

Comprehensive ANNUAL FINANCIAL REPORT

For the fiscal year ended December 31, 2020



"O'Dowd Lake Bolt Launch," Steve Brock



"Climbing to New Heights," Sonja Keltgen



"Frozen Park," Randy Monnens



"Swing," Christopher Straub

Winning photos from the
2020 Show Off Shakopee Photo Contest



SHAKOPEE | MN

COMMUNITY PRIDE SINCE 1857

City of Shakopee | 485 Gorman St., Shakopee MN 55379 | 952-233-9300 | www.ShakopeeMN.gov

CITY OF SHAKOPEE, MINNESOTA

Scott County

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2020

Department of Finance

Nathan Reinhardt, Director of Finance
Melissa Schlingman, Accounting Manager

485 Gorman Street
Shakopee, MN 55379

CITY OF SHAKOPEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

SECTION I

	Page
INTRODUCTORY SECTION	
Elected Officials and Administration.....	1
Organization Chart.....	3
Letter of Transmittal.....	4
Certificate of Achievement for Excellence in Financial Reporting.....	12

SECTION II

FINANCIAL SECTION

Independent Auditor’s Report.....	13
Management’s Discussion and Analysis (Unaudited).....	16
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	29
Statement of Activities.....	30
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	32
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds.....	33
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	34
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds.....	35
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	37
Statement of Net Position – Proprietary Funds.....	38
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	39
Statement of Cash Flows – Proprietary Funds.....	40
Statement of Fiduciary Net Position.....	42
Statement of Changes in Fiduciary Net Position.....	43
Statement of Net Position – Component Unit.....	44
Statement of Revenues, Expenses and Changes in Net Position – Component Unit	45
Notes to the Financial Statements.....	47

CITY OF SHAKOPEE

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020**

TABLE OF CONTENTS (CONTINUED)

SECTION II (Continued)

FINANCIAL SECTION

Required Supplementary Information:

Schedule of City's Proportionate Share of Net Pension Liability General Employees Retirement Fund.....	104
Schedule of City's Proportionate Share of Net Pension Liability Public Employees Police and Fire Retirement Fund.....	105
Schedule of Component Units' Proportionate Share of Net Pension Liability General Employees Retirement Fund.....	106
Schedule of City Contributions General Employees Retirement Fund	107
Schedule of City Contributions Public Employees Police and Fire Retirement Fund ..	108
Schedule of Component Unit Contributions General Employees Retirement Fund ..	109
Schedule of Changes in the Net Pension Liability and Related Ratios – Fire Relief Association.....	110
Schedule of City Contributions and Non Employer Contributing Entities– Fire Relief Association.....	112
Schedule of Changes in the City's OPEB Liability and Related Ratios.....	113
Notes to Required Supplementary Information.....	114

Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	120
Combining and Individual Fund Financial Statements and Schedules: Combining Balance Sheet – Nonmajor Governmental Funds.....	122
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	128
Combining Statement of Net Position – Internal Service Funds.....	134
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds.....	135
Combining Statement of Cash Flows – Internal Service Funds.....	136

CITY OF SHAKOPEE

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020**

TABLE OF CONTENTS (CONTINUED)

SECTION III

STATISTICAL SECTION

Financial Trends:

Net Position by Component.....	1	140
Changes in Net Position.....	2	142
Fund Balances – Governmental Funds.....	3	144
Changes in Fund Balances – Governmental Funds.....	4	146

Revenue Capacity:

Tax Capacity and Estimated Actual Value of Taxable Property.....	5	148
Direct and Overlapping Property Tax Rates.....	6	149
Principal Taxpayers.....	7	150
Property Tax Levies and Collections.....	8	151

Debt Capacity:

Ratio of Outstanding Debt by Type.....	9	152
Ratio of General Bonded Outstanding.....	10	153
Direct and Overlapping Governmental Activities Debt.....	11	155
Legal Debt Margin Information.....	12	156

Demographic and Economic Information:

Demographic and Economic Statistics.....	13	158
Principal Employers.....	14	159

Operating Information:

Full-Time Equivalent City Government Employees by Function/Program.....	15	160
Operating Indicators by Function/Program.....	16	162
Capital Asset Statistics by Function/Program.....	17	164

CITY OF SHAKOPEE

**ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2020**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
William Mars	Mayor	December 31, 2022
Jody Brennan	Council Member	December 31, 2022
Angelica Contreras	Council Member	December 31, 2022
Matthew Lehman	Council Member	December 31, 2020
Jay Whiting	Council Member	December 31, 2020

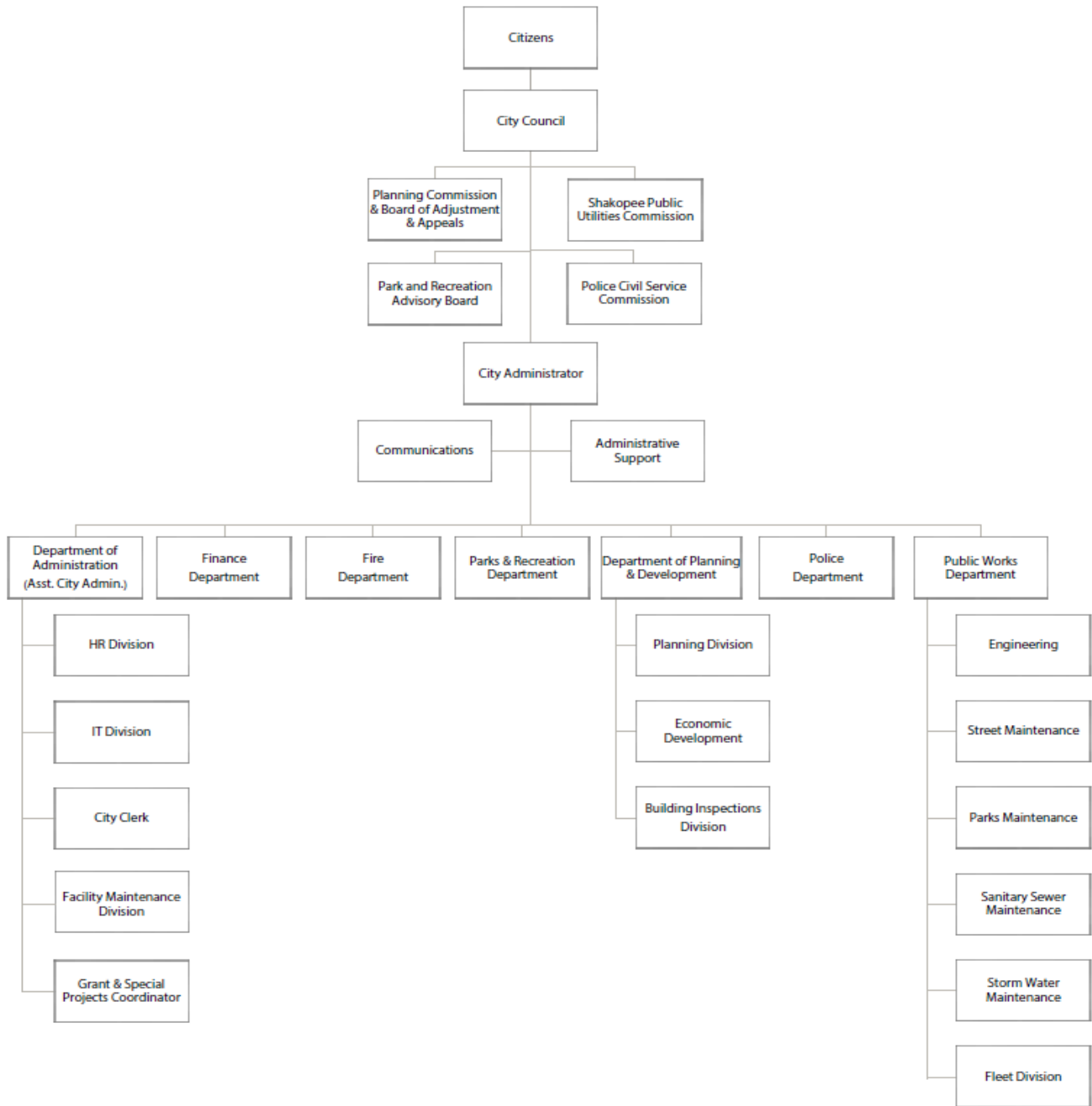
Administration

William H. Reynolds	City Administrator
Nathan Burkett	Assistant City Administrator
Nathan Reinhardt	Finance Director
Michael Kerski	Director of Planning & Development
Jeff Tate	Police Chief
Rick Coleman	Fire Chief
Steve Lillehaug	Public Works Director/Engineer
Jay Tobin	Park and Recreation Director

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF SHAKOPEE

ORGANIZATION CHART DECEMBER 31, 2020





June 8, 2021

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

The Comprehensive Annual Financial Report for the City of Shakopee, Minnesota, for the fiscal year ended December 31, 2020, is submitted herewith:

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

The City of Shakopee's financial statements have been audited by Abdo Eick & Meyers LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the city for the year ended December 31, 2020, are fairly presented in conformity with GAAP (generally accepted accounting principles). Based on the audit, the independent auditor concluded that there is reasonable basis for rendering an unmodified ("clean") opinion on the city's financial statements for the year ended December 31, 2020. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used; significant estimates made by management; as well as evaluation of the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the City

The City of Shakopee was incorporated for the second time in 1870 and is located approximately 25 miles southwest of Minneapolis. Bound by the Minnesota River on the north, Shakopee is in the northern part of Scott County and is the county seat. In recent years, the city has been one of the most rapidly growing communities in the state. The 2000 population of the city was 20,568 and the land area covered is approximately 30 square miles. The 2010 census confirmed that the population had increased to 37,076 and has been continuing to experience growth into the current year, with an estimated population of 41,528, the latest Metropolitan Council estimates in 2019. The city comprises a unique blend of residential, commercial and industrial properties, which provides a wide range of opportunities that are the result of the strong economic health of the community and region. More than 70% of the community is developed, with approximately 25% of the developed land as residential. The city levies a property tax on both real and personal property located within its boundaries except for land owned or controlled by the Shakopee Mdewakanton Sioux Community (SMSC), a Federally recognized Native American Tribe. The city may also by state statute, extend its corporate limits by annexation, which historically has occurred periodically. The city recently executed an orderly annexation agreement with Jackson Township that will allow the city to actively annex certain portions of the township as market forces dictate.

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

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

Economic development and redevelopment are controlled by the Shakopee Economic Development Authority (the Authority). The Authority is comprised of the Mayor and City Council members and is included as an integral part of the city's report. The economic development activities of both staff and Council continue to increase from past years, as the strong economic climate in the region has provided the city with the benefit of planned commercial and industrial growth as well as expansion of several existing businesses and commercial sites.

2021 activity has already confirmed that the continuation of the growth trend will carry into the current year as the valuation of building permits for the first quarter of 2021 was \$69.3 million. Included in the first quarter 2021 valuation is 57 single-family home building permits (up from 40 in 2019). This number is also expected to increase as additional phases of existing housing developments come on-line in 2021.

The annual budget is the basis for the city's financial planning and control. The budget is prepared by fund (e.g., General), function (e.g., Public Works) and division (e.g., Engineering). Major budget requests or initiatives are submitted in July by department directors. The City Administrator reviews the submittals with the Finance Director and department directors to determine the prioritization of specific budget requests.

The City Council is presented with a proposed budget and a maximum tax levy in September of each year. This information succinctly details changes in the upcoming year budget, such as changes in personnel and position structure. It also includes funding requests that are unique to the specific budget year, the basis for the request, as well as requests for transfers and internal funding needs, such as internal service fund reviews.

City Council is required to adopt a maximum tax levy by September 30. The final tax levy and budget are adopted in December after a public meeting, which provides the City Council and community impact information relating to both the budget decisions and property tax levies. Final levy information is submitted to the County for inclusion in the development of the upcoming year property tax statements.

Budgeting control is provided by an annual budget resolution passed by City Council. Formal control is at the division level and Council action is necessary to change budgeted amounts between divisions and/or funds. The Finance Director or City Administrator may make changes within divisions.

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

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

The city also maintains several internal service funds including equipment, park assets, information technology, buildings and self-insurance. The funding for this program is through the internal service fund rate charges, which are determined by departmental use, replacement plans and determination of the remaining life. These charges are integrated into the individual budgets of the General fund and departments that are benefitted by the activities of the programs. The Internal Service funds continue to be reviewed and updated as community needs and council directives are considered during each budget cycle.

Local Economy

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

The City's taxable market value is \$5.5 billion for taxes payable 2021, which is an increase of \$477 million or 9.4 percent from last year. New construction accounted for \$116 million of the increase in value. Residential housing makes up 61.5% of the 2021 tax capacity base. For the valuation used to calculate the 2021 property tax statements, the median value home in the City of Shakopee is \$266,800 compared to \$251,000 in the previous valuation.

The following projects are anticipated to begin construction in the near future or are currently under construction in the City:

Residential:

- The DECO, a 90-unit mixed use development on the site of the former Shakopee city hall opened in March 2021. The \$14 million development includes a second level outdoor deck for residents.
- The EDA sold a parcel on the Minnesota River bluff for development of a 170-unit market rate apartment complex with a restaurant, retail space and workout amenities. The project will remove

the overhead powerlines from the bluff and rebuild several streets. Construction began in March 2021 and is expected to be completed in 2022.

- Lennar Homes is completing Ridge Creek, a new 103 single-family home subdivision. Approximately 90% of the lots have been sold and built.
- Windermere by D.R. Horton has started construction in its sixth phase of development consisting of 125 new homes, including new single-family homes with an integrated park, and has submitted their seventh phase consisting of 101 residential lots.
- Benedictine Health System completed its \$60 million, 183-unit independent living, assisted living and memory care facility in the Windermere development and is now in lease up.
- The Willows at Windermere opened in October 2020. The 60-unit workforce family apartment complex with supportive services for residents that helps move them into homeownership.
- The city approved Core Crossings development, a 60-unit, workforce housing development that will now be part of the Trio Apartment Complex. The second phase of the market-rate portion of Trio was also approved. Construction of both should begin in mid-2021.
- Stagecoach in Southbridge is a new 60-home subdivision that is under construction in Southbridge. The homes have access to a new 2-acre city park that preserves a large stand of heritage oaks. The development is already 90% built out.
- The second home in West Ridge Lake Estates, a 14-lot executive development on Lake O'Dowd, has started construction. Several other lots are under contract. These homes are valued at more than \$1 million each.
- Construction is well underway on Countryside 2nd Addition, a 31-lot single family residential development.
- Link Construction received approval for eight new homes as part of Jefferson Court. The one level homes will be at the corner of Adams, 10th Avenue West and Jefferson.
- Doran Development opened the first phase of Triple Crown, a super luxury apartment complex. It is expected that they will begin the second phase of the 625-unit development in late 2021.
- A large-scale subdivision with more than 600 units was approved on the former Hauer farmland property at 17th Avenue. The development, Summerland Place, will include single family homes, villas, townhomes, and apartments.
- M/I Homes submitted for a 186-home subdivision on County Highway 83. The development includes large single-family homes, carriage houses and villas. The development includes eight acres of integrated city-owned open space and trails.
- Whispering Waters, a 125-home subdivision, was approved. The homes along the Prior Lake Outlet Channel, will be on larger lots.
- Trident Development has begun construction of Arasan Apartments, a 138-unit apartment building in Powers Addition, located at 17th Avenue and Marystown Road.
- Renovation of Shakopee Village Apartments at 1428 4th Avenue East into handicap accessible living units will be completed in 2021.
- Suite Living – nursing and assisted living facility with 32 units approved within the Windermere Subdivision.
- MWF 2nd Phase completed in 2020 (48 units)- 1595 Sarazin Street.
- Pulte Homes will begin construction shortly at Canterbury Crossing, a 108-unit townhome community.
- Lifestyle Communities received approval for a 56-unit senior co-op development in the Canterbury Crossing Development.

Commercial:

- Chipotle purchased a closed Taco Bell and is completing a \$400,000 renovation and should open in mid-2021.
- Canterbury Park's Southwest Development was approved, and it includes a new headquarters office building for Greystone Construction and pads for other several large commercial users.
- The EDA sold 16 acres of land in the West End Gateway to OPUS who developed a new corporate headquarters and manufacturing facility for Cherne USA who relocated from Edina. The building

opened in April 2021. The EDA has a four-acre site under contract for a 50-unit townhome development.

- Trident Development built a new 15,000 square foot Veterans Administration medical center and is approved to build a 16,000 square foot medical/retail complex at 17th Avenue and Marystown Road.
- Construction of a new Taco Bell just off Marschall Road has been completed and is now open.
- Texas Roadhouse has submitted a building permit for a new restaurant in Southbridge across from Sam's Club that will begin construction this summer.
- 1038 1st Ave. E. – renovating fire damaged furniture store into an Insurance Agency.
- McDonald's will be renovating its restaurant at 227 Marschall Road.
- My Place Hotel opened at 3912 12th Avenue with 63 units.
- Rocket Car Wash has purchased the former BMO Harris Bank and will be constructing a new car wash at 1341 Greenwood.
- St. Francis Regional Medical Center has submitted a building permit application for a 15,000 square-foot Emergency Room expansion and expansion of the Cancer Center.
- North Star Regional intends to construct their 2nd phase of a 3-phase substance abuse residential treatment center.

Industrial:

- Scannell Properties completed a 136,500 square-foot building and is in the final lease up phase of a second 114,000 square-foot office/warehouse development.
- KEB America has completed an 80,000 square foot addition to its North American Headquarters.
- Johnson Anderson, which opened in 1983, is completing 15,400 square foot addition. They are one of the largest custom envelope and printing operations in Minnesota.
- Biff's completed and is occupying a new corporate headquarters and yard on Highway 100
- S.M. Hentges purchased the former Cretex Concrete plant and is redeveloping into a heavy industrial park with approximately 50 acres. The first building will be the 500,000 square foot Southwest Logistics Center valued at more than \$30 million and expected to be completed by the end of 2021. There are three additional sites available for industrial users.
- United Properties completed the construction of a 310,000 square foot speculative warehouse building at 3200 4th Avenue East.
- Universal Stone recently opened a new 30,000 square-foot showroom / manufacturing building on Stagecoach Road.
- Mesenbrink Construction recently completed a 12,000 square-foot multi-tenant industrial building on the east side of Shakopee at 7380 County Road 101.
- Mesenbrink Construction intends to construct a 2nd 12,000 square-foot speculative industrial building at 7480 County Road 101
- Lloyd's Construction Service recently completed construction of their new office / transfer station on the east side of Shakopee.

Public:

- The Ridge Creek Park is under construction. This \$4 million park includes a board walk, sitting areas and wildlife observation sheds.
- Scott County broke ground on a \$60 million addition and improvements to the Scott County Government Center.
- The XCEL Energy Mountain Bike Park is under construction and should be completed in June 2021. This is the first mountain bike course in Shakopee and will also be used by the High School team for training and special events.
- The Shakopee Cultural Trail Plan is underway in cooperation with Three Rivers Park District, South County Historical Society, the city and the SMSC. This three-mile corridor is a major recreational and cultural resource.
- The city completed a master plan and wayfinding signage plan for the Vierling Greenway Trail.

- The city completed a master plan for Scenic Heights Park that includes a new accessible playground and future pickleball courts.
- The city is constructing Stagecoach Park and Jennifer Lane Park.
- Shakopee Public Utilities is constructing a new Water Tower in the Windermere Development – 135 feet tall and 750,000 gallons.
- Shakopee Public Utilities has been approved to construct a new Electrical Substation in the West End.

Major Initiatives

The city completed an Alternative Urban Area Review (AUAR) Plan for the West End that includes all of the area to be annexed into the Jackson Township. The city annexed 250 acres in 2021 and will begin extending services to the area, largely for business park users, in 2022. The city has received applications to annex more than 150 acres adjacent to the recently annexed land.

The city is completing an AUAR for the Valley View Area. This area consists of more than 300 acres of land that can be developed for single family houses.

The city is completing an EAW for an entertainment expansion at Canterbury for a possible \$50 million in new investment.

Long-Term Financial Planning

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

In addition, the City Council passed an ordinance effective January 1, 2017 assessing the private gas and electric utilities a franchise tax based on three percent of energy sales. This franchise tax generated approximately \$750,657 in 2020, with revenue dedicated to the Capital Improvement Fund.

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

Relevant Financial Policies

The city's target General Fund balance is to maintain an unassigned level between 35% and 50% of expenditures. This level is to provide working capital for cash flow, expected declines in revenues, and for unforeseen expenditures such as natural disasters, or for unforeseen but urgent requests. Replenishing the fund balance when it falls below the target level shall be accomplished by inter-fund transfers, or adjusting of expenditures or revenues, over a period not to exceed three years.

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

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

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

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

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

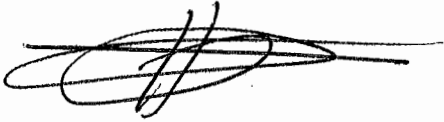
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Shakopee for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2019. This was the 35th consecutive year that the city has received this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,



William H. Reynolds
City Administrator



Nathan J. Reinhardt
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Shakopee
Minnesota**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Shakopee, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Shakopee, Minnesota (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Shakopee Public Utilities Commission, the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City as of December 31, 2020, 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 accordance with accounting principles generally accepted in the United States of America.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 16 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, Schedule of Changes in the Net Pension Liability and Related Ratios and the Schedule of Funding Progress for Other Post-Employment Benefit Plan starting on page 104 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

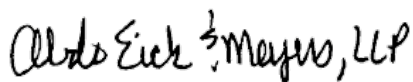
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, schedule of revenues, expenditures and changes in fund balance - budget and actual - General Fund and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues, expenditures and changes in fund balance and the combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
June 8, 2021

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020

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, 2020. 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 4 to 11 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$276.8 million (net position). Of this amount, \$44.2 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$2.0 million. Before transfers, the net increase in governmental activities accounts for 24 percent of the total increase and business-type activities accounts for 76 percent of the increase.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$28.9 million, which is an increase of \$1.4 million from the prior year. Approximately 35.3 percent of this total amount, \$10.2 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 \$14.9 million, or 51.6 percent of total General Fund 2020 expenditures and 49.9 percent of the 2021 budgeted expenditures.
- The City's total outstanding bonded debt increased by \$6.4 million during the current year. The City retired \$1.8 million in principal in 2020 and issued \$8.2 million General Obligation Tax Increment Bonds 2020A to fund infrastructure improvements.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

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 29 and 31 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains 28 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, and the Capital Improvement, TIF District No. 18 Canterbury Commons and TIF District No. 20 Enclave Capital Project Funds. Those are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been prepared for the fund to demonstrate compliance with the budget.

The basic governmental funds financial statements can be found on pages 32 to 37 of this report.

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 38 to 41 of this report.

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on pages 42 to 43 of this report.

Component Units

Component units are legally separate organizations for which the City is financially accountable. The government-wide financial statements present information for the component units in a single column on the Statement of Net Position. Also, some information on the Statement of Changes in Net Position is aggregated for component units. The component units' Statements of Net Position and Statement of Changes in Net Position provide detail for each major component unit. The statements can be found on pages 44 to 45 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 47 to 102 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. These can be found on pages 104 to 117 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 120 to 136 of this report.

CITY OF SHAKOPEE

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$276.8 million at the close of the most recent year.

By far the largest portion of the City's net position (81.1 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure and equipment); less any related debt used to acquire those assets that is still outstanding. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 56,591	\$ 51,520	\$ 24,598	\$ 25,245	\$ 81,189	\$ 76,765
Capital Assets	175,969	175,013	88,975	83,567	264,944	258,580
Total Assets	\$ 232,560	\$ 226,533	\$ 113,573	\$ 108,812	\$ 346,133	\$ 335,345
Deferred Outflows of Resources	5,468	7,362	87	70	5,555	7,432
Long-Term Liabilities						
Outstanding	\$ 56,822	\$ 49,123	\$ 678	\$ 621	\$ 57,500	\$ 49,744
Other Liabilities	11,513	8,167	354	662	11,867	8,829
Total Liabilities	\$ 68,335	\$ 57,290	\$ 1,032	\$ 1,283	\$ 69,367	\$ 58,573
Deferred Inflows of Resources	5,485	9,252	24	92	5,509	9,344
NET POSITION:						
Net Investment in Capital Assets	\$ 135,476	\$ 139,359	\$ 88,975	\$ 83,567	\$ 224,451	\$ 222,926
Restricted	8,206	6,774	-	-	8,206	6,774
Unrestricted	20,526	21,220	23,629	23,940	44,155	45,160
Total Net Position	\$ 164,208	\$ 167,353	\$ 112,604	\$ 107,507	\$ 276,812	\$ 274,860

An additional portion of the City's net position (3.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$44.2 million) may be used to meet the City's ongoing obligations to citizens and creditors.

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

CITY OF SHAKOPEE

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

During the current year, the City's net position increased \$2.0 million. Decrease related to \$3.8 millions asset transfer to business-type fund (Governmental activities increased as a result of significant intergovernmental revenues, building permit revenues, investment income and unspent bond proceeds for TIF District No. 18 Canterbury Commons.) The business-type activities increased as a result of contributed assets from outside developers during the

**Changes in Net Position
(Expressed in Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES:						
Program Revenues:						
Charges for Services	\$ 9,458	\$ 13,613	\$ 5,534	\$ 5,665	\$ 14,992	\$ 19,278
Operating Grants and Contributions	4,775	1,881	-	-	4,775	1,881
Capital Grants and Contributions	4,497	6,527	1,680	5,214	6,177	11,741
General Revenues:						
Property Taxes	20,704	19,416	-	-	20,704	19,416
Franchise Taxes	1,158	1,306	-	-	1,158	1,306
Tax Increment	2,317	2,009	-	-	2,317	2,009
Other	1,645	2,028	650	894	2,295	2,922
Total Revenues	<u>44,554</u>	<u>46,780</u>	<u>7,864</u>	<u>11,773</u>	<u>52,418</u>	<u>58,553</u>
EXPENSES:						
General Government	5,367	5,373	-	-	5,367	5,373
Public Safety	13,246	12,921	-	-	13,246	12,921
Public Works	13,862	12,681	-	-	13,862	12,681
Culture and Recreation	4,446	5,171	-	-	4,446	5,171
Natural Resources	24	169	-	-	24	169
Economic Development	5,927	3,272	-	-	5,927	3,272
Interest on Long-Term Debt	1,214	666	-	-	1,214	666
Sewer	-	-	4,497	4,216	4,497	4,216
Storm	-	-	1,760	1,786	1,760	1,786
Refuse	-	-	123	123	123	123
Total Expenses	<u>44,086</u>	<u>40,253</u>	<u>6,380</u>	<u>6,125</u>	<u>50,466</u>	<u>46,378</u>
Increase (Decrease) in Net Position before Transfers	468	6,527	1,484	5,648	1,952	12,175
Transfers	<u>(3,613)</u>	<u>(217)</u>	<u>3,613</u>	<u>217</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(3,145)</u>	<u>6,310</u>	<u>5,097</u>	<u>5,865</u>	<u>1,952</u>	<u>12,175</u>
NET POSITION:						
January 1	167,353	161,043	107,507	101,642	274,860	262,685
December 31	<u>\$ 164,208</u>	<u>\$ 167,353</u>	<u>\$ 112,604</u>	<u>\$ 107,507</u>	<u>\$ 276,812</u>	<u>\$ 274,860</u>

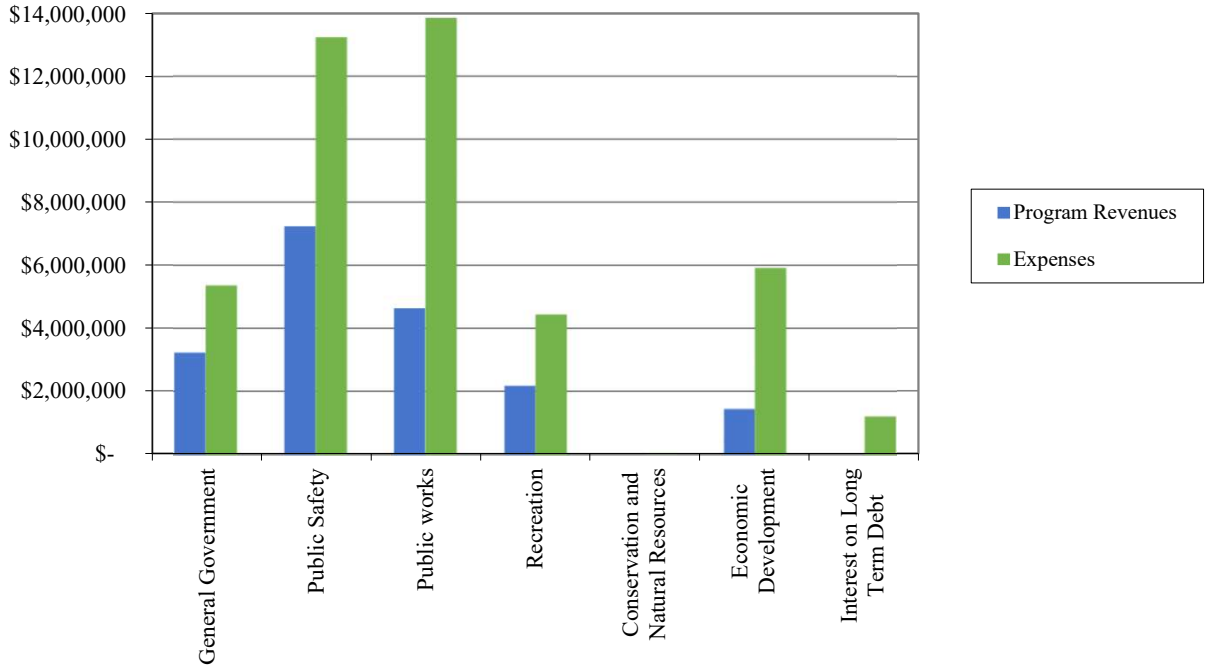
CITY OF SHAKOPEE

**MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2020**

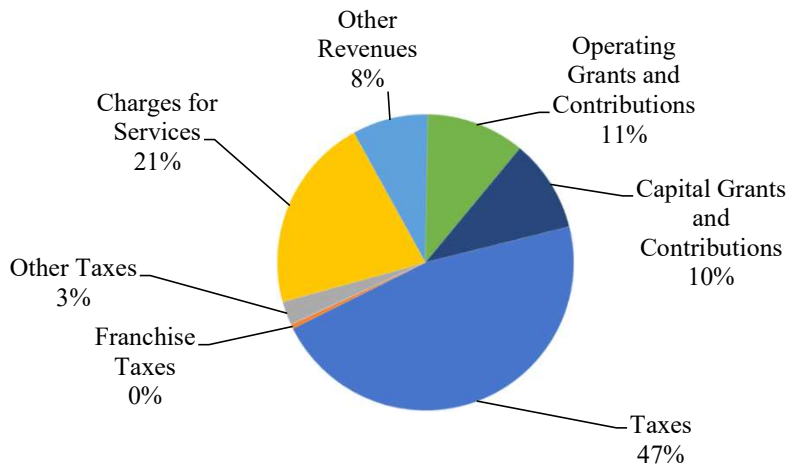
Governmental Activities

Governmental activities decreased the City’s net position by \$3.1 million. The major decrease was related to \$3.8 million asset transfer to the business-type funds related to Unbridled Avenue storm sewer system and ponds.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



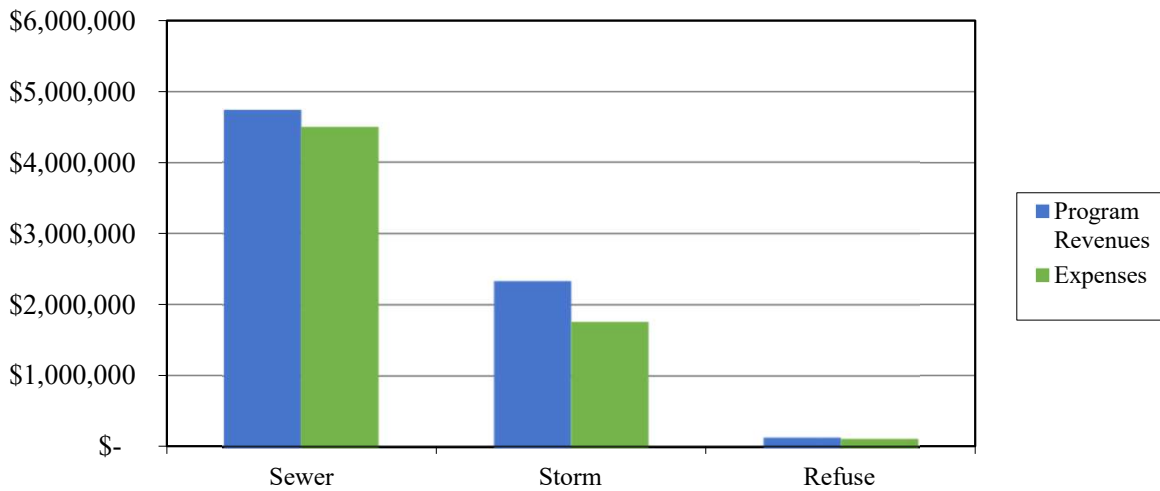
CITY OF SHAKOPEE

**MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2020**

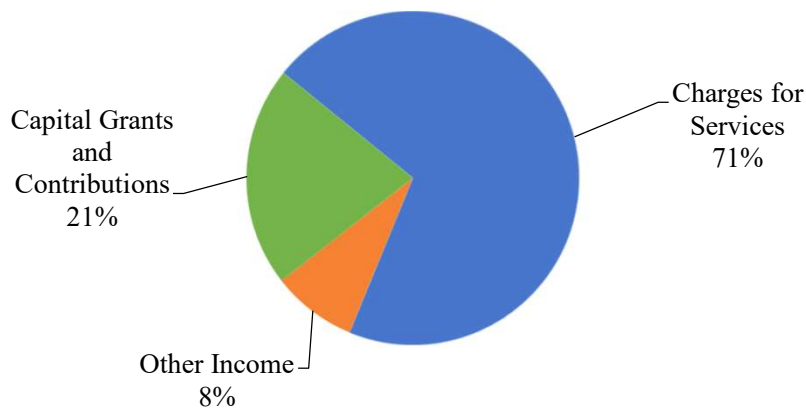
Business-Type Activities

Business-type activities increased the City’s net position by \$5.1 million. The increase in net position was primarily the result from developer contributed capital in 2020 which totaled approximately \$1.2 million and city contributed capital for Unbridled Avenue which totaled approximately \$3.8 million. The sewer and storm water activities will continue to experience ongoing expenses as capital investment is required to maintain and reconstruct the City’s utilities. In addition, new development will also require investment of the City.

Expenses and Program Revenues – Business-Type Activities



Revenues by Source – Business-Type Activities



CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2020

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 \$28,940,694, an increase of \$1,369,917 in comparison with the prior year. Approximately 35.3 percent, \$10,226,097, of the total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. Approximately 21.5 percent, \$6,230,507, of the total amount constitutes assigned fund balance, which is assigned for designated purposes. Approximately 3.8 percent, \$1,104,000, of the total amount constitutes committed fund balance through formal action of the City Council. The remainder of fund balance, \$11,380,090, is not available for new spending because it has already been restricted or is non-spendable.

Following is a discussion of the major governmental funds:

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 \$16,133,885. As a measure of the General Fund's liquidity, it may be useful to compare fund balance (unassigned) to total fund expenditures. Unassigned fund balance represents 51.6 percent of total General Fund expenditures or 49.9 percent of the 2021 budgeted expenditures.

Fund balance of the City's General Fund increased by \$254,542 during the current year, primarily as a result of revenues exceeding expectations. Overall General Fund revenues increased \$706,925 as a result of Federal Coronavirus Relief Funding. The General Fund did see a decrease in charges for services related to park and recreational programming.

Overall General Fund expenditures increased by \$1,486,478 due to cost of living increases, new positions added in 2020, and additional staff hours of the fire department. The largest operational increase of \$807,180 was in public safety.

Additionally, the General Fund had one-time transfers of \$1,700,000 to the Capital Improvements Fund and \$835,810 to debt service to pay off the General Obligation Refunding Bond, Series 2012A on February 1, 2021.

The Capital Improvement fund had a fund balance decrease of \$407,922. In 2020, the City invested \$5,945,331 in infrastructure including \$3,557,604 in street reconstruction and pavement overlays and \$929,021 on CSAH 42 reconstruction.

The TIF District No. 18 Canterbury Common fund had a fund balance increase of \$1,597,025. In 2020, the City invested \$7,025,721 in infrastructure including \$6,705,335 on construction for Unbridled Avenue and \$223,627 on 12th Avenue West. Bond proceeds of \$8,165,000 were issued to fund the projects and a premium of \$832,845 was received upon issuance.

CITY OF SHAKOPEE

**MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2020**

The TIF District No. 20 Enclave fund had a fund balance decrease of \$2,382,855. A redevelopment grant of \$2,132,400 was issued for public redevelopment costs for the property, which will be repaid from tax increment revenues.

Proprietary funds

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

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

	<u>Sewer</u>	<u>Storm Drainage</u>	<u>Refuse</u>
Beginning of Year	\$ 8,606	\$ 15,425	\$ (566)
Change During Year	<u>(376)</u>	<u>(127)</u>	<u>133</u>
End of Year	<u>\$ 8,230</u>	<u>\$ 15,298</u>	<u>\$ (433)</u>

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget amendments of \$2,505,329 between original and final amended budget were approved during 2020. Following are the main components of the amendments:

- Revenues were increased \$3,167,823 primarily as a result of Federal Coronavirus Relief funds.
- Expenditures were increased \$662,494. Changes were made throughout all functions mainly as a result of expenditures related to Coronavirus Relief funds.

Actual revenues of \$31,413,288 were \$147,465 over budget. The variances are noted below:

- Licenses and permits came in over budget on account of an increase in development and building and conservative budgeting.
- Charges for services came in under budget as a result of COVID-19 related community center closures and reductions in recreational programming.
- Investment income came in over budget as a result of increased interest earnings and unrealized gains.

Actual expenditures of \$28,883,520 were \$921,974 under budget. The variances are noted below:

- General government was under budget as a result of not spending contingency funds and due to vacancies in positions during the year.
- Public works was under budget due to pavement management coming in under budget. Additionally less overtime and part time work in 2020.
- Culture and Recreation expenditures were under budget as a result of reductions in recreational programming due to the COVID-19 pandemic.

CITY OF SHAKOPEE

**MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2020**

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, 2020, amounts to \$264,944,277 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvement, machinery and equipment, park facilities, roads, highways and bridges.

**Capital Assets
(Net of Depreciation)
Expressed in Thousands**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 23,259	\$ 23,257	\$ 3,796	\$ 3,797	\$ 27,055	\$ 27,054
ROW	890	495	508	508	1,398	1,003
Construction in Progress	8,448	4,380	4,831	671	13,279	5,051
Line Rights	-	-	693	717	693	717
Infrastructure	73,694	75,799	77,627	76,232	151,321	152,031
Buildings	56,086	57,440	-	-	56,086	57,440
Machinery and Equipment	13,592	13,642	1,520	1,642	15,112	15,284
Total	\$ 175,969	\$ 175,013	\$ 88,975	\$ 83,567	\$ 264,944	\$ 258,580

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

- Reconstruction of streets, sanitary sewer, storm sewer and watermains on Vista Ridge Lane, Westridge Drive, Chateau Ridge Avenue, Peace Avenue, Peace Circle, Dominion Lane, Promise Avenue, Leavitt Woods, Sarazin Street, Park Ridge Drive and Montecido Drive
- 12th Avenue street and trail construction and CSAH 83 and CSAH 42 Trail planning
- Unbridled Avenue street and storm water improvements
- Developer contributed assets of streets, sanitary sewer and storm sewer at Windermere South 3rd, Powers 2nd Addition, and Canterbury SW Development
- Shenandoah Drainage Pond and work on the L-16 lift station
- Planning started on Ridge Creek Park and various other parks around the city
- Vehicle replacements in police, streets, park, sewer and storm.

Additional information on the City’s capital assets can be found in Note 6 on pages 67 to 69 of this report.

CITY OF SHAKOPEE

**MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2020**

Long-Term Debt

At the end of the current year, the City had total bonded debt outstanding of \$41,075,000. Of this amount, \$40,985,000 comprises debt backed by the full faith and credit of the government and \$90,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
G.O. Bonds	\$ 40,985	\$ 34,425	\$ -	\$ -	\$ 40,985	\$ 34,425
Special Assessment Debt with Governmental Commitment	90	235	-	-	90	235
Total	\$ 41,075	\$ 34,660	\$ -	\$ -	\$ 41,075	\$ 34,660

The City’s total outstanding bonded debt increased by \$6,415,000 during the current year. The City retired \$1,750,000 in principal in 2020 and issued \$8,165,000 General Obligation Tax Increment Bonds 2020A to fund infrastructure improvements.

Minnesota Statutes limit the amount of general obligation (G.O.) debt a government entity may issue to a net figure of three percent of the taxable market value. The current legal debt margin for the City is \$112.6 million, which is significantly in excess of the City’s outstanding G.O. debt.

The City maintains an “AA+” debt rating from S&P Global Ratings.

Additional information on the City’s long-term debt can be found in Note 8 on pages 70 to 72 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The COVID-19 outbreak in the United States still continues to cause business disruption into 2021. With vaccine rollouts and approved governmental funding the total financial impact is still uncertain but moving in the right direction.

In December 2020, the unemployment rate in Shakopee was 6.1%, up 3.3% from a year ago. The large jump in unemployment is due to layoffs with workforce changes due to the Covid-19 outbreak. This compares favorably to the state’s December unemployment rate of 6.2% and the national rate of 8.1%.

The City’s taxable market value is \$5.6 billion for taxes payable 2021, which is an increase of \$501 million or 9.9 percent from the previous year. New construction accounted for \$116 million of the increase in value. The City is currently experiencing the construction and development of several new industrial, commercial and residential sites. The City’s past years commercial and industrial growth has spurred the need for new housing. The City is seeing all types of housing, from single family to multi-family and senior housing filling this need. The diversified commercial and industrial base provides a strong base of jobs and tax base. In turn, the backfilling of housing will help support the employment needs of these businesses.

CITY OF SHAKOPEE

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

The 2021 City property tax levy is increasing by \$637,300 to \$21,017,800. Despite the levy increase the tax rate will decrease as a result of new growth.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general view of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 485 Gorman St., Shakopee, Minnesota, 55379.

BASIC FINANCIAL STATEMENTS

CITY OF SHAKOPEE
STATEMENT OF NET POSITION
December 31, 2020

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and Investments (Including Cash Equivalents)	\$ 48,356,308	\$ 20,094,534	\$ 68,450,842	\$ 53,777,043
Restricted Cash and Investments	4,769,291	-	4,769,291	18,311,819
Property Tax Receivable	115,180	-	115,180	-
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	354,651	39,207	393,858	5,222,982
Interest Receivable	104,047	43,556	147,603	95,672
Due From Other Governments	212,311	842,818	1,055,129	112,674
Special Assessments Receivable	3,198,565	145,154	3,343,719	-
Inventories	29,682	3,516	33,198	1,035,945
Prepaid Expenses	375,245	-	375,245	64,943
Land Held for Resale	529,873	-	529,873	-
Advances from Other Funds (Internal Balances)	(3,428,954)	3,428,954	-	-
Net Pension Asset	1,974,407	-	1,974,407	-
Capital Assets, Net of Accumulated Depreciation (Where Applicable):				
Land and Land Improvements	23,258,561	3,796,803	27,055,364	5,566,953
Right of Way	889,965	507,746	1,397,711	-
Construction in Progress	8,448,214	4,830,525	13,278,739	4,026,967
Line Rights	-	693,007	693,007	-
Infrastructure	73,694,268	77,627,159	151,321,427	-
Plant in Service	-	-	-	91,202,341
Buildings	56,086,407	-	56,086,407	-
Machinery and Equipment	13,591,688	1,519,934	15,111,622	-
Total Assets	<u>232,559,709</u>	<u>113,572,913</u>	<u>346,132,622</u>	<u>179,417,339</u>
Deferred Outflows of Resources				
Deferred Outflows of Resources Related to Pensions	4,974,272	65,345	5,039,617	464,335
Deferred Outflows of Resources Related to OPEB	494,009	22,456	516,465	-
Total Deferred Outflows of Resources	<u>5,468,281</u>	<u>87,801</u>	<u>5,556,082</u>	<u>464,335</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 238,027,990</u>	<u>\$ 113,660,714</u>	<u>\$ 351,688,704</u>	<u>\$ 179,881,674</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Accounts and Contracts Payable	\$ 1,961,716	\$ 168,963	\$ 2,130,679	\$ 3,444,903
Other Current Liabilities	-	-	-	533,011
Due to Other Governments	206,933	160,647	367,580	531,745
Salaries and Benefits Payable	657,065	-	657,065	-
Deposits Payable	2,937,338	-	2,937,338	2,419,585
Interest Payable	568,798	-	568,798	-
Unearned Revenue	183,257	-	183,257	1,825
Customer Advances	-	-	-	344,265
Bond Principal Payable, Net:				
Payable Within One Year	3,680,000	-	3,680,000	-
Payable After One Year	39,892,636	-	39,892,636	-
Capital Lease Payable				
Payable Within One Year	5,481	-	5,481	-
Compensated Absences Payable:				
Payable Within One Year	1,312,835	24,282	1,337,117	-
Payable After One Year	1,604,576	29,678	1,634,254	-
OPEB Liability:				
Payable After One Year	2,649,648	120,438	2,770,086	-
Net Pension Liability:				
Payable After One Year	12,675,255	527,931	13,203,186	4,064,920
Total Liabilities	<u>68,335,538</u>	<u>1,031,939</u>	<u>69,367,477</u>	<u>11,340,254</u>
Deferred Inflows of Resources				
Deferred Inflows of Resources Related to Pensions	5,432,307	21,878	5,454,185	178,216
Deferred Inflows of Resources Related to OPEB	52,578	2,390	54,968	-
Total Deferred Inflows of Resources	<u>5,484,885</u>	<u>24,268</u>	<u>5,509,153</u>	<u>178,216</u>
Total Liabilities and Deferred Inflows of Resources	<u>73,820,423</u>	<u>1,056,207</u>	<u>74,876,630</u>	<u>11,518,470</u>
Net Position				
Net Investment in Capital Assets	135,476,194	88,975,174	224,451,368	100,796,261
Restricted for:				
Economic Development	1,022,360	-	1,022,360	-
SCDP Grant	18,368	-	18,368	-
Forfeiture	158,299	-	158,299	-
Debt Service	4,382,028	-	4,382,028	-
Componet Units Water and Electric	-	-	-	15,792,234
Capital Improvements	2,624,702	-	2,624,702	-
Unrestricted	20,525,616	23,629,333	44,154,949	51,774,709
Total Net Position	<u>164,207,567</u>	<u>112,604,507</u>	<u>276,812,074</u>	<u>168,363,204</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 238,027,990</u>	<u>\$ 113,660,714</u>	<u>\$ 351,688,704</u>	<u>\$ 179,881,674</u>

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

CITY OF SHAKOPEE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 5,366,469	\$ 2,584,666	\$ 535,189	\$ 110,847
Public Safety	13,246,236	4,036,947	3,207,418	-
Public Works	13,862,381	978,043	677,054	2,986,974
Culture and Recreation	4,445,956	1,712,607	354,903	108,506
Conservation and Natural Resources	24,223	-	-	-
Economic Development	5,927,106	146,145	-	1,291,994
Interest on Long-Term Debt	1,214,033	-	-	-
Total Governmental Activities	<u>44,086,404</u>	<u>9,458,408</u>	<u>4,774,564</u>	<u>4,498,321</u>
Business-Type Activities				
Sewer	4,496,890	4,056,714	-	680,809
Storm Drainage	1,759,785	1,337,694	-	999,072
Refuse	122,766	139,826	-	-
Total Business-Type Activities	<u>6,379,441</u>	<u>5,534,234</u>	<u>-</u>	<u>1,679,881</u>
Total Primary Government	<u>\$ 50,465,845</u>	<u>\$ 14,992,642</u>	<u>\$ 4,774,564</u>	<u>\$ 6,178,202</u>
Component Unit - SPUC				
Electric	\$ 43,633,478	\$ 47,365,449	\$ -	\$ 527,653
Water	5,013,864	5,735,541	-	2,849,061
Total Component Unit	<u>\$ 48,647,342</u>	<u>\$ 53,100,990</u>	<u>\$ -</u>	<u>\$ 3,376,714</u>

General Revenues

Property Taxes
Lodging Tax
Franchise Taxes
Tax Increments
Unrestricted Investment Earnings
Gain on Sale of Asset

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenues
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (2,135,767)	\$ -	\$ (2,135,767)	\$ -
(6,001,871)	-	(6,001,871)	-
(9,220,310)	-	(9,220,310)	-
(2,269,940)	-	(2,269,940)	-
(24,223)	-	(24,223)	-
(4,488,967)	-	(4,488,967)	-
(1,214,033)	-	(1,214,033)	-
<u>(25,355,111)</u>	<u>-</u>	<u>(25,355,111)</u>	<u>-</u>
-	240,633	240,633	-
-	576,981	576,981	-
-	17,060	17,060	-
<u>-</u>	<u>834,674</u>	<u>834,674</u>	<u>-</u>
<u>(25,355,111)</u>	<u>834,674</u>	<u>(24,520,437)</u>	<u>-</u>
-	-	-	4,259,624
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,570,738</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>7,830,362</u>
20,703,562	-	20,703,562	-
215,901	-	215,901	-
1,157,614	-	1,157,614	-
2,317,499	-	2,317,499	-
1,371,386	649,501	2,020,887	887,166
57,627	-	57,627	9,074
<u>(3,613,290)</u>	<u>3,613,290</u>	<u>-</u>	<u>-</u>
<u>22,210,299</u>	<u>4,262,791</u>	<u>26,473,090</u>	<u>896,240</u>
<u>(3,144,812)</u>	<u>5,097,465</u>	<u>1,952,653</u>	<u>8,726,602</u>
167,352,379	107,507,042	274,859,421	159,636,602
<u>\$ 164,207,567</u>	<u>\$ 112,604,507</u>	<u>\$ 276,812,074</u>	<u>\$ 168,363,204</u>

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

CITY OF SHAKOPEE

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2020

	General Fund	Capital Projects			Other Governmental Funds	Total Governmental Funds
		Capital Improvement	TIF District No. 18 Canterbury Common	TIF District No. 20 Enclave		
ASSETS						
Cash and Investments	\$ 18,444,828	\$ 2,809,258	\$ -	\$ 2	\$ 9,804,898	\$ 31,058,986
Restricted Cash and Investments	-	-	4,341,650	-	427,641	4,769,291
Delinquent Taxes Receivable	115,179	-	-	-	1	115,180
Special Assessments Receivable:						
Delinquent	4,059	28,182	-	-	912	33,153
Deferred	26,398	2,522,024	-	-	616,990	3,165,412
Accounts Receivable	158,023	176,786	-	-	18,775	353,584
Interest Receivable	38,148	5,187	57	-	21,017	64,409
Due from Other Funds	-	1,224,279	-	-	-	1,224,279
Due From Other Governments	114,984	89,682	6,722	-	923	212,311
Advance to Other Funds	1,527,668	1,252,844	-	-	-	2,780,512
Inventories	29,682	-	-	-	-	29,682
Prepaid Items	108,547	-	-	-	120	108,667
Land Held for Resale	-	-	273,246	-	256,627	529,873
Total Assets	\$ 20,567,516	\$ 8,108,242	\$ 4,621,675	\$ 2	\$ 11,147,904	\$ 44,445,339
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 303,402	\$ 194,735	\$ 1,256,442	\$ -	\$ 137,983	\$ 1,892,562
Due to Other Funds	-	-	1,224,279	-	-	1,224,279
Deposits Payable	2,937,338	-	-	-	-	2,937,338
Due to Other Governments	206,933	-	-	-	-	206,933
Salaries and Benefits Payable	657,065	-	-	-	-	657,065
Advance from Other Funds	-	-	200,015	2,423,780	2,465,671	5,089,466
Unearned Revenue	183,257	-	-	-	-	183,257
Total Liabilities	4,287,995	194,735	2,680,736	2,423,780	2,603,654	12,190,900
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	115,179	-	-	-	1	115,180
Unavailable Revenue - Special Assessments	30,457	2,550,206	-	-	617,902	3,198,565
Total Deferred Inflows of Resources	145,636	2,550,206	-	-	617,903	3,313,745
Fund Balances						
Nonspendable	138,229	-	-	-	120	138,349
Restricted	-	-	1,940,939	-	9,300,802	11,241,741
Committed	1,104,000	-	-	-	-	1,104,000
Assigned	-	5,363,301	-	-	867,206	6,230,507
Unassigned	14,891,656	-	-	(2,423,778)	(2,241,781)	10,226,097
Total Fund Balances	16,133,885	5,363,301	1,940,939	(2,423,778)	7,926,347	28,940,694
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 20,567,516	\$ 8,108,242	\$ 4,621,675	\$ 2	\$ 11,147,904	\$ 44,445,339

CITY OF SHAKOPEE

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
December 31, 2020**

Total Fund Balances - Governmental Funds \$ 28,940,694

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

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

Cost of Capital Assets	249,417,878
Less Accumulated Depreciation	(103,805,861)

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

1,974,407

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	(41,075,000)
Unamortized Bond Premium	(2,497,636)
Capital Lease Payable	(5,481)
Net OPEB Obligation	(2,649,648)
Net Pension Liability	(12,675,255)

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

Property Taxes	115,180
Special Assessments	33,153

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

Deferred Special Assessments	3,165,412
------------------------------	-----------

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

(568,798)

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

Deferred Inflows of Resources Related to Pensions	(5,432,307)
Deferred Outflows of Resources Related to Pensions	4,974,272
Deferred Inflows of Resources Related to OPEB	(52,578)
Deferred Outflows of Resources Related to OPEB	494,009

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

43,855,126

Total Net Position - Governmental Activities

\$ 164,207,567

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

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020**

	General Fund	Capital Projects		Other Governmental Funds	Total Governmental Funds
		Capital Improvement	TIF District No. 18 Canterbury Common		
REVENUES					
Taxes	\$ 17,277,739	\$ 1,450,657	\$ -	\$ -	\$ 22,052,825
Tax Increment	-	-	106,115	-	2,317,499
Special Assessments	(17,707)	792,908	-	-	990,509
Licenses and Permits	3,577,062	-	-	-	3,923,439
Intergovernmental	4,707,148	1,496,591	-	-	6,232,913
Charges for Services	5,242,392	-	-	-	5,294,280
Fines and Forfeitures	7,062	-	-	-	21,379
Miscellaneous	619,592	52,090	4,756	(82)	2,394,550
Total Revenues	<u>31,413,288</u>	<u>3,792,246</u>	<u>110,871</u>	<u>(82)</u>	<u>43,227,394</u>
EXPENDITURES					
Current					
General Government	5,007,331	-	-	-	5,241,568
Public Safety	13,538,313	-	-	-	13,577,981
Public Works	6,551,238	-	-	-	6,579,242
Culture and Recreation	3,559,908	-	-	-	3,559,908
Conservation and Natural Resources	-	-	-	-	25,557
Economic Development	-	-	23,368	2,344,859	5,819,029
Debt Service					
Principal	-	-	-	-	1,750,000
Interest and Other Charges	-	-	7,206	37,914	1,171,363
Capital Outlay	<u>226,730</u>	<u>5,945,331</u>	<u>7,025,721</u>	<u>-</u>	<u>13,690,958</u>
Total Expenditures	<u>28,883,520</u>	<u>5,945,331</u>	<u>7,056,295</u>	<u>2,382,773</u>	<u>51,415,606</u>
Excess of Revenues Over (Under) Expenditures	<u>2,529,768</u>	<u>(2,153,085)</u>	<u>(6,945,424)</u>	<u>(2,382,855)</u>	<u>(8,188,212)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Asset	10,284	-	-	-	10,284
Bonds Issued	-	-	7,805,107	-	8,165,000
Premium on Bonds Issued	-	-	832,845	-	832,845
Transfers In	250,000	1,745,163	-	-	3,226,176
Transfers Out	(2,535,510)	-	(95,503)	-	(2,676,176)
Total Other Financing Sources (Uses)	<u>(2,275,226)</u>	<u>1,745,163</u>	<u>8,542,449</u>	<u>-</u>	<u>9,558,129</u>
Net Change in Fund Balances	254,542	(407,922)	1,597,025	(2,382,855)	1,369,917
FUND BALANCES					
Beginning of Year	<u>15,879,343</u>	<u>5,771,223</u>	<u>343,914</u>	<u>(40,923)</u>	<u>27,570,777</u>
End of Year	<u>\$ 16,133,885</u>	<u>\$ 5,363,301</u>	<u>\$ 1,940,939</u>	<u>\$ (2,423,778)</u>	<u>\$ 28,940,694</u>

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

CITY OF SHAKOPEE

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020**

Net Change in Fund Balances - Governmental Funds \$ 1,369,917

Amounts reported for governmental activities in the Statement of Activities are

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

Capital Outlays	10,987,070
Depreciation Expense	(6,367,019)
Loss on Disposal of Capital Assets	(21,801)
Contributed Assets	776,294

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities. 1,750,000

Payments on capital leases are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities. 21,135

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. (135,910)

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

Premium on bonds issued	(832,845)
Current year amortization of bond premium	136,533

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

Bonds Issued	(8,165,000)
--------------	-------------

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

Special Assessments Delinquent	275,434
Special Assessments Deferred	(493,348)

OPEB obligations are recognized when paid in the government funds but recognized when incurred in the Statement of Activities (97,058)

Delinquent receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are not revenues in the funds. 24,252

Capital assets transferred from proprietary funds to governmental funds (3,863,290)

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

Pension Expense	229,319
-----------------	---------

Internal service funds are used by management to charge the costs of certain activities such as buildings, equipment, park assets and employee benefits to individual funds. (See Note 2.B.) 1,261,505

Change in Net Position - Governmental Activities \$ (3,144,812)

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, 2020**

	Budget		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 17,584,900	\$ 17,584,900	\$ 17,277,739	\$ (307,161)
Special Assessments	7,000	7,000	(17,707)	(24,707)
Licenses and Permits	2,191,100	2,191,100	3,577,062	1,385,962
Intergovernmental	1,326,600	4,479,431	4,707,148	227,717
Charges for Services	6,778,500	6,778,500	5,242,392	(1,536,108)
Fines and Forfeitures	1,700	1,700	7,062	5,362
Miscellaneous Revenues:				
Investment Income	183,700	183,700	540,921	357,221
Contributions and Donations	-	-	8,989	8,989
Rents	10,700	10,700	11,504	804
Other	13,800	28,792	58,178	29,386
Total Revenues	<u>28,098,000</u>	<u>31,265,823</u>	<u>31,413,288</u>	<u>147,465</u>
EXPENDITURES				
Current				
General Government	5,011,000	5,221,186	5,007,331	(213,855)
Public Safety	13,264,200	13,574,731	13,538,313	(36,418)
Public Works	6,651,400	6,677,533	6,551,238	(126,295)
Culture and Recreation	4,210,400	4,260,281	3,559,908	(700,373)
Capital Outlay				
General Government	-	17,670	17,670	-
Public Safety	-	-	60,987	60,987
Public Works	6,000	6,000	-	(6,000)
Culture and Recreation	-	48,093	148,073	99,980
Total Expenditures	<u>29,143,000</u>	<u>29,805,494</u>	<u>28,883,520</u>	<u>(921,974)</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,045,000)</u>	<u>1,460,329</u>	<u>2,529,768</u>	<u>1,069,439</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	-	-	10,284	10,284
Transfers In	250,000	250,000	250,000	-
Transfers Out	-	-	(2,535,510)	(2,535,510)
Total Other Financing Sources (Uses)	<u>250,000</u>	<u>250,000</u>	<u>(2,275,226)</u>	<u>(2,525,226)</u>
Net Change in Fund Balances	<u>\$ (795,000)</u>	<u>\$ 1,710,329</u>	<u>\$ 254,542</u>	<u>\$ (1,455,787)</u>
FUND BALANCES				
Beginning of Year			<u>15,879,343</u>	
End of Year			<u>\$ 16,133,885</u>	

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

CITY OF SHAKOPEE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
December 31, 2020

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
ASSETS					
Current Assets					
Cash and Investments, Including Cash Equivalents	\$ 7,673,095	\$ 11,886,574	\$ -	\$ 19,559,669	\$ 17,832,187
Accounts Receivable	-	4,293	34,914	39,207	1,067
Interest Receivable	17,147	26,500	(91)	43,556	39,638
Special Assessment Receivable:					
Delinquent	-	212	-	212	-
Deferred	141,712	3,230	-	144,942	-
Due from Other Funds	40,917	-	-	40,917	-
Due from Other Governments	483,998	358,820	-	842,818	-
Inventories	149	3,367	-	3,516	-
Prepaid Expenses	-	-	-	-	266,578
Total Current Assets	<u>8,357,018</u>	<u>12,282,996</u>	<u>34,823</u>	<u>20,674,837</u>	<u>18,139,470</u>
Noncurrent Assets					
Advances to Other Funds, Noncurrent	426,814	3,428,954	-	3,855,768	200,000
Capital Assets:					
Land	4,500	3,792,303	-	3,796,803	221,876
Right of Way	-	507,746	-	507,746	-
Construction in Progress	310,483	4,520,042	-	4,830,525	465,916
Line Rights	1,368,569	-	-	1,368,569	-
Infrastructure	53,576,160	54,639,912	-	108,216,072	3,841,044
Buildings	-	-	-	-	32,954,222
Machinery and Equipment	2,224,942	1,194,446	1,172,068	4,591,456	18,205,608
Total Cost	<u>57,484,654</u>	<u>64,654,449</u>	<u>1,172,068</u>	<u>123,311,171</u>	<u>55,688,666</u>
Less Accumulated Depreciation	<u>(17,166,873)</u>	<u>(16,465,819)</u>	<u>(703,305)</u>	<u>(34,335,997)</u>	<u>(25,331,580)</u>
Net Capital Assets	<u>40,317,781</u>	<u>48,188,630</u>	<u>468,763</u>	<u>88,975,174</u>	<u>30,357,086</u>
Total Noncurrent Assets	<u>40,744,595</u>	<u>51,617,584</u>	<u>468,763</u>	<u>92,830,942</u>	<u>30,557,086</u>
Total Assets	<u>49,101,613</u>	<u>63,900,580</u>	<u>503,586</u>	<u>113,505,779</u>	<u>48,696,556</u>
Deferred Outflows of Resources					
Deferred Outflows of Resources Related to Pensions	27,792	37,553	-	65,345	-
Deferred Outflows of Resources Related to OPEB	11,228	11,228	-	22,456	-
Total Deferred Outflows of Resources	<u>39,020</u>	<u>48,781</u>	<u>-</u>	<u>87,801</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 49,140,633</u>	<u>\$ 63,949,361</u>	<u>\$ 503,586</u>	<u>\$ 113,593,580</u>	<u>\$ 48,696,556</u>
LIABILITIES AND NET POSITION					
Current Liabilities					
Accounts Payable	\$ 139,011	\$ 29,952	\$ -	\$ 168,963	\$ 69,154
Due to Other Funds	-	-	40,917	40,917	-
Due to Other Governments	132,395	28,252	-	160,647	-
Current Compensated Absences	11,848	12,434	-	24,282	1,312,835
Total Current Liabilities	<u>283,254</u>	<u>70,638</u>	<u>40,917</u>	<u>394,809</u>	<u>1,381,989</u>
Noncurrent Liabilities					
Advance from Other Funds	-	-	426,814	426,814	1,320,000
Compensated Absences	14,481	15,197	-	29,678	1,604,576
Total OPEB Liability	60,219	60,219	-	120,438	-
Net Pension Liability	224,533	303,398	-	527,931	-
Total Noncurrent Liabilities	<u>299,233</u>	<u>378,814</u>	<u>426,814</u>	<u>1,104,861</u>	<u>2,924,576</u>
Total Liabilities	<u>582,487</u>	<u>449,452</u>	<u>467,731</u>	<u>1,499,670</u>	<u>4,306,565</u>
Deferred Inflows of Resources					
Deferred Inflows of Resources Related to Pensions	9,305	12,573	-	21,878	-
Deferred Inflows of Resources Related to OPEB	1,195	1,195	-	2,390	-
Total Deferred Inflows of Resources	<u>10,500</u>	<u>13,768</u>	<u>-</u>	<u>24,268</u>	<u>-</u>
Net Position					
Investment in Capital Assets	40,317,781	48,188,630	468,763	88,975,174	30,357,086
Unrestricted	8,229,865	15,297,511	(432,908)	23,094,468	14,032,905
Total Net Position	<u>48,547,646</u>	<u>63,486,141</u>	<u>35,855</u>	<u>112,069,642</u>	<u>44,389,991</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 49,140,633</u>	<u>\$ 63,949,361</u>	<u>\$ 503,586</u>		<u>\$ 48,696,556</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2c)				534,865	
Total Business-Type Activities Net Position				<u>\$ 112,604,507</u>	

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

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2020**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
OPERATING REVENUES					
Charges for Services	\$ 4,048,125	\$ 1,315,979	\$ 139,826	\$ 5,503,930	\$ -
Rental Charges	2,520	-	-	2,520	4,395,152
Other Charges	6,069	18,483	-	24,552	8,335
Special Assessments	-	3,232	-	3,232	-
Total Operating Revenues	<u>4,056,714</u>	<u>1,337,694</u>	<u>139,826</u>	<u>5,534,234</u>	<u>4,403,487</u>
OPERATING EXPENSES					
Salaries and Benefits	393,245	510,590	-	903,835	-
Depreciation	926,868	954,700	117,431	1,998,999	2,001,569
Professional Services	183,392	92,267	-	275,659	30,036
Sewer Disposal Charges	2,829,030	-	-	2,829,030	-
Repairs and Maintenance	50,466	71,058	-	121,524	158,834
Materials and Supplies	46,342	86,407	-	132,749	606,652
Rent	32,200	25,416	-	57,616	-
Insurance	49,000	16,900	-	65,900	756,360
Utilities	23,014	18,494	-	41,508	-
Total Operating Expenses	<u>4,533,557</u>	<u>1,775,832</u>	<u>117,431</u>	<u>6,426,820</u>	<u>3,553,451</u>
Operating Income (Loss)	<u>(476,843)</u>	<u>(438,138)</u>	<u>22,395</u>	<u>(892,586)</u>	<u>850,036</u>
NONOPERATING REVENUES (EXPENSES)					
Investment Income (Loss)	231,562	419,062	(1,123)	649,501	526,285
Insurance Dividends	-	-	-	-	54,741
Interest Expense	-	-	(5,335)	(5,335)	(17,875)
Gain (Loss) on Sale of Asset	-	(7,158)	-	(7,158)	47,343
Total Nonoperating Revenues (Expenses)	<u>231,562</u>	<u>411,904</u>	<u>(6,458)</u>	<u>637,008</u>	<u>610,494</u>
Income before Capital Contributions and Transfers	<u>(245,281)</u>	<u>(26,234)</u>	<u>15,937</u>	<u>(255,578)</u>	<u>1,460,530</u>
Capital Grants and Contribution	5,237	356,990	-	362,227	160,847
Capital Contributions from Special Assessments	33,421	-	-	33,421	-
Capital Contributions from Outside Developers	642,151	642,082	-	1,284,233	-
Capital Contributions from Governmental Funds	-	3,863,290	-	3,863,290	-
Transfers Out	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>(250,000)</u>	<u>(300,000)</u>
Change in Net Position	<u>310,528</u>	<u>4,711,128</u>	<u>15,937</u>	<u>5,037,593</u>	<u>1,321,377</u>
NET POSITION					
Beginning of Year	<u>48,237,118</u>	<u>58,775,013</u>	<u>19,918</u>	<u>107,032,049</u>	<u>43,068,614</u>
End of Year	<u>\$ 48,547,646</u>	<u>\$ 63,486,141</u>	<u>\$ 35,855</u>	<u>\$ 112,069,642</u>	<u>\$ 44,389,991</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2d)				<u>59,872</u>	
Governmental Activities Contribution Revenue Reported Above				(3,863,290)	
Transfers In of Capital Assets from Governmental Activities				<u>3,863,290</u>	
Change in Net Position - Business-Type Activities				<u>\$ 5,097,465</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, 2020**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
CASH FLOWS - OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 4,054,511	\$ 1,303,986	\$ 141,376	\$ 5,499,873	\$ 4,402,420
Receipts from Interfund Services	-	-	-	-	434,293
Payments to Suppliers	(3,459,801)	(372,659)	-	(3,832,460)	(1,584,983)
Payments to Employees	(386,632)	(543,033)	-	(929,665)	-
Net Cash Flows - Operating Activities	208,078	388,294	141,376	737,748	3,251,730
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES					
Payment Received (Paid) on Interfund Loan	106,703	(1,998,954)	(106,703)	(1,998,954)	881,394
Receipts from Interfund Services	28,105	-	-	28,105	-
Payments for Interfund Services	-	-	(28,105)	(28,105)	-
Interest Expense on Interfund Loan Repayment	-	-	(5,335)	(5,335)	(17,875)
Insurance Dividends	-	-	-	-	54,741
Transfer to Other Funds	(125,000)	(125,000)	-	(250,000)	(300,000)
Net Cash Flows - Noncapital Financing Activities	9,808	(2,123,954)	(140,143)	(2,254,289)	618,260
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES					
Trunk Charges	104,814	305,183	-	409,997	-
Capital Related Special Assessments	33,421	-	-	33,421	-
Capital Grant	5,237	179,709	-	184,946	110,847
Donations	-	-	-	-	50,000
Proceeds from Disposal of Capital Assets	-	63,289	-	63,289	235,129
Acquisition of Capital Assets	(1,075,877)	(1,663,977)	-	(2,739,854)	(1,594,274)
Net Cash Flows - Capital and Related Financing Activities	(932,405)	(1,115,796)	-	(2,048,201)	(1,198,298)
CASH FLOWS - INVESTING ACTIVITIES					
Interest Received	238,304	432,815	(1,233)	669,886	529,188
Net Cash Flows - Investing Activities	238,304	432,815	(1,233)	669,886	529,188
Net Change in Cash and Cash Equivalents	(476,215)	(2,418,641)	-	(2,894,856)	3,200,880
CASH AND CASH EQUIVALENTS					
Beginning of Year	8,149,310	14,305,215	-	22,454,525	14,631,307
End of Year	\$ 7,673,095	\$ 11,886,574	\$ -	\$ 19,559,669	\$ 17,832,187

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

CITY OF SHAKOPEE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

(Continued)

For the Year Ended December 31, 2020

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Refuse	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (476,843)	\$ (438,138)	\$ 22,395	\$ (892,586)	\$ 850,036
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:					
Depreciation Expense	926,868	954,700	117,431	1,998,999	2,001,569
Pension Expense	9,347	(43,147)	-	(33,800)	-
Changes in:					
Accounts Receivable	3,000	(3,088)	1,550	1,462	(1,067)
Due from Other Governments	(30,095)	(30,227)	-	(60,322)	-
Special Assessments	24,892	(393)	-	24,499	-
Due to Other Governments	(12,861)	4,186	-	(8,675)	-
Accounts and Contracts Payable	(234,086)	(67,903)	-	(301,989)	(30,923)
Inventory	(89)	921	-	832	-
Prepaid Expenses	679	679	-	1,358	(2,178)
Compensated Absences Payable	(4,309)	9,129	-	4,820	434,293
Net OPEB Obligation	1,575	1,575	-	3,150	-
Total Adjustments	684,921	826,432	118,981	1,630,334	2,401,694
Net Cash Flows - Operating Activities	\$ 208,078	\$ 388,294	\$ 141,376	\$ 737,748	\$ 3,251,730
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Contributions of Capital Assets from Developers	\$ 537,337	\$ 336,899	\$ -	\$ 874,236	\$ -
Transfer of Capital Assets	-	3,863,290	-	3,863,290	-

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

CITY OF SHAKOPEE

**STATEMENT OF FIDUCIARY NET POSITION
December 31, 2020**

	<u>Custodial Fund</u> <u>SW METRO</u> <u>DRUG TASK</u> <u>FORCE</u>
ASSETS	
Cash and Investments	\$ 298,138
Interest Receivable	649
Due from Other Governments	42,578
Prepays	<u>5,796</u>
Total Assets	<u>347,161</u>
LIABILITIES	
Accounts Payable	1,117
Deposits Payable	161,983
Due to Other Governments	<u>14,823</u>
Total Liabilities	<u>177,923</u>
NET POSITION	
Restricted for Task Force	<u>169,238</u>
Total Net Position	<u>\$ 169,238</u>

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

CITY OF SHAKOPEE

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2020**

	Custodial Fund SW METRO DRUG TASK FORCE
Additions	
Member Contributions	\$ 48,300
Miscellaneous	2,262
Investment Income	8,582
Operating Grant- State	132,551
Forfeitures	18,633
Total Additions	210,328
Deductions	
Contracted Services	44,229
Vehicle Expenses	15,780
Supplies and Evidence	12,275
Insurance	24,771
Professional Fees	50,265
Training	2,491
Total Deductions	149,811
Net Increase (Decrease) in Fiduciary Net Position	60,517
Net Position, January 1	108,721
Net Position, December 31	\$ 169,238

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

CITY OF SHAKOPEE

STATEMENT OF NET POSITION - COMPONENT UNIT - SPUC
December 31, 2020

	Electric	Water	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 44,318,158	\$ 9,458,885	\$ 53,777,043
Accrued Interest Receivable	76,441	19,231	95,672
Customer Accounts Receivable	3,963,007	387,957	4,350,964
Allowance for Uncollectible Accounts	(260,922)	(53,915)	(314,837)
Other Accounts Receivable	58,144	1,128,711	1,186,855
Due from City of Shakopee	84,946	27,728	112,674
Inventory	1,002,297	33,648	1,035,945
Prepaid Expenses	48,399	16,544	64,943
Total Current Assets	<u>49,290,470</u>	<u>11,018,789</u>	<u>60,309,259</u>
Noncurrent Assets			
Restricted Assets:			
Customer Deposits Account	2,317,923	101,662	2,419,585
Connection Account	-	14,709,814	14,709,814
Water Reconstruction Account	-	1,082,420	1,082,420
Emergency Repairs Account	100,000	-	100,000
Capital Assets:			
Plant in Service	76,077,200	74,321,675	150,398,875
Accumulated Depreciation	(30,703,485)	(22,926,096)	(53,629,581)
Construction in Progress	1,655,084	2,371,883	4,026,967
Total Noncurrent Assets	<u>49,446,722</u>	<u>69,661,358</u>	<u>119,108,080</u>
Total Assets	<u>98,737,192</u>	<u>80,680,147</u>	<u>179,417,339</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources Related to Pensions	350,348	113,987	464,335
Total Assets and Deferred Outflows of Resources	<u>\$ 99,087,540</u>	<u>\$ 80,794,134</u>	<u>\$ 179,881,674</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 2,968,961	\$ 475,942	\$ 3,444,903
Due to City of Shakopee	504,019	27,726	531,745
Other Current Liabilities	367,646	165,365	533,011
Total Current Liabilities	<u>3,840,626</u>	<u>669,033</u>	<u>4,509,659</u>
Liabilities Payable from Restricted Assets			
Customer Deposits	2,317,923	101,662	2,419,585
Total Liabilities Payable from Restricted Assets	<u>2,317,923</u>	<u>101,662</u>	<u>2,419,585</u>
Noncurrent Liabilities			
Unearned Revenues	1,825	-	1,825
Customer Advances	285,854	58,411	344,265
Net Pension Liability	3,067,046	997,874	4,064,920
Total Noncurrent Liabilities	<u>3,354,725</u>	<u>1,056,285</u>	<u>4,411,010</u>
Total Liabilities	<u>9,513,274</u>	<u>1,826,980</u>	<u>11,340,254</u>
Deferred Inflows of Resources Related to Pensions	134,467	43,749	178,216
Total Liabilities and Deferred Inflows of Resources	<u>9,647,741</u>	<u>1,870,729</u>	<u>11,518,470</u>
Net Position			
Investment in Capital Assets	47,028,799	53,767,462	100,796,261
Restricted for Connections & Reconstruction	-	15,792,234	15,792,234
Unrestricted	42,411,000	9,363,709	51,774,709
Total Net Position	<u>89,439,799</u>	<u>78,923,405</u>	<u>168,363,204</u>
Total Liabilities and Net Position	<u>\$ 99,087,540</u>	<u>\$ 80,794,134</u>	<u>\$ 179,881,674</u>

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - COMPONENT UNIT - SPUC**

For the Year Ended December 31, 2020

	Electric	Water	Total
Operating Revenues	\$ 47,198,288	\$ 5,532,276	\$ 52,730,564
Operating Expenses	43,598,552	5,012,367	48,610,919
Operating Income (Loss)	3,599,736	519,909	4,119,645
NONOPERATING REVENUES (EXPENSES)			
Rentals and Miscellaneous	77,161	203,265	280,426
Interdepartmental Rent from Water	90,000	-	90,000
Investment Income	595,308	291,858	887,166
Interest Expense	(34,926)	(1,497)	(36,423)
Gain(Loss) on Disposition of Property	9,074	-	9,074
Total Nonoperating Revenues (Expenses)	736,617	493,626	1,230,243
Income Before Contributions	4,336,353	1,013,535	5,349,888
Capital Contributions	527,653	2,849,061	3,376,714
Change in Net Position	4,864,006	3,862,596	8,726,602
NET POSITION			
Beginning of Year	84,575,793	75,060,809	159,636,602
End of Year	\$ 89,439,799	\$ 78,923,405	\$ 168,363,204

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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. The City has operational responsibility of the EDA.

The activity of the Shakopee EDA is shown in the Shakopee EDA Special Revenue Fund in the City's financial statements. No separate financial statements for the Shakopee EDA are issued. For any information desired beyond what is presented in this report, contact the Finance Director for the City of Shakopee at 485 Gorman St., Shakopee, Minnesota 55379.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

2. Discretely Presented Component Unit

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

3. Joint Ventures and Jointly Governed Organizations

Local Government Information Systems

Local Government Information Systems (LOGIS) is a joint venture of approximately 55 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 2020, the City paid \$295,464 to LOGIS for services provided which is included in expenditures of the General Fund and Information and Technology Internal Service Fund. Financial statements are available by contacting LOGIS, 5750 Duluth Street, Golden Valley, Minnesota 55422-4036.

4. Other Organizations

Shakopee Volunteer Fire Department Relief Association

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

The Custodial Funds report using the economic resources measurement focus and the accrual basis of accounting.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

TIF District No. 18 Canterbury Common Capital Project Fund – This Fund accounts for tax increment financing district number 18- Canterbury Common development project.

TIF District No. 20 Enclave Capital Project Fund – This Fund accounts for tax increment financing district number 20- old city hall redevelopment project.

Proprietary Funds:

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

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds: (Continued)

Internal Service Funds:

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

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

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

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

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

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

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

Fiduciary Fund:

Southwest Metro Drug Task Force Custodial 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.

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.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

1. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. All funds of the City are included in the pooled investments with the exclusion of the 2019A and 2020A bond proceeds which are included in the non-pooled investments and classified as restricted cash 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.

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

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.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

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

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

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventory, Prepaid Items and Other Assets

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

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

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

4. Land Held for Resale

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

5. Restricted Assets

Certain cash and investments are classified as restricted. The City restricted cash and investments are restricted for unspent bond proceeds related to TIF District No. 18 Canterbury Commons. The Component Unit Electric Fund has monies restricted for customer deposits and debt service. The Component Unit Water Fund has monies restricted for water production and trunk distribution facility acquisition, based on trunk and connection fees collected from users, construction projects and debt service.

6. Capital Assets

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets (Continued)

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two items that qualify for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for the deferred charge related to pensions and other postemployment benefit resources. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Compensated Absences

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

9. Long-Term Obligations

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Pensions

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

11. Other Postemployment Benefits

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

12. Net Position

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

13. Use of Estimates

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Fund Equity

a. Classification

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

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

b. Minimum Fund Balance

The City's target General Fund balance is to maintain an unassigned level between 35% (minimum) and 50% of ensuing year's budgeted expenditures. This level is to provide working capital for cash flow, expected decline in revenues and unforeseen expenditures such as natural disasters.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Fund Equity

b. Minimum Fund Balance (Continued)

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. Annually the City Council will decide what to do with the General Fund unassigned fund balance that exceeds 50% of the ensuing year’s expenditure budget. Any excess fund balance transfers will not be used as a funding source for ongoing recurring expenditures.

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

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

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

Net Position of the Internal Service Funds	\$ 44,389,991
Less Portion Loss Related to Business-Type Activities	<u>(534,865)</u>
Net Adjustment to Increase Fund Balance- Total Governmental Funds to Arrive at Net Position- Governmental Activities	<u>\$ 43,855,126</u>

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

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

Change in Net Position of the Internal Service Fund	\$ 1,321,377
Less the Net of Indirect Revenues and Expense	<u>(59,872)</u>
Net Adjustment to Decrease Net Change in Fund Balances - Total Government Funds to Arrive at Changes in Net position of Government Activities	<u>\$ 1,261,505</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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

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

Internal Payable Representing Costs less than Charges to Business- Type Activities- Current Year	<u>\$ 534,865</u>
--	-------------------

D. Explanation of Certain Differences between the Proprietary Fund Statements of Revenues, Expenses, and Changes in Net Position and the Government-Wide Statement of Activities

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

Net adjustment to Increase Net Change in Fund Balances- Total Enterprise Funds to Arrive at Changes in Net Position of Business- Type Activities	<u>\$ 59,872</u>
--	------------------

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Expenditures may not legally exceed budgeted appropriations at the division level. The division level expenditures are presented in the schedule of revenues, expenditures and changes in fund balances – budget and actual – general fund. No fund’s budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between divisions within any fund. Management may amend budgets within a division level, so long as the total division budget is not changed.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

5. An annual budget is adopted for the General Fund and EDA. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and budgets are not adopted.
6. Budgeted amounts are as originally adopted and as amended in December by the City Council. Budgeted expenditure appropriations lapse at year-end.

B. Deficit Net Position and Fund Balance

The TIF District No. 17 Amazon capital project fund had a negative fund balance of \$1,028,939 on December 31, 2020 as a result of street improvements costs. Tax increment revenue over the next seven years is anticipated to eliminate this deficit.

The TIF District No. 19 Riverfront capital project fund had a negative fund balance of \$1,212,842 on December 31, 2020 as a result of property acquisition costs. Future tax increment revenue is anticipated to eliminate this deficit.

The TIF District No. 20 Enclave capital project fund had a negative fund balance of \$2,423,778 on December 31, 2020 as a result of lot improvements at the old city hall site. Tax increment revenue is anticipated to eliminate this deficit.

The Employee Benefits internal service fund had a negative net position of \$1,381,017 on December 31, 2020. This deficit has been in place for many years and is not expected to be resolved. Management's position is that the cash balance should be sufficient enough to cover the current compensated absences and not necessarily the noncurrent portion of compensated absences.

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Minnesota Statutes 118A.04 and 188A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy references Minnesota Statutes and further limits the types of investments that the City is allowed to invest in. The Commission has a deposit policy that requires the Commission's deposits to be collateralized as required by Minnesota Statutes 118.03 for an amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage. As of December 31, 2020, the City and Commission's bank balances were not exposed to custodial credit risk because they were insured through Federal Deposit Insurance Corporation (FDIC) and properly collateralized with securities held by the pledging financial institutions' trust departments or agents in the City's name.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

As of December 31, 2020, the City had the following deposits:

City Deposits	\$ 7,361,716
Component Unit Deposits	8,854,061
 Total Deposits	 \$ 16,215,777

B. Investments

As of December 31, 2020, the City held the following investments:

	Value	Years to Maturity				Concentration	Moody's Rating
		Less than One Year	1-5 Years	5-10 Years	10-15 Years		
Pooled Investments:							
Certificate of Deposit	\$ 7,790,401	\$ 3,252,525	\$ 4,537,876	\$ -	\$ -	12.69%	NR
Money Market Fund	5,272,792	5,272,792	-	-	-	8.59%	NR
Agencies							
FFCB	1,504,200	1,004,300	499,900	-	-	2.45%	AAA
FHLB	329,293	329,293	-	-	-	0.54%	AAA
FHLMC	999,805	-	999,805	-	-	1.63%	AAA
FNMA	4,272,367	-	4,272,367	-	-	6.96%	AAA
TVA	1,012,810	-	1,012,810	-	-	1.65%	AAA
Agencies- Mortgage Backed							
FHLMC	1,782,294	458	71,112	804,251	906,473	2.90%	NR
FNMA	6,912,783	-	-	1,712,283	5,200,500	11.26%	NR
SBA	298,347	-	-	298,347	-	0.49%	NR
Agency Discount Notes							
FHLB	649,981	649,981	-	-	-	1.06%	NR
Municipal Bond	7,860,219	2,228,508	4,317,325	1,314,386	-	12.81%	AAA-AA3
US Treasury Notes	22,693,574	6,503,695	15,100,632	1,089,247	-	36.97%	AAA
 Total Investments	 \$ 61,378,866	\$ 19,241,552	\$ 30,811,827	\$ 5,218,514	\$ 6,106,973		

As of December 31, 2020, the City held the following restricted cash for unspent bond proceeds:

	Value	Years to Maturity				Concentration	Moody's Rating
		Less than One Year	1-5 Years	5-10 Years	10-15 Years		
Non-Pooled Investments:							
Money Market Fund	3,769,321	3,769,321	-	-	-	79.03%	NR
Agency Discount Notes							
FHLB	999,970	\$ 999,970	\$ -	\$ -	\$ -	20.97%	NR
 Total Investments	 \$ 4,769,291	\$ 4,769,291	\$ -	\$ -	\$ -		

As of December 31, 2020, the component units had the following investments:

	Value	Years to Maturity				Concentration	Moody's Rating
		Less than One Year	1-5 Years	5-10 Years	10-15 Years		
Pooled Investments:							
4M Fund	\$ 24,831,941	\$ 24,831,941	\$ -	\$ -	\$ -	39.26%	NR
4M Plus Fund	12,005,111	12,005,111	-	-	-	18.99%	NR
4M Term Series	5,000,000	5,000,000	-	-	-	7.91%	NR
Money Market Fund	459,899	459,899	-	-	-	0.73%	NR
Brokered CDs	1,486,200	1,486,200	-	-	-	2.35%	N/A
US Treasuries	11,638,822	4,347,928	7,290,894	-	-	18.41%	N/A
US Agencies	7,811,128	3,275,407	4,535,721	-	-	12.35%	AAA
 Total Investments	 \$ 63,233,101	\$ 51,406,486	\$ 11,826,615	\$ -	\$ -		

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

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

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states all securities purchased, including appropriate collateral, shall be placed with an independent third party for custodial safekeeping. The Commission's policy states they will minimize risk by only purchasing investments that are held in safekeeping with a Federal Reserve bank, United States Bank with corporate trust powers, a primary reporting dealer to the Federal Reserve Bank of New York, or a broker dealer having its principal executive office in Minnesota and that designated brokers have insurance through the SIPC (Securities Investor Protection Corporation). As of December 31, 2020, all investments of the City and the component units were insured, registered and held by the City or its agent and in the City's name, or by the SPUC and in the SPUC's name.

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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 (excluding securities backed by the U.S. government).
- Limiting investments in securities that have higher credit risks.
- Investing in securities with varying maturities.
- Continuously investing a portion of the portfolio in readily available funds, such as Local Government Investment Pools (LGIP), money market funds or repurchase agreements to ensure appropriate liquidity is maintained in order to meet ongoing obligations.
- Having all investments, other than those in direct obligations or agencies of the United States, secured by collateral or repurchase agreements, shall not exceed 50% of the aggregate investment portfolio. Mortgage backed securities shall not exceed 30% of the aggregate investment portfolio, at the time of investment.
- Limiting investments in any one corporation to 5% of the aggregate investment portfolio.

The Commission's policy states they will minimize risk by only purchasing investments that are held in safekeeping with the Federal Reserve bank, United States Bank with corporate trust powers, a primary reporting dealer to the Federal Reserve Bank of New York, or a broker dealer having its principal executive office in Minnesota and that designated brokers have insurance through a SIPC (Securities Investor Protection Corporation). As of December 31, 2020 the City held investments that exceeded 5% of its total investments for all funds as noted in the table on the previous page. The component units' investments noted in the table above exceeded 5% of its total investments as of December 31, 2020.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The City has the following recurring fair value measurements as of December 31, 2020:

	Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at Fair Value:				
Certificate of Deposit	\$ 7,790,401	\$ -	\$ 7,790,401	\$ -
Agencies				
FFCB	1,504,200	-	1,504,200	-
FHLB	329,293	-	329,293	-
FHLMC	999,805	-	999,805	-
FNMA	4,272,367	-	4,272,367	-
TVA	1,012,810	-	1,012,810	-
Agencies- Mortgage Backed				
FHLMC	1,782,293	-	1,782,293	-
FNMA	6,912,784	-	6,912,784	-
SBA	298,347	-	298,347	-
Agency Discount Notes	-	-	-	-
FHLB	1,649,951	-	1,649,951	-
Municipal Bond	7,860,219	-	7,860,219	-
US Treasury Notes	22,693,574	22,693,574	-	-
Total/Subtotal	57,106,044	\$ 22,693,574	\$ 34,412,470	\$ -

Investments at Amortized Cost:

Money Market Fund	9,042,113
Total	\$ 66,148,157

Publicly traded assets are valued in accordance with market quotation or valuation methods from services believed by our broker to be reliable. Assets, which are not publicly traded, may reflect values from other external sources or special valuations prepared by our broker. Assets for which a current value is not available may be reflected as not valued, at par value, or at a nominal value of \$1.00.

\$20,936,150 of \$63,233,101 of the Component Unit's investments at December 31, 2020 are valued using a quoted market prices (Level 2 inputs). \$42,296,951 are investments uncategorized in accordance with GASB 72 and GASB 79.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The following is a summary of total deposits and investments as of December 31, 2020:

Deposits (Note 3.A.)	\$ 16,215,777
City Investments	61,378,866
Restricted Cash and Investments	4,769,291
Component Unit Investments	63,233,101
City Petty Cash	8,398
Component Unit Petty Cash	<u>1,700</u>
Total Deposits and Investments	<u>\$ 145,607,133</u>

Deposits and investments are presented in the December 31, 2020 basic financial statements as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Statement of Net Position:				
Cash and Investments	\$68,450,842	\$ 298,138	\$53,777,043	\$ 122,526,023
Restricted Cash and Investments	<u>4,769,291</u>	<u>-</u>	<u>18,311,819</u>	<u>23,081,110</u>
Total	<u>\$73,220,133</u>	<u>\$ 298,138</u>	<u>\$72,088,862</u>	<u>\$ 145,607,133</u>

NOTE 5 – RECEIVABLES/UNAVAILABLE REVENUE

A. Taxes and Assessments

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

	<u>Delinquent Property Taxes</u>	<u>Delinquent Special Assessments</u>	<u>Deferred Special Assessments</u>	<u>Total</u>
General Fund	\$ 115,179	\$ 4,059	\$ 26,398	\$ 145,636
Economic Development Authority	1	-	-	1
Capital Improvement	-	28,182	2,522,024	2,550,206
Nonmajor Funds	<u>-</u>	<u>912</u>	<u>616,990</u>	<u>617,902</u>
Total	<u>\$ 115,180</u>	<u>\$ 33,153</u>	<u>\$ 3,165,412</u>	<u>\$ 3,313,745</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 – RECEIVABLES/UNAVAILABLE REVENUE (CONTINUED)

B. Forgivable Loan

The Economic Development Authority (EDA) offers a commercial exterior improvement program which is used to encourage property owners to maintain and invest in their properties in order to promote economic growth. The program offers up to 50 percent of project costs for eligible improvements as a no-interest forgivable loan. Forgiveness of the loan takes place over a five-year period with 20 percent of the amount forgiven annually. The city may extend or reduce the repayment period based on the dollar amount of the reward. As of December 31, 2020, the balance of these loans is \$411,134. There has been an allowance for doubtful accounts recorded for the same amount, as it is fully expected that these loans will be forgiven.

NOTE 6 – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2020 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	\$ 23,257,460	\$ 1,101	\$ -	\$ 23,258,561
Right-Of-Way	494,746	395,219	-	889,965
Construction in Progress	4,380,173	4,474,111	406,070	8,448,214
Total Capital Assets				
not being Depreciated	<u>28,132,379</u>	<u>4,870,431</u>	<u>406,070</u>	<u>32,596,740</u>
Capital Assets being				
Depreciated:				
Buildings	73,292,644	258,725	-	73,551,369
Infrastructure	170,726,764	3,195,500	-	173,922,264
Machinery and Equipment	24,096,684	1,615,026	675,539	25,036,171
Total Capital Assets				
being Depreciated	<u>268,116,092</u>	<u>5,069,251</u>	<u>675,539</u>	<u>272,509,804</u>
Less Accumulated				
Depreciation for:				
Buildings	15,852,497	1,612,465	-	17,464,962
Infrastructure	94,927,798	5,300,198	-	100,227,996
Machinery and Equipment	10,454,508	1,455,926	465,951	11,444,483
Total Accumulated				
Depreciation	<u>121,234,803</u>	<u>8,368,589</u>	<u>465,951</u>	<u>129,137,441</u>
Total Capital Assets being				
Depreciated, Net	<u>146,881,289</u>	<u>(3,299,338)</u>	<u>209,588</u>	<u>143,372,363</u>
Governmental Activities Capital				
Assets, Net	<u>\$175,013,668</u>	<u>\$ 1,571,093</u>	<u>\$ 615,658</u>	<u>\$175,969,103</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General Government	\$ 352,318
Public Safety	706,646
Public Works	5,431,285
Parks and Recreation	1,828,463
Economic Development	<u>49,877</u>
 Total Depreciation Expense- Governmental Activities	 <u><u>8,368,589</u></u>

Business-type capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 3,796,803	\$ -	\$ -	\$ 3,796,803
Right-Of-Way	507,746	-	-	507,746
Construction in Progress	<u>670,851</u>	<u>4,323,850</u>	<u>164,176</u>	<u>4,830,525</u>
Total Capital Assets not being Depreciated	<u>4,975,400</u>	<u>4,323,850</u>	<u>164,176</u>	<u>9,135,074</u>
Capital Assets being Depreciated:				
Line Rights	1,368,569	-	-	1,368,569
Plant in Service	105,163,149	3,052,923	-	108,216,072
Machinery and Equipment	<u>4,403,851</u>	<u>254,785</u>	<u>67,180</u>	<u>4,591,456</u>
Total Capital Assets being Depreciated	<u>110,935,569</u>	<u>3,307,708</u>	<u>67,180</u>	<u>114,176,097</u>
Less Accumulated Depreciation for:				
Line Rights	650,761	24,801	-	675,562
Plant in Service	28,930,922	1,657,991	-	30,588,913
Machinery and Equipment	<u>2,762,046</u>	<u>316,207</u>	<u>6,731</u>	<u>3,071,522</u>
Total Accumulated Depreciation	<u>32,343,729</u>	<u>1,998,999</u>	<u>6,731</u>	<u>34,335,997</u>
Total Capital Assets being Depreciated, Net	<u>78,591,840</u>	<u>1,308,709</u>	<u>60,449</u>	<u>79,840,100</u>
Governmental Activities Capital Assets, Net	<u>\$ 83,567,240</u>	<u>\$ 5,632,559</u>	<u>\$ 224,625</u>	<u>\$ 88,975,174</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Business-Type Activities:	
Sanitary Sewer	\$ 926,868
Storm Drainage	954,700
Refuse	<u>117,431</u>
 Total Depreciation Expense- Governmental Activities	 <u><u>1,998,999</u></u>

Component unit capital asset activity for the year ended December 31, 2020 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	\$ 5,566,953	\$ 762,749	\$ -	\$ 6,329,702
Construction in Progress	<u>1,933,614</u>	<u>2,892,320</u>	<u>798,967</u>	<u>4,026,967</u>
Total Capital Assets not being Depreciated	<u>7,500,567</u>	<u>3,655,069</u>	<u>798,967</u>	<u>10,356,669</u>
 Capital Assets being Depreciated:				
Distribution	125,125,686	2,349,599	76,851	127,398,434
General	<u>16,001,842</u>	<u>708,147</u>	<u>39,250</u>	<u>16,670,739</u>
Total Capital Assets being Depreciated	<u>141,127,528</u>	<u>3,057,746</u>	<u>116,101</u>	<u>144,069,173</u>
 Less Accumulated Depreciation	<u>49,517,821</u>	<u>4,153,441</u>	<u>41,681</u>	<u>53,629,581</u>
 Total Capital Assets being Depreciated, Net	<u>91,609,707</u>	<u>(1,095,695)</u>	<u>74,420</u>	<u>90,439,592</u>
 Governmental Activities Capital Assets, Net	<u>\$ 99,110,274</u>	<u>\$ 2,559,374</u>	<u>\$ 873,387</u>	<u>\$100,796,261</u>

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

Component Units:	
Electric	\$ 2,420,110
Water	<u>1,733,331</u>
 Total Depreciation Expense- Governmental Activities	 <u><u>4,153,441</u></u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – LEASES

A. Operating Leases

The government leases office equipment under noncancelable operating leases. Total costs for such leases were \$40,740 for the year ended December 31, 2020. The future minimum lease payments for these leases are as follows:

<u>Year Ending Dec. 31</u>	<u>Amount</u>
2021	<u>\$ 10,185</u>

B. Capital Leases

The government has entered into a lease agreement as lessee for financing the community center weight equipment with a down payment of \$1,845. This lease agreement qualifies as a capital lease for accounting purposes and, therefore have been recorded at the present value of its future minimum lease payment as of the inception date.

The asset acquired through a capital lease is as follows:

Asset:

Machinery and Equipment	\$ 79,100
Less: Accumulated Depreciation	<u>(23,739)</u>
Total	<u>\$ 55,361</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of December 31, 2020 were as follows:

<u>Year Ending Dec. 31</u>	<u>Governmental Activities</u>
2021	<u>\$ 5,535</u>
Total Minimum Lease Payments	5,535
Less: Amount Representing Interest	<u>(54)</u>
Present Value of Minimum Lease Payments	<u>\$ 5,481</u>

NOTE 8 – LONG-TERM DEBT

A. General Obligation Bonds

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 – LONG-TERM DEBT (CONTINUED)

B. Revenue Bonds

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

C. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Governmental Activities:						
G.O. Bonds:						
G.O. Improvement Bonds:						
2010A	08/01/10	0.50%-2.90%	1,555,000	02/01/21	\$ 90,000	\$ 90,000
G.O. Improvement Refunding Bonds 2012A						
	06/14/12	1.50%-2.125%	4,865,000	02/01/25	2,385,000	2,385,000
G.O. Tax Abatement Bonds 2016A						
	01/21/16	3.00%-5.00%	29,500,000	02/01/36	26,215,000	1,205,000
G.O. Tax Increment Bonds 2019A						
	10/17/19	2.25%-5.00%	4,220,000	02/01/36	4,220,000	-
G.O. Tax Increment Bonds 2020A						
	07/02/20	2.00%-4.00%	8,165,000	02/01/37	8,165,000	-
Total G.O. Bonds					<u>41,075,000</u>	<u>3,680,000</u>
Unamortized Premiums					2,497,636	-
Capital Lease					5,481	5,481
Compensated Absences					<u>2,917,411</u>	<u>1,312,835</u>
Total Governmental Activities					<u>\$ 46,495,528</u>	<u>\$ 4,998,316</u>
Business-Type Activities						
Compensated Absences					<u>\$ 53,960</u>	<u>\$ 24,282</u>

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 – LONG-TERM DEBT (CONTINUED)

D. Changes in Long-Term Liabilities

Long-term liability information for the year ended December 31, 2020 was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 34,660,000	\$ 8,165,000	\$ 1,750,000	\$ 41,075,000	\$ 3,680,000
Unamortized Premiums	1,801,324	832,845	136,533	2,497,636	-
Capital Lease	26,616	-	21,135	5,481	5,481
Compensated Absences	2,483,118	1,583,848	1,149,555	2,917,411	1,312,835
Total Governmental Activities	<u>\$ 38,971,058</u>	<u>\$ 10,581,693</u>	<u>\$ 3,057,223</u>	<u>\$ 46,495,528</u>	<u>\$ 4,998,316</u>
Business-Type Activities					
Compensated Absences	<u>\$ 49,140</u>	<u>\$ 27,433</u>	<u>\$ 22,613</u>	<u>\$ 53,960</u>	<u>\$ 24,282</u>

E. Governmental Activity G.O. Bonds

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

Year Ending December 31,	Principal	Interest	Total
2020	\$ 3,680,000	\$ 1,303,166	\$ 4,983,166
2021	1,475,000	1,192,369	2,667,369
2022	1,960,000	1,128,493	3,088,493
2023	2,010,000	1,053,369	3,063,369
2024	2,110,000	954,693	3,064,693
2025-2029	11,980,000	3,364,018	15,344,018
2030-2034	13,895,000	1,474,486	15,369,486
2035-2036	3,965,000	70,885	4,035,885
Total	<u>\$ 41,075,000</u>	<u>\$ 10,541,479</u>	<u>\$ 51,616,479</u>

NOTE 9 – NON-EXCHANGE FINANCIAL GUARANTEE

In conjunction with a Development Agreement dated as of October 1, 1997, between the Scott County Development Agency (Agency), the City of Shakopee, and the Shakopee EDA the Agency issued Bonds to finance the acquisition and construction of a mixed use project within Tax Increment Financing District No. 10. The Project consisted of the construction of 52-units of multifamily rental housing and related parking facilities, an approximately 25,000 square foot retail facility, a public plaza, and public parking facility.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 – NON-EXCHANGE FINANCIAL GUARANTEE (CONTINUED)

The Agency issued its Governmental Development Refunding Bonds (City of Shakopee, Minnesota – General Obligation), Series 2013A (River City Centre Project), on December 26, 2013, in the original aggregate principal amount of \$2,330,000 (the “Series 2013A Bonds”). The Series 2013A Bonds refunded the outstanding principal balance of the Series 2006A Bonds on February 1, 2014. The Series 2013A Bonds are secured the net revenues of the housing component of the Project and a pledge of the full faith and credit of the City. The Series 2013A Bonds are currently outstanding in the principal amount of \$1,305,000 and mature on February 1, 2027. If housing lease revenues are insufficient to pay the principal of and interest on the Series 2013A Bonds, the City may be called upon to levy ad valorem taxes.

The Agency issued its Governmental Tax Increment Development Refunding Bonds (City of Shakopee, Minnesota – General Obligation), Series 2013E (River City Centre Project), on December 26, 2013, in the original aggregate principal amount of \$1,220,000 (the “Series 2013E Bonds”). The Series 2013E Bonds refunded the outstanding principal balance of the Series 2006E Bonds on February 1, 2014. The Series 2013E Bonds are secured by (i) the lease revenues generated by the retail component of the Project; (ii) a Tax Increment Pledge Agreement from the EDA to the City, assigned by the City to the Agency and by the Agency to the Trustee; and (iii) a pledge of the full faith and credit of the City pursuant to a guaranty made by the City in favor of the bond holders. The Series 2013E Bonds are currently outstanding in the principal amount of \$620,000 and mature February 1, 2023. The City has committed to provide \$39,276 in tax increment each year during the life of the Series 2013E Bonds. If retail lease revenues and tax increment are insufficient to pay the principal of and interest on the Series 2013E Bonds, the City may be called upon to levy ad valorem taxes.

To date, no funds of the City (except tax increment) have been used to pay principal of or interest on the 2013 Bonds.

NOTE 10 – CONDUIT DEBT OBLIGATIONS

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10 – CONDUIT DEBT OBLIGATIONS (CONTINUED)

As of December 31, 2020, the following conduit debt was outstanding:

Project	Date of Issue	Original Amount of Issue	Balance Outstanding
Scott County CDA Housing Development 2012B Refunding- North Ridge Court Redevelopment	04/26/12	\$ 5,885,000	\$ 4,330,000
Benedictine Health System Obligated Group Health Care and Housing Facilities Revenue Refunding Note Series 2013A	12/01/13	9,485,000	5,161,478
Benedictine Health System Obligated Group Health Care and Housing Facilities Revenue Refunding Note Series 2013B	12/01/13	9,575,000	6,924,863
St. Francis Regional Medical Center Health Care Facilities Revenue Refunding Bond Series 2014	06/18/14	41,865,000	33,525,000
Benedictine Health System Obligated Group Senior Housing Revenue Bonds Series 2018	12/01/18	52,440,000	52,440,000
Scott County CDA Housing Development 2020B Refunding- North Ridge Court Project	11/24/20	4,000,000	4,000,000
Total			\$ 106,381,341

NOTE 11 – INTERFUND ASSETS/LIABILITIES

The composition of interfund balances as of December 31, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Improvement Fund	TIF District No. 18 Canterbury Common	\$ 1,224,279
Sewer Fund	Refuse Fund	40,917
	Total	\$ 1,265,196

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 12 – ADVANCE FROM/TO OTHER FUNDS

The composition of advance from/to other funds as of December 31, 2020 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
(1)	General Fund	Nonmajor Governmental Funds	\$ 1,212,842
(2)	Capital Improvement Fund	Nonmajor Governmental Funds	1,052,829
(3)	Capital Improvement Fund	TIF District No. 18 Canterbury Common	200,015
(4)	Sewer Fund	Refuse Fund	426,814
(5)	Storm Drainage Fund	Internal Service Fund	1,320,000
(6)	Internal Service Fund	Nonmajor Governmental Funds	200,000
(7)	General Fund	TIF District No. 20 Enclave	314,826
(8)	Storm Drainage Fund	TIF District No. 20 Enclave	2,108,954
		Total	\$ 6,836,280

- (1) The advance represents a long term interfund loan related to the TIF District No. 19 Riverfront agreement to be repaid over 25 years with Tax Increment Financing at a rate of 4% interest.
- (2) The advance represents a long term interfund loan agreement for TIF District No. 17 Amazon to be repaid over 25 years with Tax Increment Financing at a rate of 0% interest.
- (3) The advance represents a long term interfund loan related to the TIF District No. 18 Canterbury agreement to be repaid over 25 years with Tax Increment Financing at a rate of 4% interest.
- (4) The advance is a long term interfund loan which was used to purchase garbage carts. This will be repaid over 10 years with revenue collected for cart usage at rate of 1% interest.
- (5) The advance represents two interfund loans. The first is a long term interfund loan which was used to purchase property, this will be repaid over 10 years with proceeds from the sale of land or tax levy at rate of 0% interest. The second represents a long term interfund loan which was used to purchase land which will be resold. This will be repaid once the parcels are sold or developed at rate of 0% interest.
- (6) The advance is a long term interfund loan which was used as a financing source related to the building of the new City hall building. This will be repaid over 15 years with rent collection at rate of 1.25% interest.
- (7) The advance related to the TIF District No. 20 Old City Hall agreement (Enclave). This will be repaid over 25 years with Tax Increment Financing at a rate of 4% interest.
- (8) The advance related to the TIF District No. 20 Old City Hall agreement (Enclave). This will be repaid over 25 years with Tax Increment Financing at a rate of 3% interest.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13 – INTERFUND TRANSFERS

	Transfer In	Transfer Out
Governmental Funds:		
General Fund (1) (5) (6)	\$ 250,000	\$ 2,535,510
Capital Improvement (2) (6)	1,745,163	-
TIF District No. 18 Canterbury Common (3)	-	95,503
Other Governmental Funds (2) (3) (4) (5)	1,231,013	45,163
Total Governmental Funds	3,226,176	2,676,176
Proprietary Funds:		
Sewer (1)	-	125,000
Storm Drainage (1)	-	125,000
Total Proprietary Funds	-	250,000
Internal Service Funds:		
Buildings (4)	-	300,000
Total Internal Service Funds	-	300,000
Total	\$ 3,226,176	\$ 3,226,176

- (1) Annual transfer to finance General Fund
- (2) Transfer to cover the 2020 trail rehabilitation and reconstruction projects funding source
- (3) Transfer tax increment revenue for future debt payments on tax increment bonds
- (4) Annual transfer for bond payment
- (5) Transfer to prepay the General Obligation Refunding Bond 2012A and redeem it as of the February 2021 bond payment
- (6) Transfer to fund future infrastructure projects

NOTE 14 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2020 was \$1,794,461. The components of pension expense are noted in the following plan summaries.

Public Employees' Retirement Association

A. Plan Description

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

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

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

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

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

B. Benefits Provided

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

Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

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

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2015, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2015, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

C. Contributions

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2020. The City's contributions to the General Employees Fund for the year ended December 31, 2020, was \$607,487. The City's contributions were equal to the required contributions as set by state statute. The Commission's contributions to the General Employees Fund for the year ended December 31, 2020, was \$360,080. The Commission's contributions were equal to the required contributions as set by state statute.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3 percent of pay to 11.80 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, was \$974,737. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2020 the City reported a liability of \$6,642,966 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$204,816. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.1108 percent, which was an increase of 0.0046 percent from its proportion measured as of June 30, 2019.

City's proportionate share of the net pension liability	\$ 6,642,966
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>204,816</u>
Total	\$ 6,847,782

For the year ended December 31, 2020, the City recognized pension expense of \$547,699 for its proportionate share of General Employees Fund's pension expense. In addition, the City recognized an additional \$17,825 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

At December 31, 2020, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,847	\$ 32,365
Changes in actuarial assumptions	3,003	242,920
Net difference between projected and actual earnings on plan investments	158,390	-
Changes in proportion	297,525	-
Contributions to GERP subsequent to the measurement date	304,478	-
	\$ 822,243	\$ 275,285

The \$304,478 reported as deferred outflows of resources related to pensions resulting from City contributions to General Employees Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	\$ (216,221)
2022	100,971
2023	197,235
2024	160,495
Total	\$ 242,480

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2020 the City reported a liability of \$6,560,219 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was 0.4497 percent.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$951,432 for its proportionate share of Police and Fire Fund's pension expense. In addition the City also recognized an additional \$47,545 for the year ended December 31, 2020 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$47,545 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

At December 31, 2020, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 295,645	\$ 395,573
Changes in actuarial assumptions	2,390,398	4,259,241
Net difference between projected and actual earnings on plan investments	237,196	-
Changes in proportion	433,671	217,772
Contributions to PEPFF subsequent to the measurement date	488,850	-
	<u>\$ 3,845,760</u>	<u>\$ 4,872,586</u>

The \$488,850 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense on the following page.

Year Ending December 31,	Pension Expense Amount
2021	\$ (397,044)
2022	(1,703,754)
2023	291,277
2024	331,349
2025	(37,504)
Total	<u>\$ (1,515,676)</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Component Unit's General Employees Fund Pension Costs

At December 31, 2019, the Commission reported a liability of \$4,064,920 for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Commission totaled \$125,364. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Commission's proportion share was 0.0678 percent, which was an increase of 0.0039 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Commission recognized pension expense of \$267,400 for its proportionate share of General Employees Fund's pension expense. In addition, the Commission recognized an additional \$10,911 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

At December 31, 2020, the Commission reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources are below.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,943	\$ 15,379
Changes in actuarial assumptions	-	146,195
Net difference between projected and actual earnings on plan investments	86,038	-
Changes in proportion	163,314	16,642
Contributions to GERF subsequent to the measurement date	180,040	-
	\$ 464,335	\$ 178,216

\$180,040 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense below.

Year Ending December 31,	Pension Expense Amount
2021	\$ (168,382)
2022	45,409
2023	130,842
2024	98,210
Total	\$ 106,079

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for GERF and 1.0 percent per year for PEPFF.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 202 valuation. The most recent four-year experience study for PEPFF was completed in 2020. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature. The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35.5%	5.10%
International Stocks	25.0%	5.90%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	17.5%	5.30%
Cash and Equivalents	2.0%	0.00%
Total	<u>100.0%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in Minnesota Statutes. Based on those assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Plan was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 10,646,371	\$ 6,642,966	\$ 3,340,479
Commission's proportionate share of the General Employees Fund net pension liability	\$ 6,514,657	\$ 4,064,920	\$ 2,044,084
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 13,075,460	\$ 6,560,219	\$ 1,169,998

H. Pension Plan Fiduciary Net Position

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

I. Public Employees Defined Contribution Plan (Defined Contribution Plan)

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

I. Public Employees Defined Contribution Plan (Defined Contribution Plan) (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2020 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rate</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
\$ 2,540	\$ 2,540	5%	5%	5%

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

A. Plan Description

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

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Shakopee Fire Relief Association, 485 Gorman Street, Shakopee, Minnesota 55379 or by calling 952-233-9570.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

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

B. Benefits Provided

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

C. Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefits	13
Active Employees	<u>43</u>
Total	<u><u>56</u></u>

D. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$287,106 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions.

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
Salary increase	0 %, average, including inflation
Investment rate of return	5.25 %, net of pensions plan investment expense: including inflation

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

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

E. Net Pension Liability (Continued)

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	40.0%	4.95%
International Equity	15.0%	5.24%
Fixed Income	30.0%	1.99%
Real Estate and Alternatives	0.0%	4.19%
Cash and Equivalents	15.0%	0.58%
Total	<u>100.0%</u>	

Discount rate.

The discount rate used to measure the total pension liability was 5.25%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

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

F. Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at January 1, 2020	\$ 3,081,191	\$ 4,512,945	\$ (1,431,754)
Changes for the year			
Service Cost	162,011	-	162,011
Interest	163,476	-	163,476
Change of Benefit Terms	96,150	-	96,150
Contributions- State and Local	-	269,203	(269,203)
Net Investment Income	-	710,614	(710,614)
Benefit Payments, including refunds of Employee Contributions	(258,740)	(258,740)	-
Administrative Expense	-	(17,491)	17,491
Other Additions	-	1,964	(1,964)
Net Changes	162,897	705,550	(542,653)
Balances at December 31, 2020	\$ 3,244,088	\$ 5,218,495	\$ (1,974,407)

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

	1% Decrease in Discount Rate (4.25%)	Discount Rate (5.25%)	1% Increase in Discount Rate (6.25%)
City's proportionate share of the Relief net pension asset	\$ (1,824,459)	\$ (1,974,407)	\$ (2,117,112)

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 14 – PENSION PLANS (CONTINUED)

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

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

For the year ended December 31, 2019, the City recognized pension expense of \$59,686. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions paid subsequent to the measurement date	\$ 287,106	\$ -
Difference between expected and actual liability	-	76,861
Changes in assumptions	84,508	-
Net difference between projected and actual earnings on pension plan investments	-	229,453
	\$ 371,614	\$ 306,314

\$287,106 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	\$ (88,510)
2022	(72,235)
2023	23,152
2024	(96,068)
2025	(406)
Thereafter	12,261
Total	\$ (221,806)

H. Payable to the Pension Plan

At December 31, 2020, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2020.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

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

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	11
Active employees waiving coverage	15
Active plan members	<u>145</u>
 Total plan members	 <u><u>171</u></u>

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Medica. The required contributions are based on projected pay-as-you-go financing requirements. For the year ended December 31, 2020, the City’s average contribution rate was 21.3 percent of covered-employee payroll. For the year 2020, the City contributed \$39,658 to the Plan.

C. Actuarial Methods and Assumptions

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

The City’s total OPEB liability of \$2,770,086 was measured as of December 31, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of December 31, 2018.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.75%
Expected Long-Term Investment Return	N/A
20-Year Municipal Bond Yield	2.75%
Inflation Rate	2.50%
Medical Trend Rate	6.20% in 2019 gradually decreasing over several decades to an ultimate rate of 4.00% in 2075 or later years

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

The discount rate used to measure the total OPEB liability was 2.75 percent. Per GASB guidance, the single rate that produces the same present value of expected benefit payments as (1) the expected long-term rate of return on plan assets during the period when projected assets are sufficient to pay future retiree benefits, and (2) the 20-year municipal bond rate after assets are projected to be exhausted. The Fidelity 20-Year Municipal GO AA Index is used because it meets the GASB requirements and is based on a large amount of municipal security data.")

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

The inflation rate used to measure the OPEB liability was 2.5 percent. Based on analysis of historical CPI-U and 30-year TIPS data, the Federal Open Market Committee target inflation rate, and the 2018 Survey of Capital Market Assumptions produced by Horizon Actuarial Services.

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at January 01, 2020	\$ 2,305,113
Changes for the Year:	
Service cost	162,381
Interest	89,919
Differences between expected and actual experience	135,664
Changes in assumptions or other inputs	164,630
Benefit payments	(87,621)
Net Changes	464,973
 Balances at December 31, 2020	 \$ 2,770,086

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

- The discount rate was changed from 3.31% as of 12/31/2019 to 3.71% as of 12/31/2020 based on updated 20-year municipal bond rates as of each measurement date.

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.31% to 3.71% based on updated measurement dates and GASB 75 requirements.

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.75 percent) or 1-percentage-point higher (3.75 percent) than the current discount rate:

1% Decrease (1.75%)	Current (2.75%)	1% Increase (3.75%)
\$ 3,047,211	\$ 2,770,086	\$ 2,522,891

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

E. Sensitivity of the Total OPEB Liability (Continued)

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.40 percent decreasing to 3.00 percent) or 1-percentage-point higher (7.40 percent decreasing to 5.00 percent) than the current discount rate:

1% Decrease (5.4% Decreasing to 3%)	Healthcare Cost Trend Rates (6.4% Decreasing to 4%)	1% Increase (7.4% Decreasing to 5%)
\$ 2,404,949	\$ 2,770,086	\$ 3,210,938

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

For the year ended December 31, 2020, the City recognized OPEB expense of \$100,207. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 203,204	\$ 54,968
Differences between expected and actual experience	121,353	-
Contributions to OPEB subsequent to the measurement date	191,908	-
	\$ 516,465	\$ 54,968

Deferred outflows of resources totaling \$191,908 related to pensions resulting from the City’s contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	\$ 32,937
2022	32,937
2023	32,937
2024	32,937
2025	32,937
Thereafter	104,904
Total	\$ 269,589

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 16 – SEGMENT INFORMATION

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

NOTE 17 – FUND BALANCE DETAIL

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

	General Fund	Capital Improvement	TIF District No. 18 Canterbury Common	TIF District No. 20 Enclave	Other Governmental Funds	Total
Nonspendable:						
Prepaid Items	\$ 138,229	\$ -	\$ -	\$ -	\$ 120	\$ 138,349
Restricted:						
Forfeitures	-	-	-	-	158,179	158,179
SCDP Grant	-	-	-	-	18,368	18,368
Economic Development	-	-	-	-	1,022,360	1,022,360
Debt Service	-	-	-	-	4,332,924	4,332,924
Capital Improvements	-	-	1,940,939	-	3,768,971	5,709,910
Total Restricted	-	-	1,940,939	-	9,300,802	11,241,741
Committed:						
Building Permits	1,104,000	-	-	-	-	1,104,000
Assigned:						
Telecommunications	-	-	-	-	124,018	124,018
Capital Improvements	-	5,363,301	-	-	743,188	6,106,489
Total Assigned	-	5,363,301	-	-	867,206	6,230,507
Unassigned	14,891,656	-	-	(2,423,778)	(2,241,781)	10,226,097
Total Fund Balance	<u>\$ 16,133,885</u>	<u>\$ 5,363,301</u>	<u>\$ 1,940,939</u>	<u>\$ (2,423,778)</u>	<u>\$ 7,926,347</u>	<u>\$ 28,940,694</u>

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 18 – COMMITMENTS

The City has the following construction commitments at December 31, 2020.

	<u>Project Authorization</u>	<u>Work Completed</u>	<u>12/31/2020 Commitment</u>
2019 Lateral Pipe Rehab and CIPP	607,338	557,246	50,092
12th Ave Reconstruction	2,869,489	2,735,223	134,266
2020 Bituminous Overlay	1,482,286	1,356,761	125,525
Unbridled Avenue Construction	6,234,424	5,367,811	866,614
2020 Lateral Pipe Rehabilitation	434,570	384,605	49,965
Ridge Creek Park and PLOC Improvement Pr	3,565,096	345,820	3,219,276
SandVenture Pool Filtration System	168,716	-	168,716
Park Planning (Various Projects)	522,335	174,702	347,633

NOTE 19 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and reinsures through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles ranges from \$10,000 to \$50,000 and is considered immaterial to the financial statements.

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

Through the pool, the City is subject to reassessment but due to reserves and reinsurance contracts, the likelihood is very low. The policy limits through the pool included \$2,000,000 aggregate for liability, \$2,000,000 for automobile coverage, \$1,000,000 faithful performance employee bonding and \$2,000,000 for universal umbrella coverage. Property coverage is at approximately \$111,000,000.

NOTE 20 – TAX ABATEMENT AGREEMENT

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 20 – TAX ABATEMENT AGREEMENT (CONTINUED)

The tax abatement agreements are as follows:

- Datacard Abatement was established in 2014. Entrust Datacard is the world’s largest issuer of protected, personalized ID cards, credentials, and credit cards. The City of Shakopee awarded an eleven-year economic development property tax abatement, ending in 2024, which required the creation of 100 new full time jobs in Shakopee. The first year of disbursement occurred in 2014. The total City abatement awarded was \$334,869 with an annual maximum award of \$36,195. The total county abatement awarded was \$324,324 with an annual maximum award of \$35,055. During the year ended December 31, 2020, the total disbursed was \$71,250 with \$35,055 from Scott County and \$36,195 from the City.
- Emerson Abatement was established in 2013. Rosemount Emerson Process Management is a leading supplier of process management products and solutions, including control valves, regulators, transmitters, analyzers, and automation systems. The City of Shakopee awarded a nine-year economic development property tax abatement, ending in 2023, which required the creation of 154 new full-time jobs in Shakopee. The first year of disbursement occurred in 2016. The total City abatement awarded was \$590,496. The total county abatement awarded was \$570,608 with an annual maximum award of \$64,401. During the year ended December 31, 2020, the total disbursed was \$145,032 with \$64,401 from Scott County and \$80,631 from the City.
- Shutterfly Abatement was established in 2014. Shutterfly, Inc. is an Internet-based social expression and personal publishing service that was founded in December of 1999. The City of Shakopee awarded a nine-year economic development property tax abatement, ending in 2024, which required the creation of 258 new jobs in Shakopee. The first year of disbursement occurred in 2017. The total City abatement awarded was \$758,771 with an annual maximum award of \$89,431. The total county abatement awarded was \$734,898 with an annual maximum award of \$86,615. During the year ended December 31, 2020, the total disbursed was \$128,688 with \$63,141 from Scott County and \$65,547 from the City.
- KEB Abatement was established in 2019. KEB America, LLC is a leading manufacturer of automation products. The City of Shakopee awarded a nine-year economic development property tax abatement, ending in 2029, which required the creation of 98 full-time equivalent new jobs in Shakopee. The total City abatement awarded was \$289,263. The first year of disbursement will occur in 2021.

NOTE 21 – TAX INCREMENT FINANCING

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 21 – TAX INCREMENT FINANCING (CONTINUED)

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

During the year ended December 31, 2020, the City generated \$2,317,499 in tax increment revenue and made \$2,123,047 in payments to developers.

TIF District No. 10 was established in 1996 for the purpose of establishing multifamily rental housing. River City Centre is 52-units of multifamily rental housing owned and operated by the Scott County Community Development Authority (CDA). Under this agreement, up to \$2,115,000 in development costs would be reimbursed over twenty-five years with the final year being 2024. During the year ended December 31, 2020, the City generated \$55,408 of tax increment revenue and made payments of \$49,867. The remaining unpaid pay-as-you-go balance at year end was \$3,049,554.

TIF District No. 14 was established in 2015 as an economic development TIF. J&J Minneapolis/SanMar is a wholesale apparel and accessories distribution company. This TIF required the creation of 150 new full-time jobs in Shakopee. The first year of disbursement occurred in 2016 and the final year will be in 2024. Under this agreement, up to \$2,000,000 of development costs will be reimbursed through tax increment over a 9 year period. During the year ended December 31, 2020, the City generated \$351,881 of tax increment revenue and made payments on the pay-as-you-go note of \$316,693. The remaining unpaid pay-as-you go balance at year end was \$821,821.

TIF District No. 15 was established in 2015 for the purpose of establishing a housing unit. Trident/All Saints Senior Living is an 80-unit senior community providing assisted living, memory care, and care suites with 20% of the units being affordable to persons of low and moderate income. Under the agreement, up to \$1,000,000 of development costs will be reimbursed through tax increment over a 25 year period. During the year ended December 31, 2020, the City generated \$197,125 of tax increment revenue and made payments of \$177,412. The remaining unpaid pay-as-you go balance at year end was \$424,307.

TIF District No.16 was established in 2015 for the construction of a facility. Rahr Malting Company produces and distributes malt and industry related brewing supplies. Under the agreement, up to \$1,883,086 of development costs will be reimbursed through tax increment over a 9 year period. During the year ended December 31, 2020, the City generated \$639,650 of tax increment revenue and made payments of \$620,461. The remaining unpaid pay-as-you go balance at year end was \$386,535.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 21 – TAX INCREMENT FINANCING (CONTINUED)

TIF District No.17 was established in 2016 to upgrade the roads surrounding the expansion of Amazon.com. The total amount authorized was \$5,698,326 with 40.7% (\$2,319,076) of these funds going to the City of Shakopee and 59.3% (\$3,379,250) going to Scott County. Under the agreement, up to \$5,698,326 of development costs will be reimbursed through tax increment over a 9 year period to the City and County. During the year ended December 31, 2020, the City generated \$967,320 of tax increment revenue and made payments of \$568,458 to the County and \$390,156 to the City. The remaining unpaid pay-as-you go balance at year end was \$1,534,325 for the County and \$1,052,829 for the City.

TIF District No. 18 was established in 2018 to aid in redeveloping the horse racetrack area known as Canterbury Commons with new and improved public infrastructure. This is a multi-year, three phase project that will entail eliminating blighted properties and in turn provide a mix of housing and other commercial and industrial redevelopment. Under the agreement, \$33,066,500 of public infrastructure costs will be reimbursed through tax increment to a combination of the City of Shakopee and the Developer over the duration of 25 years. The district was created in 2018 and certified to the State of Minnesota in 2019. During the year ended December 31, 2020, the City generated \$106,155 of tax increment revenue, which was placed in a debt service fund for future debt service payments. As of December 31, 2020, the City had bonds outstanding of \$12,385,000 and developer had certified \$9,737,699 of eligible expenses.

TIF District No. 19 was established in 2018 to aid in redeveloping property located in the downtown area along the riverfront. The developer, Gaughan Shakopee LLC purchased four properties from the City at an agreed upon amount of \$1,000,000 and develop approximately 125 market-rate luxury apartment units including underground parking and 3,500 sq. feet of commercial space. Under the agreement, the developer will reimburse the city's \$1,000,000 land purchase with 20.5% of future tax increment. The remaining increment will be directed towards reimbursement of developer costs up to a principal amount of \$2,811,700 over the course of 25 years. The district was created in 2018 and was certified to the State of Minnesota in 2019. As of December 31, 2020, no tax increment had been generated. It is anticipated that the first tax increment will be generated in 2022.

TIF District No. 20 was established in 2018 to aid in redeveloping the old downtown city hall location. The developer, Enclave Development, LLC is developing approximately 80 market-rate apartment units, including underground parking, and approximately 1,500 square feet of commercial space including all site improvements. Under the agreement, a redevelopment grant in the amount of \$2,132,400 will be issued to the developer. The city will collect 100% of the future increment over the course of the next 25 years to repay \$300,000 in city demolition costs, remediation, and administrative costs in addition to the \$2.1 million redevelopment grant. The district was created in 2018 and was certified to the State of Minnesota in 2019. As of December 31, 2020, no tax increment had been generated. It is anticipated that the first tax increment will be generated in 2021.

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 21 – TAX INCREMENT FINANCING (CONTINUED)

TIF District No. 21 was established in 2018 as a soils condition district to facilitate development of certain property by removing or remediating hazardous substances, pollution or contaminants within the city. Under the agreement, the developer, Shakopee Crossings Limited Partnership, will be reimbursed up to \$1,387,388 of soil remediation costs and will be reimbursed through tax increment collections over the next 20 years. The district was created in 2018 and was certified to the State of Minnesota in 2019. The EDA, as permitted by state statutes has elected to delay the receipt of first increment until 2021.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHAKOPEE

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

For the Fiscal Year Ended	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.1108%	\$ 6,642,966	\$ 204,816	\$ 6,847,782	\$ 7,893,394	86.75%	79.00%
June 30, 2019	0.1062%	5,871,560	182,492	6,054,052	7,502,811	80.69%	80.20%
June 30, 2018	0.1045%	5,797,232	190,111	5,987,343	7,014,843	85.35%	79.50%
June 30, 2017	0.1026%	6,549,916	82,350	6,632,266	6,194,557	107.07%	75.90%
June 30, 2016	0.0933%	7,575,497	98,919	7,674,416	6,246,667	122.86%	68.91%
June 30, 2015	0.0930%	4,819,743	-	4,819,743	5,275,939	91.35%	78.19%

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

CITY OF SHAKOPEE

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

For the Fiscal Year Ended	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.4977%	\$ 6,560,219	\$ -	\$ 6,560,219	\$ 5,874,218	111.68%	87.20%
June 30, 2019	0.5126%	5,457,145	-	5,457,145	5,406,198	100.94%	89.30%
June 30, 2018	0.4810%	5,126,965	-	5,126,965	5,069,010	101.14%	88.80%
June 30, 2017	0.4810%	6,494,072	-	6,494,072	4,642,761	139.88%	85.40%
June 30, 2016	0.4680%	18,781,654	-	18,781,654	4,827,360	389.07%	63.88%
June 30, 2015	0.4720%	5,363,024	-	5,363,024	4,169,456	128.63%	86.61%

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

CITY OF SHAKOPEE

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

For the Fiscal Year Ended	Component Unit's Proportion of the Net Pension Liability	Component Unit's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the Component Unit	Component Unit's Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the Component Unit	Component Unit's Covered Payroll	Unit's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.0678%	\$ 4,064,920	\$ 125,364	\$ 4,190,284	\$ 3,516,627	119.16%	79.00%
June 30, 2019	0.0639%	3,532,888	109,829	3,642,717	4,522,507	80.55%	80.20%
June 30, 2018	0.0645%	3,578,196	117,344	3,695,540	4,333,280	85.28%	79.50%
June 30, 2017	0.0644%	4,111,253	51,656	4,162,909	4,145,653	100.42%	75.90%
June 30, 2016	0.0621%	5,042,212	65,842	5,108,054	3,854,427	132.52%	68.91%
June 30, 2015	0.0608%	3,150,972	-	3,150,972	3,516,627	89.60%	78.19%

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

CITY OF SHAKOPEE

SCHEDULE OF CITY CONTRIBUTIONS

LAST 10 YEARS GENERAL EMPLOYEES RETIREMENT FUND

For the Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a percentage of Covered Payroll
December 31, 2020	\$ 607,487	\$ 607,487	\$ -	\$ 8,099,830	7.5%
December 31, 2019	577,643	577,643	-	7,701,906	7.5%
December 31, 2018	544,381	544,381	-	7,258,413	7.5%
December 31, 2017	499,333	499,333	-	6,657,773	7.5%
December 31, 2016	459,555	459,555	-	6,127,400	7.5%
December 31, 2015	416,647	416,647	-	5,555,293	7.5%

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

CITY OF SHAKOPEE

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

<u>For the Fiscal Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a percentage of Covered Payroll</u>
December 31, 2020	\$ 974,737	\$ 974,737	\$ -	\$ 5,750,663	16.95%
December 31, 2019	947,168	947,168	-	5,588,012	16.95%
December 31, 2018	851,625	851,625	-	5,256,945	16.20%
December 31, 2017	788,803	788,803	-	4,869,154	16.20%
December 31, 2016	761,951	761,951	-	4,703,401	16.20%
December 31, 2015	720,513	720,513	-	4,447,611	16.20%

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

CITY OF SHAKOPEE

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

For the Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a percentage of Covered Payroll
December 31, 2020	\$ 360,080	\$ 360,080	\$ -	\$ 4,801,067	7.5%
December 31, 2019	350,018	350,018	-	4,666,907	7.5%
December 31, 2018	339,188	339,188	-	4,522,507	7.5%
December 31, 2017	315,791	315,791	-	4,210,547	7.5%
December 31, 2016	299,473	299,473	-	3,992,973	7.5%
December 31, 2015	273,227	273,227	-	3,643,027	7.5%

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

CITY OF SHAKOPEE

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

	2014	2015	2016	2017	2018
Total Pension Liability (TPL)					
Service cost	\$ 135,715	\$ 139,447	\$ 151,879	\$ 136,432	\$ 143,848
Interest	224,377	228,231	247,134	244,054	208,821
Differenced between expected and actual experience	-	-	(75,511)	-	(44,100)
Changes of assumptions	-	-	31,553	-	83,689
Changes of benefit terms	-	-	-	52,084	104,791
Benefit payments, including refunds of member contributions	(599,181)	-	(130,106)	(298,088)	(1,807,369)
Net change in total pension liability	(239,089)	367,678	224,949	134,482	(1,310,320)
Beginning of year	\$ 3,903,491	\$ 3,664,402	\$ 4,032,080	\$ 4,257,029	\$ 4,391,511
End of year	\$ 3,664,402	\$ 4,032,080	\$ 4,257,029	\$ 4,391,511	\$ 3,081,191
Plan Fiduciary Net Pension (FNP)					
Contributions - employer	\$ 341,036	\$ 244,626	\$ 247,910	\$ 252,336	\$ 270,378
Contributions - donations and other local	-	-	-	95	-
Net investment income	315,532	(268,069)	385,789	789,234	(299,370)
Benefit payments, including refunds of member contributions	(599,181)	-	(130,106)	(298,088)	(1,807,369)
Administrative expense	(10,897)	(9,761)	(16,676)	(11,919)	(18,455)
Other Additions	-	-	-	-	-
Net change in plan fiduciary net position	46,490	(33,204)	486,917	731,658	(1,854,816)
Beginning of year	5,135,900	5,182,390	5,149,186	5,636,103	6,367,761
End of year	\$ 5,182,390	\$ 5,149,186	\$ 5,636,103	\$ 6,367,761	\$ 4,512,945
Net Pension Liability (NPL)	\$ 1,517,988	\$ (1,117,106)	\$ 1,379,074	\$ 1,976,250	\$ 1,431,754
Plan fiduciary net position as a percentage of the total pension liability	141.4%	127.7%	132.4%	145.0%	146.5%
Covered employee payroll	n/a	n/a	n/a	n/a	n/a
Net pension liability as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a

CITY OF SHAKOPEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - FIRE RELIEF ASSOCIATION (CONTINUED)

	2019
\$	162,011
	163,476
	-
	-
	96,150
	(258,740)
	162,897
\$	3,081,191
\$	3,244,088
\$	269,203
	-
	710,614
	(258,740)
	(17,491)
	1,964
	705,550
	4,512,945
\$	5,218,495
\$	1,974,407
160.9%	
n/a	
n/a	

CITY OF SHAKOPEE

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

For the Fiscal Year Ended	Actuarial Determined Contribution	Actual Contributions Paid	Contribution Deficiency (Excess)	2% State Aid	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
December 31, 2019	\$ -	\$ -	\$ -	\$ 287,106	n/a	n/a
December 31, 2018	-	-	-	259,378	n/a	n/a
December 31, 2017	-	-	-	250,336	n/a	n/a
December 31, 2016	-	-	-	246,910	n/a	n/a
December 31, 2015	-	-	-	244,626	n/a	n/a
December 31, 2014	113,868	113,868	-	227,168	n/a	n/a

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

CITY OF SHAKOPEE

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

	2017	2018	2019
Total OPEB Liability			
Service cost	\$ 143,652	\$ 164,694	\$ 162,381
Interest	79,747	77,453	89,919
Differenced between expected and actual experience	-	-	135,664
Changes of assumptions	81,560	(69,528)	164,630
Benefit payments	(72,637)	(85,589)	(87,621)
Net change in total OPEB liability	232,322	87,030	464,973
Total OPEB liability- beginning	1,985,761	2,218,083	2,305,113
Total OPEB liability- ending	\$ 2,218,083	\$ 2,305,113	\$ 2,770,086
Covered Employee Payroll	\$ 12,533,653	\$ 12,472,516	\$ 12,982,682
City's Total OPEB Liability as a Percentage of Covered Employee Payroll	17.70%	18.48%	21.34%

Assumption changes:

In 2020, the following benefit changes occurred:

The discount rate was changed from 3.71% as of 12/31/2018 to 2.75% as of 12/31/2019 based on updated 20-year municipal bond rates as of each measurement date.

In 2019, the following benefit changes occurred:

The discount rate was changed from 3.31% as of 12/31/2017 to 3.71% as of 12/31/2018 based on updated 20-year municipal bond rates as of each measurement date.

In 2018, the following benefit changes occurred:

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

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

The discount rate was changed from 3.71% to 2.75% based on updated measurement dates and GASB 75 requirements.

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

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

Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2018 PERA General and Police & Fire Employees Retirement Plan to the rates used in the 7/1/2019 valuation.

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

The inflation assumption remained at 2.50% based on an updated historical analysis of inflation rates and forward looking market expectations.

CITY OF SHAKOPEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

GENERAL EMPLOYEES FUND

2020 Changes

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Changes in actuarial assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted

2019 Changes

Changes in Plan Provisions

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

Changes in actuarial assumptions

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

2018 Changes

Changes in actuarial assumptions

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

CITY OF SHAKOPEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2017 Changes

Changes in actuarial assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

POLICE AND FIRE FUND

2020 Changes

Changes in actuarial assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 Changes

Changes in actuarial assumptions

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

CITY OF SHAKOPEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2018 Changes

Changes in Plan Provisions

- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

Changes in actuarial assumptions

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

2017 Changes

Changes in Plan Provisions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

CITY OF SHAKOPEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in actuarial assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

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, 2020**

	Budget		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes				
General Property	\$ 14,952,700	\$ 14,952,700	\$ 14,758,642	\$ (194,058)
Fiscal Disparities	2,229,200	2,229,200	2,134,041	(95,159)
Franchise	403,000	403,000	377,655	(25,345)
Aggregate	-	-	7,401	7,401
Total Taxes	17,584,900	17,584,900	17,277,739	(307,161)
Special Assessments	7,000	7,000	(17,707)	(24,707)
Licenses and Permits	2,191,100	2,191,100	3,577,062	1,385,962
Intergovernmental Revenues				
Federal Grants	16,000	3,162,362	3,117,605	(44,757)
Police Aid	473,200	473,200	515,660	42,460
Fire Aid	270,000	270,000	287,106	17,106
State Grants	567,400	573,869	654,091	80,222
Other Grants and Aids	-	-	132,686	132,686
Total Intergovernmental Revenues	1,326,600	4,479,431	4,707,148	227,717
Charges for Services				
General Government	2,729,000	2,729,000	2,432,206	(296,794)
Public Safety	810,200	810,200	648,127	(162,073)
Public Works	919,000	919,000	736,982	(182,018)
Parks and Recreation	2,320,300	2,320,300	1,425,077	(895,223)
Total Charges for Services	6,778,500	6,778,500	5,242,392	(1,536,108)
Fines and Forfeitures	1,700	1,700	7,062	5,362
Miscellaneous Revenues				
Investment Income	183,700	183,700	540,921	357,221
Contributions and Donations	-	-	8,989	8,989
Rents	10,700	10,700	11,504	804
Other	13,800	28,792	58,178	29,386
Total Miscellaneous Revenues	208,200	223,192	619,592	396,400
Total Revenues	28,098,000	31,265,823	31,413,288	147,465
EXPENDITURES				
General Government				
Current:				
Mayor and Council	\$ 191,100	\$ 196,100	\$ 179,463	\$ (16,637)
Administration	2,102,700	2,108,292	1,990,924	(117,368)
City Clerk	426,600	467,350	499,737	32,387
Finance	966,700	966,700	961,011	(5,689)
Planning	592,300	731,357	732,728	1,371
Government Buildings	601,300	601,662	617,843	16,181
Unallocated	130,300	149,725	25,625	(124,100)
Capital Outlay	-	17,670	17,670	-
Total General Government	5,011,000	5,238,856	5,025,001	(213,855)

CITY OF SHAKOPEE

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
EXPENDITURES (Continued)				
Public Safety				
Current:				
Police	9,214,600	9,225,578	9,202,855	(22,723)
Fire	2,762,700	3,062,253	3,075,083	12,830
Building Inspection	1,286,900	1,286,900	1,260,375	(26,525)
Capital Outlay	-	-	60,987	60,987
Total Public Safety	13,264,200	13,574,731	13,599,300	24,569
Public Works				
Current:				
Engineering	1,113,900	1,113,900	1,153,125	39,225
Streets	2,405,300	2,405,740	2,252,158	(153,582)
Shop	450,500	501,051	524,777	23,726
Park Maintenance	2,681,700	2,656,842	2,621,178	(35,664)
Capital Outlay	6,000	6,000	-	(6,000)
Total Public Works	6,657,400	6,683,533	6,551,238	(132,295)
Culture and Recreation				
Current:				
Recreation	4,210,400	4,260,281	3,559,908	(700,373)
Capital Outlay	-	48,093	148,073	99,980
Total Parks and Recreation	4,210,400	4,308,374	3,707,981	(600,393)
Current:				
Total Expenditures	29,143,000	29,805,494	28,883,520	(921,974)
Excess of Revenues Over (Under) Expenditures	(1,045,000)	1,460,329	2,529,768	1,069,439
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	-	-	10,284	10,284
Transfers In	250,000	250,000	250,000	-
Transfers Out	-	-	(2,535,510)	(2,535,510)
Total Other Financing Sources (Uses)	250,000	250,000	(2,275,226)	(2,525,226)
Net Change in Fund Balances	\$ (795,000)	\$ 1,710,329	254,542	\$ (1,455,787)
FUND BALANCES				
Beginning of Year			15,879,343	
End of Year			\$ 16,133,885	

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2020**

	Special Revenue		
	Forfeiture	Telecommunication	SCDP Grant
ASSETS			
Cash and Investments	\$ 159,595	\$ 116,553	\$ 18,368
Restricted Cash and Investments	-	-	-
Delinquent Taxes Receivable	-	-	-
Special Assessments Receivable:			
Delinquent	-	-	-
Deferred	-	-	-
Accounts Receivable	-	7,206	-
Interest Receivable	355	259	-
Due From Other Governments	-	-	-
Prepaid Items	120	-	-
Land Held for Resale	-	-	-
Total Assets	\$ 160,070	\$ 124,018	\$ 18,368
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 1,771	\$ -	\$ -
Advance from Other Funds	-	-	-
Total Liabilities	1,771	-	-
 Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	-
Unavailable Revenue - Special Assessments	-	-	-
Total Deferred Inflows of Resources	-	-	-
 Fund Balances			
Nonspendable	120	-	-
Restricted for:			
Special Revenue	158,179	-	18,368
Debt Service	-	-	-
Capital Projects	-	-	-
Assigned	-	124,018	-
Unassigned	-	-	-
Total Fund Balances	158,299	124,018	18,368
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 160,070	\$ 124,018	\$ 18,368

Lodging Tax	Special Revenue		2010A GO Improvement Bonds	Debt Service	
	Economic Development Authority	Total		2012A GO Refunding Bonds	2016A GO Tax Abatement Bonds
\$ -	\$ 963,373	\$ 1,257,889	\$ 100,671	\$ 2,551,424	\$ 1,148,852
-	-	-	-	-	-
-	1	1	-	-	-
-	-	-	-	912	-
-	-	-	-	616,990	-
11,569	-	18,775	-	-	-
-	2,141	2,755	224	5,671	2,554
-	923	923	-	-	-
-	-	120	-	-	-
-	256,627	256,627	-	-	-
<u>\$ 11,569</u>	<u>\$ 1,223,065</u>	<u>\$ 1,537,090</u>	<u>\$ 100,895</u>	<u>\$ 3,174,997</u>	<u>\$ 1,151,406</u>
\$ 11,569	\$ 704	\$ 14,044	\$ 200	\$ 200	\$ 200
-	200,000	200,000	-	-	-
<u>11,569</u>	<u>200,704</u>	<u>214,044</u>	<u>200</u>	<u>200</u>	<u>200</u>
-	1	1	-	-	-
-	-	-	-	617,902	-
-	1	1	-	617,902	-
-	-	120	-	-	-
-	1,022,360	1,198,907	-	-	-
-	-	-	100,695	2,556,895	1,151,206
-	-	-	-	-	-
-	-	124,018	-	-	-
-	-	-	-	-	-
-	1,022,360	1,323,045	100,695	2,556,895	1,151,206
<u>\$ 11,569</u>	<u>\$ 1,223,065</u>	<u>\$ 1,537,090</u>	<u>\$ 100,895</u>	<u>\$ 3,174,997</u>	<u>\$ 1,151,406</u>

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
December 31, 2020**

	Debt Service		
	2019A Tax Increment Bonds	2020A Tax Increment Bonds	Total
ASSETS			
Cash and Investments	\$ 97,165	\$ -	\$ 3,898,112
Restricted Cash and Investments	67,734	359,907	427,641
Delinquent Taxes Receivable	-	-	-
Special Assessments Receivable:			
Delinquent	-	-	912
Deferred	-	-	616,990
Accounts Receivable	-	-	-
Interest Receivable	217	5	8,671
Due From Other Governments	-	-	-
Prepaid Items	-	-	-
Land Held for Resale	-	-	-
Total Assets	<u>\$ 165,116</u>	<u>\$ 359,912</u>	<u>\$ 4,952,326</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 700	\$ 200	\$ 1,500
Advance from Other Funds	-	-	-
Total Liabilities	<u>700</u>	<u>200</u>	<u>1,500</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	-
Unavailable Revenue - Special Assessments	-	-	617,902
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>617,902</u>
Fund Balances			
Nonspendable	-	-	-
Restricted for:			
Special Revenue	-	-	-
Debt Service	164,416	359,712	4,332,924
Capital Projects	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>164,416</u>	<u>359,712</u>	<u>4,332,924</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 165,116</u>	<u>\$ 359,912</u>	<u>\$ 4,952,326</u>

Capital Projects		Capital Projects			
Park Reserve	TIF District No. 10	TIF District No. 14 J&J / Sanmar	TIF District No. 15 All Saints/Trident	TIF District No. 16 Rahr	TIF District No. 17 Amazon
\$ 3,575,054	\$ 3,323	\$ 179,001	\$ 85,833	\$ 40,252	\$ 23,890
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,947	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,583,001</u>	<u>\$ 3,323</u>	<u>\$ 179,001</u>	<u>\$ 85,833</u>	<u>\$ 40,252</u>	<u>\$ 23,890</u>
\$ 122,039	\$ 400	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	1,052,829
<u>122,039</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,052,829</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,460,962	2,923	179,001	85,833	40,252	-
-	-	-	-	-	-
-	-	-	-	-	(1,028,939)
<u>3,460,962</u>	<u>2,923</u>	<u>179,001</u>	<u>85,833</u>	<u>40,252</u>	<u>(1,028,939)</u>
<u>\$ 3,583,001</u>	<u>\$ 3,323</u>	<u>\$ 179,001</u>	<u>\$ 85,833</u>	<u>\$ 40,252</u>	<u>\$ 23,890</u>

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
December 31, 2020**

	Capital Projects		
	Road Expansion Dedication	Lions Park	Tree Replacement
ASSETS			
Cash and Investments	\$ 300,093	\$ 2,000	\$ 196,940
Restricted Cash and Investments	-	-	-
Delinquent Taxes Receivable	-	-	-
Special Assessments Receivable:			
Delinquent	-	-	-
Deferred	-	-	-
Accounts Receivable	-	-	-
Interest Receivable	667	-	438
Due From Other Governments	-	-	-
Prepaid Items	-	-	-
Land Held for Resale	-	-	-
Total Assets	\$ 300,760	\$ 2,000	\$ 197,378
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Advance from Other Funds	-	-	-
Total Liabilities	-	-	-
 Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	-	-	-
Unavailable Revenue - Special Assessments	-	-	-
Total Deferred Inflows of Resources	-	-	-
 Fund Balances			
Nonspendable	-	-	-
Restricted for:			
Special Revenue	-	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Assigned	300,760	2,000	197,378
Unassigned	-	-	-
Total Fund Balances	300,760	2,000	197,378
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 300,760	 \$ 2,000	 \$ 197,378

Capital Projects

Seal Coat	TIF District No. 19 Riverfront	Total	Total Governmental Funds
\$ 242,511	\$ -	\$ 4,648,897	\$ 9,804,898
-	-	-	427,641
-	-	-	1
-	-	-	912
-	-	-	616,990
-	-	-	18,775
539	-	9,591	21,017
-	-	-	923
-	-	-	120
-	-	-	256,627
<u>\$ 243,050</u>	<u>\$ -</u>	<u>\$ 4,658,488</u>	<u>\$ 11,147,904</u>
\$ -	\$ -	\$ 122,439	\$ 137,983
-	1,212,842	2,265,671	2,465,671
-	1,212,842	2,388,110	2,603,654
-	-	-	1
-	-	-	617,902
-	-	-	617,903
-	-	-	120
-	-	-	1,198,907
-	-	-	4,332,924
-	-	3,768,971	3,768,971
243,050	-	743,188	867,206
-	(1,212,842)	(2,241,781)	(2,241,781)
<u>243,050</u>	<u>(1,212,842)</u>	<u>2,270,378</u>	<u>7,926,347</u>
<u>\$ 243,050</u>	<u>\$ -</u>	<u>\$ 4,658,488</u>	<u>\$ 11,147,904</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NON MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020**

	Special Revenue			
	Forfeiture	Telecommunication	SCDP Grant	Lodging Tax
REVENUES				
Taxes	\$ -	\$ 29,302	\$ -	\$ 215,901
Tax Increment	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	14,317	-	-	-
Miscellaneous	5,612	-	-	-
Investment Income	4,761	3,580	-	-
Total Revenues	24,690	32,882	-	215,901
EXPENDITURES				
Current				
General Government	-	18,336	-	215,901
Public Safety	39,668	-	-	-
Public Works	-	-	-	-
Conservation and Natural Resources	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	1,095	-	-	-
Total Expenditures	40,763	18,336	-	215,901
Excess of Revenues Over (Under) Expenditures	(16,073)	14,546	-	-
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(16,073)	14,546	-	-
FUND BALANCES				
Beginning of Year	174,372	109,472	18,368	-
End of Year	\$ 158,299	\$ 124,018	\$ 18,368	\$ -

Special Revenue		Debt Service			
Economic Development Authority	Total	2010A GO Improvement Bonds	2012A GO Refunding Bonds	2016A GO Tax Abatement Bonds	2019A Tax Increment Bonds
\$ 346,356	\$ 591,559	\$ 69,900	\$ -	\$ 2,118,000	\$ -
-	-	-	-	-	-
-	-	8,413	206,895	-	-
-	-	-	-	-	-
29,174	29,174	-	-	-	-
12,000	12,000	-	-	-	-
-	14,317	-	-	-	-
1,396,965	1,402,577	-	-	-	-
26,524	34,865	949	60,006	4,742	1,882
<u>1,811,019</u>	<u>2,084,492</u>	<u>79,262</u>	<u>266,901</u>	<u>2,122,742</u>	<u>1,882</u>
-	234,237	-	-	-	-
-	39,668	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
556,756	556,756	-	-	-	-
-	-	145,000	455,000	1,150,000	-
-	-	8,512	53,835	955,731	107,565
(23,194)	(22,099)	-	-	-	-
<u>533,562</u>	<u>808,562</u>	<u>153,512</u>	<u>508,835</u>	<u>2,105,731</u>	<u>107,565</u>
<u>1,277,457</u>	<u>1,275,930</u>	<u>(74,250)</u>	<u>(241,934)</u>	<u>17,011</u>	<u>(105,683)</u>
-	-	-	-	-	-
-	-	-	1,135,510	-	95,503
-	-	-	-	-	-
-	-	-	1,135,510	-	95,503
1,277,457	1,275,930	(74,250)	893,576	17,011	(10,180)
(255,097)	47,115	174,945	1,663,319	1,134,195	174,596
<u>\$ 1,022,360</u>	<u>\$ 1,323,045</u>	<u>\$ 100,695</u>	<u>\$ 2,556,895</u>	<u>\$ 1,151,206</u>	<u>\$ 164,416</u>

CITY OF SHAKOPEE

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

For the Year Ended December 31, 2020

	Debt Service		Capital Projects	
	2020A Tax Increment	Total	Park Reserve	TIF District
	Bonds			No. 10
REVENUES				
Taxes	\$ -	\$ 2,187,900	\$ 200,000	\$ -
Tax Increment	-	-	-	55,408
Special Assessments	-	215,308	-	-
Licenses and Permits	-	-	346,377	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	551	-
Fines and Forfeitures	-	-	-	-
Miscellaneous	-	-	23,358	-
Investment Income	19	67,598	105,805	-
Total Revenues	19	2,470,806	676,091	55,408
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Conservation and Natural Resources	-	-	-	-
Economic Development	-	-	-	53,181
Debt Service				
Principal	-	1,750,000	-	-
Interest and Other Charges	200	1,125,843	-	400
Capital Outlay	-	-	492,690	-
Total Expenditures	200	2,875,843	492,690	53,581
Excess of Revenues Over (Under) Expenditures	(181)	(405,037)	183,401	1,827
OTHER FINANCING SOURCES (USES)				
Bonds Issued	359,893	359,893	-	-
Transfers In	-	1,231,013	-	-
Transfers Out	-	-	(45,163)	-
Total Other Financing Sources (Uses)	359,893	1,590,906	(45,163)	-
Net Change in Fund Balances	359,712	1,185,869	138,238	1,827
FUND BALANCES				
Beginning of Year	-	3,147,055	3,322,724	1,096
End of Year	\$ 359,712	\$ 4,332,924	\$ 3,460,962	\$ 2,923

Capital Projects

TIF District No. 14 J&J / Sanmar	Shutterfly Abatement	TIF District No. 15 All Saints/Trident	Datacard Abatement	TIF District No. 16 Rahr	TIF District No. 17 Amazon
\$ -	\$ 128,688	\$ -	\$ 71,250	\$ -	\$ -
351,881	-	197,125	-	639,650	967,320
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>351,881</u>	<u>128,688</u>	<u>197,125</u>	<u>71,250</u>	<u>639,650</u>	<u>967,320</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
317,682	128,688	178,641	71,250	621,683	569,514
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>317,682</u>	<u>128,688</u>	<u>178,641</u>	<u>71,250</u>	<u>621,683</u>	<u>569,514</u>
<u>34,199</u>	<u>-</u>	<u>18,484</u>	<u>-</u>	<u>17,967</u>	<u>397,806</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>34,199</u>	<u>-</u>	<u>18,484</u>	<u>-</u>	<u>17,967</u>	<u>397,806</u>
<u>144,802</u>	<u>-</u>	<u>67,349</u>	<u>-</u>	<u>22,285</u>	<u>(1,426,745)</u>
<u>\$ 179,001</u>	<u>\$ -</u>	<u>\$ 85,833</u>	<u>\$ -</u>	<u>\$ 40,252</u>	<u>\$ (1,028,939)</u>

CITY OF SHAKOPEE

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

(Continued)

For the Year Ended December 31, 2020

	Capital Projects			
	Road Expansion Dedication	Lions Park	Tree Replacement	Seal Coat
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increment	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	36,210	-	3,127	-
Fines and Forfeitures	-	-	-	-
Miscellaneous	-	19,808	-	17,389
Investment Income	8,847	-	6,045	7,463
Total Revenues	45,057	19,808	9,172	24,852
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	28,004
Conservation and Natural Resources	-	-	25,557	-
Economic Development	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	-	22,585	-	-
Total Expenditures	-	22,585	25,557	28,004
Excess of Revenues Over (Under) Expenditures	45,057	(2,777)	(16,385)	(3,152)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	45,057	(2,777)	(16,385)	(3,152)
FUND BALANCES				
Beginning of Year	255,703	4,777	213,763	246,202
End of Year	\$ 300,760	\$ 2,000	\$ 197,378	\$ 243,050

Capital Projects

TIF District No. 19 Riverfront	Total	Total Other Governmental Funds
\$ -	\$ 544,970	\$ 3,324,429
-	2,211,384	2,211,384
-	-	215,308
-	346,377	346,377
-	-	29,174
-	39,888	51,888
-	-	14,317
-	60,555	1,463,132
24,439	152,599	255,062
<u>24,439</u>	<u>3,355,773</u>	<u>7,911,071</u>
-	-	234,237
-	-	39,668
-	28,004	28,004
-	25,557	25,557
808,375	2,894,046	3,450,802
-	-	1,750,000
-	400	1,126,243
-	515,275	493,176
<u>808,375</u>	<u>3,463,282</u>	<u>7,147,687</u>
<u>(783,936)</u>	<u>(107,509)</u>	<u>763,384</u>
-	-	359,893
-	-	1,231,013
-	(45,163)	(45,163)
<u>-</u>	<u>(45,163)</u>	<u>1,545,743</u>
(783,936)	(152,672)	2,309,127
<u>(428,906)</u>	<u>2,423,050</u>	<u>5,617,220</u>
<u>\$ (1,212,842)</u>	<u>\$ 2,270,378</u>	<u>\$ 7,926,347</u>

CITY OF SHAKOPEE

COMBINING STATEMENT OF NET POSITION -
INTERNAL SERVICE FUNDS
December 31, 2020

	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Self Insurance	Total
ASSETS							
Current Assets							
Cash and Investments, Including							
Cash Equivalents	\$ 5,713,125	\$ 6,164,352	\$ 1,648,837	\$ 1,532,986	\$ 924,572	\$ 1,848,315	\$ 17,832,187
Accounts Receivable	-	-	-	-	1,067	-	1,067
Interest Receivable	12,699	13,702	3,665	3,408	2,055	4,109	39,638
Prepaid Expenses	-	-	-	-	63,478	203,100	266,578
Total Current Assets	<u>5,725,824</u>	<u>6,178,054</u>	<u>1,652,502</u>	<u>1,536,394</u>	<u>991,172</u>	<u>2,055,524</u>	<u>18,139,470</u>
Noncurrent Assets							
Advances to Other Funds, Noncurrent	-	200,000	-	-	-	-	200,000
Capital Assets:							
Land	-	-	221,876	-	-	-	221,876
Construction in Progress	263,456	-	202,460	-	-	-	465,916
Infrastructure	-	220,926	3,620,118	-	-	-	3,841,044
Buildings	-	29,591,239	3,362,983	-	-	-	32,954,222
Machinery and Equipment	12,715,785	314,161	4,670,426	-	505,236	-	18,205,608
Total Cost	12,979,241	30,126,326	12,077,863	-	505,236	-	55,688,666
Less Accumulated Depreciation	(6,323,851)	(12,878,331)	(5,888,038)	-	(241,360)	-	(25,331,580)
Net Capital Assets	<u>6,655,390</u>	<u>17,247,995</u>	<u>6,189,825</u>	<u>-</u>	<u>263,876</u>	<u>-</u>	<u>30,357,086</u>
Total Noncurrent Assets	<u>6,655,390</u>	<u>17,447,995</u>	<u>6,189,825</u>	<u>-</u>	<u>263,876</u>	<u>-</u>	<u>30,557,086</u>
Total Assets	<u>\$ 12,381,214</u>	<u>\$ 23,626,049</u>	<u>\$ 7,842,327</u>	<u>\$ 1,536,394</u>	<u>\$ 1,255,048</u>	<u>\$ 2,055,524</u>	<u>\$ 48,696,556</u>
LIABILITIES AND NET POSITION							
Current Liabilities							
Accounts Payable	\$ 54,292	\$ -	\$ 35	\$ -	\$ 14,827	\$ -	\$ 69,154
Current Compensated Absences	-	-	-	1,312,835	-	-	1,312,835
Total Current Liabilities	<u>54,292</u>	<u>-</u>	<u>35</u>	<u>1,312,835</u>	<u>14,827</u>	<u>-</u>	<u>1,381,989</u>
Noncurrent Liabilities							
Advance from Other Funds	-	1,320,000	-	-	-	-	1,320,000
Compensated Absences	-	-	-	1,604,576	-	-	1,604,576
Total Noncurrent Liabilities	<u>-</u>	<u>1,320,000</u>	<u>-</u>	<u>1,604,576</u>	<u>-</u>	<u>-</u>	<u>2,924,576</u>
Total Liabilities	<u>54,292</u>	<u>1,320,000</u>	<u>35</u>	<u>2,917,411</u>	<u>14,827</u>	<u>-</u>	<u>4,306,565</u>
Net Position							
Investment in Capital Assets	6,655,390	17,247,995	6,189,825	-	263,876	-	30,357,086
Unrestricted	5,671,532	5,058,054	1,652,467	(1,381,017)	976,345	2,055,524	14,032,905
Total Net Position	<u>12,326,922</u>	<u>22,306,049</u>	<u>7,842,292</u>	<u>(1,381,017)</u>	<u>1,240,221</u>	<u>2,055,524</u>	<u>44,389,991</u>
Total Liabilities and Net Position	<u>\$ 12,381,214</u>	<u>\$ 23,626,049</u>	<u>\$ 7,842,327</u>	<u>\$ 1,536,394</u>	<u>\$ 1,255,048</u>	<u>\$ 2,055,524</u>	<u>\$ 48,696,556</u>

CITY OF SHAKOPEE

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2020

	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Self Insurance	Total
OPERATING REVENUES							
Rental Charges	\$ 1,089,800	\$ 1,084,200	\$ 569,800	\$ -	\$ 611,300	\$ 1,040,052	\$ 4,395,152
Other Charges	-	-	-	-	-	8,335	8,335
Total Operating Revenues	<u>1,089,800</u>	<u>1,084,200</u>	<u>569,800</u>	<u>-</u>	<u>611,300</u>	<u>1,048,387</u>	<u>4,403,487</u>
OPERATING EXPENSES							
Depreciation	856,713	692,368	427,047	-	25,441	-	2,001,569
Professional Services	-	-	-	-	-	30,036	30,036
Repairs and Maintenance	-	30,332	-	-	51,636	76,866	158,834
Materials and Supplies	55,915	103,272	-	-	447,465	-	606,652
Insurance	-	-	-	-	-	756,360	756,360
Total Operating Expenses	<u>912,628</u>	<u>825,972</u>	<u>427,047</u>	<u>-</u>	<u>524,542</u>	<u>863,262</u>	<u>3,553,451</u>
Operating Income (Loss)	<u>177,172</u>	<u>258,228</u>	<u>142,753</u>	<u>-</u>	<u>86,758</u>	<u>185,125</u>	<u>850,036</u>
NONOPERATING REVENUES (EXPENSES)							
Investment Income (Loss)	168,590	189,169	49,708	41,560	27,444	49,814	526,285
Insurance Dividends	-	-	-	-	-	54,741	54,741
Interest Expense	-	(17,875)	-	-	-	-	(17,875)
Gain (Loss) on Sale of Asset	24,286	-	(1,414)	-	(6,720)	31,191	47,343
Total Nonoperating Revenues (Expenses)	<u>192,876</u>	<u>171,294</u>	<u>48,294</u>	<u>41,560</u>	<u>20,724</u>	<u>135,746</u>	<u>610,494</u>
Income (Loss) before Capital Contributions and Transfers	<u>370,048</u>	<u>429,522</u>	<u>191,047</u>	<u>41,560</u>	<u>107,482</u>	<u>320,871</u>	<u>1,460,530</u>
Capital Grants and Contribution Transfers Out	-	4,355	50,000	-	106,492	-	160,847
	<u>-</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
Change in Net Position	<u>370,048</u>	<u>133,877</u>	<u>241,047</u>	<u>41,560</u>	<u>213,974</u>	<u>320,871</u>	<u>1,321,377</u>
NET POSITION							
Beginning of Year	<u>11,956,874</u>	<u>22,172,172</u>	<u>7,601,245</u>	<u>(1,422,577)</u>	<u>1,026,247</u>	<u>1,734,653</u>	<u>43,068,614</u>
End of Year	<u>\$ 12,326,922</u>	<u>\$ 22,306,049</u>	<u>\$ 7,842,292</u>	<u>\$ (1,381,017)</u>	<u>\$ 1,240,221</u>	<u>\$ 2,055,524</u>	<u>\$ 44,389,991</u>

CITY OF SHAKOPEE

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2020

	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Self Insurance	Total
CASH FLOWS - OPERATING ACTIVITIES							
Receipts from Customers and Users	\$ 1,089,800	\$ 1,084,200	\$ 569,800	\$ -	\$ 610,233	\$ 1,048,387	\$ 4,402,420
Receipts from Interfund Services	-	-	-	434,293	-	-	434,293
Payments to Suppliers	(1,623)	(141,135)	(78,489)	-	(490,810)	(872,926)	(1,584,983)
Net Cash Flows - Operating Activities	1,088,177	943,065	491,311	434,293	119,423	175,461	3,251,730
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES							
Payment Paid on Interfund Loan	941,394	(60,000)	-	-	-	-	881,394
Interest Expense on Interfund Loan Repayment	-	(17,875)	-	-	-	-	(17,875)
Insurance Dividends	-	-	-	-	-	54,741	54,741
Transfer to Other Funds	-	(300,000)	-	-	-	-	(300,000)
Net Cash Flows - Noncapital Financing Activities	941,394	(377,875)	-	-	-	54,741	618,260
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES							
Intergovernmental Capital Grant	-	4,355	-	-	106,492	-	110,847
Donations	-	-	50,000	-	-	-	50,000
Proceeds from Disposal of Capital Assets	203,938	-	-	-	-	31,191	235,129
Acquisition of Capital Assets	(1,312,293)	(76,663)	(162,443)	-	(42,875)	-	(1,594,274)
Net Cash Flows - Capital and Related Financing Activities	(1,108,355)	(72,308)	(112,443)	-	63,617	31,191	(1,198,298)
CASH FLOWS - INVESTING ACTIVITIES							
Interest Received	169,334	191,404	49,592	41,227	27,457	50,174	529,188
Net Cash Flows - Investing Activities	169,334	191,404	49,592	41,227	27,457	50,174	529,188
Net Change in Cash and Cash Equivalents	1,090,550	684,286	428,460	475,520	210,497	311,567	3,200,880
CASH AND CASH EQUIVALENTS							
Beginning of Year	4,622,575	5,480,066	1,220,377	1,057,466	714,075	1,536,748	14,631,307
End of Year	\$ 5,713,125	\$ 6,164,352	\$ 1,648,837	\$ 1,532,986	\$ 924,572	\$ 1,848,315	\$ 17,832,187
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES							
Operating Income (Loss)	\$ 177,172	\$ 258,228	\$ 142,753	\$ -	\$ 86,758	\$ 185,125	\$ 850,036
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:							
Depreciation Expense	856,713	692,368	427,047	-	25,441	-	2,001,569
Changes in:							
Accounts Receivable	-	-	-	-	(1,067)	-	(1,067)
Accounts and Contracts Payable	54,292	(7,531)	(78,489)	-	3,305	(2,500)	(30,923)
Prepaid Expenses	-	-	-	-	4,986	(7,164)	(2,178)
Compensated Absences Payable	-	-	-	434,293	-	-	434,293
Total Adjustments	911,005	684,837	348,558	434,293	32,665	(9,664)	2,401,694
Net Cash Flows - Operating Activities	\$ 1,088,177	\$ 943,065	\$ 491,311	\$ 434,293	\$ 119,423	\$ 175,461	\$ 3,251,730

STATISTICAL SECTION

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF SHAKOPEE

STATISTICAL SECTION

December 31, 2020

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	140
-------------------------	-----

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	148
-------------------------	-----

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

Debt Capacity	152
----------------------	-----

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

Demographic and Economic Information	158
---	-----

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

Operating Information	160
------------------------------	-----

These schedules shown service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

CITY OF SHAKOPEE

**NET POSITION BY COMPONENT
Years 2011 Through 2020**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities:				
Net Investment in Capital Assets	\$ 114,981,955	\$ 115,191,768	\$ 118,166,525	\$ 117,980,552
Restricted	10,914,439	9,912,551	10,454,238	7,103,581
Unrestricted	<u>32,771,327</u>	<u>34,823,712</u>	<u>30,642,443</u>	<u>35,302,035</u>
Total Governmental Activities Net Position	<u>\$ 158,667,721</u>	<u>\$ 159,928,031</u>	<u>\$ 159,263,206</u>	<u>\$ 160,386,168</u>
Business-Type Activities:				
Net Investment in Capital Assets	\$ 65,080,070	\$ 64,124,590	\$ 65,181,465	\$ 67,831,099
Restricted	-	-	-	-
Unrestricted	<u>31,927,930</u>	<u>33,354,521</u>	<u>31,183,904</u>	<u>28,485,814</u>
Total Business-Type Activities Net Position	<u>\$ 97,008,000</u>	<u>\$ 97,479,111</u>	<u>\$ 96,365,369</u>	<u>\$ 96,316,913</u>
Primary Government:				
Net Investment in Capital Assets	\$ 180,062,025	\$ 179,316,358	\$ 183,347,990	\$ 185,811,651
Restricted	10,914,439	9,912,551	10,454,238	7,103,581
Unrestricted	<u>64,699,257</u>	<u>68,178,233</u>	<u>61,826,347</u>	<u>63,787,849</u>
Total Primary Government Net Position	<u>\$ 255,675,721</u>	<u>\$ 257,407,142</u>	<u>\$ 255,628,575</u>	<u>\$ 256,703,081</u>

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

Table 1

2015	2016	2017	2018	2019	2020
\$ 120,831,029	\$ 128,559,527	\$ 135,442,110	\$ 137,799,457	\$ 139,359,387	\$ 135,476,194
7,547,490	6,637,391	6,342,643	7,136,534	6,774,024	8,205,757
23,939,064	16,719,760	15,059,730	16,107,363	21,218,968	20,525,616
<u>\$ 152,317,583</u>	<u>\$ 151,916,678</u>	<u>\$ 156,844,483</u>	<u>\$ 161,043,354</u>	<u>\$ 167,352,379</u>	<u>\$ 164,207,567</u>
\$ 68,986,369	\$ 70,099,288	\$ 75,547,444	\$ 78,642,426	\$ 83,567,240	\$ 88,975,174
-	-	-	-	-	-
25,981,542	23,281,483	22,730,751	22,999,131	23,939,802	23,629,333
<u>\$ 94,967,911</u>	<u>\$ 93,380,771</u>	<u>\$ 98,278,195</u>	<u>\$ 101,641,557</u>	<u>\$ 107,507,042</u>	<u>\$ 112,604,507</u>
\$ 189,817,398	\$ 198,658,815	\$ 210,989,554	\$ 216,441,883	\$ 222,926,627	\$ 224,451,368
7,547,490	6,637,391	6,342,643	7,136,534	6,774,024	8,205,757
49,920,606	40,001,243	37,790,481	39,106,494	45,158,770	44,154,949
<u>\$ 247,285,494</u>	<u>\$ 245,297,449</u>	<u>\$ 255,122,678</u>	<u>\$ 262,684,911</u>	<u>\$ 274,859,421</u>	<u>\$ 276,812,074</u>

CITY OF SHAKOPEE

CHANGES IN NET POSITION
Years 2011 Through 2020

	2011	2012	2013	2014	2015	2016
EXPENSES:						
Governmental Activities:						
General Government	\$ 4,252,887	\$ 4,603,027	\$ 4,704,956	\$ 5,514,412	\$ 4,237,647	\$ 4,205,975
Public Safety	9,236,767	9,430,785	9,868,702	10,543,861	10,582,354	13,281,715
Public Works	7,094,047	7,083,299	7,578,493	10,667,275	8,552,096	8,593,885
Culture and Recreation	3,866,307	3,817,677	4,020,974	4,250,557	4,355,453	4,653,362
Conservation and Natural Resources	-	-	-	-	-	-
Economic Development	244,361	152,541	338,907	1,593,968	2,603,741	2,104,584
Other	619,099	587,384	573,949	453,696	274,960	1,190,824
Total Governmental Activities Expenses	<u>25,313,468</u>	<u>25,674,713</u>	<u>27,085,981</u>	<u>33,023,769</u>	<u>30,606,251</u>	<u>34,030,345</u>
Business-Type Activities:						
Sewer	3,807,322	3,926,541	4,096,504	3,777,866	3,824,026	3,843,232
Storm	1,382,391	1,445,633	1,641,438	1,924,853	1,726,149	1,848,768
Refuse	-	-	-	-	127,781	127,034
Total Business-Type Activities Expenses	<u>5,189,713</u>	<u>5,372,174</u>	<u>5,737,942</u>	<u>5,702,719</u>	<u>5,677,956</u>	<u>5,819,034</u>
Total Primary Government Expenses	<u>\$ 30,503,181</u>	<u>\$ 31,046,887</u>	<u>\$ 32,823,923</u>	<u>\$ 38,726,488</u>	<u>\$ 36,284,207</u>	<u>\$ 39,849,379</u>
PROGRAM REVENUES:						
Governmental Activities:						
Charges for Services:						
General Government	\$ 343,169	\$ 2,966,953	\$ 2,647,951	\$ 2,751,336	\$ 2,486,042	\$ 2,410,321
Public Safety	1,503,188	1,524,158	1,701,875	1,879,209	2,146,840	2,744,824
Public Works	478,788	454,145	688,286	693,647	704,687	746,086
Culture and Recreation	1,071,482	2,222,430	2,012,436	1,827,046	2,140,071	1,760,925
Conservation and Natural Resources	-	-	-	-	-	-
Economic Development	7,100	16,500	18,000	18,000	24,000	256,312
Operating Grants and Contributions	3,606,089	2,106,559	1,894,436	2,880,493	2,509,986	2,777,982
Capital Grants and Contributions	3,152,881	1,479,343	689,424	6,668,531	1,735,543	2,187,039
Total Governmental Activities Program Revenues	<u>10,162,697</u>	<u>10,770,088</u>	<u>9,652,408</u>	<u>16,718,262</u>	<u>11,747,169</u>	<u>12,883,489</u>
Business-Type Activities:						
Charges for Services:						
Sewer	2,941,753	3,728,189	3,004,826	2,916,192	2,829,981	3,292,166
Storm	1,083,878	1,442,394	1,720,653	1,211,793	1,765,679	1,632,218
Refuse	-	-	-	72,167	103,637	105,309
Operating Grants and Contributions	-	-	-	-	-	-
Capital Grants and Contributions	93,810	348,756	7,780	496,655	65,844	183,142
Total Business-Type Activities Program Revenues	<u>4,119,441</u>	<u>5,519,339</u>	<u>4,733,259</u>	<u>4,696,807</u>	<u>4,765,141</u>	<u>5,212,835</u>
Total Primary Government Program Revenues	<u>\$ 14,282,138</u>	<u>\$ 16,289,427</u>	<u>\$ 14,385,667</u>	<u>\$ 21,415,069</u>	<u>\$ 16,512,310</u>	<u>\$ 18,096,324</u>
Net (Expense) Revenue:						
Governmental Activities	\$ (15,150,771)	\$ (14,904,625)	\$ (17,433,573)	\$ (16,305,507)	\$ (18,859,082)	\$ (21,146,856)
Business-Type Activities	(1,070,272)	147,165	(1,004,683)	(1,005,912)	(912,815)	(606,199)
Total Primary Government Net Expense	<u>\$ (16,221,043)</u>	<u>\$ (14,757,460)</u>	<u>\$ (18,438,256)</u>	<u>\$ (17,311,419)</u>	<u>\$ (19,771,897)</u>	<u>\$ (21,753,055)</u>
GENERAL REVENUES AND OTHER						
CHANGES IN NET POSITION:						
Governmental Activities:						
Taxes:						
Property	\$ 14,487,805	\$ 15,002,764	\$ 15,795,777	\$ 16,446,631	\$ 16,807,367	\$ 18,015,507
Franchise	378,011	389,819	399,496	404,312	418,545	448,023
Other	160,884	113,902	113,796	216,441	406,571	464,632
Unrestricted Investment Earnings	1,032,409	546,681	40,589	727,619	452,281	495,804
Gain on Disposal of Assets	-	11,769	256,600	52,674	87,819	50,132
Special Item	-	-	-	-	496,484	-
Transfers	100,000	100,000	162,490	(419,208)	(634,070)	1,271,853
Total Governmental Activities	<u>16,159,109</u>	<u>16,164,935</u>	<u>16,768,748</u>	<u>17,428,469</u>	<u>18,034,997</u>	<u>20,745,951</u>
Business-Type Activities:						
Investment Earnings	758,182	423,946	53,431	538,248	349,776	289,001
Gain on Disposal of Assets	-	-	-	-	17,438	1,911
Transfers	(100,000)	(100,000)	(162,490)	419,208	(496,484)	(1,271,853)
Total Business-Type Activities	<u>658,182</u>	<u>323,946</u>	<u>(109,059)</u>	<u>957,456</u>	<u>(129,270)</u>	<u>(980,941)</u>
Total Primary Government	<u>\$ 16,817,291</u>	<u>\$ 16,488,881</u>	<u>\$ 16,659,689</u>	<u>\$ 18,385,925</u>	<u>\$ 17,905,727</u>	<u>\$ 19,765,010</u>
Change in Net Position:						
Government Activities	\$ 1,008,338	\$ 1,260,310	\$ (664,825)	\$ 1,122,962	\$ (824,085)	\$ (400,905)
Business-Type Activities	(412,090)	471,111	(1,113,742)	(48,456)	(1,042,085)	(1,587,140)
Total Primary Government	<u>\$ 596,248</u>	<u>\$ 1,731,421</u>	<u>\$ (1,778,567)</u>	<u>\$ 1,074,506</u>	<u>\$ (1,866,170)</u>	<u>\$ (1,988,045)</u>

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

In 2018 the City reported Conservation and Natural Resources separately from Culture and Recreation. Prior years have not been restated. In 2020 Conservation and Natural Resources was combined with Public Works.

Table 2

	2017	2018	2019	2020
\$	4,624,885	\$ 5,267,652	\$ 5,372,566	\$ 5,366,469
	11,981,416	11,376,216	12,921,133	13,246,236
	9,695,789	12,431,309	12,681,165	13,862,381
	5,359,259	4,953,434	5,171,408	4,445,956
	-	87,555	169,247	24,223
	1,630,516	3,069,377	3,271,933	5,927,106
	1,112,571	1,009,230	666,405	1,214,033
	<u>34,404,436</u>	<u>38,194,773</u>	<u>40,253,857</u>	<u>44,086,404</u>
	4,226,027	3,968,897	4,216,061	4,496,890
	1,773,670	1,685,266	1,785,789	1,759,785
	125,647	124,579	123,513	122,766
	<u>6,125,344</u>	<u>5,778,742</u>	<u>6,125,363</u>	<u>6,379,441</u>
\$	<u>40,529,780</u>	<u>43,973,515</u>	<u>46,379,220</u>	<u>50,465,845</u>
\$	2,544,126	\$ 2,811,252	\$ 2,738,342	\$ 2,584,666
	2,989,770	3,225,764	5,386,489	4,036,947
	880,361	1,033,398	1,325,631	978,043
	2,813,951	4,167,615	3,847,457	1,712,607
	-	52,384	3,683	-
	26,520	113,908	311,737	146,145
	2,068,419	2,036,547	1,881,409	4,774,564
	3,847,001	5,061,933	6,527,458	4,498,321
	<u>15,170,148</u>	<u>18,502,801</u>	<u>22,022,206</u>	<u>18,731,293</u>
	3,380,321	3,682,569	4,222,236	4,056,714
	1,272,506	1,230,592	1,304,738	1,337,694
	131,753	104,638	137,824	139,826
	890	-	-	-
	2,701,892	4,233,507	5,213,883	1,679,881
	<u>7,487,362</u>	<u>9,251,306</u>	<u>10,878,681</u>	<u>7,214,115</u>
\$	<u>22,657,510</u>	<u>27,754,107</u>	<u>32,900,887</u>	<u>25,945,408</u>
\$	(19,234,288)	\$ (19,691,972)	\$ (18,231,651)	\$ (25,355,111)
	1,362,018	3,472,564	4,753,318	834,674
\$	<u>(17,872,270)</u>	<u>(16,219,408)</u>	<u>(13,478,333)</u>	<u>(24,520,437)</u>
\$	19,229,300	\$ 20,005,373	\$ 19,416,202	\$ 20,703,562
	1,251,819	1,343,650	1,305,556	1,157,614
	1,014,774	1,657,231	2,405,929	2,533,400
	390,911	508,812	1,464,670	1,371,386
	1,576	14,588	165,784	57,627
	-	-	-	-
	26,990	436,480	(217,465)	(3,613,290)
	<u>21,915,370</u>	<u>23,966,134</u>	<u>24,540,676</u>	<u>22,210,299</u>
	340,345	318,501	812,204	649,501
	6,217	1,875	82,498	-
	(26,990)	(436,480)	217,465	3,613,290
	<u>319,572</u>	<u>(116,104)</u>	<u>1,112,167</u>	<u>4,262,791</u>
\$	<u>22,234,942</u>	<u>23,850,030</u>	<u>25,652,843</u>	<u>26,473,090</u>
\$	2,681,082	\$ 4,274,162	\$ 6,309,025	\$ (3,144,812)
	1,681,590	3,356,460	5,865,485	5,097,465
\$	<u>4,362,672</u>	<u>7,630,622</u>	<u>12,174,510</u>	<u>1,952,653</u>

CITY OF SHAKOPEE

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund:				
Nonspendable:				
Prepays	\$ 131,447	\$ 19,189	\$ 16,440	\$ 13,949
Committed to:				
Building Permits	-	-	-	-
Unassigned	<u>9,172,747</u>	<u>9,503,652</u>	<u>9,076,549</u>	<u>9,824,097</u>
Total General Fund	<u>\$ 9,304,194</u>	<u>\$ 9,522,841</u>	<u>\$ 9,092,989</u>	<u>\$ 9,838,046</u>
 All Other Governmental Funds				
Nonspendable:				
Prepays	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Forfeitures	208,518	195,823	180,696	174,580
Transit	1,237,762	1,045,340	941,469	635,247
SCDP Grant	22,462	22,447	4,546	4,627
Revolving Loans	249,147	252,639	253,065	257,601
Economic Development	497,775	562,959	685,671	361,569
Debt Service	4,625,946	9,574,198	8,678,680	7,053,086
Capital Improvements	958,195	1,815,339	1,882,231	1,634,954
Assigned to:				
Telecommunication	45,681	66,989	54,499	76,342
Capital Improvements	6,964,247	8,681,475	5,753,669	5,630,178
Capital Projects Funds	413,228	394,666	176,398	228,059
Unassigned	<u>(484,089)</u>	<u>(384,965)</u>	<u>(1,716)</u>	<u>(7,316)</u>
Total all Other Governmental Funds	<u>\$ 14,738,872</u>	<u>\$ 22,226,910</u>	<u>\$ 18,609,208</u>	<u>\$ 16,048,927</u>

Table 3

2015	2016	2017	2018	2019	2020
\$ 21,573	\$ 22,188	\$ 59,023	68,784	155,116	138,229
-	-	-	-	1,588,000	1,104,000
9,818,537	10,739,178	11,918,971	12,250,660	14,136,227	14,891,656
<u>\$ 9,840,110</u>	<u>\$ 10,761,366</u>	<u>\$ 11,977,994</u>	<u>\$ 12,319,444</u>	<u>\$ 15,879,343</u>	<u>\$ 16,133,885</u>
\$ -	\$ -	\$ -	\$ 3,801	\$ 1,401	\$ 120
180,555	186,965	221,048	195,322	172,971	158,179
-	-	-	-	-	-
4,683	4,734	10,805	18,368	18,368	18,368
260,865	263,787	138,004	73,004	-	-
674,910	1,503,917	356,588	-	-	1,022,360
3,085,157	3,712,584	3,608,453	3,207,099	3,147,055	4,332,924
1,425,798	7,213,258	1,539,267	3,166,302	3,902,170	5,709,910
108,627	70,795	74,139	76,698	109,472	124,018
6,130,194	4,744,275	6,592,822	6,423,824	5,771,223	5,363,301
1,505,595	2,244,591	530,329	516,211	720,445	743,188
<u>(1,715,102)</u>	<u>(39,928)</u>	<u>(3,241,015)</u>	<u>(2,823,436)</u>	<u>(2,151,671)</u>	<u>(4,665,559)</u>
<u>\$ 11,661,282</u>	<u>\$ 19,904,978</u>	<u>\$ 9,830,440</u>	<u>\$ 10,857,193</u>	<u>\$ 11,691,434</u>	<u>\$ 12,806,809</u>

CITY OF SHAKOPEE

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

	2011	2012	2013	2014
REVENUES:				
Taxes	\$ 14,699,066	\$ 15,141,903	\$ 15,851,560	\$ 16,798,542
Special Assessments	1,475,324	1,499,810	930,331	2,673,132
Licenses and Permits	1,281,150	2,441,246	2,349,945	2,318,447
Intergovernmental	3,941,830	2,548,692	1,857,803	4,743,014
Charges for Service	3,958,237	4,449,003	4,583,551	4,683,722
Fines and Forfeits	411,211	418,474	381,470	429,021
Miscellaneous	705,969	836,868	189,717	675,643
Total Revenues	26,472,787	27,335,996	26,144,377	32,321,521
EXPENDITURES:				
General Government	4,004,684	4,396,219	4,495,662	5,225,483
Police	9,460,824	9,483,999	9,731,407	10,193,496
Public Works	2,602,104	2,349,042	2,631,154	2,829,846
Culture and Recreation	3,902,386	3,799,723	3,771,068	3,981,999
Conservation and Natural Resources	-	-	-	-
Economic Development	247,591	155,692	340,904	1,595,628
Debt Service:				
Principal	2,565,000	1,950,000	2,070,000	3,160,000
Interest and Other Charges	658,265	634,063	618,695	504,460
Capital Outlay	6,301,406	2,164,053	6,883,191	7,245,157
Total Expenditures	29,742,260	24,932,791	30,542,081	34,736,069
Excess of Revenues Under Expenditures	(3,269,473)	2,403,205	(4,397,704)	(2,414,548)
OTHER FINANCING SOURCES (USES):				
Bonds Issued	-	4,865,000	-	-
Sale of Assets	-	-	150	314
Premium on Bonds Issued	-	73,480	-	-
Capital Lease Issued	-	-	-	-
Transfers In	2,968,919	3,367,400	4,890,809	3,531,038
Transfers Out	(2,750,830)	(3,002,400)	(4,540,809)	(2,932,028)
Special Items	-	-	-	-
Total Other Financing Sources (Uses)	218,089	5,303,480	350,150	599,324
Net Change in Fund Balance	\$ (3,051,384)	\$ 7,706,685	\$ (4,047,554)	\$ (1,815,224)
Debt Service as a Percentage of Noncapital Expenditures	14%	11%	11%	12%

In 2018 the City reported Conservation and Natural Resources separately from Culture and Recreation. Prior years have not been restated. In 2020 the City reported Conservation and Naturla Resources as part of Public Works.

Table 4

2015	2016	2017	2018	2019	2020
\$ 17,225,535	\$ 18,549,468	\$ 21,476,591	\$ 22,999,326	\$ 23,139,620	\$ 24,370,324
1,157,405	1,615,161	933,773	984,158	835,345	990,509
2,989,038	3,146,818	3,283,495	4,361,054	5,912,112	3,923,439
3,427,130	3,619,810	2,447,795	2,596,486	3,038,944	6,232,913
4,479,845	4,759,244	5,681,712	6,841,887	7,226,584	5,294,280
171,856	104,943	241,874	95,821	83,957	21,379
604,816	877,108	1,004,665	589,865	1,493,245	2,394,550
<u>30,055,625</u>	<u>32,672,552</u>	<u>35,069,905</u>	<u>38,468,597</u>	<u>41,729,807</u>	<u>43,227,394</u>
3,864,337	4,016,871	4,415,257	5,047,823	5,130,038	5,241,568
10,209,739	10,643,342	11,039,220	11,692,533	12,849,532	13,577,981
3,036,284	3,061,172	2,973,840	5,634,985	5,824,268	6,579,242
3,891,542	4,269,211	5,228,929	3,598,591	3,885,624	3,559,908
-	-	-	89,488	169,959	25,557
2,352,621	2,092,337	1,611,073	2,848,426	2,510,329	5,819,029
5,615,000	1,685,000	1,685,000	1,995,000	1,910,000	1,750,000
365,898	864,494	1,259,987	1,171,990	1,096,743	1,171,363
5,461,607	32,159,412	18,386,260	5,928,038	9,047,340	13,690,958
<u>34,797,028</u>	<u>58,791,839</u>	<u>46,599,566</u>	<u>38,006,874</u>	<u>42,423,833</u>	<u>51,415,606</u>
<u>(4,741,403)</u>	<u>(26,119,287)</u>	<u>(11,529,661)</u>	<u>461,723</u>	<u>(694,026)</u>	<u>(8,188,212)</u>
-	29,500,000	-	-	4,220,000	8,165,000
-	9,134	104,661	-	579	10,284
-	2,237,727	-	-	267,587	832,845
-	-	79,100	-	-	-
6,135,344	6,916,355	7,282,929	4,038,516	1,125,289	3,226,176
(5,145,452)	(3,378,977)	(4,794,939)	(3,132,036)	(525,289)	(2,676,176)
<u>(634,070)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>355,822</u>	<u>35,284,239</u>	<u>2,671,751</u>	<u>906,480</u>	<u>5,088,166</u>	<u>9,558,129</u>
<u>\$ (4,385,581)</u>	<u>\$ 9,164,952</u>	<u>\$ (8,857,910)</u>	<u>\$ 1,368,203</u>	<u>\$ 4,394,140</u>	<u>\$ 1,369,917</u>
20%	9%	10%	9%	8%	7%

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
2011	\$ 24,652,932	\$ 18,351,835	\$ 1,304,688	\$ 161,430	\$ 1,630,522	\$ 42,517,503	0.34731	\$ 3,570,069,500	1.19%
2012	23,180,073	17,956,273	852,512	155,002	1,740,447	40,093,409	0.36655	3,347,179,800	1.20%
2013	22,824,263	17,577,547	576,049	107,928	1,707,617	39,162,314	0.41996	3,064,695,700	1.28%
2014	22,782,372	17,580,049	589,717	214,592	1,961,307	38,776,239	0.41437	3,206,518,700	1.21%
2015	26,419,959	18,769,230	625,872	408,172	1,918,874	43,488,015	0.37862	3,629,757,200	1.20%
2016	27,838,939	20,111,657	670,839	384,578	1,857,605	46,379,252	0.37902	3,844,106,800	1.21%
2017	28,199,409	23,224,857	608,016	827,765	2,015,785	49,188,732	0.38522	4,034,313,200	1.22%
2018	30,219,157	25,743,850	553,398	1,330,932	2,104,902	53,080,571	0.37212	4,342,662,600	1.22%
2019	32,118,359	27,272,649	508,798	1,657,341	2,239,985	56,002,480	0.34943	4,613,605,800	1.21%
2020	35,752,512	29,664,024	522,137	1,953,037	2,229,208	61,756,428	0.33965	5,063,670,900	1.22%

Source: Scott County Auditor

CITY OF SHAKOPEE

Table 6

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

Fiscal Year	City Direct Rate			Shakopee School District	Scott County	Other Jurisdictions	General Obligation Debt Service Market Value Rate
	Operating Rate	Debt Service Rate	Total Direct Rate				
2011	0.32996	0.01735	0.34731	0.31182	0.35541	0.05020	0.00342
2012	0.34005	0.02650	0.36655	0.35512	0.38802	0.05610	0.00345
2013	0.41996	-	0.41996	0.39715	0.40674	0.05701	0.00467
2014	0.39305	0.02131	0.41437	0.36963	0.39720	0.05569	0.00524
2015	0.35235	0.02626	0.37862	0.35578	0.36638	0.05169	0.00536
2016	0.34757	0.03145	0.37902	0.53478	0.36175	0.05129	0.00605
2017	0.26948	0.11574	0.38522	0.49282	0.35896	0.04979	-
2018	0.25874	0.11337	0.37212	0.52141	0.35114	0.05732	-
2019	0.23588	0.11355	0.34943	0.52934	0.33841	0.06466	-
2020	0.23229	0.10735	0.33965	0.50558	0.32718	0.03154	-

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	2020			2011		
		2019/20 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value	2010/11 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value
RELP Shakopee	Distribution	\$ 1,386,750	1	2.25%			
Duke Realty Limited Partner.	Manufacturing	851,734	2	1.38%			
Rahr Malting	Grain Processing	795,913	3	1.29%	\$ 407,270	2	0.96%
Xcel Energy	Electrical Generation	723,786	4	1.17%	552,894	1	1.30%
Rosemount Inc	Manufacturing	603,244	5	0.98%			
WOP Addison LLC	Apartments	569,804	6	0.92%			
Liberty Properties LP	Distribution	542,358	7	0.88%			
J & J Minneapolis LLC	Manufacturing	541,144	8	0.88%			
Seagate Technology LLC	Manufacturing/Research	506,424	9	0.82%	399,250	3	0.94%
St. Francis RMC	Health Care	499,752	10	0.81%	358,500	7	0.84%
Shakopee Crossing LTD	Retail				372,370	4	0.88%
Mattson, Charles W	Manufacturing				363,250	5	0.85%
Valleyfair	Amusement Park				361,371	6	0.85%
Ryan Companies	Property Management				333,450	8	0.78%
Shakopee Valley Market	Retail				329,750	9	0.78%
Canterbury Park	Horse Racing				324,236	10	0.76%
		<u>\$ 7,020,909</u>		<u>11.38%</u>	<u>\$ 3,802,341</u>		<u>8.94%</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
2011	\$ 14,837,438	\$ 14,019,831	94%	\$ 278,981	\$ 14,298,812	96%	\$ 260,248	1.75%
2012	14,837,438	14,553,417	98%	188,750	14,742,167	99%	235,011	1.58%
2013	15,483,223	15,109,599	98%	279,485	15,389,084	99%	293,025	1.89%
2014	16,312,179	16,177,463	99%	-	16,177,463	99%	157,555	0.97%
2015	16,773,267	16,351,700	97%	-	16,351,700	97%	145,958	0.87%
2016	17,610,195	17,316,074	98%	41,140	17,357,214	99%	76,631	0.44%
2017	18,926,341	18,628,201	98%	-	18,628,201	98%	95,933	0.51%
2018	19,610,548	19,198,990	98%	43,706	19,242,696	98%	102,862	0.52%
2019	19,580,500	18,992,066	97%	61,887	19,053,953	97%	90,928	0.46%
2020	20,730,500	20,227,478	98%	57,390	20,284,868	98%	115,180	0.56%

Source: Scott County Auditor

1. The above data does not include tax increment districts.
2. The State of Minnesota cancelled \$ 595,572 in 2011 of annual aid payments to the City that were part of the tax levy.

CITY OF SHAKOPEE

Table 9

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

Fiscal Year	Governmental Activities			Business-type Activities Revenue Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
	G.O. Bonds	Special Assessment Bonds	Capital Leases				
2011	\$ 5,905,000	\$ 10,240,000	\$ -	\$ -	\$ 16,145,000	1.3%	428
2012	10,325,000	8,735,000	-	-	19,060,000	1.6%	504
2013	9,865,000	7,125,000	-	-	16,990,000	1.4%	446
2014	9,390,000	4,440,000	-	-	13,830,000	1.1%	353
2015	5,100,000	3,115,000	-	-	8,215,000	0.7%	208
2016	36,070,590	2,095,000	-	-	38,165,590	2.9%	948
2017	35,284,168	1,085,000	65,330	-	36,434,498	2.7%	886
2018	33,677,746	585,000	46,542	-	34,309,288	2.5%	826
2019	36,226,324	235,000	26,616	-	36,487,940	2.6%	879
2020	43,482,636	90,000	5,481	-	43,578,117	2.9%	1,048

Sources: Details regarding the city's outstanding debt can be found in the notes to the financial statements. See Table 14 for income and population data.

CITY OF SHAKOPEE

Table 10

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

<u>Fiscal Year</u>	<u>Total G.O. Bonds</u>	<u>Less: Available in Debt Service</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>	<u>Percentage of Total Personal Income</u>
2011	\$ 5,905,000	\$ 4,625,946	\$ 1,279,054	0.17%	\$ 34	0.49%
2012	10,325,000	9,574,198	750,802	0.31%	20	0.86%
2013	9,865,000	8,678,680	1,186,320	0.32%	31	0.81%
2014	9,390,000	7,053,086	2,336,914	0.29%	60	0.75%
2015	5,100,000	3,085,157	2,014,843	0.14%	51	0.40%
2016	36,070,590	3,712,584	32,358,006	0.94%	804	2.74%
2017	35,284,168	3,608,453	31,675,715	0.87%	770	2.63%
2018	33,677,746	3,207,099	30,470,647	0.78%	734	2.44%
2019	36,226,324	3,147,055	33,079,269	0.79%	797	2.60%
2020	43,482,636	4,332,924	39,149,712	0.86%	942	2.94%

Sources:

1. Metropolitan Council estimated for population.
2. Scott County Auditor
3. Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF SHAKOPEE

Table 11

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2020**

	G.O. Debt	Percentage Applicable To City of Shakopee (1)	Amount Applicable To City of Shakopee
Direct Debt:			
City of Shakopee	\$ 43,578,117	100.0%	\$ 43,578,117
Overlapping Debt:			
Independent School District No. 720	204,043,822	76.5%	156,163,383
Independent School District No. 191	142,835,000	2.9%	4,207,490
Scott County	125,530,000	24.7%	30,956,772
Metropolitan Council (2)	245,380,000	1.1%	2,737,894
Total Overlapping Debt:	717,788,822		194,065,539
 Total Direct and Overlapping Debt	 \$ 761,366,939		 \$ 237,643,656

Source:

Scott County and Dakota County Taxation Department
Metropolitan Council

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

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

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

CITY OF SHAKOPEE

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Market Value (Taxable)	\$ 3,570,069,500	\$ 3,347,179,800	\$ 3,064,695,700	\$ 3,206,518,700
Debt Limit - Percent of Market Value (Note A)	<u>107,102,085</u>	<u>100,415,394</u>	<u>91,940,871</u>	<u>96,195,561</u>
Amount of Debt Applicable to Debt Limit:				
G.O. Bonds	5,905,000	10,325,000	9,865,000	9,390,000
Available in Debt Service Funds	<u>(826,957)</u>	<u>(4,974,768)</u>	<u>(4,836,597)</u>	<u>(4,833,096)</u>
Total Debt Applicable to Debt Limit	<u>5,078,043</u>	<u>5,350,232</u>	<u>5,028,403</u>	<u>4,556,904</u>
Legal Debt Margin	<u>\$ 102,024,042</u>	<u>\$ 95,065,162</u>	<u>\$ 86,912,468</u>	<u>\$ 91,638,657</u>

NOTE (A):

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

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

NOTE (B):

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

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

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

Table 12

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 3,629,757,200	\$ 3,844,106,800	\$ 4,034,313,200	\$ 4,342,662,600	\$ 4,613,605,800	\$ 5,063,670,900
<u>108,892,716</u>	<u>115,323,204</u>	<u>121,029,396</u>	<u>130,279,878</u>	<u>138,408,174</u>	<u>151,910,127</u>
5,100,000	33,935,000	35,284,168	33,677,746	36,226,324	43,482,636
<u>(1,511,502)</u>	<u>(2,443,111)</u>	<u>(2,976,808)</u>	<u>(2,795,488)</u>	<u>(2,972,459)</u>	<u>(4,232,229)</u>
<u>3,588,498</u>	<u>31,491,889</u>	<u>32,307,360</u>	<u>30,882,258</u>	<u>33,253,865</u>	<u>39,250,407</u>
<u>\$ 105,304,218</u>	<u>\$ 83,831,315</u>	<u>\$ 88,722,036</u>	<u>\$ 99,397,620</u>	<u>\$ 105,154,309</u>	<u>\$ 112,659,720</u>

CITY OF SHAKOPEE

Table 13

**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>
2011	37,721	8,115	5.2%	20,449	\$ 32,017	\$ 1,207,713,257
2012	37,841	8,392	4.6%	20,926	31,628	1,196,835,148
2013	38,120	8,452	3.8%	21,233	31,829	1,213,321,480
2014	39,144	8,698	3.6%	21,439	32,174	1,259,419,056
2015	39,523	8,939	3.0%	21,877	31,965	1,263,352,695
2016	40,254	8,927	3.2%	21,571	32,704	1,316,466,816
2017	41,143	9,036	2.6%	27,156	32,662	1,343,812,666
2018	41,519	8,636	2.4%	25,930	33,300	1,382,582,700
2019	41,506	8,807	2.8%	27,427	33,631	1,395,888,286
2020	41,570	8,665	6.1%	22,051	35,607	1,480,182,990

- Source:
1. 2010 is the official census figure. 2011-2017 are the City's estimate. 2018-2019 are Met Council estimates.
 2. Shakopee School District, SACS, Bloomington Lutheran
 3. Minnesota Department of Employment and Economic Development
 4. Census estimates
 5. Per capita income times population

CITY OF SHAKOPEE

Table 14

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	2020			2011		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
Amazon	Distribution	1,500	1	6.80%			
School District No. 720	Education	1,255	2	5.69%	1,347	2	6.50%
Cyberpower Systems	Manufacturing	1,160	3	5.26%			
Emerson	Manufacturing	1,061	4	4.81%			
St. Francis RMC	Health Care	999	5	4.53%	804	5	3.88%
Entrust Datacard	Manufacturing	800	6	3.63%			
Scott County	Government	667	7	3.02%	711	6	3.43%
Imagine Print Solutions	Printing	600	8	2.72%	652	7	3.15%
CommScope	Manufacturing	600	9	2.72%			
Shutterfly	Printing	600	10	2.72%			
Valley Fair	Amusement Park				1,743	1	8.41%
Seagate	Manufacturing/Research				1,200	3	5.79%
Canterbury Park	Horse Racing				1,100	4	5.31%
Walmart	Retail				400	8	1.93%
Anchor Glass	Manufacturing				271	9	1.31%
TORO	Manufacturing				270	10	1.30%
		<u>9,242</u>		<u>41.90%</u>	<u>8,498</u>		<u>41.02%</u>
Total Employment				22,051			20,449

Source: Minnesota Department of Employment and Economic Development.

CITY OF SHAKOPEE

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government:					
Administration	5	6	7	8	6
City Clerk	4	3	3	3	3
Finance	3	4	4	4	4
Planning	5	5	5	5	5
Facilities Maintenance	6	4	4	4	3
Information Technology	2	2	2	2	4
Public Safety:					
Police:					
Licensed	50	49	47	47	48
Other	6	7	10	10	11
Fire:					
Full time	3	3	7	7	7
Paid On Call	42	44	44	43	43
Building Inspection	5	5	5	5	4
Public Works:					
Engineering	7	7	7	8	8
Street	13	13	13	14	14
Shop	4	3	3	4	4
Park and Recreation:					
Park Maintenance	8	8	8	9	9
Natural Resources	-	-	1	2	2
Recreation	7	7	7	7	9
Economic Development:					
EDA	-	-	1	1	1
Total	<u>170</u>	<u>170</u>	<u>178</u>	<u>183</u>	<u>185</u>

Source: City departments

Table 15

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
8	9	9	9	8
3	3	3	3	3
4	4	4	4	4
5	6	6	5	5
3	3	2	2	2
5	5	5	5	5
48	51	51	51	51
11	12	12	12	12
7	8	8	8	8
43	46	46	46	43
5	5	5	7	8
8	9	8	9	9
14	14	15	15	16
4	4	4	4	3
9	9	9	9	11
1	-	-	-	-
12	15	14	16	16
1	1	1	1	1
<u>191</u>	<u>204</u>	<u>202</u>	<u>206</u>	<u>205</u>

CITY OF SHAKOPEE

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government				
Planning				
Number of Case Files	24	47	49	45
Number of Plats Filed	2	5	8	7
Number of Acres Platted	68	89	99	68
Public Safety				
Police				
Arrests	1,666	1,798	1,387	1,524
Citations	5,647	5,636	5,656	4,934
Calls for Service	17,852	18,349	17,822	17,846
Fire				
Calls for Service	600	617	584	730
Building Inspection				
Building Permits Issued	1,881	1,413	1,066	1,519
Number of Inspections	8,004	8,191	7,408	7,854
Single Family Homes Permitted	118	97	66	61
Public Works				
Street				
Miles of Roadway	154	154	154	156
Park and Recreation				
Park Maintenance				
Acres Maintained	933	933	933	1,015
Recreation				
Program Participants	13,157	13,104	15,854	18,540
Community Center Members	955	998	1,043	2,116
Community Center Admissions	120,667	128,929	140,778	124,124
Ice Rental Hours	1,354	1,420	1,446	1,477

Source: City departments

Table 16

2015	2016	2017	2018	2019	2020
75	50	59	72	83	59
9	7	10	11	9	11
335	79	169	161	131	305
2,121	1,543	1,338	1,741	1,683	1,206
5,510	4,396	3,569	3,470	3,391	2,278
19,357	21,117	21,632	21,916	22,910	22,137
745	792	808	914	957	1,146
1,054	1,030	1,145	1,274	1,158	1,611
6,835	6,659	6,301	8,350	9,507	11,191
50	45	33	76	140	165
156	156	156	156.5	161.2	163.0
1,402	1,402	1,402	1,402	1,402	1,402
19,788	23,700	41,289	25,559	20,811	6,508
2,024	2,463	6,231	5,416	5,311	1,790
113,772	114,158	200,297	251,223	267,576	13,449
1,589	1,773	2,870	3,158	3,410	15,722

CITY OF SHAKOPEE

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police:					
Stations	1	1	1	1	1
Patrol Zones	4	4	4	4	4
Patrol Units	15	15	15	15	15
Fire Stations	2	2	2	2	2
Street:					
Miles of Roadway	154	154	154	156	156
Traffic Signals	27	29	29	30	30
Parks:					
Acres	933	933	933	1,015	1,402
Ball Fields	54	56	56	56	56
Playgrounds	26	26	26	27	27

Source: City departments

Table 17

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
1	1	1	1	1
4	3	3	3	3
15	16	16	16	16
2	2	2	2	2
156	156	157	161	163
30	30	30	30	30
1,402	1,402	1,402	1,402	1,402
56	57	57	57	57
27	27	27	27	27