799	16,062	17,363	18,333	19,606
Fire					
Calls for Service	482	479	539	494	609
Building Inspection					
Building Permits Issued	1,744	1,638	1,512	1,131	1,194
Number of Inspections	15,016	14,535	15,175	9,671	8,174
Single Family Homes Permitted	384	396	352	223	138
Public Works					
Street					
Miles of Roadway	138	114	123	153	154
Park and Recreation					
Park Maintenance					
Acres Maintained	671	760	925	930	930
Recreation					
Program Participants	10,194	9,693	9,842	9,928	10,847
Community Center Members	556	541	516	578	597
Community Center Admissions	77,014	75,018	77,543	91,776	100,044

Source: City departments

Table 17 (Continued)

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
68	35	33	24	47
2	2	1	2	5
50	34	6	68	89
1,881	1,913	1,962	1,666	1,798
4,058	6,127	5,528	5,647	5,636
19,057	17,909	17,831	17,852	18,349
538	517	557	600	617
1,019	1,102	1,083	1,881	1,413
5,946	9,726	8,048	8,004	8,191
94	314	160	118	97
154	154	154	154	154
933	933	933	933	933
11,410	10,377	13,001	13,157	13,104
613	823	2,534	3,682	4,009
100,397	109,257	117,336	120,667	128,929

CITY OF SHAKOPEE

Table 18

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police:					
Stations	1	1	1	1	1
Patrol Zones	4	4	4	4	4
Patrol Units	12	13	13	15	15
Fire Stations	2	2	2	2	2
Street:					
Miles of Roadway	138	114	123	153	154
Traffic Signals	23	25	25	25	25
Parks:					
Acres	671	760	925	1,015	1,015
Ball Fields	42	46	46	47	47
Playgrounds	13	13	13	18	22

Source: City Departments

Table 18 (Continued)

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1	1	1	1	1
4	4	4	4	4
15	15	15	15	15
2	2	2	2	2
154	154	154	154	154
26	27	27	27	29
1,019	1,024	1,024	1,024	1,048
49	49	52	54	56
24	24	24	26	26