

CITY OF SHAKOPEE, MINNESOTA

Scott County

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2011

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF SHAKOPEE

TABLE OF CONTENTS

SECTION I

	Page
INTRODUCTORY SECTION	
Elected Officials and Administration.....	1
Organization Chart.....	2
Letter of Transmittal	3
Certificate of Achievement for Excellence in Financial Reporting	7

SECTION II

FINANCIAL SECTION	
Independent Auditor’s Report.....	9
Management’s Discussion and Analysis (Unaudited)	11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	24
Statement of Activities.....	25
Fund Financial Statements:	
Balance Sheet – Governmental Funds	26
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds	29
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	31
Statement of Net Assets – Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds.....	34
Statement of Net Assets – Component Units.....	36
Statement of Revenues, Expenses and Changes in Fund Net Assets – Component Units	37
Statement of Cash Flows – Component Units - SPUC.....	38
Combined Statement of Fiduciary Net Assets	40
Notes to the Financial Statements.....	41
Required Supplementary Information:	
Schedule of Funding Progress – Other Post Employment Benefits.....	74
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	76
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	84

CITY OF SHAKOPEE

TABLE OF CONTENTS

SECTION II

Table Page

FINANCIAL SECTION

Supplementary Information: (Continued)

Combining and Individual Fund Financial Statements and Schedules: (Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance –

Budget and Actual:

Transit Fund	90
Economic Development Authority Fund	91
Combining Statement of Fund Net Assets – Internal Service Funds.....	92
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	93
Combining Statement of Cash Flows – Internal Service Funds	94
Statement Fiduciary Net Assets – Escrow Agency Fund.....	95
Statement of Changes in Assets and Liabilities – Escrow Agency Fund.....	96

SECTION III

STATISTICAL SECTION

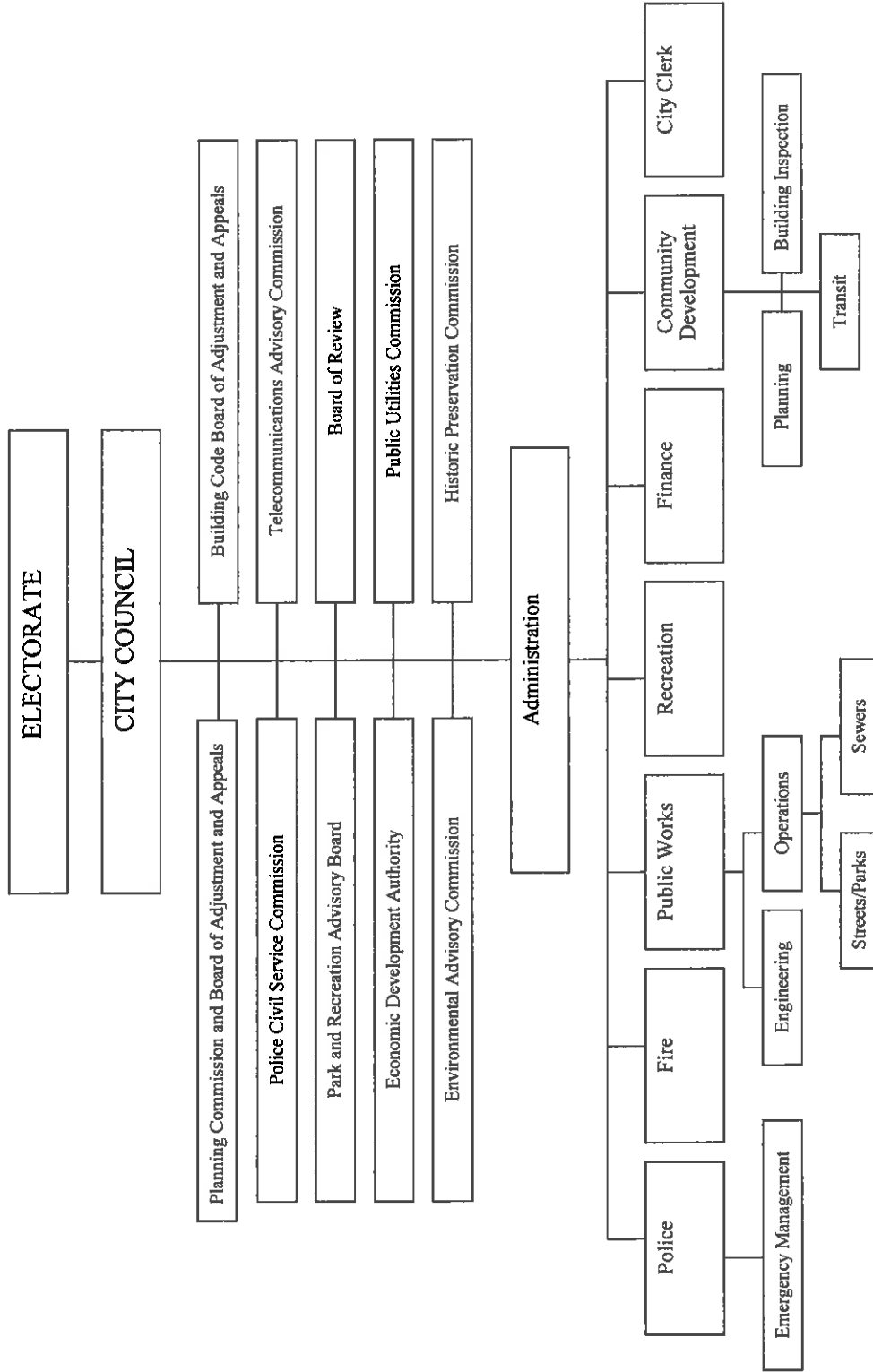
Net Assets by Component.....	1	100
Changes in Net Assets	2	102
Fund Balances – Governmental Funds	3	106
Changes in Fund Balances – Governmental Funds.....	4	108
Tax Capacity and Estimated Actual Value of Taxable Property	5	110
Direct and Overlapping Property Tax Rates	6	111
Principal Taxpayers.....	7	112
Property Tax Levies and Collections	8	113
Ratio of Outstanding Debt by Type	9	114
Ratio of General Bonded Outstanding.....	10	115
Direct and Overlapping Governmental Activities Debt.....	11	117
Legal Debt Margin Information	12	118
Pledged Revenue Coverage	13	120
Demographic and Economic Statistics	14	121
Principal Employers.....	15	123
Full-Time Equivalent City Government Employees by Function/Program.....	16	124
Operating Indicators by Function/Program.....	17	126
Capital Asset Statistics by Function/Program.....	18	128

CITY OF SHAKOPEE
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2011

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
John Schmitt	Mayor	December 31, 2011
Matthew Lehman	Council Member	December 31, 2011
Patrick Heitzman	Council Member	December 31, 2011
Steven Clay	Council Member	December 31, 2013
Pamela Punt	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, 2011**



April 25th, 2012

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

Minnesota Statutes require every city publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that specific requirement for the fiscal year ended December 31, 2011.

Management assumes full responsibility for the completeness and reliability of all of the information presented in the report, 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. An unqualified ("clean") opinion on the City's financial statements for the year ended December 31, 2011 has been issued. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management as well as evaluating 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 of 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 has increased to 37,076 and is anticipated to continue on a consistent growth pattern. This increase continues to maintain Shakopee as one of the most rapidly growing suburbs in Minnesota. Growth, while slowing since the mid 2000's, continues to provide Shakopee with the assurance that the city's unique blend of residential, commercial and industrial opportunities will provide a strong base for the economic health of the community and region. Approximately 45% of the community is developed, with approximately 28% of the developed land as residential. 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 the 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 and is included as a component unit of the City. Housing, economic development and redevelopment are controlled by the Shakopee Economic Development Authority. The Authority is comprised of City Council members and is included as an integral part of the City's report.

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 Head, to determine specific budget requests and presentations to the City Council. 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 hearing. 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, a five-year capital improvement plan and a ten-year major equipment list is also annually prepared. Internal Service funds are utilized for the definition and application of charges for equipment, buildings, park assets, and information technology. These charges are integrated into the individual budgets of the funds 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. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been formally adopted.

Local Economy

The City continues to experience a stable and healthy economic environment, and is fortunate to be a site for planned commercial, industrial and residential growth. Building permits have decreased from the prior years of significant growth, yet the volume of permits is maintaining at a strong level of growth, allowing for a consistent level of building and permit revenue. The City is currently experiencing strong interest in the available commercial and industrial sites. There are currently projects that are being considered by the Economic Development Authority and City Council for tax abatement and tax increment financing options that will provide the community with a broader array of job opportunities and commercial options. Housing and related development continues to maintain a steady growth pattern, as the community provides a broad base of housing options for a mix of single family and multi-family residences. Senior housing options also being reviewed, as the changing demographics of the area will require a response to these rapidly changing family needs and expectations.

The local commercial industrial sector continues to maintain a strong and consistent base for community growth in terms of tax capacity as well as job opportunities. The City has traditionally had a strong industrial base with commercial/industrial property currently comprising 24% of market value and 37% of tax capacity. The largest commercial/industrial taxpayer comprises 1.2% of total tax capacity, which is consistent with prior years' and represents the broad diversity of the local tax base. 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.

Late in the 2011 legislative session, adjustments were made to the property tax classification structure that has now impacted the market values of all classifications of property. This has resulted in variances in the comparable numbers for the market value of properties and has ultimately reduced the market values of property, and also resulting in an increase in tax rates even if property tax levies were held flat. This resulted in a difficult and challenging year for budget presentations as well as community information, and as a result, little adjustment or changes were made to the proposed property tax levies, resulting in limited program changes or adjustments to capital plans, requiring an increased levy. The city is fortunate to not experience large decreases in market values that several surrounding communities have dealt with, but Council and staff are aware that the confusing and lack of comparable data resulting from the recent legislative changes require staff to consider and apply conservative and thoughtful approaches to future budget needs and levies.

Long-term Financial Planning. Dependent on the volume of infrastructure work the City issues bonds to fund infrastructure replacement, expansion and additions for the growing population each year, or every other year. Much of this debt is funded by special assessments against benefited properties. Recently 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. This may be developed through specific inter-fund transfers, or designation of a portion of the General levy. A replacement fire station has recently been built replacing the existing fire station located in a less densely populated area of the City. Within the next five years a satellite station may be built to meet the needs of a growing population, as well as educational and commercial and industrial growth.

The City of Shakopee annually prepares an updated five-year capital improvement plan and ten year capital equipment list, along with an annual budget, which are presented to Council for approval.

Relevant Financial Policies

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.

The City typically 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.

The major source of revenue for the General Fund is property taxes which are received one half in June and one half in December. The property tax levy, including levies for debt service and the Economic Development Authority (EDA) are approved as a component of the annual budget process.

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, 2010. This was the twenty seventh 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.

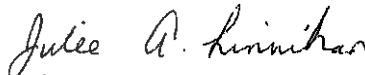
A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2010

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.



Linda C. Danison

President

Jeffrey R. Emery

Executive Director

(THIS PAGE LEFT BLANK INTENTIONALLY)



Expert advice. When you need it.SM

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Shakopee, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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, each major fund and the aggregate remaining fund information of the City of Shakopee, Minnesota, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

Expert advice. When you need it.SM

Certified Public Accountants
Wealth Management
Payroll Services
Business Valuations
Technology Services

St. Cloud
220 Park Avenue S.
P.O. Box 1304
St. Cloud, Minnesota
56302
Phone: 320.251.7010
Fax: 320.251.1784

Twin Cities
3800 American Boulevard W.
Suite 1000
Bloomington, Minnesota
55431
Phone: 952.563.6800
Fax: 952.563.6801

www.kdv.com
Toll Free
877.912.7696
Technology Help Desk
866.400.6426



In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, which follows this report letter, and the Schedule of Funding Progress – Other Post Employment Benefits, as listed in the Table of Contents, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

The information identified in the Table of Contents as the Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
Bloomington, Minnesota
April 25, 2012

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

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, 2011. 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 6 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by \$ 255.6 million (net assets). Of this amount, \$ 64.7 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$ 597,000.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$ 24.0 million, slightly lower than the prior year. Approximately 36% of this total amount, \$ 8.7 million is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current year, unassigned fund balance for the General Fund was \$ 9.2 million, or 49%, of total General Fund expenditures.
- The City's total bonded debt decreased by \$ 2.6 million, or 13.7%, during the current year.

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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee leaves).

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

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

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 24 and 25 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 25 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, the 2007A 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.

The basic governmental funds financial statements can be found on pages 26 to 31 of this report.

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011

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 32 to 35 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 Assets. Also, some information on the Statement of Changes in Net Assets is aggregated for component units. The component units' Statements of Net Assets and Statement of Changes in Net Assets 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 40 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 72 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, 2011

The combining statements referred to earlier in connection with nonmajor 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 76 to 96 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. For the City, assets exceeded liabilities by \$ 255.6 million at the close of the most recent year.

By far the largest portion of the City's net assets (70%) 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 Assets (Expressed in Thousand)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010, Restated	2011	2010, Restated
Current and Other Assets	\$ 48,799	\$ 49,844	\$ 33,433	\$ 33,463	\$ 82,232	\$ 83,307
Capital Assets	131,127	130,615	65,080	64,220	196,207	194,835
Total Assets	\$ 179,926	\$ 180,459	\$ 98,513	\$ 97,683	\$ 278,439	\$ 278,142
Long-Term Liabilities						
Outstanding	\$ 15,830	\$ 17,065	\$ 74	\$ 59	\$ 15,904	\$ 17,124
Other Liabilities	5,428	5,735	1,431	204	6,859	5,939
Total Liabilities	\$ 21,258	\$ 22,800	\$ 1,505	\$ 263	\$ 22,763	\$ 23,063
NET ASSETS:						
Invested in Capital Assets,						
Net of Related Debt	\$ 114,982	\$ 111,905	\$ 65,080	\$ 64,220	\$ 180,062	\$ 176,125
Restricted	10,915	1,844	-	-	10,915	1,844
Unrestricted	32,771	43,910	31,928	33,200	64,699	77,110
Total Net Assets	\$ 158,668	\$ 157,659	\$ 97,008	\$ 97,420	\$ 255,676	\$ 255,079

An additional portion of the City's net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$ 65 million) may be used to meet the City's ongoing obligations to citizens and creditors.

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

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

During the current year, the City's net assets increased by \$ 596 thousand. The enterprise fund activities actually decreased net assets during 2011 with revenues decreasing at a greater rate than expenses.

Changes in Net Assets
(Expressed in Thousands)

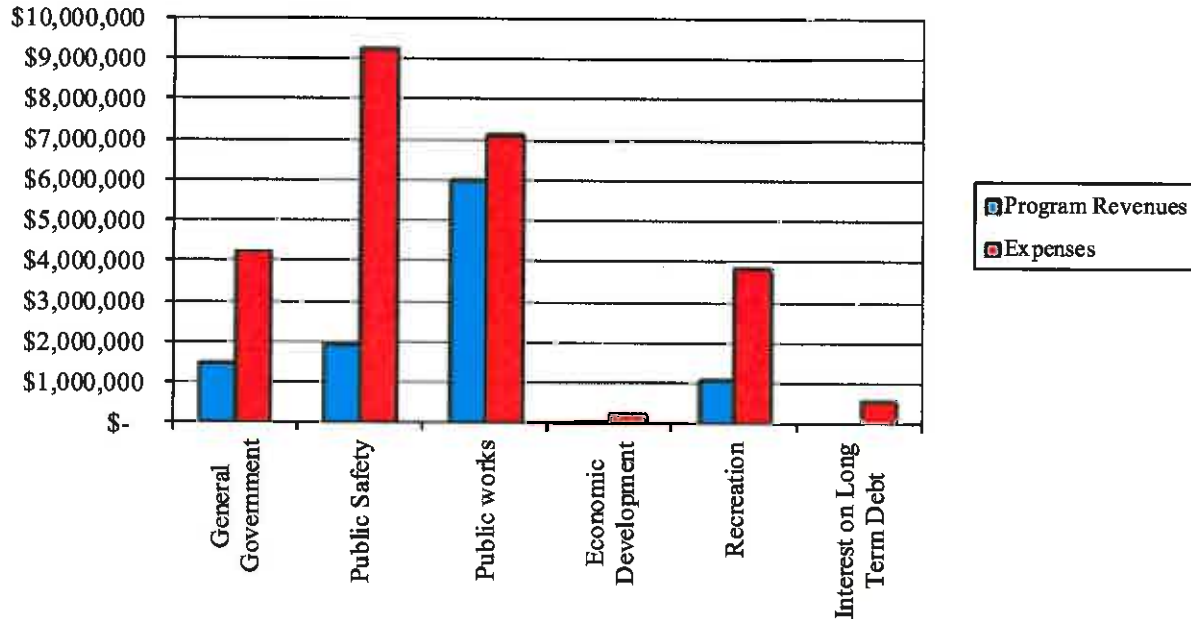
	Governmental Activities		Business-Type Activities		Total	
	2011	2010, Restated	2011	2010, Restated	2011	2010, Restated
REVENUES:						
Program Revenues:						
Charges for Services	\$ 3,781	\$ 4,350	\$ 4,026	\$ 4,791	\$ 7,807	\$ 9,141
Operating Grants and Contributions	3,606	2,944	-	6	3,606	2,950
Capital Grants and Contributions	3,153	952	93	445	3,246	1,397
General Revenues:						
Property Taxes	14,488	14,229	-	-	14,488	14,229
Other Taxes	161	148	-	-	161	148
Other	1,032	1,040	758	936	1,790	1,976
Total Revenues	<u>26,221</u>	<u>23,663</u>	<u>4,877</u>	<u>6,178</u>	<u>31,098</u>	<u>29,841</u>
EXPENSES:						
General Government	4,253	4,225	-	-	4,253	4,225
Public Safety	9,237	9,123	-	-	9,237	9,123
Public Works	7,094	7,216	-	-	7,094	7,216
Economic Development	244	427	-	-	244	427
Culture and Recreation	3,866	3,766	-	-	3,866	3,766
Interest on Long-Term Debt	619	785	-	-	619	785
Electric	-	-	-	-	-	-
Water	-	-	-	-	-	-
Sewer	-	-	3,807	3,685	3,807	3,685
Storm	-	-	1,382	1,793	1,382	1,793
Total Expenses	<u>25,313</u>	<u>25,542</u>	<u>5,189</u>	<u>5,478</u>	<u>30,502</u>	<u>31,020</u>
Increase (Decrease in Net Assets before Transfers	908	(1,879)	(312)	700	596	(1,179)
Transfers	<u>100</u>	<u>2,089</u>	<u>(100)</u>	<u>(100)</u>	<u>-</u>	<u>1,989</u>
Change in Net Assets	1,008	210	(412)	600	596	810
NET ASSETS:						
January 1	157,659	157,449	97,420	96,820	255,079	254,269
December 31	<u>\$ 158,667</u>	<u>\$ 157,659</u>	<u>\$ 97,008</u>	<u>\$ 97,420</u>	<u>\$ 255,675</u>	<u>\$ 255,079</u>

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

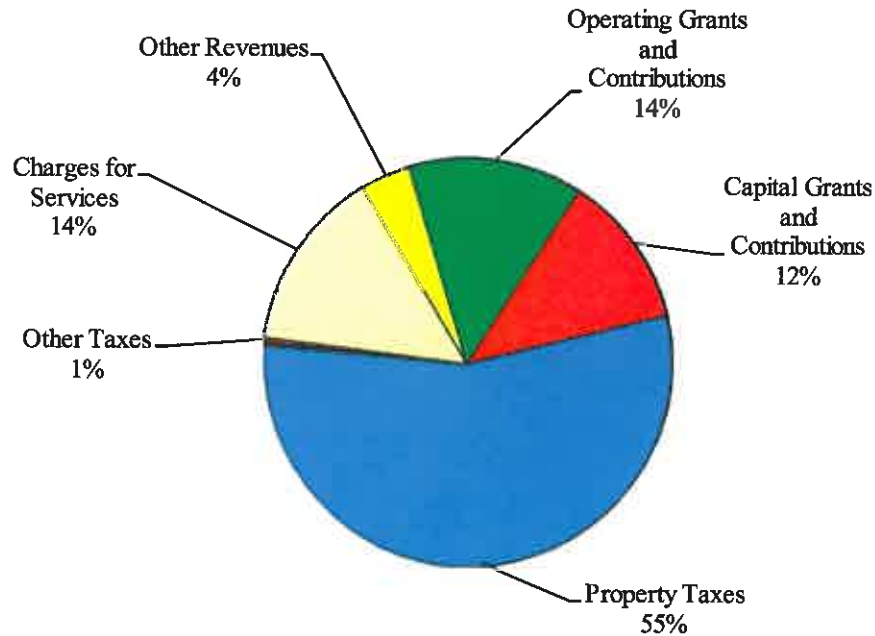
Governmental Activities

Governmental activities increased the City's net assets by \$ 1,008,338. The major increase was a result of municipal state aid revenue coming in on construction projects.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



CITY OF SHAKOPEE

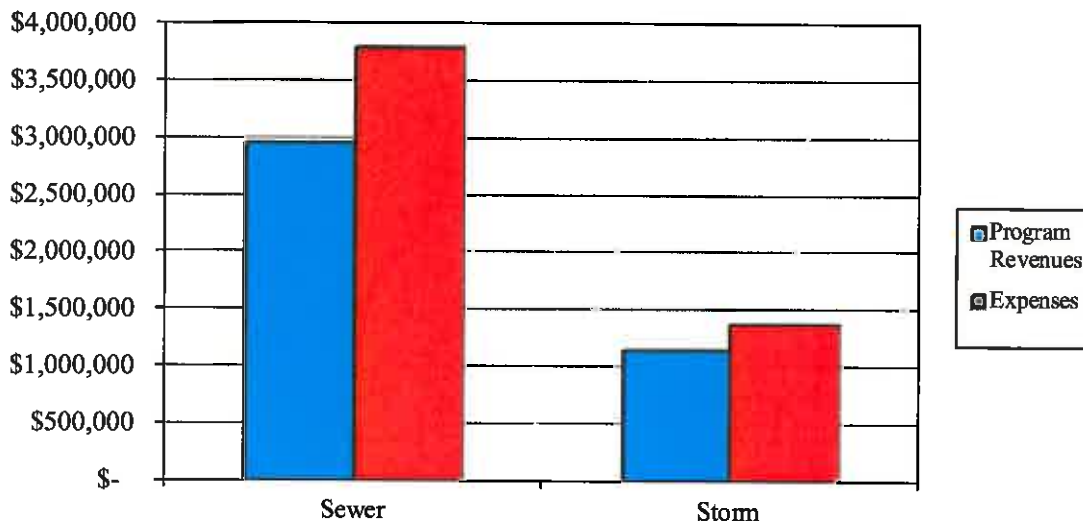
MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011

Business-Type Activities

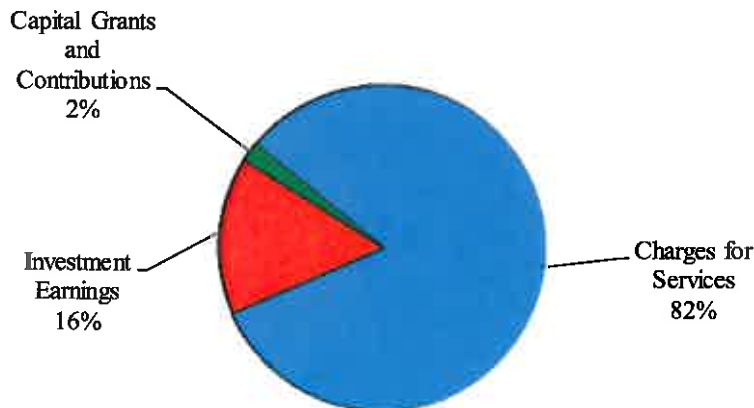
Business-type activities decreased the City's net assets by \$ 412,090. During 2011, it was determined SPUC no longer met the criteria of a blended component unit and it was determined SPUC's funds would be presented as discretely presented component units prospectively. Key elements of this decrease are as follows:

- Decrease in charges for services of \$ 1,358,725 as the utility funds have experienced decreased revenue collections due to decreased rates and usage as well as less connection charges due to a decline in new development.
- Expenses increased in 2011 due to higher Met Council fees.
- Net transfers – \$ (100,000), in comparison to the net transfer of \$ (2,100,000), in 2010 due to changing activity since SPUC is now discretely presented instead of blended.

Expenses and Program Revenues – Business-Type Activities



Revenues by Source – Business-Type Activities



CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

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 \$ 24,043,066, a decrease of \$ 3,051,384 in comparison with the prior year. Approximately 36%, (\$ 8,688,658), of the total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. Approximately 31%, (\$ 7,377,475), of the total amount constitutes assigned fund balance, which is assigned for designated purposes. The remainder of fund balance, (\$ 7,976,933), is not available for new spending because it has already been restricted or is nonspendable.

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 \$ 9,304,194. As a measure of the General Fund's liquidity, it may be useful to compare fund balance (assigned and unassigned) to total fund expenditures. Fund balance represents 49% of total General Fund expenditures.

Fund balance of the City's General Fund increased by \$ 266,464 during the current year. Key factors in this increase consist of the following:

- Before transfer fund balance of the General Fund resulted in a \$ 2,280,000 increase. After the net transfer of \$ 2,010,000 fund balance increased \$ 270,000. Transfers provided the necessary funding for several significant capital, infrastructure and facility expansions that will be undertaken.
- Revenues exceeded the budget by \$ 1.2 million, or 6.3 %. Tax collections and building permit revenues exceeded expectations.
- Under-spending the budget by \$ 1.5 million, or 7.4%. City staff continued a trend of conservative spending, as well as vacant staff positions left unfilled in 2011.

Proprietary funds

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

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

Unrestricted net assets of the enterprise funds:

	<u>Sewer</u>	<u>Storm</u>
Beginning of Year	\$ 16,802	\$ 16,397
Change During Year	<u>(441)</u>	<u>(888)</u>
End of Year	<u>\$ 16,361</u>	<u>\$ 15,509</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The original legally adopted budget for expenditures was \$ 20,175,640 and transfers out were \$ 0 with no budget adjustments. Actual expenditures of \$ 18,674,938 were \$ 1,500,702 under budget. The variance was a result of postponing hires of several positions, lower than anticipated commodity costs and deferred projects and repairs. Original and final adopted budgets for revenues were \$ 19,707,420 and transfers in were \$ 122,400. Actual revenues of \$ 20,956,396 were \$ 1,248,976 over budget. This was a result of a correction by the county for 2010 disparities, an increase in collection of property taxes on top of conservative budgeting and increased collections for charges for services.

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, 2011, amounts to \$ 180,062,025 (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:

- Work was continued on the fire station at Vierling Drive which added \$ 2,400,000. This project will be completed in early 2012.
- A variety of street, park and building construction projects were started and awaiting completion with a value of \$ 2,700,000 along with \$ 1,600,000 in completed street and park projects.
- Equipment added \$ 1,176,000.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

Capital Assets
(Net of Depreciation)
Expressed in Thousands

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010, Restated	2011	2010
Land	\$ 19,488	\$ 19,488	\$ 3,944	\$ 3,944	\$ 23,432	\$ 23,432
ROW	-	-	75	-	75	-
Construction in Progress	5,300	730	1,745	-	7,045	730
Line Rights			916	941	916	941
Infrastructure	74,817	77,541	56,886	57,987	131,703	135,528
Buildings	24,230	25,078	-	-	24,230	25,078
Machinery and Equipment	7,292	7,778	1,514	1,348	8,806	9,126
Total	\$ 131,127	\$ 130,615	\$ 65,080	\$ 64,220	\$ 196,207	\$ 194,835

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

Long-Term Debt

At the end of the current year, the City had total bonded debt outstanding of \$ 16,145,000. Of this amount, \$ 5,905,000 comprises debt backed by the full faith and credit of the government and \$ 10,240,000 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	
	2011	2010
G.O. Bonds	\$ 5,905	\$ 6,340
Special Assessment Debt with Governmental Commitment	10,240	12,370
Revenue Bonds	-	-
Total	\$ 16,145	\$ 18,710

The City's total bonded debt decreased by \$ 2,565,000 during the current year.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

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 \$ 107 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 to 63 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the state was 5.7% at year-end. This is a decrease from a rate of 7.0% a year ago.

Private firms added slightly over 36,000 jobs in 2011, primarily in health service business and professional services. Inflationary trends in the region remain low in comparison to national indices.

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 \$ 9,172,000. This can be similarly compared to the unassigned fund balance of 2010 of \$ 8,324,000. The City has maintained a strong financial position, even with the decrease in the permit revenue source. The City Council and staff have planned for this reduction with a re-allocation of staff time and budget prioritization, to ensure budget reflected the reduced resources.

The tax levy for 2011/2012 is flat at \$ 14,837,000. The tax rate increased from 34.6827 to 34.839, a .4% increase. The General Fund budget for 2012 expenditures as originally adopted was \$ 20,120,671 compared to \$ 20,176,000 for 2011 and \$ 19,768,000 for 2010. The 2011 budget reflected several departmental reclassifications which had little impact on the comparative budget. As in the past, the public safety areas comprise the largest component of the budget with increased demands for police services and the near completion of the newly constructed fire station. This station will replace the 1950's site that is out of service as of spring 2012.

Utility rates for the Electric and Water Enterprise Funds slightly increased in 2012 while the Sewer Fund flow rate increased 3% with the flat fee decreasing 29% and the Storm Drainage Fund rate was decreased 15%. The infrastructure planning and development as well as coordination with capital programs of the City and SPUC will determine the planned expenditures as well as the need for future rate review and possible increases.

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.

(THIS PAGE LEFT BLANK INTENTIONALLY)

BASIC FINANCIAL STATEMENTS

CITY OF SHAKOPEE
STATEMENT OF NET ASSETS
December 31, 2011

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Cash and Investments (Including Cash Equivalents)	\$ 41,260,929	\$ 31,420,901	\$ 72,681,830	\$ 23,077,827
Restricted Cash and Investments		-	-	7,010,708
Property Tax Receivable	260,248	-	260,248	-
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	344,186	438,185	782,371	3,239,279
Interest Receivable	157,517	126,620	284,137	67,888
Due From Other Governments	1,015,692	-	1,015,692	-
Special Assessments Receivable	5,326,943	140,637	5,467,580	-
Due from City of Shakopee	-	-	-	112,405
Inventories	-	-	-	960,884
Prepaid Expenses	131,447	-	131,447	83,507
Notes Receivable	302,133	-	302,133	-
Unamortized Debt Issue Costs	-	-	-	464,538
Electric Plant Acquisition (Net of Accumulated Amortization)	-	-	-	348,249
Long-Term SAC Credits	-	1,307,159	1,307,159	-
Capital Assets, Net of Accumulated Depreciation (Where Applicable):				
Land and Land Improvements	19,488,040	3,944,380	23,432,420	-
Right of Way	-	75,000	75,000	-
Construction in Progress	5,300,319	1,745,002	7,045,321	6,179
Line Rights	-	915,810	915,810	-
Infrastructure	74,816,889	56,885,768	131,702,657	-
Plant in Service	-	-	-	72,831,009
Buildings	24,230,203	-	24,230,203	-
Machinery and Equipment	7,291,504	1,514,110	8,805,614	-
Total Assets	\$ 179,926,050	\$ 98,513,572	\$ 278,439,622	\$ 108,202,473
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts and Contracts Payable	\$ 1,633,739	\$ 92,963	\$ 1,726,702	2,981,126
Other Current Liabilities	-	-	-	184,825
Due to Other Governments	325,734	-	325,734	-
Due to City of Shakopee	-	-	-	23,067
Salaries and Benefits Payable	501,610	-	501,610	-
Deposits Payable	-	-	-	1,218,502
Interest Payable	250,245	-	250,245	336,031
Unearned Revenue	-	1,307,159	1,307,159	1,231
Customer Advances	-	-	-	3,972
Bond Principal Payable, Net:				
Payable Within One Year	1,950,000	-	1,950,000	600,000
Payable After One Year	14,195,000	-	14,195,000	17,281,921
Compensated Absences Payable:				
Payable Within One Year	766,754	31,136	797,890	-
Payable After One Year	937,144	38,056	975,200	-
Net Other Post Employment Benefits (OPEB) Obligation	698,103	36,258	734,361	-
Total Liabilities	21,258,329	1,505,572	22,763,901	22,630,675
Net Assets				
Invested in Capital Assets, Net of Related Debt	114,981,955	65,080,070	180,062,025	55,768,054
Restricted for:				
Economic Development	497,775	-	497,775	-
Cable PEG Fees	45,681	-	45,681	-
Transit	1,237,762	-	1,237,762	-
Forfeiture	208,518	-	208,518	-
Debt Service	8,924,703	-	8,924,703	-
Component Units	-	-	-	5,354,275
Unrestricted	32,771,327	31,927,930	64,699,257	24,449,469
Total Net Assets	158,667,721	97,008,000	255,675,721	85,571,798
Total Liabilities and Net Assets	\$ 179,926,050	\$ 98,513,572	\$ 278,439,622	\$ 108,202,473

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, 2011

Functions/Programs Governmental Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Governmental	\$ 4,252,887	\$ 721,180	\$ -	\$ -	\$ (2,762,122)	\$ -	\$ (2,762,122)	\$ -
General Government	9,236,767	1,503,188	-	-	(7,324,598)	-	(7,324,598)	-
Public Safety	7,094,047	478,788	3,116,931	-	(1,070,805)	-	(1,070,805)	-
Economic Development	244,361	7,100	-	-	(237,261)	-	(237,261)	-
Culture and Recreation	3,866,307	1,071,482	-	35,950	(2,758,875)	-	(2,758,875)	-
Interest on Long-Term Debt	619,099	-	-	-	(619,099)	-	(619,099)	-
Total Governmental Activities	25,313,468	3,781,738	3,606,089	3,152,881	(14,772,760)	-	(14,772,760)	-
Business-Type Activities								
Sewer	3,807,322	2,941,753	-	18,810	-	(846,759)	(846,759)	-
Storm Drainage	1,382,391	1,083,878	-	75,000	-	(223,513)	(223,513)	-
Total Business-Type Activities	5,189,713	4,025,631	-	93,810	-	(1,070,272)	(1,070,272)	-
Total Primary Government	\$ 30,503,181	\$ 7,807,369	\$ 3,606,089	\$ 3,246,691	\$ (14,772,760)	\$ (1,070,272)	\$ (15,843,032)	\$ -
Component Unit - SPUC								
Electric	\$ 35,088,461	\$ 37,577,570	\$ -	\$ 166,213	\$ -	\$ -	\$ -	\$ 2,655,322
Water	4,282,796	4,718,094	-	762,275	-	-	-	1,197,573
Total Component Unit	\$ 39,371,257	\$ 42,295,664	\$ -	\$ 928,488	\$ -	\$ -	\$ -	\$ 3,852,895
General Revenues								
Property Taxes					14,487,805		14,487,805	
Tax Increments					160,884		160,884	
Unrestricted Investment Earnings					1,032,409	758,182	1,790,591	170,905
Transfers					100,000	(100,000)	-	-
Total General Revenues and Transfers					15,781,098	658,182	16,439,280	170,905
Change in Net Assets					1,008,338	(412,090)	596,248	4,023,800
Net Assets - Beginning					157,659,383	178,968,088	336,627,471	-
Change in Accounting Principles					-	(81,547,998)	(81,547,998)	81,547,998
Net Assets - Beginning, As Restated					157,659,383	97,420,090	255,079,473	81,547,998
Net Assets - Ending					\$ 158,667,721	\$ 97,008,000	\$ 255,675,721	\$ 85,571,798

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

CITY OF SHAKOPEE

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2011

	General Fund	Debt Service 2004A Improvement Bonds	Debt Service 2007A Improvement Bonds	Capital Project Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 9,233,328	\$ 441,727	\$ 152,156	\$ 6,486,430	\$ 8,370,262	\$ 24,683,903
Taxes Receivable - Delinquent	257,653	-	-	-	2,595	260,248
Special Assessments Receivable:						
Delinquent	7,237	-	10,509	1,010	5,669	24,425
Deferred	36,402	2,036,632	806,559	735,827	1,687,098	5,302,518
Accounts Receivable	276,455	-	-	-	67,731	344,186
Interest Receivable	45,084	1,832	599	20,561	23,820	91,896
Due from Other Funds	266,489	-	-	-	-	266,489
Due From Other Governments	210,330	-	3,706	799,586	2,070	1,015,692
Notes Receivable	-	-	-	-	22,133	22,133
Prepaid Items	131,447	-	-	-	-	131,447
Total Assets	\$ 10,464,425	\$ 2,480,191	\$ 973,529	\$ 8,043,414	\$ 10,181,378	\$ 32,142,937
LIABILITIES AND FUND BALANCES						
BALANCES						
Liabilities						
Accounts Payable	\$ 351,311	\$ 374	\$ 374	\$ 42,329	\$ 737,712	\$ 1,132,100
Contracts Payable	-	-	-	-	286,747	286,747
Due to Other Funds	-	-	-	-	266,489	266,489
Due to Other Governments	6,019	-	-	300,000	19,715	325,734
Salaries and Benefits Payable	501,610	-	-	-	-	501,610
Deferred Revenue	301,291	2,036,632	817,068	736,838	1,695,362	5,587,191
Total Liabilities	1,160,231	2,037,006	817,442	1,079,167	3,006,025	8,099,871
Fund Balances						
Nonspendable	131,447	-	-	-	-	131,447
Restricted	-	443,185	156,087	-	7,246,214	7,845,486
Assigned	-	-	-	6,964,247	413,228	7,377,475
Unassigned	9,172,747	-	-	-	(484,089)	8,688,658
Total Fund Balances	9,304,194	443,185	156,087	6,964,247	7,175,353	24,043,066
Total Liabilities and Fund Balances	\$ 10,464,425	\$ 2,480,191	\$ 973,529	\$ 8,043,414	\$ 10,181,378	\$ 32,142,937

CITY OF SHAKOPEE

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
December 31, 2011**

Total Fund Balances - Governmental Funds \$ 24,043,066

Amounts reported for governmental activities in the Statement of Net Assets
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 155,109,231
Less Accumulated Depreciation (57,335,112)

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 (16,145,000)
Net OPEB Obligation (698,103)

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 260,248
Special Assessments 24,425

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

Deferred Special Assessments 5,302,518

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

(250,245)

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 Assets.

48,356,693

Total Net Assets - Governmental Activities

\$ 158,667,721

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011**

	<u>General Fund</u>	<u>Debt Service 2004A Improvement Bonds</u>	<u>Debt Service 2007A Improvement Bonds</u>	<u>Capital Projects Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property Taxes	\$14,279,016	\$ -	\$ -	\$ -	\$ 259,166	\$ 14,538,182
Tax Increments	-	-	-	-	160,884	160,884
Special Assessments	21,905	224,992	148,667	326,689	753,071	1,475,324
Licenses and Permits	1,225,560	-	-	-	55,590	1,281,150
Intergovernmental	796,076	-	-	799,184	2,346,570	3,941,830
Charges for Services	3,879,113	-	-	-	79,124	3,958,237
Fines and Forfeitures	357,249	-	-	-	53,962	411,211
Miscellaneous	397,477	9,240	2,860	130,768	165,624	705,969
Total Revenues	<u>20,956,396</u>	<u>234,232</u>	<u>151,527</u>	<u>1,256,641</u>	<u>3,873,991</u>	<u>26,472,787</u>
EXPENDITURES						
Current						
General Government	2,774,859	-	-	-	1,229,825	4,004,684
Public Safety	9,401,915	-	-	-	58,909	9,460,824
Public Works	2,602,104	-	-	-	-	2,602,104
Culture and Recreation	3,856,869	-	-	-	45,517	3,902,386
Economic Development	-	-	-	-	247,591	247,591
Debt Service						
Principal	-	185,000	110,000	-	2,270,000	2,565,000
Interest and Other Charges	-	82,464	40,206	-	535,595	658,265
Capital Outlay	39,191	-	-	938,494	5,323,721	6,301,406
Total Expenditures	<u>18,674,938</u>	<u>267,464</u>	<u>150,206</u>	<u>938,494</u>	<u>9,711,158</u>	<u>29,742,260</u>
Excess of Revenues Over (Under) Expenditures	2,281,458	(33,232)	1,321	318,147	(5,837,167)	(3,269,473)
OTHER FINANCING SOURCES (USES)						
Transfers In	122,400	-	-	1,211,161	1,635,358	2,968,919
Transfers Out	(2,137,394)	-	-	(384,988)	(228,448)	(2,750,830)
Total Other Financing Sources (Uses)	<u>(2,014,994)</u>	<u>-</u>	<u>-</u>	<u>826,173</u>	<u>1,406,910</u>	<u>218,089</u>
Net Change in Fund Balances	266,464	(33,232)	1,321	1,144,320	(4,430,257)	(3,051,384)
FUND BALANCES						
Beginning of Year	<u>9,037,730</u>	<u>476,417</u>	<u>154,766</u>	<u>5,819,927</u>	<u>11,605,610</u>	<u>27,094,450</u>
End of Year	<u>\$ 9,304,194</u>	<u>\$ 443,185</u>	<u>\$ 156,087</u>	<u>\$ 6,964,247</u>	<u>\$ 7,175,353</u>	<u>\$ 24,043,066</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, 2011**

Net Change in Fund Balances - Governmental Funds \$ (3,051,384)

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	6,365,226
Depreciation Expense	(4,379,888)
Loss on Disposal of Fixed Assets	(110,388)
Contributed Assets	10,000

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net assets in the Statement of Activiti 2,565,000

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. 39,166

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

Special Assessments	(728,951)
---------------------	-----------

OPEB obligations are recognized when paid in the government funds but recognized when incurred in the Statement of Activities (147,605)

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. (50,376)

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.) 497,538

Change in Net Assets - Governmental Activities \$ 1,008,338

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2011**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Property Taxes	\$ 13,383,820	\$ 14,279,016	\$ 895,196
Special Assessments	13,000	21,905	8,905
Licenses and Permits	1,246,750	1,225,560	(21,190)
Intergovernmental	737,560	796,076	58,516
Charges for Services	3,547,010	3,879,113	332,103
Fines and Forfeitures	436,000	357,249	(78,751)
Miscellaneous Revenues:			
Investment Income	300,000	274,746	(25,254)
Contributions and Donations	3,000	4,944	1,944
Rents	2,480	7,605	5,125
Other	37,800	110,182	72,382
Total Revenues	<u>19,707,420</u>	<u>20,956,396</u>	<u>1,248,976</u>
EXPENDITURES			
Current			
General Government	3,254,700	2,774,859	(479,841)
Public Safety	9,715,730	9,401,915	(313,815)
Public Works	2,808,660	2,602,104	(206,556)
Parks and Recreation	4,361,550	3,856,869	(504,681)
Capital Outlay			
Public Works	35,000	27,477	(7,523)
Park and Recreation	-	11,714	11,714
Total Expenditures	<u>20,175,640</u>	<u>18,674,938</u>	<u>(1,500,702)</u>
Excess of Revenues Over (Under) Expenditures	(468,220)	2,281,458	2,749,678
OTHER FINANCING SOURCES (USES)			
Transfers In	122,400	122,400	-
Transfers Out	-	<u>(2,137,394)</u>	<u>(2,137,394)</u>
Total Other Financing Sources (Uses)	<u>122,400</u>	<u>(2,014,994)</u>	<u>(2,137,394)</u>
Net Change in Fund Balances	<u>\$ (345,820)</u>	266,464	<u>\$ 612,284</u>
FUND BALANCES			
Beginning of Year		<u>9,037,730</u>	
End of Year		<u>\$ 9,304,194</u>	

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

CITY OF SHAKOPEE

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
December 31, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Total	
ASSETS				
Current Assets				
Cash and Investments, Including Cash Equivalents	\$ 15,968,386	\$ 15,394,755	\$ 31,363,141	\$ 16,634,786
Accounts Receivable	310,367	127,818	438,185	-
Interest Receivable	64,005	62,615	126,620	65,621
Special Assessment Receivable:				
Delinquent	17,483	259	17,742	-
Deferred	122,611	284	122,895	-
Notes Receivable, Current	-	-	-	90,000
Total Current Assets	<u>16,482,852</u>	<u>15,585,731</u>	<u>32,068,583</u>	<u>16,790,407</u>
Noncurrent Assets				
Long-Term SAC Credits	1,307,159	-	1,307,159	-
Notes Receivable, Noncurrent	-	-	-	190,000
Capital Assets:				
Land	4,500	3,939,880	3,944,380	-
Right of Way	-	75,000	75,000	-
Construction in Progress	628,531	1,116,471	1,745,002	194,978
Line Rights	1,368,569	-	1,368,569	-
Infrastructure	37,384,919	37,355,938	74,740,857	2,923,925
Buildings	-	-	-	33,551,188
Machinery and Equipment	1,815,659	848,719	2,664,378	11,835,036
Total Cost	41,202,178	43,336,008	84,538,186	48,505,127
Less Accumulated Depreciation	(9,901,106)	(9,557,010)	(19,458,116)	(15,152,291)
Net Capital Assets	<u>31,301,072</u>	<u>33,778,998</u>	<u>65,080,070</u>	<u>33,352,836</u>
Total Noncurrent Assets	<u>32,608,231</u>	<u>33,778,998</u>	<u>66,387,229</u>	<u>33,542,836</u>
Total Assets	<u>\$ 49,091,083</u>	<u>\$ 49,364,729</u>	<u>\$ 98,455,812</u>	<u>\$ 50,333,243</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	\$ 54,906	\$ 35,345	\$ 90,251	\$ 214,892
Contracts Payable	-	2,712	2,712	-
Current Compensated Absences	22,145	8,991	31,136	766,754
Total Current Liabilities	<u>77,051</u>	<u>47,048</u>	<u>124,099</u>	<u>981,646</u>
Noncurrent Liabilities				
Unearned Revenue	1,307,159	-	1,307,159	-
Compensated Absences	27,066	10,990	38,056	937,144
Net OPEB Obligation	18,129	18,129	36,258	-
Total Noncurrent Liabilities	<u>1,352,354</u>	<u>29,119</u>	<u>1,381,473</u>	<u>937,144</u>
Total Liabilities	<u>1,429,405</u>	<u>76,167</u>	<u>1,505,572</u>	<u>1,918,790</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	31,301,072	33,778,998	65,080,070	33,352,836
Unrestricted	<u>16,360,606</u>	<u>15,509,564</u>	<u>31,870,170</u>	<u>15,061,617</u>
Total Net Assets	<u>47,661,678</u>	<u>49,288,562</u>	<u>96,950,240</u>	<u>48,414,453</u>
Total Liabilities and Net Assets	<u>\$ 49,091,083</u>	<u>\$ 49,364,729</u>		<u>\$ 50,333,243</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2)			<u>57,760</u>	
Total Business-Type Activities Net Assets			<u>\$ 97,008,000</u>	

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

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2011**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Sewer</u>	<u>Storm Drainage</u>	<u>Total</u>	
OPERATING REVENUES				
Charges for Services	\$ 2,936,144	\$ 995,855	\$ 3,931,999	\$ -
Rental and Other Charges	-	-	-	2,328,269
Total Operating Revenues	<u>2,936,144</u>	<u>995,855</u>	<u>3,931,999</u>	<u>2,328,269</u>
OPERATING EXPENSES				
Salaries and Benefits	266,646	432,278	698,924	122,879
Depreciation	726,623	657,651	1,384,274	1,738,948
Professional Services	209,110	145,552	354,662	168
Sewer Disposal Charges	2,478,713	-	2,478,713	-
Repairs and Maintenance	15,039	87,292	102,331	45,434
Materials and Supplies	19,311	37,130	56,441	259,515
Rent	30,904	43,074	73,978	-
Insurance	7,551	7,739	15,290	-
Utilities	82,305	555	82,860	305
Total Operating Expenses	<u>3,836,202</u>	<u>1,411,271</u>	<u>5,247,473</u>	<u>2,167,249</u>
Operating Income (Loss)	(900,058)	(415,416)	(1,315,474)	161,020
NONOPERATING REVENUES (EXPENSES)				
Investment Income	400,781	357,401	758,182	471,845
Special Assessments	18,810	-	18,810	-
Loss on Sale of Asset	-	-	-	(5,979)
Other Income	5,609	88,023	93,632	46,501
Total Nonoperating Revenues (Expenses)	<u>425,200</u>	<u>445,424</u>	<u>870,624</u>	<u>512,367</u>
Income (Loss) before Capital Contributions and Transfers	(474,858)	30,008	(444,850)	673,387
Capital Contributions	-	75,000	75,000	-
Transfers In	-	-	-	471,911
Transfers Out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(100,000)</u>	<u>(590,000)</u>
Change in Net Assets	(524,858)	55,008	(469,850)	555,298
NET ASSETS				
Beginning of Year	<u>48,186,536</u>	<u>49,233,554</u>	<u>97,420,090</u>	<u>47,859,155</u>
End of Year	<u>\$ 47,661,678</u>	<u>\$ 49,288,562</u>	<u>96,950,240</u>	<u>\$ 48,414,453</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2)			<u>57,760</u>	
Change in Net Assets - Business-Type Activities			<u>\$ 97,008,000</u>	

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

CITY OF SHAKOPEE

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2011**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer</u>	<u>Storm Drainage</u>	<u>Total</u>	
CASH FLOWS - OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 3,085,323	\$ 1,072,088	\$ 4,157,411	\$ 2,329,169
Payments to Suppliers	(2,918,060)	(322,316)	(3,240,376)	(161,921)
Payments to Employees	(264,527)	(423,509)	(688,036)	(88,751)
Net Cash Flows - Operating Activities	<u>(97,264)</u>	<u>326,263</u>	<u>228,999</u>	<u>2,078,497</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES				
Transfer from Other Funds	-	-	-	471,911
Transfer to Other Funds	(50,000)	(50,000)	(100,000)	(590,000)
Net Cash Flows - Noncapital Financing Activities	<u>(50,000)</u>	<u>(50,000)</u>	<u>(100,000)</u>	<u>(118,089)</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES				
Trunk Charges	5,609	88,023	93,632	-
Capital Related Special Assessments	25,849	-	25,849	-
Intergovernmental Capital Grant	-	-	-	46,501
Proceeds from Disposal of Capital Assets	-	-	-	26,431
Acquisition of Capital Assets	(643,429)	(1,525,440)	(2,168,869)	(366,014)
Net Cash Flows - Capital and Related Financing Activities	<u>(611,971)</u>	<u>(1,437,417)</u>	<u>(2,049,388)</u>	<u>(293,082)</u>
CASH FLOWS - INVESTING ACTIVITIES				
Payment Received for Notes Receivable	-	-	-	85,000
Interest and Dividends Received	415,891	383,149	799,040	470,765
Net Cash Flows - Investing Activities	<u>415,891</u>	<u>383,149</u>	<u>799,040</u>	<u>555,765</u>
Net Change in Cash and Cash Equivalents	(343,344)	(778,005)	(1,121,349)	2,223,091
CASH AND CASH EQUIVALENTS				
Beginning of Year	<u>16,311,730</u>	<u>16,172,760</u>	<u>32,484,490</u>	<u>14,411,695</u>
End of Year	<u>\$ 15,968,386</u>	<u>\$ 15,394,755</u>	<u>\$ 31,363,141</u>	<u>\$ 16,634,786</u>

CITY OF SHAKOPEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2011
(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 Income (Loss)	\$ (900,058)	\$ (415,416)	\$ (1,315,474)	\$ 161,020
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:				
Miscellaneous Operating Revenue	-	-	-	-
Depreciation and Amortization Expense	726,623	657,651	1,384,274	1,738,948
Change in Assets and Liabilities:				
Accounts Receivable, Net	149,179	76,776	225,955	900
Special Assessments Receivable	-	(543)	(543)	-
Due to Other Governments	(55,882)	(18,627)	(74,509)	-
Accounts Payable	(19,245)	17,236	(2,009)	143,501
Contracts Payable	-	417	417	-
Compensated Absences Payable	(1,707)	4,943	3,236	34,128
Net OPEB Obligation	3,826	3,826	7,652	-
Total Adjustments	<u>802,794</u>	<u>741,679</u>	<u>1,544,473</u>	<u>1,917,477</u>
Net Cash Flows - Operating Activities	<u>\$ (97,264)</u>	<u>\$ 326,263</u>	<u>\$ 228,999</u>	<u>\$ 2,078,497</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Recognition of Sewer Access Capacity				
Credits as Asset and Unearned Revenue	\$ 1,307,159	\$ -	\$ 1,307,159	\$ -
Contribution of Capital Asset	-	75,000	75,000	-

CITY OF SHAKOPEE

STATEMENT OF NET ASSETS - COMPONENT UNIT - SPUC
December 31, 2011

	Enterprise Funds		
	Electric	Water	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 19,973,774	\$ 3,104,053	\$ 23,077,827
Restricted Assets:			
Sinking Account	820,135	29,229	849,364
Accrued Interest Receivable	57,292	10,596	67,888
Customer Accounts Receivable	2,986,137	262,567	3,248,704
Allowance for Uncollectible Accounts	(31,776)	(7,244)	(39,020)
Other Accounts Receivable	16,061	13,534	29,595
Due from City of Shakopee	90,568	21,837	112,405
Inventory	917,187	43,697	960,884
Prepaid Expenses	62,630	20,877	83,507
Total Current Assets	<u>24,892,008</u>	<u>3,499,146</u>	<u>28,391,154</u>
Noncurrent Assets			
Restricted Assets:			
Customer Deposits Account	1,216,602	1,900	1,218,502
Connection Account	-	4,497,914	4,497,914
Water Reconstruction Account	-	344,928	344,928
Capital Assets:			
Plant in Service	51,987,103	46,554,205	98,541,308
Accumulated Depreciation	(14,079,578)	(11,630,721)	(25,710,299)
Construction in Progress	6,179	-	6,179
Other Assets:			
Emergency Repairs Account	100,000	-	100,000
Unamortized Debt Issuance Costs	446,357	18,181	464,538
Electric Plant Acquisition, Net	348,249	-	348,249
Total Noncurrent Assets	<u>40,024,912</u>	<u>39,786,407</u>	<u>79,811,319</u>
Total Assets	<u>\$ 64,916,920</u>	<u>\$ 43,285,553</u>	<u>\$ 108,202,473</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 2,837,492	\$ 143,634	\$ 2,981,126
Due to City of Shakopee	16,399	6,668	23,067
Other Current Liabilities	126,802	58,023	184,825
Total Current Liabilities	<u>2,980,693</u>	<u>208,325</u>	<u>3,189,018</u>
Liabilities Payable from Restricted Assets			
Current Portion of Revenue Bonds	580,000	20,000	600,000
Accrued Interest Payable	323,302	12,729	336,031
Customer Deposits	1,216,602	1,900	1,218,502
Total Liabilities Payable from Restricted Assets	<u>2,119,904</u>	<u>34,629</u>	<u>2,154,533</u>
Noncurrent Liabilities			
Revenue Bonds	17,587,000	698,000	18,285,000
Unamortized Loss on Refunding	(943,419)	(59,660)	(1,003,079)
Unearned Revenues	1,231	-	1,231
Customer Advances	3,972	-	3,972
Total Noncurrent Liabilities	<u>16,648,784</u>	<u>638,340</u>	<u>17,287,124</u>
Total Liabilities	<u>21,749,381</u>	<u>881,294</u>	<u>22,630,675</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	21,484,729	34,283,325	55,768,054
Restricted	496,833	4,857,442	5,354,275
Unrestricted	21,185,977	3,263,492	24,449,469
Total Net Assets	<u>43,167,539</u>	<u>42,404,259</u>	<u>85,571,798</u>
Total Liabilities and Net Assets	<u>\$ 64,916,920</u>	<u>\$ 43,285,553</u>	<u>\$ 108,202,473</u>

The Notes to the Financial Statements are an integral part of these statements.

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - COMPONENT UNIT - SPUC
For the Years Ended December 31, 2011**

	Enterprise Funds		
	Electric	Water	Total
Operating Revenues	\$ 37,356,222	\$ 4,578,996	\$ 41,935,218
Operating Expenses			
Operation, Customer and Administrative	31,308,425	\$ 2,264,033	\$ 33,572,458
Depreciation of Capital Assets	1,548,643	1,097,856	2,646,499
Depreciation of Plant Acquisition	23,141	-	23,141
Amortization of Plant Acquisition	63,003	-	63,003
Total Operating Expenses	<u>32,943,212</u>	<u>3,361,889</u>	<u>36,305,101</u>
Operating Income	<u>4,413,010</u>	<u>1,217,107</u>	<u>5,630,117</u>
NONOPERATING REVENUES (EXPENSES)			
Rentals and Miscellaneous	131,348	139,098	270,446
Interdepartmental Rent from Water	90,000	-	90,000
Investment Income	142,672	28,233	170,905
Interest Expense	(816,715)	(54,308)	(871,023)
Amortization of Debt Issuance Costs and Loss on Refunding	(139,901)	(43,873)	(183,774)
Total Nonoperating Revenues (Expenses)	<u>(592,596)</u>	<u>69,150</u>	<u>(523,446)</u>
Income Before Contributions and Transfers	3,820,414	1,286,257	5,106,671
Capital Contributions	166,213	762,275	928,488
Transfers to Municipality	<u>(1,188,633)</u>	<u>(822,726)</u>	<u>(2,011,359)</u>
Change in Net Assets	2,797,994	1,225,806	4,023,800
NET ASSETS			
Beginning of Year	<u>40,369,545</u>	<u>41,178,453</u>	<u>81,547,998</u>
End of Year	<u>\$ 43,167,539</u>	<u>\$ 42,404,259</u>	<u>\$ 85,571,798</u>

CITY OF SHAKOPEE

**STATEMENT OF CASH FLOWS - COMPONENT UNIT - SPUC
December 31, 2011**

	Enterprise Funds		
	Electric	Water	Total
CASH FLOWS - OPERATING ACTIVITIES			
Receipts from Customers and Users	\$37,349,335	\$ 4,610,622	\$41,959,957
Payments to Suppliers	(28,287,157)	(961,343)	(29,248,500)
Payments to Employees	(3,210,343)	(1,394,102)	(4,604,445)
Net Cash Flows - Operating Activities	<u>5,851,835</u>	<u>2,255,177</u>	<u>8,107,012</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES			
Payments to City of Shakopee	(990,751)	(822,726)	(1,813,477)
Proceeds from Sale of Assets	104,999	-	104,999
Net Cash Flows - Noncapital Financing Activities	<u>(885,752)</u>	<u>(822,726)</u>	<u>(1,708,478)</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Debt	(1,757,000)	(828,000)	(2,585,000)
Interest Paid on Debt	(847,969)	(69,555)	(917,524)
Acquisition of Capital Assets	(3,509,908)	(1,126,384)	(4,636,292)
Installation Fees	-	34,491	34,491
Connection Charges	-	706,497	706,497
Trunk Charges	-	21,287	21,287
Net Cash Flows - Capital and Related Financing Activities	<u>(6,114,877)</u>	<u>(1,261,664)</u>	<u>(7,376,541)</u>
CASH FLOWS - INVESTING ACTIVITIES			
Proceeds (Purchases) of Investments	(499,682)	699,381	199,699
Interest and Dividends Received	139,415	30,861	170,276
Net Cash Flows - Investing Activities	<u>(360,267)</u>	<u>730,242</u>	<u>369,975</u>
Net Change in Cash and Cash Equivalents	(1,509,061)	901,029	(608,032)
CASH AND CASH EQUIVALENTS			
Beginning of Year	<u>8,775,890</u>	<u>5,354,927</u>	<u>14,130,817</u>
End of Year	<u>\$ 7,266,829</u>	<u>\$ 6,255,956</u>	<u>\$13,522,785</u>

CITY OF SHAKOPEE

STATEMENT OF CASH FLOWS - COMPONENT UNIT - SPUC

December 31, 2011

(Continued)

	Enterprise Funds		
	Electric	Water	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS - OPERATING ACTIVITIES			
Operating Income	\$ 4,413,010	\$ 1,217,107	\$ 5,630,117
Adjustments to Reconcile Operating Income to Net Cash Flows - Operating Activities:			
Free Electric Service to City of Shakopee	(197,882)	-	(197,882)
Nonoperating Revenues	221,348	139,098	360,446
Depreciation Expense	1,571,784	1,097,856	2,669,640
Amortization of Plant Acquisition	63,003	-	63,003
Allowance for Uncollectible Accounts	(8,013)	483	(7,530)
Change in Assets and Liabilities:			
Customer Accounts Receivable	(89,866)	4,238	(85,628)
Other Accounts Receivable	67,376	(10,659)	56,717
Due from City of Shakopee	(34,686)	(3,210)	(37,896)
Inventory	(235,412)	(2,873)	(238,285)
Prepaid Items	313	104	417
Accounts Payable	85,300	(15,382)	69,918
Customer Deposits	84,219	500	84,719
Deferred Revenue	(1,459)	(95,254)	(96,713)
Customer Advances	(47,924)	(3,570)	(51,494)
Due to City of Shakopee	(52,916)	(83,649)	(136,565)
Other Liabilities	13,640	10,388	24,028
Total Adjustments	1,438,825	1,038,070	2,476,895
Net Cash Flows - Operating Activities	\$ 5,851,835	\$ 2,255,177	\$ 8,107,012
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS			
Sinking Account	\$ 820,135	\$ 29,229	\$ 849,364
Customer Deposits Account	1,216,602	1,900	1,218,502
Emergency Repairs Account	100,000	-	100,000
Connection Account	-	4,497,914	4,497,914
Water Reconstruction Account	-	344,928	344,928
Cash and Investments	19,973,774	3,104,053	23,077,827
Total	22,110,511	7,978,024	30,088,535
Less Long-Term Investments	(14,843,682)	(1,722,068)	(16,565,750)
Cash and Cash Equivalents	\$ 7,266,829	\$ 6,255,956	\$ 13,522,785
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributions of Capital Assets from the Municipality and Developers	\$ 166,213	\$ -	\$ 166,213
Free Electric Service to City of Shakopee	197,882	-	197,882

The Notes to the Financial Statements are an integral part of these statements.

CITY OF SHAKOPEE

COMBINED STATEMENT OF FIDUCIARY NET ASSETS
December 31, 2011

	<u>Total Agency Funds</u>
ASSETS	
Cash and Investments	\$ 2,279,407
Receivables:	
Accounts Receivable	9,379
Interest Receivable	2,790
Due from Other Governments	<u>39,128</u>
Total Assets	<u><u>\$ 2,330,704</u></u>
LIABILITIES	
Accounts Payable	\$ 683,055
Deposits Payable	<u>1,647,649</u>
Total Liabilities	<u><u>\$ 2,330,704</u></u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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, 2011

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 2011, the City paid \$ 120,508 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 2011, the City paid \$ 399,922 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, 2011

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 Assets 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 Assets 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, 2011

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.

2007A 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, 2011

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

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 Assets 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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets 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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets 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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets 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).

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 year. 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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets 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.

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

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 Assets. 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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets 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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

9. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are 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 U.S. generally accepted accounting principles 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 Assets

The governmental fund Balance Sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide Statement of Net Assets. 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 Assets of the Internal Service Funds	\$ 48,414,453
Less Portion of of Gain Related to Business-Type Activities	<u>(57,760)</u>
Net Adjustment to Increase Fund Balance - Total Governmental Funds to Arrive at Net Assets - Governmental Activities	<u>\$ 48,356,693</u>

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

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 Assets of the Internal Service Fund	\$ 555,298
Less the Net of Indirect Revenues and Expense	<u>(57,760)</u>
Net Adjustment to Decrease Net Change in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 497,538</u>

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

The proprietary fund Statement of Net Assets includes reconciliation between net assets – total enterprise funds and net assets of business-type activities as reported in the government-wide Statement of Net Assets. 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 \$ 57,760 are as follows:

Internal Payable Representing Costs less than Charges to Business-Type Activities - Current Year	<u>\$ 57,760</u>
--	------------------

D. Explanation of Certain Differences between the Proprietary Fund Statements of Revenues, Expenses, and Changes in Fund Net Assets 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 Assets of Business-Type Activities	<u>\$ 57,760</u>
--	------------------

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. 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, 2011, 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 Entity's name.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits (Continued)

As of December 31, 2011, the City had the following deposits:

City Deposits	\$ 1,013,884
Component Unit Deposits	<u>10,770,709</u>
 Total Deposits	 <u><u>\$ 11,784,593</u></u>

B. Investments

As of December 31, 2011, the City held the following investments:

	<u>Fair Value</u>	<u>Modified Duration (Years)</u>	<u>Moody's Rating</u>	<u>Concentration</u>
4M	\$ 4,483	N/A	Aaa	0.01%
4M Plus	998	N/A	Aaa	< 0.01%
Agency Bonds:				
FFCB	2,601,914	4.15	Aaa	3.52%
FHLB	3,390,694	2.4	Aaa	4.58%
FHLMC	502,330	4.88	Aaa	0.68%
FNMA	1,810,188	2.22	Aaa	2.45%
Agency Step-Up Bonds:				
FHLB	3,003,300	5.9	Aaa	4.06%
FHLMC	2,000,820	7.96	Aaa	2.71%
FNMA	2,002,040	13.84	Aaa	2.71%
Certificate of Deposit	3,205,088	1.98	NR	4.33%
Commercial Paper	4,240,640	0.3	P-1	5.73%
Money Market Fund	9,415,672	N/A	NR	12.73%
Mortgage Securities:				
CMO	725,046	6.87	Aaa	0.98%
FHLMC	3,466,698	8.87	Aaa	4.69%
FNMA	1,809,255	5.92	Aaa	2.45%
GNMA	88,916	2.44	Aaa	0.12%
Municipal Bond	12,166,289	3.44	Aa2-Baa2	16.45%
U.S. Treasury Notes	<u>23,511,622</u>	<u>1.57</u>	Aaa	31.80%
 Total Investments	 <u><u>\$ 73,945,993</u></u>	 <u><u>4.06</u></u>		

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

As of December 31, 2011, the component units had the following investments:

	Rating	Fair Value	Years to Maturity	
			Less than One Year	1-5 Years
U.S. Agencies	AAA	\$ 9,386,778	\$ 7,174,719	\$ 2,212,059
U.S. Treasuries	AAA	8,111,901	3,314,989	4,796,912
Money Market Fund	N/A	1,817,447	1,817,447	-
Total		\$ 19,316,126	\$ 12,307,155	\$ 7,008,971

Custodial Credit Risk – Investments: As of December 31, 2011, 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, 2011, 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, 2011.

The following is a summary of total deposits and investments as of December 31, 2011:

Deposits (Note 3.A.)	\$ 11,784,593
City Investments	73,945,993
Component Unit Investments	19,316,126
Petty Cash	3,060
Total Deposits and Investments	\$ 105,049,772

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Deposits and investments are presented in the December 31, 2011 basic financial statements as follows:

	City Funds	Component Units	Total
Statement of Net Assets:			
Cash and Investments	\$ 72,681,830	\$ 23,077,827	\$ 95,759,657
Restricted Assets	-	7,010,708	7,010,708
Statement of Fiduciary Net Assets:			
Cash and Investments	2,279,407	-	2,279,407
 Total	 <u>\$ 74,961,237</u>	 <u>\$ 30,088,535</u>	 <u>\$ 105,049,772</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:

	Delinquent Property Taxes	Delinquent Special Assessments	Deferred Special Assessments	Total
General Fund	\$ 257,653	\$ 7,237	\$ 36,402	\$ 301,292
2004A Improvement Bonds	-	-	2,036,632	2,036,632
2007A Improvement Bonds	-	10,509	806,559	817,068
Capital Improvements	-	1,010	735,827	736,837
Nonmajor Funds	2,595	5,669	1,687,098	1,695,362
 Total	 <u>\$ 260,248</u>	 <u>\$ 24,425</u>	 <u>\$ 5,302,518</u>	 <u>\$ 5,587,191</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, 2011, the note's balance was \$ 280,000. During 2011, \$ 85,000 of principal and \$ 21,769 of interest was paid. The Revolving Loan Special Revenue Fund has a note receivable with Challenge Printing that originated in 2005. This note has an interest rate of 2% and will be paid in full in April 2012. At December 31, 2011 the outstanding balance was \$ 22,133. During 2011, \$ 65,518 of principal and \$ 1,155 of interest was received on the note.

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

NOTE 6 – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2011 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	\$ -	\$ -	\$ 19,488,040
Construction in Progress	729,343	5,149,567	578,591	5,300,319
Total Capital Assets not being Depreciated	<u>20,217,383</u>	<u>5,149,567</u>	<u>578,591</u>	<u>24,788,359</u>
Capital Assets being Depreciated:				
Buildings	33,688,980	54,001	-	33,742,981
Infrastructure	130,000,996	1,608,461	-	131,609,457
Machinery and Equipment	13,297,595	743,890	567,924	13,473,561
Total Capital Assets being Depreciated	<u>176,987,571</u>	<u>2,406,352</u>	<u>567,924</u>	<u>178,825,999</u>
Less Accumulated Depreciation for:				
Buildings	8,611,150	901,628	-	9,512,778
Infrastructure	52,459,626	4,332,942	-	56,792,568
Machinery and Equipment	5,519,026	884,264	221,233	6,182,057
Total Accumulated Depreciation	<u>66,589,802</u>	<u>6,118,834</u>	<u>221,233</u>	<u>72,487,403</u>
Total Capital Assets being Depreciated, Net	<u>110,397,769</u>	<u>(3,712,482)</u>	<u>346,691</u>	<u>106,338,596</u>
Governmental Activities Capital Assets, Net	<u>\$ 130,615,152</u>	<u>\$ 1,437,085</u>	<u>\$ 925,282</u>	<u>\$ 131,126,955</u>

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

Governmental Activities:	
General Government	\$ 261,037
Public Safety	567,341
Public Works	4,595,101
Parks and Recreation	<u>695,355</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,118,834</u>

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

NOTE 6 – CAPITAL ASSETS

Business-type capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Restated 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	-	1,745,002	-	1,745,002
Total Capital Assets not being Depreciated	<u>3,944,380</u>	<u>1,820,002</u>	<u>-</u>	<u>5,764,382</u>
Capital Assets being Depreciated:				
Line Rights	1,368,569	-	-	1,368,569
Plant in Service	74,623,574	117,283	-	74,740,857
Machinery and Equipment	2,418,498	431,706	185,826	2,664,378
Total Capital Assets being Depreciated	<u>78,410,641</u>	<u>548,989</u>	<u>185,826</u>	<u>78,773,804</u>
Less Accumulated Depreciation for:				
Line Rights	428,025	24,734	-	452,759
Plant in Service	16,636,512	1,218,577	-	17,855,089
Machinery and Equipment	1,070,009	140,963	60,704	1,150,268
Total Accumulated Depreciation	<u>18,134,546</u>	<u>1,384,274</u>	<u>60,704</u>	<u>19,458,116</u>
Total Capital Assets being Depreciated, Net	<u>60,276,095</u>	<u>(835,285)</u>	<u>125,122</u>	<u>59,315,688</u>
Business-Type Activities Capital Assets, Net	<u>\$ 64,220,475</u>	<u>\$ 984,717</u>	<u>\$ 125,122</u>	<u>\$ 65,080,070</u>

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

Business-Type Activities:	
Sanitary Sewer	\$ 726,623
Storm Drainage	<u>657,651</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,384,274</u>

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

NOTE 6 – CAPITAL ASSETS

Component unit capital asset activity for the year ended December 31, 2011 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>2,299,805</u>	<u>8,180,541</u>	<u>10,474,167</u>	<u>6,179</u>
Total Capital Assets not being Depreciated	<u>7,397,337</u>	<u>8,180,541</u>	<u>10,474,167</u>	<u>5,103,711</u>
Capital Assets being Depreciated:				
Distribution	73,718,289	6,867,129	213,414	80,372,004
General	<u>13,002,377</u>	<u>229,002</u>	<u>159,607</u>	<u>13,071,772</u>
Total Capital Assets being Depreciated	<u>86,720,666</u>	<u>7,096,131</u>	<u>373,021</u>	<u>93,443,776</u>
Less Accumulated Depreciation	<u>23,331,821</u>	<u>2,646,499</u>	<u>268,021</u>	<u>25,710,299</u>
 Total Capital Assets being Depreciated, Net	<u>63,388,845</u>	<u>4,449,632</u>	<u>105,000</u>	<u>67,733,477</u>
 Component Unit Capital Assets, Net	<u>\$ 70,786,182</u>	<u>\$ 12,630,173</u>	<u>\$ 10,579,167</u>	<u>\$ 72,837,188</u>

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

Component Units:	
Electric	\$ 1,548,643
Water	<u>1,097,856</u>
 Total Depreciation Expense - Component Units	<u>\$ 2,646,499</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, 2011**

NOTE 7 – LONG-TERM DEBT

B. Revenue Bonds

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

C. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Governmental Activities:						
G.O. Bonds:						
G.O. Improvement Bonds:						
2004A	05/01/04	2.25%-4.10%	\$ 4,225,000	02/01/25	\$ 1,950,000	\$ 285,000
2004C	11/01/04	3.00%-4.00%	2,570,000	02/01/15	1,020,000	250,000
2006A	07/01/06	4.00%	3,440,000	02/01/17	2,160,000	340,000
2007A	02/01/07	4.00%	1,370,000	02/01/17	930,000	105,000
2007B	09/01/07	4.00%	1,445,000	02/01/18	1,040,000	145,000
2008A	09/01/08	3.50%-4.00%	2,170,000	02/01/19	1,615,000	190,000
2010A	08/01/10	0.50%-2.90%	1,555,000	02/01/21	1,525,000	190,000
G.O. Building Refunding Bonds 2004B						
	05/01/04	2.25%-4.00%	2,275,000	02/01/17	1,245,000	190,000
G.O. Capital Improvement Bonds 2004D						
	11/01/04	2.50%-4.20%	6,000,000	02/01/25	4,660,000	255,000
Total G.O. Bonds					<u>16,145,000</u>	<u>1,950,000</u>
Compensated Absences					<u>1,703,898</u>	<u>766,754</u>
Total Governmental Activities					<u>\$ 17,848,898</u>	<u>\$ 2,716,754</u>
Business-Type Activities Compensated Absences					<u>\$ 69,192</u>	<u>\$ 31,136</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	\$ 8,975,000	\$ 250,000
Series 2006A Crossover Refunding Bonds	11/21/06	4.125%-4.375%	10,570,000	02/01/30	9,910,000	350,000
Total Bonds					18,885,000	600,000
Unamortized Loss on Refunding					<u>(1,003,079)</u>	<u>-----</u>
Total Component Unit Long-Term Liabilities					<u>\$ 17,881,921</u>	<u>\$ 600,000</u>

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

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

NOTE 7 – LONG-TERM DEBT

D. Changes in Long-Term Liabilities

Long-term liability information for the year ended December 31, 2011 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	\$ 18,710,000	\$ -	\$ 2,565,000	\$ 16,145,000	\$ 1,950,000
Compensated Absences	1,669,770	684,423	650,295	1,703,898	766,754
Total Governmental Activities	<u>\$ 20,379,770</u>	<u>\$ 684,423</u>	<u>\$ 3,215,295</u>	<u>\$ 17,848,898</u>	<u>\$ 2,716,754</u>
Business-Type Activities					
Compensated Absences	<u>\$ 65,956</u>	<u>\$ 39,600</u>	<u>\$ 36,364</u>	<u>\$ 69,192</u>	<u>\$ 31,136</u>
Component Unit Activities:					
G.O. Utility Revenue Bonds	\$ 21,470,000	\$ -	\$ 2,585,000	\$ 18,885,000	\$ 600,000
Unamortized Loss on Refunding	(1,128,886)	-	125,807	(1,003,079)	-
Unamortized Bond Premium	34,967	-	34,967	-	-
Total Component Unit Activities	<u>\$ 20,376,081</u>	<u>\$ -</u>	<u>\$ 2,745,774</u>	<u>\$ 17,881,921</u>	<u>\$ 600,000</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>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,950,000	\$ 573,488	\$ 2,523,488
2013	2,070,000	505,577	2,575,577
2014	2,050,000	432,371	2,482,371
2015	2,020,000	357,028	2,377,028
2016	1,630,000	288,268	1,918,268
2017-2021	4,450,000	762,790	5,212,790
2022-2026	1,975,000	176,473	2,151,473
Total	<u>\$ 16,145,000</u>	<u>\$ 3,095,995</u>	<u>\$ 19,240,995</u>

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

NOTE 7 – LONG-TERM DEBT

F. Component Unit Revenue Bonds

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

Year Ending December 31,	Utility Revenue Bonds		
	Principal	Interest	Total
2012	\$ 600,000	\$ 794,881	\$ 1,394,881
2013	590,000	771,821	1,361,821
2014	630,000	747,519	1,377,519
2015	640,000	721,638	1,361,638
2016	685,000	694,638	1,379,638
2017-2021	4,760,000	2,965,768	7,725,768
2022-2026	6,695,000	1,710,583	8,405,583
2027-2030	4,285,000	319,046	4,604,046
Total	<u>\$ 18,885,000</u>	<u>\$ 8,725,894</u>	<u>\$ 27,610,894</u>

NOTE 8 – CONDUIT DEBT OBLIGATIONS

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

As of December 31, 2011, the following conduit debt was issued:

Project	Date of Issue	Original Amount of Issue
St. Francis RMC	10/06/04	\$ 52,520,000
St. Francis RMC	12/23/87	8,000,000
St. Gertrudes	09/30/10	5,675,000
Total		<u>\$ 66,195,000</u>

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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%.

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.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 10 – INTERFUND ASSETS/LIABILITIES

The composition of interfund balances as of December 31, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 266,489</u>

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

NOTE 11 – INTERFUND TRANSFERS

	<u>Transfer In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Internal Service Fund</u>	
Transfers Out:					
General Fund	\$ -	\$ 1,207,630	\$ 582,853	\$ 346,911	\$ 2,137,394
Capital Improvements	-	-	384,988	-	384,988
Other Governmental Funds	22,400	3,531	202,517	-	228,448
Sewer Fund	50,000	-	-	-	50,000
Storm Drainage Fund	50,000	-	-	-	50,000
Internal Service Fund	-	-	465,000	125,000	590,000
Total	<u>\$ 122,400</u>	<u>\$ 1,211,161</u>	<u>\$ 1,635,358</u>	<u>\$ 471,911</u>	<u>\$ 3,440,830</u>

Transfers were made according to budgets for operating purposes, to close funds, 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, 2011

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, 2011**

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 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011. In 2011, 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, 2011, 2010 and 2009 were \$ 353,579, \$ 549,973 and \$ 516,529, respectively. The City’s contributions to the PEPFF for the years ending December 31, 2011, 2010 and 2009 were \$ 500,257, \$ 475,396 and \$ 484,519, 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 2011 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 1,064	\$ 1,064	5%	5%	5%

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

**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 \$ 509,553 (\$ 351,976 City of Shakopee and \$ 157,577 State of Minnesota) were made in accordance with contribution requirements as of December 31, 2011. 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, 2011
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, 2011

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>
12/31/09	\$ 240,169	100%	\$ -
12/31/10	339,752	100%	-
12/31/11	351,976	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>
12/31/09	\$ 3,190,043	\$ 4,364,302	\$ (1,174,259)	73.1%
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%

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 2011, the City contributed \$ 45,723 to the plan. As of January 1, 2011, there were eight retirees and two disabled officers receiving health benefits from the City's health plan.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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	\$ 211,306
Interest on Net OPEB Obligation	23,164
Adjustment to ARC	(33,490)
Annual OPEB Cost (Expense)	<u>200,980</u>
Contribution Made	<u>(45,723)</u>
Increase in Net OPEB Obligation	155,257
Net OPEB Obligation - Beginning of Year	<u>579,104</u>
 Net OPEB Obligation - End of Year	 <u><u>\$ 734,361</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 was as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/11	\$ 200,980	\$ 45,723	23%	\$ 734,361
12/31/10	170,040	27,020	16%	579,104
12/31/09	250,175	54,644	22%	436,084

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, 2011

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 Assets balances, this information has not been repeated in the Notes to the Financial Statements.

NOTE 18 – CHANGES IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2010, the Commission's funds, Water and Electric Enterprise Funds, were reported as a blended component unit of the City. An analysis of the Commission's operations in 2011 indicated it no longer met the criteria for blending and it was determined the Commission's funds would be presented as discretely presented component units prospectively. This resulted in a decrease of \$ 81,547,998 in the beginning net asset balances for the business-type activities for the year ended December 31, 2011.

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011**

NOTE 19 – FUND BALANCE DETAIL

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

	<u>General Fund</u>	<u>2004A Improvement Bonds</u>	<u>2007A Improvement Bonds</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:						
Prepaid Items	\$ 131,447	\$ -	\$ -	\$ -	\$ -	\$ 131,447
Restricted:						
Forfeitures	-	-	-	-	208,518	208,518
Transit	-	-	-	-	1,237,762	1,237,762
Telecommunication	-	-	-	-	45,681	45,681
SCDP Grant	-	-	-	-	22,462	22,462
Revolving Loans	-	-	-	-	249,147	249,147
Economic Development	-	-	-	-	497,775	497,775
Debt Service	-	443,185	156,087	-	4,026,674	4,625,946
Capital Improvements	-	-	-	-	958,195	958,195
Total Restricted	-	443,185	156,087	-	7,246,214	7,845,486
Assigned:						
Capital Improvements	-	-	-	6,964,247	413,228	7,377,475
Unassigned	9,172,747	-	-	-	(484,089)	8,688,658
Total Fund Balance	\$ 9,304,194	\$ 443,185	\$ 156,087	\$ 6,964,247	\$ 7,175,353	\$ 24,043,066

NOTE 20 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through April 25, 2012, the date which the financial statements were available to be issued.

The City approved to refund G.O Bonds 2004A and 2004D due to favorable market rates. The sale date is set for May 15, 2012 and the refunded bonds will be approximately \$ 4,945,000 .

NOTE 21 – COMMITMENTS

	<u>Project Authorization</u>	<u>Work Completed</u>	<u>12/31/11 Commitment</u>
Greenfield Park East	\$ 516,570	\$ 497,298	\$ 19,272
2011 Street Reconstruction	3,162,326	2,980,644	181,682
Fire Station #2	2,380,661	2,256,963	123,698

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHAKOPEE

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
December 31, 2011**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
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%

* Because an actuarial valuation is being performed once every two years, the amounts for the 01/01/08 and 01/01/09, and the 01/01/10 and 01/01/11 valuations are the same.

SUPPLEMENTARY INFORMATION

CITY OF SHAKOPEE

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2011**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Property Taxes			
General Property Taxes	\$ 11,585,300	\$ 12,394,978	\$ 809,678
Fiscal Disparities	1,630,520	1,649,146	18,626
Lodging Tax	160,000	223,764	63,764
Aggregate Tax	8,000	11,128	3,128
Total Property Taxes	<u>13,383,820</u>	<u>14,279,016</u>	<u>895,196</u>
Special Assessments	13,000	21,905	8,905
Licenses and Permits	1,246,750	1,225,560	(21,190)
Intergovernmental Revenues			
Federal Grants	5,000	5,995	995
PERA Aid	11,930	18,170	6,240
Police Aid	300,000	293,248	(6,752)
State Grants	412,630	468,128	55,498
Other Grants and Aids	8,000	10,535	2,535
Total Intergovernmental Revenues	<u>737,560</u>	<u>796,076</u>	<u>58,516</u>
Charges for Services			
General Government	1,904,780	2,049,432	144,652
Public Safety	320,040	423,561	103,521
Public Works	274,800	341,787	66,987
Parks and Recreation	1,047,390	1,064,333	16,943
Total Charges for Services	<u>3,547,010</u>	<u>3,879,113</u>	<u>332,103</u>
Fines and Forfeitures	436,000	357,249	(78,751)
Miscellaneous Revenues			
Investment Income	300,000	274,746	(25,254)
Contributions and Donations	3,000	4,944	1,944
Rents	2,480	7,605	5,125
Other	37,800	110,182	72,382
Total Miscellaneous Revenues	<u>343,280</u>	<u>397,477</u>	<u>54,197</u>
Total Revenues	<u>19,707,420</u>	<u>20,956,396</u>	<u>1,248,976</u>
EXPENDITURES			
General Government			
Mayor and Council	202,240	153,876	(48,364)
Administration	793,030	689,897	(103,133)
City Administrator	327,180	303,857	(23,323)
Finance	794,600	750,327	(44,273)
Legal	-	9,993	9,993
Planning	495,800	433,687	(62,113)
Government Buildings	214,610	193,572	(21,038)
Information Technology	207,240	178,504	(28,736)
Unallocated	220,000	61,146	(158,854)
Total General Government	<u>3,254,700</u>	<u>2,774,859</u>	<u>(479,841)</u>

CITY OF SHAKOPEE

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2011
(Continued)**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
EXPENDITURES			
Public Safety			
Police	\$ 6,969,270	\$ 6,646,603	\$ (322,667)
Fire	1,945,360	2,028,186	82,826
Building Inspection	801,100	727,126	(73,974)
Total Public Safety	<u>9,715,730</u>	<u>9,401,915</u>	<u>(313,815)</u>
Public Works			
Current:			
Streets and Highways:			
Engineering	661,630	598,587	(63,043)
Streets	2,059,700	2,004,833	(54,867)
Shop	87,330	(1,316)	(88,646)
Capital Outlay	35,000	27,477	(7,523)
Total Public Works	<u>2,843,660</u>	<u>2,629,581</u>	<u>(214,079)</u>
Parks and Recreation			
Current:			
Parks and Recreation:			
Park Maintenance	1,576,910	1,352,282	(224,628)
Natural Resources	58,400	19,309	(39,091)
Library/Congregate Dining	304,330	247,921	(56,409)
Recreation	2,421,910	2,237,357	(184,553)
Capital Outlay	-	11,714	11,714
Total Parks and Recreation	<u>4,361,550</u>	<u>3,868,583</u>	<u>(492,967)</u>
Total Expenditures	<u>20,175,640</u>	<u>18,674,938</u>	<u>(1,500,702)</u>
Excess of Revenues Over (Under) Expenditures	<u>(468,220)</u>	<u>2,281,458</u>	<u>2,749,678</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	122,400	122,400	-
Transfers Out	-	(2,137,394)	(2,137,394)
Total Other Financing Sources (Uses)	<u>122,400</u>	<u>(2,014,994)</u>	<u>(2,137,394)</u>
Net Change in Fund Balances	<u>\$ (345,820)</u>	<u>266,464</u>	<u>\$ 612,284</u>
FUND BALANCES			
Beginning of Year		<u>9,037,730</u>	
End of Year		<u>\$ 9,304,194</u>	

CITY OF SHAKOPEE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011

	Special Revenue		
	Forfeiture	Transit	Telecommunication
ASSETS			
Cash and Investments	\$ 208,364	\$ 1,339,047	\$ 37,438
Taxes Receivable - Delinquent	-	-	-
Special Assessments Receivable:			
Delinquent	-	-	-
Deferred	-	-	-
Accounts Receivable	59,502	59,502	8,098
Interest Receivable	808	5,246	145
Due From Other Governments	118	-	-
Notes Receivable	-	-	-
	-	-	-
Total Assets	\$ 209,290	\$ 1,403,795	\$ 45,681
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 725	\$ 166,033	\$ -
Contracts Payable	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	47	-	-
Deferred Revenue	-	-	-
	772	166,033	-
Total Liabilities	772	166,033	-
Fund Balances			
Restricted for:			
Special Revenue	208,518	1,237,762	45,681
Debt Service	-	-	-
Capital Projects	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
	208,518	1,237,762	45,681
Total Fund Balances	208,518	1,237,762	45,681
Total Liabilities and Fund Balances	\$ 209,290	\$ 1,403,795	\$ 45,681

Special Revenue				Debt Service	
SCDP Grant	Revolving Loan	Economic Development Authority	Total	2004B Refunding Bonds	2004C Improvement Bonds
\$ 40,173	\$ 242,803	\$ 521,786	\$ 2,389,611	\$ 361,413	\$ 715,119
-	-	60	60	2,535	-
-	-	-	-	-	-
-	-	-	-	-	417,343
-	-	-	67,600	-	-
157	949	1,771	9,076	909	2,703
-	-	16	134	773	-
-	22,133	-	22,133	-	-
<u>\$ 40,330</u>	<u>\$ 265,885</u>	<u>\$ 523,633</u>	<u>\$ 2,488,614</u>	<u>\$ 365,630</u>	<u>\$ 1,135,165</u>
\$ 17,868	\$ -	\$ 25,798	\$ 210,424	\$ 374	\$ 374
-	-	-	-	-	-
-	-	-	-	-	-
-	16,738	-	16,785	-	-
-	-	60	60	2,535	417,343
<u>17,868</u>	<u>16,738</u>	<u>25,858</u>	<u>227,269</u>	<u>2,909</u>	<u>417,717</u>
22,462	249,147	497,775	2,261,345	-	-
-	-	-	-	362,721	717,448
-	-	-	-	-	-
-	-	-	-	-	-
<u>22,462</u>	<u>249,147</u>	<u>497,775</u>	<u>2,261,345</u>	<u>362,721</u>	<u>717,448</u>
<u>\$ 40,330</u>	<u>\$ 265,885</u>	<u>\$ 523,633</u>	<u>\$ 2,488,614</u>	<u>\$ 365,630</u>	<u>\$ 1,135,165</u>

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2011

(Continued)

	Debt Service		
	2004D	2006A	2007B
	Building	Improvement	Improvement
	Bonds	Bonds	Bonds
ASSETS			
Cash and Investments	\$ 464,613	\$ 908,080	\$ 489,571
Taxes Receivable - Delinquent	-	-	-
Special Assessments Receivable:			
Delinquent	-	2,003	180
Deferred	-	231,530	75,776
Accounts Receivable	-	-	-
Interest Receivable	(3)	3,559	1,572
Due From Other Governments	-	-	-
Notes Receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 464,610</u>	<u>\$ 1,145,172</u>	<u>\$ 567,099</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 374	\$ 374	\$ 374
Contracts Payable	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Deferred Revenue	-	233,533	75,956
Total Liabilities	<u>374</u>	<u>233,907</u>	<u>76,330</u>
Fund Balances			
Restricted for:			
Special Revenue	-	-	-
Debt Service	464,236	911,265	490,769
Capital Projects	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>464,236</u>	<u>911,265</u>	<u>490,769</u>
	<u>\$ 464,610</u>	<u>\$ 1,145,172</u>	<u>\$ 567,099</u>
Total Liabilities and Fund Balances	<u>\$ 464,610</u>	<u>\$ 1,145,172</u>	<u>\$ 567,099</u>

Debt Service				Capital Projects	
2008A Improvement Bonds	2010A Improvement Bonds	2011A Bond	Total	Park Reserve	TIF No. 10
\$ 478,636	\$ 317,164	\$ 280,342	\$ 4,014,938	\$ 1,011,667	\$ 20,106
-	-	-	2,535	-	-
574	2,912	-	5,669	-	-
498,040	285,013	179,396	1,687,098	-	-
-	-	-	-	131	-
1,870	703	1,105	12,418	4,000	80
-	1,163	-	1,936	-	-
-	-	-	-	-	-
<u>\$ 979,120</u>	<u>\$ 606,955</u>	<u>\$ 460,843</u>	<u>\$ 5,724,594</u>	<u>\$ 1,015,798</u>	<u>\$ 20,186</u>
\$ 374	\$ 374	\$ -	\$ 2,618	\$ 37,551	\$ 19,818
-	-	-	-	24,865	-
-	-	-	-	-	-
-	-	-	-	189	-
498,614	287,925	179,396	1,695,302	-	-
<u>498,988</u>	<u>288,299</u>	<u>179,396</u>	<u>1,697,920</u>	<u>62,605</u>	<u>19,818</u>
-	-	-	-	-	-
480,132	318,656	281,447	4,026,674	-	-
-	-	-	-	953,193	368
-	-	-	-	-	-
-	-	-	-	-	-
<u>480,132</u>	<u>318,656</u>	<u>281,447</u>	<u>4,026,674</u>	<u>953,193</u>	<u>368</u>
<u>\$ 979,120</u>	<u>\$ 606,955</u>	<u>\$ 460,843</u>	<u>\$ 5,724,594</u>	<u>\$ 1,015,798</u>	<u>\$ 20,186</u>

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2011

(Continued)

	Capital Projects		
	TIF No. 12	TIF No. 13	2010 Projects
ASSETS			
Cash and Investments	\$ 42,706	\$ 19,442	\$ 150,631
Taxes Receivable - Delinquent	-	-	-
Special Assessments Receivable:			
Delinquent	-	-	-
Deferred	-	-	-
Accounts Receivable	-	-	-
Interest Receivable	169	77	581
Due From Other Governments	-	-	-
Notes Receivable	-	-	-
	-	-	-
Total Assets	\$ 42,875	\$ 19,519	\$ 151,212
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 42,094	\$ 15,666	\$ 22,341
Contracts Payable	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Deferred Revenue	-	-	-
	-	-	-
Total Liabilities	42,094	15,666	22,341
Fund Balances			
Restricted for:			
Special Revenue	-	-	-
Debt Service	-	-	-
Capital Projects	781	3,853	-
Assigned	-	-	128,871
Unassigned	-	-	-
	-	-	-
Total Fund Balances	781	3,853	128,871
Total Liabilities and Fund Balances	\$ 42,875	\$ 19,519	\$ 151,212

Capital Projects

<u>Fire Station 2 Construction</u>	<u>2011 Projects</u>	<u>Total</u>	<u>Total Governmental Funds</u>
\$ 721,161	\$ -	\$ 1,965,713	\$ 8,370,262
-	-	-	2,595
-	-	-	5,669
-	-	-	1,687,098
-	-	131	67,731
1,638	(4,219)	2,326	23,820
-	-	-	2,070
-	-	-	22,133
<u>\$ 722,799</u>	<u>\$ (4,219)</u>	<u>\$ 1,968,170</u>	<u>\$ 10,181,378</u>
\$ 322,851	\$ 64,349	\$ 524,670	\$ 737,712
112,850	149,032	286,747	286,747
-	266,489	266,489	266,489
2,741	-	2,930	19,715
-	-	-	1,695,362
<u>438,442</u>	<u>479,870</u>	<u>1,080,836</u>	<u>3,006,025</u>
-	-	-	2,261,345
-	-	-	4,026,674
-	-	958,195	958,195
284,357	-	413,228	413,228
-	(484,089)	(484,089)	(484,089)
<u>284,357</u>	<u>(484,089)</u>	<u>887,334</u>	<u>7,175,353</u>
<u>\$ 722,799</u>	<u>\$ (4,219)</u>	<u>\$ 1,968,170</u>	<u>\$ 10,181,378</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011**

	Special Revenue		
	Forfeiture	Transit	Telecommunication
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Tax Increments	-	-	-
Special Assessments	-	-	-
Licenses and Permits	-	-	32,640
Intergovernmental:			
State Grants	3,000	750,292	-
Charges for Services	-	77,342	-
Fines and Forfeitures	53,962	-	-
Miscellaneous:			
Investment Income	5,779	29,328	1,377
Other	15,574	-	-
Total Revenues	78,315	856,962	34,017
EXPENDITURES			
Current			
General Government	-	1,229,825	-
Public Safety	58,909	-	-
Culture and Recreation	-	-	-
Economic Development	-	-	-
Debt Service			
Principal	-	-	-
Interest and Other Charges	-	-	-
Capital Outlay	-	-	37,528
Total Expenditures	58,909	1,229,825	37,528
Excess of Revenues Over (Under) Expenditures	19,406	(372,863)	(3,511)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	(11,200)	-
Total Other Financing Sources (Uses)	-	(11,200)	-
Net Change in Fund Balances	19,406	(384,063)	(3,511)
FUND BALANCES			
Beginning of Year	189,112	1,621,825	49,192
End of Year	\$ 208,518	\$ 1,237,762	\$ 45,681

Special Revenue				Debt Service		
SCDP Grant	Revolving Loan	Economic Development Authority	Total	2000A Improvement Bonds	2003A Improvement Bonds	2004B Refunding Bonds
\$ -	\$ -	\$ 88	\$ 88	\$ -	\$ -	\$ 121,638
-	-	2,248	2,248	-	-	-
-	-	-	-	15,005	19,694	-
-	-	-	32,640	-	-	-
-	-	-	753,292	-	-	-
-	-	-	77,342	-	-	-
-	-	-	53,962	-	-	-
539	7,016	9,906	53,945	(1,664)	(4,537)	3,864
1,900	-	5,200	22,674	-	-	-
<u>2,439</u>	<u>7,016</u>	<u>17,442</u>	<u>996,191</u>	<u>13,341</u>	<u>15,157</u>	<u>125,502</u>
-	-	-	1,229,825	-	-	-
-	-	-	58,909	-	-	-
-	-	-	-	-	-	-
35,720	-	56,716	92,436	-	-	-
-	-	-	-	225,000	665,000	185,000
-	892	-	892	5,569	9,805	52,109
-	-	-	37,528	-	-	-
<u>35,720</u>	<u>892</u>	<u>56,716</u>	<u>1,419,590</u>	<u>230,569</u>	<u>674,805</u>	<u>237,109</u>
(33,281)	6,124	(39,274)	(423,399)	(217,228)	(659,648)	(111,607)
-	-	80,000	80,000	-	378,376	130,000
-	-	(11,200)	(22,400)	(3,515)	-	-
-	-	68,800	57,600	(3,515)	378,376	130,000
(33,281)	6,124	29,526	(365,799)	(220,743)	(281,272)	18,393
55,743	243,023	468,249	2,627,144	220,743	281,272	344,328
<u>\$ 22,462</u>	<u>\$ 249,147</u>	<u>\$ 497,775</u>	<u>\$ 2,261,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,721</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2011

(Continued)

	Debt Service			
	2004C Improvement Bonds	2004D Building Bonds	2006A Improvement Bonds	2007B Improvement Bonds
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-
Special Assessments	113,784	-	82,086	20,281
Licenses and Permits	-	-	-	-
Intergovernmental:				
State Grants	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous:				
Investment Income	14,903	443	14,597	7,684
Other	-	-	-	-
Total Revenues	<u>128,687</u>	<u>443</u>	<u>96,683</u>	<u>27,965</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	250,000	250,000	330,000	145,000
Interest and Other Charges	42,980	193,185	93,805	45,224
Capital Outlay	-	-	-	-
Total Expenditures	<u>292,980</u>	<u>443,185</u>	<u>423,805</u>	<u>190,224</u>
Excess of Revenues Over (Under) Expenditures	(164,293)	(442,742)	(327,122)	(162,259)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	465,000	-	87,853
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>465,000</u>	<u>-</u>	<u>87,853</u>
Net Change in Fund Balances	(164,293)	22,258	(327,122)	(74,406)
FUND BALANCES				
Beginning of Year	<u>881,741</u>	<u>441,978</u>	<u>1,238,387</u>	<u>565,175</u>
End of Year	<u>\$ 717,448</u>	<u>\$ 464,236</u>	<u>\$ 911,265</u>	<u>\$ 490,769</u>

Debt Service				Capital Projects		
2008A Improvement Bonds	2010A Improvement Bonds	2011A Bond	Total	Park Reserve	TIF No. 10	East Dean Lake
\$ -	\$ 137,440	\$ -	\$ 259,078	\$ -	\$ -	\$ -
-	-	-	-	-	39,636	-
150,926	75,856	275,439	753,071	-	-	-
-	-	-	-	22,950	-	-
-	-	-	-	-	-	-
-	-	-	-	1,782	-	-
-	-	-	-	-	-	-
15,306	5,879	6,008	62,483	37,170	368	(6,025)
-	-	-	-	-	-	-
<u>166,232</u>	<u>219,175</u>	<u>281,447</u>	<u>1,074,632</u>	<u>61,902</u>	<u>40,004</u>	<u>(6,025)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	45,517	-	-
-	-	-	-	-	39,636	-
190,000	30,000	-	2,270,000	-	-	-
65,812	26,214	-	534,703	-	-	-
-	-	-	-	848,356	-	-
<u>255,812</u>	<u>56,214</u>	<u>-</u>	<u>2,804,703</u>	<u>893,873</u>	<u>39,636</u>	<u>-</u>
(89,580)	162,961	281,447	(1,730,071)	(831,971)	368	(6,025)
187,641	14,876	-	1,263,746	-	-	6,025
-	-	-	(3,515)	-	-	-
<u>187,641</u>	<u>14,876</u>	<u>-</u>	<u>1,260,231</u>	<u>-</u>	<u>-</u>	<u>6,025</u>
98,061	177,837	281,447	(469,840)	(831,971)	368	-
382,071	140,819	-	\$ 4,496,514	1,785,164	-	-
<u>\$ 480,132</u>	<u>\$ 318,656</u>	<u>\$ 281,447</u>	<u>\$ 4,026,674</u>	<u>\$ 953,193</u>	<u>\$ 368</u>	<u>\$ -</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2011

(Continued)

	<u>Capital Projects</u>			
	<u>TIF No. 12</u>	<u>2008 Projects</u>	<u>TIF No. 13</u>	<u>2009 Projects</u>
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increments	84,188	-	34,812	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental:				
State Grants	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous:				
Investment Income	781	(3,377)	372	16
Other	-	-	-	-
Total Revenues	<u>84,969</u>	<u>(3,377)</u>	<u>35,184</u>	<u>16</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	84,188	-	31,331	-
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>84,188</u>	<u>-</u>	<u>31,331</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	781	(3,377)	3,853	16
OTHER FINANCING SOURCES (USES)				
Transfers In	-	587	-	-
Transfers Out	-	(187,641)	-	(14,892)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(187,054)</u>	<u>-</u>	<u>(14,892)</u>
Net Change in Fund Balances	781	(190,431)	3,853	(14,876)
FUND BALANCES				
Beginning of Year	<u>-</u>	<u>190,431</u>	<u>-</u>	<u>14,876</u>
End of Year	<u>\$ 781</u>	<u>\$ -</u>	<u>\$ 3,853</u>	<u>\$ -</u>

Capital Projects

<u>2010 Projects</u>	<u>Fire Station 2 Construction</u>	<u>2011 Projects</u>	<u>Total</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 259,166
-	-	-	158,636	160,884
-	-	-	-	753,071
-	-	-	22,950	55,590
-	-	1,593,278	1,593,278	2,346,570
-	-	-	1,782	79,124
-	-	-	-	53,962
6,456	35,390	(44,629)	26,522	142,950
-	-	-	-	22,674
<u>6,456</u>	<u>35,390</u>	<u>1,548,649</u>	<u>1,803,168</u>	<u>3,873,991</u>
-	-	-	-	1,229,825
-	-	-	-	58,909
-	-	-	45,517	45,517
-	-	-	155,155	247,591
-	-	-	-	2,270,000
-	-	-	-	535,595
8,983	2,512,919	1,915,935	5,286,193	5,323,721
<u>8,983</u>	<u>2,512,919</u>	<u>1,915,935</u>	<u>5,486,865</u>	<u>9,711,158</u>
(2,527)	(2,477,529)	(367,286)	(3,683,697)	(5,837,167)
-	285,000	-	291,612	1,635,358
-	-	-	(202,533)	(228,448)
-	<u>285,000</u>	-	<u>89,079</u>	<u>1,406,910</u>
(2,527)	(2,192,529)	(367,286)	(3,594,618)	(4,430,257)
131,398	2,476,886	(116,803)	4,481,952	11,605,610
<u>\$ 128,871</u>	<u>\$ 284,357</u>	<u>\$ (484,089)</u>	<u>\$ 887,334</u>	<u>\$ 7,175,353</u>

CITY OF SHAKOPEE

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

For the Year Ended December 31, 2011

	<u>Original And Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Intergovernmental Revenue			
State Grants	\$ 667,000	\$ 750,292	\$ 83,292
Charges for Services	30,000	77,342	47,342
Miscellaneous Revenues			
Investment Income	42,000	29,328	(12,672)
Total Revenues	<u>739,000</u>	<u>856,962</u>	<u>117,962</u>
EXPENDITURES			
Current:			
General Government	<u>1,191,270</u>	<u>1,229,825</u>	<u>38,555</u>
Excess of Revenues Over (Under) Expenditures	739,000	(372,863)	117,962
OTHER FINANCING USES			
Transfers Out	<u>(11,200)</u>	<u>(11,200)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 727,800</u>	<u>(384,063)</u>	<u>\$ 117,962</u>
FUND BALANCE			
Beginning of Year		<u>1,621,825</u>	
End of Year		<u>\$ 1,237,762</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, 2011**

	<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	\$ 88	\$ (79,912)
Tax Increments	-	2,248	2,248
Total Property Taxes	<u>80,000</u>	<u>2,336</u>	<u>(77,664)</u>
Miscellaneous Revenues			
Investment Income	\$ 10,000	\$ 9,906	\$ (94)
Other	-	5,200	5,200
Total Miscellaneous	<u>10,000</u>	<u>15,106</u>	<u>5,106</u>
Total Revenues	<u>90,000</u>	<u>17,442</u>	<u>(72,558)</u>
EXPENDITURES			
Economic Development			
Current	<u>99,730</u>	<u>56,716</u>	<u>(43,014)</u>
Excess of Revenues Over (Under) Expenditures	(9,730)	(39,274)	(29,544)
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>\$ (20,930)</u>	29,526	<u>\$ 50,456</u>
FUND BALANCE			
Beginning of Year		<u>468,249</u>	
End of Year		<u>\$ 497,775</u>	

CITY OF SHAKOPEE

COMBINING STATEMENT OF FUND NET ASSETS -
INTERNAL SERVICE FUNDS
December 31, 2011

	Governmental Activities - Internal Service Funds					Total
	Equipment	Buildings	Park Assets	Employee Benefits	Information and Technology	
ASSETS						
Current Assets						
Cash and Investments, Including						
Cash Equivalents	\$ 6,676,865	\$ 7,111,478	\$ 1,063,057	\$ 1,476,081	\$ 307,305	\$ 16,634,786
Interest Receivable	25,279	29,577	3,635	6,119	1,011	65,621
Notes Receivable, Current Portion	90,000	-	-	-	-	90,000
Total Current Assets	<u>6,792,144</u>	<u>7,141,055</u>	<u>1,066,692</u>	<u>1,482,200</u>	<u>308,316</u>	<u>16,790,407</u>
Noncurrent Assets						
Notes Receivable	190,000	-	-	-	-	190,000
Capital Assets:						
Construction in Progress	-	194,978	-	-	-	194,978
Buildings	-	30,409,375	3,141,813	-	-	33,551,188
Infrastructure	-	-	2,923,925	-	-	2,923,925
Machinery and Equipment	8,188,109	-	3,486,925	-	160,002	11,835,036
Total Cost	8,188,109	30,604,353	9,552,663	-	160,002	48,505,127
Less Accumulated Depreciation	(4,009,522)	(8,564,119)	(2,575,086)	-	(3,564)	(15,152,291)
Net Capital Assets	4,178,587	22,040,234	6,977,577	-	156,438	33,352,836
Total Noncurrent Assets	<u>4,368,587</u>	<u>22,040,234</u>	<u>6,977,577</u>	<u>-</u>	<u>156,438</u>	<u>33,542,836</u>
Total Assets	<u>\$ 11,160,731</u>	<u>\$ 29,181,289</u>	<u>\$ 8,044,269</u>	<u>\$ 1,482,200</u>	<u>\$ 464,754</u>	<u>\$ 50,333,243</u>
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts Payable	\$ 18,488	\$ 27,450	\$ -	\$ -	\$ 168,954	\$ 214,892
Current Compensated Absences	-	-	-	766,754	-	766,754
Total Current Liabilities	<u>18,488</u>	<u>27,450</u>	<u>-</u>	<u>766,754</u>	<u>168,954</u>	<u>981,646</u>
Noncurrent Liabilities						
Compensated Absences	-	-	-	937,144	-	937,144
Total Liabilities	<u>18,488</u>	<u>27,450</u>	<u>-</u>	<u>1,703,898</u>	<u>168,954</u>	<u>1,918,790</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	4,178,587	22,040,234	6,977,577	-	156,438	33,352,836
Unrestricted	6,963,656	7,113,605	1,066,692	(221,698)	139,362	15,061,617
Total Net Assets	<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>
Total Liabilities and Net Assets	<u>\$ 11,160,731</u>	<u>\$ 29,181,289</u>	<u>\$ 8,044,269</u>	<u>\$ 1,482,200</u>	<u>\$ 464,754</u>	<u>\$ 50,333,243</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2011**

	Governmental Activities - Internal Service Funds					Total
	Equipment	Buildings	Park Assets	Employee Benefits	Information and Technology	
OPERATING REVENUES						
Rental Charges	\$ 691,573	\$ 1,204,957	\$ 171,718	\$ -	\$ 260,021	\$ 2,328,269
OPERATING EXPENSES						
Employee Benefits	-	-	-	122,879	-	122,879
Materials and Supplies	-	32,532	307	-	226,676	259,515
Repairs and Maintenance	-	-	33,318	-	12,116	45,434
Professional Services	-	-	168	-	-	168
Utilities	-	-	305	-	-	305
Depreciation	565,383	797,007	370,451	-	6,107	1,738,948
Total Operating Expenses	<u>565,383</u>	<u>829,539</u>	<u>404,549</u>	<u>122,879</u>	<u>244,899</u>	<u>2,167,249</u>
Operating Income (Loss)	126,190	375,418	(232,831)	(122,879)	15,122	161,020
NONOPERATING REVENUES						
Investment Income	181,923	223,485	29,706	30,589	6,142	471,845
Gain (Loss) on Disposal of Assets	16,931	-	-	-	(22,910)	(5,979)
Capital Grant	-	46,501	-	-	-	46,501
Total Nonoperating Revenues	<u>198,854</u>	<u>269,986</u>	<u>29,706</u>	<u>30,589</u>	<u>(16,768)</u>	<u>512,367</u>
Income (Loss) before Capital Contributions and Transfers	325,044	645,404	(203,125)	(92,290)	(1,646)	673,387
Transfers In	140,000	-	131,458	-	200,453	471,911
Transfers Out	-	(465,000)	-	(125,000)	-	(590,000)
Change in Net Assets	465,044	180,404	(71,667)	(217,290)	198,807	555,298
NET ASSETS						
Beginning of Year	<u>10,677,199</u>	<u>28,973,435</u>	<u>8,115,936</u>	<u>(4,408)</u>	<u>96,993</u>	<u>47,859,155</u>
End 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>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2011**

	Equipment	Buildings	Park Assets	Employee Benefits	Information and Technology	Total
CASH FLOWS - OPERATING ACTIVITIES						
Receipts from Customers and Users	\$ 691,573	\$ 1,205,857	\$ 171,718	\$ -	\$ 260,021	\$ 2,329,169
Payments to Suppliers	-	(32,532)	(34,098)	-	(95,291)	(161,921)
Payments to Employees	-	-	-	(88,751)	-	(88,751)
Net Cash Flows - Operating Activities	<u>691,573</u>	<u>1,173,325</u>	<u>137,620</u>	<u>(88,751)</u>	<u>164,730</u>	<u>2,078,497</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES						
Transfer from Other Funds	140,000	-	131,458	-	200,453	471,911
Transfer to Other Funds	-	(465,000)	-	(125,000)	-	(590,000)
Net Cash Flows - Noncapital Financing Activities	<u>140,000</u>	<u>(465,000)</u>	<u>131,458</u>	<u>(125,000)</u>	<u>200,453</u>	<u>(118,089)</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES						
Intergovernmental Capital Grant	-	46,501	-	-	-	46,501
Proceeds from Disposal of Capital Assets	26,431	-	-	-	-	26,431
Acquisition of Capital Assets	(142,723)	(77,555)	-	-	(145,736)	(366,014)
Net Cash Flows - Capital and Related Financing Activities	<u>(116,292)</u>	<u>(31,054)</u>	<u>-</u>	<u>-</u>	<u>(145,736)</u>	<u>(293,082)</u>
CASH FLOWS - INVESTING ACTIVITIES						
Payment Received for Notes Receivable	85,000	-	-	-	-	85,000
Interest Received	185,587	216,942	28,334	34,647	5,255	470,765
Net Cash Flows - Investing Activities	<u>270,587</u>	<u>216,942</u>	<u>28,334</u>	<u>34,647</u>	<u>5,255</u>	<u>555,765</u>
Net Change in Cash and Cash Equivalents	985,868	894,213	297,412	(179,104)	224,702	2,223,091
CASH AND CASH EQUIVALENTS						
Beginning of Year	<u>5,690,997</u>	<u>6,217,265</u>	<u>765,645</u>	<u>1,655,185</u>	<u>82,603</u>	<u>14,411,695</u>
End 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>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 126,190	\$ 375,418	\$ (232,831)	\$ (122,879)	\$ 15,122	\$ 161,020
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:						
Depreciation Expense	565,383	797,007	370,451	-	6,107	1,738,948
Changes in:						
Accounts Receivable	-	900	-	-	-	900
Accounts Payable	-	-	-	-	143,501	143,501
Compensated Absences Payable	-	-	-	34,128	-	34,128
Total Adjustments	<u>565,383</u>	<u>797,907</u>	<u>370,451</u>	<u>34,128</u>	<u>149,608</u>	<u>1,917,477</u>
Net Cash Flows - Operating Activities	<u>\$ 691,573</u>	<u>\$ 1,173,325</u>	<u>\$ 137,620</u>	<u>\$ (88,751)</u>	<u>\$ 164,730</u>	<u>\$ 2,078,497</u>

CITY OF SHAKOPEE

**STATEMENT OF FIDUCIARY NET ASSETS
December 31, 2011**

	<u>Escrow Agency Fund</u>	<u>Southwest Metro Drug Task Force</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Investments	\$ 1,563,629	\$ 715,778	\$ 2,279,407
Receivables:			
Accounts Receivable	-	9,379	9,379
Interest Receivable	-	2,790	2,790
Due from Other Governments	-	39,128	39,128
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,563,629</u>	<u>\$ 767,075</u>	<u>\$ 2,330,704</u>
LIABILITIES			
Accounts Payable	\$ 2,777	\$ 680,278	\$ 683,055
Deposits Payable	<u>1,560,852</u>	<u>86,797</u>	<u>1,647,649</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 1,563,629</u>	<u>\$ 767,075</u>	<u>\$ 2,330,704</u>

CITY OF SHAKOPEE

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

For the Year Ended December 31, 2011

	Escrow Agency Fund			
	Balance at December 31, 2010	Additions	Deductions	Balance at December 31, 2011
ASSETS				
Current				
Cash and Investments	\$ 1,749,597	\$ 466,099	\$ 652,067	\$ 1,563,629
LIABILITIES				
Accounts Payable	\$ 904	\$ 585,192	\$ 583,319	\$ 2,777
Deposits Payable	1,748,693	912,072	1,099,913	1,560,852
Total Liabilities	<u>\$ 1,749,597</u>	<u>\$ 1,497,264</u>	<u>\$ 1,683,232</u>	<u>\$ 1,563,629</u>

Southwest Metro Drug Task Force Agency Fund

	Balance at December 31, 2010	Additions	Deductions	Balance at December 31, 2011
ASSETS				
Current				
Cash and Investments	\$ 734,121	\$ 345,506	\$ 363,849	\$ 715,778
Receivables:				
Accounts Receivable	21,250	9,379	21,250	9,379
Interest Receivable	3,826	2,790	3,826	2,790
Due from Other Governments	-	39,128	-	39,128
Total Assets	<u>\$ 759,197</u>	<u>\$ 396,803</u>	<u>\$ 388,925</u>	<u>\$ 767,075</u>
LIABILITIES				
Accounts Payable	\$ 676,246	\$ 385,453	\$ 381,421	\$ 680,278
Deposits Payable	82,951	103,334	99,488	86,797
Total Liabilities	<u>\$ 759,197</u>	<u>\$ 488,787</u>	<u>\$ 480,909</u>	<u>\$ 767,075</u>

STATISTICAL SECTION

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF SHAKOPEE
STATISTICAL SECTION
December 31, 2011

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	100
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	110
Portrayed is information to help the reader assess the City's most important local revenue source, the property tax.	
Debt Capacity	114
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	121
Shown are demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	124
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 ASSETS BY COMPONENT
Years 2003 Through 2011**

	<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 Assets	<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 Assets	<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 Assets	<u>\$ 245,799,417</u>	<u>\$ 269,864,365</u>	<u>\$ 297,385,816</u>	<u>\$ 314,543,337</u>

Note: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2003.

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 113,534,056	\$ 112,909,793	\$ 112,097,148	\$ 111,905,152	\$ 114,981,955
13,081,337	21,915,945	16,518,865	1,844,129	10,914,439
<u>28,316,931</u>	<u>22,086,771</u>	<u>28,832,576</u>	<u>43,910,102</u>	<u>32,771,327</u>
<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>
\$ 114,546,218	\$ 115,124,238	\$ 114,331,216	\$ 115,064,968	\$ 65,080,070
1,026,351	1,756,369	3,574,612	4,889,050	-
<u>46,169,289</u>	<u>49,366,581</u>	<u>55,595,594</u>	<u>59,014,070</u>	<u>31,927,930</u>
<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>
\$ 228,080,274	\$ 228,034,031	\$ 226,428,364	\$ 226,970,120	\$ 180,062,025
14,107,688	23,672,314	20,093,477	6,733,179	10,914,439
<u>74,486,220</u>	<u>71,453,352</u>	<u>84,428,170</u>	<u>102,924,172</u>	<u>64,699,257</u>
<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>

CITY OF SHAKOPEE

**CHANGES IN NET ASSETS
Years 2003 Through 2011**

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

Table 2

2006	2007	2008	2009	2010	2011
\$ 3,161,106	\$ 3,543,980	\$ 3,514,573	\$ 3,388,268	\$ 3,042,918	\$ 4,252,887
6,856,485	8,301,075	8,346,104	8,528,413	9,123,316	9,236,767
6,798,917	15,264,606	8,099,384	7,860,080	8,397,874	7,094,047
333,462	363,805	522,074	316,566	427,169	244,361
4,653,240	5,323,087	3,637,527	3,859,670	3,765,660	3,866,307
896,110	1,042,133	1,033,999	1,040,044	784,824	619,099
<u>22,699,320</u>	<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>
29,169,297	34,710,974	36,186,676	30,140,842	32,700,410	-
2,949,990	3,332,132	3,461,261	3,316,102	3,293,079	-
2,786,234	2,938,955	3,308,759	3,398,117	3,685,417	3,807,322
1,523,343	1,352,078	1,435,376	1,264,261	1,792,749	1,382,391
<u>36,428,864</u>	<u>42,334,139</u>	<u>44,392,072</u>	<u>38,119,322</u>	<u>41,471,655</u>	<u>5,189,713</u>
<u>\$ 59,128,184</u>	<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>
\$ 714,105	\$ 583,247	\$ 606,259	\$ 680,681	\$ 652,686	\$ 721,180
2,063,023	1,650,235	1,506,680	1,677,772	1,716,573	1,503,188
2,986,495	2,615,402	2,354,276	1,342,173	941,224	478,788
-	-	-	-	-	7,100
1,676,630	1,086,750	1,295,772	1,013,044	1,039,820	1,071,482
1,653,238	1,943,805	1,660,191	1,485,124	2,943,857	3,606,089
6,116,366	2,463,129	1,825,124	1,241,884	952,450	3,152,881
<u>15,209,857</u>	<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>
31,906,714	37,407,565	38,732,701	34,272,099	36,872,008	-
3,127,207	3,525,140	3,390,309	3,605,498	4,417,498	-
3,471,984	2,806,371	2,556,299	3,485,882	3,508,947	2,941,753
1,859,912	1,505,247	1,379,821	1,405,560	1,281,986	1,083,878
-	-	-	-	-	-
-	-	-	-	6,415	-
6,174,786	4,138,977	1,007,519	1,879,530	1,661,001	93,810
<u>46,540,603</u>	<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>\$ 61,750,460</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>
\$ (7,489,463)	\$ (23,496,118)	\$ (15,905,359)	\$ (17,552,363)	\$ (17,295,151)	\$ (14,772,760)
10,111,739	7,049,161	2,674,577	6,529,247	6,276,200	(1,070,272)
<u>\$ 2,622,276</u>	<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>

CITY OF SHAKOPEE

**CHANGES IN NET ASSETS
Years 2003 Through 2011**

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

Note: The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2003.

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)

2006	2007	2008	2009	2010	2011
\$ 10,547,177	\$ 12,767,354	\$ 14,200,833	\$ 14,676,518	\$ 14,229,111	\$ 14,487,805
336,648	369,240	388,935	151,956	147,561	160,884
1,661,257	2,232,717	1,941,335	1,323,230	1,039,867	1,032,409
2,700	22,628	56,453	37,162	-	-
-	-	-	-	-	-
2,146,233	1,111,046	1,297,988	1,899,577	2,089,406	100,000
<u>14,694,015</u>	<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>
1,973,715	3,185,863	3,128,741	1,336,979	1,279,872	758,182
13,749	-	-	-	-	-
-	-	-	-	-	-
(2,146,233)	(1,111,046)	(1,297,988)	(1,899,577)	(2,089,406)	(100,000)
(158,769)	2,074,817	1,830,753	(562,598)	(809,534)	658,182
<u>\$ 14,535,246</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>
\$ 7,204,552	\$ (6,993,133)	\$ 1,980,185	\$ 536,080	\$ 210,794	\$ 1,008,338
9,952,970	9,123,978	4,505,330	5,966,649	5,466,666	(412,090)
<u>\$ 17,157,522</u>	<u>\$ 2,130,845</u>	<u>\$ 6,485,515</u>	<u>\$ 6,502,729</u>	<u>\$ 5,677,460</u>	<u>\$ 596,248</u>

CITY OF SHAKOPEE

Table 3

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund:				
Nonspendable:				
Prepays	\$ -	\$ -	\$ -	\$ -
Reserved	-	79,003	13,586	16,465
Restricted for:				
BATC Litigation	-	-	-	-
Committed to:				
Working Capital	-	-	-	-
Unreserved	3,534,080	5,565,816	7,233,268	9,662,677
Unassigned	-	-	-	-
Total General Fund	<u>\$ 3,534,080</u>	<u>\$ 5,644,819</u>	<u>\$ 7,246,854</u>	<u>\$ 9,679,142</u>
All Other Governmental Funds				
Reserved:				
Special Revenue Funds	\$ 1,456,237	\$ 1,778,684	\$ 2,232,061	\$ 2,861,564
Debt Service Funds	7,653,349	6,369,303	10,837,684	9,236,020
Capital Projects Funds	6,818,306	7,088,887	17,088,803	9,915,610
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	-	-	-	-
2010 Projects	-	-	-	-
Fire Station 2	-	-	-	-
Unreserved				
Special Revenue Funds	-	-	(4,971)	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	(777,600)	(705,537)	(28,081)	(1,833,937)
Unassigned	-	-	-	-
Total all Other Governmental Funds	<u>\$ 15,150,292</u>	<u>\$ 14,531,337</u>	<u>\$ 30,125,496</u>	<u>\$ 20,179,257</u>

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

Only 2010-2011 are reported in compliance with GASB Statement No. 54. 2002-2009 are reported as previously stated.

Table 3 (Continued)

2006	2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	149,940	131,447
1,490,157	1,810,650	1,126,074	799,276	-	-
-	-	-	-	218,032	-
-	-	-	-	345,820	-
8,354,477	7,896,883	8,733,528	10,703,004	-	-
-	-	-	-	8,323,938	9,172,747
<u>\$ 9,844,634</u>	<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>
\$ 3,386,721	\$ 2,489,775	\$ 2,738,909	\$ 2,677,290	\$ -	\$ -
7,930,114	-	-	-	-	-
8,082,799	3,849,703	4,873,440	4,185,059	-	-
-	-	-	-	189,112	208,518
-	-	-	-	1,158,355	1,237,762
-	-	-	-	49,192	45,681
-	-	-	-	55,743	22,462
-	-	-	-	143,023	249,147
-	-	-	-	447,319	497,775
-	-	-	-	5,127,697	4,625,946
-	-	-	-	2,203,238	958,195
-	-	-	-	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
-	-	-	-	-	128,871
-	-	-	-	-	284,357
-	993,555	1,130,452	-	-	-
-	7,941,439	7,658,289	7,504,770	-	-
(1,205,899)	1,673,762	1,994,812	2,453,383	-	-
-	-	-	-	(116,803)	(484,089)
<u>\$ 18,193,735</u>	<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>

CITY OF SHAKOPEE

Table 4

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
REVENUES:				
Taxes	\$ 7,128,598	\$ 7,991,699	\$ 8,207,254	\$ 9,621,721
Special Assessments	1,466,432	3,158,560	3,175,161	2,564,470
Licenses and Permits	3,814,646	4,748,457	4,173,804	4,444,491
Intergovernmental	5,230,607	2,612,877	4,162,581	3,646,605
Charges for Service	1,489,516	1,537,412	2,382,405	2,455,171
Fines and Forfeits	253,348	275,583	288,492	322,579
Miscellaneous	1,656,828	605,947	766,614	1,159,536
Total Revenues	<u>21,039,975</u>	<u>20,930,535</u>	<u>23,156,311</u>	<u>24,214,573</u>
EXPENDITURES:				
General Government	3,186,072	3,192,768	3,486,029	3,120,544
Police	3,014,829	3,148,785	3,698,352	4,159,724
Fire	889,390	975,656	1,141,700	1,194,610
Protective Inspection	555,384	645,030	690,920	855,864
Public Works	2,258,903	2,221,004	2,564,662	3,003,554
Culture and Recreation	622,099	669,570	2,489,749	2,792,590
Economic Development	-	-	-	-
Miscellaneous	109,455	317,167	-	-
Debt Service:				
Principal	3,015,000	3,720,000	1,775,000	1,845,000
Interest and Other Charges	729,300	717,098	701,976	1,106,324
Capital Outlay	9,249,946	5,532,652	7,432,575	14,058,508
Total Expenditures	<u>23,630,378</u>	<u>21,139,730</u>	<u>23,980,963</u>	<u>32,136,718</u>
Excess of Revenues Under Expenditures	<u>(2,590,403)</u>	<u>(209,195)</u>	<u>(824,652)</u>	<u>(7,922,145)</u>
OTHER FINANCING SOURCES (USES):				
Bonds Issued	4,938,612	2,215,567	15,070,000	-
Sale of Assets	9,644	41,761	299,183	753,024
Premium on Bonds Issued	-	-	-	-
Refunded Bond Escrow	-	-	-	(2,190,000)
Transfers In	1,701,837	1,732,872	5,963,741	3,374,566
Transfers Out	(2,490,520)	(2,289,221)	(3,312,078)	(1,529,396)
Total Other Financing Sources (Uses)	<u>4,159,573</u>	<u>1,700,979</u>	<u>18,020,846</u>	<u>408,194</u>
Net Change in Fund Balance	<u>\$ 1,569,170</u>	<u>\$ 1,491,784</u>	<u>\$17,196,194</u>	<u>\$ (7,513,951)</u>
Debt Service as a Percentage of Noncapital Expenditures	26%	49%	18%	23%

Table 4 (Continued)

2006	2007	2008	2009	2010	2011
\$ 10,815,367	\$13,084,595	\$ 14,437,766	\$ 14,992,051	\$ 14,385,788	\$ 14,699,066
1,751,871	2,301,560	1,879,974	1,810,511	1,404,088	1,475,324
2,675,935	1,378,570	1,221,939	1,492,746	1,338,111	1,281,150
2,877,245	2,540,584	2,702,993	1,811,668	2,924,161	3,941,830
2,290,996	2,089,375	2,209,269	1,808,865	2,202,524	3,958,237
422,850	501,228	442,626	428,662	549,543	411,211
1,979,419	2,322,755	2,028,529	1,503,722	1,255,038	705,969
<u>22,813,683</u>	<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>
3,149,717	3,479,925	3,517,957	3,331,193	2,960,233	4,004,684
4,842,268	5,562,945	5,818,091	6,038,687	6,361,621	6,705,512
1,481,327	1,833,876	1,857,482	1,796,134	1,866,037	2,028,186
829,526	945,196	786,715	769,883	784,909	727,126
3,095,392	3,769,491	3,628,954	3,591,049	3,902,622	2,602,104
3,453,545	3,651,539	4,101,175	3,898,844	4,075,919	3,902,386
-	-	522,074	316,566	270,915	247,591
-	-	-	-	-	-
3,055,000	3,110,000	3,280,000	2,660,000	3,800,000	2,565,000
1,195,618	1,025,868	1,077,711	1,077,325	833,245	658,265
10,650,449	7,288,033	3,300,942	1,797,299	2,812,488	6,301,406
<u>31,752,842</u>	<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>
(8,939,159)	(6,448,206)	(2,968,005)	(1,428,755)	(3,608,736)	(3,269,473)
3,440,000	2,815,000	2,170,000	-	1,555,000	-
2,700	17,700	-	-	6,000	-
20,275	9,956	16,741	-	-	-
-	-	-	-	-	-
6,683,532	4,411,281	4,605,693	4,958,133	13,199,807	2,968,919
<u>(3,354,364)</u>	<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>
6,792,143	5,065,604	4,567,742	1,496,033	2,380,404	218,089
<u>\$ (2,147,016)</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>
27%	20%	20%	18%	22%	16%

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
2002	\$11,469,272	\$ 10,023,762	\$ 409,721	\$ 975,773	\$ 1,543,453	\$ 19,383,529	0.33976	\$ 1,743,136,300	1.11%
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%

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				
2002	0.33194	0.00782	0.33976	0.26080	0.39517	0.04976	0.00764
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

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	2011			2002		
		2010/11 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value	2001/2002 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value
Excel Energy	Electrical Generation	\$ 537,082	1	1.26%	\$ 593,160	6	2.71%
Rahr Malting	Grain Processing	407,838	2	0.96%	600,390	5	2.74%
Seagate	Manufacturing/Research	399,250	3	0.94%	1,498,500	1	6.84%
St. Francis RMC	Health Care	358,500	4	0.84%			
Shakopee Crossing LTD	Retail	357,420	5	0.84%			
Ryan Mpls II LLC	Property Management	332,700	6	0.78%			
Canterbury Park	Horse Racing	324,236	7	0.76%			
Certainteed	Manufacturing	319,250	8	0.75%			
Shakopee Valley Market	Retail	315,750	9	0.74%			
Walmart	Retail	315,250	10	0.74%			
ADC Telecommunications	Electronics				890,024	2	4.06%
OIRE	Property Management				861,828	3	3.93%
KMart Warehouse	Warehouse/Distribution Center				649,000	4	2.96%
Principal Mutual Mortgage	Financial				557,756	7	2.55%
Anchor Glass	Manufacturing				327,172	8	1.49%
Valley Fair	Amusement Park				254,450	9	1.16%
Continental 95	Retail				193,256	10	0.88%
		<u>\$ 3,667,276</u>		<u>8.63%</u>	<u>\$ 6,425,536</u>		<u>29.32%</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
2002	\$ 6,645,713	\$ 6,484,920	98%	\$ 41,342	\$ 6,526,262	98%	\$ 70,622	1.06%
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%

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				
2002	\$ 2,565,000	\$ 390,000	\$ 14,055,000	\$ 25,660,000	\$ 42,670,000	5.5%	1,785
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

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>
2002	\$ 2,565,000	0.15%	107	0.33%
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%

Sources:

1. Metropolitan Council estimated for population.
2005-2009 populations are the City's estimate.
2. Scott County Auditor

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF SHAKOPEE

Table 11

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2011**

	<u>G.O. Debt</u>	<u>Percentage Applicable To City of Shakopee (1)</u>	<u>Amount Applicable To City of Shakopee</u>
Direct Debt:			
City of Shakopee	\$ 16,145,000	100.0%	\$ 16,145,000
Overlapping Debt:			
Independent School District No. 720	143,855,000	85.0%	122,276,750
Independent School District No. 191	101,350,000	6.8%	6,891,800
Scott County	76,805,000	29.4%	22,580,670
Metropolitan Council	<u>1,349,552,846</u>	1.0%	<u>16,101,382</u>
Total Overlapping Debt:	1,671,562,846		167,850,602
 Total Direct and Overlapping Debt	 <u>\$ 1,687,707,846</u>		 <u>\$ 183,995,602</u>

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

	2002	2003	2004	2005
Market Value (Taxable)	\$ 1,743,136,300	\$ 2,062,115,200	\$ 2,464,564,300	\$ 2,654,161,900
Debt Limit - Percent of Market Value (Note A)	34,862,726	41,242,304	49,291,286	53,083,238
Amount of Debt Applicable to Debt Limit:				
G.O. Bonds	2,565,000	2,445,000	10,595,000	8,275,000
Available in Debt Service Funds	(284,119)	(297,657)	(2,539,292)	(1,155,148)
Total Debt Applicable to Debt Limit	2,280,881	2,147,343	8,055,708	7,119,852
Legal Debt Margin	\$ 32,581,845	\$ 39,094,961	\$ 41,235,578	\$ 45,963,386

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 2,987,657,400	\$ 3,419,040,600	\$ 3,800,795,500	\$ 3,850,591,200	\$ 3,710,814,056	\$ 3,570,069,500
<u>59,753,148</u>	<u>68,380,812</u>	<u>114,023,865</u>	<u>115,517,736</u>	<u>111,324,422</u>	<u>107,102,085</u>
7,950,000	7,560,000	7,165,000	6,755,000	6,340,000	5,905,000
(810,494)	(834,155)	(847,608)	(837,100)	(786,306)	(826,957)
<u>7,139,506</u>	<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>\$ 52,613,642</u>	<u>\$ 61,654,967</u>	<u>\$ 107,706,473</u>	<u>\$ 109,599,836</u>	<u>\$ 105,770,728</u>	<u>\$ 102,024,042</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		
2002	\$ 21,148,771	\$ 16,343,532	\$ 4,805,239	\$ 340,000	\$ 1,468,242	2.66	
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	-	-	-	-	-	-	

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>
2002	23,900	4,487	4.0%	15,024	\$ 32,575	\$ 778,542,500
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

- Source:
1. Metropolitan Council population estimates except for 2010 which is the official census figure. 2005-2009,2011 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

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF SHAKOPEE

Table 15

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	2011			2002		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
ADC	Manufacturing			0.00%	1,400	1	9.32%
Valley Fair	Amusement Park	1,743	1	8.41%	1,200	2	7.99%
School District No. 720	Education	1,347	2	6.50%	390	6	2.60%
Seagate	Manufacturing/Research	1,200	3	5.79%	1,200	3	7.99%
Canterbury Park	Horse Racing	1,100	4	5.31%			
St. Francis RMC	Health Care	804	5	3.88%	365	7	2.43%
Scott County	Government	711	6	3.43%			
Imagine Print Solutions	Printing	652	7	3.15%			
Walmart	Retail	400	8	1.93%			
Anchor Glass	Glass Container Manufacturing	271	9	1.31%	285	9	1.90%
TORO	Manufacturing	270	10	1.30%	270	10	1.80%
American Color - SVP	Printing				415	5	2.76%
CertainTeed	Roofing Manufacturing				300	8	2.00%
Kmart	Distribution Center				420	4	2.80%
		<u>8,498</u>		<u>35.11%</u>	<u>6,245</u>		<u>45.01%</u>
Total Employment				20,718			15,024

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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government:					
Administration	6	6	6	6	6
City Clerk	3	4	4	4	4
Finance	4	3	3	3	3
Planning	6	6	5	5	5
Facilities Maintenance	1	1	4	4	6
Information Technology	1	1	2	2	2
Public Safety:					
Police:					
Licensed	34	34	40	42	45
Other	7	7	7	9	7
Fire:					
Full time	-	-	-	-	-
Paid On Call	50	50	50	50	48
Building Inspection	7	7	8	8	8
Public Works:					
Engineering	9	9	9	9	9
Street	9	9	11	12	12
Shop	2	3	3	3	3
Park and Recreation:					
Park Maintenance	7	7	7	7	7
Recreation	8	8	8	10	10
Total	<u>154</u>	<u>155</u>	<u>167</u>	<u>174</u>	<u>175</u>

Source: City departments

Table 16 (Continued)

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
5	5	5	5	5
4	4	4	4	4
3	3	3	3	3
5	5	5	5	5
6	7	6	6	6
2	2	2	2	2
46	47	47	47	50
7	6	6	6	6
1	2	3	3	3
48	48	44	44	42
7	6	5	5	5
7	7	7	7	7
12	13	13	13	13
3	3	3	3	4
8	8	8	8	8
10	7	7	7	7
<u>174</u>	<u>173</u>	<u>168</u>	<u>168</u>	<u>170</u>

CITY OF SHAKOPEE

Table 17

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government					
Planning					
Number of Case Files	121	127	109	120	91
Number of Plats Filed	10	11	9	7	10
Number of Acres Platted	378	385	238	321	155
Public Safety					
Police					
Arrests	1,348	1,147	1,248	1,451	1,770
Citations	3,805	3,129	3,802	3,843	4,970
Calls for Service	13,939	14,799	16,062	17,363	18,333
Fire					
Calls for Service	446	482	479	539	494
Building Inspection					
Building Permits Issued	1,310	1,744	1,638	1,512	1,131
Number of Inspections	11,416	15,016	14,535	15,175	9,671
Single Family Homes Permitted	260	384	396	352	223
Public Works					
Street					
Miles of Roadway	131	138	114	123	153
Park and Recreation					
Park Maintenance					
Acres Maintained	655	671	760	925	930
Recreation					
Program Participants	9,911	10,194	9,693	9,842	9,928
Community Center Members	520	556	541	516	578
Community Center Admissions	70,088	77,014	75,018	77,543	91,776

Source: City departments

Table 17 (Continued)

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
67	68	35	33	24
3	2	2	1	2
38	50	34	6	68
2,199	1,881	1,913	1,962	1,666
6,073	4,058	6,127	5,528	5,647
19,606	19,057	17,909	17,831	15,832
609	538	517	557	600
1,194	1,019	1,102	1,083	1,881
8,174	5,946	9,726	8,048	8,004
138	94	314	160	118
154	154	154	154	154
930	933	933	933	933
10,847	11,410	10,377	13,001	13,157
597	613	823	2,534	3,682
100,044	100,397	109,257	117,336	120,667

CITY OF SHAKOPEE

Table 18

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police:					
Stations	1	1	1	1	1
Patrol Zones	4	4	4	4	4
Patrol Units	12	12	13	13	15
Fire Stations	2	2	2	2	2
Street:					
Miles of Roadway	131	138	114	123	153
Traffic Signals	21	23	25	25	25
Parks:					
Acres	655	671	760	925	1,015
Ball Fields	42	42	46	46	47
Playgrounds	12	13	13	13	18

Source: City Departments

Table 18 (Continued)

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</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
25	26	27	27	27
1,015	1,019	1,024	1,024	1,024
47	49	49	52	54
22	24	24	24	26