

AGENDA
SHAKOPEE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
May 4, 2020

Following the March 13, 2020 Declaration of Peacetime Emergency by Governor Walz (as amended), the Commission is holding its regular meeting on May 4, 2020 at 5:00pm by telephone or other electronic means (WebEx) according to MN Statutes, Section 13D.021. The Commission President has concluded that an in-person meeting is not practical or prudent because of the health pandemic declared under the Emergency Order and according to current guidance from the MN Department of Health and the CDC. The Commission President will be at the regular meeting location for the Commission. The public may monitor the meeting:

Call-In Phone Number 1 (408) 418-9388
Enter Access Code 296105852
When Prompted for Password, enter #

1. **Call to Order** at 5:00pm in the SPUC Service Center, 255 Sarazin Street.
2. **Approval of Minutes**
 - 3a) April 14, 2020
 - 3b) April 20, 2020
 - 3c) April 23, 2020
3. **Communications**
4. **Approve the Agenda**
5. **Approval of Consent Business**
6. **Bills: Approve Warrant List**
7. **Liaison Report**
8. **Reports: Water Items**
 - 8a) Water System Operations Report – Verbal
9. **Reports: Electric Items**
 - 9a) Electric System Operations Report – Verbal
10. **Reports: Human Resources**
11. **Reports: General**
 - 11a) 2019 Audited Financial Statements
 - 11b) SPU Rebranding Update and Communications Campaign
 - 11c) 2020 Tom Bovitz Scholarship Award Recipients
 - 11d) 2020 Commission Goals and Objectives Work Session – Set Date

- 11e) COVID-19 Update
 - 1. Operations
 - 2. Electric and Water Sales
 - 3. Delinquencies
 - 4. Budget Impacts
- 11f) Governance Handbook

12. **New Business**

13. **Tentative Dates for Upcoming Meetings**

- Mid Month Meeting -- May18
- Regular Meeting -- June 1
- Mid Month Meeting -- June 15
- Regular Meeting -- July 6

14. **Adjourn to 5/18/20 at the SPUC Service Center, 255 Sarazin Street**

MINUTES
OF THE
SHAKOPEE PUBLIC UTILITIES COMMISSION
(Special Meeting)

The Special Meeting called for April 14, 2020 was canceled due to technical issues. Agenda items from this meeting were incorporated into the April 20, 2020 meeting.

A handwritten signature in black ink, appearing to read "John R. Crooks", is written over a horizontal line.

Commission Secretary: John R. Crooks

MINUTES
OF THE
SHAKOPEE PUBLIC UTILITIES COMMISSION
(Regular Meeting)

President Amundson called the regular session of the Shakopee Public Utilities Commission to order at the Shakopee Public Utilities meeting room at 5:00 P.M., April 20, 2020.

MEMBERS PRESENT: Commissioners Amundson, Meyer, Mocol, Brennan and Fox. Also present, Utilities Manager Crooks. Finance Director Schmid, Planning and Engineering Director Adams, Water Superintendent Schemel, Electric Superintendent Drent, Marketing/Customer Relations Director Walsh, as well as Commissioners Meyer, Mocol, Brennan and Fox attended via WebEx.

Motion by Mocol, seconded by Meyer to approve the minutes of the April 6, 2020 Commission meeting. Motion carried.

There were no Communication items to report.

President Amundson offered the agenda for approval.

Motion by Meyer, seconded by Fox to approve the agenda as presented. Motion carried.

President Amundson stated that the Consent Item was: Item 8d: Monthly Water Production Dashboard. Commissioner Mocol asked that Item 11a: Financial Results – March 2020 also be placed on consent.

Motion by Mocol, seconded by Brennan to approve the amended Consent Business agenda as discussed. Motion carried with Amundson and Meyer dissenting.

The warrant listing for bills paid April 20, 2020 was presented.

Motion by Meyer, seconded by Fox to approve the warrant listing dated April 6, 2020 as presented. Commissioner Fox requested that detail be added to each item on the warrant list for future warrants lists. Staff indicated that would be able to be accomplished for the next Commission meeting. Motion carried.

Commissioner Brennan stated there was no Liaison report.

Water Superintendent Schemel provided a report of current water operations. Water pumpage has been somewhat consistent at 3.2 million gallons per day. It was reported that there were three water service leaks that were repaired.

Planning and Engineering Director Adams reviewed a proposed water easement vacation in the Canterbury Seventh Addition.

Motion by Meyer, seconded by Fox to approve Resolution #1267, Vacation of Public Utility and Drainage Easement Within a Portion of Lot 1, Block 1 and Lot 1, Block 3, Canterbury Seventh Addition, Scott County, Minnesota and Shenandoah Drive Right of Way, City of Shakopee, Minnesota. Ayes: Amundson, Meyer, Mocol, Brennan and Fox. Nays: None. Motion carried.

Item 8d: Monthly Water Production Dashboard was received under Consent Business.

Electric Superintendent Drent provided a report of current electric operations. There was one electric outage to review. The outage affected 11 customers and was caused by a tree falling on an electric line. A blinking traffic light was reviewed. Construction updates were provided.

Mr. Drent presented the 2019 Electric Reliability Report. Staff was commended for the work done in providing such excellence in service.

Mr. Adams provided an overview of the permitting process for crossing a wetlands in boring an electric cable. The MN DNR permit application was also reviewed.

Motion by Meyer, seconded by Fox to approve the license terms and authorize its execution by the Commission President and Utilities Manager.

Utilities Manager Crooks read the MMPA Public Meeting Summary for March 2020.

Item 11a: Financial Results – March 2020 was received under Consent Business.

Finance Director Schmid reviewed the procedures for participating in future WebEx Conference Calls and WebEx Commission Meetings.

There was no New Business to discuss.

Motion by Fox, seconded by Brennan to adjourn to Closed Session for preliminary consideration of allegations or charges against an individual subject to the Commission's authority. Motion carried.

The Commission reconvened back to the Regular Meeting. President Amundson stated that no official business took place during the Closed Session.

Motion by Fox, seconded by Mocol to form an informal working group, consisting of Commissioners Meyer and Brennan, to lead looking into these matters and this investigation, and to appoint someone within SPU as a liaison to obtain information, and to recommend a 3rd party to look into these matters and this investigation. Motion carried.

Motion by Fox, seconded by Mocol to reconvene after 72 hours, on Thursday April 23 at 5:00 PM to discuss and recommend the 3rd party that will look into these matters and this investigation. Motion carried.

Motion by Meyer, seconded by Fox to adjourn to the April 23, 2020 Special Meeting. Motion carried.

A handwritten signature in black ink, appearing to read "John R. Crooks", is written over a horizontal line.

Commission Secretary: John R. Crooks

MINUTES
OF THE
SHAKOPEE PUBLIC UTILITIES COMMISSION
(Special Meeting)

President Amundson called the session of the Shakopee Public Utilities Commission to order at the Shakopee Public Utilities meeting room at 5:00 P.M., April 23, 2020.

MEMBERS PRESENT: Commissioners Amundson, Meyer, Mocol, Brennan and Fox. Also present, Utilities Manager Crooks. Commissioners Meyer, Mocol, Brennan and Fox attended via WebEx.

Commissioner Brennan reviewed to process in selecting the attorneys and their law firm to oversee the investigations against the SPU Utilities Manager.

The law firm selected was LeVander, Gillen & Miller. The two attorneys are Korine Land and Angela Lutz Amann.

The three areas of the investigation will be the allegations of altering a document, exceeding the Governor's Salary Cap statute and the use of a Commissioner's only agenda packet.

Commissioner Meyer agreed with Commissioner Brennan and stated the law firm and attorneys were recommended by the League of MN Cities (LMC).

Commissioner Meyer stated that Greg Drent will serve as the SPU staff liaison to facilitate information gathering and meeting set-ups. Commissioners Meyer and Brennan will stay on as the members of the informal working group, as appointed during the April 20 SPU Commission meeting.

Each attorney then provided an overview of their backgrounds and qualifications.

Commission Meyer stated that SPU is a member of the LMC.

Commissioner Fox asked if it was appropriate to place the employee on administrative leave. It was stated it is too early for any discipline against the employee.

Commissioner Mocol asked about a timeline regarding the investigation. It was stated that it was too early to establish any timeline. It was again asked about administrative leave for the employee and again it was stated it was too early in the process.


Motion by Brennen, seconded by Fox to accept the two representatives from LeVander, Gillen & Miller to oversee the investigation as discussed. Motion carried.

Motion by Meyer, seconded by Brennan that outside counsel present a proposed retainer agreement to the informal working group and if acceptable, to have the Commission President execute the agreement on behalf of the Commission. Motion carried.

Commission Fox asked if a special meeting should be set up in 5 days. It was stated that the SPU Commission should just meet at the next regular meeting, May 4. Commissioner Meyer stated that in his experience it should be expected to be a 60-90 day process.

The attorneys also stated that it was too early in the process to determine how many people would need to be interviewed regarding the investigation.

Motion by Mocol, seconded by Meyer to adjourn to the May 4, 2020 meeting. Motion carried.



Commission Secretary: John R. Crooks

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

May 4, 2020

By direction of the Shakopee Public Utilities Commission, the Secretary does hereby authorize the following warrants drawn upon the Treasury of Shakopee Public Utilities Commission:


55435	Void	*
55436	Allstream	2,402.86
55437	Amaril Uniform	483.00
55438	AAR Building Service Co	3,610.00
55439	Arrow Ace Hardware	24.44
55440	Mark & Jeannie Beane	100.00
55441	Robert Berndtson	124.20
55442	Mark Besser	500.00
55443	Border States Electric Supply	38,479.88
55444	Clintas	162.49
55445	Cisco Systems Inc	2,551.23
55446	City of Shakopee	3,752.74
55447	City of Shakopee	194,000.00
55448	Core & Main LP	8,125.01
55449	Daily Printing Inc	2,998.00
55450	Delta Dental	5,286.85
55451	DGR Engineering	32,008.54
55452	EZ-Spot-UR	312.34
55453	Farwest Line Specialties LLC	1,820.00
55454	Dave Fisher	350.00
55455	Randy & Kris Fuder	500.00
55456	Further	657.50
55457	Gray Matter System LLC	2,672.00
55458	General Security Services Corp	442.92
55459	Joseph Grafner	100.00
55460	Grainger Inc	214.56
55461	Randall Gregor	100.00
55462	Charles Grose	200.00
55463	Hach Company	856.16
55464	Dale Hanson	500.00
55465	Hawkins Inc	1,491.88
55466	HealthPartners	77,322.92
55467	Tom Henning	400.00
55468	Hotsy Equipment of Minnesota	872.40
55469	Ann Carmelia & Ian Hubbard	100.00
55470	Michael Huth	50.00
55471	Impact Mailing of Minnesota Inc	1,070.38
55472	Innovative Office Solutions	1,494.72
55473	Interstate Companies Inc	680.00
55474	IRBY - Stuart	1,067.04
55475	Stuart C Irby	535.72
55476	Jeff Jensen	500.00
55477	JT Services	1,706.19
55478	Tyra Kretschvil	8.05
55479	Robert E LaRoche	500.00
55480	Thuat & Hang T Lieu	200.00
55481	Marcy Lukanen-Tweden	200.00
55482	Corey Lynn	350.00
55483	Jason Marschall	500.00
55484	McGrann Shea Carnival	4,757.50
55485	Michael & Allison Metz	200.00
55486	Midwest Safety Counselors Inc	54.70
55487	Minn Valley Testing Labs Inc	376.00
55488	Minnesota Rural Water Assn	300.00
55489	MMUA	1,750.00
55490	Jane Moriarity	500.00
55491	NCPERS Group Life Ins	192.00
55492	Gerry Neville	104.64
55493	Computex Technology Solutions	1,704.00
55494	Cindy Nickolay	131.09
55495	Brandon & Kayla Northrop	100.00
55496	Bounthong & Phanmaly Noymany	100.00
55497	PLIC	3,644.60
55498	Stephen W Procenko	500.00
55499	Project Energy Savers LLC	1,400.00
55500	Quadient Inc	479.97
55501	Resco	2,596.55
55502	Schilz Ornamental Iron Inc	60.00
55503	Jason Schwengels	16.39
55504	State of Minnesota, Comm. Transport	50,000.00
55505	Doug G Stuybenberg	100.00
55506	Robin Theis	500.00
55507	Gregory Triplett	133.39
55508	Johnson Controls Fire Protection LP	1,174.39
55509	Vessco Inc	2,127.38
55510	Michael & Sharon Walsh	21.65
55511	Water Conservation Service Inc	327.70
55512	Wesco	3,212.07
55513	Xcel Energy	2,854.48
55514	Jon Chong You	500.00
55515	Edward Zambrano	14.99

TOTAL

472,317.49

Commission Secretary

Commission President


 Director of Finance & Administration

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

May 4, 2020

By direction of the Shakopee Public Utilities Commission, the Secretary does hereby authorize the following warrants drawn upon the Treasury of Shakopee Public Utilities Commission:

55435	Void		Printer error'd out after 1st check printed - had to reset check run
55436	Allstream	2,402.86	Phone and internet connection
55437	Amaril Uniform	483.00	FR clothing, hem pants & embroidery for M. Glynn
55438	AAR Building Service Co	3,610.00	May cleaning service of SPU Service Center
55439	Arrow Ace Hardware	24.44	Intake baffle & MCP Cap - electric dept
55440	Mark & Jeannie Beane	100.00	2020 Residential Appliance rebate
55441	Robert Berndtson	124.20	Reimburse mileage
55442	Mark Besser	500.00	2020 Residential Cooling rebate
55443	Border States Electric Supply	38,479.86	Electric - WO#2344 150 12S meters w/ERT \$16106.25, 8 ML2 & 8 ML1 meters \$6614.30, 192 C1SR meters \$9895.68) Clamp, guy, 2" Pipe, Deadend arm, connectors 2007.33 inventory/1 switch load break 3 phase \$3856.30 Inventory
55444	Cintas	162.49	Red shop towels
55445	Cisco Systems Inc	2,551.23	WebEx Event License - 1 year
55446	City of Shakopee	3,752.74	March fuel
55447	City of Shakopee	194,000.00	May transfer fee
55448	Core & Main LP	8,125.01	Water - WO#2345 water meters 1 4" sensus C2 meter \$3305, 5 1-1.5" sensus T2 meters \$4550, Meter flanges, gaskets, hex bolts & nuts \$270.01
55449	Daily Printing Inc	2,998.00	SPU Spring stuffer rates/digital
55450	Delta Dental	5,286.85	April premiums
55451	DGR Engineering	32,008.54	WO#2325 \$13469.59 Shako S Sub (UG) / WO#2326 Shako S Sub (O.H) \$5772.69 / WO#2352 Scada RTU Replacements \$11123.42 / WO#2392 Dena Lk #2 Circuit switcher replacement \$1642.84
55452	EZ-Spot-UR	312.34	WO#2363 Skid loader pole setter and auger - Extra headset ordered
55453	Farwest Line Specialties LLC	1,820.00	PO8569 Climb foot straps, pads blockclevis top - rodeo items GL 588
55454	Dave Fisher	350.00	2020 Residential Cooling rebate
55455	Randy & Kris Fuder	500.00	2020 Residential Cooling rebate
55456	Further	657.50	April Admin fee \$208.50/ Annual fee 2020 \$250 / claim reimbursements \$199
55457	Gray Matter System LLC	2,672.00	Water SCADA Software maintenance/support
55458	General Security Services Corp	442.92	Security System Hardware maintenance Quarterly NVR extended warranty 5/1-7/31 2020
55459	Joseph Grafner	100.00	2020 Residential Appliance rebate
55460	Grainger Inc	214.56	Eye wash cover, nipples, repair clamp - water dept
55461	Randall Gregor	100.00	2020 Residential Appliance rebate
55462	Charles Grose	200.00	2020 Residential Appliance rebate
55463	Hach Company	856.16	Color standard low range chlorine DPD
55464	Dale Hanson	500.00	2020 Residential Cooling rebate
55465	Hawkins Inc	1,491.88	Chlorine cylinders
55466	HealthPartners	77,322.92	May Health premiums
55467	Tom Henning	400.00	2020 Residential Recycle/ Appliance rebates
55468	Hotsy Equipment of Minnesota	872.40	Truck/Equip wash bulk
55469	Ann Carmelia & Ian Hubbard	100.00	2020 Residential Appliance rebate
55470	Michael Huth	50.00	2020 Residential Appliance rebate
55471	Impact Mailing of Minnesota Inc	1,070.38	Collection letters 2/28 3/26 2020
55472	Innovative Office Solutions	1,494.72	Toner, wireless mouse, trash bags, rubber bands, pens
55473	Interstate Companies Inc	680.00	Service call for pumphouse #9
55474	IRBY - Stuart	1,067.04	Pin cross arm, eye bolt, anchor rods - electric dept
55475	Stuart C Irby	535.72	Orange testing blankets - electric
55476	Jeff Jensen	500.00	2020 Residential Cooling rebate
55477	JT Services	1,706.19	Red locating flags
55478	Tyra Kratochvil	8.05	Reimburse April mileage
55479	Robert E LaRoche	500.00	2020 Residential Cooling rebate
55480	Thuat & Hang T Lieu	200.00	2020 Residential Appliance rebate
55481	Marcy Lukanen-Tweden	200.00	2020 Residential Appliance rebate
55482	Corey Lynn	350.00	2020 Residential Cooling rebate
55483	Jason Marschall	500.00	2020 Residential Cooling rebate
55484	McGrann Shea Carnival	4,757.50	Municipal & Regulatory matters 75/25 split 923 (01/03) 00 00
55485	Michael & Allison Metz	200.00	2020 Residential Appliance rebate
55486	Midwest Safety Counselors Inc	54.70	Safety goggles for water dept
55487	Minn Valley Testing Labs Inc	376.00	Nitrates & Coliform
55488	Minnesota Rural Water Assn	300.00	Annual membership fee
55489	MMUA	1,750.00	On site/on demand 4 year Apprentice Lineworker Career Dev. Program for: Tyler H, Matt, Tyer O, Jordan
55490	Jane Moriarity	500.00	2020 Residential Cooling rebate
55491	NCPERS Group Life Ins	192.00	May premiums

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

May 4, 2020

By direction of the Shakopee Public Utilities Commission, the Secretary does hereby authorize the following warrants drawn upon the Treasury of Shakopee Public Utilities Commission:

55492	Gerry Neville	104.64	Reimburse mileage
55493	Computex Technology Solutions	1,704.00	VMware workspace renewal 2020 \$1278 / VMware Add-on licenses \$426
55494	Cindy Nickolay	131.09	Reimburse mileage
55495	Brandon & Kayla Northrop	100.00	2020 Residential Appliance rebate
55496	Bounthong & Phanmaly Noymany	100.00	2020 Residential Appliance rebate
55497	PLIC	3,644.60	May premiums - LTD
55498	Stephen W Procenko	500.00	2020 Residential Cooling rebate
55499	Project Energy Savers LLC	1,400.00	SNW Mktg Hand sanitizer Quantity 1,000 75/25 split 929 (01/03) 07 08
55500	Quadient Inc	479.97	Letter opener base standard maintenance
55501	Resco	2,596.55	6 VT Pack 2.5:1 electric meters - inventory
55502	Schilz Ornamental Iron Inc	60.00	Repair 2 step aluminum - electric dept
55503	Jason Schwengels	16.39	2020 Residential Lighting rebate
55504	State of Minnesota, Comm. Transport	50,000.00	WO#2325 MNDOT Permit No M-UL--2020-89947 SPU 33-83 SS83 Feeder Extension
55505	Doug G Stuybenberg	100.00	2020 Residential Appliance rebate
55506	Robin Theis	500.00	2020 Residential Cooling rebate
55507	Gregory Triplett	133.39	Reimburse mileage
55508	Johnson Controls Fire Protection LP	1,174.39	Alarm monitoring 5/1/20 - 3/30/21
55509	Vessco Inc	2,127.38	PM on Chlorine Equip kits, retainers, stem regulators, seat regulators GL 642
55510	Michael & Sharon Walsh	21.65	2020 Residential Lighting rebate
55511	Water Conservation Service Inc	327.70	Leak locate @ 1132 Fairhaven Dr on 4/9/20
55512	Wesco	3,212.07	15 Termination 500MCM 15KV Outdoor type \$892.29 inventory/2 Buckingham storage bags \$109.53 GL588/ 2 Pad Transformers 3 Phase 225 to 500KVA \$2210.25 inventory
55513	Xcel Energy	2,854.48	Electricity Valley Park 3/24-4/22 \$2730.68 / Natural Gas Amberglen Cir 3/24-4/22 \$123.80
55514	Jon Chong You	500.00	2020 Residential Cooling rebate
55515	Edward Zambrano	14.99	Reimburse for bleach bought from Costco

TOTAL

472,317.49_____
Commission Secretary_____
Commission President_____
Director of Finance & Administration



SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

April 27, 2020

TO: John Crooks, Utilities Manager *JPC*

CC: Commissioner Amundson
Commissioner Brennan
Commissioner Fox
Commissioner Meyer
Commissioner Mocol

FROM: *RS* Renee Schmid, Director of Finance and Administration

SUBJECT: Shakopee Public Utilities – 2019 Audited Financial Statements and Communications Letter

The presentation of the SPU 2019 audited financial statements and related auditor report is scheduled on the agenda of the Shakopee Public Utilities Commission for Monday, May 4th, 2020. Mr. Andrew Grice, Audit Manager and Mr. Steve Wischmann, Partner with berganKDV, will participate in the WebEx meeting to deliver the report to the Commission.

Enclosed is the berganKDV power point presentation, a copy of the 2019 audited financial statements and related communications letter from berganKDV for your review.

**Shakopee Public Utilities Commission
Shakopee, Minnesota**

Communications Letter

December 31, 2019

**Shakopee Public Utilities Commission
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**Report on Matters Identified as a Result of
the Audit of the Financial Statements**

Board of Commissioners and Management
Shakopee Public Utilities Commission
Shakopee, Minnesota

In planning and performing our audit of the financial statements of the business-type activities of the Shakopee Public Utilities Commission, Shakopee, Minnesota, as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated March 19, 2020, on such statements.

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within the Commission and oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Bergan KDV, Ltd.

St. Cloud, Minnesota
March 19, 2020

Shakopee Public Utilities Commission Required Communication

We have audited the financial statements of the Commission as of and for the year ended December 31, 2019. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Commission solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Shakopee Public Utilities Commission Required Communication

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the financial statements were:

Depreciation – The Commission is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Expense Allocation – The Commission is currently allocating certain costs among the utility funds based on management's estimates of the benefit provided to each particular fund.

Allowance for Doubtful Accounts – The Commission is currently using an estimate to determine what accounts will be uncollectible. Amounts are based on bills past due.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the financial statements taken as a whole

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Shakopee Public Utilities Commission Required Communication

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Commission's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the Commission, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Commission's auditor.

Other Information in Documents Containing Audited Financial Statements

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**Shakopee Public Utilities Commission
Required Communication**

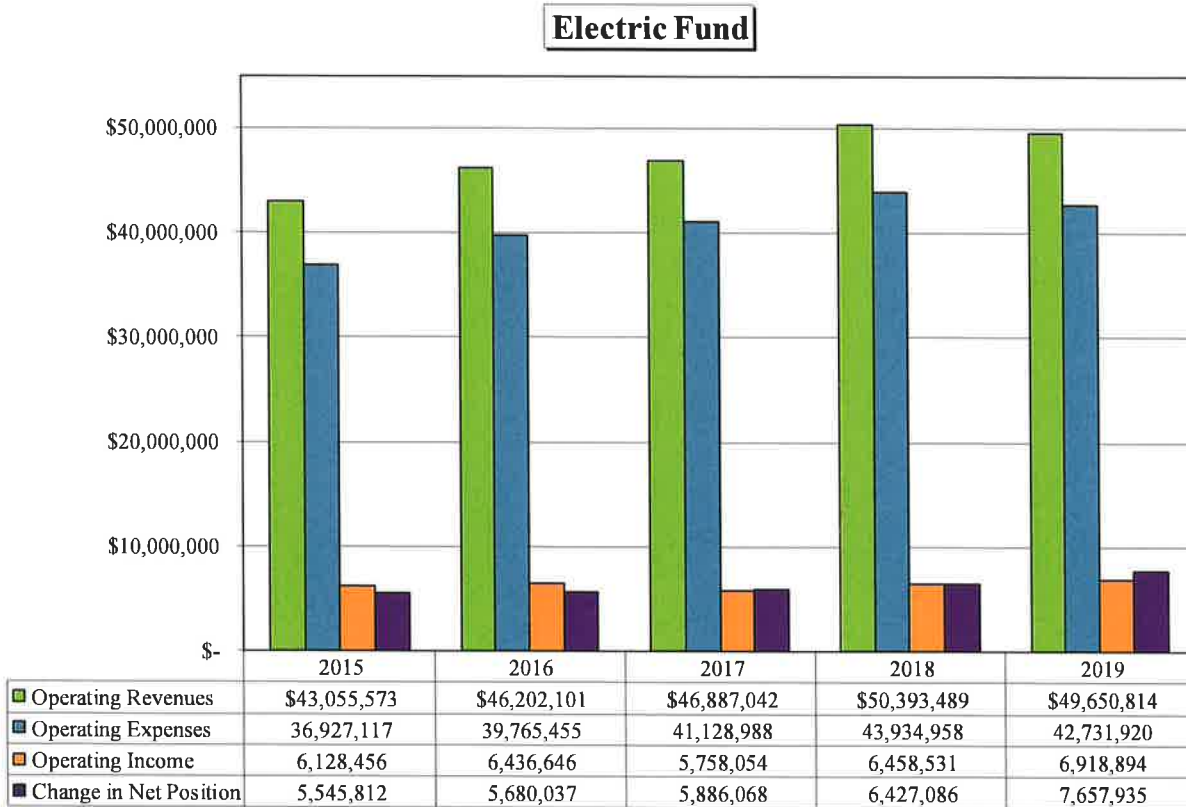
Other Information in Documents Containing Audited Financial Statements (Continued)

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Shakopee Public Utilities Commission Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the commission for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance.

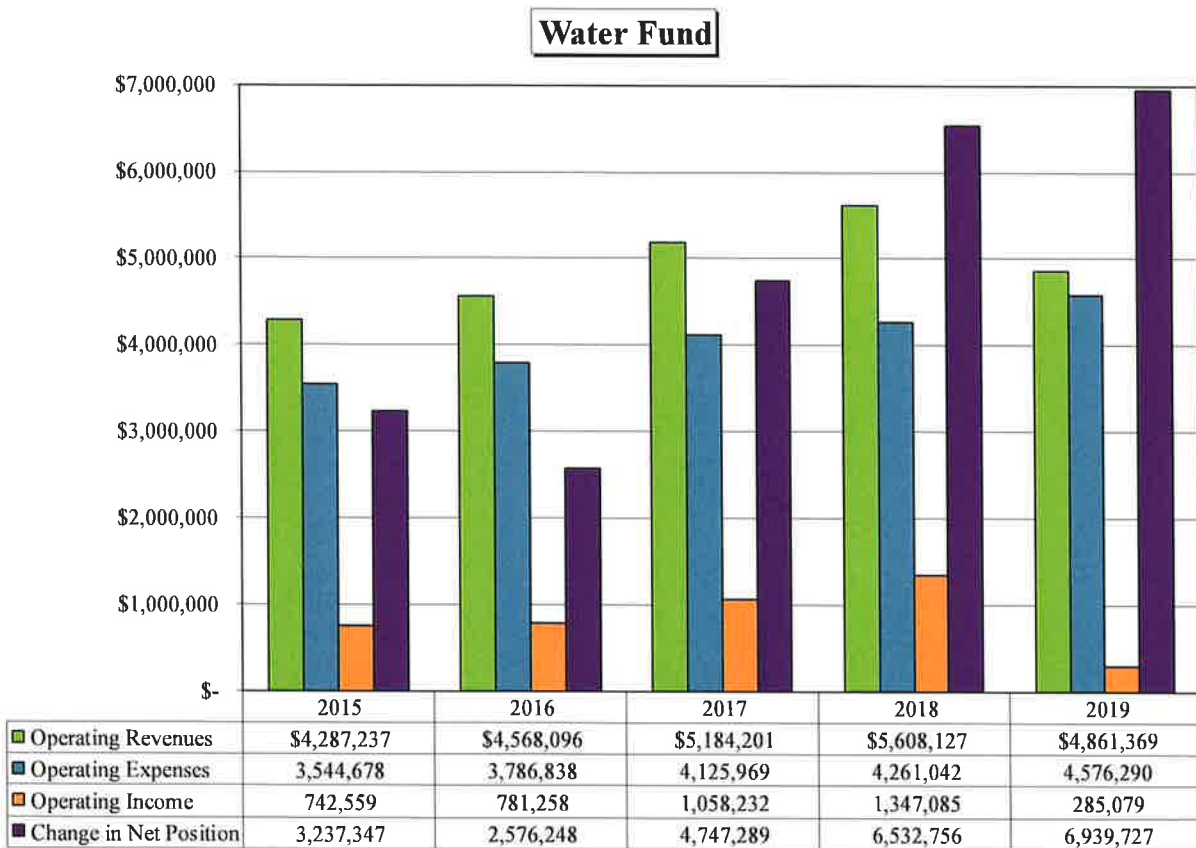
ELECTRIC FUND



Revenues have increased in four of the last five years presented. In 2019, operating revenues decreased \$742,675 due to a decrease in electricity usage by customers and decrease power cost adjustment. Operating expenses, excluding depreciation, decreased \$1,291,581 from 2018 to 2019. This is the result of less power being purchased during 2019 related to the lower usage in 2019. The end result of 2019 activity was operating income of \$6,918,894. The Commission also had net nonoperating revenue of \$1,404,624, received \$759,222 in capital contributions from developers, and contributed \$1,424,805 to the City of Shakopee as payments in lieu of taxes. As a result, net position increased \$7,657,935 in 2019.

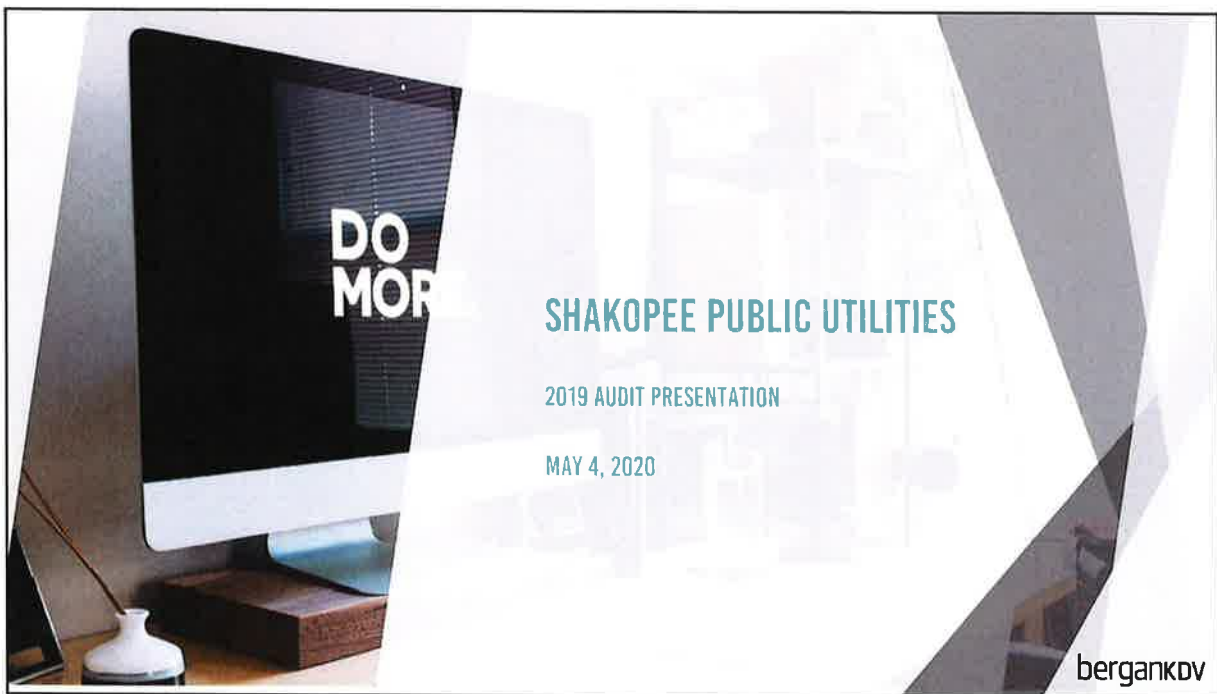
Shakopee Public Utilities Commission Financial Analysis

WATER FUND



Revenues have exceeded expenses for all years presented above. During 2019, operating revenues exceeded operating expenses by \$285,079. Operating revenues decreased \$746,758 from 2018 to 2019, driven by decreased usage related to increased precipitation. Operating expenses, excluding depreciation, stayed consistent only increasing \$145,992. During 2019, the Commission had net nonoperating revenue of \$731,222, received \$6,922,746 in capital contributions from developers and connection charges, and contributed \$999,320 to the City of Shakopee as payments in lieu of taxes. As a result, net position increased \$6,939,727 from 2018 to 2019.

The Commission has no debt outstanding at December 31, 2019.

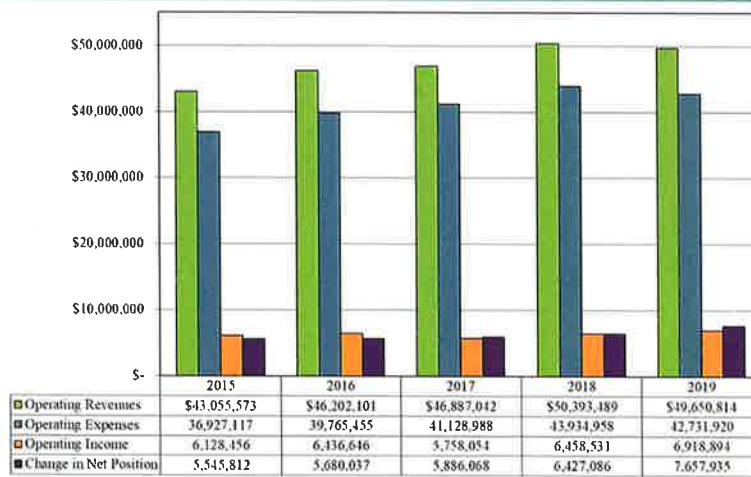


Independent Auditor's Reports

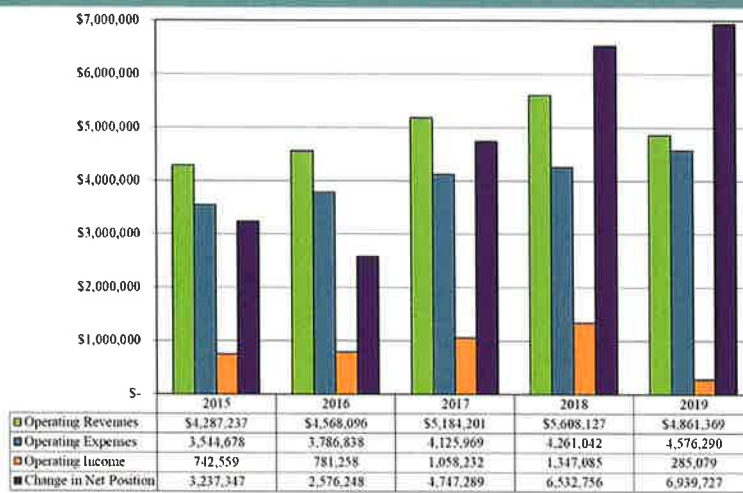
Issued March 19, 2020


- Management is responsible for the financial statements
- Auditor is responsible to express an opinion on the financial statements
- Unmodified Opinion – best opinion an auditor is able to offer
- Provides assurance that the financial statements are fairly presented in all material respects
- Minnesota Legal Compliance Report
 - Nothing came to our attention that caused us to believe noncompliance occurred. Our audit was not directed primarily toward obtaining knowledge of such noncompliance. Had we performed additional procedures, other matters may have come to our attention.
- Communications Letter
 - Consideration of internal control – No material weaknesses or significant deficiencies
 - Required communication

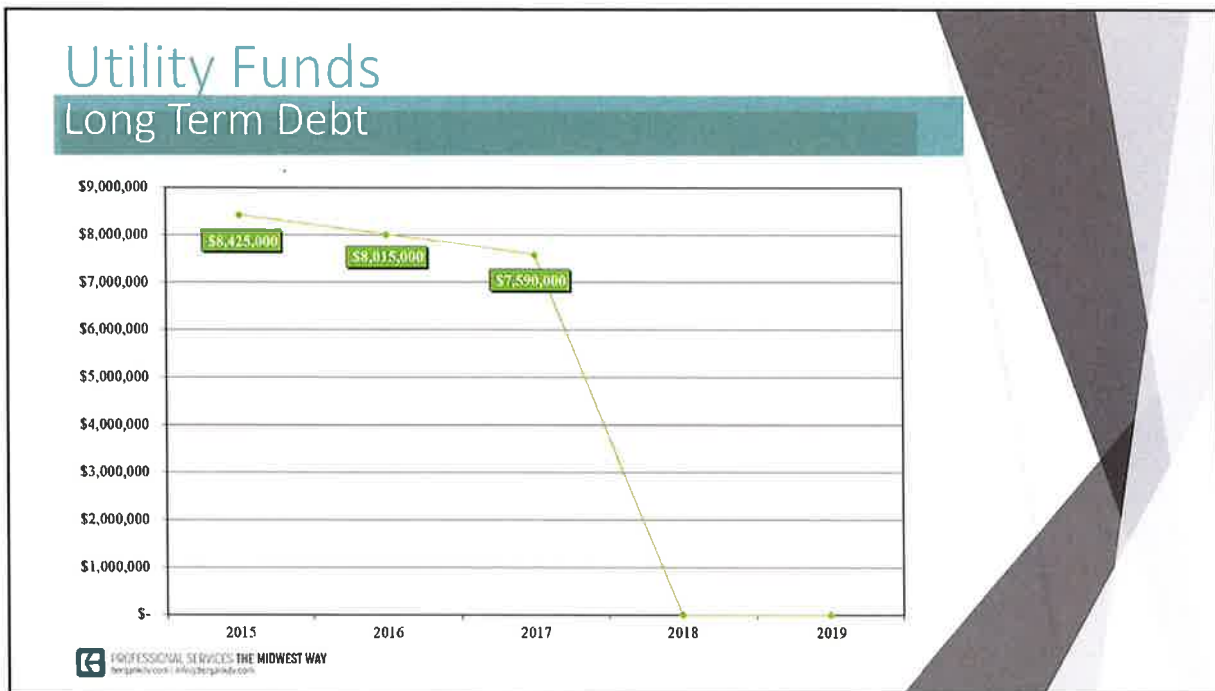
Electric Fund Operations



Water Fund Operations



 PROFESSIONAL SERVICES THE MIDWEST WAY
berglund.com info@berglund.com



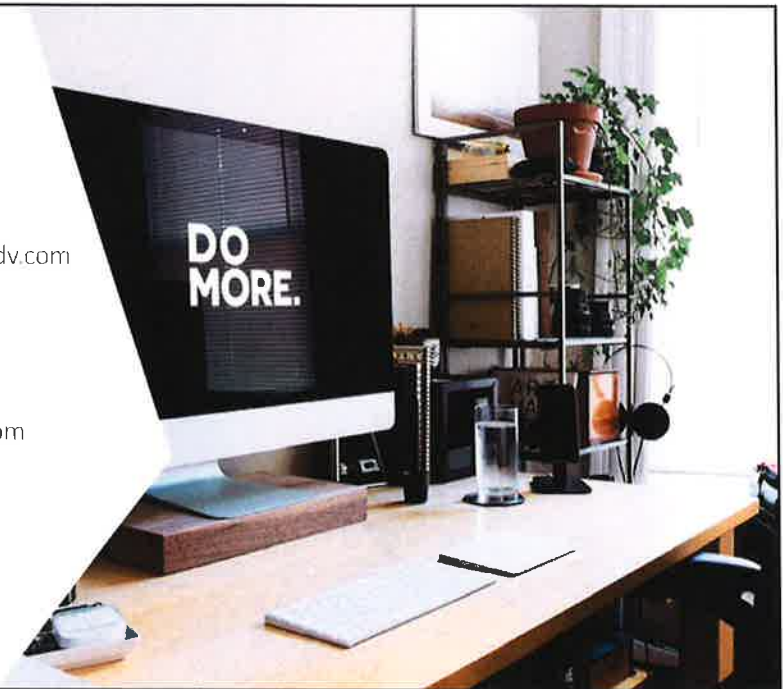
Net Position Unrestricted

- Electric
 - At December 31, 2019 - \$37.9 million, 10.6 months or 89% of 2019 operating expenses
 - At December 31, 2018 - \$30.5 million, 9.0 months or 75% of 2018 operating expenses
- Water
 - At December 31, 2019 - \$7.4 million, 19.3 months or 161% of 2019 operating expenses
 - At December 31, 2018 - \$7.6 million, 21.4 months or 179% of 2018 operating expenses

QUESTIONS?

- Steve Wischmann
 - steve.wischmann@bergankdv.com
 - 952-563-6880
- Andrew Grice
 - andrew.grice@bergankdv.com
 - 952-563-6862

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We are powered by people who do business the Midwest way delivering comprehensive business, financial and technology solutions including business planning and consulting, tax, assurance and accounting, technology, wealth management and turnaround management services. From tax reform to technology, we go beyond so you can...

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**Shakopee Public Utilities Commission
Separate Enterprise Funds of the
City of Shakopee, Minnesota**

Financial Statements

December 31, 2019

**Shakopee Public Utilities Commission
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**Shakopee Public Utilities Commission
Board of Commissioners and Administration
December 31, 2019**

<u>Officials</u>	<u>Position</u>	<u>Term Expires</u>
Terry Joos	President	March 31, 2020
Deb Amundson	Vice President/MMPA Rep	March 31, 2021
Mathew Meyer	Commissioner	March 31, 2021
Steven Clay	Commissioner	March 31, 2020
Kathi Mocol	Commissioner	March 31, 2022
<u>Administration</u>		
John R. Crooks	Utilities Manager	
Renee Schmid	Director of Finance and Administration	

Independent Auditor's Report

Board of Commissioners
Shakopee Public Utilities Commission
Shakopee, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Shakopee Public Utilities Commission, Shakopee, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the Commission'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 audits in accordance with auditing standards generally accepted in the United States of America. 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 Commission'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 Commission'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 in the first paragraph present fairly, in all material respects, the respective financial position of the Shakopee Public Utilities Commission, Shakopee, Minnesota, as of December 31, 2019, and the respective changes in financial position and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Opinions (Continued)

As discussed in the Note 1, the financial statements present only the Commission's Enterprise Funds and are not intended to present fairly the financial position of the City of Shakopee, Minnesota, and the changes in its financial position and its cash flows in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Shakopee Public Utilities Commission's basic financial statements. The detailed fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Matters (Continued)

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Commission's financial statement for the year ended December 31, 2018, from which such partial information was derived.

We have previously audited the Commission's 2018 financial statements and our report, dated March 29, 2019, expressed unmodified opinions on the respective financial statements of each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bergan KDV, Ltd.

St. Cloud, Minnesota
March 19, 2020

Shakopee Public Utilities Commission Management's Discussion and Analysis

The management of the Shakopee Public Utilities Commission (electric and water utilities) offers all persons interested in the financial position of the utilities an objective, easy to read overview, and analysis of the utilities' financial performance during the years ending December 31, 2019. You are invited to read this narrative in conjunction with the Utilities' financial statements.

Financial Highlights

- The electric utility's net position increased \$7,657,935 to \$84,575,793 in 2019, an increase of 10.0%. Total assets increased by \$7,338,726 due to increases in net capital assets of \$261,719, increases in cash and investments of \$7,563,076 from net operating activity, and decreases in accounts receivable and other assets of \$486,069. Deferred outflows of resources decreased \$286,649 reflecting GASB 68 pension reporting. Total liabilities decreased by \$446,211 due to a decrease in accounts payable and other current liabilities of \$429,880, a decrease in net pension liability of \$33,982, decreases in customer deposits of \$120,686 due to expiration of security for a large purchase power agreement, and increases in customer advances and other liabilities of \$138,337 driven by development projects. Deferred inflows of resources decreased \$159,647 (See Table 1).
- The electric utility's operating revenues, generated mostly by user fees, decreased by \$742,675 or 1.5%, driven by lower kWh sales and a decrease in power cost adjustment revenue, driven by lower sales and lower purchased power costs per kilowatt hour. Total kWh sales volume decreased 1.8%. The electric utility added 385 new customers in 2019, an increase of 2.2% (See Table 3).
- The electric utility's operating expenses in 2019 decreased \$1,203,038 or 2.7%, due to decreases in purchased power costs of \$1,356,930 driven by lower sales and a decrease in purchased power costs per kWh of 1.7%, increases in operating expenses of \$65,349, and increases in depreciation expense of \$88,543.
- The water utility's net position increased \$6,939,727 to \$75,060,809 in 2019, an increase of 10.2%. Total assets increased by \$7,433,404 due to an increase in net capital assets of \$5,829,979 for investment in a new booster station and water main construction, an increase of \$1,696,006 in the connection account, an increase in customer deposits of \$22,398, and a decrease in the reconstruction account of \$356,035, and increases in cash and investments, accounts receivables, and other current assets of \$241,056, the result of operating activities. Deferred outflows of resources decreased \$95,548 reflecting the GASB 68 pension reporting activity. Total liabilities increased by \$451,343 due to increases in current liabilities of \$696,245, increases in customer deposit liabilities of \$22,398, decreases in net pension liability of \$11,326, and a decrease in customer advances of \$255,974. Deferred inflows of resources decreased \$53,214 due to GASB 68 pension reporting activity (See Table 2).
- The water utility's 2019 operating revenues, generated mostly by user fees, decreased \$746,758, or 13.3% due to a rate decrease on water reconstruction rates and a decrease in water gallons sold of 9.0%. 2019 was one the highest years on record for precipitation levels which impacted customer usage and water sales. The water utility added 129 new customers in 2019, an increase of 1.1% (See Table 4).
- The water utility's operating expenses in 2019 increased \$315,248 or 7.4% reflecting increases in operating expense of \$145,992 and increase in depreciation expense of \$169,256.
- Non-Operating revenues for the utilities increased from 2018 to 2019 by \$979,463 due to higher investment income, lower amortization expenses due to bond defeasances in 2018, and gains on the disposition of property, and lower rental and miscellaneous income.

Shakopee Public Utilities Commission Management's Discussion and Analysis

Financial Highlights (Continued)

- Capital contributions for the utilities increased from 2018 to 2019 by \$1,083,089 due to increases in water connection fee activity, and offset by decreases in developer capital contributions in electric and water, and decreases in trunk fees.

Overview of the Financial Statements

The electric and water utilities are self-supporting entities and separate enterprise funds of the City of Shakopee. The utilities provide electric and water service to properties within the City of Shakopee and some areas outside the municipality. Water service is provided within the corporate limits of the City of Shakopee. The electric utility service territory is a matter of state law, which became effective in 1975 and is supported by official maps. The areas generally served are the City of Shakopee, Townships of Jackson and Louisville, and part of the City of Prior Lake lying north of Prior Lake and abutting the City of Shakopee.

The electric and water utility is managed by a utilities commission and operates under *Minnesota Statutes* 453. The Commission has, and continues to establish, rates and charges without approval, review, or veto authority of the City Council. The Commission also establishes the policies and service rules that guide the administration and management of the Shakopee Public Utilities. The City Council created the utility commission in the mid-1950s.

The current utility commission is made up of five members having authority under the Power Agency Law, *Minnesota Statutes* 453, adopted by the State Legislature in 1976. The Power Agency Law replaces the original empowerment authority and provides the legal platform for the Commission to operate as the governing body of the "electric utility" and join other utilities to solve the issues of generation and transmission.

This annual report consists of two parts: Management's Discussion and Analysis and the financial statements as well as the Independent Auditor's Report.

An analysis of the utilities' financial position begins with a review of the statement of net position and the statement of revenues, expenses, and changes in net fund position. These two statements report the Utilities' Net Position and changes therein. The Utilities' Net Position, the difference between assets and deferred outflows of resources and liabilities, are important in measuring the financial health of the Utility. Over time, increases or decreases in the net position value are an indicator of whether the financial position is improving or deteriorating. However, it should be noted that the financial position may also be affected by other non-financial factors, including economic conditions, customer growth, climate conditions, and new regulations.

Utility Financial Analysis

The Statement of Net Position includes all of the Utilities' assets and deferred outflows and inflows of resources and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This Statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Utilities.

A summary of the Utilities' Statement of Net Position is presented in Tables 1 and 2.

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

**Table 1
Condensed Statement of Net Position – Electric Utility**

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 47,504,719	\$ 40,427,712
Net capital assets	<u>46,696,778</u>	<u>46,435,059</u>
Total assets	<u>94,201,497</u>	<u>86,862,771</u>
Deferred outflows of resources	<u>242,380</u>	<u>529,029</u>
Total assets and deferred outflows of resources	<u>\$ 94,443,877</u>	<u>\$ 87,391,800</u>
Net pension liability	\$ 2,649,666	\$ 2,683,648
Other liabilities	<u>6,713,910</u>	<u>7,126,139</u>
Total liabilities	<u>9,363,576</u>	<u>9,809,787</u>
Deferred inflows of resources	<u>504,508</u>	<u>664,155</u>
Net investment in capital assets	46,696,778	46,435,059
Unrestricted	<u>37,879,015</u>	<u>30,842,799</u>
Total net position	<u>84,575,793</u>	<u>76,917,858</u>
Total liabilities, deferred inflows, and net position	<u>\$ 94,443,877</u>	<u>\$ 87,391,800</u>

As can be seen from the table above, the electric utility net position increased \$7,657,935 to \$84,575,793 in 2019, an increase of 10.0%. Total assets increased by \$7,338,726 due to increases in net capital assets of \$261,721 reflecting \$1,986,123 in investments in underground lines, transformation, substation improvements, and other infrastructure and equipment, offset by increased accumulated depreciation and increases in work in process, increases in cash and investments of \$7,563,076 from net operating activity, and decreases in accounts receivable and other current assets of \$365,383, and a decrease in Customer deposits of \$120,686 due to expiration of security requirement for a large purchased power contract. Deferred outflows of resources decreased \$286,649 reflecting a decrease in GASB 68 pension reporting activity.

Total liabilities decreased by \$446,211 due to a decrease in accounts payable and other current liabilities of \$429,880, a decrease in Customer deposit liability of \$120,686, a decrease in net pension liability of \$33,982, which were partially offset by an increase of \$138,337 in customer advances and other liabilities. Deferred inflows of resources decreased \$159,647 reflecting changes in GASB 68 pension reporting activity.

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

**Table 2
Condensed Statement of Net Position – Water Utility**

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 25,259,627	\$ 23,656,202
Net capital assets	<u>52,413,496</u>	<u>46,583,517</u>
Total assets	<u>77,673,123</u>	<u>70,239,719</u>
Deferred outflows of resources	<u>80,794</u>	<u>176,342</u>
Total assets and deferred outflows of resources	<u>\$ 77,753,917</u>	<u>\$ 70,416,061</u>
Net pension liability	\$ 883,222	\$ 894,548
Other liabilities	<u>1,641,716</u>	<u>1,179,047</u>
Total liabilities	<u>2,524,938</u>	<u>2,073,595</u>
Deferred inflows of resources	<u>168,170</u>	<u>221,384</u>
Net investment in capital assets	52,413,496	46,583,517
Restricted for connections and reconstruction	15,270,755	13,930,784
Unrestricted	<u>7,376,558</u>	<u>7,606,781</u>
Total net position	<u>75,060,809</u>	<u>68,121,082</u>
Total liabilities, deferred inflows, and net position	<u>\$ 77,753,917</u>	<u>\$ 70,416,061</u>

As can be seen from the table above, the water utility net position increased by \$6,939,727 to \$75,060,809 in 2019, an increase of 10.2%. Total assets increased by \$7,433,404 due to an increase in net capital assets of \$5,829,979 for investment in a new booster station and water main construction, an increase of \$1,696,006 in the connection account, a decrease in the reconstruction account of \$356,035, and increases in cash and investments, accounts receivables and other assets of \$263,454, the result of operating activities. Deferred outflows of resources decreased \$95,548 reflecting GASB 68 pension reporting activity. Total liabilities increased by \$451,343 due to increases in current liabilities of \$696,245, a decrease in net pension liability of \$11,326 that was partially offset by an increase of \$22,398 in customer deposits, and a decrease in customer advances of \$255,974. Deferred inflows of resources decreased \$53,214 reflecting GASB 68 pension reporting activity.

The restricted portion of net position includes accounts that are limited by bond covenants. Listed below are restricted assets:

Customer Deposit Account – Restricted resources from customers required to deposit monies before the utility will begin service. These deposits are subject to repayment when the customer leaves the utility's service area.

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

Connection and Trunk Water Accts – Restricted resources, per enabling legislation, to be used for future water production and trunk distribution facility acquisitions.

The specific nature or source of these changes becomes more evident in the statement of revenues, expenses, and changes in fund net position as shown in Tables 3 and 4.

The statement of revenues, expenses, and changes in fund net position provide an indication of the utilities' financial health.

**Table 3
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
Electric Utility**

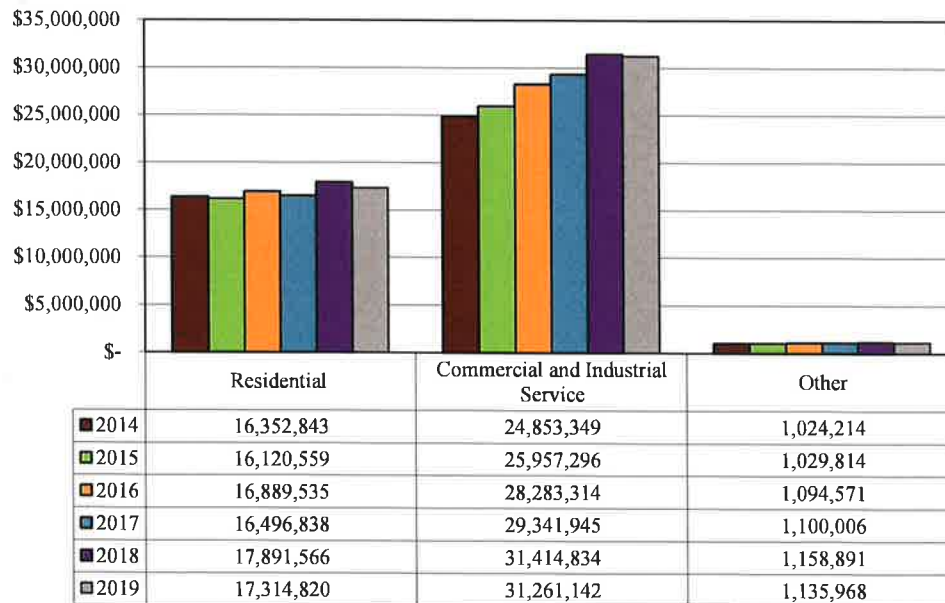
	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 49,650,814	\$ 50,393,489
Operation, customer, and administrative	40,405,850	41,697,431
Depreciation expense	<u>2,326,070</u>	<u>2,237,527</u>
Total operating expenses	<u>42,731,920</u>	<u>43,934,958</u>
Operating income	6,918,894	6,458,531
Non-operating revenues (expenses)	1,404,624	747,115
Capital contributions	759,222	730,662
Transfers to municipality	<u>(1,424,805)</u>	<u>(1,509,222)</u>
Change in net position	7,657,935	6,427,086
Beginning net position	<u>76,917,858</u>	<u>70,490,772</u>
Ending net position	<u>\$ 84,575,793</u>	<u>\$ 76,917,858</u>

Shakopee Public Utilities Commission Management's Discussion and Analysis

Utility Financial Analysis (Continued)

As can be seen in Table 3 on the previous page, the electric utility's operating revenues decreased in 2019 by \$742,675 from 2018 or 1.5% driven by a decrease in total kWh sales volume of 1.8% and a decrease in power cost adjustment revenue driven by lower purchased power costs due to lower sales and decreased cost of purchased power per kWh of 1.7%. Operating expenses decreased \$1,203,038 or 2.7%, primarily due to decreases in purchased power costs of \$1,356,930 driven by lower kWh sales and decreased costs of purchased power per kWh of 1.7%, and partially offset by increases in operating expenses of \$65,349, and increases in depreciation expense of \$88,543 reflecting \$1,986,123 in investment in new underground construction and transformation driven by new development, substation improvements, and other infrastructure and equipment investments. Purchased power costs totaled \$34,198,101 in 2019, a decrease of 3.8% from 2018. Purchased power is the single largest expense item in the electric system operating budget. Non-operating income increased \$657,509 due to higher investment income of \$531,742, lower amortization costs of \$216,694, a gain on the disposition of property of \$78,944, and were partially offset by lower rental and miscellaneous income of \$171,200. Capital contributions increased \$28,560 year to year due to increases in developer capital contributions year to year. Municipal contributions expenses to the City of Shakopee decreased \$84,417 from \$1,509,222 to \$1,424,805 driven by lower electric sales revenue from year to year of \$19,392 and lower costs of free services for energy for street lighting of \$65,025. SPU invested over \$800,000 in 2018 and converted the majority of city streetlights to LED which reduced the costs of energy for street lighting.

**Comparison of Electric Revenues
(without bad debt)**



Residential, commercial, and other sales of electricity decreased in 2019 by \$753,361 or 1.5%. 2019 was a record year for precipitation which impacted customer usage and sales in both the electric and water utilities. The electric utility added 385 new customers in 2019, an increase of 2.2%.

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

Total kWh purchased in 2019 was 459,120,703 as compared to 469,262,264 in 2018, reflecting a decrease of 2.2% year over year. Total kWh sold in 2019 was 454,234,398 as compared to 446,158,441 in 2018, reflecting a decrease of 1.8% for the year 2019. Electric operating revenues totaled \$49,650,814 in 2019 compared to \$50,393,488 in 2018, a decrease of \$742,675 or 1.5% driven by lower kWh sales, and lower power cost adjustment revenue due to decreased sales and decreased costs of power per kWh. Power costs per kWh decreased from 7.58 cents per kWh in 2018 to 7.45 cents per kWh, a decrease of 1.7%.

The utility purchases power from MMPA and joined MMPA as a full member in 2004, with a long-term Purchase Power Agreement extending to 2050.

The following is the total cost of kilowatt-hours purchased, total kilowatt-hours purchased, system peak demand, and total kilowatt-hours delivered for the past ten years.

Historical Power and Energy Requirements				
Energy (kWh)				
<u>Year</u>	<u>Total kWh Purchased</u>	<u>Cost of kWh Purchased</u>	<u>System Peak Demand (kW)</u>	<u>Total kWh Delivered</u>
2019	459,120,703	\$34,198,101	104,661	446,158,441
2018	469,262,264	35,555,031	102,853	454,234,398
2017	452,308,391	33,180,393	99,725	429,261,118
2016	449,534,290	32,282,815	100,501	426,048,194
2015	425,268,243	29,939,985	92,605	406,459,331
2014	417,376,994	29,426,606	93,549	401,272,664
2013	413,119,096	28,499,899	95,148	394,596,477
2012	416,558,417	27,338,777	96,369	399,828,851
2011	414,150,120	26,782,506	97,882	397,223,982
2010	412,310,323	25,808,252	93,027	395,127,626
2009	394,883,403	23,452,081	85,603	376,253,876

Kilowatt (kWh) Hours

Metered Electric Customers

Following are the number of metered connections for the past ten years.

<u>Year</u>	<u>Meters</u>	<u>Year</u>	<u>Meters</u>
2019	17,960	2014	16,700
2018	17,575	2013	16,508
2017	17,126	2012	16,398
2016	17,084	2011	16,314
2015	16,885	2010	16,139

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

**Table 4
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
Water Utility**

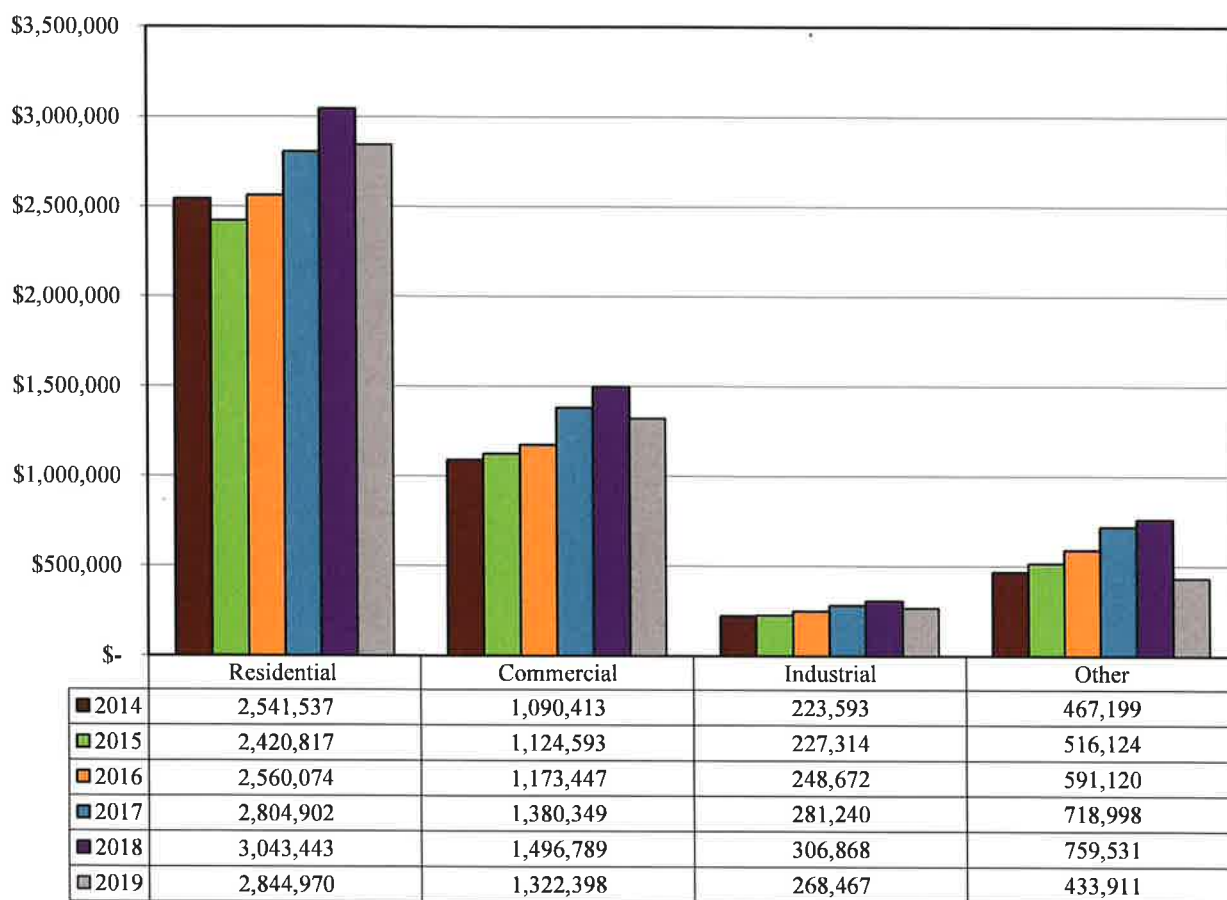
	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 4,861,369	\$ 5,608,127
Operation, customer, and administrative	2,991,997	2,846,005
Depreciation expense	<u>1,584,293</u>	<u>1,415,037</u>
Total operating expenses	<u>4,576,290</u>	<u>4,261,042</u>
Operating income	285,079	1,347,085
Non-operating revenues (expenses)	731,222	409,268
Capital contributions	6,922,746	5,868,217
Transfers to municipality	<u>(999,320)</u>	<u>(1,091,814)</u>
Change in net position	6,939,727	6,532,756
Beginning of year	<u>61,121,082</u>	<u>61,588,326</u>
Ending Net Position	<u>\$ 75,060,809</u>	<u>\$ 68,121,082</u>

In 2019 the water utility's operating revenues decreased by \$746,758, or 13.3% from \$5,608,127 in 2018 to \$4,861,369. The decrease in operating revenues is the result of a decrease in water gallons sold of 9.0%, a decrease in water sales revenues of \$411,266, and a decrease of \$336,776 in water reconstruction fund revenues due to a rate decrease and lower sales. 2019 was one of the highest years on record for precipitation levels which impacted customer usage and water sales. Operating expenses increased \$315,248, or 7.4%. The increase in expense is the result of an increase in operating expense of \$145,992 and increase in depreciation expense of \$169,256 reflecting the addition of a new booster station and new water main construction. Non-Operating income increased \$321,954 from \$409,268 to \$731,222 reflecting an increase in investment income of \$307,779, an increase in miscellaneous income of \$83,408, partially offset by loss on the disposition of property of \$67,927 due to early retirement of water main driven by a new development project. Capital contributions increased by \$1,054,529 year over year due to increases in water connection fees activity of \$1,401,054, and partially offset by decreases in developer constructed water main of \$180,409 and trunk water fees of \$190,760. Municipal contributions expenses to the City of Shakopee decreased \$92,494 from \$1,091,814 to \$999,320 driven by lower water sales revenue from year to year.

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

**Comparison of Water Revenues
(without bad debt)**



Sales of water (without bad debt) decreased in 2019 by \$736,885 or 13.1%. The decrease in operating revenues is the result of a decrease in water gallons sold of 9.03% and a decrease in water reconstruction rates. The water utility added 129 new customers in 2019, an increase of 1.1%.

Water gallons pumped in 2019 totaled 1,664,216 thousand gallons as compared to 1,884,625 thousand gallons in 2018, reflecting a decrease of 9.8% for the year 2019 from 2018. Water gallons sold including hydrant sales in 2019 totaled 1,511,266 thousand gallons as compared to 1,661,211 thousand gallons in 2018, reflecting a decrease of 9.0% for the year 2019 from 2018. Water operating revenues excluding reconstruction fees totaled \$4,485,155 in 2019 as compared to \$4,891,138 in 2018, a decrease of 8.3%.

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

Water Demand

Following is the average daily demand and peak daily demand for the past ten years.

<u>Year</u>	<u>Average Daily Demand (MGD)</u>	<u>Peak Daily Demand (MGD)</u>
2019	4.559	11.149
2018	5.054	11.122
2017	4.873	13.234
2016	4.792	11.582
2015	4.556	9.936
2014	4.631	10.878
2013	4.987	13.379
2012	5.948	16.257
2011	4.852	10.799
2010	4.707	10.624

Water Meters/Production

The following shows the number of meters and production for the water utility for the past ten years:

<u>Year</u>	<u>Average Daily Daily Water Pumped (gallons)</u>	<u>Service Population*</u>	<u>Total Service Connections</u>	<u>Residential Usage</u>	<u>Non-Residential Usage</u>
2019	4,559,496	38,506	11,567	60%	40%
2018	5,053,767	38,519	11,438	59	41
2017	4,873,381	37,643	11,299	59	41
2016	4,792,447	37,254	11,277	60	40
2015	4,555,603	37,254	11,170	60	40
2014	4,631,167	35,300	11,085	62	38
2013	4,987,855	35,120	10,956	62	38
2012	5,948,063	34,652	10,872	60	40
2011	4,852,447	34,652	10,781	62	38
2010	4,706,923	34,076	10,648	61	39
2009	5,111,956	30,000	10,470	63	37

*Total City Population per Metropolitan Council estimates less population served by private and community wells

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

The statement of cash flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

**Condensed Statements of Cash Flows (Table 5)
Electric Utility**

	<u>2019</u>	<u>2018</u>
Cash flows from		
Operating activities	\$ 9,541,006	\$ 8,416,527
Noncapital financing activities	(1,193,433)	(1,167,876)
Capital and related financing activities	(1,878,761)	(9,016,023)
Investing activities	<u>444,443</u>	<u>189,644</u>
Net change in cash and cash equivalents	6,913,255	(1,577,728)
Cash and cash equivalents – beginning of year	<u>18,849,745</u>	<u>20,427,473</u>
Cash and cash equivalents – end of year	<u><u>\$ 25,763,000</u></u>	<u><u>\$18,849,745</u></u>

**Condensed Statements of Cash Flows (Table 6)
Water Utility**

	<u>2019</u>	<u>2018</u>
Cash flows from		
Operating activities	\$ 3,056,489	\$ 1,616,948
Noncapital financing activities	(816,389)	(504,520)
Capital and related financing activities	(558,701)	1,293,413
Investing activities	<u>337,729</u>	<u>187,834</u>
Net change in cash and cash equivalents	2,019,128	2,593,675
Cash and cash equivalents – beginning of year	<u>20,494,348</u>	<u>17,900,673</u>
Cash and cash equivalents – end of year	<u><u>\$22,513,476</u></u>	<u><u>\$20,494,348</u></u>

**Shakopee Public Utilities Commission
Management's Discussion and Analysis**

Utility Financial Analysis (Continued)

**Table 7
Capital Assets – Electric Utility**

	<u>2019</u>	<u>2018</u>
Capital assets		
Distribution	\$ 56,201,029	\$ 54,441,669
General	<u>17,891,675</u>	<u>17,664,912</u>
Total capital assets	74,092,704	72,106,581
Less accumulated depreciation	(28,325,053)	(26,344,935)
Construction in progress	<u>929,127</u>	<u>673,413</u>
Net capital assets	<u><u>\$ 46,696,778</u></u>	<u><u>\$ 46,435,059</u></u>

The electric utility's capital assets increased \$261,719 or 0.6% in 2019 from 2018. Capital assets increased \$1,986,123 due to investment in new underground construction and transformation driven by new development, substation improvements, and other infrastructure and equipment investments offset by increases in accumulated depreciation of \$1,980,118 and increases in construction in progress of \$255,714.

**Table 8
Capital Assets – Water Utility**

	<u>2019</u>	<u>2018</u>
Capital assets		
Distribution	\$70,940,281	\$63,920,685
General	<u>1,661,496</u>	<u>1,617,926</u>
Total capital assets	72,601,777	65,538,611
Less accumulated depreciation	(21,192,768)	(19,674,545)
Construction in progress	<u>1,004,487</u>	<u>719,451</u>
Net capital assets	<u><u>\$52,413,496</u></u>	<u><u>\$46,583,517</u></u>

During 2019, the water utility's capital assets increased by \$5,829,979 or 12.5% from 2018. Capital assets increased \$7,063,166 due to construction of a new booster station, new water main construction, and other system investments offset by increases in accumulated depreciation of \$1,518,223 and increases in construction in progress of \$285,036.

Please refer to the notes to the financial statements for further detail of the utilities' capital assets.

Shakopee Public Utilities Commission Management's Discussion and Analysis

Long-Term Debt

The electric and water utilities have no bonds outstanding as of December 31, 2019. The Shakopee Public Utilities Commission approved defeasance of the remaining bond issue outstanding consisting of \$7,590,000 Crossover Refunding Net Revenue Bonds, Series 2006 as of February 1, 2018.

If the commission were to issue bonds, they would be payable from and secured by a pledge of income and revenue to be derived from the operation of the electric and water utilities and are primarily issued for various infrastructure projects. Expansion of the water and electric utilities is dependent on (1) cash flow from operations (after expenses) for the electric utilities, (2) special water connection and trunk charges for the water utilities, and (3) the ability to access the capital markets to borrow funds. Bonds are issued only on an as needed basis and for projects described within the capital improvement program approved annually by the Commission.

Issued Bonds are limited obligations of the Shakopee Public Utilities Commission, payable solely from net revenues of the Commission. The Bonds are not general obligations of the Commission, and neither the full faith and credit nor the taxing powers of the City of Shakopee, the County of Scott, or the State of Minnesota are available to pay for the principal and interest on the Bonds.

Currently Known Facts/Economic Conditions

The City of Shakopee is located approximately 25 miles southwest of downtown Minneapolis. Shakopee is the county seat of Scott County. The City was organized in 1870 and became a statutory city, Plan A, in April 1975. It is organized under a mayor/council form of government as outlined in *Minnesota Statutes* 412. A Mayor is elected for a four-year term and four City Council Members are elected to staggered four year terms. The community is served by US No. 169 and Scott County Highway No. 101; US No. 169 connects Scott County with Hennepin County and the Metro Center of Minneapolis-Saint Paul.

The City Council has the obligation to appoint the members to the Shakopee Public Utilities Commission.

Contacting Utility Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of the utilities' finances. If you have questions about this report, or need additional financial information, contact the Director of Finance and Administration, Post Office Box 470, 255 Sarazin Street, Shakopee, Minnesota 55379.

General information relating to the Shakopee Public Utilities can be found at the Utility web site: <https://www.spucweb.com>.

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BASIC FINANCIAL STATEMENTS

Shakopee Public Utilities Commission
Statement of Net Position - Proprietary Funds
December 31, 2019
With Comparative Totals as of December 31, 2018

	Electric	Water	Total	
			2019	2018
Assets				
Current assets				
Cash and investments	\$ 39,752,560	\$ 9,210,673	\$ 48,963,233	\$ 40,677,941
Accrued interest receivable	65,627	135,959	201,586	69,946
Customer accounts receivable	3,737,683	305,522	4,043,205	4,330,847
Allowance for uncollectible accounts	(40,833)	(9,799)	(50,632)	(34,071)
Other accounts receivable	104,019	86,826	190,845	1,089,716
Due from City of Shakopee	95,008	116,849	211,857	146,249
Inventory	1,376,162	31,439	1,407,601	1,242,948
Prepaid expenses	46,371	15,458	61,829	67,199
Total current assets	<u>45,136,597</u>	<u>9,892,927</u>	<u>55,029,524</u>	<u>47,590,775</u>
Noncurrent assets				
Restricted assets				
Customer deposits account	2,268,122	95,945	2,364,067	2,462,355
Connection account	-	14,781,889	14,781,889	13,085,883
Water reconstruction account	-	488,866	488,866	844,901
Capital assets				
Plant in service	74,092,704	72,601,777	146,694,481	137,645,192
Accumulated depreciation	(28,325,053)	(21,192,768)	(49,517,821)	(46,019,480)
Construction in progress	929,127	1,004,487	1,933,614	1,392,864
Other assets				
Emergency repairs account	100,000	-	100,000	100,000
Total noncurrent assets	<u>49,064,900</u>	<u>67,780,196</u>	<u>116,845,096</u>	<u>109,511,715</u>
Total assets	<u>94,201,497</u>	<u>77,673,123</u>	<u>171,874,620</u>	<u>157,102,490</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	<u>242,380</u>	<u>80,794</u>	<u>323,174</u>	<u>705,371</u>
Total assets and deferred outflows of resources	<u>\$ 94,443,877</u>	<u>\$ 77,753,917</u>	<u>\$ 172,197,794</u>	<u>\$ 157,807,861</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 3,024,062	\$ 1,114,597	\$ 4,138,659	\$ 3,512,373
Due to City of Shakopee	398,424	180,442	578,866	1,047,763
Other current liabilities	331,261	206,608	537,869	428,893
Total current liabilities	<u>3,753,747</u>	<u>1,501,647</u>	<u>5,255,394</u>	<u>4,989,029</u>
Liabilities payable from restricted assets				
Customer deposits	<u>2,268,122</u>	<u>95,945</u>	<u>2,364,067</u>	<u>2,462,355</u>
Noncurrent liabilities				
Unearned revenues	5,210	-	5,210	3,447
Customer advances	686,831	44,124	730,955	850,355
Net pension liability	2,649,666	883,222	3,532,888	3,578,196
Total noncurrent liabilities	<u>3,341,707</u>	<u>927,346</u>	<u>4,269,053</u>	<u>4,431,998</u>
Total liabilities	<u>9,363,576</u>	<u>2,524,938</u>	<u>11,888,514</u>	<u>11,883,382</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions	<u>504,508</u>	<u>168,170</u>	<u>672,678</u>	<u>885,539</u>
Net Position				
Net investment in capital assets	46,696,778	52,413,496	99,110,274	93,018,576
Restricted for connections and reconstruction	-	15,270,755	15,270,755	13,930,784
Unrestricted	37,879,015	7,376,558	45,255,573	38,089,580
Total net position	<u>84,575,793</u>	<u>75,060,809</u>	<u>159,636,602</u>	<u>145,038,940</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 94,443,877</u>	<u>\$ 77,753,917</u>	<u>\$ 172,197,794</u>	<u>\$ 157,807,861</u>

See notes to financial statements.

Shakopee Public Utilities Commission
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Electric	Water	Total	
			2019	2018
Operating revenues	\$ 49,650,814	\$ 4,861,369	\$ 54,512,183	\$ 56,001,616
Operating expenses	42,731,920	4,576,290	47,308,210	48,196,000
Operating income	6,918,894	285,079	7,203,973	7,805,616
Nonoperating revenues (expenses)				
Rentals and miscellaneous	259,598	268,265	527,863	615,655
Interdepartmental rent from water	90,000	-	90,000	90,000
Investment income	980,761	527,643	1,508,404	668,883
Interest expense	(64,280)	(2,295)	(66,575)	(66,598)
Amortization of bond discount and loss on refunding	-	-	-	(216,694)
Gain (loss) on disposition of property	138,545	(62,391)	76,154	65,137
Total nonoperating revenues (expenses)	1,404,624	731,222	2,135,846	1,156,383
Income before contributions and transfers	8,323,518	1,016,301	9,339,819	8,961,999
Capital contributions	759,222	6,922,746	7,681,968	6,598,879
Municipal contributions	(1,424,805)	(999,320)	(2,424,125)	(2,601,036)
Change in net position	7,657,935	6,939,727	14,597,662	12,959,842
Net position				
Beginning of year	76,917,858	68,121,082	145,038,940	132,079,098
End of year	\$ 84,575,793	\$ 75,060,809	\$ 159,636,602	\$ 145,038,940

See notes to financial statements.

Shakopee Public Utilities Commission
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Electric	Water	Total	
			2019	2018
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 50,442,600	\$ 5,502,074	\$ 55,944,674	\$ 55,742,591
Payments to suppliers	(35,724,978)	(333,456)	(36,058,434)	(38,626,313)
Payments to employees	(5,176,616)	(2,112,129)	(7,288,745)	(7,082,803)
Net cash flows - operating activities	9,541,006	3,056,489	12,597,495	10,033,475
Cash Flows - Noncapital				
Financing Activities				
Payments to City of Shakopee	(1,317,892)	(818,878)	(2,136,770)	(1,849,558)
Proceeds from sale of assets	124,459	2,489	126,948	177,162
Net cash flows - noncapital financing activities	(1,193,433)	(816,389)	(2,009,822)	(1,672,396)
Cash Flows - Capital and Related				
Financing Activities				
Principal paid on debt	-	-	-	(7,590,000)
Interest paid on debt	(64,280)	(2,295)	(66,575)	(203,418)
Acquisition of capital assets	(1,814,481)	(5,291,976)	(7,106,457)	(3,425,948)
Installation fees	-	90,821	90,821	62,300
Connection charges	-	4,446,012	4,446,012	3,044,959
Trunk charges	-	198,737	198,737	389,497
Net cash flows - capital and related financing activities	(1,878,761)	(558,701)	(2,437,462)	(7,722,610)
Cash Flows - Investing Activities				
Proceeds (purchases) of investments	(529,135)	(65,457)	(594,592)	(283,018)
Interest and dividends received	973,578	403,186	1,376,764	660,496
Net cash flows - investing activities	444,443	337,729	782,172	377,478
Net change in cash and cash equivalents	6,913,255	2,019,128	8,932,383	1,015,947
Cash and Cash Equivalents				
Beginning of year	18,849,745	20,494,348	39,344,093	38,328,146
End of year	\$ 25,763,000	\$ 22,513,476	\$ 48,276,476	\$ 39,344,093

Shakopee Public Utilities Commission
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Electric	Water	Total	
			2019	2018
Reconciliation of Operating Income to Net Cash Flows - Operating Activities				
Operating income	\$ 6,918,894	\$ 285,079	\$ 7,203,973	\$ 7,805,616
Adjustments to reconcile operating income to net cash flows - operating activities				
Free electric service to City of Shakopee	(106,913)	-	(106,913)	(170,988)
Nonoperating revenues	349,598	268,265	617,863	705,655
Depreciation expense	2,326,070	1,584,293	3,910,363	3,652,564
Pension related activity	93,020	31,008	124,028	45,095
Allowance for uncollectible accounts	13,428	3,133	16,561	30
Change in assets and liabilities				
Customer accounts receivable	248,999	38,643	287,642	(101,665)
Other accounts receivable	238,108	660,763	898,871	(926,056)
Due from City of Shakopee	30,915	(96,523)	(65,608)	(70,058)
Inventory	(162,912)	(1,741)	(164,653)	99,836
Prepaid items	4,028	1,342	5,370	(7,596)
Accounts payable	(399,043)	1,025,329	626,286	(1,258,383)
Customer deposits	(120,686)	22,398	(98,288)	(44,466)
Unearned revenue	1,763	-	1,763	2,399
Customer advances	136,574	(255,974)	(119,400)	346,124
Due to City of Shakopee	(68,849)	(580,490)	(649,339)	(33,427)
Other liabilities	38,012	70,964	108,976	(11,205)
Total adjustments	2,622,112	2,771,410	5,393,522	2,227,859
Net cash flows - operating activities	<u>\$ 9,541,006</u>	<u>\$ 3,056,489</u>	<u>\$ 12,597,495</u>	<u>\$ 10,033,475</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Customer deposits account	\$ 2,268,122	\$ 95,945	\$ 2,364,067	\$ 2,462,355
Emergency repairs account	100,000	-	100,000	100,000
Connection account	-	14,781,889	14,781,889	13,085,883
Water reconstruction account	-	488,866	488,866	844,901
Cash and investments	39,752,560	9,210,673	48,963,233	40,677,941
Total	42,120,682	24,577,373	66,698,055	57,171,080
Less long-term investments	(16,357,682)	(2,063,897)	(18,421,579)	(17,826,987)
Cash and cash equivalents	<u>\$ 25,763,000</u>	<u>\$ 22,513,476</u>	<u>\$ 48,276,476</u>	<u>\$ 39,344,093</u>
Noncash Investing, Capital and Financing Activities				
Contributions of capital assets from the municipality and developers	\$ 759,222	\$ 2,187,176	\$ 2,946,398	\$ 3,102,123
Free electric service to City of Shakopee	106,913	-	106,913	170,988

See notes to financial statements.

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Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The electric and water utilities of the Shakopee Public Utilities Commission (the "Commission") are self-supporting entities and collectively comprise separate enterprise funds of the City of Shakopee (the "City"). The Commission provides electric and water operations to properties within the City as well as electric distribution to certain other areas outside of the City. The Commission accounts for the costs of electric and water operations on a continuing basis and is managed by the Commission. The Commission consists of five members who serve three year terms.

Customer and service rates are established by the Commission.

B. Fund Financial Statements

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability.

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

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Description of Funds

Proprietary Funds:

Electric Fund – This fund accounts for the operations of the Commission's electric utility.

Water Fund – This fund accounts for the operations of the Commission's water utility.

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 Electric and Water 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 Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Minnesota Statutes authorizes the Commission 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 Investment Pool.

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

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

2. Receivables and Payables

Activity between funds that are representative of lending or 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 Commission and other funds of the City are reported as receivables from or payables to the City. An allowance for uncollectible accounts is used to account for delinquent customer balances greater than 120 days overdue as of December 31, 2019. Bad debts are expensed annually when deemed uncollectible.

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventory, Prepaid Items, and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Inventory is valued at average cost and using the first-in, first-out (FIFO) method.

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

4. Restricted Assets

Customer Deposit Account – Restricted resources from customers required to deposit monies before the Commission will begin electric or water service. These deposits are subject to repayment when the customer leaves the Commission's service area.

Connection Account – Restricted resources, per enabling legislation, to be used for future expansion of the water system.

Water Reconstruction Account – Restricted resources to be used for future water reconstruction projects.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the proprietary fund financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets are capitalized as projects are constructed. Interest incurred (net of interest earned on invested proceeds during the construction phase) is reflected in the capitalized value of capital assets constructed.

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.

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

Property, plant, and equipment of the Commission are depreciated using a half year convention the first year with the straight-line method over the remaining estimated useful lives.

	<u>Years</u>
Electric	
Distribution	10 - 40
General	4 - 20
Water	
Distribution	20 - 75
General	4 - 40

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 Commission has one item that qualifies for reporting in this category. The Commission presents deferred outflows of resources on the Statement(s) of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

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 Commission has one item that qualifies for reporting in this category. The Commission presents deferred inflows of resources on the Statement(s) of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

7. Electric Plant Acquisition

The Commission acquired a plant from Minnesota Valley Electric Cooperative, including legal, engineering, and plant costs, which was amortized over 25 years using the straight-line method and is shown net of the accumulated amortization and depreciation on the Statement of Net Position. The electric plant became fully amortized in 2015.

8. Customer Advances for Construction

This account represents customer advances for construction which may be refundable in part or in whole.

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Customer Deposits

This account represents required deposits to be used to guaranty electric and water utility billings.

10. Compensated Absences

Commission employees earn vacation time based on years of Commission service. Employees also can earn compensatory time for hours worked above 80 hours per pay period. A liability has been recorded in the Statement of Net Position for accrued vacation and compensatory pay. Employees also earn sick leave; however, this is not paid out upon separation so no liability exists for this benefit.

11. Pensions

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

12. Long-Term Obligations

Long-term debt and other obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

13. Capital Contributions

Cash and capital assets are contributed to the Commission from customers, the municipality, or external parties. The value of property contributed to the utility is reported as revenues on the statement of revenues, expenses, and changes in fund net position.

14. Municipal Contributions

Municipal contributions include the contribution in lieu of taxes to the municipality and free service to the municipality for streetlights.

15. Net Position

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

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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 expense during the reporting period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash balances of the Commission's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

In accordance with applicable *Minnesota Statutes*, the Commission maintains deposits at depository banks authorized by the Commission Board.

A. Deposits

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission has a deposit policy that requires the Commission's deposits to be collateralized as required by *Minnesota Statutes* 118.03 for an amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage. As of December 31, 2019, the Commission's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the Commission's name.

The Commission's deposits had a book balance as follows:

	<u>2019</u>
Checking	\$ 6,987,392
CDARS	5,448,754
Money market	<u>236,826</u>
Total deposits	<u><u>\$ 12,672,972</u></u>

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2019, the Commission had the following investments:

	Rating	Fair Value	Years to Maturity	
			Less than 1 Year	1-5 Years
U.S. Agencies	AAA	\$ 9,075,515	\$ 5,050,218	\$ 4,025,296
U.S. Treasuries	AAA	10,325,641	2,400,199	7,925,443
4M Fund	NR	12,920,563	12,920,563	-
4M Plus Fund	NR	3,681,571	3,681,571	-
4M Term Series	NR	18,000,000	18,000,000	-
Money Market Fund	NR	20,093	20,093	-
Total		<u>\$ 54,023,383</u>	<u>\$ 42,072,644</u>	<u>\$ 11,950,739</u>

The Commission has the following recurring fair value measurements as of December 31, 2019:

- \$19,401,156 of investments are valued using a quoted market prices (Level 2 inputs).
- \$34,622,227 of investments are uncategorized in accordance with GASB 72 and GASB 79.

The Commission has a formal investment policy in place as of December 31, 2019, to address the following risks:

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

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At December 31, 2019, the investment portfolio was concentrated as follows:

Investments	Percent of Portfolio
Federal Home Loan Bank	5.3 %
Federal National Mortgage Association	6.2
Federal Home Loan Mortgage Corporation	6.4
Federal Farm Credit Bank	1.7

Concentration of Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Commission's policy states they will minimize risk by only purchasing investments that are held in safekeeping with a Federal Reserve bank, United States Bank with corporate trust powers, a primary reporting dealer to the Federal Reserve Bank of New York, or a broker dealer having its principal executive office in Minnesota, and that designated brokers have insurance through the SIPC (Securities Investor Protection Corporation). As of December 31, 2019, the Commission had more than 5% of total investments in three issuers as noted above. U.S. Treasuries and investments in external investment pools and money markets are excluded from this requirement.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The Commission's policy states it will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Commission's policy states they will minimize risk by only purchasing investments that are held in safekeeping with a Federal Reserve bank, United States Bank with corporate trust powers, a primary reporting dealer to the Federal Reserve Bank of New York, or a broker dealer having its principal executive office in Minnesota and that designated brokers have insurance through the SIPC (Securities Investor Protection Corporation).

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Deposits and Investments

Summary of cash, deposits, and investments as of December 31, 2019:

	<u>2019</u>
Deposit (Note 2.A.)	\$ 12,672,972
Investments (Note 2.B.)	54,023,383
Petty cash	<u>1,700</u>
Total deposits and investments	<u><u>\$ 66,698,055</u></u>

Deposits and investments are presented in the December 31, 2019, basic financial statements as follows:

	<u>2019</u>
Statement of net position	
Current assets	
Cash and investments	\$ 48,963,233
Noncurrent assets	
Restricted assets	
Customer deposit account	2,364,067
Connection account	14,781,889
Water reconstruction account	488,866
Other assets	
Emergency repairs account	<u>100,000</u>
Total	<u><u>\$ 66,698,055</u></u>

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS

Electric capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and land rights	\$ 4,381,196	\$ -	\$ -	\$ 4,381,196
Construction in progress	673,413	1,707,847	1,452,133	929,127
Total capital assets not being depreciated	<u>5,054,609</u>	<u>1,707,847</u>	<u>1,452,133</u>	<u>5,310,323</u>
Capital assets being depreciated				
Distribution	53,611,802	1,792,535	33,175	55,371,162
General	14,113,583	525,455	298,692	14,340,346
Total capital assets being depreciated	<u>67,725,385</u>	<u>2,317,990</u>	<u>331,867</u>	<u>69,711,508</u>
Less accumulated depreciation	<u>26,344,935</u>	<u>2,326,070</u>	<u>345,952</u>	<u>28,325,053</u>
Total capital assets being depreciated, net	<u>41,380,450</u>	<u>(8,080)</u>	<u>(14,085)</u>	<u>41,386,455</u>
Capital assets, net	<u>\$ 46,435,059</u>	<u>\$ 1,699,767</u>	<u>\$ 1,438,048</u>	<u>\$ 46,696,778</u>

Water capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and land rights	\$ 892,333	\$ 293,424	\$ -	\$ 1,185,757
Construction in progress	719,451	4,080,668	3,795,632	1,004,487
Total capital assets not being depreciated	<u>1,611,784</u>	<u>4,374,092</u>	<u>3,795,632</u>	<u>2,190,244</u>
Capital assets being depreciated				
Distribution	63,028,355	6,855,037	128,868	69,754,524
General	1,617,923	45,655	2,082	1,661,496
Total capital assets being depreciated	<u>64,646,278</u>	<u>6,900,692</u>	<u>130,950</u>	<u>71,416,020</u>
Less accumulated depreciation	<u>19,674,545</u>	<u>1,584,293</u>	<u>66,070</u>	<u>21,192,768</u>
Total capital assets being depreciated, net	<u>44,971,733</u>	<u>5,316,399</u>	<u>64,880</u>	<u>50,223,252</u>
Capital assets, net	<u>\$ 46,583,517</u>	<u>\$ 9,690,491</u>	<u>\$ 3,860,512</u>	<u>\$ 52,413,496</u>

Depreciation expense for 2019 for Electric and Water totaled \$2,326,070 and \$1,584,293 respectively.

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 4 – MUNICIPAL RECEIVABLES, PAYABLES, AND CONTRIBUTIONS

Amounts receivable from and payable to the City of Shakopee as of December 31, 2019, are as follows:

Receivable Fund/Municipality	Payable Fund/Municipality	2019 Amount
Electric Fund	City of Shakopee	\$ 95,008
City of Shakopee	Electric Fund	398,424
Water Fund	City of Shakopee	116,849
City of Shakopee	Water Fund	180,442

The receivables and payables generally represent billing expenses, general operating expenses, and capital projects.

The composition of municipal contributions as of December 31, 2019, was as follows:

Contributions To	Contributions From	2019 Amount
City of Shakopee	Water Fund	\$ 999,320
City of Shakopee	Electric Fund	1,424,805
Total		<u>\$ 2,424,125</u>

Contributions were made from the Water and Electric Funds to the City for contributions in lieu of taxes and for free service to the City.

NOTE 5 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles.

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.

The Commission's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2019 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2019, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 6 – PENSION PLANS

The Water and Electric Funds typically liquidate the Liability related to the pension.

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested Terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

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

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

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

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

General Employee Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in calendar year 2019 and the Commission was required to contribute 7.5% for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended December 31, 2019, were \$350,018. The Commission's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the Commission reported a liability of \$3,532,888 for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Commission totaled \$109,829. The net pension liability was measured as of June 30, 2019, and the total pension commission liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportionate share of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Commission's proportionate share was 0.0639% which was a decrease of 0.0006% from its proportionate share measured as of June 30, 2018.

Commission's proportionate share of the net pension liability	\$ 3,532,888
State of Minnesota's proportionate share of the net pension liability associated with the Commission	<u>109,829</u>
Total	<u><u>\$ 3,642,717</u></u>

For the year ended December 31, 2019, the Commission recognized pension expense of \$482,271 for its proportionate share of General Employees Fund's pension expense. In addition, the Commission recognized an additional \$8,225 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 6– PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs

At December 31, 2019, the Commission reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 98,286	\$ -
Changes in actuarial assumptions	-	279,540
Difference between projected and actual investment earnings	-	368,175
Changes in proportion	49,879	24,963
Contributions paid to PERA subsequent to the measurement date	175,009	-
Total	<u>\$ 323,174</u>	<u>\$ 672,678</u>

\$175,009 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2020	\$ (156,933)
2021	(293,532)
2022	(79,741)
2023	5,693
Total	<u>\$ (524,513)</u>

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50%	Per year
Salary increase	3.25%	Per year
Investment rate of return	7.50%	

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long Term
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	0.00
Total	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Commission's proportionate share of the General Employees Fund net pension liability	\$ 5,807,877	\$ 3,532,888	\$ 1,654,432

**Shakopee Public Utilities Commission
Notes to Financial Statements**

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

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

NOTE 7 – COMMITMENTS

The Commission has in process various multi-year construction projects which were not completed in the current fiscal year. As of December 31, 2019, outstanding commitments for these multi-year projects total approximately \$94,415.

NOTE 8 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2020.

NOTE 9 – SUBSEQUENT EVENT

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the Commission may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the Commission's financial statements at December 31, 2019 cannot be determined at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

**Shakopee Public Utilities Commission
Schedule of Commission's Proportionate Share
of Net Pension Liability
General Employees Retirement Fund
Last Ten Years**

For Fiscal Year Ended June 30,	Commission's Proportion Share (Percentage) of the Net Pension Liability (Asset)	Commission's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the Commission	Commission's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the Commission	Commission's Covered Payroll	Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0639%	\$ 3,532,888	\$ 109,829	\$ 3,642,717	\$ 4,522,507	78.12%	80.23%
2018	0.0645%	3,578,196	117,344	3,695,540	4,333,280	82.57%	79.53%
2017	0.0644%	4,111,253	51,656	4,162,909	4,145,653	99.17%	75.90%
2016	0.0621%	5,042,212	65,842	5,108,054	3,854,427	130.82%	68.91%
2015	0.0608%	3,150,972	-	3,150,972	3,516,627	89.60%	78.19%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Shakopee Public Utilities Commission
Schedule of Commission Contributions
General Employees Retirement Fund
Last Ten Years**

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Commission's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2019	\$ 350,018	\$ 350,018	\$ -	\$ 4,666,907	7.50%
2018	339,188	339,188	-	4,522,507	7.50%
2017	315,791	315,791	-	4,210,547	7.50%
2016	299,473	299,473	-	3,992,973	7.50%
2015	277,221	277,221	-	3,696,280	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Shakopee Public Utilities Commission
Notes to the Required Supplementary Information

GENERAL EMPLOYEES FUND

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

Shakopee Public Utilities Commission
Notes to the Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2017 Changes (Continued)

Changes in Plan Provisions (Continued)

- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

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SUPPLEMENTARY INFORMATION
ELECTRIC UTILITY FUND

Shakopee Public Utilities Commission
Statement of Net Position - Electric Utility
December 31, 2019
With Comparative Totals as of December 31, 2018

	2019	2018
Assets		
Current assets		
Cash and investments	\$ 39,752,560	\$ 32,189,484
Accrued interest receivable	65,627	58,444
Customer accounts receivable	3,737,683	3,986,682
Allowance for uncollectible accounts	(40,833)	(27,405)
Other accounts receivable	104,019	342,127
Due from City of Shakopee	95,008	125,923
Inventory	1,376,162	1,213,250
Prepaid expenses	46,371	50,399
Total current assets	<u>45,136,597</u>	<u>37,938,904</u>
Noncurrent assets		
Restricted assets		
Customer deposits account	2,268,122	2,388,808
Capital assets		
Plant in service	74,092,704	72,106,581
Accumulated depreciation	(28,325,053)	(26,344,935)
Construction in progress	929,127	673,413
Other assets		
Emergency repairs account	100,000	100,000
Total noncurrent assets	<u>49,064,900</u>	<u>48,923,867</u>
Total assets	<u>94,201,497</u>	<u>86,862,771</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	<u>242,380</u>	<u>529,029</u>
Total assets and deferred outflows of resources	<u>\$ 94,443,877</u>	<u>\$ 87,391,800</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 3,024,062	\$ 3,423,105
Due to City of Shakopee	398,424	467,273
Other current liabilities	331,261	293,249
Total current liabilities	<u>3,753,747</u>	<u>4,183,627</u>
Liabilities payable from restricted assets		
Customer deposits	<u>2,268,122</u>	<u>2,388,808</u>
Noncurrent liabilities		
Unearned revenues	5,210	3,447
Customer advances	686,831	550,257
Net pension liability	2,649,666	2,683,648
Total noncurrent liabilities	<u>3,341,707</u>	<u>3,237,352</u>
Total liabilities	<u>9,363,576</u>	<u>9,809,787</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	<u>504,508</u>	<u>664,155</u>
Net Position		
Net investment in capital assets	46,696,778	46,435,059
Unrestricted	37,879,015	30,482,799
Total net position	<u>84,575,793</u>	<u>76,917,858</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 94,443,877</u>	<u>\$ 87,391,800</u>

Shakopee Public Utilities Commission
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Electric Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019	2018
Operating revenues	\$ 49,650,814	\$ 50,393,489
Operating expenses		
Operation, customer and administrative	40,405,850	41,697,431
Depreciation of capital assets	2,326,070	2,237,527
Total operating expenses	<u>42,731,920</u>	<u>43,934,958</u>
Operating income	6,918,894	6,458,531
Nonoperating revenues (expenses)		
Rentals and miscellaneous	259,598	430,798
Interdepartmental rent from water	90,000	90,000
Investment income	980,761	449,019
Interest expense	(64,280)	(65,609)
Amortization of bond discount and loss on refunding	-	(216,694)
Gain (loss) on disposition of property	138,545	59,601
Total nonoperating revenues (expenses)	<u>1,404,624</u>	<u>747,115</u>
Income before contributions and transfers	8,323,518	7,205,646
Capital contributions	759,222	730,662
Municipal contributions	<u>(1,424,805)</u>	<u>(1,509,222)</u>
Change in net position	7,657,935	6,427,086
Net position		
Beginning of year	<u>76,917,858</u>	<u>70,490,772</u>
End of year	<u><u>\$ 84,575,793</u></u>	<u><u>\$ 76,917,858</u></u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Electric Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019	2018
Cash Flows - Operating Activities		
Receipts from customers and users	\$ 50,442,600	\$ 50,482,328
Payments to suppliers	(35,724,978)	(37,079,969)
Payments to employees	(5,176,616)	(4,985,832)
Net cash flows - operating activities	<u>9,541,006</u>	<u>8,416,527</u>
Cash Flows - Noncapital		
Financing Activities		
Payments to City of Shakopee	(1,317,892)	(1,338,234)
Proceeds from sale of assets	124,459	170,358
Net cash flows - noncapital financing activities	<u>(1,193,433)</u>	<u>(1,167,876)</u>
Cash Flows - Capital and Related		
Financing Activities		
Principal paid on debt	-	(7,590,000)
Interest paid on debt	(64,280)	(202,429)
Acquisition of capital assets	(1,814,481)	(1,223,594)
Net cash flows - capital and related financing activities	<u>(1,878,761)</u>	<u>(9,016,023)</u>
Cash Flows - Investing Activities		
Purchases of investments	(529,135)	(251,911)
Interest and dividends received	973,578	441,555
Net cash flows - investing activities	<u>444,443</u>	<u>189,644</u>
Net change in cash and cash equivalents	6,913,255	(1,577,728)
Cash and Cash Equivalents		
Beginning of year	<u>18,849,745</u>	<u>20,427,473</u>
End of year	<u>\$ 25,763,000</u>	<u>\$ 18,849,745</u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Electric Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019	2018
Reconciliation of Operating		
Income to Net Cash Flows -		
Operating Activities		
Operating income	\$ 6,918,894	\$ 6,458,531
Adjustments to reconcile operating income		
to net cash flows - operating activities		
Free electric service to City of Shakopee	(106,913)	(170,988)
Nonoperating revenues	349,598	520,798
Depreciation expense	2,326,070	2,237,527
Pension related activity	93,020	33,826
Allowance for uncollectible accounts	13,428	4,500
Change in assets and liabilities		
Customer accounts receivable	248,999	(75,261)
Other accounts receivable	238,108	(227,638)
Due from City of Shakopee	30,915	(65,250)
Inventory	(162,912)	98,744
Prepaid items	4,028	(5,697)
Accounts payable	(399,043)	(600,047)
Customer deposits	(120,686)	(65,141)
Unearned revenue	1,763	2,399
Customer advances	136,574	165,420
Due to City of Shakopee	(68,849)	81,661
Other liabilities	38,012	23,143
Total adjustments	<u>2,622,112</u>	<u>1,957,996</u>
Net cash flows - operating		
activities	<u>\$ 9,541,006</u>	<u>\$ 8,416,527</u>
Reconciliation of Cash and Cash		
Equivalents to the Statement		
of Net Position		
Customer deposits account	\$ 2,268,122	\$ 2,388,808
Emergency repairs account	100,000	100,000
Cash and investments	<u>39,752,560</u>	<u>32,189,484</u>
Total	42,120,682	34,678,292
Less long-term investments	<u>(16,357,682)</u>	<u>(15,828,547)</u>
Cash and cash equivalents	<u>\$ 25,763,000</u>	<u>\$ 18,849,745</u>
Noncash Investing, Capital, and		
Financing Activities		
Contributions of capital assets from the		
municipality and developers	\$ 759,222	\$ 730,662
Free electric service to City of Shakopee	106,913	170,988

**Shakopee Public Utilities Commission
Detailed Statement of Operating Revenues
and Expenses - Electric Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018**

	2019	2018
Operating Revenues		
Sales of electricity		
Residential	\$ 17,314,820	\$ 17,891,566
Commercial	31,261,142	31,414,834
Uncollectible accounts	(61,116)	(71,802)
Total sales of electricity	<u>48,514,846</u>	<u>49,234,598</u>
Forfeited discounts	304,445	252,538
Free service to City of Shakopee	106,913	170,988
Conservation program	724,610	735,365
Total operating revenues	<u>49,650,814</u>	<u>50,393,489</u>
Operating Expenses		
Operation and maintenance		
Purchased power	34,198,101	35,555,031
Distribution operation expenses	450,753	417,658
Distribution system maintenance	650,200	942,149
Maintenance of general plant	308,832	258,740
Total operating expenses	<u>35,607,886</u>	<u>37,173,578</u>
Customer accounts		
Meter reading	127,806	115,910
Customer records and collection	523,715	467,845
Energy conservation	724,610	735,365
Total customer accounts	<u>1,376,131</u>	<u>1,319,120</u>
Administrative and general		
Administrative and general salaries	666,835	610,512
Office supplies and expense	173,835	139,740
Outside services employed	133,237	186,004
Insurance	127,006	129,290
Employee benefits	1,953,383	1,830,931
Miscellaneous general	367,537	308,256
Total administrative and general	<u>3,421,833</u>	<u>3,204,733</u>
Total operation, customer, and administrative expenses	40,405,850	41,697,431
Depreciation of capital assets	2,326,070	2,237,527
Total operating expenses	<u>42,731,920</u>	<u>43,934,958</u>
Operating income	<u>\$ 6,918,894</u>	<u>\$ 6,458,531</u>

Shakopee Public Utilities Commission
Schedule of Plant in Service - Electric Utility
December 31, 2019

	Balance 12/31/18	Additions	Retirements/ Adjustments	Balance 12/31/19
Capital Assets				
Distribution				
Land and land rights	\$ 829,867	\$ -	\$ -	\$ 829,867
Structures and improvements	460,701	-	-	460,701
Station equipment	22,683,030	323,090	-	23,006,120
Station battery	1,857	-	-	1,857
Poles, towers, and fixtures	527,824	-	-	527,824
Overhead conductors and devices	2,829,302	20,781	11,520	2,838,563
Underground conduit	906,281	-	-	906,281
Underground conductors and devices	19,253,499	971,690	11,967	20,213,222
Line transformers	5,512,538	362,027	20,396	5,854,169
Services	50,643	-	-	50,643
Meters	1,386,127	126,182	527	1,511,782
Total distribution	<u>54,441,669</u>	<u>1,803,770</u>	<u>44,410</u>	<u>56,201,029</u>
General				
Land and land rights	3,551,329	-	-	3,551,329
Structures and improvements	9,149,163	9,411	-	9,158,574
Office furniture and equipment	1,126,774	22,961	-	1,149,735
Computer equipment	621,772	51,332	-	673,104
Transportation equipment	2,163,285	316,491	266,947	2,212,829
Tools, shop and garage equipment	177,153	17,264	-	194,417
Laboratory equipment	20,041	-	-	20,041
Power operated equipment	548,976	57,295	31,745	574,526
Communication equipment	306,419	50,701	-	357,120
Total general	<u>17,664,912</u>	<u>525,455</u>	<u>298,692</u>	<u>17,891,675</u>
Total plant in service	<u>\$ 72,106,581</u>	<u>\$ 2,329,225</u>	<u>\$ 343,102</u>	<u>\$ 74,092,704</u>

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SUPPLEMENTARY INFORMATION
WATER UTILITY FUND

Shakopee Public Utilities Commission
Statement of Net Position - Water Utility
December 31, 2019
With Comparative Totals as of December 31, 2018

	2019	2018
Assets		
Current assets		
Cash and investments	\$ 9,210,673	\$ 8,488,457
Accrued interest receivable	135,959	11,502
Customer accounts receivable	305,522	344,165
Allowance for uncollectible accounts	(9,799)	(6,666)
Other accounts receivable	86,826	747,589
Due from City of Shakopee	116,849	20,326
Inventory	31,439	29,698
Prepaid Expenses	15,458	16,800
Total current assets	<u>9,892,927</u>	<u>9,651,871</u>
Noncurrent assets		
Restricted assets		
Customer deposits account	95,945	73,547
Connection account	14,781,889	13,085,883
Water reconstruction account	488,866	844,901
Capital assets		
Plant in service	72,601,777	65,538,611
Accumulated depreciation	(21,192,768)	(19,674,545)
Construction in progress	1,004,487	719,451
Total noncurrent assets	<u>67,780,196</u>	<u>60,587,848</u>
Total assets	<u>77,673,123</u>	<u>70,239,719</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to pension activity	<u>80,794</u>	<u>176,342</u>
Total assets and deferred outflows of resources	<u>\$ 77,753,917</u>	<u>\$ 70,416,061</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,114,597	\$ 89,268
Due to City of Shakopee	180,442	580,490
Other current liabilities	206,608	135,644
Total current liabilities	<u>1,501,647</u>	<u>805,402</u>
Liabilities payable from restricted assets		
Customer deposits	95,945	73,547
Noncurrent liabilities		
Customer advances	44,124	300,098
Net pension liability	883,222	894,548
Total noncurrent liabilities	<u>927,346</u>	<u>1,194,646</u>
Total liabilities	<u>2,524,938</u>	<u>2,073,595</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	<u>168,170</u>	<u>221,384</u>
Net Position		
Net investment in capital assets	52,413,496	46,583,517
Restricted for connections and reconstruction	15,270,755	13,930,784
Unrestricted	7,376,558	7,606,781
Total net position	<u>75,060,809</u>	<u>68,121,082</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 77,753,917</u>	<u>\$ 70,416,061</u>

Shakopee Public Utilities Commission
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Water Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019	2018
Operating revenues	\$ 4,861,369	\$ 5,608,127
Operating expenses		
Operation, customer, and administrative	2,991,997	2,846,005
Depreciation	1,584,293	1,415,037
Total operating expenses	<u>4,576,290</u>	<u>4,261,042</u>
Operating income	285,079	1,347,085
Nonoperating revenues (expenses)		
Rentals and miscellaneous	268,265	184,857
Investment income	527,643	219,864
Interest expense	(2,295)	(989)
Gain (loss) on disposition of property	(62,391)	5,536
Total nonoperating revenues (expenses)	<u>731,222</u>	<u>409,268</u>
Income before contributions and transfers	1,016,301	1,756,353
Capital contributions	6,922,746	5,868,217
Municipal contributions	<u>(999,320)</u>	<u>(1,091,814)</u>
Change in net position	6,939,727	6,532,756
Net position		
Beginning of year	<u>68,121,082</u>	<u>61,588,326</u>
End of year	<u><u>\$ 75,060,809</u></u>	<u><u>\$ 68,121,082</u></u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Water Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019	2018
Cash Flows - Operating Activities		
Receipts from customers and users	\$ 5,502,074	\$ 5,260,263
Payments to suppliers	(333,456)	(1,546,344)
Payments to employees	(2,112,129)	(2,096,971)
Net cash flows - operating activities	<u>3,056,489</u>	<u>1,616,948</u>
Cash Flows - Noncapital		
Financing Activities		
Payments to City of Shakopee	(818,878)	(511,324)
Proceeds from sale of assets	2,489	6,804
Net cash flows - noncapital financing activities	<u>(816,389)</u>	<u>(504,520)</u>
Cash Flows - Capital and Related		
Financing Activities		
Interest paid on debt	(2,295)	(989)
Acquisition of capital assets	(5,291,976)	(2,202,354)
Installation fees	90,821	62,300
Connection charges	4,446,012	3,044,959
Trunk charges	198,737	389,497
Net cash flows - capital and related financing activities	<u>(558,701)</u>	<u>1,293,413</u>
Cash Flows - Investing Activities		
Proceeds of investments	(65,457)	(31,107)
Interest and dividends received	403,186	218,941
Net cash flows - investing activities	<u>337,729</u>	<u>187,834</u>
Net change in cash and cash equivalents	<u>2,019,128</u>	<u>2,593,675</u>
Cash and Cash Equivalents		
Beginning of year	<u>20,494,348</u>	<u>17,900,673</u>
End of year	<u><u>\$ 22,513,476</u></u>	<u><u>\$ 20,494,348</u></u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Water Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

Reconciliation of Operating Income

to Net Cash Flows- Operating Activities

Operating income	\$ 285,079	\$ 1,347,085
Adjustments to reconcile operating income		
to net cash flows - operating activities		
Nonoperating revenues	268,265	184,857
Depreciation expense	1,584,293	1,415,037
Pension related activity	31,008	11,269
Allowance for uncollectible accounts	3,133	(4,470)
Change in assets and liabilities		
Customer accounts receivable	38,643	(26,404)
Other accounts receivable	660,763	(698,418)
Due from City of Shakopee	(96,523)	(4,808)
Inventory	(1,741)	1,092
Prepaid items	1,342	(1,899)
Accounts payable	1,025,329	(658,336)
Customer deposits	22,398	20,675
Customer advances	(255,974)	180,704
Due to City of Shakopee	(580,490)	(115,088)
Other liabilities	70,964	(34,348)
Total adjustments	<u>2,771,410</u>	<u>269,863</u>
Net cash flows - operating activities	<u>\$ 3,056,489</u>	<u>\$ 1,616,948</u>

Reconciliation of Cash and Cash Equivalents
to the Statement of Net Position

Customer deposits account	\$ 95,945	\$ 73,547
Connection account	14,781,889	13,085,883
Water reconstruction account	488,866	844,901
Cash and investments	<u>9,210,673</u>	<u>8,488,457</u>
Total	24,577,373	22,492,788
Less long-term investments	<u>(2,063,897)</u>	<u>(1,998,440)</u>
Cash and cash equivalents	<u>\$ 22,513,476</u>	<u>\$ 20,494,348</u>

**Shakopee Public Utilities Commission
Detailed Statement of Operating Revenues
and Expenses - Water Utility
Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018**

	2019	2018
Operating revenues		
Sales of water	\$ 4,827,271	\$ 5,568,251
Forfeited discounts	42,475	38,380
Uncollectible accounts	(8,377)	1,496
Total operating revenues	<u>4,861,369</u>	<u>5,608,127</u>
Operating expenses		
Operation and maintenance		
Pumping and distribution operation	522,705	474,523
Pumping and distribution maintenance	420,451	427,410
Power for pumping	289,410	300,400
Maintenance of general plant	67,721	37,283
Total operation and maintenance	<u>1,300,287</u>	<u>1,239,616</u>
Customer accounts		
Meter reading	66,830	61,848
Customer records and collection	130,908	129,395
Total customer accounts	<u>197,738</u>	<u>191,243</u>
Administrative and general		
Administrative and general salaries	407,966	397,716
Office supplies and expense	61,984	47,746
Outside services employed	76,964	72,615
Insurance	42,335	43,097
Employee benefits	712,944	666,999
Miscellaneous general	191,779	186,973
Total administrative and general	<u>1,493,972</u>	<u>1,415,146</u>
Total operation, customer, and administrative expenses	2,991,997	2,846,005
Depreciation	<u>1,584,293</u>	<u>1,415,037</u>
Total operating expenses	<u>4,576,290</u>	<u>4,261,042</u>
Operating income	<u>\$ 285,079</u>	<u>\$ 1,347,085</u>

Shakopee Public Utilities Commission
Schedule of Plant in Service - Water Utility
December 31, 2019

	Balance 12/31/18	Additions	Retirements/ Adjustments	Balance 12/31/19
Capital Assets				
Distribution				
Land and land rights	\$ 892,333	\$ 293,424	\$ -	\$ 1,185,757
Wells	4,313,590	84,549	-	4,398,139
Electric pumping equipment	5,493,313	2,975,729	-	8,469,042
Towers and pump houses	7,527,749	54,860	-	7,582,609
Distribution system	42,984,707	3,593,875	128,459	46,450,123
Meters	2,708,993	146,024	406	2,854,611
Total distribution	<u>63,920,685</u>	<u>7,148,461</u>	<u>128,865</u>	<u>70,940,281</u>
General				
Office furniture and equipment	126,864	7,654	156	134,362
Computer equipment	174,754	17,110	1,388	190,476
Transportation equipment	413,155	-	197	412,958
Tools, shop and garage equipment	22,632	-	237	22,395
Laboratory equipment	54,386	3,733	-	58,119
Power operated equipment	5,812	-	-	5,812
Communication equipment	22,480	-	-	22,480
Scada equipment	450,230	13,438	105	463,563
Building improvements	347,613	3,718	-	351,331
Total general	<u>1,617,926</u>	<u>45,653</u>	<u>2,083</u>	<u>1,661,496</u>
Total plant in service	<u>\$ 65,538,611</u>	<u>\$ 7,194,114</u>	<u>\$ 130,948</u>	<u>\$ 72,601,777</u>

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Minnesota Legal Compliance

Independent Auditor's Report

Board of Commissioners
Shakopee Public Utilities Commission
Shakopee, Minnesota

We have audited, in accordance with auditing standards general accepted in the United States of America, the financial statements of each major fund of the Shakopee Public Utilities Commission, Shakopee, Minnesota, as of and for the year ended December 31, 2019, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 19, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the provisions contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the Minnesota Legal Compliance Audit Guide for other Political Subdivisions, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Commission's noncompliance with the above referenced provisions.


This report is intended solely for the information and use of those charged with governance and management of the Commission and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.


Bergan KDV, Ltd.

St. Cloud, Minnesota
March 19, 2020



April 28, 2020

TO: John Crooks, Utilities Manager 

FROM: Sharon Walsh, Director of Marketing and Customer Relations 

SUBJECT: Communications Campaign and SPU Rebranding Update

Overview

In 2019, we began the rebranding of Shakopee Public Utilities and the development of a communications campaign. Our goals included fostering a stronger relationship with our community; increasing public knowledge and understanding of the utility and its practices; and improving the communications with the public, both in frequency and content.

Multiple actions and processes have been implemented to support these goals.

- Communications surrounding power outages/interruptions in service – both social media and the website have been utilized to communicate to the public when outages occur. In the absence of an outage management system, procedures are in place to 1) notify customers we are aware of the outage, 2) communicate the general areas affected and 3) provide updates on the status of the outage. These measures have been well received with “likes” and positive comments. Internally, we have a process for notification between the Electric department and Marketing. In the event Marketing cannot make the public posting, a backup is in place (Lon Schemel) with access and ability to do the same. When feasible, individual conversations are held with customers who are messaging SPU during an outage. This has also aided in a positive response from customers.
- Newsletters – starting last Summer 2019, quarterly newsletters have been published and mailed to our entire customer base. These newsletters have addressed current public concerns, updates on seasonal activities and provided general knowledge about the utilities in a casual ‘did you know’ format. The goal is to communicate in a way that reaches the wide spectrum of SPU customers using print media, but adapting to the new, shorter attention spans of readers.
- Community Interest – facebook has been the primary media for sharing community-interest stories. These include communications regarding positive stories about SPU’s community involvement and sponsorships, customer protection (i.e., updates on active phone scammers), and/or public interest topics.
- Community involvement – prior to COVID-19, SPU was positioned to have a physical presence at community events such as ‘Rhythm on the Rails’. Initial discussions were held with the Chamber of Commerce Mainstreet Director to brainstorm ideas for an SPU-hosted tent space.



SHAKOPEE PUBLIC UTILITIES

"Lighting the Way – Yesterday, Today and Beyond"

April 28, 2020

TO: John Crooks, Utilities Manager *JPC*
 FROM: Sharon Walsh, Director of Marketing and Customer Relations *SNW*
 SUBJECT: 2020 Tom Bovitz Scholarship Award Recipient

Overview

We are happy to announce the winners of the 2020 Tom Bovitz Memorial Scholarship.

1st Place: Parth Purani - \$1,000
 2nd Place: Jacqueline Macht - \$500


Mr. Purani's entry was submitted to MMUA's state competition, but did not place.

Both winners and non-winners have been notified in writing.

Action Requested

No action is required.

**SHAKOPEE PUBLIC UTILITIES
MEMORANDUM**

TO: SHAKOPEE PUBLIC UTILITIES COMMISSION
FROM: JOHN R. CROOKS, UTILITIES MANAGER 
SUBJECT: SPU COMMISSION GOALS AND OBJECTIVES - 2019
DATE: JANUARY 10, 2020

The following 6 items were discussed at the March 18 Commission Goals and Objectives Workshop. The following were identified by SPU Staff and the SPU Commission to be completed within the next 12-36 months.

IT and Security Assessment will need to be handled separately and within the Utility, as there would be limited information that should be discussed at public meetings.

Items are listed under 2015 Strategic Initiatives.

2019 Goals / Objectives

To preserve, cultivate and advance the existing reputation of the Shakopee Utilities Commission in our community and service areas; with all customers

1. Website Development – contract signed with Vivid Image
2. Development of a Strategic Communications Plan – instituted and will have full deployment with the rollout of the new SPU website

To continue our commitment to all Shakopee Public Utilities employees

3. Succession/Transition Plans for Key Positions – final draft complete

To be properly positioned in adapting changes, both short and long term, in the Water and Electric industries and therefore continually evolve the present Shakopee Public Utilities business model in a direction that most positively serves our community and service areas

4. Automatic Meter Reading Implementation – RFP presentation at February 3 Commission meeting
5. 5 Year Strategic Geographic Information System Plan (GIS) – Spring 2020
6. Information Technology and Security Assessment – complete and ongoing

**SHAKOPEE PUBLIC UTILITIES
MEMORANDUM**

TO: SHAKOPEE PUBLIC UTILITIES COMMISSION

FROM: JOHN R. CROOKS, UTILITIES MANAGER

SUBJECT: SPU COMMISSION GOALS AND OBJECTIVES - 2019

DATE: MAY 3, 2019

The following 6 items were discussed at the March 18 Commission Goals and Objectives Workshop. Staff is in the process of preparing detailed work plans for each item. Included with this agenda item are work plans (as they exist today) that are already in progress; website development, succession planning and the communications plan. When completed the work plans for AMR Implementation and the GIS Roadmap will be brought back to the Commission for review.

IT and Security Assessment will need to be handled separately and within the Utility, as there would be limited information that should be discussed at public meetings.

1. **Website Development – 2018 carryover**
2. **Succession/Transition Plans for Key Positions – 2018 carryover**
3. **Automatic Meter Reading Implementation -**
4. **5 Year Strategic Geographic Information System Plan (GIS) -**
5. **Development of a Strategic Communications Plan –**
6. **Information Technology and Security Assessment – ongoing**

THE GOAL SETTING PROCESS

MISSION	A broad statement of overall direction and purpose.
GOAL	A clear statement of desired direction or activity in broad, general terms.
OBJECTIVE	A specific, time oriented, and realistic statement of what we are going to do, for whom, when we will do it, and how much we are going to do.
STRATEGY	One step or one specific action in the attaining of an objective. A group of strategies is a plan of action spelling out how an objective will be reached.

CHARACTERISTICS OF A WORTHWHILE GOAL

1. It is a guide to action – stated as a desired outcome, as a result, a desired condition or a state of affairs.
2. It is general in its direction.
3. It is both challenging and inspiring to its participants.
4. It calls for investment and involvement by the participants.
5. It provides a long-range time target (3-5 years).
6. It is directly tied to the purposes and goals of higher units in the organization.
7. It can be attained through a series of objectives and strategies.

CHARACTERISTICS OF A MEANINGFUL OBJECTIVE

1. It begins with the word “to” and is followed by an action verb.
2. It produces a single key result when accomplished.
3. It specifies for or with whom an action is done.
4. It has a specific target date for accomplishment (from three months to one year from planning date).
5. It is quantifiable and measurable – how much is to be done.

6. It is clear and understandable for all those participating in the action.
7. It is realistic and attainable – considers present and anticipated resources.
8. It is in line with one or more goals of the group.
9. (If there is an expense, specify maximum cost factors.)


CHARACTERISTICS OF A STRATEGY/ACTION PLAN

1. Who does it – name the individual or group representative?
2. What concretely are they to do?
3. How much are they to do?
4. For, to, or with whom?
5. By when (target date)?
6. Is a subdivision of a specific objective.
7. Ties in sequentially or in parallel with other strategies (action steps) toward attaining the objectives.

KEYS TO GOAL SETTING PERFORMANCE STANDARDS

1. Examine accuracy and currency of job description.
2. A standard should be a normal result – attainable.
3. Should be specific to person – not job.
4. Standards should start from the top down – they are a management tool.
5. They should not be a training manual, but a description.

**SHAKOPEE PUBLIC UTILITIES
MEMORANDUM**

TO: SHAKOPEE PUBLIC UTILITIES COMMISSION
FROM: JOHN R. CROOKS, UTILITIES MANAGER 
SUBJECT: COVID-19 PREPAREDNESS AND IMPACTS
DATE: MAY 1, 2020

There are 4 areas that need to be addressed in providing up-to-date information for the SPU Commission as well as the public. Those 4 areas are as follows:

1. Utility Operations
2. Electric and Water Sales
3. Delinquencies
4. Budget Impacts

Utility Operations - Staff has provided the Commission with how our operations have changed since mid-March. We can add this information by having the SPU Directors speak to the changes that have taken place within their Departments and the impacts of those changes.


Electric and Water Sales – This information is presented with the monthly financial results. Specific information regarding the impacts of COVID-19 can be detailed going forward.

Delinquencies – During the COVID-19 events, SPU has suspended Utility disconnections for non-payment. Accounts Receivable Aging Summary Reports are generated monthly for staff review. This information can be supplied to the Commission going forward.

Budget Impacts – This information is also provided with the monthly financial results and can be detailed in regards to the impact of the pandemic.

**SHAKOPEE PUBLIC UTILITIES
MEMORANDUM**

TO: SHAKOPEE PUBLIC UTILITIES COMMISSION

FROM: JOHN R. CROOKS, UTILITIES MANAGER 

SUBJECT: SHAKOPEE PUBLIC UTILITIES - GOVERNANCE HANDBOOK

DATE: April 1, 2020

At the March 2, 2016 meeting, the Commission approved updates to the SPU Governance Handbook. This document outlines governance principals, roles and expectations of the Shakopee Public Utilities' Commissioners.

The Commission is asked to review the Handbook, make changes to contact information and sign the acknowledgement form on the last page.



SHAKOPEE PUBLIC UTILITIES COMMISSION

"Lighting the Way - Yesterday, Today and Beyond"

GOVERNANCE HANDBOOK

**SHAKOPEE PUBLIC UTILITIES COMMISSION
255 SARAZIN STREET
SHAKOPEE, MN 55379**

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GOVERNANCE PRINCIPALS

1. The Commission governs SPUC with the best interests of all customers as its first priority in the spirit of the SPUC mission:

Shakopee Public Utilities delivers on a fundamental promise; to provide our customers with reliable electric and water service at affordable rates, as we have done for over 100 years.

2. The Commission shall govern SPUC for long term sustainability, reliability, safety, and regulatory compliance.
3. The Commission conducts its business according to the highest ethical, legal, and fiduciary standards.
4. The Commission treats all customers and staff with courtesy and respect.
5. Although independently governed from the City of Shakopee, SPUC is part of our local government and the Commission shall coordinate and collaborate with the City to promote improved value to our community and increase economies of scale.
6. The Commission understands that diversity of opinion is inevitable and shall respect the opinions and privacy of all other Commissioners, staff, and customers.
7. Regular meetings of the Commission shall be open and accessible to the public.
8. The Commission is responsible for the hiring and is ultimately accountable for the performance of the Utilities Manager. The Commission is responsible to ensure that the Utilities Manager implements Commission direction and policy to ensure long term sustainability, reliability, safety, and regulatory compliance.
9. The Commission governs the organization; the Commission does not manage it. Management of the organization is the role of the Utilities Manager and staff that serve in a management or supervisory role.
10. The Commission has officially adopted *Robert's Rules of Order Revised* as their rules of parliamentary procedure.
11. Meeting protocol: no sidebar discussions; no interruptions; state your concern; ensure you understand; don't take things personally; adhere to time limits; come prepared; ensure all are heard.

ROLE OF THE SPUC COMMISSION

1. The Commission engages in ongoing planning activities as necessary to determine the mission and strategic direction of SPUC, to define specific goals and objectives related to the mission, and to evaluate the success of the organization's efforts toward achieving the mission.
2. The Commission approves the policies for the effective, efficient, and cost-effective operation of SPUC.
3. The Commission approves SPUC's annual budget and assesses the organization's financial performance in relation to the budget on a regular basis.
4. The Commission hires, sets the compensation for, and provides for an annual evaluation of the performance of the Utilities Manager.
5. The Commission establishes and evaluates compensation for employees to ensure value to the customers and competitiveness within appropriate markets.
6. The Commission approves written policies governing the work and actions of SPUC's employees and committees.
7. The Commission ensures that an internal review of SPUC's compliance with known existing legal, regulatory, and financial reporting requirements is conducted annually and that a summary of the results of the review is provided to the entire Commission.
8. The Commission develops, monitors, and strengthens SPUC's services.
9. The Commission assesses the Commission's performance.

ROLE OF AN INDIVIDUAL SPUC COMMISSIONER

1. The authority of an individual Commissioner resides in the ability to vote. Each Commissioner is entitled to cast one vote for every action item unless prohibited by law, ordinance, or policy (for example, conflicts of interest).
2. Make every effort to attend all SPUC Commission meetings. Review the agenda and supporting materials prior to Commission meetings.
3. Stay informed about SPUC's mission, services, policies, and programs. Participate in SPUC events, programs, and services as often as possible. Inform others about SPUC and its programs and services. Be stewards for municipal public power and water.
4. Endeavor to keep up-to-date on developments in the industry and provide the benefit of that knowledge and insight in Commission discussions and deliberations.
5. Assist the Commission in carrying out its fiduciary responsibilities by reviewing the organization's interim and annual financial statements.
6. Be actively involved in Commission discussions, express one's opinion, and make an effort to see an issue from the perspective of others who may have other views of the issue.
7. Endeavor to make decisions based upon the common interests of all customers rather than the interests of the particular organization or individual customer. Serve the organization as a whole rather than any particular interest group or constituency.
8. Serve on Committees as required and offer to take on special assignments when appropriate.
9. Seek feedback from customers regarding SPUC's priorities, activities, programs, and services.
10. Avoid conflicts of interest and maintain confidentiality of information when appropriate.
11. Refrain from attempting to direct the activities of staff or making special requests of the staff.
12. Adhere to the SPUC Social Media Policy, as adopted. A copy of the adopted Policy is attached at the end of this Handbook.

ROLE OF THE SPUC PRESIDENT

1. Ensure that the Commission and individual Commissioners fulfill their responsibilities for the governance of SPUC and adhere to the Commission's Governance Principles.
2. Ensure that Commission actions are effectively communicated.
3. Serve as a lead spokesperson for the Commission and serve as appropriate as the organization's representative to government, media, other industry organizations, and the Utilities public.
4. Support the efforts of the Utilities Manager to achieve SPUC's mission.
5. Facilitate an annual review of the Utilities Manager's performance and compensation.
6. Facilitate productive and mutually respectful relationships among the Commission, staff, customers, and the City.
7. Chair meetings of the Commission, ensuring that the Commission functions effectively and fulfills all of its duties. Encourage all commissioners to participate in discussion and ensure that all points of view are fully expressed before a vote is taken. Work with the Utilities Manager regarding development of the agenda for Commission meetings.
8. Appoint the Wage and Benefits Committee and report to the Commission on Wage and Benefits Committee activities and recommendations.
9. Appoint other Committees as deemed. Those Committees may consist of, but are not limited to, the following; SPU Director Interview Committee, City Council SPU Commissioner Interview Committee, Utilities Manager's Hiring Committee, etc...
10. Ensure that appropriate processes are in place to review and evaluate the mission, direction, strategy, and performance of the organization.
11. Fulfill such other roles as the President and Utilities Manager agree are appropriate and desirable for the President to perform, consistent with Commission policy or directions.

ROLE OF THE SPUC VICE PRESIDENT

1. Fulfill any delegable roles and responsibilities of the President as requested by the President.
2. Act as President in the absence of the President.
3. Assume the office of President if the President leaves office prior to the expiration of the President's term of office.
4. Commit significant effort to becoming familiar with SPUC programs, services, and activities in preparation for fulfilling the duties of SPUC President if required.
5. Fulfill all roles and responsibilities established for individual Commissioners in an exemplary manner.
6. Be willing to serve in a leadership role in SPUC and serve as a spokesperson for the organization.

ROLE OF THE WAGE AND BENEFITS COMMITTEE

The Wage and Benefits Committee exists to help the Commission develop and maintain a pay plan structure and benefits package that are market competitive, promotes employee retention, *and* provides value to the customers through fair labor costs. The Committee shall be comprised of the two appointed Commissioners, the Utilities Manager, and the Finance Director.

Specific duties of the Committee shall include:

1. At the request of the Commission, research and analyze topics related to employee compensation and benefits.
2. Annually perform market benchmarking and evaluate wages. The Committee shall present options and make recommendations regarding cost of living adjustments and pay plan structure modifications to the Commission for their consideration.
3. Review health and dental insurance policies and evaluate policy renewals. The Committee shall present options and make recommendations regarding insurance policies to the Commission for their consideration.
4. Review submittal information pertaining to pay equity compliance requirements and present options and make recommendations to the Commission as appropriate.

COMMISSION APPOINTMENT PROCESS, TERMS AND OFFICERS

The City of Shakopee City Council is responsible for the appointment of Commissioners to the SPUC Board. Persons interested in being considered for appointment to the SPUC Commission shall complete an *"Application For Council Advisory Board and/or Commissions"* form furnished by the City.

1. Ninety days prior to the expiration of Commission terms each year, the Council shall be advised of the pending vacancies and those individuals eligible for reappointment.
2. Thirty days prior to the expiration of Commission terms, a committee comprised of two Council members and the Vice-President of the SPUC Commission will meet to review all applications and interview applicants.
3. The Committee shall recommend all qualified candidates per position to the Council for consideration.
4. Pursuant to City of Shakopee Resolution 2559, appointments to Shakopee Public Utilities shall be made in January and shall become effective April 1st.
5. A Commission term of service is for 3 years. A Commissioner is eligible and encouraged to serve three consecutive three year terms. If a Commissioner was appointed to serve a remainder of an open term, after April 1st, the appointment period will not affect the maximum service term of three consecutive three year terms.
6. At the first meeting in April the election of officers will take place, if officer terms are expiring. The officers are the Commission President, Vice-President and the Secretary. Each office has a term of one year.
7. At the first meeting in April, the appointment of a MMPA Representative and Alternant is to take place. The MMPA Representative is a voting member of the MMPA Board of Directors and is to attend monthly Board meetings. The MMPA Alternant also may attend the MMPA Board meeting but is not eligible to vote. The term of service for the Representative and alternant is one year.

COMMISSIONERS

Deb Amundson – Vice President

Mathew Meyer

Kathi Mocol

Jody Brennan

Kayden Fox

		Non-Public E-Mail
EMail	Amundson	damundson@shakopeeutilities.com damund1281@hotmail.com
	Meyer	mmeyer@shakopeeutilities.com mathew@mathewmmeyer.com
	Mocol	kmocol@shakopeeutilities.com kathimocol@icloud.com
	Brennan	
	Fox	

		Non-Public Phone #
Phone	Amundson	952-445-7091 612-810-6678
	Meyer	952-233-1087 612-741-4732
	Mocol	612-716-0375
	Brennan	
	Fox	

Address	Amundson	1281 Jefferson Street South
	Meyer	437 4 th Avenue East
	Mocol	7636 Oak Ridge Trail
	Brennan	
	Fox	

Terms	Amundson	4/1/15 - 3/31/21
	Meyer	4/1/18 - 3/31/21
	Mocol	4/1/19 - 3/31/22
	Brennan	4/1/20 - 3/31/23
	Fox	4/1/20 - 3/31/23

Effective 4/1/20

SHAKOPEE PUBLIC UTILITIES COMMISSION

COMMISSIONER ACKNOWLEDGEMENT

I hereby acknowledge that I have received a copy of the Shakopee Public Utilities Commission Governance Handbook. I understand that the contents of this Handbook are for general information and guidance and it does not constitute a contract between myself and the Shakopee Public Utilities Commission.

I understand it is my responsibility to read and understand the contents of this Governance Handbook. If I do not understand any provision of the Handbook, I shall contact the Utilities Manager for clarification.

I understand that no person other than the Utilities Manager, as directed by the Shakopee Public Utilities Commission, has the authority to change any policy, rule or procedure as stated in the Governance Handbook.

Commissioner Signature _____

Print Name _____ Date _____

NOTE: Commissioners will be required to acknowledge receipt of the Governance Handbook by signing this acknowledgement.

This copy is to remain in the Handbook

SHAKOPEE PUBLIC UTILITIES COMMISSION

SOCIAL MEDIA POLICY

INTRODUCTION

Web 2.0 and social media technologies offer continually evolving opportunities to enhance public outreach, resident and visitor interaction and employee productivity for the Shakopee Public Utilities Commission (SPUC). The SPUC will determine, at its discretion, how its web-based social media resources will be designed, implemented and managed as part of its overall communications strategy. Social media web resources administered by SPUC departments may be expanded, modified or discontinued based on SPUC goals, priorities and resources.

PURPOSE

The SPUC wishes to represent itself, its services and its facilities appropriately and consistently on the Internet. The purpose of this policy is to establish procedures for creating a consistent overall social media presence that meets the SPUC's established goals.

The SPUC intends to use social media websites as an additional communication channel to help promote its programs, events and services. This technology allows news of an event to spread quickly and is a good forum to facilitate public discussion. The SPUC's official website, located at www.spucweb.com, shall remain the SPUC's primary online medium for communicating information to the public.

A. GENERAL PROCEDURES

The SPUC has an overriding interest and expectation in deciding what is "spoken" on behalf of the SPUC on its official social media sites. This policy establishes guidelines for the use of social media by individual SPUC departments. This policy applies to any new, as well as pre-existing or proposed, social media networking accounts sponsored by SPUC departments.

The SPUC's website (www.spucweb.com) will remain the SPUC's primary and predominant Internet presence. Whenever possible information posted to the SPUC's social media websites should also be posted on the SPUC's website. Content posted to SPUC social media sites should regularly contain links directing users back to the SPUC's official website for in-depth information, forms, documents or online services necessary to conduct business with the SPUC.

1. The best, most appropriate, SPUC uses of social media tools fall generally into two categories:
 - a. As channels for disseminating time-sensitive information as quickly as possible (example: emergency information).
 - b. As marketing/promotional channels that increase the SPUC's ability to broadcast its messages to the widest possible audience.
2. The Communications Coordinator shall be responsible for the SPUC's primary social media pages.

3. Any department requiring consistent and frequent social communications may be asked to start its own site(s) and to provide staff to maintain it. Each department will be responsible for the content and upkeep of any social media sites the department may create.
4. Elected officials; appointed members of SPUC Boards, Commissions and Committees; and employees should comply with the guidelines outlined in Sections D and E of this document.
5. SPUC social media sites are subject to State of Minnesota public records laws. Any content maintained in a social media format that is related to SPUC business, including a list of subscribers and posted communication, is a public record. The department maintaining the site is responsible for responding completely and accurately to any public records request for public records on social media. Content related to SPUC business shall be maintained in an accessible format and so that it can be produced in response to a request. Wherever possible, such sites shall clearly indicate that any articles and any other content posted or submitted for posting are subject to public disclosure. Users shall be notified that public disclosure requests must be directed to the relevant departmental public disclosure officer.
6. Minnesota state law and relevant SPUC records retention schedules apply to social media formats and social media content as reflected in the SPUC's record retention policy. In most cases, content on the SPUC's social media sites is expected to be transitory, incidental or non-vital in nature and therefore shall be retained "until read." However, any content posted that does constitute the official record will be retained according to the SPUC records retention schedule.

B. PROCESS FOR CREATING A SOCIAL MEDIA PRESENCE

1. Individual SPUC departments shall have the discretion to determine the utilization of social media. However, once undertaken, all social media initiatives shall comply with this policy.
2. Individual departments shall consult with the Communications Coordinator prior to embarking on the use of new social media tools. This will ensure that the SPUC's array of sanctioned social media accounts are kept to a sustainable number, policies are followed, and the SPUC's communication strategy is appropriately maintained.
3. The appropriate Department Head shall approve the use of social media tools within their department. Staff shall not create a new or significantly alter an existing social media site without the approval of their Department Head.
4. Prior to launching a social media site, the assigned staff person shall register the site and all associated passwords for the account with the SPUC's Communications Coordinator. Any changes to staff responsibilities or passwords must be reported to the Communications Coordinator in a timely manner.

C. STANDARDS FOR OPERATING AND MAINTAINING A SOCIAL MEDIA PRESENCE

SPUC social media accounts and their associated content should focus on significant SPUC interest areas and be organized in a manner that avoids ambiguities and/or conflicting information across the SPUC's various communication mediums, including other SPUC social media websites. Departments' administration and use of SPUC social media websites must comply with applicable laws, regulations and policies, as well as proper business etiquette.

Social media websites are to be consistently branded in order to communicate a clear association with the SPUC, and must contain a SPUC-standard disclaimer. Branding should include, but is not limited to, the inclusion of the SPUC logo, SPUC department information (address, phone number, and hours of operation) and any other aesthetic “look and feel” defined by the Communications Division now or in the future.

The naming and contact conventions used for social media accounts should be SPUC-specific and must not contain individual employee names, with the exception of professional staff social media accounts. All approved social media sites will be linked with the SPUC’s official website.

All SPUC sponsored social media sites shall prominently post the Disclaimer and Comments Policy found in Appendix A. In situations where a social media site does not allow for prominent posting of the Disclaimer and Comments Policy, a link to a PDF copy of Appendix A shall be posted instead.

Interacting on Social Media

The SPUC social media sites may “like” or “follow” government entities; nonprofit and nonpartisan organizations related to SPUC functions; local media sites; and elected officials. Posts or comments related to the SPUC and the community at large may be shared to the extent that they correspond with the SPUC’s social media goals.

Responding to Comments

In cases where comments are accepted, the staff member responsible for the page **MUST** monitor the site regularly and respond in a timely manner (within 24 hours during the workweek). (Staff can set up automatic e-mail notification when someone posts a comment to a social media site.)

Guidance on When/How to Respond to Comments

- a. If the person has a question – Respond with information or point them back to the SPUC’s website or other resource. You may ask them to contact you offline when appropriate (when it is a private issue, when the issue is one in which there is little or no interest by others, etc.)
- b. If the person has a complaint – If inaccurate, politely correct inaccuracies. When a general complaint, thank them for sharing feedback and give any other direction that may be needed. If it is regarding a personal matter, reply that you would like to address the issue offline and provide contact information.
- c. If the person leaves a general comment, like “Wow, this is cool” or “Can’t wait,” no response is required.
- d. If the person wants to start debating with a SPUC employee – Take the conversation offline. Do not debate them on the site. It is ok to correct inaccuracies and to provide evidence to support information, but avoid debates.

When in doubt on how to respond to a comment, please contact the Communications Coordinator for guidance.

Removing Comments

Comments violating the SPUC’s comment policy (see Appendix A) shall be removed promptly. When a person’s comment is removed, the SPUC will post a reason for removing the post (i.e. “*A comment to this post was removed because it endorsed a political candidate. This is in violation of the SPUC’s comment policy (link to policy)*”). Removed comments should be archived for our records by completing the tracking form found in Appendix B and submitting it to the Communications Coordinator.

Correcting Mistakes

If an employee makes a factual mistake on a SPUC social media site, he/she should correct it as soon as possible. Corrections should be upfront and timely. If modifying an earlier post, make it clear that the post has been corrected. Designate corrections with “Fixed Link” or “Fact Correction” prior to the correction. Do not try to “hide” corrections, as someone may have seen the incorrect information and may be acting upon it.

Review Procedures

The Communications Coordinator will have access to all SPUC sponsored social media sites, including rights to edit a site. Each site will be monitored weekly to ensure the site is meeting its intended purpose, that it is being updated regularly, that the content is appropriate and to look for any possible problem that would reflect negatively on the SPUC.

D. ELECTED OFFICIALS AND OFFICIALS APPOINTED TO SPUC BOARDS, COMMISSIONS AND COMMITTEES

Elected officials and officials appointed to SPUC Boards, Committees and Commissions should comply with the following guidelines when using SPUC social media sites:

1. Official SPUC social media sites shall not be used for campaigning purposes.
2. Comments or links to any content that endorses or opposes political candidates or ballot propositions, including links to an elected official’s campaign site shall not be posted. (ALL comments posted during an election season by anyone who has filed for office will be removed.)
3. Elected officials and members serving on a SPUC board, commission or committee should be mindful of the risks of electronic communication in relation to the Minnesota Data Practices Act and the Open Meeting Law; two-way communication between elected officials or between members of SPUC boards, commissions, committees should be strictly avoided. Adding to a post or comment that would create a quorum of the group you represent should also be strictly avoided. (If the comment or posting requires official review it should be handled before the group during a public meeting.)
4. Social media sites should not be used as a mechanism for conducting official SPUC business other than to informally communicate with the public.
5. When posting or commenting on a SPUC social media site, officials shall reveal their position, be honest, straightforward and respectful, and not represent themselves as speaking on behalf of the SPUC.
6. In an effort to be honest, officials must ensure they do not share non-public information related to coworkers, personnel data, medical information, claims or lawsuits, or other non-public or confidential information.
7. Strive to add value to any social media discussion by staying focused on the issue.
8. To help prevent errors and liability issues, officials are encouraged to ask the appropriate staff person or department to post official SPUC documents (i.e., an ordinance recently passed by the SPUC Council), rather than summarizing them from memory.
9. Officials are asked to correct errors or mistakes in a posting or comment as soon as possible. If you modify an earlier post, make it clear the posting has been corrected. Consider designating corrections with “Fixed link” or “Fact correction” prior to the correction.

E. SPUC EMPLOYEES

1. Staff Members Maintaining SPUC Social Media Sites.

Staff members assigned the task of maintaining social media sites on behalf of the SPUC must follow this Policy and all relevant sections of the SPUC's Information Technology Policy and Personnel Handbook. Failure to do so will be subject to discipline as outlined in the SPUC's Personnel Handbook.

SPUC social media messages may not be used by any SPUC employee or representative for private or personal purposes or for the purpose of expressing private or personal views on personal, political or policy issues.

SPUC social media messages may not be used to express personal views or concerns pertaining to SPUC employment relations matters.

Social media website accounts are considered a SPUC asset and logins to these accounts must be securely administered in accordance with SPUC security policies.

A social media website account shall not be used by the SPUC or any SPUC employee or representative to disclose sensitive and/or confidential information without the prior express written approval of the SPUC Attorney's Office.

2. Staff Members Maintaining a Professional Social Media Account.

In instances where a SPUC staff member wishes to set up a social media account to assist in his or her professional capacity as a representative of the SPUC, the following guidelines must be met:

- a. Department Heads must approve the establishment of a professional social media account by department employees.
- b. Employees shall consult with the Communications Coordinator prior to embarking on the use of professional social media tools. This will ensure that the SPUC's array of sanctioned social media accounts are kept to a sustainable number, policies are followed, and the SPUC's communication strategy is appropriately maintained.
- c. The account and passwords must be registered with the Communications Coordinator.
- d. The employee must prominently identify his or her job title.
- e. Employees should not post private or personal information on the site, unless it pertains to the goals of the account.
- f. Accounts may "like" or follow individuals, businesses and groups, that pertain to the employee's job function. Employees shall not endorse or express personal views on personal, political or policy issues when representing the SPUC in their professional capacity.

Upon termination, the employee shall close the account and remove all information pertaining to his or her relationship with the SPUC.

3. Employees' Personal Social Media Pages.

The line between personal and professional, public and private can be easily blurred in social media. Keep the following guidelines in mind when using a personal social media account:

- a. Personal social media account names by employees should not be tied to the SPUC. Additionally, staff should not use their personal social media accounts to speak on behalf of the SPUC.
- b. SPUC staff members have the right to speak publicly as a private citizen on matters of public concern. However, employees are reminded to use good judgment when commenting on a SPUC social media site or if commenting or posting on a private site regarding a SPUC related issue, policy, etc. If you are identifying yourself as a SPUC employee, your actions reflect upon the SPUC.
- c. When responding to an item on the SPUC's page or on any other page, ask yourself if you or your department would be embarrassed to see the comment appear in the news. If so, don't post it.
- d. Employees with personal social media accounts never have the right to post non-public and confidential information such as information related to co-workers, personnel data, medical information, and claims or lawsuits against the SPUC.
- e. Video or pictures obtained by employees on duty are the property of the SPUC. Employees shall not post those pictures or videos on social media sites without approval from the employees' department head or the SPUC Administrator.

F. EXCEPTIONS/CHANGE

This policy supersedes all previous policies covering the same or similar topics. Any exception to this policy may be granted only by the SPUC Administrator. This policy may be reviewed and changed at any time.

APPENDIX A

DISCLAIMER & COMMENT POLICY **(to be prominently posted on every social media page)**

The purpose of this and other SPUC sponsored social media sites is to communicate between the SPUC, its individual departments and members of the public. We reserve the right, at our sole discretion, to change, modify, add or delete comments or posts, photos and videos in accordance with this policy.

The SPUC will remove comments that:

1. Contain obscenities;
2. Demean specific individuals or groups of people;
3. Are libelous/slandorous;
4. Contain factual inaccuracies;
5. Qualify as SPAM;
6. Are not topically related to the particular social medium article being commented upon;
7. Express support for or opposition to political campaigns or ballot measures;
8. Contain sexual content or links to sexual content;
9. Solicit commerce;
10. Conduct or encourage illegal activity;
11. Compromise the safety or security of the public or public systems; or
12. Violate a legal ownership interest of any other party.

Additionally, ALL comments posted during an election season by anyone who has filed for office will be removed.

The SPUC has the right to remove a comment from and/or block a user who is not using their legal name or otherwise appropriately identifying themselves.

The SPUC has the right to reproduce any pictures or videos posted to this site in any of its publications or websites or any other media outlets. The SPUC has the right to quote any comments or suggestions left by users.

The views, postings, positions or opinions expressed on this site do not necessarily reflect those of the SPUC.

Advertising

The SPUC does not endorse any product, service, company or organization advertising on its social media pages. The ads that appear on social media pages are sold, posted and maintained by those social media sites.

Privacy policy

Please note that the SPUC does not share information gathered through its social media sites with third parties for promotional purposes. However, any information you provide to the SPUC is subject to the Minnesota Government Data Practices Act. This law classifies certain information as available to the public on request.

APPENDIX B

REMOVED COMMENTS TRACKING FORM

All comments removed from a SPUC sponsored social media site should be documented with this form. When completed, please deliver or email to _____, Communications Coordinator, at _____.

1. SPUC social media site affected: _____

2. Date of original post: _____

3. Screen name of poster: _____

4. Entire comment that was removed (attach separate page if more room is needed):

5. Reason for removal of comment: _____

6. Date comment was removed and explanation for removal was posted to social media site:

7. Comment removed from SPUC social media site by: _____

8. Other pertinent information (if applicable): _____

Date this report was received by the Communications Coordinator: _____

This form will be retained by the Communications Coordinator for a period of 1 year.

APPENDIX C

DEFINITIONS

Social Media Websites - Social media websites focus on creating and fostering online social communities for a specific purpose and connect users from varying locations and interest areas. Social media websites can offer many different ways for users to interface such as instant messaging, blogging and commenting, online forums, status updates (microblogging), website link sharing, video conferencing, sharing pictures and videos, etc. Examples include Facebook, MySpace, LinkedIn, Twitter, YouTube, Flickr, Vine, etc.

Blog - (an abbreviated term for “Web Log”) is a website where a blog author can post information on a specific topic targeted to a specific audience. A blog, if commenting is enabled, allows registered members of the public (called blog commenters) to post comments about posts by the blog author.

Social Networking – Social networking websites offer a way for registered users to communicate with each other on the Internet. They usually offer many ways to connect to other registered users such as status updates (microblogging), instant messaging, blogs, polls, photo sharing, video sharing, etc.

Web 2.0 - Commonly associated with web applications that facilitate interactive information sharing, interoperability, user-centered design, and collaboration on the World Wide Web. A Web 2.0 site gives its users the free choice to interact or collaborate with each other in a social media dialogue as creators (prosumers) of user-generated content in a virtual community, in contrast to websites where users (consumers) are limited to the passive viewing of content that was created for them.