

AGENDA
SHAKOPEE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
June 7, 2021 5:00 PM**

1. **Call to Order** at 5:00pm in the SPU Service Center, 255 Sarazin Street
 - a. **Roll Call**
2. **Communications**
3. **Consent Agenda**
 - C => 3a) Approval of the May 17, 2021 Minutes (GD)
 - C=> 3b) Approval of May 19, 2021 Special Meeting Minutes (KM)
 - C=> 3c) Approval of May 25, 2021 Special Meeting Minutes (KM)
 - C=> 3d) Approval of June 2, 2021 Special Meeting Minutes (KF)
 - C=> 3e) Approval of June 7, 2021 Agenda (KM)
 - C=> 3f) June 7, 2021 Warrant List (JM)
 - C=> 3g) MMPA May Meeting Update (GD)
 - C=> 3h) Res#2021-09 Setting the Amount of the Trunk Water Charge, Approving of Its Collection and Authorizing Water Service to Certain Property in Jefferson Courts (JA)
4. **Liaison Report** (JB)
5. **General Manager Report**
 - 5a) General Manager Report – Verbal (GD)
6. **Reports: Water Items**
 - 6a) Water System Operations Report – Verbal (LS)
 - 6b) Co Rd 83 Water Main Bid (JA)
7. **Reports: Electric Items**
 - 7a) Electric System Operations Report – Verbal (BC)
8. **Reports: Human Resources**
9. **Reports: General**
 - 9a) Collection Process Update (SW)
 - 9b) Presentation of 2020 Audit (JM)
10. **Items for Future Agendas**
11. **Tentative Dates for Upcoming Meetings**
 - June 21, 2021
 - July 6, 2021 (Tuesday)
 - July 19, 2021
12. **Adjournment**

****PLEASE NOTE:** Immediately following the meeting, staff will provide a tour of the service center renovations in progress. A quorum of the Commissioners may be present on the tour. The public is welcome to participate.

MINUTES OF THE
SHAKOPEE PUBLIC UTILITIES COMMISSION
May 17, 2021
Regular Meeting

1. Call to Order. President Mocol called the May 17, 2021 meeting of the Shakopee Public Utilities Commission to order at 5:00 P.M.
2. Roll Call. President Mocol, Vice President Fox, Commissioner Brennan, Commissioner Krieg, and Commissioner Letourneau were present.
3. Approval of Consent Agenda. Commissioner Brennan moved approval of the consent agenda. Vice President Fox seconded the motion. Ayes: Mocol, Fox, Brennan, Krieg, Letourneau. Nays: None. Motion carried. The approved items were: May 3, 2021 Minutes; May 17, 2021 Agenda, May 5, 2021 Warrant List; Account Credit/Request/Deposit Refunds; May 17, 2021 Warrant List; Water Dashboard; SPU Service Center to Reopen June 1, 2021; Special Sewer/Water Account Update; Res #2021-07 Resolution Allowing the Use of Facsimile Signature for Check Signing; Res#2021-08 Resolution Setting the Amount of the Trunk Water Charges, Approving of its Collection and Authorizing Water Services to Certain Property – Windermere 4th Add; West Shakopee Substation Design, Procurement, Construction Engineering and Construction Monitoring Task Authorization.
4. Liaison Report. Commissioner Brennan reported that the City Council approved the purchase of an electric vehicle.
5. General Manager Report. Greg Drent, Interim General Manager, noted that the joint meeting with the City Council on May 25, 2021 at 6 PM is expected to be held in person. He proposed that starting in June, the Commission meetings be held in person. Mr. Drent provided an overview of pending projects and explained the recent purchase of a vehicle through the state bidding process. He and Sharon Walsh, Director of Marketing and Consumer Relations, described the SPU sponsorship of the five Rhythm on the Rails events, which includes digital signage and a tent that SPU plans to use to communicate with customers. They noted that SPU plans to focus on a different topic each week, such as promoting the new SPU website and other timely topics.
6. Water Report. Lon Schemel, Water Superintendent, provided an update on Tank #8, which is expected to be in service this fall. He noted that existing facilities are sufficient to meet needs in the meantime. Mr. Schemel presented a flushing map and noted that the Water Department is ahead of schedule.

Comprehensive Evaluation for Municipal Water Treatment. Ms. Walsh discussed the water quality survey. She noted that the survey was available on the SPU website for one month, and that promotional materials were sent to all customers, including the survey link. She discussed options to expand survey participation. The Commission discussed how to reach more customers. Mr. Adams, Planning and Engineering Director, presented an overview of SPU's past,

current, and planned water system. He described the three alternatives considered by consultant SEH. Mr. Adams also described a hybrid alternative in which treatment would occur within each pressure zone. The Commission discussed these alternatives.

7. Electric Report. Brad Carlson, Assistant Electric Superintendent, noted one outage since the last Commission meeting. He noted that Xcel Energy contacted SPU to offload its Dean Lake Transformer #2 load within 3-5 minutes, in response to a grass fire. Mr. Carlson explained that SPU used its SCADA System to adjust the load within the short deadline, without any outages. Mr. Carlson provided an update on current projects, including the Circuit Feeder #98 extension, and the conversion from overhead to underground lines on Townline Avenue.

Levee Drive Duct Bank Bid Award. Mr. Adams noted that five bids regarding relocating Circuit #9 were opened on May 14, 2021. He explained that DGR Engineering, the SPU consultant who prepared the bid documents, recommended approval of the \$284,680 bid provided by Casperjon Inc, of Blaine. Commissioner Brennan moved approval of the Casperjon Inc. bid in the amount of \$284,680. Commissioner Letourneau seconded the motion. Ayes: Mocol, Fox, Brennan, Krieg, Letourneau. Nays: None. Motion carried.

East Shakopee Substation Site – Offer to Purchase. Mr. Adams noted that Cretex Industrial Park L.L.C. proposed a term sheet to sell Lot 3 of Hentges Industrial Park. Motion by Vice President Fox, seconded by Commissioner Brennan, to go into Closed Session under Minnesota Statutes, Section 13D.05, subd. 3(c) to review confidential or protected nonpublic appraisal data and to develop or consider offers or counteroffers for the purchase of property described as Lot 3 of the Hentges Industrial Park. Ayes: Mocol, Fox, Brennan, Krieg. Nays: None. Motion carried. The Commission returned from closed session. President Mocol moved to direct staff to reject the offer from Cretex Industrial Park L.L.C., to present the appraisal addendum, and to make a counteroffer consistent with the addendum. Vice President Fox seconded the motion. Ayes: Mocol, Fox, Brennan, Krieg, Letourneau. Nays: None. Motion carried.

8. Customer Deposit Policy. Ms. Walsh discussed proposed changes to the Customer Deposit Policy, including decreasing the deposit for commercial and industrial customers to one month, and refunding deposits after five years based on good payment history. Vice President Fox moved approval of the recommended changes, seconded by Commissioner Krieg. Ayes: Mocol, Fox, Brennan, Krieg, Letourneau. Nays: None. Motion carried.

9. Adjourn. Motion by Vice President Fox, seconded by Commissioner Krieg, to adjourn to the May 19, 2021 1:00 PM Special Meeting. Ayes: Mocol, Fox, Brennan, Krieg, Letourneau. Nays: None. Motion carried.



Greg Drent, Commission Secretary

MINUTES OF THE
SHAKOPEE PUBLIC UTILITIES COMMISSION
May 19, 2021
Special Meeting

1. Call to Order. President Mocol called the May 19, 2021 Special Meeting of the Shakopee Public Utilities Commission to order via Zoom at 1:00 P.M.
2. Roll Call. President Mocol, Vice President Fox, Commissioner Brennan, Commissioner Krieg, and Commissioner Letourneau were present.
3. Overview of Interview Protocols/Process. Sharon Klumpp, Baker Tilly, provided an overview of the interview process. She reviewed questions that can and cannot be asked during an interview.
4. General Manager Interviews. The Commissioners interviewed the four candidates: (1) Jon Haukaas; (2) Steven Lillehaug; (3) Jon Eaton; (4) Greg Drent. Commissioner Letourneau departed the meeting during the close of the fourth interview.
5. Discussion. The Commissioners determined to hold the discussion and deliberation until a separate special meeting when all Commissioners could participate.
6. Adjourn. Motion by Vice President Fox, seconded by Commissioner Brennan, to adjourn. Ayes: Mocol, Fox, Brennan, Krieg. Nays: None. Motion carried.


Kathi Mocol, Commission President

MINUTES OF THE

SHAKOPEE PUBLIC UTILITIES COMMISSION

May 25, 2021

Special Meeting

1. Call to Order. President Mocol called the May 25, 2021 Special Meeting of the Shakopee Public Utilities Commission to order at the SPU Service Center at 5:00 P.M.
2. Roll Call. President Mocol, Vice President Fox, Commissioner Brennan, Commissioner Krieg, and Commissioner Letourneau were present.
3. Approval of the Agenda. Commissioner Brennan moved approval of the agenda. Vice President Fox seconded the motion. The motion carried.
4. Discussion of General Manager Interviews. Sharon Klumpp, Baker Tilly, facilitated discussion of the Commissioners' impressions of the candidates from the interviews.
5. Determination of General Manager Positions Next Steps. The Commissioners discussed which candidates they would like to interview further. Motion by Commissioner Brennan, seconded by Vice President Fox, to move candidates Greg Drent, Jon Haukaas, and Steven Lillehaug forward for final interviews on June 2, 2021. The motion carried.
6. Adjourn. Motion by Commissioner Brennan, seconded by Vice President Fox, to adjourn to the May 25, 2021 6 PM Joint Meeting with the City Council. The motion carried.


Kathi Mocol, Commission President

MINUTES OF THE
SHAKOPEE PUBLIC UTILITIES COMMISSION
June 2, 2021
Special Meeting

1. Call to Order. President Mocol called the June 2, 2021 Special Meeting of the Shakopee Public Utilities Commission to at the SPU Service Center at 1:52 P.M.
2. Roll Call. President Mocol, Vice President Fox, Commissioner Brennan, Commissioner Krieg, and Commissioner Letourneau were present.
3. Introductory Comments/ Briefing. Sharon Klumpp, Baker Tilly, provided an overview of the process for the second round of interviews. She explained that the leadership profile assessment contains no correct or incorrect answers.
4. General Manager Interviews. The Commissioners interviewed the three finalist candidates: (1) Jon Haukaas; (2) Steven Lillehaug; and (3) Greg Drent. Members of the public in attendance provided comments.
5. Deliberations and Determination as to General Manager Position. The Commission discussed the candidates and their qualifications. Vice President Fox moved to extend an offer for the General Manager position to Greg Drent. Commissioner Krieg seconded the motion. Motion carried 5:0.
6. Adjourn. Motion by Vice President Fox, seconded by Commissioner Letourneau, to adjourn to the regular meeting on June 7, 2021, at 5:00 PM. Motion carried 5:0.

Kayden Fox, Commission Vice President

AGENDA
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SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

June 7, 2021

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:

58572 League of Minn Cities Ins. Trust	\$	105,445.00
58573 City of Shakopee	\$	394,434.78
58574 Gerald Hemming	\$	240.00
58589 AEM Financial Solutions, LLC	\$	38,237.50
58590 American Messaging	\$	3,094.78
58591 ABM Equipment & Supply LLC	\$	1,001.55
58592 Allstream	\$	2,458.25
58593 Alternative Technologies Inc.	\$	300.00
58594 Amaril Uniform Co.	\$	4,299.20
58595 Ancom Technical Center Inc.	\$	840.47
58596 AAR Building Service Co.	\$	3,718.41
58597 APPA	\$	2,159.22
58598 Apple Ford of Shakopee	\$	680.54
58599 Arrow Ace Hardware	\$	270.90
58600 Gaynor M Aslakson	\$	500.00
58601 Kelley C. Mulhern - Badger State Inspection LLC	\$	846.00
58602 Robert Berndtson	\$	329.28
58603 Paul Boeser	\$	500.00
58604 Border States Electric Supply	\$	31,140.92
58605 Matthew Case	\$	1,000.00
58606 CDW Government LLC	\$	9,841.34
58607 CenterPoint Energy	\$	936.76
58608 Choice Electric Inc.	\$	1,454.60
58609 Cintas Corp. #754	\$	632.47
58610 City of Shakopee	\$	389,862.73
58611 City of Shakopee	\$	187,000.00
58612 Comcast	\$	2.25
58613 Concrete Cutting & Coring Inc.	\$	26.83
58614 Customer Contact Services	\$	177.04
58615 Daily Printing Inc.	\$	2,512.51
58616 Delta Dental Plan of MN	\$	5,124.21
58617 DGR Engineering	\$	2,366.50
58618 DSI/LSI	\$	263.03
58619 Greg Drent	\$	35.60
58620 Beverly Erhard	\$	500.00
58621 Fastenal Ind. & Const Supplies	\$	46.65
58622 Ferguson Enterprises, LLC	\$	19.99
58623 Grant Friendshuh	\$	90.81
58624 Lisa Friesen	\$	500.00
58625 Further	\$	203.00
58626 Global Industrial	\$	50.89
58627 James Goldenstein	\$	193.53
58628 Gopher State One-Call	\$	1,021.95
58629 Grainger Inc.	\$	313.99
58630 Graybar Electric Company Inc.	\$	22,048.68
58631 Brad Gustafson	\$	182.40
58632 Hach Company	\$	249.22

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

June 7, 2021

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:

58633 Hawkins Inc.	\$	85.00
58634 HealthPartners	\$	78,240.20
58635 Joe Hoffman	\$	25.00
58636 HRExpertiseBP LLC	\$	1,125.00
58637 Ideal Service Inc.	\$	18,657.61
58638 Innovative Office Solutions LLC	\$	8,118.39
58639 Integrated Process Solutions Inc.	\$	1,071.50
58640 Irby - Stuart C Irby Co.	\$	733.39
58641 Stuart C Irby Co.	\$	1,583.87
58642 Jack Henry and Associates, Inc.	\$	3,592.33
58643 Matthew Kahle	\$	119.34
58644 Meng Lam	\$	150.00
58645 Locators & Supplies Inc.	\$	279.97
58646 Alex Matheson	\$	500.00
58647 Rob & Cyndi Mcardell	\$	50.00
58648 McGrann Shea Carnival Straughn & Lamb, Chartered	\$	21,150.00
58649 Cindy Menke	\$	62.50
58650 Midwest Safety Counselors, Inc.	\$	573.90
58651 Minn Valley Testing Labs Inc.	\$	1,197.00
58652 Minnesota Life	\$	2,492.25
58653 Adam & Reham Moulton	\$	150.00
58654 MSP SW Acquisition	\$	1,966.00
58655 Michael Murray	\$	1,000.00
58656 NCPERS Group Life Ins.	\$	176.00
58657 Gerry Neville	\$	214.48
58658 Cindy Nickolay	\$	297.92
58659 Heidi O'Neill	\$	500.00
58660 PLIC - SBD Grand Island	\$	3,461.54
58661 Ivan Pakhnyuk	\$	156.59
58662 Parrott Contracting, Inc.	\$	1,325.00
58663 Patchin Messner & Dodd	\$	1,462.50
58664 Mary Patterson	\$	500.00
58665 Paymentus Corporation	\$	22,961.35
58666 David & Marilyn Perkins	\$	500.00
58667 Plunket's Pest Control, Inc.	\$	227.20
58668 Bijoy Raghavan	\$	125.00
58669 Ramy Turf Products, LLC	\$	590.56
58670 Scott Reis	\$	80.99
58671 Reserve Account	\$	2,000.00
58672 R.W.Beck Group, Inc.	\$	17,563.62
58673 Jeremiah Sampah	\$	1,000.00
58674 Cody Schuett	\$	72.13
58675 VOID	\$	-
58676 SDDI Sign Systems	\$	32.21
58677 Short Elliott Hendrickson Inc.	\$	8,917.81
58678 Jarod Smith	\$	1,000.00
58679 Andrew Soderlund	\$	163.79
58680 Stinson LLP	\$	2,565.00

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

June 7, 2021

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:

58681 Michael & Shelia Tietz	\$	200.00
58682 UPS Store #4009	\$	209.60
58683 Verizon Wireless	\$	1,506.72
58684 Vessco, Inc.	\$	1,406.01
58685 Chuck Vest	\$	149.95
58686 Michael Vourlos	\$	36.48
58687 Eric & Lisa Walker	\$	1,000.00
58688 Water Conservation Service Inc.	\$	318.42
58689 Julie Weiland	\$	500.00
58690 Wells Fargo Bank MN NA	\$	1,250.00
58691 Wesco Receivables Corp.	\$	12,427.40
58692 Kevin Wetherille	\$	144.77
58693 Xcel Energy	\$	523.34

TOTAL

\$ 1,445,643.41


Interim Commission Secretary

Commission Vice President


Interim Director of Finance & Administration

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

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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:

58572 League of Minn Cities Ins. Trust	\$ 105,445.00	W/C Insurance 1/1/2021-1/1/2022
58573 City of Shakopee	\$ 394,434.78	SW(\$290,842.56) & SD (\$103592.22)
58574 Gerald Hemming	\$ 240.00	WO#2325-Damage crops @ Hemming Farm
58589 AEM Financial Solutions, LLC	\$ 38,237.50	Services thru May 31, 2021 _ Accounting-HR-Audit Prep.
58590 American Messaging	\$ 3,094.78	Smart switch 6/1-6/30/21
58591 ABM Equipment & Supply LLC	\$ 1,001.55	Tailgate repair for water dept.
58592 Allstream	\$ 2,458.25	Shak. Sub. Pike lake Sub and SPU
58593 Alternative Technologies Inc.	\$ 300.00	Dissolved gas & Oil test
58594 Amaril Uniform Co.	\$ 4,299.20	New employee FR Clothing and replacement FR clothing
58595 Ancom Technical Center Inc.	\$ 840.47	Elec. Dept. Removal/install old trk 621 into new truck 621
58596 AAR Building Service Co.	\$ 3,718.41	June Cleaning service fee
58597 APPA	\$ 2,159.22	Eng. & Op. Virtual Conf. & 4th Edition Elec. Utility Basics
58598 Apple Ford of Shakopee	\$ 680.54	Water dept. trk #622 and Trk #621
58599 Arrow Ace Hardware	\$ 270.90	Water and Elec. Items, volt tester, valve, roundup, tee, bushing, connectors, flap wheel, pic strips, chisel
58600 Gaynor M Aslakson	\$ 500.00	2021 Res. Energy Cooling & Heating
58601 Kelley C. Mulhern - Badger State Inspection LLC	\$ 846.00	T-Mobile 2020 Anchor Upgrade Tower#4 WO#2439
58602 Robert Berndtson	\$ 329.28	Mileage reimb
58603 Paul Boeser	\$ 500.00	Dissolved gas & Oil test
58604 Border States Electric Supply	\$ 31,140.92	Parallel groove clamps, Chlor-D-Tect, Pipe 2" PVC, Cable cutter
58605 Matthew Case	\$ 1,000.00	2021 Res. Solar Rebate
58606 CDW Government LLC	\$ 9,841.34	Smart Memory and Security Dual Ves, Camera, Monitor, mounting bracket
58607 CenterPoint Energy	\$ 936.76	Gas usage for SPU
58608 Choice Electric Inc.	\$ 1,454.60	Pump House #9, Pipe, pull wire, wire new water solenoid PHS #4
58609 Cintas Corp. #754	\$ 632.47	Replenish first aid boxes in lunchrooms
58610 City of Shakopee	\$ 389,862.73	May SW(\$285,643.56) and SD(\$104,219.17)
58611 City of Shakopee	\$ 187,000.00	June Transfer Fee
58612 Comcast	\$ 2.25	Cable bill for lunchrooms
58613 Concrete Cutting & Coring Inc.	\$ 26.83	Grass trimmer
58614 Customer Contact Services	\$ 177.04	Answering service 6/1-6/28/21
58615 Daily Printing Inc.	\$ 2,512.51	SPU Feb Rate insert
58616 Delta Dental Plan of MN	\$ 5,124.21	May Dental premiums
58617 DGR Engineering	\$ 2,366.50	Dean Lake #2 Circuit Switcher Replacement WO#2392
58618 DSI/LSI	\$ 263.03	June garbage service
58619 Greg Drent	\$ 35.60	MVEC Service Territory discussions
58620 Beverly Erhard	\$ 500.00	2021 Res. Energy Cooling & Heating
58621 Fastenal Ind. & Const Supplies	\$ 46.65	Elec. Dept. ZircGr Whl
58622 Ferguson Enterprises, LLC	\$ 19.99	Perma-Patch asphalt cold patch
58623 Grant Friendshuh	\$ 90.81	MMUA Undergrd school reimb.
58624 Lisa Friesen	\$ 500.00	2021 Res. Energy Cooling & Heating
58625 Further	\$ 203.00	May Admin. Fees
58626 Global Industrial	\$ 50.89	Gardner Bender wire nuts
58627 James Goldenstein	\$ 193.53	2021 Irrigation Controllers
58628 Gopher State One-Call	\$ 1,021.95	May locates
58629 Grainger Inc.	\$ 313.99	Welded Pipe for Water dept.
58630 Graybar Electric Company Inc.	\$ 22,048.68	Pipe for inventory
58631 Brad Gustafson	\$ 182.40	MMUA Underground school reimb.
58632 Hach Company	\$ 249.22	Chlorine Reagent Powder
58633 Hawkins Inc.	\$ 85.00	Chlorine Cylinder
58634 HealthPartners	\$ 78,240.20	May Health Ins. Premiums
58635 Joe Hoffman	\$ 25.00	2021 Res. Cooling & Heating rebate
58636 HRExpertiseBP LLC	\$ 1,125.00	May billing period for HR Consulting
58637 Ideal Service Inc.	\$ 18,657.61	Pumphouse #16 replace Abb ULH, VFD Preventative maint. And Well #6 troubleshoot
58638 Innovative Office Solutions LLC	\$ 8,118.39	Office supplies and chairs
58639 Integrated Process Solutions Inc.	\$ 1,071.50	Well #4 Flowmeter
58640 Irby - Stuart C Irby Co.	\$ 733.39	Anchor Helix, sleeve copper, conduit.
58641 Stuart C Irby Co.	\$ 1,583.87	Glove/Mitten bag for Elec. Bug wrench, side cutters
58642 Jack Henry and Associates, Inc.	\$ 3,592.33	Remit Plus
58643 Matthew Kahle	\$ 119.34	MMUA Underground school reimb.
58644 Meng Lam	\$ 150.00	2021 Res. Energy Star Appliance
58645 Locators & Supplies Inc.	\$ 279.97	Safety vest for Water dept.
58646 Alex Matheson	\$ 500.00	2021 Res. Energy Cooling & Heating
58647 Rob & Cyndi Mcardell	\$ 50.00	2021 Res. Energy Star Appliance
58648 McGrann Shea Carnival Straughn & Lamb, Chartered	\$ 21,150.00	\$190.00 - West Sub. Purchase AgreementWO#2377 and \$20960.00 - Municipal and regulatory Matters

SHAKOPEE PUBLIC UTILITIES COMMISSION

WARRANT LISTING

June 7, 2021

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:

58649 Cindy Menke	\$	62.50	FMCSA Clearinghouse money for Query's - reimbursement
58650 Midwest Safety Counselors, Inc.	\$	573.90	Case of WypAll wipes and first aid supplies
58651 Minn Valley Testing Labs Inc.	\$	1,197.00	Nitrate & Nitrite, Coliform, Sodium, Iron, Mag, Copper and more chemicals
58652 Minnesota Life	\$	2,492.25	May Life Ins. Premiums
58653 Adam & Reham Moulton	\$	150.00	2021 Res. Energy Star Appliance
58654 MSP SW Acquisition	\$	1,966.00	2021 LED Lighting Retrofit
58655 Michael Murray	\$	1,000.00	2021 Res. Solar Rebate
58656 NCPERS Group Life Ins.	\$	176.00	June life ins. Premiums
58657 Gerry Neville	\$	214.48	Mileage reimb
58658 Cindy Nickolay	\$	297.92	Mileage reimb
58659 Heidi O'Neill	\$	500.00	2021 Res. Energy Cooling & Heating
58660 PLIC - SBD Grand Island	\$	3,461.54	June LTD insurance premiums
58661 Ivan Pakhnyuk	\$	156.59	2021 Irrigation Controllers
58662 Parrott Contracting, Inc.	\$	1,325.00	Tap @ reservoir #3
58663 Patchin Messner & Dodd	\$	1,462.50	Southern Portion Cretex Site - WO#2376
58664 Mary Patterson	\$	500.00	2021 Res. Cooling & Heating rebate
58665 Paymentus Corporation	\$	22,961.35	April transaction fees
58666 David & Marilyn Perkins	\$	500.00	2021 Res. Cooling & Heating rebate
58667 Plunket's Pest Control, Inc.	\$	227.20	General Pest control for SPU, Valley Park and 17th Ave.
58668 Bijoy Raghavan	\$	125.00	2021 Star Clothes washer rebate
58669 Ramy Turf Products, LLC	\$	590.56	Hydraulic mulch
58670 Scott Reis	\$	80.99	2021 Irrigation Controllers
58671 Reserve Account	\$	2,000.00	Replenish postage machine
58672 R.W.Beck Group, Inc.	\$	17,563.62	Feb., March and April Summer peak Op. Study, \$10261.62 WO#2376 Analysis of SPU East Sub. Site
58673 Jeremiah Sampah	\$	1,000.00	2021 Res. Solar Rebate
58674 Cody Schuett	\$	72.13	MMUA Underground school reimb.
58675 VOID	\$	-	Void
58676 SDDI Sign Systems	\$	32.21	Name plate for C.M.
58677 Short Elliott Hendrickson Inc.	\$	8,917.81	\$1632.13 - WO#2467 2018 Am. Water Infrastructure Act, \$6724.70 - WO#2432 - Feasibility Study WT,2020 Misc. On- Call Eng. Services
58678 Jarod Smith	\$	1,000.00	2021 Res. Solar Rebate
58679 Andrew Soderlund	\$	163.79	2021 Irrigation Controllers
58680 Stinson LLP	\$	2,565.00	Professional service & disbursements thru 4/30/21
58681 Michael & Shelia Tietz	\$	200.00	2021 Irrigation Controllers
58682 UPS Store #4009	\$	209.60	Return Oil samples, jeans, cracked screen, analyzer
58683 Verizon Wireless	\$	1,506.72	4/25-5/2/21 Cell phone & tablets
58684 Vessco, Inc.	\$	1,406.01	Switchover unit - Water dept.
58685 Chuck Vest	\$	149.95	Safety boot reimb.
58686 Michael Vourlos	\$	36.48	2 protective cases for tablets - reimbursement
58687 Eric & Lisa Walker	\$	1,000.00	2021 Res. Solar Rebate
58688 Water Conservation Service Inc.	\$	318.42	Leak locate - Chester
58689 Julie Weiland	\$	500.00	2021 Res. Cooling & Heating rebate
58690 Wells Fargo Bank MN NA	\$	1,250.00	1st Qtr. Admin. Fees
58691 Wesco Receivables Corp.	\$	12,427.40	Emergency ballasts for offices, Fault indicator, Pedestal primary enclosure, Insulators, fuse holders
58692 Kevin Wetherille	\$	144.77	2021 Irrigation Controllers
58693 Xcel Energy	\$	523.34	Gas usage for Amberglen and Valley Park
TOTAL	\$	<u>1,445,643.41</u>	

Interim Commission Secretary

Commission Vice President

Interim Director of Finance & Administration



PO Box 470 • 255 Sarazin Street
Shakopee, Minnesota 55379
Main 952.445-1988 • Fax 952.445-7767
www.shakopeeutilities.com

To: SPU Commissioners

From: Greg Drent, Interim General Manager

A handwritten signature in blue ink, appearing to read "G. Drent", is placed over the name "Greg Drent" in the "From:" line.

Date: June 4, 2021

Subject: MMPA May Meeting Update

The Board of Directors of the Minnesota Municipal Power Agency (MMPA) met on May 25, 2021, via WebEx.

The Board discussed the status of the Agency's renewable project.

The Board discussed MMPA's initiative regarding electric vehicles.

The Board received an update regarding the Agency's virtual Spring 2021 Energy Education program for member and project host communities.

There was an increase of 54 customers participating in MMPA's residential Clean Energy Choice program from March to April. Customer penetration of the program for residential customers increased to 3.7%.

RESOLUTION #2021-09

RESOLUTION SETTING THE AMOUNT
OF THE TRUNK WATER CHARGE, APPROVING OF ITS COLLECTION
AND AUTHORIZING WATER SERVICE TO CERTAIN PROPERTY
DESCRIBED AS:

JEFFERSON COURT, Block 1, Lot 1 - 8

WHEREAS, a request has been received for City water service to be made available to certain property, and

WHEREAS, the collection of the Trunk Water Charge is one of the standard requirements before City water service is newly made available to an area, and

WHEREAS, the standard rate to be applied for the Trunk Water Charge has been set by separate Resolution,

NOW THEREFORE, BE IT RESOLVED, that the amount of the Trunk Water Charge is determined to be \$5,076.92 based on 1.089 net acres, and that collection of the Trunk Water Charge is one of the requirements to be completed prior to City water service being made available to that certain property described as:

JEFFERSON COURT, Block 1, Lot 1 - 8

BE IT FURTHER RESOLVED, that all things necessary to carry out the terms and purpose of this Resolution are hereby authorized and performed.

Passed in regular session of the Shakopee Public Utilities Commission, this 7th day of June, 2021.

Commission Vice President: Kayden Fox

ATTEST:



Commission Secretary: Greg Drent



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Shakopee, Minnesota 55379
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www.shakopeeutilities.com

TO: Greg Drent, Interim General Manager *GD*
FROM: Joseph D. Adams, Planning & Engineering Director
SUBJECT: Co Rd 83 Water Main Bid

DATE: June 2, 2021

ISSUE

Bids were opened for the CR 83 project that includes replacing the 18 inch water main and all associated water facilities within the county road right of way including connecting water mains, fire hydrants and service lines up to and including valves.

BACKGROUND

The existing water main will be located under a concrete paved travel lane after the project is completed, so it was determined by then Utilities Manager John Crooks it would be best to replace it now rather than face large future restoration costs for repairs and replacement. Funds are in the 2021-22 CIP for the project based on the County engineer's estimated construction costs plus allowances for other design and inspection costs consistent with the executed Construction Cooperative Agreement with Scott County.

The county's consulting engineer's construction estimate for this project was \$12,325,795. The water main construction costs were estimated to be \$938,330.

DISCUSSION

The lowest bid totaled \$13,878,227.25, with the SPU water main portion totaling \$2,026,006. The overall cost is 12.6% higher than the engineer's estimate. The water bid was \$1,087,676 higher than the engineer's estimate of \$938,330. Due to the fact the low bid is over by more than 10% and other bid factors that appear questionable, Scott County has decided to re-bid the project this fall for 2022-23 construction.

SPU staff will work with the county to better understand why the bids are so much higher than the engineer's estimate and make recommendations for possible adjustments to the project scope for the water main portion. SPU will be updating the 2022-2023 CIP to reflect the new engineer estimate and properly budget for this project.

REQUESTED ACTION

Staff requests the Commission adopt by motion a statement in support of re-bidding this project.



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 www.shakopeeutilities.com

June 3, 2021

TO: Greg Drent, Interim General Manager *GD*
 FROM: Sharon Walsh, Director of Customer Relations and Marketing *SNW*
 SUBJECT: Update on Collection Process and Disconnects

Overview

At the 3/15/21 commission meeting, staff presented ideas for transitioning from COVID protocols to more standard operating procedures. The efforts were to address the growing number of delinquent accounts and financial impacts to SPU, but also to assist our customers in the transition to normalcy. We did not want any surprises for our customers or abrupt changes as we targeted June 2021 as the transition date to normal processes. The Commission approved the following:

Collection Activity – monthly communications with our delinquent accountholders continued, with verbiage adjusted in March, April and May letters – each reiterating the need for customers to contact us if financial support was needed.

- In March, we communicated we were turning the corner on COVID and returning to more normal processes. We requested customers contact us to learn about the assistance available and that we were working with customers to setup payment plans if needed.
- In April, we communicated the Cold Weather Rule had ended and plans needed to be made for the return to normal. It was stated, "Past due balance payments or payment plan arrangements are required to avoid interruption in your service in the upcoming months."
- In May, we returned to our standard communications providing a due date for paying past due balances or setting up payment plans, and stating failure to do so will result in disconnection of service.

Some customers received all three of these letters; others may have only received one or two based on their delinquent status. On average, 1542 letters were mailed each of the three months.

All 18,000+ customers saw the following verbiage on their May monthly billing statement, "In June we will return to pre-COVID procedures. If you have a past due balance, please contact us to avoid service interruption."

Two separate Facebook posts were targeted toward "assistance with delinquent accounts" in May. Both indicated we were "returning to normal in June". Two additional posts will be made in the next weeks prior to disconnects occurring June 22 -23.



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For our large balance customers, we took a customized/personalized approach. First, we identified those customers with balances over \$1,000 due to months of delinquent balances and/or little to no payment activity and then we began mailing and phoning these customers.

- 161 customers received a first class letter, of which 51 responded.
- 110 customers received a second letter, of which 28 responded.
- The remaining 82 customers were attempted to be reached by phone.
 - 30 worked with us,
 - 42 said they would call back, and
 - 10 didn't have valid phone numbers on file

Nearly 68% of these high balance customers are on plans and/or a few have made full payments. If customers commit to their plans, we will have successfully made payment arrangements for more than \$237k. Those that have not responded to our communication attempts will be included in the regular collections process in June.

Disconnection of Service –

This process begins in June 22nd – June 23rd. We are limiting the disconnect process to our highest balance customers (including the non-respondents above) for a total of 150-175 disconnects and approximately \$280k. We have been reviewing the disconnect process internally to ensure as smooth a process as possible. The no-fee online payment option will be a huge benefit in the overall process.

Payment Plans –

We have using the following structure to setup past due payment plans, including future projected billings, and the response has been positive. It is more of a budget approach that customers can understand.

- a. \$30-\$200 balances – two month plans
- b. \$201-\$500 balances – six month plans
- c. \$501 and greater – twelve month plans

Penalties – would not be reinstated in Q2, but would be reviewed in Q3.

Credit Card Convenience Fees – SPU would continue to absorb these expenses through Q2 at a minimum, as this action benefits both SPU and our customers.

Action Required

No further action is required at this time.



Shakopee Public Utilities

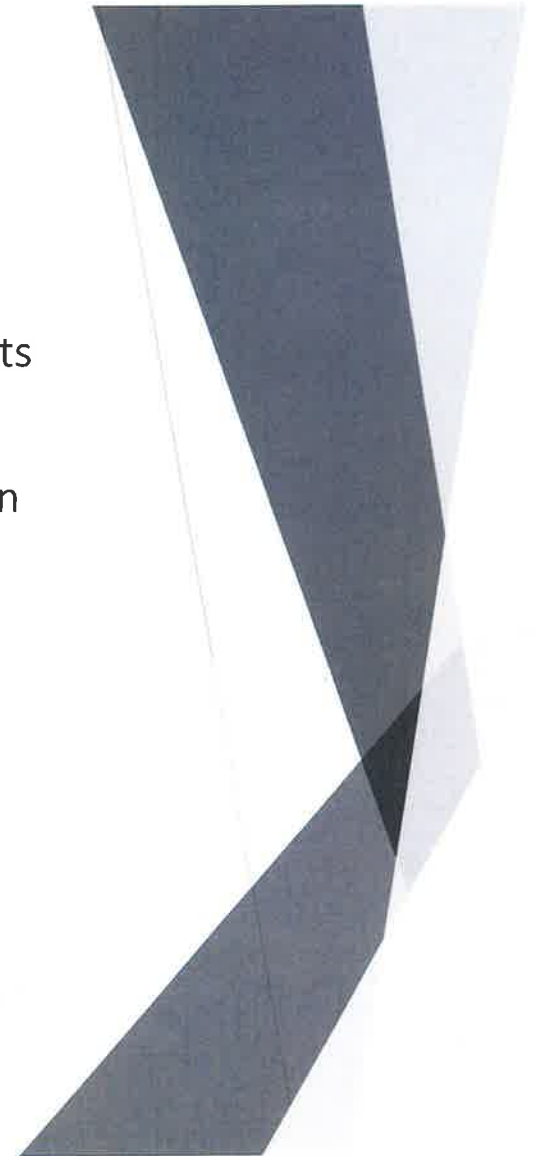
2020 Audit presentation

June 7, 2020

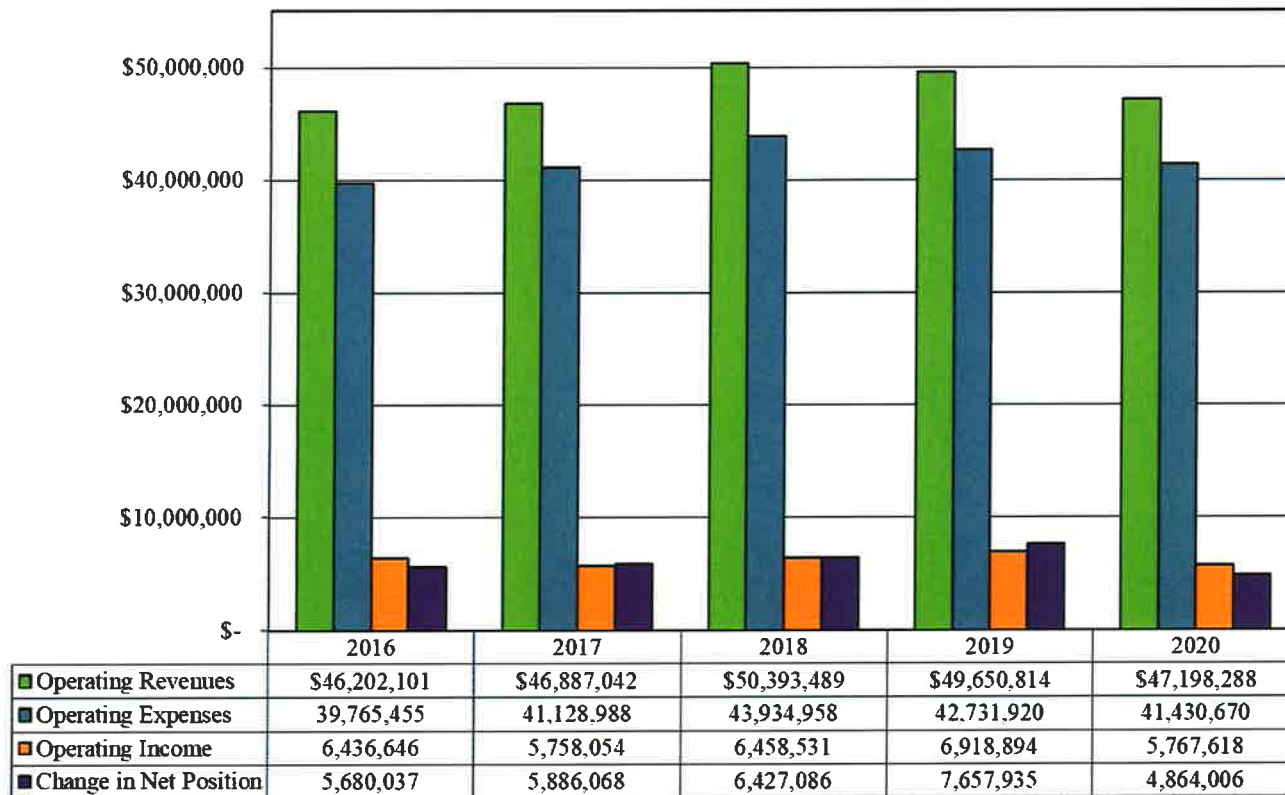


Independent Auditor's Reports

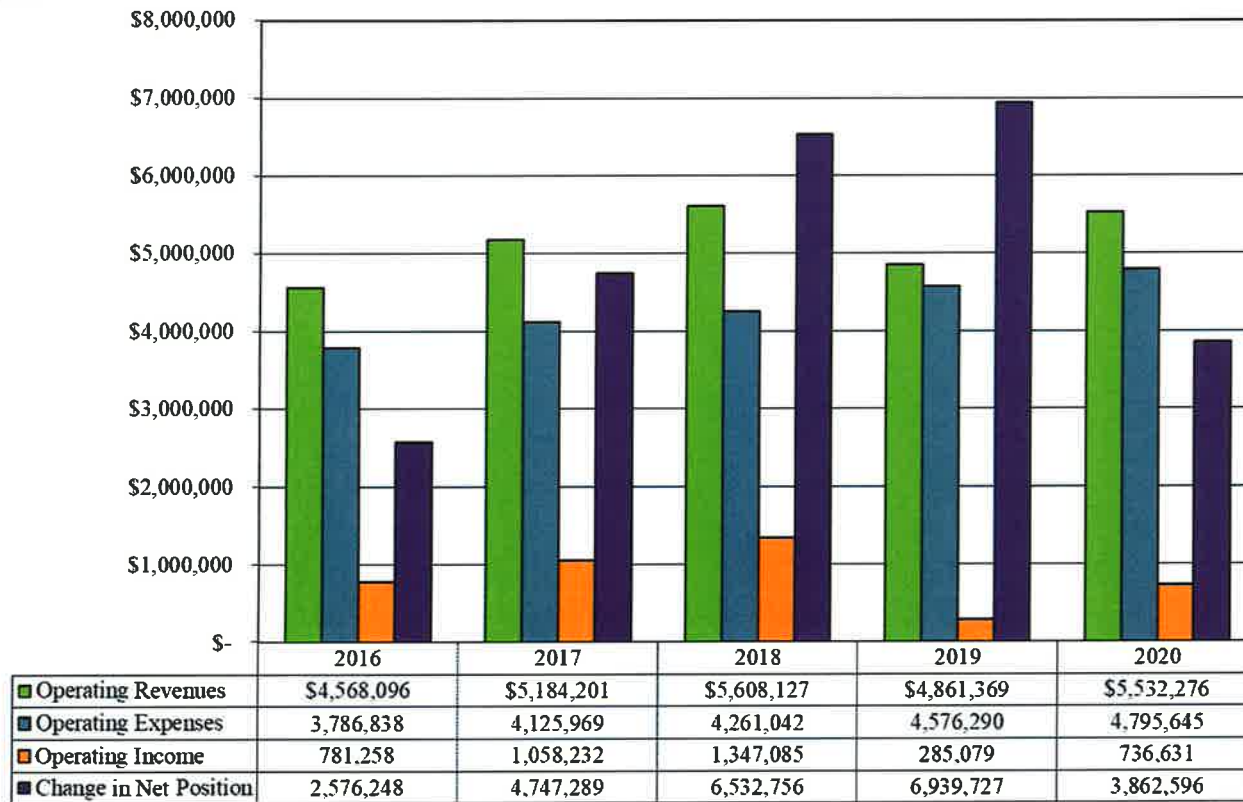
- Management is responsible for the financial statements
- Auditor is responsible to express an opinion on the financial statements
- Unmodified Opinion – best opinion an auditor is able to offer
- Provides assurance that the financial statements are fairly presented in all material respects
- Minnesota Legal Compliance Report
 - No instances of noncompliance came to our attention
- Communications Letter
 - Consideration of internal control – No material weaknesses or significant deficiencies
 - Required communication



Electric Fund Operations



Water Fund Operations



Net Position

Unrestricted

- Electric
 - At December 31, 2020 - \$42.0 million, 12.3 months or 102% of 2020 operating expenses
 - At December 31, 2019 - \$37.9 million, 10.6 months or 89% of 2019 operating expenses
- Water
 - At December 31, 2020 - \$9.4 million, 23.4 months or 195% of 2020 operating expenses
 - At December 31, 2019 - \$7.4 million, 19.3 months or 161% of 2019 operating expenses

Questions?

Andrew Grice, CPA

- o andrew.grice@bergankdv.com
- o 952-563-6862





THANK
LET'S DO MORE, TOGETHER.
YOU

BerganKDV is a leading professional services firm with a contagious culture; where growth is fostered and making a difference means something. Our values drive our decisions, and our passion is empowering people and creating a wow experience for our clients.

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...

DO MORE.



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**Shakopee Public Utilities Commission
Shakopee, Minnesota**

Communications Letter

December 31, 2020



**Shakopee Public Utilities Commission
Table of Contents**

Report on Matters Identified as a Result of the Audit of the Financial Statements	1
Required Communication	3
Financial Analysis	7

**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, 2020, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 over financial reporting.

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 June 1, 2021, 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.

BerganKDV, Ltd.

Minneapolis, Minnesota

June 1, 2021

Shakopee Public Utilities Commission Required Communication

We have audited the financial statements of the Commission as of and for the year ended December 31, 2020. 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 2020. 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 are:

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 and in relation to the applicable opinion units.

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 and each applicable opinion unit. 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 and regulatory 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**

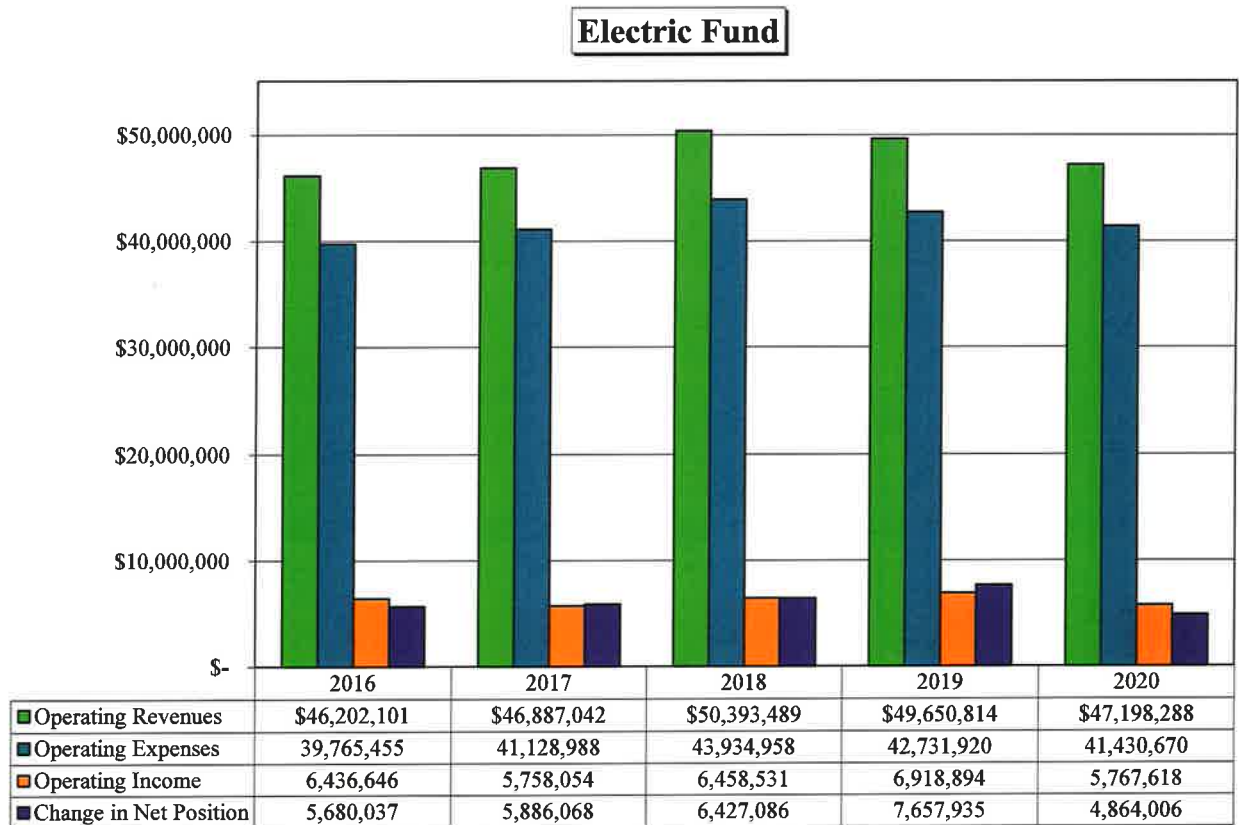
Other Information in Documents Containing Audited Financial Statements (Continued)

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.

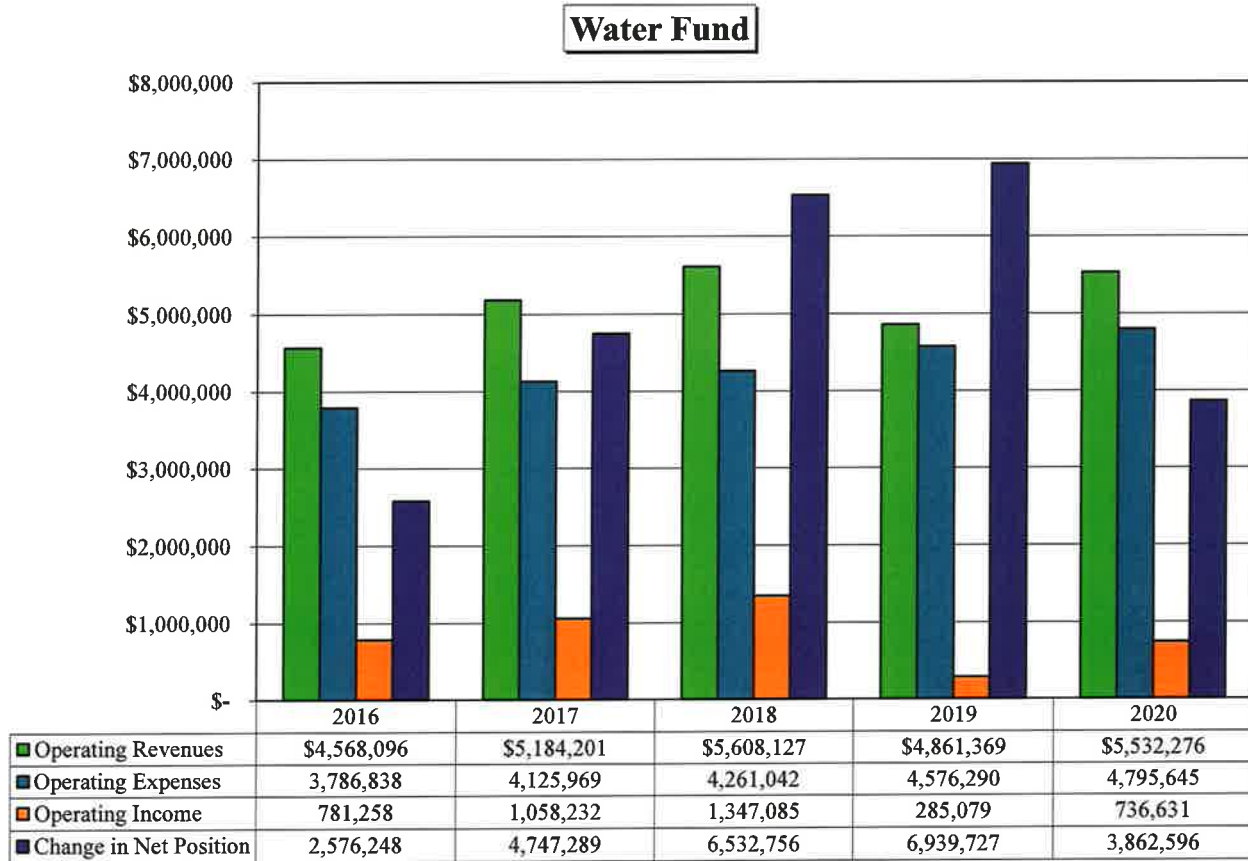
Electric Fund



Revenues have fluctuated the last five years presented but decreased in both 2019 and 2020. In 2020, operating revenues decreased \$2,452,526 due to a decrease in electricity usage by customers and decrease power cost adjustment. Operating expenses, excluding depreciation, decreased \$1,395,290 from 2019 to 2020. This is the result of less power being purchased during 2020 related to the lower usage in 2020. The end result of 2020 activity was operating income of \$5,767,618. The Commission also had net nonoperating revenue of \$736,617, received \$527,653 in capital contributions from developers, and contributed \$2,167,882 to the City of Shakopee as payments in lieu of taxes. As a result, net position increased \$4,864,006 in 2020.

Shakopee Public Utilities Commission Financial Analysis

Water Fund



Revenues have exceeded expenses for all years presented above. During 2020, operating revenues exceeded operating expenses by \$736,631. Operating revenues increased \$670,907 from 2019 to 2020, driven by increased usage. Operating expenses, excluding depreciation, stayed consistent only increasing \$70,317. During 2020, the Commission had net nonoperating revenue of \$493,626, received \$2,849,061 in capital contributions from developers and connection charges, and contributed \$216,722 to the City of Shakopee as payments in lieu of taxes. As a result, net position increased \$3,862,596 from 2019 to 2020.

The Commission has no debt outstanding at December 31, 2020.

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

Financial Statements

December 31, 2020



**Shakopee Public Utilities Commission
Table of Contents**

Board of Commissioners and Administration	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Fund Financial Statements	
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Notes to Financial Statements	25
Required Supplementary Information	
Schedule of Commission's Proportionate Share of Net Pension Liability General Employees Retirement Fund	44
Schedule of Commission Contributions General Employees Retirement Fund	45
Notes to the Required Supplementary Information	46
Supplementary Information	
Electric Utility	
Statement of Net Position – Electric Utility	51
Statement of Revenues, Expenses, and Changes in Fund Net Position – Electric Utility	52
Statement of Cash Flows – Electric Utility	53
Detailed Statement of Operating Revenues and Expenses – Electric Utility	55
Schedule of Plant in Service – Electric Utility	58
Water Utility	
Statement of Net Position – Water Utility	59
Statement of Revenues, Expenses, and Changes in Fund Net Position – Water Utility	60
Statement of Cash Flows – Water Utility	61
Detailed Statement of Operating Revenues and Expenses – Water Utility	63
Schedule of Plant in Service – Water Utility	64
Minnesota Legal Compliance Report	65

**Shakopee Public Utilities Commission
Board of Commissioners and Administration
December 31, 2020**

<u>Officials</u>	<u>Position</u>	<u>Term Expires</u>
Deb Amundson	President/MMPA Alternate Rep	March 31, 2021
Kathi Mocol	Vice President	March 31, 2022
Mathew Meyer	Commissioner	March 31, 2021
Kayden Fox	Commissioner	March 31, 2023
Jody Brennan	Commissioner	March 31, 2023
<u>Administration</u>		
Greg Drent	Interim Utilities Manager/MMPA Rep	
Jean McGann	Contracted Director of Finance	

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, 2020, 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

Shakopee Public Utilities Commission's 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, 2020, 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, 2019, from which such partial information was derived.

We have previously audited the Commission's 2019 financial statements and our report, dated March 19, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BerganKDV, Ltd.

Minneapolis, Minnesota
June 1, 2021

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, 2020. You are invited to read this narrative in conjunction with the Utilities' financial statements.

Financial Highlights

- The electric utility's net position increased \$4,864,006 to \$89,439,799 in 2020, an increase of 5.6%. Total assets increased by \$4,535,695 due to increases in net capital assets of \$332,022, increases in cash and investments of \$4,565,598 from net operating activity, and increases in accounts receivable and other assets of \$179,449. Deferred outflows of resources increased \$107,968 reflecting GASB 68 pension reporting. Total liabilities increased by \$149,698 due to an increase in net pension liability of \$417,380, in customer deposits of \$49,801 and decreases in customer advances of \$400,977 driven by development projects. Deferred inflows of resources decreased \$370,041 (See Table 1).
- The electric utility's operating revenues, generated mostly by user fees, decreased by \$2,452,526 or 4.9%, 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 3.2%. The electric utility added 602 new customers in 2020, an increase of 3.4% (See Table 3).
- The electric utility's operating expenses in 2020 decreased \$1,301,250 or 3.0%, due to decreases in purchased power costs of 1,468,616 driven by lower sales and a decrease in purchased power costs per kWh of 4.3%, and increases in depreciation expense of \$94,040.
- The water utility's net position increased \$3,862,596 to \$78,923,405 in 2020, an increase of 5.1%. Total assets increased by \$3,007,024 due to an increase in net capital assets of \$1,353,966 and a decrease of \$72,075 in the connection account, an increase in customer deposits of \$5,717 and an increase in the reconstruction account of \$593,554. Deferred outflows of resources increased \$33,193 reflecting the GASB 68 pension reporting activity. Total liabilities decreased \$697,958 due to decreases in current liabilities of \$832,614, increases in customer deposits of \$5,717, increases in net pension liability of \$114,652, and an increase in customer advances of \$14,287. Deferred inflows of resources decreased \$124,421 due to GASB 68 pension reporting activity (See Table 2).
- The water utility's 2020 operating revenues, generated mostly by user fees, increased \$670,907, or 13.8% due to an increase in water gallons sold. The water utility added 174 new customers in 2020, an increase of 1.5% (See Table 4).
- The water utility's operating expenses in 2020 increased \$219,355 or 4.8% reflecting an increase in depreciation expense of \$149,038.
- Non-Operating revenues for the utilities decreased from 2019 to 2020 by \$905,603 due to lower investment income, lower gains on disposition of property, and lower rental and miscellaneous income.
- Capital contributions for the utilities decreased from 2019 to 2020 by \$4,265,733 due to decreases in water connection fee activity, and offset by decreases in developer capital contributions in electric and water, and decreases in trunk fees.

Shakopee Public Utilities Commission Management's Discussion and Analysis

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**

	2020	2019
Current and other assets	\$ 51,708,393	\$ 47,504,719
Net Capital Assets	47,028,799	46,696,778
Total assets	<u>98,737,192</u>	<u>94,201,497</u>
Deferred outflows of resources	<u>350,348</u>	<u>242,380</u>
Total assets and deferred outflows of resources	<u>\$ 99,087,540</u>	<u>\$ 94,443,877</u>
Net pension liability	3,067,046	\$ 2,649,666
Other liabilities	6,446,228	6,713,910
Total liabilities	<u>9,513,274</u>	<u>9,363,576</u>
Deferred inflows of resources	134,467	504,508
Net investment in capital assets	47,028,799	46,696,778
Unrestricted	42,411,000	37,879,015
Total net position	<u>89,439,799</u>	<u>84,575,793</u>
Total liabilities, deferred inflows, and net position	<u>\$ 99,087,540</u>	<u>\$ 94,443,877</u>

As can be seen from the table above, the electric utility net position increased \$4,864,006 to \$89,439,799 in 2020, an increase of 5.8%. Total assets increased by \$4,535,695 due to increases in net capital assets of \$332,021 and an increases in cash and investments of \$4,565,598 from net operating activity, and increase in accounts receivable and other current assets of \$179,449, and a increase in Customer deposits of \$49,801. Deferred outflows of resources increased \$107,968 reflecting an increase in GASB 68 pension reporting activity.

Total liabilities increased by \$149,698 due to a decrease in accounts payable and other current liabilities of \$86,879, an increase in Customer deposit liability of \$49,801, an increase in net pension liability of \$417,380, which were partially offset by a decrease of \$404,362 in customer advances and other liabilities. Deferred inflows of resources decreased \$370,041 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**

	2020	2019
Current and other assets	\$ 26,912,685	\$ 25,259,627
Net Capital Assets	53,767,462	52,413,496
Total assets	<u>80,680,147</u>	<u>77,673,123</u>
Deferred outflows of resources	<u>113,987</u>	<u>80,794</u>
Total assets and deferred outflows of resources	<u>\$ 80,794,134</u>	<u>\$ 77,753,917</u>
Net pension liability	997,874	\$ 883,222
Other liabilities	829,106	1,641,716
Total liabilities	<u>1,826,980</u>	<u>2,524,938</u>
Deferred inflows of resources	43,749	168,170
Net investment in capital assets	53,767,462	52,413,496
Restricted for connections and reconstruction	15,792,234	15,270,755
Unrestricted	9,363,709	7,376,558
Total net position	<u>78,923,405</u>	<u>75,060,809</u>
Total liabilities, deferred inflows, and net position	<u>\$ 80,794,134</u>	<u>\$ 77,753,917</u>

As can be seen from the table above, the water utility net position increased by \$3,862,596 to \$78,923,405 in 2020, an increase of 5.1%. Total assets increased by \$3,007,024 due to an increase in net capital assets of \$1,353,966 and a decrease of \$72,075 in the connection account, an increase in the reconstruction account of \$593,554, and increases in cash and investments, accounts receivables and other assets of \$1,239,520, the result of operating activities. Deferred outflows of resources increased \$33,193 reflecting GASB 68 pension reporting activity. Total liabilities decreased by \$697,958 due to decreases in current liabilities of \$832,389, that was partially offset by an increase in net pension liability of \$114,652, an increase of \$5,717 in customer deposits, and an increase in customer advances of \$14,287. Deferred inflows of resources decreased \$124,421 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**

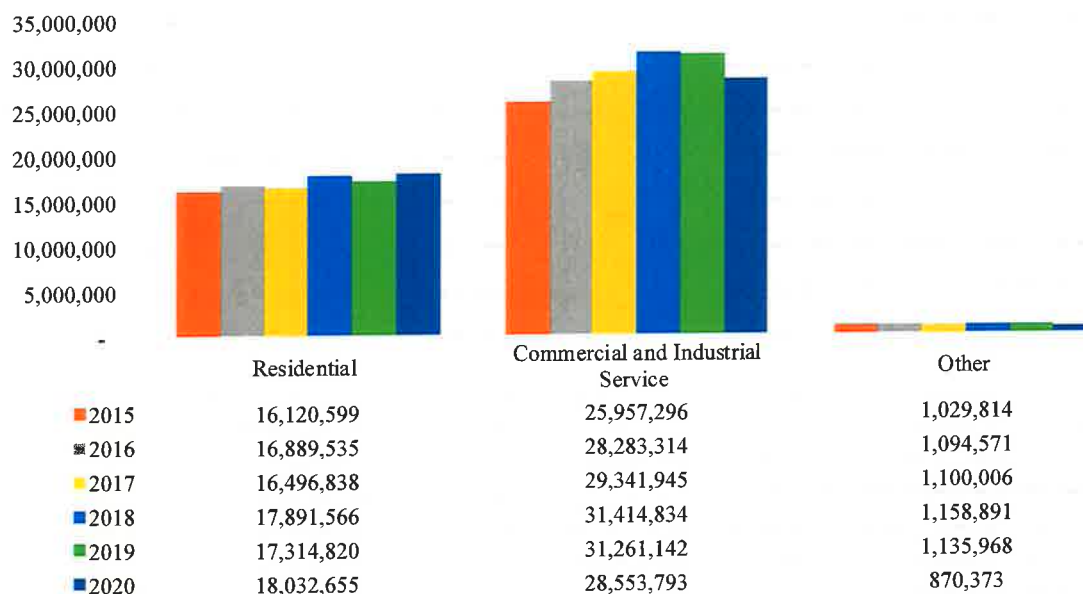
	2020	2019
Operating revenues	\$ 47,198,288	\$ 49,650,814
Operation, customer, and administrative	39,010,560	40,405,850
Depreciation expense	2,420,110	2,326,070
Total operating expenses	41,430,670	42,731,920
Operating income	5,767,618	6,918,894
Non-operating revenues (expenses)	736,617	1,404,624
Capital contributions	527,653	759,222
Transfers to municipality	(2,167,882)	(1,424,805)
Change in net position	4,864,006	7,657,935
Beginning net position	84,575,793	76,917,858
Ending net position	\$ 89,439,799	\$ 84,575,793

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 2020 by \$2,452,526 from 2019 or 4.9% driven by a decrease in total kWh sales volume of 3.2% and a decrease in power cost adjustment revenue driven by lower purchased power costs due to lower sales and decreased cost of purchased power. Operating expenses decreased \$1,301,250 or 3.0%, primarily due to a decrease in purchased power costs of \$1,468,616 driven by lower kWh sales and partially offset by an increase in depreciation expense of \$94,040. Purchased power costs totaled \$32,729,485 in 2020, a decrease of 4.5% from 2019. Purchased power is the single largest expense item in the electric system operating budget. Non-operating income decreased \$668,007 due to lower investment income of \$385,453. Capital contributions decreased \$231,569 due to decreases in developer capital contributions year to year. Municipal contributions expenses to the City of Shakopee increased \$743,077 from \$1,424,805 to \$2,167,882 driven by lower electric sales revenue.

Comparison of Electric Revenue (without bad debt including penalty revenue)



Commercial, Industrial and other sales of electricity decreased in 2020 by \$2,972,944 or 10.1%. Residential sales of electricity increased in 2020 by \$717,832 or 4.1%. The decline in commercial, industrial and other and increase in residential is largely a result of the COVID-19 pandemic. Closed offices and businesses and work from home orders contributed to less commercial and industrial consumption. The electric utility added 602 new customers in 2020, an increase of 3.4%.

Shakopee Public Utilities Commission Management's Discussion and Analysis

Utility Financial Analysis (Continued)

Total kWh purchased in 2020 was 449,885,399 as compared to 459,120,703 in 2019, reflecting a decrease of 2.0% year over year. Total kWh sold in 2020 was 431,784,931 as compared to 446,158,441 in 2019, reflecting a decrease of 3.2% for the year 2020. Electric operating revenues totaled \$47,198,288 in 2020 compared to \$49,650,814 in 2019, a decrease of \$2,452,526 or 4.94% driven by lower kWh sales, and lower power cost adjustment revenue due to decreased sales and decreased costs of power per kWh.

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)				
Year	Total kWh Purchased	Cost of kWh Purchased	System Peak Demand (kW)	Total kWh Delivered
2020	449,885,399	\$ 32,729,485	100,447	431,784,931
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

Kilowatt (kWh) Hours

Metered Electric Customers

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

Year	Meters	Year	Meters
2020	18,562	2015	16,885
2019	17,960	2014	16,700
2018	17,575	2013	16,508
2017	17,126	2012	16,398
2016	17,084	2011	16,314

**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**

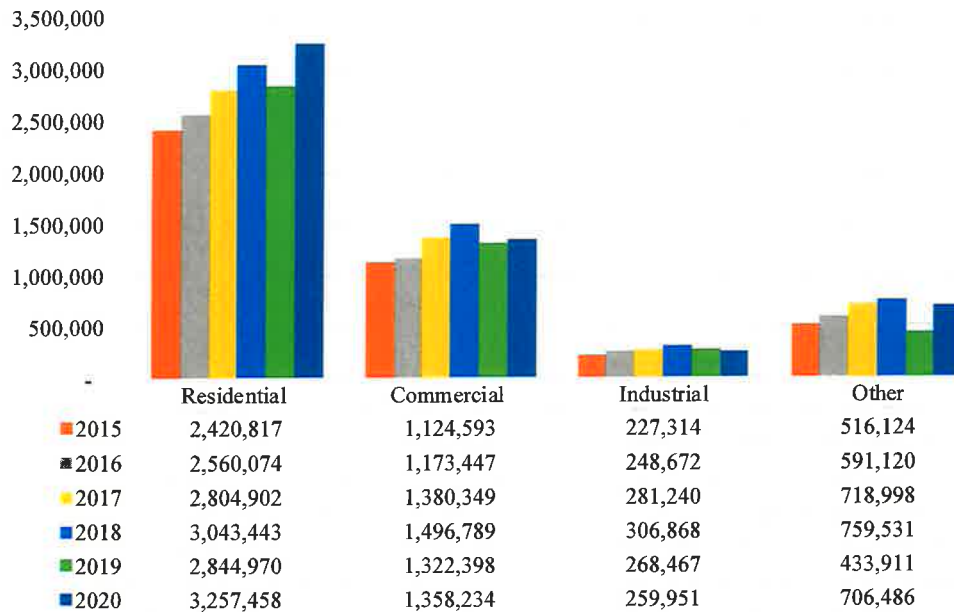
	2020	2019
Operating revenues	\$ 5,532,276	\$ 4,861,369
Operation, customer, and administrative	3,062,314	2,991,997
Depreciation expense	1,733,331	1,584,293
Total operating expenses	4,795,645	4,576,290
Operating income	736,631	285,079
Non-operating revenues (expenses)	493,626	731,222
Capital contributions	2,849,061	6,922,746
Transfers to municipality	(216,722)	(999,320)
Change in net position	3,862,596	6,939,727
Beginning net position	75,060,809	68,121,082
Ending net position	\$ 78,923,405	\$ 75,060,809

In 2020 the water utility's operating revenues decreased by \$670,907, or 13.8% from \$4,861,369 in 2019 to \$5,532,276. The increase in operating revenues is the result of an increase in water gallons sold of 8.1%, an increase in water sales revenues of \$751,256, and an increase of \$593,554 in water reconstruction fund revenues. Operating expenses increased \$219,355, or 4.8%. The increase in expense is the result of increase in operation, customer, and administrative expense of \$70,317 and increase in depreciation expense of \$149,038. Non-Operating income decreased \$237,596 from \$731,222 to \$493,626 reflecting a decrease in investment income of \$235,785, a decrease in miscellaneous income of \$65,000. Capital contributions decreased \$4,073,685 due to decreases in water connection fees activity of \$2,089,034 and partially offset by decreases in trunk water fees of \$31,602. Municipal contributions expenses to the City of Shakopee decreased \$782,598 from \$999,320 to \$216,722 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 and including penalty revenue)



Sales of water (without bad debt) increased in 2020 by \$712,383 or 14.6%. The increase in operating revenues is the result of a increase in water gallons sold of 8.1%. The water utility added 174 new customers in 2020, an increase of 1.5%.

Water gallons pumped in 2020 totaled 1,798,367 thousand gallons as compared to 1,664,216 thousand gallons in 2019, reflecting an increase of 7.5% for the year 2020 from 2019. Water gallons sold including hydrant sales in 2020 totaled 1,648,640 thousand gallons as compared to 1,511,266 thousand gallons in 2019, reflecting an increase of 8.3% for the year 2020 from 2019. Water operating revenues excluding reconstruction fees totaled \$5,532,276 in 2020 as compared to \$4,861,369 in 2019, an increase of 13.8%.

**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>	Average Daily	Peak Daily
	<u>Demand</u> <u>(MGD)</u>	<u>Demand</u> <u>(MGD)</u>
2020	4.927	12.810
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

Water Meters/Production

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

<u>Year</u>	Average Daily Daily Water <u>Pumped (gallons)</u>	Service <u>Population*</u>	Total Service <u>Connections</u>	Residential <u>Usage</u>	Non-Residential <u>Usage</u>
2020	4,927,033	38,506	11,741	64%	34%
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

*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**

	2020	2019
Cash flows from		
Operating Activities	\$ 8,334,359	\$ 9,541,006
Noncapital financing activities	(1,215,137)	(1,193,433)
Capital and related financing activities	(3,088,317)	(1,878,761)
Investing activities	536,098	444,443
	<u>4,567,003</u>	<u>6,913,255</u>
Net change in cash and cash equivalents	4,567,003	6,913,255
Cash and cash equivalents - beginning of year	<u>25,763,000</u>	<u>18,849,745</u>
Cash and cash equivalents - end of year	<u>\$ 30,330,003</u>	<u>\$ 25,763,000</u>

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

	2020	2019
Cash flows from		
Operating Activities	\$ 795,551	\$ 3,056,489
Noncapital financing activities	(144,522)	(816,389)
Capital and related financing activities	(284,207)	(558,701)
Investing activities	403,520	337,729
	<u>770,342</u>	<u>2,019,128</u>
Net change in cash and cash equivalents	770,342	2,019,128
Cash and cash equivalents - beginning of year	<u>22,513,476</u>	<u>20,494,348</u>
Cash and cash equivalents - end of year	<u>\$ 23,283,818</u>	<u>\$ 22,513,476</u>

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

Utility Financial Analysis (Continued)

**Table 7
Capital Assets – Electric Utility**

	<u>2020</u>	<u>2019</u>
Capital Assets		
Distribution	\$ 57,706,211	\$ 56,201,029
General	<u>18,370,989</u>	<u>17,891,675</u>
Total capital assets	76,077,200	74,092,704
Less accumulated depreciation	(30,703,485)	(28,325,053)
Construction in progress	<u>1,655,084</u>	<u>929,127</u>
Net capital assets	<u>\$ 47,028,799</u>	<u>\$ 46,696,778</u>

The electric utility's net capital assets increased \$332,021 or 0.71% in 2020 from 2019. Capital assets increased \$1,984,496 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 \$2,378,432 and increases in construction in progress of \$725,957.

**Table 8
Capital Assets – Water Utility**

	<u>2020</u>	<u>2019</u>
Capital Assets		
Distribution	\$ 72,470,596	\$ 70,940,281
General	<u>1,851,079</u>	<u>1,661,496</u>
Total capital assets	74,321,675	72,601,777
Less accumulated depreciation	(22,926,096)	(21,192,768)
Construction in progress	<u>2,371,883</u>	<u>1,004,487</u>
Net capital assets	<u>\$ 53,767,462</u>	<u>\$ 52,413,496</u>

During 2020, the water utility's net capital assets increased by \$1,353,966 or 2.58% from 2019. Capital assets increased \$1,719,898 and other system investments offset by increases in accumulated depreciation of \$1,733,328 and increases in construction in progress of \$1,367,396.

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, 2020. 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, 2020
With Comparative Totals as of December 31, 2019

	Electric	Water	Total	
			2020	2019
Assets				
Current assets				
Cash and investments	\$ 44,318,158	\$ 9,458,885	\$ 53,777,043	\$ 48,963,008
Accrued interest receivable	76,441	19,231	95,672	201,586
Customer accounts receivable	3,963,007	387,957	4,350,964	4,043,205
Allowance for uncollectible accounts	(260,922)	(53,915)	(314,837)	(50,632)
Other accounts receivable	58,144	1,128,711	1,186,855	190,845
Due from City of Shakopee	84,946	27,728	112,674	211,857
Inventory	1,002,297	33,648	1,035,945	1,407,601
Prepaid expenses	48,399	16,544	64,943	61,829
Total current assets	<u>49,290,470</u>	<u>11,018,789</u>	<u>60,309,259</u>	<u>55,029,299</u>
Noncurrent assets				
Restricted assets				
Customer deposits account	2,317,923	101,662	2,419,585	2,364,292
Connection account	-	14,709,814	14,709,814	14,781,889
Water reconstruction account	-	1,082,420	1,082,420	488,866
Capital assets				
Plant in service	76,077,200	74,321,675	150,398,875	146,694,481
Accumulated depreciation	(30,703,485)	(22,926,096)	(53,629,581)	(49,517,821)
Construction in progress	1,655,084	2,371,883	4,026,967	1,933,614
Other assets				
Emergency repairs account	100,000	-	100,000	100,000
Total noncurrent assets	<u>49,446,722</u>	<u>69,661,358</u>	<u>119,108,080</u>	<u>116,845,321</u>
Total assets	<u>98,737,192</u>	<u>80,680,147</u>	<u>179,417,339</u>	<u>171,874,620</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	350,348	113,987	464,335	323,174
Total assets and deferred outflows of resources	<u>\$ 99,087,540</u>	<u>\$ 80,794,134</u>	<u>\$ 179,881,674</u>	<u>\$ 172,197,794</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 2,968,961	\$ 475,942	\$ 3,444,903	\$ 4,196,100
Due to City of Shakopee	504,019	27,726	531,745	578,866
Other current liabilities	367,646	165,365	533,011	480,203
Total current liabilities	<u>3,840,626</u>	<u>669,033</u>	<u>4,509,659</u>	<u>5,255,169</u>
Liabilities payable from restricted assets				
Customer deposits	2,317,923	101,662	2,419,585	2,364,292
Noncurrent liabilities				
Unearned revenues	1,825	-	1,825	5,210
Customer advances	285,854	58,411	344,265	730,955
Net pension liability	3,067,046	997,874	4,064,920	3,532,888
Total noncurrent liabilities	<u>3,354,725</u>	<u>1,056,285</u>	<u>4,411,010</u>	<u>4,269,053</u>
Total liabilities	<u>9,513,274</u>	<u>1,826,980</u>	<u>11,340,254</u>	<u>11,888,514</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions	134,467	43,749	178,216	672,678
Net Position				
Net investment in capital assets	47,028,799	53,767,462	100,796,261	99,110,274
Restricted for connections and reconstruction	-	15,792,234	15,792,234	15,270,755
Unrestricted	42,411,000	9,363,709	51,774,709	45,255,573
Total net position	<u>89,439,799</u>	<u>78,923,405</u>	<u>168,363,204</u>	<u>159,636,602</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 99,087,540</u>	<u>\$ 80,794,134</u>	<u>\$ 179,881,674</u>	<u>\$ 172,197,794</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, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Electric	Water	Total	
			2020	2019
Operating revenues	\$ 47,198,288	\$ 5,532,276	\$ 52,730,564	\$ 54,512,183
Operating expenses	41,430,670	4,795,645	46,226,315	47,308,210
Operating income	5,767,618	736,631	6,504,249	7,203,973
Nonoperating revenues (expenses)				
Rentals and miscellaneous	77,161	203,265	280,426	527,863
Interdepartmental rent from water	90,000	-	90,000	90,000
Investment income	595,308	291,858	887,166	1,508,404
Interest expense	(34,926)	(1,497)	(36,423)	(66,575)
Gain (loss) on disposition of property	9,074	-	9,074	76,154
Total nonoperating revenues (expenses)	736,617	493,626	1,230,243	2,135,846
Income before contributions and transfers	6,504,235	1,230,257	7,734,492	9,339,819
Capital contributions	527,653	2,849,061	3,376,714	7,681,968
Municipal contributions	(2,167,882)	(216,722)	(2,384,604)	(2,424,125)
Change in net position	4,864,006	3,862,596	8,726,602	14,597,662
Net position				
Beginning of year	84,575,793	75,060,809	159,636,602	145,038,940
End of year	\$ 89,439,799	\$ 78,923,405	\$ 168,363,204	\$ 159,636,602

Shakopee Public Utilities Commission
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Electric	Water	Total	
			2020	2019
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 46,946,832	\$ 4,764,237	\$ 51,711,069	\$ 55,944,674
Payments to suppliers	(33,338,462)	(1,817,131)	(35,155,593)	(36,058,434)
Payments to employees	(5,274,011)	(2,151,555)	(7,425,566)	(7,288,745)
Net cash flows - operating activities	<u>8,334,359</u>	<u>795,551</u>	<u>9,129,910</u>	<u>12,597,495</u>
Cash Flows - Noncapital				
Financing Activities				
Payments to City of Shakopee	(2,053,124)	(188,996)	(2,242,120)	(2,136,770)
Proceeds from sale of assets	837,987	44,474	882,461	126,948
Net cash flows - noncapital financing activities	<u>(1,215,137)</u>	<u>(144,522)</u>	<u>(1,359,659)</u>	<u>(2,009,822)</u>
Cash Flows - Capital and Related				
Financing Activities				
Interest paid on debt	(34,926)	(1,497)	(36,423)	(66,575)
Acquisition of capital assets	(3,053,391)	(2,888,576)	(5,941,967)	(7,106,457)
Installation fees	-	81,753	81,753	90,821
Connection charges	-	2,356,978	2,356,978	4,446,012
Trunk charges	-	167,135	167,135	198,737
Net cash flows - capital and related financing activities	<u>(3,088,317)</u>	<u>(284,207)</u>	<u>(3,372,524)</u>	<u>(2,437,462)</u>
Cash Flows - Investing Activities				
Proceeds (purchases) of investments	(48,396)	(5,066)	(53,462)	(594,592)
Interest and dividends received	584,494	408,586	993,080	1,376,764
Net cash flows - investing activities	<u>536,098</u>	<u>403,520</u>	<u>939,618</u>	<u>782,172</u>
Net change in cash and cash equivalents	4,567,003	770,342	5,337,345	8,932,383
Cash and Cash Equivalents				
Beginning of year	<u>25,763,000</u>	<u>22,513,476</u>	<u>48,276,476</u>	<u>39,344,093</u>
End of year	<u>\$ 30,330,003</u>	<u>\$ 23,283,818</u>	<u>\$ 53,613,821</u>	<u>\$ 48,276,476</u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Electric	Water	Total	
			2020	2019
Reconciliation of Operating Income to Net Cash Flows - Operating Activities				
Operating income	\$ 5,767,618	\$ 736,631	\$ 6,504,249	\$ 7,203,973
Adjustments to reconcile operating income to net cash flows - operating activities				
Free electric service to City of Shakopee	(114,758)	-	(114,758)	(106,913)
Nonoperating revenues	167,161	203,265	370,426	617,863
Depreciation expense	2,420,110	1,733,331	4,153,441	3,910,363
Pension related activity	(60,629)	(42,962)	(103,591)	124,028
Allowance for uncollectible accounts	220,089	44,116	264,205	16,561
Change in assets and liabilities				
Customer accounts receivable	(225,324)	(82,435)	(307,759)	287,642
Other accounts receivable	45,875	(1,041,885)	(996,010)	898,871
Due from City of Shakopee	10,062	89,121	99,183	(65,608)
Inventory	373,865	(2,209)	371,656	(164,653)
Prepaid items	(2,028)	(1,086)	(3,114)	5,370
Accounts payable	(55,101)	(696,096)	(751,197)	626,286
Customer deposits	49,801	5,492	55,293	(98,288)
Unearned revenue	(3,385)	-	(3,385)	1,763
Customer advances	(400,977)	14,287	(386,690)	(119,400)
Due to City of Shakopee	105,595	(180,442)	(74,847)	(649,339)
Other liabilities	36,385	16,423	52,808	108,976
Total adjustments	2,566,741	58,920	2,625,661	5,393,522
Net cash flows - operating activities	<u>\$ 8,334,359</u>	<u>\$ 795,551</u>	<u>\$ 9,129,910</u>	<u>\$ 12,597,495</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Customer deposits account	\$ 2,317,923	\$ 101,662	\$ 2,419,585	\$ 2,364,067
Emergency repairs account	100,000	-	100,000	100,000
Connection account	-	14,709,814	14,709,814	14,781,889
Water reconstruction account	-	1,082,420	1,082,420	488,866
Cash and investments	44,318,158	9,458,885	53,777,043	48,963,233
Total	46,736,081	25,352,781	72,088,862	66,698,055
Less long-term investments	(16,406,078)	(2,068,963)	(18,475,041)	(18,421,579)
Cash and cash equivalents	<u>\$ 30,330,003</u>	<u>\$ 23,283,818</u>	<u>\$ 53,613,821</u>	<u>\$ 48,276,476</u>
Noncash Investing, Capital and Financing Activities				
Contributions of capital assets from the municipality and developers	\$ 527,653	\$ 243,195	\$ 770,848	\$ 2,946,398
Free electric service to City of Shakopee	114,758	-	114,758	106,913

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, 2020. 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, 2020, 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>2020</u>
Checking	\$ 2,985,133
CDARS	5,631,047
Money market	<u>237,881</u>
Total deposits	<u><u>\$ 8,854,061</u></u>

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2020, the Commission had the following investments:

	Rating	Fair Value	Years to Maturity	
			Less than 1 Year	1-5 Years
U.S. Agencies	AAA	\$ 7,811,128	\$ 3,275,407	\$ 4,535,721
U.S. Treasuries	N/A	11,638,822	4,347,928	7,290,894
Brokered CDs	N/A	1,486,200	1,486,200	-
4M Fund	NR	24,831,941	24,831,941	-
4M Plus Fund	NR	12,005,111	12,005,111	-
4M Term Series	NR	5,000,000	5,000,000	-
Money Market Fund	NR	459,899	459,899	-
Total		<u>\$ 63,233,101</u>	<u>\$ 51,406,486</u>	<u>\$ 11,826,615</u>

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

- \$20,936,150 of investments are valued using a quoted market price (Level 2 inputs).
- \$42,296,951 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, 2020, 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.

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, 2020, the Commission was not exposed to concentration of credit risk. U.S. Treasuries and investments in external investment pools and money markets are excluded from this requirement.

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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).

Deposits and Investments

Summary of cash, deposits, and investments as of December 31, 2020:

	<u>2020</u>
Deposit (Note 2.A.)	\$ 8,854,061
Investments (Note 2.B.)	63,233,101
Petty cash	<u>1,700</u>
Total deposits and investments	<u><u>\$ 72,088,862</u></u>

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

	<u>2020</u>
Statement of net position	
Current assets	
Cash and investments	\$ 53,680,763
Noncurrent assets	
Restricted assets	
Customer deposit account	2,419,461
Connection account	14,709,814
Water reconstruction account	1,178,824
Other assets	
Emergency repairs account	<u>100,000</u>
Total	<u><u>\$ 72,088,862</u></u>

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS

Electric capital asset activity for the year ended December 31, 2020, 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	929,127	1,483,391	757,434	1,655,084
Total capital assets not being depreciated	<u>5,310,323</u>	<u>1,483,391</u>	<u>757,434</u>	<u>6,036,280</u>
Capital assets being depreciated				
Distribution	55,371,162	1,581,221	76,039	56,876,344
General	14,340,346	516,432	37,118	14,819,660
Total capital assets being depreciated	<u>69,711,508</u>	<u>2,097,653</u>	<u>113,157</u>	<u>71,696,004</u>
Less accumulated depreciation	<u>28,325,053</u>	<u>2,420,110</u>	<u>41,678</u>	<u>30,703,485</u>
Total capital assets being depreciated, net	<u>41,386,455</u>	<u>(322,457)</u>	<u>71,479</u>	<u>40,992,519</u>
Capital assets, net	<u>\$ 46,696,778</u>	<u>\$ 1,160,934</u>	<u>\$ 828,913</u>	<u>\$ 47,028,799</u>

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Water capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and land rights	\$ 1,185,757	\$ 762,749	\$ -	\$ 1,948,506
Construction in progress	1,004,487	1,408,929	41,533	2,371,883
Total capital assets not being depreciated	<u>2,190,244</u>	<u>2,171,678</u>	<u>41,533</u>	<u>4,320,389</u>
Capital assets being depreciated				
Distribution	69,754,524	768,378	812	70,522,090
General	1,661,496	191,715	2,132	1,851,079
Total capital assets being depreciated	<u>71,416,020</u>	<u>960,093</u>	<u>2,944</u>	<u>72,373,169</u>
Less accumulated depreciation	<u>21,192,768</u>	<u>1,733,331</u>	<u>3</u>	<u>22,926,096</u>
Total capital assets being depreciated, net	<u>50,223,252</u>	<u>(773,238)</u>	<u>2,941</u>	<u>49,447,073</u>
Capital assets, net	<u>\$ 52,413,496</u>	<u>\$ 1,398,440</u>	<u>\$ 44,474</u>	<u>\$ 53,767,462</u>

Depreciation expense for 2020 for Electric and Water totaled \$2,420,110 and \$1,733,311, respectively.

NOTE 4 – MUNICIPAL RECEIVABLES, PAYABLES, AND CONTRIBUTIONS

Amounts receivable from and payable to the City of Shakopee as of December 31, 2020, are as follows:

Receivable Fund/Municipality	Payable Fund/Municipality	2020 Amount
Electric Fund	City of Shakopee	\$ 84,946
City of Shakopee	Electric Fund	504,019
Water Fund	City of Shakopee	27,728
City of Shakopee	Water Fund	27,726

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

Shakopee Public Utilities Commission
Notes to Financial Statements

NOTE 4 – MUNICIPAL RECEIVABLES, PAYABLES, AND CONTRIBUTIONS
(CONTINUED)

The composition of municipal contributions as of December 31, 2020, was as follows:

Contributions To	Contributions From	2020 Amount
City of Shakopee	Water Fund	\$ 216,722
City of Shakopee	Electric Fund	<u>2,167,882</u>
Total		<u><u>\$ 2,384,604</u></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 2020 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2020, 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.

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.

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

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

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 member is 1.2% for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is 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.

C. Contributions

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

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

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employee Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020 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, 2020, were \$360,080. 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, 2020, the Commission reported a liability of \$4,064,920 for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Commission totaled \$125,364. The net pension liability was measured as of June 30, 2020, and the total pension 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportionate share was 0.0678% at the end of the measurement period and 0.0639% for the beginning of the period.

Commission's proportionate share of the net pension liability	\$ 4,064,920
State of Minnesota's proportionate share of the net pension liability associated with the Commission	<u>125,364</u>
Total	<u><u>\$ 4,190,284</u></u>

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

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, 2020, 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	\$ 34,943	\$ 15,379
Changes in actuarial assumptions	-	146,195
Net collective difference between projected and actual investment earnings	86,038	-
Changes in proportion	163,314	16,642
Contributions paid to PERA subsequent to the measurement date	180,040	-
	<u>\$ 464,335</u>	<u>\$ 178,216</u>
Total		

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

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2021	\$ (168,382)
2022	45,409
2023	130,842
2024	98,210
	<u>98,210</u>
Total	<u>\$ 106,079</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, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.25%	Per year
Salary increase	3.00%	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, 2020, valuation was based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020. The recommended assumptions for that plan was adopted by the Board and will be effective with the July 1, 2021, actual valuation if approved by the Legislature.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.

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

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

General Employees Fund (Continued)

Changes in Actuarial Assumptions: (Continued)

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term</u>
Domestic stocks	35.5 %	5.10 %
International stocks	17.5	5.30
Bonds (fixed income)	20.0	0.75
Alternative assets (private markets)	25.0	5.90
Cash	2.0	0.00
Total	<u>100 %</u>	

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

NOTE 6 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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	\$ 6,514,657	\$ 4,064,920	\$ 2,044,084

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 AND CONTINGENCIES

The Commission has in process various multi-year construction projects which were not completed in the current fiscal year. As of December 31, 2020, outstanding commitments for these multi-year projects total approximately \$2,276,809.

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, 2020 cannot be determined at this time.

Shakopee Public Utilities Commission
Notes to Financial Statements

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, 2022.

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, 2021.

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
2015	0.0608%	\$ 3,150,972	\$ -	\$ 3,150,972	\$ 3,516,627	89.60%	78.19%
2016	0.0621%	5,042,212	65,842	5,108,054	3,854,427	130.82%	68.91%
2017	0.0644%	4,111,253	51,656	4,162,909	4,333,280	94.88%	75.90%
2018	0.0645%	3,578,196	117,344	3,695,540	4,145,653	86.31%	79.53%
2019	0.0639%	3,532,888	109,829	3,642,717	3,854,427	91.66%	80.23%
2020	0.0678%	4,064,920	125,364	4,190,284	3,516,627	115.59%	79.06%

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>
2015	\$ 277,221	\$ 277,221	\$ -	\$ 3,696,280	7.50%
2016	299,473	299,473	-	3,992,973	7.50%
2017	315,791	315,791	-	4,210,547	7.50%
2018	339,188	339,188	-	4,522,507	7.50%
2019	350,018	350,018	-	4,666,907	7.50%
2020	360,080	360,080	-	4,801,067	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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

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.

Shakopee Public Utilities Commission
Notes to the Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2018 Changes Continued)

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.
- 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 was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Shakopee Public Utilities Commission
Notes to the Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

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.

SUPPLEMENTARY INFORMATION
ELECTRIC UTILITY FUND

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Shakopee Public Utilities Commission
Statement of Net Position - Electric Utility
December 31, 2020
With Comparative Totals as of December 31, 2019

	2020	2019
Assets		
Current assets		
Cash and investments	\$ 44,318,158	\$ 39,752,560
Accrued interest receivable	76,441	65,627
Customer accounts receivable	3,963,007	3,737,683
Allowance for uncollectible accounts	(260,922)	(40,833)
Other accounts receivable	58,144	104,019
Due from City of Shakopee	84,946	95,008
Inventory	1,002,297	1,376,162
Prepaid expenses	48,399	46,371
Total current assets	<u>49,290,470</u>	<u>45,136,597</u>
Noncurrent assets		
Restricted assets		
Customer deposits account	2,317,923	2,268,122
Capital assets		
Plant in service	76,077,200	74,092,704
Accumulated depreciation	(30,703,485)	(28,325,053)
Construction in progress	1,655,084	929,127
Other assets		
Emergency repairs account	100,000	100,000
Total noncurrent assets	<u>49,446,722</u>	<u>49,064,900</u>
Total assets	<u>98,737,192</u>	<u>94,201,497</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	<u>350,348</u>	<u>242,380</u>
Total assets and deferred outflows of resources	<u>\$ 99,087,540</u>	<u>\$ 94,443,877</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 2,968,961	\$ 3,024,062
Due to City of Shakopee	504,019	398,424
Other current liabilities	367,646	331,261
Total current liabilities	<u>3,840,626</u>	<u>3,753,747</u>
Liabilities payable from restricted assets		
Customer deposits	<u>2,317,923</u>	<u>2,268,122</u>
Noncurrent liabilities		
Unearned revenues	1,825	5,210
Customer advances	285,854	686,831
Net pension liability	3,067,046	2,649,666
Total noncurrent liabilities	<u>3,354,725</u>	<u>3,341,707</u>
Total liabilities	<u>9,513,274</u>	<u>9,363,576</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	<u>134,467</u>	<u>504,508</u>
Net Position		
Net investment in capital assets	47,028,799	46,696,778
Unrestricted	42,411,000	37,879,015
Total net position	<u>89,439,799</u>	<u>84,575,793</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 99,087,540</u>	<u>\$ 94,443,877</u>

Shakopee Public Utilities Commission
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Electric Utility
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 47,198,288	\$ 49,650,814
Operating expenses		
Operation, customer and administrative	39,010,560	40,405,850
Depreciation of capital assets	<u>2,420,110</u>	<u>2,326,070</u>
Total operating expenses	<u>41,430,670</u>	<u>42,731,920</u>
Operating income	5,767,618	6,918,894
Nonoperating revenues (expenses)		
Rentals and miscellaneous	77,161	259,598
Interdepartmental rent from water	90,000	90,000
Investment income	595,308	980,761
Interest expense	(34,926)	(64,280)
Gain (loss) on disposition of property	9,074	138,545
Total nonoperating revenues (expenses)	<u>736,617</u>	<u>1,404,624</u>
Income before contributions and transfers	6,504,235	8,323,518
Capital contributions	527,653	759,222
Municipal contributions	<u>(2,167,882)</u>	<u>(1,424,805)</u>
Change in net position	4,864,006	7,657,935
Net position		
Beginning of year	<u>84,575,793</u>	<u>76,917,858</u>
End of year	<u>\$ 89,439,799</u>	<u>\$ 84,575,793</u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Electric Utility
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	<u>2020</u>	<u>2019</u>
Cash Flows - Operating Activities		
Receipts from customers and users	\$ 46,946,832	\$ 50,442,600
Payments to suppliers	(33,338,462)	(35,724,978)
Payments to employees	(5,274,011)	(5,176,616)
Net cash flows - operating activities	<u>8,334,359</u>	<u>9,541,006</u>
Cash Flows - Noncapital		
Financing Activities		
Payments to City of Shakopee	(2,053,124)	(1,317,892)
Proceeds from sale of assets	837,987	124,459
Net cash flows - noncapital financing activities	<u>(1,215,137)</u>	<u>(1,193,433)</u>
Cash Flows - Capital and Related		
Financing Activities		
Interest paid on debt	(34,926)	(64,280)
Acquisition of capital assets	(3,053,391)	(1,814,481)
Net cash flows - capital and related financing activities	<u>(3,088,317)</u>	<u>(1,878,761)</u>
Cash Flows - Investing Activities		
Purchases of investments	(48,396)	(529,135)
Interest and dividends received	584,494	973,578
Net cash flows - investing activities	<u>536,098</u>	<u>444,443</u>
Net change in cash and cash equivalents	4,567,003	6,913,255
Cash and Cash Equivalents		
Beginning of year	<u>25,763,000</u>	<u>18,849,745</u>
End of year	<u>\$ 30,330,003</u>	<u>\$ 25,763,000</u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Electric Utility
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating		
Income to Net Cash Flows -		
Operating Activities		
Operating income	\$ 5,767,618	\$ 6,918,894
Adjustments to reconcile operating income		
to net cash flows - operating activities		
Free electric service to City of Shakopee	(114,758)	(106,913)
Nonoperating revenues	167,161	349,598
Depreciation expense	2,420,110	2,326,070
Pension related activity	(60,629)	93,020
Allowance for uncollectible accounts	220,089	13,428
Change in assets and liabilities		
Customer accounts receivable	(225,324)	248,999
Other accounts receivable	45,875	238,108
Due from City of Shakopee	10,062	30,915
Inventory	373,865	(162,912)
Prepaid items	(2,028)	4,028
Accounts payable	(55,101)	(399,043)
Customer deposits	49,801	(120,686)
Unearned revenue	(3,385)	1,763
Customer advances	(400,977)	136,574
Due to City of Shakopee	105,595	(68,849)
Other liabilities	36,385	38,012
Total adjustments	<u>2,566,741</u>	<u>2,622,112</u>
Net cash flows - operating		
activities	<u>\$ 8,334,359</u>	<u>\$ 9,541,006</u>
 Reconciliation of Cash and Cash		
Equivalents to the Statement		
of Net Position		
Customer deposits account	\$ 2,317,923	\$ 2,268,122
Emergency repairs account	100,000	100,000
Cash and investments	<u>44,318,158</u>	<u>39,752,560</u>
Total	46,736,081	42,120,682
Less long-term investments	<u>(16,406,078)</u>	<u>(16,357,682)</u>
Cash and cash equivalents	<u>\$ 30,330,003</u>	<u>\$ 25,763,000</u>
 Noncash Investing, Capital, and		
Financing Activities		
Contributions of capital assets from the		
municipality and developers	\$ 527,653	\$ 759,222
Free electric service to City of Shakopee	114,758	106,913

Shakopee Public Utilities Commission
Detailed Statement of Operating Revenues
and Expenses - Electric Utility
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	2020	2019
Operating Revenues		
Sales of electricity		
Residential	\$ 18,032,655	\$ 17,314,820
Commercial	28,553,792	31,261,142
Uncollectible accounts	(258,532)	(61,116)
Total sales of electricity	<u>46,327,915</u>	<u>48,514,846</u>
Forfeited discounts	60,835	304,445
Free service to City of Shakopee	114,758	106,913
Conservation program	694,780	724,610
Total operating revenues	<u>47,198,288</u>	<u>49,650,814</u>
Operating Expenses		
Operation and maintenance		
Purchased power	32,729,485	34,198,101
Distribution operation expenses	553,702	450,753
Distribution system maintenance	653,225	650,200
Maintenance of general plant	274,843	308,832
Total operating expenses	<u>34,211,255</u>	<u>35,607,886</u>
Customer accounts		
Meter reading	127,450	127,806
Customer records and collection	575,336	523,715
Energy conservation	693,297	724,610
Total customer accounts	<u>1,396,083</u>	<u>1,376,131</u>
Administrative and general		
Administrative and general salaries	644,190	666,835
Office supplies and expense	136,544	173,835
Outside services employed	428,140	133,237
Insurance	129,545	127,006
Employee benefits	1,773,389	1,953,383
Miscellaneous general	291,414	367,537
Total administrative and general	<u>3,403,222</u>	<u>3,421,833</u>
Total operation, customer, and administrative expenses	39,010,560	40,405,850
Depreciation of capital assets	2,420,110	2,326,070
Total operating expenses	<u>41,430,670</u>	<u>42,731,920</u>
Operating income	<u>\$ 5,767,618</u>	<u>\$ 6,918,894</u>

Shakopee Public Utilities Commission
Schedule of Plant in Service - Electric Utility
December 31, 2020

	Balance 12/31/19	Additions	Retirements/ Adjustments	Balance 12/31/20
Capital Assets				
Distribution				
Land and land rights	\$ 829,867	\$ -	\$ -	\$ 829,867
Structures and improvements	460,701	-	-	460,701
Station equipment	23,006,120	31,141	53	23,037,208
Station battery	1,857	-	-	1,857
Poles, towers, and fixtures	527,824	-	-	527,824
Overhead conductors and devices	2,838,563	209,826	-	3,048,389
Underground conduit	906,281	-	-	906,281
Underground conductors and devices	20,213,222	1,266,666	-	21,479,888
Line transformers	5,854,169	32,245	75,400	5,811,014
Services	50,643	-	-	50,643
Meters	1,511,782	41,342	585	1,552,539
Total distribution	<u>56,201,029</u>	<u>1,581,220</u>	<u>76,038</u>	<u>57,706,211</u>
General				
Land and land rights	3,551,329	-	-	3,551,329
Structures and improvements	9,158,574	99,837	10,000	9,248,411
Office furniture and equipment	1,149,735	50,512	-	1,200,247
Computer equipment	673,104	113,546	-	786,650
Transportation equipment	2,212,829	246,114	25,804	2,433,139
Tools, shop and garage equipment	194,417	1,898	1,316	194,999
Laboratory equipment	20,041	-	-	20,041
Power operated equipment	574,526	4,526	-	579,052
Communication equipment	357,120	1	-	357,121
Total general	<u>17,891,675</u>	<u>516,434</u>	<u>37,120</u>	<u>18,370,989</u>
Total plant in service	<u>\$ 74,092,704</u>	<u>\$ 2,097,654</u>	<u>\$ 113,158</u>	<u>\$ 76,077,200</u>

SUPPLEMENTARY INFORMATION
WATER UTILITY FUND

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Shakopee Public Utilities Commission
Statement of Net Position - Water Utility
December 31, 2020
With Comparative Totals as of December 31, 2019

	2020	2019
Assets		
Current assets		
Cash and investments	\$ 9,458,885	\$ 9,210,448
Accrued interest receivable	19,231	135,959
Customer accounts receivable	387,957	305,522
Allowance for uncollectible accounts	(53,915)	(9,799)
Other accounts receivable	1,128,711	86,826
Due from City of Shakopee	27,728	116,849
Inventory	33,648	31,439
Prepaid Expenses	16,544	15,458
Total current assets	<u>11,018,789</u>	<u>9,892,702</u>
Noncurrent assets		
Restricted assets		
Customer deposits account	101,662	96,170
Connection account	14,709,814	14,781,889
Water reconstruction account	1,082,420	488,866
Capital assets		
Plant in service	74,321,675	72,601,777
Accumulated depreciation	(22,926,096)	(21,192,768)
Construction in progress	2,371,883	1,004,487
Total noncurrent assets	<u>69,661,358</u>	<u>67,780,421</u>
Total assets	<u>80,680,147</u>	<u>77,673,123</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to pension activity	<u>113,987</u>	<u>80,794</u>
Total assets and deferred outflows of resources	<u>\$ 80,794,134</u>	<u>\$ 77,753,917</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 475,942	\$ 1,172,038
Due to City of Shakopee	27,726	180,442
Other current liabilities	165,365	148,942
Total current liabilities	<u>669,033</u>	<u>1,501,422</u>
Liabilities payable from restricted assets		
Customer deposits	101,662	96,170
Noncurrent liabilities		
Customer advances	58,411	44,124
Net pension liability	997,874	883,222
Total noncurrent liabilities	<u>1,056,285</u>	<u>927,346</u>
Total liabilities	<u>1,826,980</u>	<u>2,524,938</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	<u>43,749</u>	<u>168,170</u>
Net Position		
Net investment in capital assets	53,767,462	52,413,496
Restricted for connections and reconstruction	15,792,234	15,270,755
Unrestricted	9,363,709	7,376,558
Total net position	<u>78,923,405</u>	<u>75,060,809</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 80,794,134</u>	<u>\$ 77,753,917</u>

Shakopee Public Utilities Commission
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Water Utility
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 5,532,276	\$ 4,861,369
Operating expenses		
Operation, customer, and administrative	3,062,314	2,991,997
Depreciation	<u>1,733,331</u>	<u>1,584,293</u>
Total operating expenses	<u>4,795,645</u>	<u>4,576,290</u>
Operating income	736,631	285,079
Nonoperating revenues (expenses)		
Rentals and miscellaneous	203,265	268,265
Investment income	291,858	527,643
Interest expense	(1,497)	(2,295)
Gain (loss) on disposition of property	<u>-</u>	<u>(62,391)</u>
Total nonoperating revenues (expenses)	<u>493,626</u>	<u>731,222</u>
Income before contributions and transfers	1,230,257	1,016,301
Capital contributions	2,849,061	6,922,746
Municipal contributions	<u>(216,722)</u>	<u>(999,320)</u>
Change in net position	3,862,596	6,939,727
Net position		
Beginning of year	<u>75,060,809</u>	<u>68,121,082</u>
End of year	<u>\$ 78,923,405</u>	<u>\$ 75,060,809</u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Water Utility
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	2020	2019
Cash Flows - Operating Activities		
Receipts from customers and users	\$ 4,764,237	\$ 5,502,074
Payments to suppliers	(1,817,131)	(333,456)
Payments to employees	(2,151,555)	(2,112,129)
Net cash flows - operating activities	<u>795,551</u>	<u>3,056,489</u>
Cash Flows - Noncapital		
Financing Activities		
Payments to City of Shakopee	(188,996)	(818,878)
Proceeds from sale of assets	44,474	2,489
Net cash flows - noncapital financing activities	<u>(144,522)</u>	<u>(816,389)</u>
Cash Flows - Capital and Related		
Financing Activities		
Interest paid on debt	(1,497)	(2,295)
Acquisition of capital assets	(2,888,576)	(5,291,976)
Installation fees	81,753	90,821
Connection charges	2,356,978	4,446,012
Trunk charges	167,135	198,737
Net cash flows - capital and related financing activities	<u>(284,207)</u>	<u>(558,701)</u>
Cash Flows - Investing Activities		
Proceeds of investments	(5,066)	(65,457)
Interest and dividends received	408,586	403,186
Net cash flows - investing activities	<u>403,520</u>	<u>337,729</u>
Net change in cash and cash equivalents	<u>770,342</u>	<u>2,019,128</u>
Cash and Cash Equivalents		
Beginning of year	<u>22,513,476</u>	<u>20,494,348</u>
End of year	<u>\$ 23,283,818</u>	<u>\$ 22,513,476</u>

Shakopee Public Utilities Commission
Statement of Cash Flows - Water Utility
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

**Reconciliation of Operating Income
to Net Cash Flows- Operating Activities**

Operating income	\$ 736,631	\$ 285,079
Adjustments to reconcile operating income to net cash flows - operating activities		
Nonoperating revenues	203,265	268,265
Depreciation expense	1,733,331	1,584,293
Pension related activity	(42,962)	31,008
Allowance for uncollectible accounts	44,116	3,133
Change in assets and liabilities		
Customer accounts receivable	(82,435)	38,643
Other accounts receivable	(1,041,885)	660,763
Due from City of Shakopee	89,121	(96,523)
Inventory	(2,209)	(1,741)
Prepaid items	(1,086)	1,342
Accounts payable	(696,096)	1,025,329
Customer deposits	5,492	22,398
Customer advances	14,287	(255,974)
Due to City of Shakopee	(180,442)	(580,490)
Other liabilities	16,423	70,964
Total adjustments	<u>58,920</u>	<u>2,771,410</u>
Net cash flows - operating activities	<u>\$ 795,551</u>	<u>\$ 3,056,489</u>

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

Customer deposits account	\$ 101,662	\$ 95,945
Connection account	14,709,814	14,781,889
Water reconstruction account	1,082,420	488,866
Cash and investments	<u>9,458,885</u>	<u>9,210,673</u>
Total	25,352,781	24,577,373
Less long-term investments	<u>(2,068,963)</u>	<u>(2,063,897)</u>
Cash and cash equivalents	<u>\$ 23,283,818</u>	<u>\$ 22,513,476</u>

Shakopee Public Utilities Commission
Detailed Statement of Operating Revenues
and Expenses - Water Utility
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	2020	2019
Operating revenues		
Sales of water	\$ 5,578,527	\$ 4,827,271
Forfeited discounts	3,602	42,475
Uncollectible accounts	(49,853)	(8,377)
Total operating revenues	<u>5,532,276</u>	<u>4,861,369</u>
Operating expenses		
Operation and maintenance		
Pumping and distribution operation	612,055	522,705
Pumping and distribution maintenance	396,702	420,451
Power for pumping	284,744	289,410
Maintenance of general plant	53,307	67,721
Total operation and maintenance	<u>1,346,808</u>	<u>1,300,287</u>
Customer accounts		
Meter reading	69,539	66,830
Customer records and collection	166,593	130,908
Energy conservation	1,481	-
Total customer accounts	<u>237,613</u>	<u>197,738</u>
Administrative and general		
Administrative and general salaries	421,797	407,966
Office supplies and expense	45,321	61,984
Outside services employed	183,196	76,964
Insurance	43,182	42,335
Employee benefits	615,013	712,944
Miscellaneous general	169,384	191,779
Total administrative and general	<u>1,477,893</u>	<u>1,493,972</u>
Total operation, customer, and administrative expenses	3,062,314	2,991,997
Depreciation	<u>1,733,331</u>	<u>1,584,293</u>
Total operating expenses	<u>4,795,645</u>	<u>4,576,290</u>
Operating income	<u>\$ 736,631</u>	<u>\$ 285,079</u>

Shakopee Public Utilities Commission
Schedule of Plant in Service - Water Utility
December 31, 2020

	Balance 12/31/19	Additions	Retirements/ Adjustments	Balance 12/31/20
Capital Assets				
Distribution				
Land and land rights	\$ 1,185,757	\$ 762,749	\$ -	\$ 1,948,506
Wells	4,398,139	6,998	-	4,405,137
Electric pumping equipment	8,469,042	33,058	6	8,502,094
Towers and pump houses	7,582,609	48,860	-	7,631,469
Distribution system	46,450,123	528,595	-	46,978,718
Meters	2,854,611	150,867	806	3,004,672
Total distribution	<u>70,940,281</u>	<u>1,531,127</u>	<u>812</u>	<u>72,470,596</u>
General				
Office furniture and equipment	134,362	15,590	305	149,647
Computer equipment	190,476	26,304	870	215,910
Transportation equipment	412,958	46,320	-	459,278
Tools, shop and garage equipment	22,395	1	-	22,396
Laboratory equipment	58,119	6,564	256	64,427
Power operated equipment	5,812	4,456	-	10,268
Communication equipment	22,480	-	-	22,480
Scada equipment	463,563	92,481	702	555,342
Building improvements	351,331	-	-	351,331
Total general	<u>1,661,496</u>	<u>191,716</u>	<u>2,133</u>	<u>1,851,079</u>
Total plant in service	<u>\$ 72,601,777</u>	<u>\$ 1,722,843</u>	<u>\$ 2,945</u>	<u>\$ 74,321,675</u>

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, 2020, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated June 1, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the provisions of the 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 Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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.

BergankDV, Ltd.

Minneapolis, Minnesota
June 1, 2021