

CITY OF SHAKOPEE, MINNESOTA

Scott County

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2013

Department of Finance

Julie Linnihan, Director of Finance
Melissa Schlingman, Accounting Manager

129 Holmes Street South
Shakopee, MN 55379

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CITY OF SHAKOPEE

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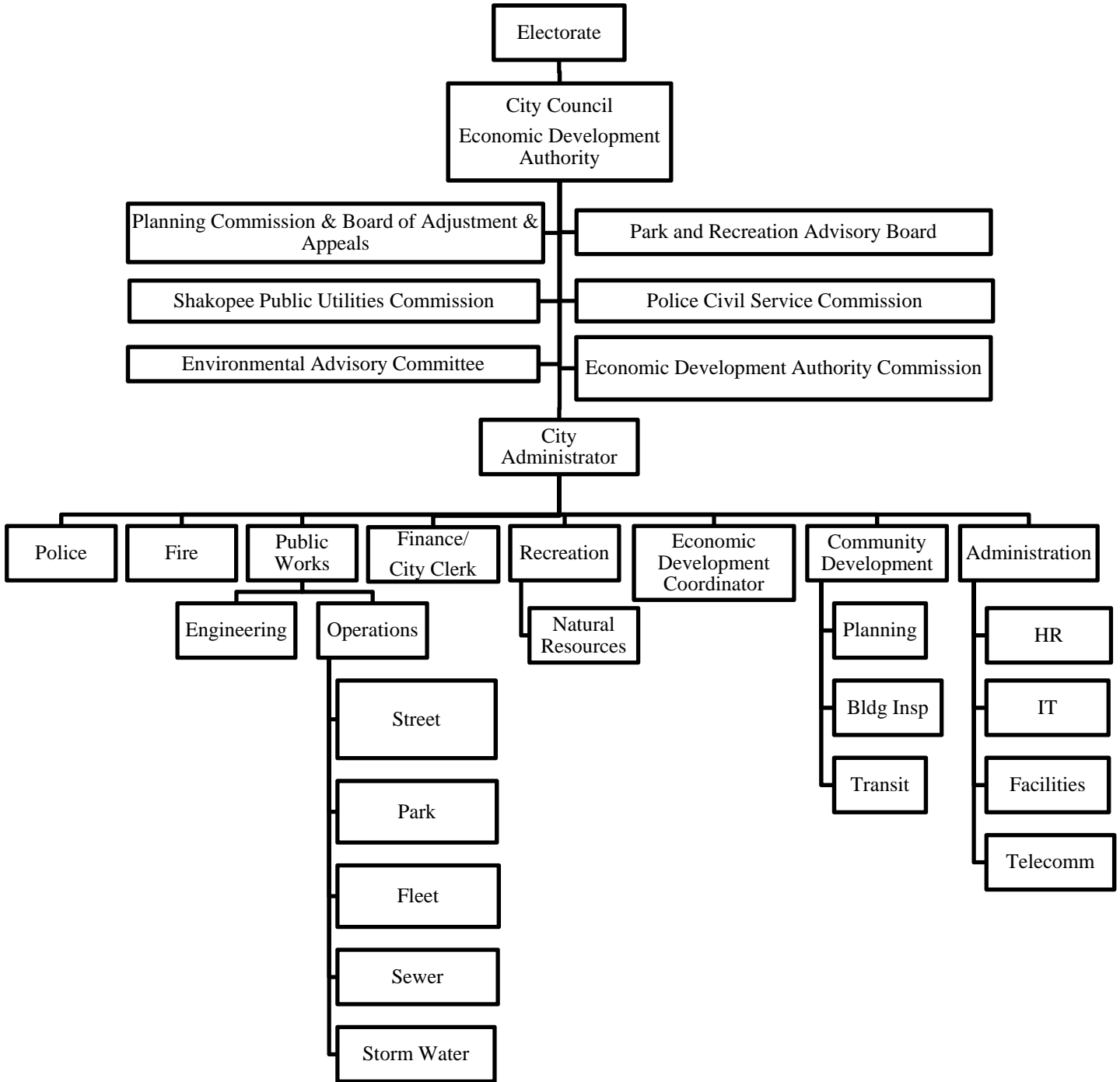
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CITY OF SHAKOPEE
ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2013

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Brad Tabke	Mayor	December 31, 2013
Matthew Lehman	Council Member	December 31, 2015
Jay Whiting	Council Member	December 31, 2015
Steven Clay	Council Member	December 31, 2013
Pamela Schurman (Resigned 08/31/2013)	Council Member	December 31, 2013
Patrick Heitzman (Appointed 09/01/13)	Council Member	December 31, 2013
<u>Administration</u>		
Mark H. McNeill	City Administrator	Appointed
Julie A. Linnihan	Finance Director/City Clerk	Appointed

CITY OF SHAKOPEE
ORGANIZATION CHART
DECEMBER 31, 2013





May 8, 2014

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

Minnesota Statutes require that within six months of the close of each fiscal year every city publish a complete set of audited financial statements. This report is published to fulfill that specific requirement for the fiscal year ended December 31, 2013.

The City's management staff has exercised its best efforts to insure that the information presented in the report is complete and reliable and is based upon a comprehensive framework of internal control that has been established for this purpose. The costs of internal control should not exceed anticipated benefits and therefore the object is to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

The City of Shakopee's financial statements have been audited by Kern DeWenter Viere, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2013, are fairly presented in conformity with GAAP (generally accepted accounting principles). Based on the audit, the independent auditor concluded that there was reasonable basis for rendering an unmodified ("clean") opinion on the City's financial statements for the year ended December 31, 2013. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used; significant estimates made by management; as well as evaluation of the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the City

The City of Shakopee was incorporated for the second time in 1870 and is located approximately 25 miles southwest of Minneapolis. Bounded by the Minnesota River on the north, Shakopee is in the northern part of Scott County and is the county seat. In recent years, the City has been one of the most rapidly growing communities in the state. The 2000 population of the City was 20,568 and the land area covered is approximately 30 square miles. The 2010 census confirmed that the population had increased to 37,076 and has been continuing to experience growth into the current year, with an estimated population of 38,120, in 2013. 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 60 % of the community is developed, with approximately 30 % of the developed land as residential. However, about 25 % of the undeveloped land is owned or controlled by the Shakopee Mdewakanton Sioux Community (SMSC), a federally recognized Native American Tribe. The City levies a property tax on both real and personal property located within its boundaries. The City may also by state statute, extend its corporate limits by annexation, which historically has occurred periodically.

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

The City provides typical municipal services such as police and fire protection, street and infrastructure construction, public works maintenance, parks, recreation, planning and zoning. Also provided are utilities such as sewer and storm drainage utilities, organized refuse collection, recycling, and certain transit services. The City is one of several regional transit providers (opt-outs), and specifically provides express bus and local circulator bus service directly. The City is in discussions about merging these services with a larger regional transit provider, but would still remain an opt-out. 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. In 2013, the City filled the newly created position of Economic Development Coordinator, which allows for a greater emphasis on the coordination of business and commercial activity with the City operations, as well as Chamber, County and other impacted organizations. 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. 2014 activity has already confirmed that the continuation of the growth trend will carry into the current year as staff prepares to meet the numerous requests for site availability, market niche information and updates relating to a variety of funding options that would provide the necessary bridge considered for a business location or expansion in 2014.

The annual budget is the basis for the City's financial planning and control. The budget is prepared by Fund (e.g., General), function (e.g., Public Works) and department (e.g., Engineering). Budget requests are submitted in July by Department Heads. The City Administrator reviews the submittals with the Finance Director and department heads, to determine the prioritization of specific budget requests. Informational budget summaries are presented to the City Council during work sessions and allow for open community presentation and discussion. The City Council is presented with a proposed budget and tax levy in August of each year. This information succinctly details changes in the upcoming year budget, such as changes in personnel and position structure, funding requests that are unique to the specific budget year, and the basis for the request, such as development of a new program or project, to a Council approved initiative, 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 15. The final tax levy and budget are adopted in December after a public meeting, which provides the City Council and community impact information relating to both the budget decisions and property tax levies. Final levy information is submitted to the County, for inclusion in the development of the upcoming year property tax statements. Budgeting control is provided by an annual budget resolution passed by City Council. Formal control is at the division level and Council action is necessary to change budgeted amounts between divisions and/or funds. The Finance Director or City Administrator may make changes within divisions.

Along with the operating budget, the city annually prepares a five-year capital improvement plan (CIP) that is the basis for the long term goal of providing and maintaining a functional public facility program, that provides the residents and businesses with infrastructure necessary for the on-going growth and development. The capital plans have historically provided details on the infrastructure projects that are funded through property tax levy, special assessments, utility funds and other intergovernmental revenue sources. These projects are primarily allowing for the upgrades, expansion and coordination of transportation based needs, as well as trails, signals and other infrastructure improvements. The City Council also reviews and discusses the Park planned improvements that are funded through the Park Reserve fund, which provides for the use of park and community facilities that have historically been funded through the collection of Park Dedication fees. The capital plans are reviewed with the Council and City staff, and the funding sources and priorities developed for the annual and future budget practices.

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

Local Economy

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

In 2013 and 2014, permits were issued for the construction of the following;

- Emerson Process Management's remodeling of the approximate 490,000 sq. ft. former ADC II building;
- Opus' construction of a new 195,000 sq. ft. office/warehouse spec building;
- A new 187,000 sq. ft. Shutterfly facility in the Dean Lakes area;
- Construction of a data center, operated by Century Link in the Dean Lakes area;
- Construction of a new 175,000 sq. ft. facility for TE Connectivity on Fourth Avenue;

The Emerson and Shutterfly development projects, which were initiated in 2012 and 2013, will benefit from financing assistance such as tax abatement programs or participation in Minnesota Investment Fund (MIF) opportunities.

The City continues to issue residential permits in the Dakota Crossings plat, which was approved in 2012, and is in the process of reviewing a second plat (Dakota Highlands) which would bring another 54 single family lots to the market in 2014.

A major residential apartment expansion is currently underway in the multi-family residential area near Canterbury downs, which will add 88 new apartment units, as an expansion of the Addison Apartment Complex.

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

Supporting retail opportunities, such as restaurants and small retail sites, are investigating Shakopee as a result of the impending increased employee counts from the planned commercial ventures that are scheduled to build in the community.

Scott County has historically dealt with a daily out-migration of workers who work in neighboring counties. This issue is being addressed by decision makers, who want to utilize the skilled and educated work force as an attraction to businesses.. The commercial and industrial growth that will be experienced in 2014 and 2015 will eliminate some of the loss of daily work force from the area. By seeking a solution to both transportation and employment issues, the residents of the Shakopee area will be able to benefit by living and working close to home.

In late 2013, the City Council and Economic Development Advisory Commission members embarked on a study of the Highway 101 Corridor, to address and study the options of the best use of this historic, but under-utilized area. The study continues into 2014, and reviews the options that include housing, retail attractions, as well as a unique niche of businesses that could benefit from the residents who walk, bike and travel through the area, but seldom frequent the offerings of this unique river front site. This study will integrate many of the community needs and suggestions, and allow for the prioritizing of the project plans.

The improved state-wide economic climate has provided the 2014 Minnesota Legislature with the ability to reduce or eliminate several specific business taxes, in an effort to encourage the continuing expansion of the work force and economic environment..

Long-Term Financial Planning

Historically, the City has issued only limited debt, in the form of bonds and internal funding for the 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.

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

Relevant Financial Policies

The City's target General Fund balance is to maintain an unassigned level between 40% and 45% of current year 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) or market value homestead credit (MVHC) from the State of Minnesota. Annual legislative actions may impact the financial position of those cities that are currently reliant on these and other 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 in order to provide effective means of ensuring that overall City goals and objectives will be met and to assure the City's residents and investors that the City is well managed and fiscally sound.

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

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

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


Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Shakopee for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2012. This was the 28th 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 Councilors for their support for maintaining the highest standards of professionalism in the management of the City of Shakopee's finances.

Respectfully submitted,


Mark McNeill
Administrator


Julie A. Linnihan
Finance Director



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, 2012

Executive Director/CEO



Expert advice. When you need it.SM

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Shakopee, Minnesota, as of and for the year ended December 31, 2013, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Shakopee, Minnesota, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 65

As discussed in Note 21 to the financial statements, the City has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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



The accompanying supplementary information is 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2014 on our consideration of the City of Shakopee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on internal control over financial control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Shakopee's internal control over financial reporting and compliance.

Kern, DeWenter, Viere, Ltd.
KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
May 8, 2014

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CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages 3 to 7 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by \$ 255.6 million (net position). Of this amount, \$ 61.8 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$ 1,778,567.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$ 27,702,197 million, decreasing from the prior year. Approximately 32.7% of this total amount, \$ 9.1 million is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current year, unassigned fund balance for the General Fund was \$ 9.1 million, or 46.5 %, of total General Fund expenditures.
- The City's total bonded debt decreased \$ 2,070,000.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

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

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

The government-wide financial statements can be found on pages 26 and 27 of this report.

Fund Financial Statements

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

Government Funds

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

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

The City maintains 31 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the 2004A Improvement Bond Debt Service Fund, and the Capital Improvement Capital Project Fund. Those are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

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

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 34 to 36 of this report.

Component Units

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

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on page 37 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 41 to 73 of this report.

Other Information

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

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 80 to 97 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

By far the largest portion of the City's net position (71.7 %) reflects its investment in capital assets (e.g., land, buildings and equipment); less any related debt used to acquire those assets that is still outstanding. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 51,813	\$ 54,141	\$ 31,753	\$ 34,525	\$ 83,566	\$ 88,666
Capital Assets	130,292	129,387	65,181	64,125	195,473	193,512
Total Assets	\$ 182,105	\$ 183,528	\$ 96,934	\$ 98,650	\$ 279,039	\$ 282,178
Long-Term Liabilities						
Outstanding	\$ 15,832	\$ 18,793	\$ 93	\$ 1,089	\$ 15,925	\$ 19,882
Other Liabilities	7,010	4,807	476	82	7,486	4,889
Total Liabilities	\$ 22,842	\$ 23,600	\$ 569	\$ 1,171	\$ 23,411	\$ 24,771
NET POSITION:						
Net Investment in Capital Assets	\$ 118,167	\$ 115,192	\$ 65,181	\$ 64,125	\$ 183,348	\$ 179,317
Restricted	10,454	9,912	-	-	10,454	9,912
Unrestricted	30,642	34,824	31,184	33,354	61,826	68,178
Total Net Position	\$ 159,263	\$ 159,928	\$ 96,365	\$ 97,479	\$ 255,628	\$ 257,407

An additional portion of the City's net position (4.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$ 61.8 million) may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013

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

During the current year, the City's net position decreased by \$ 1.8 million. This is a result of additional positions added in 2013 as well as an increase in projects and repairs during the year. Additionally decreases in charges for services due to lower transit revenue, decreased capital grants and contributions due to less state aid funding and lower assessment revenue relating to capital projects. The business-type activities experienced a decrease in net position during 2013 with revenues decreasing due to decreases from the previous year in metro SAC charges and state aid construction. Expenditures increased as a result of increased Met Council charges and increased maintenance and operational costs.

Changes in Net Position (Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES:						
Program Revenues:						
Charges for Services	\$ 7,468	\$ 7,574	\$ 4,725	\$ 5,170	\$ 12,193	\$ 12,744
Operating Grants and Contributions	1,894	2,107	-	-	1,894	2,107
Capital Grants and Contributions	689	1,479	8	349	697	1,828
General Revenues:						
Property Taxes	15,796	15,003	-	-	15,796	15,003
Other Taxes	114	114	-	-	114	114
Other	297	558	53	424	350	982
Total Revenues	<u>26,258</u>	<u>26,835</u>	<u>4,786</u>	<u>5,943</u>	<u>31,044</u>	<u>32,778</u>
EXPENSES:						
General Government	4,705	4,603	-	-	4,705	4,603
Public Safety	9,868	9,431	-	-	9,868	9,431
Public Works	7,578	7,083	-	-	7,578	7,083
Culture and Recreation	4,021	3,818	-	-	4,021	3,818
Economic Development	339	152	-	-	339	152
Interest on Long-Term Debt	574	587	-	-	574	587
Sewer	-	-	4,097	3,926	4,097	3,926
Storm	-	-	1,641	1,446	1,641	1,446
Total Expenses	<u>27,085</u>	<u>25,674</u>	<u>5,738</u>	<u>5,372</u>	<u>32,823</u>	<u>31,046</u>
Increase (Decrease in Net Position before Transfers	(827)	1,161	(952)	571	(1,779)	1,732
Transfers	<u>162</u>	<u>100</u>	<u>(162)</u>	<u>(100)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(665)	1,261	(1,114)	471	(1,779)	1,732
NET POSITION:						
January 1	159,928	158,667	97,479	97,008	257,407	255,675
December 31	<u>\$ 159,263</u>	<u>\$ 159,928</u>	<u>\$ 96,365</u>	<u>\$ 97,479</u>	<u>\$ 255,628</u>	<u>\$ 257,407</u>

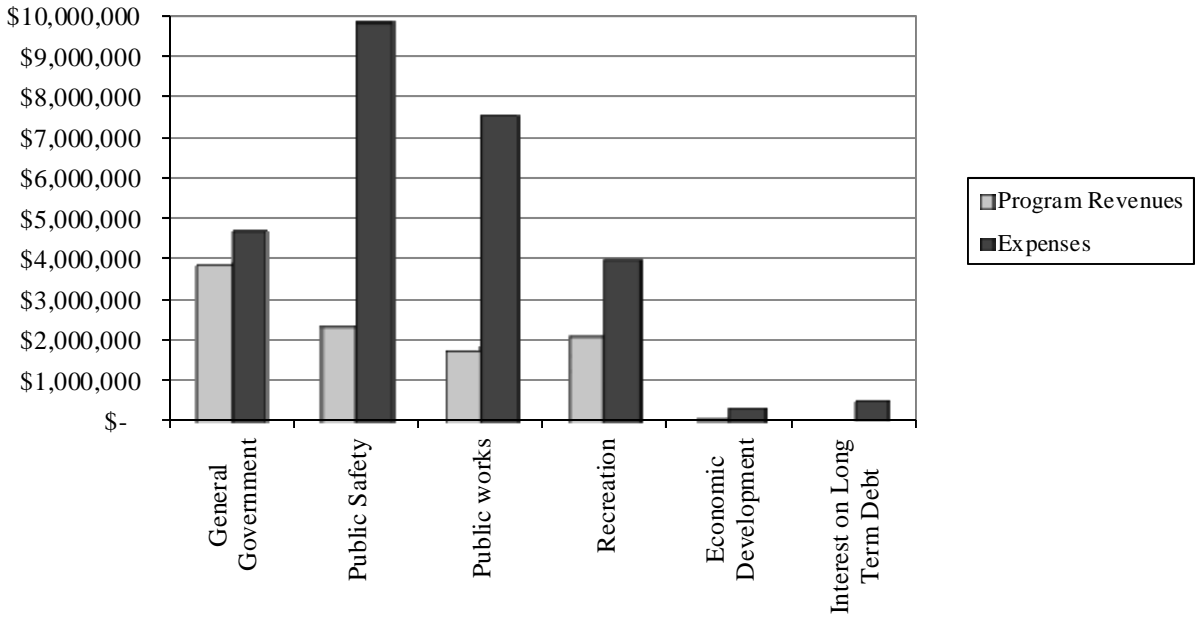
CITY OF SHAKOPEE

**MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2013**

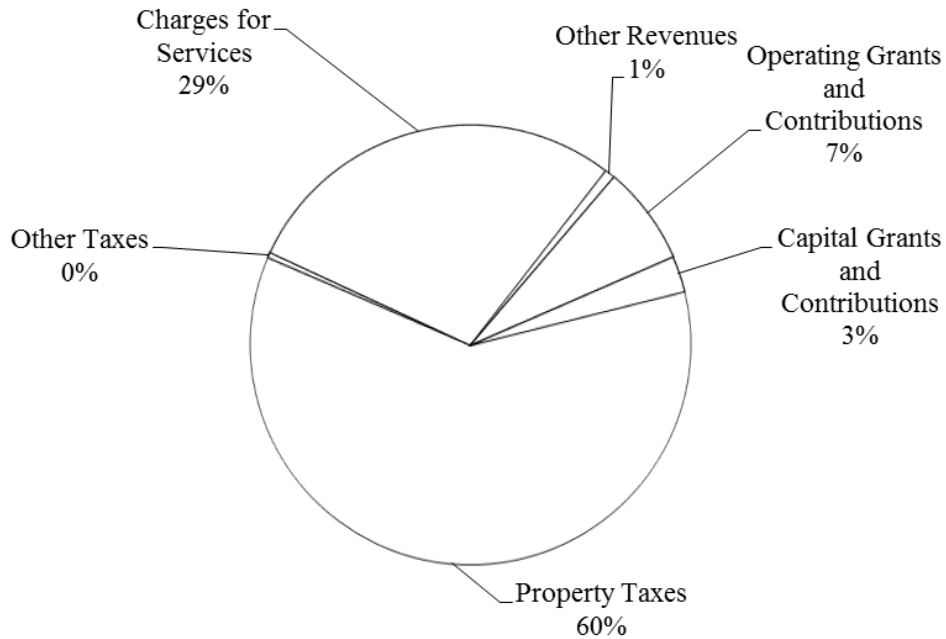
Governmental Activities

Governmental activities decreased the City’s net position by \$ 664,825. The major decrease was a result of new positions added during 2013 as well as decreased revenues in park dedications fees, transit and special assessment payments partially offset by an increase in property tax revenue.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



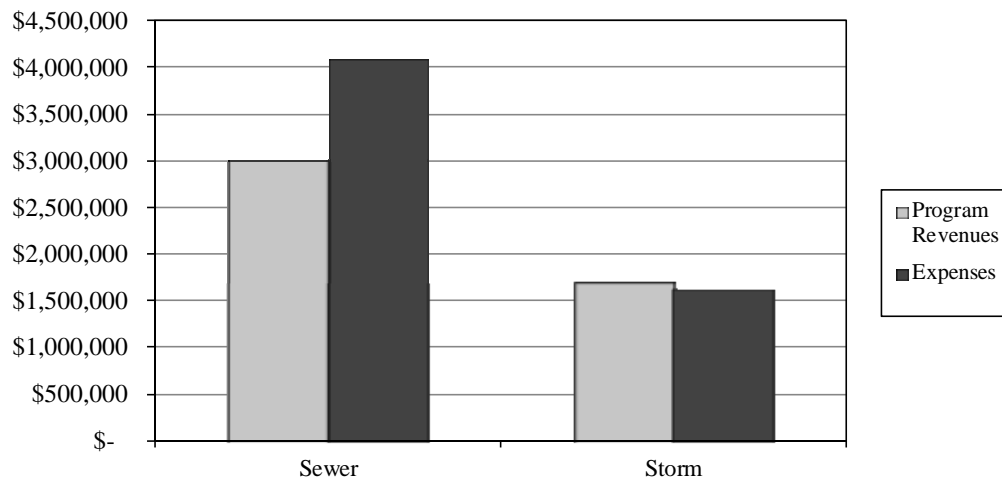
CITY OF SHAKOPEE
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Business-Type Activities

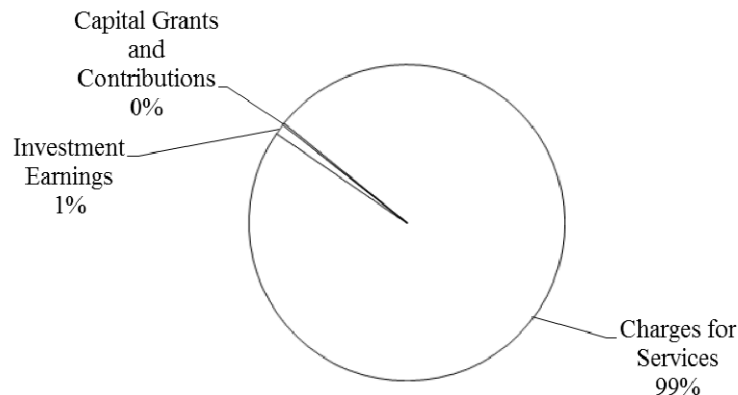
Business-type activities decreased the City’s net position by \$ 1,113,742. Key elements of this decrease are as follows:

- Charges for services decreased \$ 445,104 as metro SAC charges decreased due to the city depleting its metro sac credits during 2013. The City also experienced decreased revenue collections due to decreased water consumption and usage. This was partially offset by an increase in storm trunk charges in 2013 due to additional industrial and residential development.
- Expenses increased in 2013 due to higher Met Council fees, which are anticipated to continue annually.
- The sewer and storm water activities will continue to experience a higher degree of expense, as the deferral of maintenance and increasing mandates will continue to put pressure on the funds, to meet the demands of on-going and future development needs.

Expenses and Program Revenues – Business-Type Activities



Revenues by Source – Business-Type Activities



CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

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 \$ 27,702,197, a decrease of \$ 4,047,554 in comparison with the prior year. Approximately 32.8%, (\$ 9,074,833), of the total amount constitutes unassigned fund balance, which is available for spending at the City's discretion. Approximately 21.6%, (\$ 5,984,566), of the total amount constitutes assigned fund balance, which is assigned for designated purposes. The remainder of fund balance, (\$ 12,642,798), is not available for new spending because it has already been restricted or is non-spendable.

The General Fund is the chief operating fund of the City. At the end of the current year, fund balance of the General Fund was \$ 9,092,989. As a measure of the General Fund's liquidity, it may be useful to compare fund balance (unassigned) to total fund expenditures. Fund balance represents 46.5% of total General Fund expenditures.

Fund balance of the City's General Fund decreased by \$ 429,852 during the current year. Key factors in this decrease consist of the following:

- Before transfers, the fund balance of the General Fund showed a \$ 3,329,998 increase. After the net transfer of \$ 3,760,000 and a gain on sales of assets of \$ 150, fund balance decreased \$ 429,852. Transfers provided the necessary funding for several significant capital infrastructure programs and projects, as well as funding for the growing Information Technology needs of the City
- Overall Revenues increased approximately \$ 1 Million as a result of increased property taxes. Additional licenses and permits and charges for services revenues increased due to increased growth and development during the year
- Overall expenditures increased approximately \$ 845,000 due to new positions added during 2013 and increased development related costs. The colder weather in 2013 impacted the expenditures specific to Public Works, as both personnel costs and operational costs for ice control, snow plowing and street maintenance were higher than the prior year
- Debt Service funds did not have specific levies for the 2013 budget year, and the transfers at year end provided a needed funding source for these funds, allowing for the cash coverage for future year bond payments

Fund balance of the 2004A Improvement Bonds fund decreased \$ 48,273 due to an additional year of payments on the bond partially offset by special assessment revenue and a transfer in from the General Fund.

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Fund balance of the Capital Improvements fund decreased \$ 2,927,806. The City paid for the following projects in 2013 from this fund:

- Valley View Road
- Vierling Drive and CSAH 17 Interchange
- Street Reconstruction Project
- Bituminous Overlay
- CR 101 Trail Extension
- Valley Park Business Center

Fund balance of the Nonmajor Governmental Funds decreased \$ 641,623 as a result of annual debt service payments.

Proprietary funds

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

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

	Sewer	Storm
Beginning of Year	\$ 16,787	\$ 16,456
Change During Year	(1,140)	(1,082)
End of Year	\$ 15,647	\$ 15,374

The City has undertaken several new development projects, beginning in 2013 and continuing into 2014, which will expand both the collections of revenues for connection fees and charges for services. The capital assets of the projects will increase the capital assets of these funds, as well as the offsetting future year depreciation charges. A portion of these projects are funded through special assessments, but a significant portion of this is funded through the anticipated future revenues collected for services.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original legally adopted budget for expenditures was \$ 20,485,712 and transfers out were budgeted at \$ 860,000 with no budget adjustments. Actual expenditures of \$ 19,539,401 were \$ 946,311 under budget. The variance was a result of several unique events, including higher than anticipated position turnover and the accompanying lag in replacement hiring time and lower than anticipated commodity costs. Additionally City staff continued a trend of conservative spending. The City was diligent in obtaining many of the services and supplies originally budgeted for the year at a lower than anticipated cost, such as training and training related costs, building maintenance costs and limited use of the contingency funds which provide for unplanned events or occurrences. Additional transfers out over budget are under taken annually. This is to comply with the City's established fund balance policy. At the end of 2013 following transfers the city maintained a fund balance percentage of 46.5%.

CITY OF SHAKOPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

The original and final adopted budgets for revenues were \$ 21,254,850 and transfers in were \$ 150,000. Actual revenues of \$ 22,869,399 were \$ 1,614,549 over budget. This was a result of an increase in collection of property taxes. Additionally increases in development and building resulting in both licenses and permits and charges for services to come in over budget. The revenue received from the Electric and Water utility, component units, is recorded as a Charge for Service, were over budget as a result of conservative budgeting as the amounts can fluctuate from year to year based on usage.

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, 2013, amounts to \$ 195,472,990 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvement, machinery and equipment, park facilities, roads, highways and bridges.

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

CAPITAL ASSETS (Net of Depreciation) Expressed in Thousands

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 20,022	\$ 20,023	\$ 3,784	\$ 3,944	\$ 23,806	\$ 23,967
ROW	-	-	448	75	448	75
Construction in Progress	3,500	3,841	1,582	1,289	5,082	5,130
Line Rights	-	-	866	891	866	891
Infrastructure	73,101	73,708	57,023	56,597	130,124	130,305
Buildings	26,682	24,634	-	-	26,682	24,634
Machinery and Equipment	6,987	7,181	1,478	1,329	8,465	8,510
Total	\$ 130,292	\$ 129,387	\$ 65,181	\$ 64,125	\$ 195,473	\$ 193,512

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

- Riverside fields shelter/warming facility and outdoor ice rink
- Valley Park Business Center improvements relating to streets, trails, storm drainage, sanitary sewer and watermains
- Reconstruction of streets, sanitary sewer, storm sewer and watermains on Harrison Street, Van Buren Street, Jackson Street, Tyler Street, 12th Avenue and Atwood Street.
- Several bituminous overlay projects were also undertaken in the community, to maintain the infrastructure of the system

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Additional information on the City's capital assets can be found in Note 6 on pages 58 to 60 of this report.

In 2013, several projects that were "in progress" were continued and completed, as these projects often involved the coordination with County, State and Federal entities. The status of these projects is highly dependent on weather and the funding and staffing of cooperating entities, and will often impact the ability of the City to complete these projects in the anticipated year.

Long-Term Debt

At the end of the current year, the City had total bonded debt outstanding of \$ 16,990,000. Of this amount, \$ 5,000,000 comprises debt backed by the full faith and credit of the government and \$ 11,990,000 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	
	2013	2012
G.O. Bonds	\$ 5,000	\$ 5,460
Special Assessment Debt with Governmental Commitment	11,990	13,600
Total	\$ 16,990	\$ 19,060

The City's total bonded debt decreased by \$ 2,070,000 during the current year.

Minnesota Statutes limit the amount of general obligation (G.O.) debt a government entity may issue to a net figure of 3% of the taxable market value. The current legal debt margin for the City is \$ 82 million, which is significantly in excess of the City's outstanding G.O. debt.

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

CITY OF SHAKOPEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the state continued to decrease to a year-end level of 4.6%.

The City is currently experiencing the construction and development of several new commercial business sites that were initiated in 2012 and 2013. These companies such as Emerson Rosemount, Shutterfly and improvements at sites such as Valleyfair and Canterbury Park are expanding and enhancing the economic tax base as well as the employment options in the community. These business ventures will bring not only a strong base of varied jobs to the area but enhanced tax base for the recently developed commercial and industrial sites.

The City is also experiencing interest from unique business entities such as a craft brewing site and new retail businesses that are considering Shakopee as a favorable site due to increased economic activity and expanded retail sale activity

During the current year, the unassigned fund balance in the General Fund was \$ 9,076,549. This can be similarly compared to the unassigned fund balance of 2012 of \$ 9,503,652. The City continues to maintain a strong financial position as the economic climate and the economic diversification of the region and the state continue to improve.

The general tax levy for 2013/2014 is increased to \$ 15,793,220, in comparison to the prior year amount of \$ 15,333,223. This levy was increase to provide needed funding for newly created city positions to provide a broader base of services through engineering and public works. The levy also provided increased funding for the infrastructure needs through the capital improvement fund. Historically only 30 % of some of the project costs are funded through special assessments which will require a firm commitment of the Council to provide needed resources for maintenance, improvements and additions to the existing infrastructure.

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF SHAKOPEE

**STATEMENT OF NET POSITION
December 31, 2013**

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and Investments (Including Cash Equivalents)	\$ 41,371,695	\$ 31,004,579	\$ 72,376,274	\$ 25,510,450
Cash with Fiscal Agent	4,789,675	-	4,789,675	-
Restricted Cash and Investments	-	-	-	10,180,925
Property Tax Receivable	293,025	-	293,025	-
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	856,672	61	856,733	3,281,175
Interest Receivable	176,554	129,431	305,985	27,814
Due From Other Governments	392,602	461,350	853,952	179,970
Special Assessments Receivable	3,821,672	157,540	3,979,212	-
Inventories	-	-	-	1,001,496
Prepaid Expenses	16,440	-	16,440	64,552
Notes Receivable	95,000	-	95,000	-
Electric Plant Acquisition (Net of Accumulated Amortization)	-	-	-	175,960
Capital Assets, Net of Accumulated Depreciation (Where Applicable):				
Land and Land Improvements	20,022,040	3,784,003	23,806,043	5,097,532
Right of Way	-	447,746	447,746	-
Construction in Progress	3,499,929	1,582,443	5,082,372	882,577
Line Rights	-	866,276	866,276	-
Infrastructure	73,100,366	57,022,789	130,123,155	-
Plant in Service	-	-	-	66,485,870
Buildings	26,682,062	-	26,682,062	-
Machinery and Equipment	6,987,128	1,478,208	8,465,336	-
Total Assets	\$ 182,104,860	\$ 96,934,426	\$ 279,039,286	\$ 112,888,321
Deferred Outflows of Resources				
Deferral on Refunding	-	-	-	228,740
Total Assets and Deferred Outflows of Resources	\$ 182,104,860	\$ 96,934,426	\$ 279,039,286	\$ 113,117,061
LIABILITIES AND NET POSITION				
Liabilities				
Accounts and Contracts Payable	\$ 1,579,543	\$ 371,435	\$ 1,950,978	\$ 3,262,879
Other Current Liabilities	-	-	-	262,220
Due to Other Governments	674,681	70,057	744,738	505,225
Salaries and Benefits Payable	556,556	-	556,556	-
Deposits Payable	-	-	-	1,119,669
Interest Payable	232,300	-	232,300	164,628
Unearned Revenue	-	-	-	2,543
Customer Advances	-	-	-	420,955
Bond Principal Payable, Net:				
Payable Within One Year	3,160,000	-	3,160,000	380,000
Payable After One Year	13,830,000	-	13,830,000	8,755,838
Compensated Absences Payable:				
Payable Within One Year	806,606	34,146	840,752	-
Payable After One Year	985,853	41,733	1,027,586	-
Net Other Post Employment Benefits (OPEB) Obligation	1,016,115	51,686	1,067,801	-
Total Liabilities	22,841,654	569,057	23,410,711	14,873,957
Net Position				
Net Investment in Capital Assets	118,166,525	65,181,465	183,347,990	63,457,396
Restricted for:				
Economic Development	685,671	-	685,671	-
Cable PEG Fees	54,499	-	54,499	-
Transit	941,469	-	941,469	-
Forfeiture	180,696	-	180,696	-
Debt Service	6,714,875	-	6,714,875	-
Component Units	-	-	-	8,796,628
Capital Improvements	1,877,028	-	1,877,028	-
Unrestricted	30,642,443	31,183,904	61,826,347	25,989,080
Total Net Position	159,263,206	96,365,369	255,628,575	98,243,104
Total Liabilities and Net Position	\$ 182,104,860	\$ 96,934,426	\$ 279,039,286	\$ 113,117,061

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, 2013**

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Governmental Activities							
General Government	\$ 4,704,956	\$ 811,809	\$ -	\$ (845,700)	\$ -	\$ (845,700)	\$ -
Public Safety	9,868,702	623,668	-	(7,543,159)	-	(7,543,159)	-
Public Works	7,578,493	398,903	689,424	(5,801,880)	-	(5,801,880)	-
Culture and Recreation	4,020,974	48,598	-	(1,959,940)	-	(1,959,940)	-
Economic Development	338,907	11,458	-	(309,449)	-	(309,449)	-
Interest on Long-Term Debt	573,949	-	-	(573,949)	-	(573,949)	-
Total Governmental Activities	27,085,981	1,894,436	689,424	(17,034,077)	-	(17,034,077)	-
Business-Type Activities							
Sewer	4,096,504	-	7,359	-	(1,084,319)	(1,084,319)	-
Storm Drainage	1,641,438	-	421	-	79,636	79,636	-
Total Business-Type Activities	5,737,942	-	7,780	-	(1,004,683)	(1,004,683)	-
Total Primary Government	\$ 32,823,923	\$ 1,894,436	\$ 697,204	(17,034,077)	(1,004,683)	(18,038,760)	-
Component Unit - SPUC							
Electric	\$ 37,624,206	\$ 40,983,517	\$ 128,334	-	-	-	3,487,645
Water	4,486,565	4,801,969	2,281,600	-	-	-	2,597,004
Total Component Unit	\$ 42,110,771	\$ 45,785,486	\$ 2,409,934	-	-	-	6,084,649
General Revenues							
Property Taxes				15,795,777	-	15,795,777	-
Tax Increments				113,796	-	113,796	-
Unrestricted Investment Earnings				40,589	53,431	94,020	55,522
Gain on Sale of Asset				256,600	-	256,600	-
Transfers				162,490	(162,490)	-	-
Total General Revenues and Transfers				16,369,252	(109,059)	16,260,193	55,522
Change in Net Position				(664,825)	(1,113,742)	(1,778,567)	6,140,171
Net Position - Beginning				159,928,031	97,479,111	257,407,142	92,414,711
Change in Accounting Principles				-	-	-	(311,778)
Net Assets - Beginning, As Restated				159,928,031	97,479,111	257,407,142	92,102,933
Net Position - Ending				\$ 159,263,206	\$ 96,365,369	\$ 255,628,575	\$ 98,243,104

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

CITY OF SHAKOPEE

**BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2013**

		<u>Debt Service</u>	<u>Capital Project</u>		
	<u>General Fund</u>	<u>2004A Improvement Bonds</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Investments	\$ 9,627,212	\$ 273,139	\$ 6,657,525	\$ 7,676,000	\$ 24,233,876
Cash with a Fiscal Agent	-	1,135,000	-	3,654,675	4,789,675
Delinquent Taxes Receivable	290,507	-	-	2,518	293,025
Special Assessments Receivable:					
Delinquent	4,448	-	131	17,944	22,523
Deferred	41,895	1,760,379	644,050	1,352,825	3,799,149
Accounts Receivable	287,333	-	180,039	389,300	856,672
Interest Receivable	50,484	733	18,426	30,754	100,397
Due from Other Funds	-	-	623	75,325	75,948
Due From Other Governments	384,277	-	-	8,325	392,602
Prepaid Items	16,440	-	-	-	16,440
	<u>10,702,596</u>	<u>3,169,251</u>	<u>7,500,794</u>	<u>13,207,666</u>	<u>34,580,307</u>
Total Assets	<u>\$ 10,702,596</u>	<u>\$ 3,169,251</u>	<u>\$ 7,500,794</u>	<u>\$ 13,207,666</u>	<u>\$ 34,580,307</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 428,021	\$ -	\$ 456,207	\$ 181,821	\$ 1,066,049
Contracts Payable	-	-	346,505	43,674	390,179
Due to Other Funds	-	-	-	75,948	75,948
Due to Other Governments	288,180	-	300,232	86,269	674,681
Salaries and Benefits Payable	556,556	-	-	-	556,556
Total Liabilities	<u>1,272,757</u>	<u>-</u>	<u>1,102,944</u>	<u>387,712</u>	<u>2,763,413</u>
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	290,507	-	-	2,518	293,025
Unavailable Revenue - Special Assessments	46,343	1,760,379	644,181	1,370,769	3,821,672
Total Deferred Inflows of Resources	<u>336,850</u>	<u>1,760,379</u>	<u>644,181</u>	<u>1,373,287</u>	<u>4,114,697</u>
Fund Balances					
Nonspendable	16,440	-	-	-	16,440
Restricted	-	1,408,872	-	11,217,486	12,626,358
Assigned	-	-	5,753,669	230,897	5,984,566
Unassigned	9,076,549	-	-	(1,716)	9,074,833
Total Fund Balances	<u>9,092,989</u>	<u>1,408,872</u>	<u>5,753,669</u>	<u>11,446,667</u>	<u>27,702,197</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,702,596</u>	<u>\$ 3,169,251</u>	<u>\$ 7,500,794</u>	<u>\$ 13,207,666</u>	<u>\$ 34,580,307</u>

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

CITY OF SHAKOPEE

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS December 31, 2013

Total Fund Balances - Governmental Funds \$ 27,702,197

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	164,028,415
Less Accumulated Depreciation	(66,075,442)

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

Long-term liabilities at year-end consist of:

Bond Principal Payable	(16,990,000)
Net OPEB Obligation	(1,016,115)

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	293,025
Special Assessments	22,523

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	3,799,149
------------------------------	-----------

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

(232,300)

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.

47,731,754

Total Net Position - Governmental Activities

\$ 159,263,206

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, 2013**

	General Fund	Debt Service 2004A Improvement Bonds	Capital Projects Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 15,587,147	\$ -	\$ -	150,616	\$ 15,737,763
Tax Increment	-	-	-	113,797	113,797
Special Assessments	10,990	199,409	294,727	425,205	930,331
Licenses and Permits	1,443,885	-	-	906,060	2,349,945
Intergovernmental	1,042,127	-	-	815,676	1,857,803
Charges for Services	4,304,786	-	-	278,765	4,583,551
Fines and Forfeitures	348,262	-	-	33,208	381,470
Miscellaneous	132,202	(3,403)	19,307	41,611	189,717
Total Revenues	<u>22,869,399</u>	<u>196,006</u>	<u>314,034</u>	<u>2,764,938</u>	<u>26,144,377</u>
EXPENDITURES					
Current					
General Government	3,320,067	-	-	1,175,595	4,495,662
Public Safety	9,677,697	-	-	53,710	9,731,407
Public Works	2,631,154	-	-	-	2,631,154
Culture and Recreation	3,769,778	-	-	1,290	3,771,068
Economic Development	-	-	-	340,904	340,904
Debt Service					
Principal	-	280,000	-	1,790,000	2,070,000
Interest and Other Charges	-	64,279	-	554,416	618,695
Capital Outlay					
Total Expenditures	<u>19,539,401</u>	<u>344,279</u>	<u>5,894,973</u>	<u>4,763,428</u>	<u>30,542,081</u>
Excess of Revenues Over (Under) Expenditures	3,329,998	(148,273)	(5,580,939)	(1,998,490)	(4,397,704)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Asset	150	-	-	-	150
Transfers In	150,000	100,000	3,041,971	1,598,838	4,890,809
Transfers Out	(3,910,000)	-	(388,838)	(241,971)	(4,540,809)
Total Other Financing Sources (Uses)	<u>(3,759,850)</u>	<u>100,000</u>	<u>2,653,133</u>	<u>1,356,867</u>	<u>350,150</u>
Net Change in Fund Balances	(429,852)	(48,273)	(2,927,806)	(641,623)	(4,047,554)
FUND BALANCES					
Beginning of Year	<u>9,522,841</u>	<u>1,457,145</u>	<u>8,681,475</u>	<u>12,088,290</u>	<u>31,749,751</u>
End of Year	<u>\$ 9,092,989</u>	<u>\$ 1,408,872</u>	<u>\$ 5,753,669</u>	<u>\$ 11,446,667</u>	<u>\$ 27,702,197</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, 2013**

Net Change in Fund Balances - Governmental Funds \$ (4,047,554)

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	6,477,446
Depreciation Expense	(4,516,666)
Loss on Disposal of Fixed Assets	(1,000)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities. 2,070,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 44,746

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	(2,171)
Special Assessments Deferred	(238,736)

OPEB obligations are recognized when paid in the government funds but recognized when incurred in the Statement of Activities (171,785)

Delinquent and deferred receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are not revenues in the funds. 58,014

Capital assets transferred from proprietary funds to governmental funds 12,490

Capital assets transferred from internal service funds to governmental funds 150,752

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.) (500,361)

Change in Net Position - Governmental Activities \$ (664,825)

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

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CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2013**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Property Taxes	\$ 14,579,000	\$ 15,587,147	\$ 1,008,147
Special Assessments	11,000	10,990	(10)
Licenses and Permits	1,316,700	1,443,885	127,185
Intergovernmental	755,500	1,042,127	286,627
Charges for Services	3,852,150	4,304,786	452,636
Fines and Forfeitures	425,000	348,262	(76,738)
Miscellaneous Revenues:			
Investment Income	225,000	(31,609)	(256,609)
Contributions and Donations	4,000	18,134	14,134
Rents	-	8,409	8,409
Other	86,500	137,268	50,768
Total Revenues	<u>21,254,850</u>	<u>22,869,399</u>	<u>1,614,549</u>
EXPENDITURES			
Current			
General Government	3,603,765	3,320,067	(283,698)
Public Safety	9,913,889	9,677,697	(236,192)
Public Works	2,883,328	2,631,154	(252,174)
Parks and Recreation	4,084,730	3,769,778	(314,952)
Capital Outlay			
General Government	-	29,434	29,434
Public Safety	-	87,613	87,613
Public Works	-	9,925	9,925
Park and Recreation	-	13,733	13,733
Total Expenditures	<u>20,485,712</u>	<u>19,539,401</u>	<u>(946,311)</u>
Excess of Revenues Over (Under) Expenditures	769,138	3,329,998	2,560,860
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Asset	-	150	150
Transfers In	150,000	150,000	-
Transfers Out	<u>(860,000)</u>	<u>(3,910,000)</u>	<u>(3,050,000)</u>
Total Other Financing Sources (Uses)	<u>(710,000)</u>	<u>(3,759,850)</u>	<u>(3,049,850)</u>
Net Change in Fund Balances	<u>\$ 59,138</u>	<u>(429,852)</u>	<u>\$ (488,990)</u>
FUND BALANCES			
Beginning of Year		<u>9,522,841</u>	
End of Year		<u>\$ 9,092,989</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, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Total	
ASSETS				
Current Assets				
Cash and Investments, Including Cash Equivalents	\$ 15,549,970	\$ 15,291,589	\$ 30,841,559	\$ 17,300,839
Accounts Receivable	-	61	61	-
Interest Receivable	64,778	64,653	129,431	76,157
Special Assessment Receivable:				
Delinquent	47,723	19	47,742	-
Deferred	109,704	94	109,798	-
Notes Receivable, Current	-	-	-	95,000
Due from Other Governments	328,174	133,176	461,350	-
Total Current Assets	<u>16,100,349</u>	<u>15,489,592</u>	<u>31,589,941</u>	<u>17,471,996</u>
Noncurrent Assets				
Capital Assets:				
Land	4,500	3,779,503	3,784,003	-
Right of Way	-	447,746	447,746	-
Construction in Progress	303,486	1,278,957	1,582,443	-
Line Rights	1,368,569	-	1,368,569	-
Infrastructure	38,693,101	38,650,219	77,343,320	2,923,925
Buildings	-	-	-	34,548,576
Machinery and Equipment	1,832,385	982,273	2,814,658	12,433,189
Total Cost	42,202,041	45,138,698	87,340,739	49,905,690
Less Accumulated Depreciation	(11,364,153)	(10,795,121)	(22,159,274)	(17,567,138)
Net Capital Assets	<u>30,837,888</u>	<u>34,343,577</u>	<u>65,181,465</u>	<u>32,338,552</u>
Total Assets	<u>\$ 46,938,237</u>	<u>\$ 49,833,169</u>	<u>\$ 96,771,406</u>	<u>\$ 49,810,548</u>
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts Payable	\$ 320,843	\$ 36,799	\$ 357,642	123,315
Contracts Payable	-	13,793	13,793	-
Due to Other Governments	52,692	17,365	70,057	-
Current Compensated Absences	24,177	9,969	34,146	806,606
Total Current Liabilities	<u>397,712</u>	<u>77,926</u>	<u>475,638</u>	<u>929,921</u>
Noncurrent Liabilities				
Compensated Absences	29,549	12,184	41,733	985,853
Net OPEB Obligation	25,843	25,843	51,686	-
Total Noncurrent Liabilities	<u>55,392</u>	<u>38,027</u>	<u>93,419</u>	<u>985,853</u>
Total Liabilities	<u>453,104</u>	<u>115,953</u>	<u>569,057</u>	<u>1,915,774</u>
Net Position				
Net Investment in Capital Assets	30,837,888	34,343,577	65,181,465	32,338,552
Unrestricted	15,647,245	15,373,639	31,020,884	15,556,222
Total Net Position	<u>46,485,133</u>	<u>49,717,216</u>	<u>96,202,349</u>	<u>47,894,774</u>
Total Liabilities and Net Position	<u>\$ 46,938,237</u>	<u>\$ 49,833,169</u>		<u>\$ 49,810,548</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2c)			<u>163,020</u>	
Total Business-Type Activities Net Position			<u>\$ 96,365,369</u>	

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

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2013**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Total	
OPERATING REVENUES				
Charges for Services	\$ 2,973,474	\$ 1,047,160	\$ 4,020,634	\$ -
Rental Charges	-	-	-	2,016,943
Other Charges	-	-	-	2,497
Total Operating Revenues	2,973,474	1,047,160	4,020,634	2,019,440
OPERATING EXPENSES				
Salaries and Benefits	260,310	459,048	719,358	48,955
Depreciation	732,940	695,761	1,428,701	1,897,336
Professional Services	97,192	57,031	154,223	41,593
Sewer Disposal Charges	2,800,405	-	2,800,405	-
Repairs and Maintenance	51,086	258,808	309,894	67,451
Materials and Supplies	27,392	67,091	94,483	360,109
Rent	38,610	44,228	82,838	-
Insurance	25,924	22,178	48,102	-
Utilities	88,547	792	89,339	-
Total Operating Expenses	4,122,406	1,604,937	5,727,343	2,415,444
Operating Loss	(1,148,932)	(557,777)	(1,706,709)	(396,004)
NONOPERATING REVENUES (EXPENSES)				
Investment Income	22,679	30,750	53,429	40,582
Gain (Loss) on Sale of Asset	-	(62,403)	(62,403)	256,450
Capital Asset Transfer	-	(12,490)	(12,490)	(150,752)
Other Income	31,352	673,495	704,847	1,167
Total Nonoperating Revenues (Expenses)	54,031	629,352	683,383	147,447
Income before Capital Contributions and Transfers	(1,094,901)	71,575	(1,023,326)	(248,557)
Capital Contributions	7,359	421	7,780	-
Transfers In	-	-	-	250,000
Transfers Out	(75,000)	(75,000)	(150,000)	(450,000)
Change in Net Position	(1,162,542)	(3,004)	(1,165,546)	(448,557)
NET POSITION				
Beginning of Year	47,647,675	49,720,220	97,367,895	48,343,331
End of Year	\$ 46,485,133	\$ 49,717,216	\$ 96,202,349	\$ 47,894,774
Adjustment to Reflect the Consolidation of Internal Service Fund Activity Related to Enterprise Funds (See Note 2d)			51,804	
Change in Net Position - Business-Type Activities			\$ (1,113,742)	

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, 2013**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Storm Drainage	Total	
CASH FLOWS - OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 3,397,762	\$ 1,335,302	\$ 4,733,064	\$ 2,019,440
Payments to Suppliers	(3,279,070)	(423,950)	(3,703,020)	(543,019)
Payments to Employees	(252,613)	(452,313)	(704,926)	917
Net Cash Flows - Operating Activities	(133,921)	459,039	325,118	1,477,338
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES				
Transfer from Other Funds	-	-	-	250,000
Transfer to Other Funds	(75,000)	(75,000)	(150,000)	(450,000)
Net Cash Flows - Noncapital Financing Activities	(75,000)	(75,000)	(150,000)	(200,000)
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES				
Trunk Charges	31,352	673,495	704,847	1,167
Capital Related Special Assessments	4,481	643	5,124	-
Proceeds from Disposal of Capital Assets	-	-	-	341,400
Acquisition of Capital Assets	(710,299)	(1,850,170)	(2,560,469)	(914,773)
Net Cash Flows - Capital and Related Financing Activities	(674,466)	(1,176,032)	(1,850,498)	(572,206)
CASH FLOWS - INVESTING ACTIVITIES				
Payment Received for Notes Receivable	-	-	-	95,000
Interest Received	29,389	35,747	65,136	37,423
Net Cash Flows - Investing Activities	29,389	35,747	65,136	132,423
Net Change in Cash and Cash Equivalents	(853,998)	(756,246)	(1,610,244)	837,555
CASH AND CASH EQUIVALENTS				
Beginning of Year	16,403,968	16,047,835	32,451,803	16,463,284
End of Year	\$ 15,549,970	\$ 15,291,589	\$ 30,841,559	\$ 17,300,839
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (1,148,932)	\$ (557,777)	\$ (1,706,709)	\$ (396,004)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:				
Depreciation Expense	732,940	695,761	1,428,701	1,897,336
Changes in:				
Accounts Receivable	-	(61)	(61)	-
Due from Other Governments	424,288	288,203	712,491	-
Due to Other Governments	(452,634)	1,492	(451,142)	(4,011)
Accounts and Contracts Payable	302,720	24,686	327,406	(69,855)
Compensated Absences Payable	3,669	2,707	6,376	49,872
Net OPEB Obligation	4,028	4,028	8,056	-
Total Adjustments	1,015,011	1,016,816	2,031,827	1,873,342
Net Cash Flows - Operating Activities	\$ (133,921)	\$ 459,039	\$ 325,118	\$ 1,477,338
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Transfer of Capital Assets	\$ -	\$ (12,490)	\$ (12,490)	\$ (150,752)

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

CITY OF SHAKOPEE

COMBINED STATEMENT OF FIDUCIARY NET POSITION
December 31, 2013

	<u>Total Agency Funds</u>
ASSETS	
Current	
Cash and Investments	\$ 2,507,391
Interest Receivable	2,763
Due from Other Governments	<u>41,155</u>
 Total Assets	 <u><u>\$ 2,551,309</u></u>
 LIABILITIES	
Accounts Payable	\$ 588,530
Deposits Payable	1,948,303
Due to Other Governments	<u>14,476</u>
 Total Liabilities	 <u><u>\$ 2,551,309</u></u>

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

CITY OF SHAKOPEE

STATEMENT OF NET POSITION - COMPONENT UNIT - SPUC
December 31, 2013

	Electric	Water	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 20,981,443	\$ 4,529,007	\$ 25,510,450
Restricted Assets:			
Sinking Account	512,961	-	512,961
Accrued Interest Receivable	20,947	6,867	27,814
Customer Accounts Receivable	2,997,870	256,832	3,254,702
Allowance for Uncollectible Accounts	(34,312)	(7,579)	(41,891)
Other Accounts Receivable	51,981	16,383	68,364
Due from City of Shakopee	54,323	125,647	179,970
Inventory	966,794	34,702	1,001,496
Prepaid Expenses	48,414	16,138	64,552
Total Current Assets	<u>25,600,421</u>	<u>4,977,997</u>	<u>30,578,418</u>
Noncurrent Assets			
Restricted Assets:			
Customer Deposits Account	1,108,865	10,804	1,119,669
Connection Account	-	8,118,269	8,118,269
Water Reconstruction Account	-	330,026	330,026
Emergency Repairs Account	100,000	-	100,000
Capital Assets:			
Plant in Service	54,369,897	48,350,704	102,720,601
Accumulated Depreciation	(17,445,546)	(13,691,653)	(31,137,199)
Construction in Progress	795,711	86,866	882,577
Other Assets:			
Electric Plant Acquisition, Net	175,960	-	175,960
Total Noncurrent Assets	<u>39,104,887</u>	<u>43,205,016</u>	<u>82,309,903</u>
Total Assets	<u>64,705,308</u>	<u>48,183,013</u>	<u>112,888,321</u>
Deferred Outflows of Resources			
Deferral on Refunding	228,740	-	228,740
Total Assets and Deferred Outflows of Resources	<u>\$ 64,934,048</u>	<u>\$ 48,183,013</u>	<u>\$ 113,117,061</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 2,982,930	\$ 279,949	\$ 3,262,879
Due to City of Shakopee	432,709	72,516	505,225
Other Current Liabilities	177,365	84,855	262,220
Total Current Liabilities	<u>3,593,004</u>	<u>437,320</u>	<u>4,030,324</u>
Liabilities Payable from Restricted Assets			
Current Portion of Revenue Bonds	380,000	-	380,000
Accrued Interest Payable	164,628	-	164,628
Customer Deposits	1,108,865	10,804	1,119,669
Total Liabilities Payable from Restricted Assets	<u>1,653,493</u>	<u>10,804</u>	<u>1,664,297</u>
Noncurrent Liabilities			
Revenue Bonds	8,815,000	-	8,815,000
Unamortized Bond Discount	(59,162)	-	(59,162)
Unearned Revenues	2,543	-	2,543
Customer Advances	332,449	88,506	420,955
Total Noncurrent Liabilities	<u>9,090,830</u>	<u>88,506</u>	<u>9,179,336</u>
Total Liabilities	<u>14,337,327</u>	<u>536,630</u>	<u>14,873,957</u>
Net Position			
Investment in Capital Assets	28,711,479	34,745,917	63,457,396
Restricted for Debt Service	348,333	-	348,333
Restricted for Connections & Reconstruction	-	8,448,295	8,448,295
Unrestricted	21,536,909	4,452,171	25,989,080
Total Net Position	<u>50,596,721</u>	<u>47,646,383</u>	<u>98,243,104</u>
Total Liabilities and Net Position	<u>\$ 64,934,048</u>	<u>\$ 48,183,013</u>	<u>\$ 113,117,061</u>

CITY OF SHAKOPEE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - COMPONENT UNIT - SPUC
For the Year Ended December 31, 2013**

	Electric	Water	Total
Operating Revenues	\$ 40,721,561	\$ 4,683,461	\$ 45,405,022
Operating Expenses	35,228,261	3,485,839	38,714,100
Operating Income	5,493,300	1,197,622	6,690,922
NONOPERATING REVENUES (EXPENSES)			
Rentals and Miscellaneous	171,956	118,508	290,464
Interdepartmental Rent from Water	90,000	-	90,000
Investment Income	44,541	10,981	55,522
Interest Expense	(427,900)	(2,513)	(430,413)
Amortization of Debt Issuance Costs and Loss on Refunding	(720,911)	(61,140)	(782,051)
Gain(Loss) on Disposition of Property	1,537	-	1,537
Total Nonoperating Revenues (Expenses)	(840,777)	65,836	(774,941)
Income Before Contributions and Transfers	4,652,523	1,263,458	5,915,981
Capital Contributions	128,334	2,281,600	2,409,934
Transfers to Municipality	(1,248,671)	(937,073)	(2,185,744)
Change in Net Position	3,532,186	2,607,985	6,140,171
NET POSITION			
Beginning of Year	47,364,330	45,050,381	92,414,711
Change in Accounting Principle	(299,795)	(11,983)	(311,778)
Beginning of Year, as Restated	47,064,535	45,038,398	92,102,933
End of Year	\$ 50,596,721	\$ 47,646,383	\$ 98,243,104

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

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CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

1. Blended Component Unit

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

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity (Continued)

2. Discretely Presented Component Unit

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

3. Joint Ventures and Jointly Governed Organizations

Local Government Information Systems

Local Government Information Systems (LOGIS) is a joint venture of approximately 44 governmental entities that provides computerized data processing and support services to its members. Legally separate, the City does not appoint a voting majority of the Board and LOGIS is fiscally independent of the City. During 2013, the City paid \$ 130,643 to LOGIS for services provided which is included in expenditures of the General Fund. Financial statements are available by contacting LOGIS, 5750 Duluth Street, Golden Valley, Minnesota 55422-4036.

Scott Joint Prosecution Association

Scott Joint Prosecution Association (SJPA) is a joint venture of approximately seven cities that provides legal prosecution and support services to its members. Legally separate, the City does not appoint a voting majority of the Board of Directors and the SJPA is fiscally independent of the City. During 2013, the City paid \$ 413,610 to the SJPA for services provided which is included in expenditures of the General Fund. Financial statements are available by contacting the SJPA, 200 Fourth Avenue West, Shakopee, Minnesota 55379.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity (Continued)

4. Other Organizations

Shakopee Volunteer Fire Department Relief Association

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Description of Funds:

Major Governmental Funds:

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

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

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

Proprietary Funds:

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

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

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Funds: (Continued)

Internal Service Funds:

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

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

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

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

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

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

Fiduciary Funds:

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

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

Component Unit Funds:

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

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

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

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

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

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

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

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Deposits and Investments (Continued)

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

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. *Minnesota Statutes* 118A.04 and 188A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy references *Minnesota Statutes* and further limits the types of investments that the City is allowed to invest in. The component unit's investment policy also defines suitable and authorized investments and related minimum ratings.

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

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

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

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Deposits and Investments (Continued)

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

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

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states all securities purchased, including appropriate collateral, shall be placed with an independent third party for custodial safekeeping.

2. Receivables and Payables

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

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

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

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

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2. Receivables and Payables (Continued)

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

3. Inventory, Prepaid Items and Other Assets

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

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

4. Restricted Assets

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

5. Capital Assets

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

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

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5. Capital Assets (Continued)

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

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

6. 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 Component Unit only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position- component unit - SPUC. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The 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. 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.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

7. 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.

8. 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.

9. Fund Equity

a. Classification

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

9. Fund Equity (Continued)

a. Classification (Continued)

assigned to a specific purpose in the General Fund. The City's policy is to consider unrestricted fund balance to be spent by City Council action, appropriations or emergency situations.

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

b. Minimum Fund Balance

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

10. Net Position

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

11. 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, 2013**

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	\$ 47,894,774
Less Portion Loss Related to Business- Type Activities	<u>\$ (163,020)</u>
Net Adjustment to Increase Fund Balance- Total Governmental Funds to Arrive at Net Position- Governmental Activities	<u>\$ 47,731,754</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	\$ (448,557)
Less the Net of Indirect Revenues and Expense	<u>\$ (51,804)</u>
Net Adjustment to Decrease Net Change in Fund Balances - Total Government Funds to Arrive at Changes in Net position of Government Activities	<u>\$ (500,361)</u>

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

The proprietary fund Statement of Net Position includes reconciliation between net position – total enterprise funds and net position of business-type activities as reported in the government-wide Statement of Net Position. The description of the sole reconciliation is “adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.” The details of this \$ 163,020 are as follows:

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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

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

Internal Payable Representing Costs less than Charges to Business- Type Activities- Current Year	<u>\$ 163,020</u>
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D. Explanation of Certain Differences between the Proprietary Fund Statements of Revenues, Expenses, and Changes in Fund Net Position and the Government-Wide Statement of Activities

Net adjustment to Increase Net Change in Fund Balances- Total Enterprise Funds to Arrive at Changes in Net Position of Business- Type Activities	<u>\$ 51,804</u>
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NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information (Continued)

6. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted.

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk: As of December 31, 2013, the City and Commission’s bank balances were not exposed to custodial credit risk because they were insured through Federal Deposit Insurance Corporation (FDIC) and properly collateralized with securities held by the pledging financial institutions’ trust departments or agents in the City’s name.

As of December 31, 2013, the City had the following deposits:

City Deposits	\$ 1,574,227
Component Unit Deposits	<u>9,702,690</u>
 Total Deposits	 <u><u>\$ 11,276,917</u></u>

B. Investments

As of December 31, 2013, the City held the following investments:

	Fair Value	Years to Maturity				Concentration	Moody's Rating
		Less than One Year	1-5 Years	5-10 Years	10-15 Years		
4M	\$ 4,483	\$ 4,483	\$ -	\$ -	\$ -	0.01%	Aaa
4M Plus	998	998	-	-	-	0.00%	Aaa
Certificate of Deposit	7,526,709	2,980,632	4,546,077	-	-	10.27%	NR
Commercial Paper	999,960	999,960	-	-	-	1.36%	NR
Money Market Fund	7,918,204	7,918,204	-	-	-	10.79%	NR
Mortgage							
FAMC	650,164	-	650,164	-	-	0.89%	AA1
FFCB	6,321,412	1,409,357	4,912,055	-	-	8.62%	Aaa
FHLB	13,399,183	4,001,920	5,046,438	2,410,845	1,939,980	18.28%	Aaa
FHLMC	8,054,617	-	6,135,039	1,392,386	527,192	10.99%	Aaa
FNMA	7,769,610	696	7,465,238	303,676	-	10.60%	NR
GNMA	11,246	11,246	-	-	-	0.02%	NR
Municipal Bond	11,054,280	3,583,743	3,921,323	3,549,214	-	15.08%	Aaa-A1
US Treasury Notes	9,592,633	4,524,850	5,067,783	-	-	13.09%	Aaa
 Total Investments	 <u><u>\$ 73,303,499</u></u>	 <u><u>\$ 25,436,089</u></u>	 <u><u>\$ 37,744,117</u></u>	 <u><u>\$ 7,656,121</u></u>	 <u><u>\$ 2,467,172</u></u>	 100.00%	

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

As of December 31, 2013, the City held the following cash with fiscal agent:

	Fair Value	Years to Maturity		Moody's Rating	Concentration
		Less than One Year	1-5 Years		
Money Market Fund	\$ 2	\$ 2	\$ -	NR	0.00%
Time Deposit	4,789,673	1,179,429	3,610,244	NR	100.00%
Total Cash with Fiscal Agent	<u>\$ 4,789,675</u>	<u>\$ 1,179,431</u>	<u>\$ 3,610,244</u>		100.00%

As of December 31, 2013, the component units had the following investments:

	Fair Value	Years to Maturity		Rating	Concentration
		Less than One Year	1-5 Years		
US Agencies	\$ 13,752,874	\$ 5,553,665	\$ 8,199,209	AAA	52.92%
U.S. Treasuries	4,256,905	2,301,016	1,955,889	AAA	16.38%
4M Fund	7,889,108	7,889,108	-	N/A	30.36%
Money Market Fund	88,098	88,098	-	N/A	0.34%
Total	<u>\$ 25,986,985</u>	<u>\$ 15,831,887</u>	<u>\$ 10,155,098</u>		100.00%

Custodial Credit Risk – Investments: As of December 31, 2013, all investments of the City and the component units were insured, registered and held by the City or its agent and in the City's name, or by the SPUC and in the SPUC's name.

Concentration of Credit Risk: As of December 31, 2013, 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, 2013.

The following is a summary of total deposits and investments as of December 31, 2013:

Deposits (Note 3.A.)	\$ 11,276,917
City Investments	73,303,499
City Investment with Fiscal Agent	4,789,675
Component Unit Investments	25,986,985
City Petty Cash	5,939
Component Unit Petty Cash	1,700
Total Deposits and Investments	<u>\$ 115,364,715</u>

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Deposits and investments are presented in the December 31, 2013 basic financial statements as follows:

	City Funds	Component Units	Total
Statement of Net Position:			
Cash and Investments	\$ 72,376,274	\$ 25,510,450	\$ 97,886,724
Cash with Fiscal Agent	4,789,675	-	4,789,675
Restricted Assets	-	10,180,925	10,180,925
Statement of Fiduciary Net Position:			
Cash and Investments	2,507,391	-	2,507,391
 Total	 <u>\$ 79,673,340</u>	 <u>\$ 35,691,375</u>	 <u>\$ 115,364,715</u>

NOTE 5 – RECEIVABLES/UNAVAILABLE REVENUE

A. Taxes and Assessments

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

	Delinquent Property Taxes	Delinquent Special Assessments	Deferred Special Assessments	Total
General Fund	\$ 290,507	\$ 4,448	\$ 41,895	\$ 336,850
2004A Improvement Bonds	-	-	1,760,379	1,760,379
Capital Improvements	-	131	644,050	644,181
Nonmajor Funds	2,518	17,944	1,352,825	1,373,287
 Total	 <u>\$ 293,025</u>	 <u>\$ 22,523</u>	 <u>\$ 3,799,149</u>	 <u>\$ 4,114,697</u>

B. Notes Receivable

The Equipment Internal Service Fund has a note receivable with the Scott County HRA that originated in 1998 as a result of the River City Centre Development Project. This note has an interest rate of 6.75% and will be paid in full in February 2014. At December 31, 2013, the note's balance was \$ 95,000. During 2013, \$ 95,000 of principal and \$ 9,619 of interest was paid.

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2013 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	\$ 20,023,040	\$ -	\$ 1,000	\$ 20,022,040
Construction in Progress	<u>3,841,256</u>	<u>3,273,445</u>	<u>3,614,772</u>	<u>3,499,929</u>
Total Capital Assets not being Depreciated	<u>23,864,296</u>	<u>3,273,445</u>	<u>3,615,772</u>	<u>23,521,969</u>
Capital Assets being Depreciated:				
Buildings	34,987,146	2,937,763	371,129	37,553,780
Infrastructure	134,908,129	3,898,620	-	138,806,749
Machinery and Equipment	<u>13,851,200</u>	<u>1,174,279</u>	<u>973,872</u>	<u>14,051,607</u>
Total Capital Assets being Depreciated	<u>183,746,475</u>	<u>8,010,662</u>	<u>1,345,001</u>	<u>190,412,136</u>
Less Accumulated Depreciation for:				
Buildings	10,353,160	868,355	349,797	10,871,718
Infrastructure	61,200,798	4,505,585	-	65,706,383
Machinery and Equipment	<u>6,670,045</u>	<u>1,040,062</u>	<u>645,628</u>	<u>7,064,479</u>
Total Accumulated Depreciation	<u>78,224,003</u>	<u>6,414,002</u>	<u>995,425</u>	<u>83,642,580</u>
Total Capital Assets being Depreciated, Net	<u>105,522,472</u>	<u>1,596,660</u>	<u>349,576</u>	<u>106,769,556</u>
Governmental Activities Capital Assets, Net	<u>\$ 129,386,768</u>	<u>\$ 4,870,105</u>	<u>\$ 3,965,348</u>	<u>\$ 130,291,525</u>

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

Governmental Activities:	
General Government	\$ 210,533
Public Safety	658,977
Public Works	4,741,156
Parks and Recreation	<u>803,336</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,414,002</u>

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 – CAPITAL ASSETS

Business-type capital asset activity for the year ended December 31, 2013 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 3,783,603	\$ 400	\$ -	\$ 3,784,003
Right-Of-Way	235,777	211,969	-	447,746
Construction in Progress	<u>1,288,695</u>	<u>1,374,856</u>	<u>1,081,108</u>	<u>1,582,443</u>
Total Capital Assets not being Depreciated	<u>5,308,075</u>	<u>1,587,225</u>	<u>1,081,108</u>	<u>5,814,192</u>
Capital Assets being Depreciated:				
Line Rights	1,368,569	-	-	1,368,569
Plant in Service	75,676,291	1,667,029	-	77,343,320
Machinery and Equipment	<u>2,622,209</u>	<u>493,481</u>	<u>301,032</u>	<u>2,814,658</u>
Total Capital Assets being Depreciated	<u>79,667,069</u>	<u>2,160,510</u>	<u>301,032</u>	<u>81,526,547</u>
Less Accumulated Depreciation for:				
Line Rights	477,560	24,733	-	502,293
Plant in Service	19,079,556	1,240,975	-	20,320,531
Machinery and Equipment	<u>1,293,438</u>	<u>162,993</u>	<u>119,981</u>	<u>1,336,450</u>
Total Accumulated Depreciation	<u>20,850,554</u>	<u>1,428,701</u>	<u>119,981</u>	<u>22,159,274</u>
Total Capital Assets being Depreciated, Net	<u>58,816,515</u>	<u>731,809</u>	<u>181,051</u>	<u>59,367,273</u>
Business-Type Activities Capital Assets, Net	<u>\$ 64,124,590</u>	<u>\$ 2,319,034</u>	<u>\$ 1,262,159</u>	<u>\$ 65,181,465</u>

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

Business-Type Activities:	
Sanitary Sewer	\$ 732,940
Storm Drainage	<u>695,761</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,428,701</u>

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 – CAPITAL ASSETS

Component unit capital asset activity for the year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component Unit Capital Assets not being Depreciated:				
Land and Land Rights	\$ 5,097,532	\$ -	\$ -	\$ 5,097,532
Construction in Progress	137,942	3,095,280	2,350,645	882,577
Total Capital Assets not being Depreciated	<u>5,235,474</u>	<u>3,095,280</u>	<u>2,350,645</u>	<u>5,980,109</u>
Capital Assets being Depreciated:				
Distribution	82,236,075	1,749,613	128,633	83,857,055
General	13,338,656	485,876	58,518	13,766,014
Total Capital Assets being Depreciated	<u>95,574,731</u>	<u>2,235,489</u>	<u>187,151</u>	<u>97,623,069</u>
Less Accumulated Depreciation	<u>28,392,535</u>	<u>2,879,376</u>	<u>134,712</u>	<u>31,137,199</u>
Total Capital Assets being Depreciated, Net	<u>67,182,196</u>	<u>(643,887)</u>	<u>52,439</u>	<u>66,485,870</u>
Component Unit Capital Assets, Net	<u>\$ 72,417,670</u>	<u>\$ 2,451,393</u>	<u>\$ 2,403,084</u>	<u>\$72,465,979</u>

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

Component Units:	
Electric	\$ 1,746,834
Water	<u>1,132,542</u>
Total Depreciation Expense - Component Units	<u>\$ 2,879,376</u>

NOTE 7 – LONG-TERM DEBT

A. General Obligation Bonds

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

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

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 – LONG-TERM DEBT

B. Revenue Bonds

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

C. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Governmental Activities:						
G.O. Bonds:						
G.O. Improvement Bonds:						
2004A	05/01/04	2.25%-4.10%	\$ 4,225,000	02/01/25	\$ 1,385,000	\$ 1,385,000
2004C	11/01/04	3.00%-4.00%	2,570,000	02/01/15	515,000	255,000
2006A	07/01/06	4.00%	3,440,000	02/01/17	1,470,000	360,000
2007A	02/01/07	4.00%	1,370,000	02/01/17	620,000	160,000
2007B	09/01/07	4.00%	1,445,000	02/01/18	755,000	145,000
2008A	09/01/08	3.50%-4.00%	2,170,000	02/01/19	1,230,000	195,000
2010A	08/01/10	0.50%-2.90%	1,555,000	02/01/21	1,150,000	185,000
G.O. Building Refunding						
Bonds 2004B	05/01/04	2.25%-4.00%	2,275,000	02/01/17	860,000	200,000
G.O. Capital Improvement						
Bonds 2004D	11/01/04	2.50%-4.20%	6,000,000	02/01/25	4,140,000	275,000
G.O. Building Refunding						
Bonds 2012A	06/14/12	1.50%-2.125%	4,865,000	02/01/25	4,865,000	-
Total G.O. Bonds					<u>16,990,000</u>	<u>3,160,000</u>
Compensated Absences						
					<u>1,792,459</u>	<u>806,606</u>
Total Governmental						
Activities						
					<u>\$ 18,782,459</u>	<u>\$ 3,966,606</u>
Business-Type Activities						
Compensated Absences						
					<u>\$ 75,879</u>	<u>\$ 34,146</u>
Component Unit Long-Term Liabilities:						
Utility Revenue Bonds:						
Series 2006A Crossover Refunding Bonds	11/21/06	4.125%-4.375%	10,570,000	02/01/30	\$ 9,195,000	\$ 380,000
Unamortized Discounts						
					<u>(59,162)</u>	<u>-</u>
Total Component Unit Long-Term Liabilities						
					<u>\$ 9,135,838</u>	<u>\$ 380,000</u>

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

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 – LONG-TERM DEBT

D. Changes in Long-Term Liabilities

Long-term liability information for the year ended December 31, 2013 was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 19,060,000	\$ -	\$ 2,070,000	\$ 16,990,000	\$ 3,160,000
Compensated Absences	<u>1,742,587</u>	<u>966,679</u>	<u>916,807</u>	<u>1,792,459</u>	<u>806,606</u>
Total Governmental Activities	<u>\$ 20,802,587</u>	<u>\$ 966,679</u>	<u>\$ 2,986,807</u>	<u>\$ 18,782,459</u>	<u>\$ 3,966,606</u>
Business-Type Activities					
Compensated Absences	<u>\$ 69,503</u>	<u>\$ 43,391</u>	<u>\$ 37,015</u>	<u>\$ 75,879</u>	<u>\$ 34,146</u>
Component Unit Activities:					
G.O. Utility Revenue Bonds	\$ 18,285,000	\$ -	\$ 9,090,000	\$ 9,195,000	\$ 380,000
Unamortized Discounts	<u>(438,145)</u>	<u>-</u>	<u>(378,983)</u>	<u>(59,162)</u>	<u>-</u>
Total Component Unit Activities	<u>\$ 17,846,855</u>	<u>\$ -</u>	<u>\$ 8,711,017</u>	<u>\$ 9,135,838</u>	<u>\$ 380,000</u>

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

E. Governmental Activity G.O. Bonds

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

<u>Year Ending December 31,</u>	<u>Governmental Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,160,000	\$ 500,959	\$ 3,660,959
2015	5,615,000	329,425	5,944,425
2016	1,685,000	192,723	1,877,723
2017	1,685,000	139,200	1,824,200
2018	955,000	98,893	1,053,893
2019-2023	2,930,000	236,170	3,166,170
2024-2028	<u>960,000</u>	<u>20,100</u>	<u>980,100</u>
Total	<u>\$ 16,990,000</u>	<u>\$ 1,517,470</u>	<u>\$ 18,507,470</u>

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 – LONG-TERM DEBT

F. Component Unit Revenue Bonds

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

<u>Year Ending December 31,</u>	<u>Utility Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 380,000	\$ 387,269	\$ 767,269
2015	390,000	371,388	761,388
2016	410,000	354,888	764,888
2017	425,000	337,400	762,400
2018	445,000	318,912	763,912
2019-2023	2,510,000	1,289,943	3,799,943
2024-2028	3,145,000	682,391	3,827,391
2029-2030	1,490,000	66,062	1,556,062
Total	<u><u>\$ 9,195,000</u></u>	<u><u>\$ 3,808,253</u></u>	<u><u>\$ 13,003,253</u></u>

G. Refunding

In June 2012, the City issued \$ 4,865,000 G.O. Improvement Refunding Bonds to refund G.O. Bonds, Series 2004A, maturing in years 2014 through 2025 and G.O. Bonds, Series 2004D, maturing in years 2015 through 2025. The net proceeds of \$ 4,951,424 were deposited with an escrow agent to provide for the payment of the principal maturities at the call date of the refunded bonds and for the interest on the refunding bonds through the call date. The City is responsible for the principal and interest payments on the remaining refunded bond issues through the call date. The call date for the refunded G.O. Bonds, Series 2004A is February 1, 2014 and the call date for the refunded G.O. Bonds, Series 2004D is February 1, 2015. The refunding resulted in reduction of future debt service payments of \$ 442,330 and a net present value savings of \$ 387,886.

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 8 – CONDUIT DEBT OBLIGATIONS

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

As of December 31, 2013, the following conduit debt was outstanding:

Project	Date of Issue	Original Amount of Issue	Balance Outstanding
Scott County CDA Housing Development 2006D Refunding- River City Center Project	07/15/06	\$ 905,000	\$ 575,000
Scott County CDA Housing Development 2013A Refunding- River City Center Project	12/01/13	2,330,000	2,330,000
Scott County CDA Housing Development 2013E Refunding- River City Center Project	12/01/13	1,220,000	1,220,000
Scott County CDA Housing Development 2012A Refunding- North Ridge Court Redevelopment	04/26/12	5,885,000	5,780,000
St. Francis Regional Medical Center Health Care Facilities Revenue Bond Series 2004	10/06/04	51,520,000	48,235,000
St. Francis Regional Medical Center Health Care Facilities Revenue Bond Series 1987	12/23/87	8,000,000	2,635,000
Total			<u>\$ 50,870,000</u>

NOTE 9 – PAY AS YOU GO TAX INCREMENT FINANCING AGREEMENTS

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

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

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 10 – INTERFUND ASSETS/LIABILITIES

The composition of interfund balances as of December 31, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Improvements	Nonmajor Governmental Funds	\$ 623
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>75,325</u>
	Total	<u><u>\$ 75,948</u></u>

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

NOTE 11 – INTERFUND TRANSFERS

	Transfer In					Total
	General Fund	2004 A Improvement Bonds	Capital Improvements	Other Governmental Funds	Internal Service Fund	
Transfers Out:						
General Fund	\$ -	\$ 100,000	\$ 2,800,000	\$ 760,000	\$ 250,000	\$ 3,910,000
Capital Improvements	-	-	-	388,838	-	388,838
Other Governmental Funds	-	-	241,971	-	-	241,971
Sewer Fund	75,000	-	-	-	-	75,000
Storm Drainage Fund	75,000	-	-	-	-	75,000
Internal Service Fund	-	-	-	450,000	-	450,000
Total	<u>\$ 150,000</u>	<u>\$ 100,000</u>	<u>\$ 3,041,971</u>	<u>\$ 1,598,838</u>	<u>\$ 250,000</u>	<u>\$ 5,140,809</u>

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

NOTE 12 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and reinsures through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles ranges from \$ 2,500 to \$ 5,000 and is considered immaterial to the financial statements.

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

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

NOTE 12 – RISK MANAGEMENT

Through the pool, the City is subject to reassessment but due to reserves and reinsurance contracts, the likelihood is very low. The policy limits through the pool included \$ 2,000,000 aggregate for liability, \$ 1,500,000 for automobile coverage, \$ 500,000 faithful performance employee bonding and \$ 1,000,000 for universal umbrella coverage. Property coverage is at approximately \$ 91,000,000.

NOTE 13 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association

A. Plan Description

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

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

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all GERF and PEPFF members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

NOTE 13 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

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

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

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. In 2013, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members and 14.4% for PEPFF members. The City's contributions to the Public Employees' Retirement Fund for the years ending December 31, 2013, 2012 and 2011 were \$ 372,656, \$ 349,790 and \$ 353,579, respectively. The City's contributions to the PEPFF for the years ending December 31, 2013, 2012 and 2011 were \$ 548,485, \$ 529,799 and \$ 500,257, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 14 – DEFINED CONTRIBUTION PLAN – STATE-WIDE

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

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 14 – DEFINED CONTRIBUTION PLAN – STATE-WIDE

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes* Chapter 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official’s employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and four-tenths of 1% of the assets in each member’s account annually.

Total contributions made by the City during year 2013 were:

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

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

A. Plan Description

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

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

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

B. Funding Policy

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

Contributions totaling \$ 340,900 (\$ 114,007 City of Shakopee and \$ 226,893 State of Minnesota) were made in accordance with contribution requirements as of December 31, 2013. These contributions were entirely for normal service cost.

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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

B. Funding Policy (Continued)

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

Validation Date	December 31, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level annual dollar closed
Remaining Amortization Period:	
Normal Cost	20 years
Prior Service Cost	10 years
Asset Valuation Method	Market
Actuarial Assumptions:	
Investment Rate of Return	4%
Projected Salary Increases	N/A
Includes Inflation at	N/A
Cost of Living Adjustments	None

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	
12/31/11	\$ 509,553	100%	\$ -	
12/31/12	313,118	100%	-	
12/31/13	340,900	100%	-	

<u>Valuation Date</u>	<u>Satatury Value of Assets</u>	<u>Statutory Accrued Liability (SAL)</u>	<u>Funded (Unfunded) SAL</u>	<u>Funded Ratio</u>
12/31/11	\$ 3,974,012	\$ 4,480,608	\$ (506,596)	88.7%
12/31/12	4,634,023	4,832,549	(198,526)	95.9%
12/31/13	5,135,900	4,529,104	606,796	113.4%

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

CITY OF SHAKOPEE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 16 – POST EMPLOYMENT HEALTH BENEFITS PLAN

A. Plan Description

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

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Medica. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2013, the City contributed \$ 45,522 to the plan. As of January 1, 2013, there were five retirees and one disabled officers receiving health benefits from the City’s health plan.

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 241,196
Interest on Net OPEB Obligation	35,518
Adjustment to ARC	(51,351)
Annual OPEB Cost (Expense)	<u>225,363</u>
Contribution Made	<u>(45,522)</u>
Increase in Net OPEB Obligation	179,841
Net OPEB Obligation - Beginning of Year	<u>887,960</u>
Net OPEB Obligation - End of Year	<u><u>\$ 1,067,801</u></u>

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

NOTE 16 – POST EMPLOYMENT HEALTH BENEFITS PLAN

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013 was as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/13	\$ 225,363	\$ 45,522	20%	\$ 1,067,801
12/31/12	207,190	53,591	26%	887,960
12/31/11	200,980	45,723	23%	734,361

D. Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$ 1,938,082 and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 1,938,082. The covered payroll (annual payroll of active employees covered by the plan) was \$ 8,738,120 and the ratio of the UAAL to the covered payroll was 22.2%.

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

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

E. Actuarial Methods and Assumptions

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

CITY OF SHAKOPEE

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 16 – POST EMPLOYMENT HEALTH BENEFITS PLAN

E. Actuarial Methods and Assumptions (Continued)

In the January 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 % discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7.0% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5.0%, shorter-term, based on City’s general assets). The City currently does not fund this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 8% initially, reduced incrementally to an ultimate rate of 5% after six years. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at January 1, 2013 was 30 years.

NOTE 17 – SEGMENT INFORMATION

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

NOTE 18 – FUND BALANCE DETAIL

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

	General Fund	2004A Improvement Bonds	Capital Improvements	Other Governmental Funds	Total
Nonspendable:					
Prepaid Items	\$ 16,440	\$ -	\$ -	\$ -	\$ 16,440
Restricted:					
Forfeitures	-	-	-	180,696	180,696
Transit	-	-	-	941,469	941,469
SCDP Grant	-	-	-	4,546	4,546
Revolving Loans	-	-	-	253,065	253,065
Economic Development	-	-	-	685,671	685,671
Debt Service	-	1,408,872	-	7,269,808	8,678,680
Capital Improvements	-	-	-	1,882,231	1,882,231
Total Restricted	<u>-</u>	<u>1,408,872</u>	<u>-</u>	<u>11,217,486</u>	<u>12,626,358</u>
Assigned:					
Telecommunications	-	-	-	54,499	54,499
Capital Improvements	-	-	5,753,669	176,398	5,930,067
Total Assigned	<u>-</u>	<u>-</u>	<u>5,753,669</u>	<u>230,897</u>	<u>5,984,566</u>
Unassigned:	<u>9,076,549</u>	<u>-</u>	<u>-</u>	<u>(1,716)</u>	<u>9,074,833</u>
Total Fund Balance	<u>\$ 9,092,989</u>	<u>\$ 1,408,872</u>	<u>\$ 5,753,669</u>	<u>\$ 11,446,667</u>	<u>\$ 27,702,197</u>

CITY OF SHAKOPEE

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

NOTE 19 – SUBSEQUENT EVENTS

The City entered into a five-year agreement for refuse, recycling and yard waste with Allied Waste Services, a Republic Services Company. The contract begins on June 1, 2014. The calculated five-year total cost is approximately \$5.5 million. As part of the new agreement, the City will be purchasing approximately 23,280 garbage and recycling carts from Cascade Engineering Inc., at a cost of \$ 975,100. The funding for these carts will flow through the Sanitary Sewer Fund as a loan to the General Fund at a rate of 1% interest.

NOTE 20 – COMMITMENTS

	Project Authorization	Work Completed	12/31/2013 Commitment
Riverside Fields	\$ 637,671	\$ 584,401	\$ 53,270
Valley View Road	619,438	414,089	205,349
Valley View Business Center	3,167,477	2,614,233	553,244

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2013, the City implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. The statement reclassified certain deferred revenue amounts to deferred inflows of resources. The City also changed the interest rate risk method used to present investments from weighted average maturity to segmented time.

For the year ended December 31, 2013, the Component Unit implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This resulted in an adjustment to the beginning net position on the statement of revenues, expenses and changes in fund net position of \$ 311,778 to remove deferred charges no longer required to be capitalized in accordance with GASB Statement No. 65.

NOTE 22 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHAKOPEE

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
December 31, 2013**

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

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

SUPPLEMENTARY INFORMATION

CITY OF SHAKOPEE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2013

	Original and Final Budget	Actual Amounts	Variance with Variance with Final Budget - Over (Under)
REVENUES			
Property Taxes			
General Property Taxes	\$ 12,650,000	\$ 13,628,475	\$ 978,475
Fiscal Disparities	1,707,000	1,655,619	(51,381)
Lodging Tax	210,000	289,284	79,284
Aggregate Tax	12,000	13,769	1,769
Total Property Taxes	<u>14,579,000</u>	<u>15,587,147</u>	<u>1,008,147</u>
Special Assessments	11,000	10,990	(10)
Licenses and Permits	1,316,700	1,443,885	127,185
Intergovernmental Revenues			
Federal Grants	5,000	21,724	16,724
PERA Aid	17,500	18,170	670
Police Aid	305,000	329,349	24,349
Fire Aid	-	223,893	223,893
State Grants	420,000	445,491	25,491
Other Grants and Aids	8,000	3,500	(4,500)
Total Intergovernmental Revenues	<u>755,500</u>	<u>1,042,127</u>	<u>286,627</u>
Charges for Services			
General Government	1,931,450	2,132,740	201,290
Public Safety	522,900	534,287	11,387
Public Works	286,700	524,927	238,227
Parks and Recreation	1,111,100	1,112,832	1,732
Total Charges for Services	<u>3,852,150</u>	<u>4,304,786</u>	<u>452,636</u>
Fines and Forfeitures	425,000	348,262	(76,738)
Miscellaneous Revenues			
Investment Income	225,000	(31,609)	(256,609)
Contributions and Donations	4,000	18,134	14,134
Rents	-	8,409	8,409
Other	86,500	137,268	50,768
Total Miscellaneous Revenues	<u>315,500</u>	<u>132,202</u>	<u>(183,298)</u>
Total Revenues	<u>21,254,850</u>	<u>22,869,399</u>	<u>1,614,549</u>
EXPENDITURES			
General Government			
Current:			
Mayor and Council	179,645	151,597	(28,048)
Administration	1,093,542	966,974	(126,568)
City Clerk	336,196	231,504	(104,692)
Finance	851,500	981,239	129,739
Planning	482,512	443,725	(38,787)
Government Buildings	435,370	426,747	(8,623)
Unallocated	225,000	118,281	(106,719)
Capital Outlay	-	29,434	29,434
Total General Government	<u>3,603,765</u>	<u>3,349,501</u>	<u>(254,264)</u>

CITY OF SHAKOPEE

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2013**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
EXPENDITURES			
Public Safety			
Current:			
Police	\$ 7,399,368	\$ 7,000,191	\$ (399,177)
Fire	1,792,325	2,017,548	225,223
Building Inspection	722,196	659,958	(62,238)
Capital Outlay	-	87,613	87,613
Total Public Safety	<u>9,913,889</u>	<u>9,765,310</u>	<u>(148,579)</u>
Public Works			
Current:			
Streets and Highways:			
Engineering	637,560	609,150	(28,410)
Streets	2,170,818	2,009,610	(161,208)
Shop	74,950	12,394	(62,556)
Capital Outlay	-	9,925	9,925
Total Public Works	<u>2,883,328</u>	<u>2,641,079</u>	<u>(242,249)</u>
Parks and Recreation			
Current:			
Parks and Recreation:			
Park Maintenance	1,566,702	1,435,717	(130,985)
Natural Resources	97,530	83,797	(13,733)
Recreation	2,420,498	2,250,264	(170,234)
Capital Outlay	-	13,733	13,733
Total Parks and Recreation	<u>4,084,730</u>	<u>3,783,511</u>	<u>(301,219)</u>
Total Expenditures	<u>20,485,712</u>	<u>19,539,401</u>	<u>(946,311)</u>
Excess of Revenues Over (Under) Expenditures	769,138	3,329,998	2,560,860
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Asset	-	150	150
Transfers In	150,000	150,000	-
Transfers Out	<u>(860,000)</u>	<u>(3,910,000)</u>	<u>(3,050,000)</u>
Total Other Financing Sources (Uses)	<u>(710,000)</u>	<u>(3,759,850)</u>	<u>(3,049,850)</u>
Net Change in Fund Balances	<u>\$ 59,138</u>	<u>(429,852)</u>	<u>\$ (488,990)</u>
FUND BALANCES			
Beginning of Year		<u>9,522,841</u>	
End of Year		<u>\$ 9,092,989</u>	

CITY OF SHAKOPEE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2013

	Special Revenue			
	Forfeitures	Transit	Telecommunication	SCDP Grant
ASSETS				
Cash and Investments	\$ 187,124	\$ 733,760	\$ 46,476	\$ 4,527
Cash with a Fiscal Agent	-	-	-	-
Delinquent Taxes Receivable	-	-	-	-
Special Assessments Receivable:				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Accounts Receivable	400	380,932	7,827	-
Interest Receivable	791	3,102	196	19
Due from Other Funds	-	-	-	-
Due From Other Governments	315	-	-	-
	<u>315</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 188,630</u>	<u>\$ 1,117,794</u>	<u>\$ 54,499</u>	<u>\$ 4,546</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 6,033	\$ 92,394	\$ -	\$ -
Contracts Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	1,901	83,931	-	-
Total Liabilities	<u>7,934</u>	<u>176,325</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	-	-	-	-
Unavailable Revenue - Special Assessments	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted for:				
Special Revenue	180,696	941,469	-	4,546
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Assigned	-	-	54,499	-
Unassigned	-	-	-	-
Total Fund Balances	<u>180,696</u>	<u>941,469</u>	<u>54,499</u>	<u>4,546</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 188,630</u>	<u>\$ 1,117,794</u>	<u>\$ 54,499</u>	<u>\$ 4,546</u>

Special Revenue			Debt Service		
Revolving Loan	Economic Development Authority	Total	2004B Refunding Bonds	2004C Improvement Bonds	2004D Building Bonds
\$ 251,999	\$ 693,223	\$ 1,917,109	\$ 312,584	\$ 567,029	\$ 500,609
-	-	-	-	-	3,654,675
-	171	171	2,347	-	-
-	-	-	-	-	-
-	-	-	-	228,366	-
-	-	389,159	-	-	-
1,066	2,925	8,099	1,322	1,974	2,116
-	-	-	-	-	75,325
-	2	317	1,067	-	-
<u>\$ 253,065</u>	<u>\$ 696,321</u>	<u>\$ 2,314,855</u>	<u>\$ 317,320</u>	<u>\$ 797,369</u>	<u>\$ 4,232,725</u>
\$ -	\$ 10,259	\$ 108,686	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	220	86,052	-	-	-
-	<u>10,479</u>	<u>194,738</u>	-	-	-
-	171	171	2,347	-	-
-	-	-	-	228,366	-
-	<u>171</u>	<u>171</u>	<u>2,347</u>	<u>228,366</u>	-
253,065	685,671	2,065,447	-	-	-
-	-	-	314,973	569,003	4,232,725
-	-	-	-	-	-
-	-	54,499	-	-	-
-	-	-	-	-	-
<u>253,065</u>	<u>685,671</u>	<u>2,119,946</u>	<u>314,973</u>	<u>569,003</u>	<u>4,232,725</u>
<u>\$ 253,065</u>	<u>\$ 696,321</u>	<u>\$ 2,314,855</u>	<u>\$ 317,320</u>	<u>\$ 797,369</u>	<u>\$ 4,232,725</u>

CITY OF SHAKOPEE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
December 31, 2013**

	Debt Service			
	2006A	2007A	2007B	2008A
	Improvement Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds
ASSETS				
Cash and Investments	\$ 474,294	\$ 366,471	\$ 232,554	\$ 347,742
Cash with a Fiscal Agent	-	-	-	-
Delinquent Taxes Receivable	-	-	-	-
Special Assessments Receivable:				
Delinquent	-	14,735	173	618
Deferred	114,103	361,378	34,467	323,209
Accounts Receivable	-	-	-	-
Interest Receivable	2,005	1,549	984	836
Due from Other Funds	-	-	-	-
Due From Other Governments	-	-	-	6,832
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 590,402</u>	<u>\$ 744,133</u>	<u>\$ 268,178</u>	<u>\$ 679,237</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Contracts Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	-	-	-	-
Unavailable Revenue - Special Assessments	114,103	376,113	34,640	323,827
Total Deferred Inflows of Resources	<u>114,103</u>	<u>376,113</u>	<u>34,640</u>	<u>323,827</u>
Fund Balances				
Restricted for:				
Special Revenue	-	-	-	-
Debt Service	476,299	368,020	233,538	355,410
Capital Projects	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>476,299</u>	<u>368,020</u>	<u>233,538</u>	<u>355,410</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 590,402</u>	<u>\$ 744,133</u>	<u>\$ 268,178</u>	<u>\$ 679,237</u>

Debt Service			Capital Projects		
2010A Improvement Bonds	2012A Refunding Bonds	Total	Park Reserve	TIF District No. 10	TIF District No. 12
\$ 429,766	\$ 362,574	\$ 3,593,623	\$ 1,929,864	\$ 17,998	\$ 22,030
-	-	3,654,675	-	-	-
-	-	2,347	-	-	-
2,418	-	17,944	-	-	-
166,831	124,471	1,352,825	-	-	-
-	-	-	141	-	-
1,183	1,533	13,502	8,160	76	93
-	-	75,325	-	-	-
(8)	117	8,008	-	-	-
<u>\$ 600,190</u>	<u>\$ 488,695</u>	<u>\$ 8,718,249</u>	<u>\$ 1,938,165</u>	<u>\$ 18,074</u>	<u>\$ 22,123</u>
\$ -	\$ -	\$ -	\$ 17,246	\$ 18,937	\$ 22,350
-	-	-	43,674	-	-
-	75,325	75,325	-	-	-
-	-	-	217	-	-
<u>-</u>	<u>75,325</u>	<u>75,325</u>	<u>61,137</u>	<u>18,937</u>	<u>22,350</u>
-	-	2,347	-	-	-
169,249	124,471	1,370,769	-	-	-
<u>169,249</u>	<u>124,471</u>	<u>1,373,116</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
430,941	288,899	7,269,808	-	-	-
-	-	-	1,877,028	-	-
-	-	-	-	-	-
-	-	-	-	(863)	(227)
<u>430,941</u>	<u>288,899</u>	<u>7,269,808</u>	<u>1,877,028</u>	<u>(863)</u>	<u>(227)</u>
<u>\$ 600,190</u>	<u>\$ 488,695</u>	<u>\$ 8,718,249</u>	<u>\$ 1,938,165</u>	<u>\$ 18,074</u>	<u>\$ 22,123</u>

CITY OF SHAKOPEE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
December 31, 2013

	Capital Projects			
	TIF District No. 13	TIF District No. 14	TIF District No. 15	Road Expansion Dedication
ASSETS				
Cash and Investments	\$ 19,722	\$ -	\$ -	\$ 90,364
Cash with a Fiscal Agent	-	-	-	-
Delinquent Taxes Receivable	-	-	-	-
Special Assessments Receivable:				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Accounts Receivable	-	-	-	-
Interest Receivable	83	(1)	(2)	382
Due from Other Funds	-	-	-	-
Due From Other Governments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 19,805</u>	<u>\$ (1)</u>	<u>\$ (2)</u>	<u>\$ 90,746</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 14,602	\$ -	\$ -	\$ -
Contracts Payable	-	-	-	-
Due to Other Funds	-	349	274	-
Due to Other Governments	-	-	-	-
	<u>14,602</u>	<u>349</u>	<u>274</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	-	-	-	-
Unavailable Revenue - Special Assessments	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted for:				
Special Revenue	-	-	-	-
Debt Service	-	-	-	-
Capital Projects	5,203	-	-	-
Assigned	-	-	-	90,746
Unassigned	-	(350)	(276)	-
	<u>5,203</u>	<u>(350)</u>	<u>(276)</u>	<u>90,746</u>
Total Fund Balances	<u>5,203</u>	<u>(350)</u>	<u>(276)</u>	<u>90,746</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,805</u>	<u>\$ (1)</u>	<u>\$ (2)</u>	<u>\$ 90,746</u>

Capital Projects

Lions Park	Tree Replacement	Sealcoat	Total	Total Governmental Funds
\$ 14,163	\$ 60,069	\$ 11,058	\$ 2,165,268	\$ 7,676,000
-	-	-	-	3,654,675
-	-	-	-	2,518
-	-	-	-	17,944
-	-	-	-	1,352,825
-	-	-	141	389,300
60	255	47	9,153	30,754
-	-	-	-	75,325
-	-	-	-	8,325
<u>\$ 14,223</u>	<u>\$ 60,324</u>	<u>\$ 11,105</u>	<u>\$ 2,174,562</u>	<u>\$ 13,207,666</u>
\$ -	\$ -	\$ -	\$ 73,135	\$ 181,821
-	-	-	43,674	43,674
-	-	-	623	75,948
-	-	-	217	86,269
<u>-</u>	<u>-</u>	<u>-</u>	<u>117,649</u>	<u>387,712</u>
-	-	-	-	2,518
-	-	-	-	1,370,769
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,373,287</u>
-	-	-	-	2,065,447
-	-	-	-	7,269,808
-	-	-	1,882,231	1,882,231
14,223	60,324	11,105	176,398	230,897
-	-	-	(1,716)	(1,716)
<u>14,223</u>	<u>60,324</u>	<u>11,105</u>	<u>2,056,913</u>	<u>11,446,667</u>
<u>\$ 14,223</u>	<u>\$ 60,324</u>	<u>\$ 11,105</u>	<u>\$ 2,174,562</u>	<u>\$ 13,207,666</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NON MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013**

	Special Revenue			
	Forfeitures	Transit	Telecommunication	SCDP Grant
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increment	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	31,620	-
Intergovernmental	-	793,639	-	-
Charges for Services	-	246,979	-	-
Fines and Forfeitures	33,208	-	-	-
Miscellaneous	5,375	(1,683)	63	(48)
Total Revenues	38,583	1,038,935	31,683	(48)
EXPENDITURES				
Current				
General Government	-	1,142,806	32,789	-
Public Safety	53,710	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	17,853
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay				
Total Expenditures	53,710	1,142,806	44,173	17,853
Excess of Revenues Over (Under) Expenditures	(15,127)	(103,871)	(12,490)	(17,901)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(15,127)	(103,871)	(12,490)	(17,901)
FUND BALANCES				
Beginning of Year	195,823	1,045,340	66,989	22,447
End of Year	\$ 180,696	\$ 941,469	\$ 54,499	\$ 4,546

Revolving Loan	Special Revenue		Debt Service			
	Economic Development Authority	Total	2004B Refunding Bonds	2004C Improvement Bonds	2004D Building Bonds	2006A Improvement Bonds
\$ -	\$ 10	\$ 10	\$ 149,289	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	103,830	-	60,760
-	-	31,620	-	-	-	-
-	11,458	805,097	-	-	-	-
-	18,000	264,979	-	-	-	-
-	-	33,208	-	-	-	-
426	1,238	5,371	53	(1,089)	1,778	(1,441)
<u>426</u>	<u>30,706</u>	<u>1,140,285</u>	<u>149,342</u>	<u>102,741</u>	<u>1,778</u>	<u>59,319</u>
-	-	1,175,595	-	-	-	-
-	-	53,710	-	-	-	-
-	-	-	-	-	-	-
-	207,994	225,847	-	-	-	-
-	-	-	195,000	255,000	265,000	350,000
-	-	-	38,790	24,784	176,363	66,431
-	-	11,384	-	-	-	-
<u>-</u>	<u>207,994</u>	<u>1,466,536</u>	<u>233,790</u>	<u>279,784</u>	<u>441,363</u>	<u>416,431</u>
426	(177,288)	(326,251)	(84,448)	(177,043)	(439,585)	(357,112)
-	300,000	300,000	-	100,000	450,000	60,000
-	-	-	-	-	-	-
<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>100,000</u>	<u>450,000</u>	<u>60,000</u>
426	122,712	(26,251)	(84,448)	(77,043)	10,415	(297,112)
<u>252,639</u>	<u>562,959</u>	<u>2,146,197</u>	<u>399,421</u>	<u>646,046</u>	<u>4,222,310</u>	<u>773,411</u>
<u>\$ 253,065</u>	<u>\$ 685,671</u>	<u>\$ 2,119,946</u>	<u>\$ 314,973</u>	<u>\$ 569,003</u>	<u>\$ 4,232,725</u>	<u>\$ 476,299</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, 2013

	Debt Service				
	2007A Improvement Bonds	2007B Improvement Bonds	2008A Improvement Bonds	2010A Improvement Bonds	2012A Refunding Bonds
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ 1,317	\$ -
Tax Increment	-	-	-	-	-
Special Assessments	36,180	25,072	88,893	80,572	29,898
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	(704)	(990)	(2,367)	(446)	16,566
Total Revenues	<u>35,476</u>	<u>24,082</u>	<u>86,526</u>	<u>81,443</u>	<u>46,464</u>
EXPENDITURES					
Current					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Economic Development	-	-	-	-	-
Debt Service					
Principal	205,000	140,000	195,000	185,000	-
Interest and Other Charges	29,532	33,550	52,250	24,322	108,394
Capital Outlay					
Total Expenditures	<u>234,532</u>	<u>173,550</u>	<u>247,250</u>	<u>209,322</u>	<u>108,394</u>
Excess of Revenues Over (Under) Expenditures	(199,056)	(149,468)	(160,724)	(127,879)	(61,930)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	150,000	150,000	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net Change in Fund Balance	(199,056)	(149,468)	(10,724)	22,121	(61,930)
FUND BALANCES					
Beginning of Year	<u>567,076</u>	<u>383,006</u>	<u>366,134</u>	<u>408,820</u>	<u>350,829</u>
End of Year	<u>\$ 368,020</u>	<u>\$ 233,538</u>	<u>\$ 355,410</u>	<u>\$ 430,941</u>	<u>\$ 288,899</u>

Debt Service		Capital Projects				
Total	Park Reserve	TIF District No. 10	TIF District No. 12	TIF District No. 13	2010 Projects	Fire Station 2 Construction
\$ 150,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	41,092	44,701	28,004	-	-
425,205	-	-	-	-	-	-
-	874,440	-	-	-	-	-
-	10,579	-	-	-	-	-
-	3,286	-	-	-	-	-
-	-	-	-	-	-	-
11,360	25,124	(249)	16	(159)	220	160
<u>587,171</u>	<u>913,429</u>	<u>40,843</u>	<u>44,717</u>	<u>27,845</u>	<u>220</u>	<u>160</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	41,984	44,945	27,504	-	-
1,790,000	-	-	-	-	-	-
554,416	-	-	-	-	-	-
-	846,599	-	-	-	-	(13,684)
<u>2,344,416</u>	<u>846,599</u>	<u>41,984</u>	<u>44,945</u>	<u>27,504</u>	<u>-</u>	<u>(13,684)</u>
(1,757,245)	66,830	(1,141)	(228)	341	220	13,844
910,000	-	-	-	-	-	-
-	-	-	-	-	(130,435)	(111,536)
<u>910,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(130,435)</u>	<u>(111,536)</u>
(847,245)	66,830	(1,141)	(228)	341	(130,215)	(97,692)
<u>8,117,053</u>	<u>1,810,198</u>	<u>278</u>	<u>1</u>	<u>4,862</u>	<u>130,215</u>	<u>97,692</u>
<u>\$ 7,269,808</u>	<u>\$ 1,877,028</u>	<u>\$ (863)</u>	<u>\$ (227)</u>	<u>\$ 5,203</u>	<u>\$ -</u>	<u>\$ -</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, 2013

	Capital Projects				
	2011 Projects	TIF District No. 14	TIF District No. 15	Road Expansion Dedication	Lions Park
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increment	-	-	-	-	-
Special Assessments	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	10,500	-
Fines and Forfeitures	-	-	-	-	-
Miscellaneous	(659)	(1)	(1)	186	25
Total Revenues	<u>(659)</u>	<u>(1)</u>	<u>(1)</u>	<u>10,686</u>	<u>25</u>
EXPENDITURES					
Current					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Economic Development	-	349	275	-	-
Debt Service					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Capital Outlay	3,214	-	-	-	-
Total Expenditures	<u>3,214</u>	<u>349</u>	<u>275</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(3,873)	(350)	(276)	10,686	25
OTHER FINANCING SOURCES (USES)					
Transfers In	388,838	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>388,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	384,965	(350)	(276)	10,686	25
FUND BALANCES					
Beginning of Year	<u>(384,965)</u>	<u>-</u>	<u>-</u>	<u>80,060</u>	<u>14,198</u>
End of Year	<u>\$ -</u>	<u>\$ (350)</u>	<u>\$ (276)</u>	<u>\$ 90,746</u>	<u>\$ 14,223</u>

Capital Projects			Total Other Governmental Funds
Tree Replacement	Sealcoat	Total	
\$ -	\$ -	\$ -	\$ 150,616
-	-	113,797	113,797
-	-	-	425,205
-	-	874,440	906,060
-	-	10,579	815,676
-	-	13,786	278,765
-	-	-	33,208
199	19	24,880	41,611
199	19	1,037,482	2,764,938
-	-	-	1,175,595
-	-	-	53,710
1,290	-	1,290	1,290
-	-	115,057	340,904
-	-	-	1,790,000
-	-	-	554,416
-	-	836,129	847,513
1,290	-	952,476	4,763,428
(1,091)	19	85,006	(1,998,490)
-	-	388,838	1,598,838
-	-	(241,971)	(241,971)
-	-	146,867	1,356,867
(1,091)	19	231,873	(641,623)
61,415	11,086	1,825,040	12,088,290
\$ 60,324	\$ 11,105	\$ 2,056,913	\$ 11,446,667

CITY OF SHAKOPEE

COMBINING STATEMENT OF FUND NET POSITION -
INTERNAL SERVICE FUNDS
December 31, 2013

	Governmental Activities - Internal Service Funds					
	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Total
ASSETS						
Current Assets						
Cash and Investments, Including						
Cash Equivalents	\$ 7,107,320	\$ 6,226,203	\$ 1,999,579	\$ 1,408,267	\$ 559,470	\$ 17,300,839
Interest Receivable	30,050	26,324	8,243	10,020	1,520	76,157
Notes Receivable, Current	95,000	-	-	-	-	95,000
Total Current Assets	<u>7,232,370</u>	<u>6,252,527</u>	<u>2,007,822</u>	<u>1,418,287</u>	<u>560,990</u>	<u>17,471,996</u>
Noncurrent Assets						
Capital Assets:						
Infrastructure	-	-	2,923,925	-	-	2,923,925
Buildings	-	31,294,013	3,254,563	-	-	34,548,576
Machinery and Equipment	8,538,301	189,539	3,496,049	-	209,300	12,433,189
Total Cost	<u>8,538,301</u>	<u>31,483,552</u>	<u>9,674,537</u>	<u>-</u>	<u>209,300</u>	<u>49,905,690</u>
Less Accumulated Depreciation	<u>(4,481,806)</u>	<u>(9,717,829)</u>	<u>(3,283,883)</u>	<u>-</u>	<u>(83,620)</u>	<u>(17,567,138)</u>
Net Capital Assets	<u>4,056,495</u>	<u>21,765,723</u>	<u>6,390,654</u>	<u>-</u>	<u>125,680</u>	<u>32,338,552</u>
Total Noncurrent Assets	<u>4,056,495</u>	<u>21,765,723</u>	<u>6,390,654</u>	<u>-</u>	<u>125,680</u>	<u>32,338,552</u>
Total Assets	<u>\$ 11,288,865</u>	<u>\$ 28,018,250</u>	<u>\$ 8,398,476</u>	<u>\$ 1,418,287</u>	<u>\$ 686,670</u>	<u>\$ 49,810,548</u>
LIABILITIES AND NET POSITION						
Current Liabilities						
Accounts Payable	\$ 31,018	\$ 11,103	\$ 54,478	\$ -	\$ 26,716	\$ 123,315
Current Compensated Absences	-	-	-	806,606	-	806,606
Total Current Liabilities	<u>31,018</u>	<u>11,103</u>	<u>54,478</u>	<u>806,606</u>	<u>26,716</u>	<u>929,921</u>
Noncurrent Liabilities						
Compensated Absences	-	-	-	985,853	-	985,853
Total Liabilities	<u>31,018</u>	<u>11,103</u>	<u>54,478</u>	<u>1,792,459</u>	<u>26,716</u>	<u>1,915,774</u>
Net Position						
Net Investment in Capital Assets	4,056,495	21,765,723	6,390,654	-	125,680	32,338,552
Unrestricted	7,201,352	6,241,424	1,953,344	(374,172)	534,274	15,556,222
Total Net Position	<u>11,257,847</u>	<u>28,007,147</u>	<u>8,343,998</u>	<u>(374,172)</u>	<u>659,954</u>	<u>47,894,774</u>
Total Liabilities and Net Position	<u>\$ 11,288,865</u>	<u>\$ 28,018,250</u>	<u>\$ 8,398,476</u>	<u>\$ 1,418,287</u>	<u>\$ 686,670</u>	<u>\$ 49,810,548</u>

CITY OF SHAKOPEE

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2013**

	Governmental Activities - Internal Service Funds					
	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Total
OPERATING REVENUES						
Rental Charges	\$ 619,263	\$ 664,616	\$ 437,064	\$ -	\$ 296,000	\$ 2,016,943
Other Charges	-	2,497	-	-	-	2,497
Total Operating Revenues	<u>619,263</u>	<u>667,113</u>	<u>437,064</u>	<u>-</u>	<u>296,000</u>	<u>2,019,440</u>
OPERATING EXPENSES						
Salaries and Benefits	-	-	-	48,955	-	48,955
Depreciation	729,048	768,031	360,284	-	39,973	1,897,336
Professional Services	-	-	7,890	-	33,703	41,593
Repairs and Maintenance	-	343	55,625	-	11,483	67,451
Materials and Supplies	20,570	129,446	-	-	210,093	360,109
Total Operating Expenses	<u>749,618</u>	<u>897,820</u>	<u>423,799</u>	<u>48,955</u>	<u>295,252</u>	<u>2,415,444</u>
Operating Income (Loss)	(130,355)	(230,707)	13,265	(48,955)	748	(396,004)
NONOPERATING REVENUES (EXPENSES)						
Investment Income	20,759	7,888	6,769	3,020	2,146	40,582
Gain (Loss) on Sale of Asset	7,051	281,016	(31,617)	-	-	256,450
Capital Asset Transfer	-	(150,752)	-	-	-	(150,752)
Other Income	-	1,167	-	-	-	1,167
Total Nonoperating Revenues (Expenses)	<u>27,810</u>	<u>139,319</u>	<u>(24,848)</u>	<u>3,020</u>	<u>2,146</u>	<u>147,447</u>
Income (Loss) before Capital Contributions and Transfers	(102,545)	(91,388)	(11,583)	(45,935)	2,894	(248,557)
Transfers In	-	-	50,000	-	200,000	250,000
Transfers Out	-	(450,000)	-	-	-	(450,000)
Change in Net Position	(102,545)	(541,388)	38,417	(45,935)	202,894	(448,557)
NET POSITION						
Beginning of Year	<u>11,360,392</u>	<u>28,548,535</u>	<u>8,305,581</u>	<u>(328,237)</u>	<u>457,060</u>	<u>48,343,331</u>
End of Year	<u>\$ 11,257,847</u>	<u>\$ 28,007,147</u>	<u>\$ 8,343,998</u>	<u>\$ (374,172)</u>	<u>\$ 659,954</u>	<u>\$ 47,894,774</u>

CITY OF SHAKOPEE

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2013

	Equipment	Buildings	Park Asset	Employee Benefits	Information and Technology	Total
CASH FLOWS - OPERATING ACTIVITIES						
Receipts from Customers and Users	\$ 619,263	\$ 667,113	\$ 437,064	\$ -	\$ 296,000	\$ 2,019,440
Payments to Suppliers	(105,500)	(196,307)	(9,037)	-	(232,175)	(543,019)
Payments to Employees	-	-	-	917	-	917
Net Cash Flows - Operating Activities	513,763	470,806	428,027	917	63,825	1,477,338
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES						
Transfer from Other Funds	-	-	50,000	-	200,000	250,000
Transfer to Other Funds	-	(450,000)	-	-	-	(450,000)
Net Cash Flows - Noncapital Financing Activities	-	(450,000)	50,000	-	200,000	(200,000)
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES						
Trunk Charges	-	1,167	-	-	-	1,167
Proceeds from Disposal of Capital Assets	39,051	302,349	-	-	-	341,400
Acquisition of Capital Assets	(636,006)	(115,187)	(114,282)	-	(49,298)	(914,773)
Net Cash Flows - Capital and Related Financing Activities	(596,955)	188,329	(114,282)	-	(49,298)	(572,206)
CASH FLOWS - INVESTING ACTIVITIES						
Payment Received for Notes Receivable	95,000	-	-	-	-	95,000
Interest Received	21,737	9,689	5,197	(882)	1,682	37,423
Net Cash Flows - Investing Activities	116,737	9,689	5,197	(882)	1,682	132,423
Net Change in Cash and Cash Equivalents	33,545	218,824	368,942	35	216,209	837,555
CASH AND CASH EQUIVALENTS						
Beginning of Year	7,073,775	6,007,379	1,630,637	1,408,232	343,261	16,463,284
End of Year	\$ 7,107,320	\$ 6,226,203	\$ 1,999,579	\$ 1,408,267	\$ 559,470	\$ 17,300,839
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (130,355)	\$ (230,707)	\$ 13,265	\$ (48,955)	\$ 748	\$ (396,004)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:						
Depreciation Expense	729,048	768,031	360,284	-	39,973	1,897,336
Changes in:						
Due to Other Governments	(3,987)	-	-	-	(24)	(4,011)
Accounts and Contracts Payable	(80,943)	(66,518)	54,478	-	23,128	(69,855)
Compensated Absences Payable	-	-	-	49,872	-	49,872
Total Adjustments	644,118	701,513	414,762	49,872	63,077	1,873,342
Net Cash Flows - Operating Activities	\$ 513,763	\$ 470,806	\$ 428,027	\$ 917	\$ 63,825	\$ 1,477,338
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
Transfer of Capital Assets	\$ -	\$ (150,752)	\$ -	\$ -	\$ -	\$ (150,752)

CITY OF SHAKOPEE

**COMBINED STATEMENT OF FIDUCIARY NET POSITION
For the Year Ended December 31, 2013**

	Escrow Agency Fund	Metro Drug Task Force Agency Fund	Total Agency Funds
ASSETS			
Current			
Cash and Investments	\$ 1,849,529	\$ 657,862	\$ 2,507,391
Interest Receivable	-	2,763	2,763
Due from Other Governments	-	41,155	41,155
Total Assets	<u>\$ 1,849,529</u>	<u>\$ 701,780</u>	<u>\$ 2,551,309</u>
LIABILITIES			
Accounts Payable	\$ -	\$ 588,530	\$ 588,530
Deposits Payable	1,849,529	98,774	1,948,303
Due to Other Governments	-	14,476	14,476
Total Liabilities	<u>\$ 1,849,529</u>	<u>\$ 701,780</u>	<u>\$ 2,551,309</u>

CITY OF SHAKOPEE

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
For the Year Ended December 31, 2013**

	Escrow Agency Fund			
	Balance at December 31, 2012	Additions	Deductions	Balance at December 31, 2013
ASSETS				
Current				
Cash and Investments	\$ 749,973	\$ 1,516,674	\$ 417,118	\$ 1,849,529
LIABILITIES				
Deposits Payable	\$ 749,973	\$ 1,516,674	\$ 417,118	\$ 1,849,529

	Southwest Metro Drug Task Force Agency Fund			
	Balance at December 31, 2012	Additions	Deductions	Balance at December 31, 2013
ASSETS				
Current				
Cash and Investments	\$ 731,117	\$ 294,037	\$ 367,292	\$ 657,862
Interest Receivable	3,119	-	356	2,763
Due from Other Governments	50,033	-	8,878	41,155
Total Assets	\$ 784,269	\$ 294,037	\$ 376,526	\$ 701,780
LIABILITIES				
Accounts Payable	\$ 677,467	\$ 246,175	\$ 335,112	588,530
Deposits Payable	85,422	47,862	34,510	98,774
Due to Other Governments	21,380	-	6,904	14,476
Total Liabilities	\$ 784,269	\$ 294,037	\$ 376,526	\$ 701,780

CITY OF SHAKOPEE

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

For the Year Ended December 31, 2013

	Total Agency Funds			
	Balance at December 31, 2012	Additions	Deductions	Balance at December 31, 2013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Current				
Cash and Investments	\$ 1,481,090	\$ 1,810,711	\$ 784,410	\$ 2,507,391
Interest Receivable	3,119	-	356	2,763
Due from Other Governments	50,033	-	8,878	41,155
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,534,242</u>	<u>\$ 1,810,711</u>	<u>\$ 793,644</u>	<u>\$ 2,551,309</u>
 LIABILITIES				
Accounts Payable	\$ 677,467	\$ 246,175	\$ 335,112	\$ 588,530
Deposits Payable	835,395	1,564,536	451,628	1,948,303
Due to Other Governments	21,380	-	6,904	14,476
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 1,534,242</u>	<u>\$ 1,810,711</u>	<u>\$ 793,644</u>	<u>\$ 2,551,309</u>

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STATISTICAL SECTION

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CITY OF SHAKOPEE
STATISTICAL SECTION
December 31, 2013

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	102
These schedules show trend information to help the reader understand how the City's financial performance and well being have changed over time.	
Revenue Capacity	110
Portrayed is information to help the reader assess the City's most important local revenue source, the property tax.	
Debt Capacity	114
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	121
Shown are demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	124
These schedules shown service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

CITY OF SHAKOPEE

**NET POSITION BY COMPONENT
Years 2004 Through 2013**

	2004	2005	2006	2007
Governmental Activities:				
Net Investment in Capital Assets	\$ 90,281,410	\$ 111,237,672	\$ 119,661,761	\$ 113,534,056
Restricted	29,731,412	21,638,112	12,998,982	13,081,337
Unrestricted	21,214,073	21,845,121	29,264,714	28,316,931
Total Governmental Activities Net Position	\$ 141,226,895	\$ 154,720,905	\$ 161,925,457	\$ 154,932,324
Business-Type Activities:				
Net Investment in Capital Assets	\$ 89,415,817	\$ 99,140,973	\$ 109,337,014	\$ 114,546,218
Restricted	1,867,077	2,232,469	880,069	1,026,351
Unrestricted	37,354,576	41,291,469	42,400,797	46,169,289
Total Business-Type Activities Net Position	\$ 128,637,470	\$ 142,664,911	\$ 152,617,880	\$ 161,741,858
Primary Government:				
Net Investment in Capital Assets	\$ 179,697,227	\$ 210,378,645	\$ 228,998,775	\$ 228,080,274
Restricted	31,598,489	23,870,581	13,879,051	14,107,688
Unrestricted	58,568,649	63,136,590	71,665,511	74,486,220
Total Primary Government Net Position	\$ 269,864,365	\$ 297,385,816	\$ 314,543,337	\$ 316,674,182

From 2004-2010, the SPUC Funds, Water and Electric Enterprise Funds, were reported as a blended component unit of the City. In 2011, SPUC funds have been presented as discretely presented component units as it no longer met the criteria for blending.

Table 1

2008	2009	2010	2011	2012	2013
\$ 112,909,793	\$ 112,097,148	\$ 111,905,152	\$ 114,981,955	\$ 115,191,768	\$ 118,166,525
21,915,945	16,518,865	1,844,129	10,914,439	9,912,551	10,454,238
22,086,771	28,832,576	43,910,102	32,771,327	34,823,712	30,642,443
<u>\$ 156,912,509</u>	<u>\$ 157,448,589</u>	<u>\$ 157,659,383</u>	<u>\$ 158,667,721</u>	<u>\$ 159,928,031</u>	<u>\$ 159,263,206</u>
\$ 115,124,238	\$ 114,331,216	\$ 115,064,968	\$ 65,080,070	\$ 64,124,590	\$ 65,181,465
1,756,369	3,574,612	4,889,050	-	-	-
49,366,581	55,595,594	59,014,070	31,927,930	33,354,521	31,183,904
<u>\$ 166,247,188</u>	<u>\$ 173,501,422</u>	<u>\$ 178,968,088</u>	<u>\$ 97,008,000</u>	<u>\$ 97,479,111</u>	<u>\$ 96,365,369</u>
\$ 228,034,031	\$ 226,428,364	\$ 226,970,120	\$ 180,062,025	\$ 179,316,358	\$ 183,347,990
23,672,314	20,093,477	6,733,179	10,914,439	9,912,551	10,454,238
71,453,352	84,428,170	102,924,172	64,699,257	68,178,233	61,826,347
<u>\$ 323,159,697</u>	<u>\$ 330,950,011</u>	<u>\$ 336,627,471</u>	<u>\$ 255,675,721</u>	<u>\$ 257,407,142</u>	<u>\$ 255,628,575</u>

CITY OF SHAKOPEE

CHANGES IN NET POSITION
Years 2004 Through 2013

	2004	2005	2006	2007	2008	2009
EXPENSES:						
Governmental Activities:						
General Government	\$ 3,135,421	\$ 2,563,526	\$ 3,161,106	\$ 3,543,980	\$ 3,514,573	\$ 3,388,268
Public Safety	5,461,190	6,190,689	6,856,485	8,301,075	8,346,104	8,528,413
Public Works	6,036,920	8,298,258	6,798,917	15,264,606	8,099,384	7,860,080
Culture and Recreation	2,150,765	3,664,944	4,653,240	5,323,087	3,637,527	3,859,670
Economic Development	360,167	314,858	333,462	363,805	522,074	316,566
Other	861,864	924,270	896,110	1,042,133	1,033,999	1,040,044
Total Governmental Activities Expenses	<u>18,006,327</u>	<u>21,956,545</u>	<u>22,699,320</u>	<u>33,838,686</u>	<u>25,153,661</u>	<u>24,993,041</u>
Business-Type Activities:						
Electric	19,820,900	23,378,764	29,169,297	34,710,974	36,186,676	30,140,842
Water	2,723,003	2,460,977	2,949,990	3,332,132	3,461,261	3,316,102
Sewer	2,009,468	2,349,047	2,786,234	2,938,955	3,308,759	3,398,117
Storm	941,842	999,849	1,523,343	1,352,078	1,435,376	1,264,261
Total Business-Type Activities Expenses	<u>25,495,213</u>	<u>29,188,637</u>	<u>36,428,864</u>	<u>42,334,139</u>	<u>44,392,072</u>	<u>38,119,322</u>
Total Primary Government Expenses	<u>\$ 43,501,540</u>	<u>\$ 51,145,182</u>	<u>\$ 59,128,184</u>	<u>\$ 76,172,825</u>	<u>\$ 69,545,733</u>	<u>\$ 63,112,363</u>
PROGRAM REVENUES:						
Governmental Activities:						
Charges for Services:						
General Government	\$ 3,591,641	\$ 791,504	\$ 714,105	\$ 583,247	\$ 606,259	\$ 680,681
Public Safety	3,446,465	3,462,283	2,063,023	1,650,235	1,506,680	1,677,772
Public Works	4,534,285	2,668,728	2,986,495	2,615,402	2,354,272	1,342,173
Culture and Recreation	1,497,853	1,826,847	1,676,630	1,086,750	1,295,772	1,013,044
Economic Development	-	-	-	-	-	-
Operating Grants and Contributions	4,303,581	3,646,605	1,653,238	1,943,805	1,660,191	1,485,124
Capital Grants and Contributions	-	8,666,283	6,116,366	2,463,129	1,825,124	1,241,884
Total Governmental Activities Program Revenues	<u>17,373,825</u>	<u>21,062,250</u>	<u>15,209,857</u>	<u>10,342,568</u>	<u>9,248,302</u>	<u>7,440,678</u>
Business-Type Activities:						
Charges for Services:						
Electric	22,161,542	27,425,921	31,906,714	37,407,565	38,732,701	34,272,099
Water	2,349,505	2,627,084	3,127,207	3,525,140	3,390,309	3,605,498
Sewer	3,078,191	2,971,601	3,471,984	2,806,371	2,556,299	3,485,882
Storm	1,806,974	1,937,430	1,859,912	1,505,247	1,379,821	1,405,560
Operating Grants and Contributions	-	-	-	-	-	-
Capital Grants and Contributions	10,844,269	10,913,464	6,174,786	4,138,977	1,007,519	1,879,530
Total Business-Type Activities Program Revenues	<u>40,240,481</u>	<u>45,875,500</u>	<u>46,540,603</u>	<u>49,383,300</u>	<u>47,066,649</u>	<u>44,648,569</u>
Total Primary Government Program Revenues	<u>\$ 57,614,306</u>	<u>\$ 66,937,750</u>	<u>\$ 61,750,460</u>	<u>\$ 59,725,868</u>	<u>\$ 56,314,951</u>	<u>\$ 52,089,247</u>
Net (Expense) Revenue:						
Governmental Activities	\$ (632,502)	\$ (894,295)	\$ (7,489,463)	\$ (23,496,118)	\$ (15,905,359)	\$ (17,552,363)
Business-Type Activities	14,745,268	16,686,863	10,111,739	7,049,161	2,674,577	6,529,247
Total Primary Government Net Expense	<u>\$ 14,112,766</u>	<u>\$ 15,792,568</u>	<u>\$ 2,622,276</u>	<u>\$ (16,446,957)</u>	<u>\$ (13,230,782)</u>	<u>\$ (11,023,116)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:						
Governmental Activities:						
Taxes:						
Property Taxes	\$ 7,842,043	\$ 9,341,977	\$ 10,547,177	\$ 12,767,354	\$ 14,200,833	\$ 14,676,518
Other Taxes	364,211	314,858	336,648	369,240	388,935	151,956
Unrestricted Investment Earnings	740,612	951,795	1,661,257	2,232,717	1,941,335	1,323,230
Gain on Disposal of Assets	294,833	746,340	2,700	22,628	56,453	37,162
Enterprise Fund Reclassified to Special Revenue	5,539,108	1,658,132	-	-	-	-
Transfers	2,215,871	1,375,203	2,146,233	1,111,046	1,297,988	1,899,577
Total Governmental Activities	<u>16,996,678</u>	<u>14,388,305</u>	<u>14,694,015</u>	<u>16,502,985</u>	<u>17,885,544</u>	<u>18,088,443</u>
Business-Type Activities:						
Investment Earnings	709,483	870,714	1,973,715	3,185,863	3,128,741	1,336,979
Gain on Disposal of Assets	-	409,918	13,749	-	-	-
Special Item	(5,539,108)	(1,658,132)	-	-	-	-
Transfers	(2,215,871)	(1,375,203)	(2,146,233)	(1,111,046)	(1,297,988)	(1,899,577)
Total Business-Type Activities	<u>(7,045,496)</u>	<u>(1,752,703)</u>	<u>(158,769)</u>	<u>2,074,817</u>	<u>1,830,753</u>	<u>(562,598)</u>
Total Primary Government	<u>\$ 9,951,182</u>	<u>\$ 12,635,602</u>	<u>\$ 14,535,246</u>	<u>\$ 18,577,802</u>	<u>\$ 19,716,297</u>	<u>\$ 17,525,845</u>
Change in Net Position:						
Government Activities	\$ 16,364,176	\$ 13,494,010	\$ 7,204,552	\$ (6,993,133)	\$ 1,980,185	\$ 536,080
Business-Type Activities	7,699,772	14,934,160	9,952,970	9,123,978	4,505,330	5,966,649
Total Primary Government	<u>\$ 24,063,948</u>	<u>\$ 28,428,170</u>	<u>\$ 17,157,522</u>	<u>\$ 2,130,845</u>	<u>\$ 6,485,515</u>	<u>\$ 6,502,729</u>

From 2004-2010, the SPUC funds, Water and Electric Enterprise Funds, were reported as a blended component unit of the City. In 2011, SPUC Funds have been presented as discretely presented component units as it no longer met the criteria for blending.

Table 2

2010	2011	2012	2013
\$ 3,042,918	\$ 4,252,887	\$ 4,603,027	\$ 4,704,956
9,123,316	9,236,767	9,430,785	9,868,702
8,397,874	7,094,047	7,083,299	7,578,493
3,765,660	3,866,307	3,817,677	4,020,974
427,169	244,361	152,541	338,907
784,824	619,099	587,384	573,949
<u>25,541,761</u>	<u>25,313,468</u>	<u>25,674,713</u>	<u>27,085,981</u>
32,700,410	-	-	-
3,293,079	-	-	-
3,685,417	3,807,322	3,926,541	4,096,504
1,792,749	1,382,391	1,445,633	1,641,438
41,471,655	5,189,713	5,372,174	5,737,942
<u>\$ 67,013,416</u>	<u>\$ 30,503,181</u>	<u>\$ 31,046,887</u>	<u>\$ 32,823,923</u>
\$ 652,686	\$ 721,180	\$ 3,356,772	\$ 3,047,447
1,716,573	1,503,188	1,524,158	1,701,875
941,224	478,788	454,145	688,286
1,039,820	1,071,482	2,222,430	2,012,436
-	7,100	16,500	18,000
2,943,857	3,606,089	2,106,559	1,894,436
952,450	3,152,881	1,479,343	689,424
<u>8,246,610</u>	<u>10,540,708</u>	<u>11,159,907</u>	<u>10,051,904</u>
36,872,008	-	-	-
4,417,498	-	-	-
3,508,947	2,941,753	3,728,189	3,004,826
1,281,986	1,083,878	1,442,394	1,720,653
6,415	-	-	-
1,661,001	93,810	348,756	7,780
<u>47,747,855</u>	<u>4,119,441</u>	<u>5,519,339</u>	<u>4,733,259</u>
<u>\$ 55,994,465</u>	<u>\$ 14,660,149</u>	<u>\$ 16,679,246</u>	<u>\$ 14,785,163</u>
\$ (17,295,151)	\$ (14,772,760)	\$ (14,514,806)	\$ (17,034,077)
6,276,200	(1,070,272)	147,165	(1,004,683)
<u>\$ (11,018,951)</u>	<u>\$ (15,843,032)</u>	<u>\$ (14,367,641)</u>	<u>\$ (18,038,760)</u>
\$ 14,229,111	\$ 14,487,805	\$ 15,002,764	\$ 15,795,777
147,561	160,884	113,902	113,796
1,039,867	1,032,409	546,681	40,589
-	-	11,769	256,600
-	-	-	-
2,089,406	100,000	100,000	162,490
<u>17,505,945</u>	<u>15,781,098</u>	<u>15,775,116</u>	<u>16,369,252</u>
1,279,872	758,182	423,946	53,431
-	-	-	-
-	-	-	-
(2,089,406)	(100,000)	(100,000)	(162,490)
(809,534)	658,182	323,946	(109,059)
<u>\$ 16,696,411</u>	<u>\$ 16,439,280</u>	<u>\$ 16,099,062</u>	<u>\$ 16,260,193</u>
\$ 210,794	\$ 1,008,338	\$ 1,260,310	\$ (664,825)
5,466,666	(412,090)	471,111	(1,113,742)
<u>\$ 5,677,460</u>	<u>\$ 596,248</u>	<u>\$ 1,731,421</u>	<u>\$ (1,778,567)</u>

CITY OF SHAKOPEE

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund:				
Nonspendable:				
Prepays	\$ -	\$ -	\$ -	\$ -
Reserved	13,586	16,465	1,490,157	1,810,650
Restricted for:				
BATC Litigation	-	-	-	-
Committed to:				
Working Capital	-	-	-	-
Unreserved	7,233,268	9,662,677	8,354,477	7,896,883
Unassigned	-	-	-	-
Total General Fund	<u>\$ 7,246,854</u>	<u>\$ 9,679,142</u>	<u>\$ 9,844,634</u>	<u>\$ 9,707,533</u>
All Other Governmental Funds				
Reserved:				
Special Revenue Funds	\$ 2,232,061	\$ 2,861,564	\$ 3,386,721	\$ 2,489,775
Debt Service Funds	10,837,684	9,236,020	7,930,114	-
Capital Projects Funds	17,088,803	9,915,610	8,082,799	3,849,703
Restricted for:				
Forfeitures	-	-	-	-
Transit	-	-	-	-
SCDP Grant	-	-	-	-
Revolving Loans	-	-	-	-
Economic Development	-	-	-	-
Debt Service	-	-	-	-
Capital Improvements	-	-	-	-
Committed to:				
Working Capital	-	-	-	-
Transit	-	-	-	-
Revolving Loans	-	-	-	-
Economic Development	-	-	-	-
Park Projects	-	-	-	-
Capital Improvements	-	-	-	-
2008 Projects	-	-	-	-
2009 Projects	-	-	-	-
2010 Projects	-	-	-	-
Fire Station 2	-	-	-	-
Assigned to:				
Telecommunication	-	-	-	-
Capital Improvements	-	-	-	-
Capital Projects Funds	-	-	-	-
Unreserved				
Special Revenue Funds	(4,971)	-	-	993,555
Debt Service Funds	-	-	-	7,941,439
Capital Projects Funds	(28,081)	(1,833,937)	(1,205,899)	1,673,762
Unassigned	-	-	-	-
Total all Other Governmental Funds	<u>\$ 30,125,496</u>	<u>\$ 20,179,257</u>	<u>\$ 18,193,735</u>	<u>\$ 16,948,234</u>

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

Only 2010-2013 are reported in compliance with GASB Statement No. 54. 2004-2009 are reported as previously stated.

Table 3

2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ 149,940	\$ 131,447	\$ 19,189	\$ 16,440
1,126,074	799,276	-	-	-	-
-	-	218,032	-	-	-
-	-	345,820	-	-	-
8,733,528	10,703,004	-	-	-	-
-	-	8,323,938	9,172,747	9,503,652	9,076,549
<u>\$ 9,859,602</u>	<u>\$ 11,502,280</u>	<u>\$ 9,037,730</u>	<u>\$ 9,304,194</u>	<u>\$ 9,522,841</u>	<u>\$ 9,092,989</u>
\$ 2,738,909	\$ 2,677,290	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
4,873,440	4,185,059	-	-	-	-
-	-	189,112	208,518	195,823	180,696
-	-	1,158,355	1,237,762	1,045,340	941,469
-	-	55,743	22,462	22,447	4,546
-	-	143,023	249,147	252,639	253,065
-	-	447,319	497,775	562,959	685,671
-	-	5,127,697	4,625,946	9,574,198	8,678,680
-	-	2,203,238	958,195	1,815,339	1,882,231
-	-	345,820	-	-	-
-	-	463,470	-	-	-
-	-	100,000	-	-	-
-	-	20,930	-	-	-
-	-	1,785,164	-	-	-
-	-	3,616,689	-	-	-
-	-	190,431	-	-	-
-	-	14,876	-	-	-
-	-	131,398	-	-	-
-	-	2,476,886	-	-	-
-	-	49,192	45,681	66,989	54,499
-	-	-	6,964,247	8,681,475	5,753,669
-	-	-	413,228	394,666	176,398
1,130,452	-	-	-	-	-
7,658,289	7,504,770	-	-	-	-
1,994,812	2,453,383	-	-	-	-
-	-	(116,803)	(484,089)	(384,965)	(1,716)
<u>\$ 18,395,902</u>	<u>\$ 16,820,502</u>	<u>\$ 18,402,540</u>	<u>\$ 14,738,872</u>	<u>\$ 22,226,910</u>	<u>\$ 18,609,208</u>

CITY OF SHAKOPEE

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
REVENUES:				
Taxes	\$ 8,207,254	\$ 9,621,721	\$10,815,367	\$ 13,084,595
Special Assessments	3,175,161	2,564,470	1,751,871	2,301,560
Licenses and Permits	4,173,804	4,444,491	2,675,935	1,378,570
Intergovernmental	4,162,581	3,646,605	2,877,245	2,540,584
Charges for Service	2,382,405	2,455,171	2,290,996	2,089,375
Fines and Forfeits	288,492	322,579	422,850	501,228
Miscellaneous	766,614	1,159,536	1,979,419	2,322,755
Total Revenues	<u>23,156,311</u>	<u>24,214,573</u>	<u>22,813,683</u>	<u>24,218,667</u>
EXPENDITURES:				
General Government	3,486,029	3,120,544	3,149,717	3,479,925
Police	5,530,972	6,210,198	7,153,121	8,342,017
Public Works	2,564,662	3,003,554	3,095,392	3,769,491
Culture and Recreation	2,489,749	2,792,590	3,453,545	3,651,539
Economic Development	-	-	-	-
Debt Service:				
Principal	1,775,000	1,845,000	3,055,000	3,110,000
Interest and Other Charges	701,976	1,106,324	1,195,618	1,025,868
Capital Outlay	7,432,575	14,058,508	10,650,449	7,288,033
Total Expenditures	<u>23,980,963</u>	<u>32,136,718</u>	<u>31,752,842</u>	<u>30,666,873</u>
Excess of Revenues Under Expenditures	<u>(824,652)</u>	<u>(7,922,145)</u>	<u>(8,939,159)</u>	<u>(6,448,206)</u>
OTHER FINANCING SOURCES (USES):				
Bonds Issued	15,070,000	-	3,440,000	2,815,000
Sale of Assets	299,183	753,024	2,700	17,700
Premium on Bonds Issued	-	-	20,275	9,956
Refunded Bond Escrow	-	(2,190,000)	-	-
Transfers In	5,963,741	3,374,566	6,683,532	4,411,281
Transfers Out	(3,312,078)	(1,529,396)	(3,354,364)	(2,188,333)
Total Other Financing Sources (Uses)	<u>18,020,846</u>	<u>408,194</u>	<u>6,792,143</u>	<u>5,065,604</u>
Net Change in Fund Balance	<u>\$ 17,196,194</u>	<u>\$ (7,513,951)</u>	<u>\$ (2,147,016)</u>	<u>\$ (1,382,602)</u>
Debt Service as a Percentage of Noncapital Expenditures	15%	19%	21%	16%

Table 4

2008	2009	2010	2011	2012	2013
\$ 14,437,766	\$14,992,051	\$ 14,385,788	\$ 14,699,066	\$ 15,141,903	\$ 15,851,560
1,879,974	1,810,511	1,404,088	1,475,324	1,499,810	930,331
1,221,939	1,492,746	1,338,111	1,281,150	2,441,246	2,349,945
2,702,993	1,811,668	2,924,161	3,941,830	2,548,692	1,857,803
2,209,269	1,808,865	2,202,524	3,958,237	4,449,003	4,583,551
442,626	428,662	549,543	411,211	418,474	381,470
2,028,529	1,503,722	1,255,038	705,969	836,868	189,717
<u>24,923,096</u>	<u>23,848,225</u>	<u>24,059,253</u>	<u>26,472,787</u>	<u>27,335,996</u>	<u>26,144,377</u>
3,517,957	3,331,193	2,960,233	4,004,684	4,396,219	4,495,662
8,462,288	8,604,704	9,012,567	9,460,824	9,483,999	9,731,407
3,628,954	3,591,049	3,902,622	2,602,104	2,349,042	2,631,154
4,101,175	3,898,844	4,075,919	3,902,386	3,799,723	3,771,068
522,074	316,566	270,915	247,591	155,692	340,904
3,280,000	2,660,000	3,800,000	2,565,000	1,950,000	2,070,000
1,077,711	1,077,325	833,245	658,265	634,063	618,695
3,300,942	1,797,299	2,812,488	6,301,406	2,164,053	6,883,191
<u>27,891,101</u>	<u>25,276,980</u>	<u>27,667,989</u>	<u>29,742,260</u>	<u>24,932,791</u>	<u>30,542,081</u>
<u>(2,968,005)</u>	<u>(1,428,755)</u>	<u>(3,608,736)</u>	<u>(3,269,473)</u>	<u>2,403,205</u>	<u>(4,397,704)</u>
2,170,000	-	1,555,000	-	4,865,000	-
-	-	6,000	-	-	150
16,741	-	-	-	73,480	-
-	-	-	-	-	-
4,605,693	4,958,133	13,199,807	2,968,919	3,367,400	4,890,809
<u>(2,224,692)</u>	<u>(3,462,100)</u>	<u>(12,380,403)</u>	<u>(2,750,830)</u>	<u>(3,002,400)</u>	<u>(4,540,809)</u>
<u>4,567,742</u>	<u>1,496,033</u>	<u>2,380,404</u>	<u>218,089</u>	<u>5,303,480</u>	<u>350,150</u>
<u>\$ 1,599,737</u>	<u>\$ 67,278</u>	<u>\$ (1,228,332)</u>	<u>\$ (3,051,384)</u>	<u>\$ 7,706,685</u>	<u>\$ (4,047,554)</u>
17%	16%	18%	14%	11%	11%

CITY OF SHAKOPEE

Table 5

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

Fiscal Year	Residential Property	Commercial Industrial Property	Other Property	Less: Tax Increment Property	Less Net Fiscal Disparities	Net Taxable Tax Capacity	Total Direct Tax Rate	Estimated Taxable Market Value	Taxable Tax Capacity as a Percentage of Estimated Market Value
2004	16,721,302	10,609,240	913,912	497,255	2,121,170	25,626,029	0.32433	2,464,564,300	1.04%
2005	20,394,086	11,749,438	528,300	327,963	2,132,628	30,211,233	0.31115	2,654,161,900	1.14%
2006	23,162,320	12,710,783	565,215	352,543	1,615,190	34,470,585	0.30974	2,987,657,400	1.15%
2007	26,817,616	14,013,644	675,479	378,593	1,963,379	39,164,767	0.31939	3,419,040,600	1.15%
2008	29,942,078	15,426,355	741,679	411,490	1,846,919	43,851,703	0.31925	3,800,795,500	1.15%
2009	29,805,971	16,088,685	1,319,935	156,799	1,862,715	45,195,077	0.32630	3,850,591,200	1.17%
2010	27,805,069	16,459,872	1,279,807	151,914	1,584,552	43,808,282	0.33710	3,710,814,056	1.18%
2011	24,652,932	18,351,835	1,304,688	161,430	1,630,522	42,517,503	0.34731	3,570,069,500	1.19%
2012	23,180,073	17,956,273	852,512	155,002	1,740,447	40,093,409	0.36655	3,347,179,800	1.20%
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%

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				
2004	0.31131	0.01302	0.32433	0.21517	0.36635	0.04123	0.01189
2005	0.29855	0.01260	0.31115	0.25215	0.35361	0.04660	0.00969
2006	0.28996	0.01978	0.30974	0.27789	0.34974	0.04578	0.00848
2007	0.29822	0.02117	0.31939	0.27132	0.33140	0.04434	0.00728
2008	0.29874	0.02051	0.31925	0.26103	0.32646	0.04642	0.00537
2009	0.30401	0.02229	0.32630	0.27274	0.32684	0.04960	0.00651
2010	0.32152	0.01558	0.33710	0.29050	0.33240	0.04980	0.00651
2011	0.32996	0.01735	0.34731	0.31182	0.35541	0.05020	0.00342
2012	0.34005	0.02650	0.36655	0.35512	0.38802	0.05610	0.00345
2013	0.41996	-	0.41996	0.39715	0.40674	0.05701	0.00467

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	2013			2004		
		2012/13 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value	2003/04 Tax Cap. Value	Rank	Percentage of Total Tax Cap. Value
Excel Energy	Electrical Generation	\$ 603,146	1	1.47%	\$ 432,954	2	1.53%
Rahr Malting	Grain Processing	426,194	2	1.04%	358,847	4	1.27%
J & J Minneapolis LLC	Manufacturing	408,500	3	1.00%			
Seagate	Manufacturing/Research	399,250	4	0.97%	752,424	1	2.66%
Lothenbach Properties	Warehouse/Manufacturing	379,250	5	0.93%			
St. Francis RMC	Health Care	358,500	6	0.87%			
Canterbury Park	Horse Racing	323,760	7	0.79%			
Certainteed	Manufacturing	319,250	8	0.78%	311,678	6	1.10%
Valleyfair	Amusement Park	313,750	9	0.77%	292,117	7	1.03%
Shakopee Crossing LTD	Retail	310,170	10	0.76%			
OIRE	Property Management				364,928	3	1.29%
ADC Telecommunications	Electronics				336,866	5	1.19%
KMart Warehouse	Warehouse/Distribution Center				288,946	8	1.02%
Shakopee Valley Market	Retail				272,610	9	0.97%
Principal Mutual Mortgage	Financial				259,752	10	0.92%
		<u>\$ 3,841,770</u>		<u>9.38%</u>	<u>\$ 3,671,122</u>		<u>12.98%</u>

Source: Scott County Auditor

Net Tax Capacity City

40,977,859

From Table 5-E Total for year

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
2004	\$ 8,625,695	\$ 7,878,618	91%	\$ (86,619)	\$ 7,791,999	90%	\$ 175,774	2.04%
2005	9,703,206	9,025,261	93%	67,187	9,092,448	94%	164,517	1.70%
2006	10,951,917	9,945,490	91%	38,986	9,984,476	91%	279,316	2.55%
2007	12,745,449	12,418,768	97%	91,200	12,509,968	98%	331,315	2.60%
2008	14,222,007	13,661,366	96%	208,470	13,869,836	98%	483,317	3.40%
2009	14,983,677	14,457,378	96%	157,920	14,615,298	98%	319,740	2.13%
2010	14,918,665	13,971,356	94%	55,020	14,026,376	94%	310,624	2.08%
2011	14,837,438	14,019,831	94%	278,981	14,298,812	96%	260,248	1.75%
2012	14,837,438	14,553,417	98%	188,750	14,742,167	99%	235,011	1.58%
2013	15,483,223	15,109,599	98%	279,485	15,389,084	99%	293,025	1.89%

Source: Scott County Auditor

1. The above data does not include tax increment districts.
2. The State of Minnesota cancelled \$ 561,000 in 2004 to 2006, \$ 243,439 in 2008, \$ 511,956 in 2009, \$ 558,860 in 2010 and \$ 595,572 of annual aid payments to the City that were part of the tax levy.

CITY OF SHAKOPEE

Table 9

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

Fiscal Year	Governmental Activities		Business-type Activities Revenue Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
	G.O. Bonds	Special Assessment Bonds				
2004	\$ 10,595,000	\$ 18,205,000	\$ 25,515,000	\$ 54,315,000	5.5%	1,879
2005	8,275,000	16,360,000	24,750,000	49,385,000	4.4%	1,593
2006	7,950,000	17,070,000	34,535,000	59,555,000	4.9%	1,816
2007	7,560,000	17,165,000	33,895,000	58,620,000	4.5%	1,752
2008	7,165,000	16,450,000	33,225,000	56,840,000	4.1%	1,689
2009	6,755,000	14,200,000	22,235,000	43,190,000	4.1%	1,276
2010	6,340,000	12,370,000	21,470,000	40,180,000	3.4%	1,084
2011	5,905,000	10,240,000	-	16,145,000	1.3%	428
2012	10,325,000	8,735,000	-	19,060,000	1.6%	504
2013	9,865,000	7,125,000	-	16,990,000	1.4%	446

Sources: See Table 14 for income and population data.

Note: From 2004-2010, the SPUC Funds, Water and Electric Enterprise Funds, were reported as a blended component unit of the City. In 2011, SPUC Funds have been presented as discretely presented component units as it no longer met the criteria for blending.

CITY OF SHAKOPEE

Table 10

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

<u>Fiscal Year</u>	<u>G.O. Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>	<u>Percentage of Total Personal Income</u>
2004	\$ 10,595,000	0.43%	366	1.07%
2005	8,275,000	0.31%	267	0.76%
2006	7,950,000	0.27%	242	0.65%
2007	7,560,000	0.22%	226	0.61%
2008	7,165,000	0.19%	213	0.52%
2009	6,755,000	0.18%	199	0.65%
2010	6,340,000	0.17%	171	0.54%
2011	5,905,000	0.17%	157	0.49%
2012	10,325,000	0.31%	273	0.86%
2013	9,865,000	0.32%	259	0.81%

Sources:

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

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CITY OF SHAKOPEE

Table 11

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
December 31, 2013**

	<u>G.O. Debt</u>	<u>Percentage Applicable To City of Shakopee (1)</u>	<u>Amount Applicable To City of Shakopee</u>
Direct Debt:			
City of Shakopee	\$ 16,990,000	100.0%	\$ 16,990,000
Overlapping Debt:			
Independent School District No. 720	206,755,000	84.6%	174,861,150
Independent School District No. 191	108,795,000	2.1%	2,323,238
Scott County	66,660,000	26.3%	17,543,229
Metropolitan Council	<u>1,638,249,257</u>	1.0%	<u>17,152,470</u>
Total Overlapping Debt:	<u>2,020,459,257</u>		<u>211,880,087</u>
 Total Direct and Overlapping Debt	 <u><u>\$ 2,037,449,257</u></u>		 <u><u>\$ 228,870,087</u></u>

Source: Scott County Auditor
Dakota County Auditor
Metropolitan Council

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

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

CITY OF SHAKOPEE

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Market Value (Taxable)	\$ 2,464,564,300	\$ 2,654,161,900	\$ 2,987,657,400	\$ 3,419,040,600
Debt Limit - Percent of Market Value (Note A)	<u>49,291,286</u>	<u>53,083,238</u>	<u>59,753,148</u>	<u>68,380,812</u>
Amount of Debt Applicable to Debt Limit:				
G.O. Bonds	10,595,000	8,275,000	7,950,000	7,560,000
Available in Debt Service Funds	<u>(2,539,292)</u>	<u>(1,155,148)</u>	<u>(810,494)</u>	<u>(834,155)</u>
Total Debt Applicable to Debt Limit	<u>8,055,708</u>	<u>7,119,852</u>	<u>7,139,506</u>	<u>6,725,845</u>
Legal Debt Margin	<u>\$ 41,235,578</u>	<u>\$ 45,963,386</u>	<u>\$ 52,613,642</u>	<u>\$ 61,654,967</u>

NOTE (A):

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

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

NOTE (B):

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

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

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

Table 12

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 3,800,795,500	\$ 3,850,591,200	\$ 3,710,814,056	\$ 3,570,069,500	\$ 3,347,179,800	\$ 3,064,695,700
<u>114,023,865</u>	<u>115,517,736</u>	<u>107,102,085</u>	<u>107,102,085</u>	<u>100,415,394</u>	<u>91,940,871</u>
7,165,000	6,755,000	6,340,000	5,905,000	10,325,000	9,865,000
<u>(847,608)</u>	<u>(837,100)</u>	<u>(786,306)</u>	<u>(826,957)</u>	<u>(4,623,939)</u>	<u>-</u>
<u>6,317,392</u>	<u>5,917,900</u>	<u>5,553,694</u>	<u>5,078,043</u>	<u>5,701,061</u>	<u>9,865,000</u>
<u>\$ 107,706,473</u>	<u>\$ 109,599,836</u>	<u>\$ 101,548,391</u>	<u>\$ 102,024,042</u>	<u>\$ 94,714,333</u>	<u>\$ 82,075,871</u>

CITY OF SHAKOPEE

Table 13

**PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years**

Fiscal Year	Utility Bonds					Coverage
	Utility Service Charges	Less: Operating Expense	Net Available Revenue	Debt Service		
				Principal	Interest	
2004	\$ 25,473,439	\$ 19,778,149	\$ 5,695,290	\$ 640,000	\$ 1,307,626	2.92
2005	33,841,730	25,821,489	8,020,241	765,000	1,074,487	4.36
2006	38,445,403	31,436,969	7,008,434	785,000	1,174,711	3.58
2007	44,692,049	36,644,414	8,047,635	640,000	1,574,925	3.63
2008	45,499,791	38,689,351	6,810,440	670,000	1,523,198	3.11
2009	42,437,910	33,009,500	9,428,410	710,000	1,012,874	5.47
2010	45,586,795	36,375,440	9,211,355	765,000	939,426	5.40
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-

1. Operating expense excludes depreciation and amortization.

Note: From 2004-2010, the SPUC Funds, Water and Electric Enterprise Funds, were reported as a blended component unit of the City. In 2011, SPUC Funds have been presented as discretely presented component units as it no longer met the criteria for blending.

CITY OF SHAKOPEE

Table 14

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>	<u>Total Employment</u>	<u>Per Capita Income (4)</u>	<u>Personal Income (5)</u>
2004	28,913	5,121	3.9%	16,213	\$ 34,284	\$ 991,253,292
2005	31,000	6,247	3.6%	16,192	35,956	1,114,636,000
2006	32,800	6,643	3.7%	17,787	37,023	1,214,354,400
2007	33,460	6,905	4.6%	18,225	39,042	1,306,345,320
2008	33,660	7,163	6.7%	18,688	31,900	1,375,044,660
2009	33,860	7,465	7.8%	18,926	30,900	1,046,274,000
2010	37,076	7,814	7.0%	18,771	31,700	1,175,309,200
2011	37,721	8,115	4.6%	20,718	32,017	1,207,713,257
2012	37,841	8,392	5.0%	19,971	31,628	1,196,835,148
2013	38,120	8,452	4.6%	19,650	31,829	1,213,321,480

- Source:
1. 2004 is a Metropolitan Council population estimates. 2010 is the official census figure. 2005-2009,2011-2013 are the City's estimate.
 2. Shakopee School District, SACS, Bloomington Lutheran
 3. Minnesota Department of Employment and Economic Development
 4. Bureau of Economic Analysis and MET Council Community Profile Dad
 5. Per capita income times population

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CITY OF SHAKOPEE

Table 15

**PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Taxpayer	Type of Business	2013			2004		
		Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
Valley Fair	Amusement Park	2,000	1	10.18%	1,200	2	7.40%
Canterbury Park	Horse Racing	1,650	2	8.40%			
Seagate	Manufacturing/Research	1,200	3	6.11%	1,100	3	6.78%
School District No. 720	Education	1,200	4	6.11%	390	7	2.41%
Imagine Print Solutions	Printing	950	5	4.83%			
St. Francis RMC	Health Care	800	6	4.07%	363	8	2.24%
Scott County	Government	570	7	2.90%	470	4	3.05%
Walmart	Retail	375	8	1.91%			
Northstar Auto Auction	Auto Auction	355	9	1.81%			
Anchor Glass	Manufacturing	285	10	1.45%	287	10	1.76%
ADC	Manufacturing				1,400	1	8.64%
Kmart	Distribution Center				424	5	2.62%
Shakopee Valley Printing	Printing				415	6	2.56%
CertainTeed	Manufacturing				300	9	1.85%
		<u>9,385</u>		<u>47.77%</u>	<u>6,349</u>		<u>39.31%</u>
Total Employment				19,650			16,213

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government:					
Administration	6	6	6	5	5
City Clerk	4	4	4	4	4
Finance	3	3	3	3	3
Planning	5	5	5	5	5
Facilities Maintenance	4	4	6	6	7
Information Technology	2	2	2	2	2
Public Safety:					
Police:					
Licensed	40	42	45	46	47
Other	7	9	7	7	6
Fire:					
Full time	-	-	-	1	2
Paid On Call	50	50	48	48	48
Building Inspection	8	8	8	7	6
Public Works:					
Engineering	9	9	9	7	7
Street	11	12	12	12	13
Shop	3	3	3	3	3
Park and Recreation:					
Park Maintenance	7	7	7	8	8
Recreation	8	10	10	10	7
Economic Development:					
EDA	-	-	-	-	-
Total	<u>167</u>	<u>174</u>	<u>175</u>	<u>174</u>	<u>173</u>

Source: City departments

Table 16

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
5	5	5	6	7
4	4	4	3	3
3	3	3	4	4
5	5	5	5	5
6	6	6	4	4
2	2	2	2	2
47	47	50	49	47
6	6	6	7	10
3	3	3	3	7
44	44	42	44	44
5	5	5	5	5
7	7	7	7	7
13	13	13	13	13
3	3	4	3	3
8	8	8	8	8
7	7	7	7	8
-	-	-	-	1
<u>168</u>	<u>168</u>	<u>170</u>	<u>170</u>	<u>178</u>

CITY OF SHAKOPEE

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

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

Source: City departments

Table 17

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
68	35	33	24	47	49
2	2	1	2	5	8
50	34	6	68	89	99
1,881	1,913	1,962	1,666	1,798	1,387
4,058	6,127	5,528	5,647	5,636	4,665
19,057	17,909	17,831	17,852	18,349	17,822
538	517	557	600	617	584
1,019	1,102	1,083	1,881	1,413	3,556
5,946	9,726	8,048	8,004	8,191	7,446
94	314	160	118	97	104
154	154	154	154	154	154
933	933	933	933	933	933
11,410	10,377	13,001	13,157	13,104	15,854
613	823	2,534	3,682	4,009	5,025
100,397	109,257	117,336	120,667	128,929	140,778

CITY OF SHAKOPEE

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police:					
Stations	1	1	1	1	1
Patrol Zones	4	4	4	4	4
Patrol Units	13	13	15	15	15
Fire Stations	2	2	2	2	2
Street:					
Miles of Roadway	114	123	153	154	154
Traffic Signals	25	25	25	25	26
Parks:					
Acres	760	925	1,015	1,015	1,019
Ball Fields	46	46	47	47	49
Playgrounds	13	13	18	22	24

Source: City Departments

Table 18

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1	1	1	1	1
4	4	4	4	4
15	15	15	15	15
2	2	2	2	2
154	154	154	154	154
27	27	27	29	29
1,024	1,024	1,024	1,048	1,048
49	52	54	56	56
24	24	26	26	26