

**SHAKOPEE PUBLIC UTILITIES COMMISSION
SEPARATE ENTERPRISE FUNDS OF THE
CITY OF SHAKOPEE, MINNESOTA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021



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INTRODUCTORY SECTION

**SHAKOPEE PUBLIC UTILITIES COMMISSION
BOARD OF COMMISSIONERS AND ADMINISTRATION
DECEMBER 31, 2021**

Officials	Position	Term Expires
Kathi Mocol	President/MMPA Alternate Rep	March 31, 2022
Kayden Fox	Vice President	March 31, 2023
Jody Brennan	Commissioner	March 31, 2023
Justin Krieg	Commissioner	March 31, 2024
Benedict Letourneau	Commissioner	March 31, 2024

Administration		
Greg Drent	General Manager/MMPA Rep	
Jean McGann	Contracted Director of Finance	
Kelley Willemssen	Director of Finance and Administration	

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Shakopee Public Utilities Commission
Shakopee, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund of the Shakopee Public Utilities Commission, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Shakopee Public Utilities Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Shakopee Public Utilities Commission, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Shakopee Public Utilities Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Report on Summarized Comparative Information

The Shakopee Public Utilities Commission's 2020 financial statements were previously audited by other auditors and they expressed an unmodified audit opinion on those audited financial statements in their report dated June 1, 2021. The summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Shakopee Public Utilities Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Shakopee Public Utilities Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shakopee Public Utilities Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general employees fund schedule of commission's proportionate share of net pension liability, and general employees fund schedule of commission contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary 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 individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2022, on our consideration of the Shakopee Public Utilities Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Shakopee Public Utilities Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shakopee Public Utilities Commission's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 27, 2022

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

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 ended December 31, 2021. You are invited to read this narrative in conjunction with the Utilities' financial statements.

FINANCIAL HIGHLIGHTS

- The electric utility's net position increased \$4,091,909 to \$93,531,708 in 2021, an increase of 4.6%. Total assets increased by \$4,680,626 due to increases in net capital assets of \$2,329,776, increases in accounts receivable of \$2,778,354 and other assets of \$287,949. Deferred outflows of resources increased \$1,009,319 reflecting Governmental Accounting Standards Board (GASB) 68 pension reporting. Total liabilities decreased by \$136,501 due to a decrease in net pension liability of \$1,200,520, customer deposits of \$715,453, partially offset by an increase in accounts payable of \$1,356,293 and customer advances of \$609,235 driven by development projects. Deferred inflows of resources decreased \$1,734,537 (see Table 1).
- The electric utility's operating revenues, generated mostly by user fees, increased by \$5,654,724 or 12.0%, driven by increased kWh sales and an increase in power cost adjustment revenue, driven by higher sales and higher purchased power costs per kilowatt hour. Total kWh sales volume increased 2.9%. The electric utility added 275 new customers in 2021, an increase of 1.48% (see Table 3).
- The electric utility's operating expenses in 2021 increased \$5,179,367 or 12.5%, due to increases in purchased power costs of \$5,235,544 driven by higher sales and an increase in purchased power costs per kWh and an increase in depreciation expense of \$61,982.
- The water utility's net position increased \$7,723,868 to \$86,647,273 in 2021, an increase of 9.8%. Total assets increased by \$8,661,072 due to an increase in net capital assets of \$5,470,268, increase of \$1,875,965 in cash and investments, increase of \$1,064,786 in the connection account, and an increase in the water reconstruction account of \$821,736, slightly offset by a decrease in accounts receivable of \$762,269 and customer deposits of \$5,413. Deferred outflows of resources increased \$498,593 reflecting the GASB 68 pension reporting activity. Total liabilities increased \$641,680 due to increase in current liabilities of accounts payable \$487,275, increase in customer advances of \$316,754 and decrease in net pension liability of \$156,936. Deferred inflows of resources increased \$794,117 due to GASB 68 pension reporting activity (see Table 2).
- The water utility's 2021 operating revenues, generated mostly by sales of water, increased \$1,078,259, or 19.5% due to an increase in water gallons sold. The water utility added 112 new customers in 2021, an increase of 1.0% (see Table 4).
- The water utility's operating expenses in 2021 increased \$668,688 or 13.9% reflecting an increase in operating expenses of \$624,125, driven by higher water gallon sales and an increase in pumping expenses. Total gallons pumped increased 15.7%.
- Nonoperating revenues for the utilities decreased from 2020 to 2021 by \$348,799 due to lower investment income and a decrease in rental and miscellaneous income.
- Capital contributions for the utilities increased from 2020 to 2021 by \$3,836,893 due to increases in water connection fee activity and trunk fees, offset by decreases in developer capital contributions in electric and water.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

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 Auditors' 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 and deferred inflows of resources, 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 of resources and liabilities and deferred inflows of resources 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
YEAR ENDED DECEMBER 31, 2021**

UTILITY FINANCIAL ANALYSIS (CONTINUED)

**TABLE 1
CONDENSED STATEMENT OF NET POSITION – ELECTRIC UTILITY**

	<u>2021</u>	<u>2020</u>	<u>Change</u>
ASSETS			
Current and Other Assets	\$ 54,059,243	\$ 51,708,393	\$ 2,350,850
Net Capital Assets	<u>49,358,575</u>	<u>47,028,799</u>	<u>2,329,776</u>
Total Assets	103,417,818	98,737,192	4,680,626
DEFERRED OUTFLOWS OF RESOURCES			
	<u>1,359,667</u>	<u>350,348</u>	<u>1,009,319</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 104,777,485</u>	<u>\$ 99,087,540</u>	<u>\$ 5,689,945</u>
LIABILITIES			
Net Pension Liability	\$ 1,866,526	\$ 3,067,046	\$ (1,200,520)
Other Liabilities	<u>7,337,384</u>	<u>6,273,365</u>	<u>1,064,019</u>
Total Liabilities	9,203,910	9,340,411	(136,501)
DEFERRED INFLOWS OF RESOURCES			
	2,041,867	307,330	1,734,537
NET POSITION			
Net Investment in Capital Assets	49,358,575	47,028,799	2,329,776
Unrestricted	<u>44,173,133</u>	<u>42,411,000</u>	<u>1,762,133</u>
Total Net Position	<u>93,531,708</u>	<u>89,439,799</u>	<u>4,091,909</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 104,777,485</u>	<u>\$ 99,087,540</u>	<u>\$ 5,689,945</u>

As can be seen from the table above, the electric utility net position increased \$4,091,909 to \$93,531,708 in 2021, an increase of 4.6%. Total assets increased by \$4,680,626 due to increases in net capital assets of \$2,329,776, increases in accounts receivable of \$2,778,354 and other assets of \$287,949, offset by a decrease in customer deposits of \$715,453. Deferred outflows of resources increased \$1,009,319 reflecting an increase in GASB 68 pension reporting activity.

Total liabilities decreased by \$136,501 due to a decrease in net pension liability of \$1,200,520, customer deposits of \$715,453, partially offset by an increase in accounts payable of \$1,356,293 and customer advances of \$609,235 driven by development projects. Deferred inflows of resources decreased \$1,734,537 reflecting changes in GASB 68 pension reporting activity.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

UTILITY FINANCIAL ANALYSIS (CONTINUED)

**TABLE 2
CONDENSED STATEMENT OF NET POSITION – WATER UTILITY**

	2021	2020	Change
ASSETS			
Current and Other Assets	\$ 30,103,489	\$ 26,912,685	\$ 3,190,804
Net Capital Assets	59,237,730	53,767,462	5,470,268
Total Assets	<u>89,341,219</u>	<u>80,680,147</u>	<u>8,661,072</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>612,580</u>	<u>113,987</u>	<u>498,593</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 89,953,799</u>	<u>\$ 80,794,134</u>	<u>\$ 9,159,665</u>
LIABILITIES			
Net Pension Liability	\$ 840,938	\$ 997,874	\$ (156,936)
Other Liabilities	1,627,722	829,106	798,616
Total Liabilities	<u>2,468,660</u>	<u>1,826,980</u>	<u>641,680</u>
DEFERRED INFLOWS OF RESOURCES			
	837,866	43,749	794,117
NET POSITION			
Net Investment in Capital Assets	59,237,730	53,767,462	5,470,268
Restricted	17,775,005	15,792,234	1,982,771
Unrestricted	9,634,538	9,363,709	270,829
Total Net Position	<u>86,647,273</u>	<u>78,923,405</u>	<u>7,723,868</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 89,953,799</u>	<u>\$ 80,794,134</u>	<u>\$ 9,159,665</u>

As can be seen from the table above, the water utility net position increased by \$7,723,868 to \$86,647,273 in 2021, an increase of 9.8%. Total assets increased by \$8,661,072 due to an increase in net capital assets of \$5,470,268, increase of \$1,875,965 in cash and investments, increase of \$1,064,786 in the connection account, and an increase in the water reconstruction account of \$821,736, slightly offset by a decrease in accounts receivable of \$762,269 and customer deposits of \$5,413. Deferred outflows of resources increased \$498,593 reflecting the GASB 68 pension reporting activity. Total liabilities increased \$641,680 due to increase in current liabilities of accounts payable \$487,275, increase in customer advances of \$316,754 and decrease in net pension liability of \$156,936. Deferred inflows of resources increased \$794,117 due to 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.

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

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

UTILITY FINANCIAL ANALYSIS (CONTINUED)

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

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

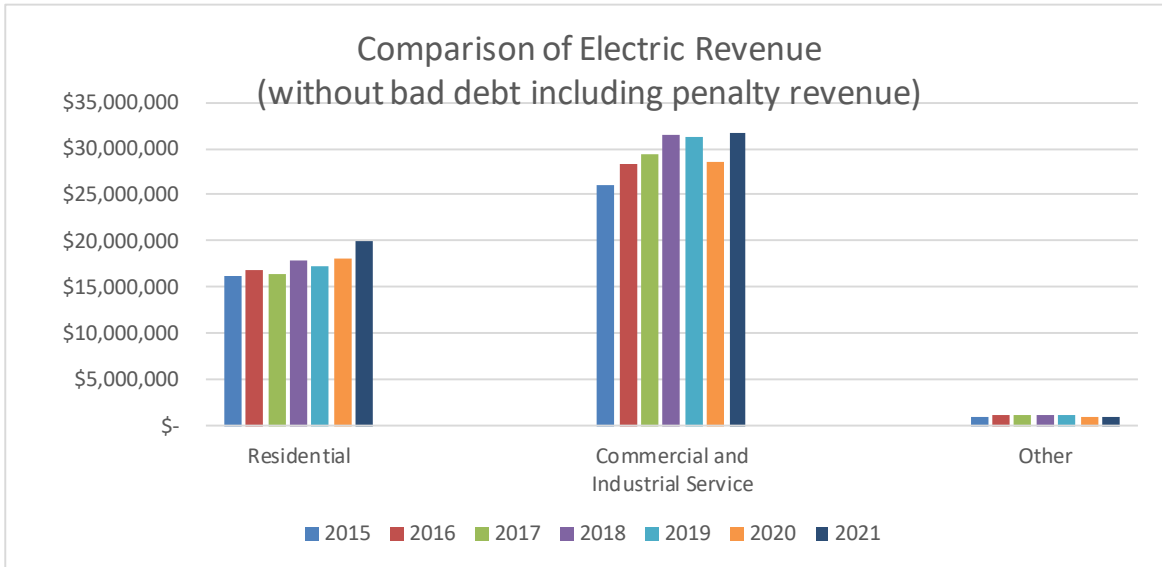
**TABLE 3
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION - ELECTRIC UTILITY**

	<u>2021</u>	<u>2020</u>	<u>Change</u>
OPERATING REVENUES	\$ 52,853,012	\$ 47,198,288	\$ 5,654,724
OPERATING EXPENSES			
Operation, Customer, and Administrative	44,127,945	39,010,560	5,117,385
Depreciation Expense	2,482,092	2,420,110	61,982
Total Operating Expenses	<u>46,610,037</u>	<u>41,430,670</u>	<u>5,179,367</u>
OPERATING INCOME	6,242,975	5,767,618	475,357
Nonoperating Revenues (Expenses)	120,106	736,617	(616,511)
Capital Contributions	98,931	527,653	(428,722)
Transfers to Municipality	<u>(2,370,103)</u>	<u>(2,167,882)</u>	<u>(202,221)</u>
CHANGE IN NET POSITION	4,091,909	4,864,006	(772,097)
Net Position - Beginning of Year	<u>89,439,799</u>	<u>84,575,793</u>	4,864,006
NET POSITION - END OF YEAR	<u>\$ 93,531,708</u>	<u>\$ 89,439,799</u>	<u>\$ 4,091,909</u>

As can be seen in Table 3, the electric utility's operating revenues increased in 2021 by \$5,654,724 or 12.0% from 2020, driven by an increase in total kWh sales volume of 2.9% and an increase in power cost adjustment revenue driven by higher purchased power costs and higher sales. Operating expenses increased \$5,179,367 or 12.5%, primarily due to an increase in purchased power costs of \$5,235,544 driven by higher kWh sales. Purchased power costs totaled \$37,965,029 in 2021, an increase of 16.0% from 2020. Purchased power is the single largest expense item in the electric system operating budget. Nonoperating income decreased \$616,511 due to lower investment income of \$764,120, partially offset by an increase in rentals and miscellaneous income of \$94,654 and gains on disposition of property \$21,983. Capital contributions decreased \$428,722 due to decreases in developer capital contributions year to year. Municipal contributions expenses to the City of Shakopee increased \$202,221 from \$2,167,882 to \$2,370,103 driven by higher electric sales revenue.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

UTILITY FINANCIAL ANALYSIS (CONTINUED)



Year	Residential	Commercial and Industrial Service	Other
2015	\$ 16,120,599	\$ 25,957,296	\$ 1,029,814
2016	16,889,535	28,283,314	1,094,571
2017	16,496,838	29,341,945	1,100,006
2018	17,891,566	31,414,834	1,158,891
2019	17,314,820	31,261,142	1,135,968
2020	18,032,655	28,553,793	870,373
2021	19,996,991	31,752,298	1,022,634

Residential, Commercial, Industrial, and other sales of electricity increased in 2021 by \$5,315,102 or 11.2%. Warmer than average temperatures contributed to dry conditions which impacted customer usage and sales both in electric and water utilities. Power cost adjustment revenue increased because of increased kWh sales.

Total kWh purchased in 2021 was 463,906,473 as compared to 449,885,399 in 2020, reflecting an increase of 3.1% year over year. Total kWh sold in 2021 was 443,409,817 as compared to 430,760,233 in 2020, reflecting an increase of 2.9% for the year 2021. Electric operating revenues totaled \$52,853,012 in 2021 compared to \$47,198,288 in 2020, an increase of \$5,654,724 or 12.0% driven by higher kWh sales, and higher power cost adjustment revenue due to increased sales and increased costs of power per kWh.

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

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

UTILITY FINANCIAL ANALYSIS (CONTINUED)

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 Purchase	System Peak Demand	Total kWh Delivered
2021	463,906,473	\$ 37,956,344	108,103	443,409,817
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	452,309,391	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

Kilowatt (kWh) Hours

METERED ELECTRIC CUSTOMERS

The following are the number of metered connections for the past ten years.

Year	Meters
2021	18,837
2020	18,562
2019	17,960
2018	17,575
2017	17,126
2016	17,084
2015	16,885
2014	16,700
2013	16,508
2012	16,398

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

UTILITY FINANCIAL ANALYSIS (CONTINUED)

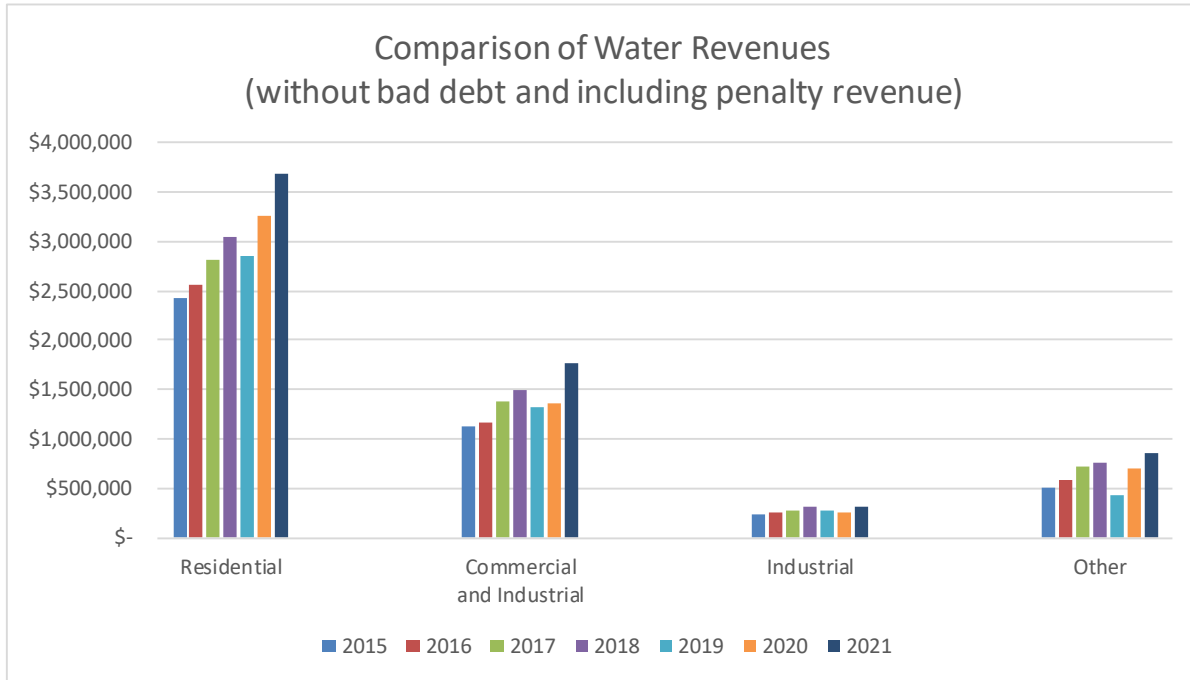
**TABLE 4
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION - WATER UTILITY**

	2021	2020	Change
OPERATING REVENUES	\$ 6,610,535	\$ 5,532,276	\$ 1,078,259
OPERATING EXPENSES			
Operation, Customer, and Administrative	3,686,439	3,062,314	624,125
Depreciation Expense	1,777,894	1,733,331	44,563
Total Operating Expenses	<u>5,464,333</u>	<u>4,795,645</u>	<u>668,688</u>
OPERATING INCOME	1,146,202	736,631	409,571
Nonoperating Revenues (Expenses)	144,827	493,626	(348,799)
Capital Contributions	6,685,954	2,849,061	3,836,893
Transfers to Municipality	<u>(253,115)</u>	<u>(216,722)</u>	<u>(36,393)</u>
CHANGE IN NET POSITION	7,723,868	3,862,596	3,861,272
Net Position - Beginning of Year	<u>78,923,405</u>	<u>75,060,809</u>	<u>3,862,596</u>
NET POSITION - END OF YEAR	<u>\$ 86,647,273</u>	<u>\$ 78,923,405</u>	<u>\$ 7,723,868</u>

In 2021 the water utility's operating revenues increased by \$1,078,259 or 19.5% from \$5,532,276 in 2020 to \$6,610,535. The increase in operating revenues is the result of an increase in water gallons sold of 19.0%, and an increase of water reconstruction funds of \$131,178. Operating expenses increased \$668,688 or 13.9%. The increase in expenses is the result of an increase in operation, customer, and administrative expenses of \$624,125 and an increase in depreciation expense of \$44,563. Nonoperating income decreased \$348,799 from \$493,626 to \$144,827 reflecting a decrease in investment income of \$311,501, a decrease in miscellaneous income of \$38,610. Capital contributions increased \$3,836,893 primarily due to increases in developer constructed water main of \$3,230,615, water connection fees of \$160,185 and trunk water fees of \$444,748. Municipal contributions expenses to the City of Shakopee increased \$36,393 from \$216,722 to \$253,115 driven by higher water sales revenue from year to year.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

UTILITY FINANCIAL ANALYSIS (CONTINUED)



Year	Residential	Commercial and Industrial	Industrial	Other
2015	\$ 2,420,817	\$ 1,124,593	\$ 227,314	\$ 516,124
2016	2,560,074	1,173,447	248,672	591,120
2017	2,804,902	1,380,349	281,240	718,998
2018	3,043,443	1,496,789	306,868	759,531
2019	2,844,970	1,322,398	268,467	433,911
2020	3,257,458	1,358,234	259,951	706,486
2021	3,684,101	1,769,298	304,968	846,419

Sales of water (without bad debt) increased in 2021 by \$1,022,656 or 18.3%. The increase in operating revenues is the result of an increase in water gallons sold of 19.0%. The water utility added 112 new customers in 2021, an increase of 1.0%.

Water gallons pumped in 2021 totaled 2,080,182 thousand gallons as compared to 1,798,367 thousand gallons in 2020, reflecting an increase of 15.7% for the year 2021 from 2020. Water gallons sold including hydrant sales in 2021 totaled 1,961,462 thousand gallons as compared to 1,643,045 thousand gallons in 2020, reflecting an increase of 19.4% for the year 2021 from 2020. Water operating revenues excluding reconstruction fees totaled \$5,788,799 in 2021 as compared to \$4,482,318 in 2020, an increase of 19.5%.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

UTILITY FINANCIAL ANALYSIS (CONTINUED)

WATER DEMAND

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

Year	Demand (MGD)	Peak Daily Demand (MGD)
2021	5.699	14.655
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

WATER METERS/PRODUCTION

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

Year	Average Daily Water Pumped (Gallons)	Service Population*	Total Service Connections	Residential Usage	Non-Residential Usage
2021	5,699,129	39,592	11,853	61	39
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

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

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

UTILITY FINANCIAL ANALYSIS (CONTINUED)

The statement of cash flows reports 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.

**TABLE 5
CONDENSED STATEMENT OF CASH FLOWS – ELECTRIC UTILITY**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM:		
Operating Activities	\$ 6,866,651	\$ 8,334,359
Noncapital Financing Activities	(2,138,358)	(1,215,137)
Capital and Related Financing Activities	(4,714,315.00)	(3,088,317)
Investing Activities	<u>(1,451,237)</u>	<u>536,098</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,437,259)	4,567,003
Cash and Cash Equivalents - Beginning of Year	<u>1,683,342</u>	<u>(2,883,661)</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 246,083</u></u>	<u><u>\$ 1,683,342</u></u>

**TABLE 6
CONDENSED STATEMENT OF CASH FLOWS – WATER UTILITY**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM:		
Operating Activities	\$ 4,787,465	\$ 795,551
Noncapital Financing Activities	(200,000)	(144,522)
Capital and Related Financing Activities	(815,324)	(284,207)
Investing Activities	<u>(748,840)</u>	<u>403,520</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,023,301	770,342
Cash and Cash Equivalents - Beginning of Year	<u>1,303,491</u>	<u>533,149</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 4,326,792</u></u>	<u><u>\$ 1,303,491</u></u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

UTILITY FINANCIAL ANALYSIS (CONTINUED)

**TABLE 7
CAPITAL ASSETS – ELECTRIC UTILITY**

	2021	2020
CAPITAL ASSETS		
Distribution	\$ 59,836,793	\$ 57,706,211
General	18,826,212	18,370,989
Total Capital Assets	78,663,005	76,077,200
Less: Accumulated Depreciation	(33,113,187)	(30,703,485)
Construction in Progress	3,808,757	1,655,084
Net Capital Assets	\$ 49,358,575	\$ 47,028,799

The electric utility's net capital assets increased \$2,329,776 or 5.0% from 2020. Capital assets increased \$2,130,582 due to investment in new underground construction and transformation driven by new development, substation improvements, and other infrastructure and equipment. These increases were offset by increases in accumulated depreciation of \$2,409,702 and increases in construction in progress of \$2,153,673.

**TABLE 8
CAPITAL ASSETS – WATER UTILITY**

	2021	2020
CAPITAL ASSETS		
Distribution	\$ 77,079,402	\$ 72,470,596
General	1,910,454	1,851,079
Total Capital Assets	78,989,856	74,321,675
Less: Accumulated Depreciation	(24,703,991)	(22,926,096)
Construction in Progress	4,951,865	2,371,883
Net Capital Assets	\$ 59,237,730	\$ 53,767,462

During 2021, the water utility's net capital assets increased by \$5,470,268 or 10.2% from 2020. Distribution and other assets increased by \$4,668,181. In addition, construction in progress increased \$2,579,982. These increases in the value of assets were offset by accumulated depreciation of \$1,777,895.

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
YEAR ENDED DECEMBER 31, 2021**

LONG-TERM DEBT

The electric and water utilities have no bonds outstanding as of December 31, 2021. 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.

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>.

FINANCIAL STATEMENTS

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

ASSETS	2021			2020
	Electric	Water	Total	Total
CURRENT ASSETS				
Cash and Investments	\$ 44,204,443	\$ 11,334,850	\$ 55,539,293	\$ 53,777,043
Emergency Repairs	100,000	-	100,000	100,000
Accrued Interest Receivable	35,322	14,655	49,977	95,672
Customer Accounts Receivable	4,234,201	392,448	4,626,649	4,350,964
Allowance for Uncollectible Amounts	(80,663)	(32,540)	(113,203)	(314,837)
Other Accounts Receivable	2,385,045	340,576	2,725,621	1,186,855
Due from City of Shakopee	81,577	27,192	108,769	112,674
Due from Other Fund	-	200,000	200,000	-
Inventory	1,440,219	31,753	1,471,972	1,035,945
Prepaid Expenses	56,629	19,550	76,179	64,943
Total Current Assets	52,456,773	12,328,484	64,785,257	60,409,259
NONCURRENT ASSETS				
Restricted Assets:				
Customer Deposit Accounts	1,602,470	96,249	1,698,719	2,419,585
Connection Account	-	15,774,600	15,774,600	14,709,814
Water Reconstruction Account	-	1,904,156	1,904,156	1,082,420
Capital Assets:				
Plant in Service	78,663,005	78,989,856	157,652,861	150,398,875
Accumulated Depreciation	(33,113,187)	(24,703,991)	(57,817,178)	(53,629,581)
Construction in Progress	3,808,757	4,951,865	8,760,622	4,026,967
Total Noncurrent Assets	50,961,045	77,012,735	127,973,780	119,008,080
Total Assets	103,417,818	89,341,219	192,759,037	179,417,339
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Amounts	1,359,667	612,580	1,972,247	464,335
Total Assets and Deferred Outflows Resources	\$ 104,777,485	\$ 89,953,799	\$ 194,731,284	\$ 179,881,674

See accompanying Notes to Basic Financial Statements.

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2020)

LIABILITIES	2021			2020
	Electric	Water	Total	Total
CURRENT LIABILITIES				
Accounts Payable	\$ 4,152,391	\$ 972,528	\$ 5,124,919	\$ 3,272,040
Due to City of Shakopee	220,448	52,309	272,757	531,745
Due to Other Fund	200,000	-	200,000	-
Other Current Liabilities	266,986	131,471	398,457	533,011
Total Current Liabilities	4,839,825	1,156,308	5,996,133	4,336,796
LIABILITIES PAYABLE FROM RESTRICTED ASSETS CUSTOMER DEPOSITS				
	1,602,470	96,249	1,698,719	2,419,585
NONCURRENT LIABILITIES				
Unearned Revenues	-	-	-	1,825
Customer Advances	895,089	375,165	1,270,254	344,265
Net Pension Liability	1,866,526	840,938	2,707,464	4,064,920
Total Noncurrent Liabilities	2,761,615	1,216,103	3,977,718	4,411,010
Total Liabilities	9,203,910	2,468,660	11,672,570	11,167,391
DEFERRED INFLOWS OF RESOURCES				
Regulatory Collections to Cover Future Costs	182,161	-	182,161	172,863
Pension Related Amounts	1,859,706	837,866	2,697,572	178,216
Total Deferred Inflows of Resources	2,041,867	837,866	2,879,733	351,079
NET POSITION				
Net Investment in Capital Assets	49,358,575	59,237,730	108,596,305	100,796,261
Restricted	-	17,775,005	17,775,005	15,792,234
Unrestricted	44,173,133	9,634,538	53,807,671	51,774,709
Total Net Position	93,531,708	86,647,273	180,178,981	168,363,204
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 104,777,485	\$ 89,953,799	\$ 194,731,284	\$ 179,881,674

See accompanying Notes to Basic Financial Statements.

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

	2021			2020
	Electric	Water	Total	Total
OPERATING REVENUES				
Sales	\$ 52,853,012	\$ 6,610,535	\$ 59,463,547	\$ 52,730,564
OPERATING EXPENSES				
Operation, Customer and Administrative	44,127,945	3,686,439	47,814,384	42,072,874
Depreciation of Capital Assets	2,482,092	1,777,894	4,259,986	4,153,441
Total Operating Expenses	<u>46,610,037</u>	<u>5,464,333</u>	<u>52,074,370</u>	<u>46,226,315</u>
OPERATING INCOME	6,242,975	1,146,202	7,389,177	6,504,249
NONOPERATING REVENUES (EXPENSES)				
Rentals and Miscellaneous	171,815	164,655	336,470	280,426
Interdepartmental Rent from Water	90,000	-	90,000	90,000
Investment Income	(168,812)	(19,643)	(188,455)	887,166
Interest Expense	(3,954)	(185)	(4,139)	(36,423)
Gain (Loss) on Disposition of Property	31,057	-	31,057	9,074
Total Nonoperating Revenues (Expenses)	<u>120,106</u>	<u>144,827</u>	<u>264,933</u>	<u>1,230,243</u>
Income Before Contributions and Transfers	6,363,081	1,291,029	7,654,110	7,734,492
Capital Contributions	98,931	6,685,954	6,784,885	3,376,714
Municipal Contributions	<u>(2,370,103)</u>	<u>(253,115)</u>	<u>(2,623,218)</u>	<u>(2,384,604)</u>
CHANGE IN NET POSITION	4,091,909	7,723,868	11,815,777	8,726,602
Net Position - Beginning of Year	<u>89,439,799</u>	<u>78,923,405</u>	<u>168,363,204</u>	<u>159,636,602</u>
NET POSITION - END OF YEAR	<u>\$ 93,531,708</u>	<u>\$ 86,647,273</u>	<u>\$ 180,178,981</u>	<u>\$ 168,363,204</u>

See accompanying Notes to Basic Financial Statements.

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

	2021			2020
	Electric	Water	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 50,952,596	\$ 7,854,564	\$ 58,807,160	\$ 51,711,069
Payments to Employees	(4,039,994)	(1,451,518)	(5,491,512)	(7,091,142)
Payments to Suppliers	(40,045,951)	(1,615,581)	(41,661,532)	(35,490,017)
Net Cash Provided by Operating Activities	6,866,651	4,787,465	11,654,116	9,129,910
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments to City of Shakopee	(2,370,103)	-	(2,370,103)	(2,242,120)
Proceeds from Sale of Assets	31,745	-	31,745	882,461
Transfers Between Funds	200,000	(200,000)	-	-
Net Cash Used by Noncapital Financing Activities	(2,138,358)	(200,000)	(2,338,358)	(1,359,659)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest Paid on Debt	-	-	-	(36,423)
Acquisition of Capital Assets	(4,714,315)	(4,027,468)	(8,741,783)	(5,941,967)
Installation Fees	-	83,098	83,098	81,753
Connection Charges	-	2,517,163	2,517,163	2,356,978
Trunk Charges	-	611,883	611,883	167,135
Net Cash Used by Capital and Related Financing Activities	(4,714,315)	(815,324)	(5,529,639)	(3,372,524)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Investments	(1,323,544)	(733,773)	(2,057,317)	(53,462)
Interest and Dividends Received	(127,693)	(15,067)	(142,760)	993,080
Net Cash Provided (Used) by Investing Activities	(1,451,237)	(748,840)	(2,200,077)	939,618
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,437,259)	3,023,301	1,586,042	5,337,345
Cash and Cash Equivalents - Beginning of Year	1,683,342	1,303,491	2,986,833	(2,350,512)
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 246,083</u>	<u>\$ 4,326,792</u>	<u>\$ 4,572,875</u>	<u>\$ 2,986,833</u>

See accompanying Notes to Basic Financial Statements.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)**

	2021			2020
	Electric	Water	Total	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS OPERATING ACTIVITIES				
Operating Income	\$ 6,359,288	\$ 1,146,202	\$ 7,505,490	\$ 6,504,249
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:				
Free Electric Service to City of Shakopee	(116,313)	-	(116,313.00)	(114,758)
Nonoperating Revenues	257,861	164,470	422,331.00	370,426
Depreciation Expense	2,482,782	1,777,895	4,260,677.00	4,153,441
Pension Related Activity	(484,600)	138,588	(346,012.00)	(103,591)
Allowance for Uncollectible Accounts	-	(21,375)	(21,375.00)	264,205
Change in Assets and Liabilities				
Customer Accounts Receivable	(451,453)	(4,491)	(455,944.00)	(307,759)
Other Accounts Receivable	(2,326,901)	788,135	(1,538,766.00)	(996,010)
Due from City of Shakopee	3,369	536	3,905.00	99,183
Inventory	(437,922)	1,895	(436,027.00)	371,656
Prepaid Items	(8,230)	(3,006)	(11,236.00)	(3,114)
Accounts Payable	1,356,293	496,586	1,852,879.00	(751,197)
Customer Deposits	715,453	(5,413.00)	710,040.00	55,293
Unearned Revenue	(1,825)	-	(1,825.00)	(3,385)
Customer Advances	(106,218)	316,754.0	210,536.00	(386,690)
Due to City of Shakopee	(283,571)	24,583.0	(258,988.00)	(74,847)
Other Liabilities	(100,660)	(33,894)	(134,554.00)	52,808
Total Adjustments	<u>498,065</u>	<u>3,641,263</u>	<u>4,139,328</u>	<u>2,625,661</u>
Net Cash Provided by Operating Activities	<u>\$ 6,857,353</u>	<u>\$ 4,787,465</u>	<u>\$ 11,644,818</u>	<u>\$ 9,129,910</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Customer Deposits Account	\$ 1,602,470	\$ 96,249	\$ 1,698,719	\$ 2,419,585
Emergency Repairs Account	100,000	-	100,000	100,000
Connection Account	-	15,774,600	15,774,600	14,709,814
Water Reconstruction Account	-	1,904,156	1,904,156	1,082,420
Cash and Investments	44,204,443	11,334,850	55,539,293	53,777,043
Total	<u>45,906,913</u>	<u>29,109,855</u>	<u>75,016,768</u>	<u>72,088,862</u>
Less: Long-Term Investments	<u>(45,660,830)</u>	<u>(24,783,063)</u>	<u>(70,443,893)</u>	<u>(69,102,029)</u>
Total Cash and Cash Equivalents	<u>\$ 246,083</u>	<u>\$ 4,326,792</u>	<u>\$ 4,572,875</u>	<u>\$ 2,986,833</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of Capital Assets from the Municipality and Developers	\$ 98,931	\$ -	\$ 98,931	\$ 527,653
Free Electric Service to City of Shakopee	116,313	-	116,313	114,758

See accompanying Notes to Basic Financial Statements.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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, 2021. Bad debts are expensed annually when deemed uncollectible.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURNCES, 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.

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.

	Years
Electric	
Distribution	10 - 40
General	4 - 20
Water	
Distribution	20 - 75
General	4 - 40

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (CONTINUED)

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 assets 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 assets 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

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.

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.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND
NET POSITION OR EQUITY (CONTINUED)**

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.

16. 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.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURNCES, AND
NET POSITION OR EQUITY (CONTINUED)**

17. COMPARATIVE DATA

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2020, from which the summarized information was derived. Certain comparative information has been reclassified to conform to the current year presentation.

NOTE 2 CASH 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, 2021, 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:

	2021
Checking	\$ 4,571,174
CDARS	5,634,143
Money Market	237,944
Total Deposits	\$ 10,443,261

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2021, the Commission had the following investments:

	Rating	Total Value	Years to Maturity			
			Less than 1 Year	1-5 Years	Over 5 Years	No Maturity
U.S. Agencies	AAA	\$ 3,620,565	\$ 783,660	\$ 2,836,905	\$ -	\$ -
U.S. Treasuries	N/A	37,223,204	3,924,656	33,298,548	-	-
Commercial Paper	N/A	12,973,818	12,973,818	-	-	-
4M Fund	NR	359,878	-	-	-	359,878
4M Plus Fund	NR	8,008,785	-	-	-	8,008,785
Money Market	NR	2,385,557	-	-	-	2,385,557
Total		<u>\$ 64,571,807</u>	<u>\$ 17,682,134</u>	<u>\$ 36,135,453</u>	<u>\$ -</u>	<u>\$ 10,754,220</u>

The Commission has the following recurring fair value measurements as of December 31, 2021:

	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
U.S. Agencies	\$ 3,620,565	\$ -	\$ 3,620,565	\$ -
U.S. Treasuries	37,223,204	37,223,204	-	-
Commercial Paper	12,973,818	-	12,973,818	-
Total	<u>53,817,587</u>	<u>\$ 37,223,204</u>	<u>\$ 16,594,383</u>	<u>\$ -</u>
Investments Measured at Amortized Cost	<u>10,754,220</u>			
Total Investments	<u>\$ 64,571,807</u>			

The Commission has a formal investment policy in place as of December 31, 2021, 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

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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, 2021, 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.

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, 2021:

Deposit (Note 2.A)	\$ 10,443,261
Investments (Note 2.B.)	64,571,807
Petty Cash	<u>1,700</u>
Total Deposits	<u><u>\$ 75,016,768</u></u>

Deposits and investments are presented in the December 31, 2021, basic financial statements as follows:

Statement of Net Position	
Current Assets	
Cash and Investments	\$ 55,539,293
Noncurrent Assets	
Restricted Assets	
Customer Deposit Account	1,698,719
Connection Account	15,774,600
Water Reconstruction Account	1,904,156
Other Assets	
Emergency Repairs Account	100,000
Total	<u><u>\$ 75,016,768</u></u>

SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CAPITAL ASSETS

Electric capital asset activity for the year ended December 31, 2021 is 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	1,655,084	3,622,563	(1,468,890)	3,808,757
Total Capital Assets Not Being Depreciated	6,036,280	3,622,563	(1,468,890)	8,189,953
CAPITAL ASSETS BEING DEPRECIATED				
Distribution	56,876,344	2,142,764	(12,182)	59,006,926
General	14,819,660	518,614	(63,391)	15,274,883
Total Capital Assets Being Depreciated	71,696,004	2,661,378	(75,573)	74,281,809
Less: Accumulated Depreciation	(30,703,485)	(2,482,782)	73,080	(33,113,187)
Total Capital Assets Being Depreciated, Net	40,992,519	178,596	(2,493)	41,168,622
Capital Assets, Net	<u>\$ 47,028,799</u>	<u>\$ 3,801,159</u>	<u>\$ (1,471,383)</u>	<u>\$ 49,358,575</u>

Water capital asset activity for the year ended December 31, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land and Land Rights	\$ 1,948,506	\$ -	\$ -	\$ 1,948,506
Construction in Progress	2,371,883	3,310,530	(730,548)	4,951,865
Total Capital Assets Not Being Depreciated	4,320,389	3,310,530	(730,548)	6,900,371
CAPITAL ASSETS BEING DEPRECIATED				
Distribution	70,522,090	4,608,806	-	75,130,896
General	1,851,079	59,375	-	1,910,454
Total Capital Assets Being Depreciated	72,373,169	4,668,181	-	77,041,350
Less: Accumulated Depreciation	(22,926,096)	(1,777,895)	-	(24,703,991)
Total Capital Assets Being Depreciated, Net	49,447,073	2,890,286	-	52,337,359
Capital Assets, Net	<u>\$ 53,767,462</u>	<u>\$ 6,200,816</u>	<u>\$ (730,548)</u>	<u>\$ 59,237,730</u>

Depreciation expense for 2021 for Electric and Water totaled \$2,482,782 and \$1,777,895, respectively.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 MUNICIPAL RECEIVABLES, PAYABLES, AND CONTRIBUTIONS

Amounts receivable from and payable to the City of Shakopee as of December 31, 2021, are as follows:

<u>Receivable Fund/Municipality</u>	<u>Payable Fund/Municipality</u>	<u>Amount</u>
Electric Fund	City of Shakopee	\$ 81,577
City of Shakopee	Electric Fund	220,448
Water Fund	City of Shakopee	27,192
City of Shakopee	Water Fund	52,309

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

The composition of municipal contributions as of December 31, 2021, was as follows:

<u>Contributions To</u>	<u>Contributions From</u>	<u>Amount</u>
City of Shakopee	Electric Fund	\$ 2,370,103
City of Shakopee	Water Fund	253,115
Total		<u>\$ 2,623,218</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 DEFINED-BENEFIT PENSION PLAN - STATEWIDE

A. Plan Description

The Commission participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (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.

1. General Employees Retirement Fund

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.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)

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.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 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. 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. 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.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 and the Commission was required to contribute 7.50% for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended December 31, 2021, were \$359,999. The Commission's contributions were equal to the required contributions as set by state statute.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2021, the Commission reported a liability of \$2,707,464 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 nonemployer 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 \$82,761.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportion was .0634% at the end of the measurement period and .0678% for the beginning of the period.

Commission's Proportionate Share of the Net Pension Liability		\$ 2,707,464
State of Minnesota's Proportionate Chare of the Net Pension Liability Associated with the Commission		<u>82,761</u>
Total		<u>\$ 2,790,225</u>

For the year ended December 31, 2021, the Commission recognized pension expense of (\$587) for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2021, the Commission reported its proportionate share of the General Employees Plans' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 16,635	\$ 82,857
Changes in Actuarial Assumptions	1,653,121	59,891
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,344,778
Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions	124,225	210,046
Commission Contributions Subsequent to the Measurement Date	<u>178,266</u>	<u>-</u>
Total	<u>\$ 1,972,247</u>	<u>\$ 2,697,572</u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)

D. Pension Costs (Continued)

\$178,266 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 ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30.</u>	<u>Pension Expense Amount</u>
2022	\$ (130,604)
2023	(45,449)
2024	(87,994)
2025	(639,544)

E. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for 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 following changes in actuarial assumptions occurred in 2021 for the General Employees Fund:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)

F. Long-Term Expected Return on Investments

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Totals	100.0 %	

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. 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 one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
General Employees Fund Discount Rate	5.50 %	6.50 %	7.50 %
Commission's Proportionate Share of the General Employees Fund Net Pension Liability	\$ 5,521,845	\$ 2,707,464	\$ 398,093

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 DEFINED-BENEFIT PENSION PLAN - STATEWIDE (CONTINUED)

I. 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 6 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, 2021, 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 7 COMMITMENTS

The Commission has in process various multi-year construction projects which were not completed in the current fiscal year. As of December 31, 2021, outstanding commitments for these multi-year projects total approximately \$1,165,263.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

The following are accounting standards which have been issued by the Governmental Accounting Standards Board but have not been implemented and may have a significant impact on the Commission.

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. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government and users (governments). The standards included in GASB Statement No. 96 are based on the standards established in GASB Statement No. 87 noted above. The requirements of this statement are effective for fiscal year 2023 for the Commission.

REQUIRED SUPPLEMENTARY INFORMATION

**SHAKOPEE PUBLIC UTILITIES COMMISSION
GENERAL EMPLOYEES FUND SCHEDULE OF THE COMMISSION'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2021**

	Measurement Date June 30,						
	2021	2020	2019	2018	2017	2016	2015
Commission's Proportion of the Net Pension Liability	0.0634 %	0.0678 %	0.0639 %	0.0645 %	0.0644 %	0.0621 %	0.0608 %
Commission's Proportionate Share of the Net Pension Liability	\$ 2,707,464	\$ 4,064,920	\$ 3,532,888	\$ 3,578,196	\$ 4,111,253	\$ 5,042,212	\$ 3,150,972
State's Proportionate Share of the Net Pension Liability Associated with the Commission	82,761	125,364	109,829	117,344	51,656	65,842	-
Total	<u>\$ 2,790,225</u>	<u>\$ 4,190,284</u>	<u>\$ 3,642,717</u>	<u>\$ 3,695,540</u>	<u>\$ 4,162,909</u>	<u>\$ 5,108,054</u>	<u>\$ 3,150,972</u>
Commission's Covered Payroll	\$ 4,553,229	\$ 3,516,627	\$ 3,854,427	\$ 4,145,653	\$ 4,333,280	\$ 3,854,427	\$ 3,516,627
Commission's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	59.46 %	115.59 %	91.66 %	86.31 %	94.88 %	130.82 %	89.60 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.00 %	79.06 %	80.23 %	79.53 %	75.90 %	68.91 %	78.19 %

The Amounts Presented for Each Fiscal Year were determined as of 6/30.

Ten years of data is not yet available, but years will be added going forward until ten years are present.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
GENERAL EMPLOYEES FUND SCHEDULE OF COMMISSION CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2021**

	Fiscal Year Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 359,999	\$ 360,080	\$ 350,018	\$ 339,188	\$ 315,791	\$ 299,473	\$ 277,221
Contributions in Relation to the Statutorily Required Contribution	(359,999)	(360,080)	(350,018)	(339,188)	(315,791)	(299,473)	(277,221)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Commission's Covered Payroll	 \$ 4,799,987	 \$ 4,801,067	 \$ 4,666,907	 \$ 4,522,507	 \$ 4,210,547	 \$ 3,992,973	 \$ 3,696,280
 Contributions as a Percentage of Covered Payroll	 7.50%	 7.50%	 7.50%	 7.50%	 7.50%	 7.50%	 7.50%

Ten years of data is not yet available, but years will be added going forward until ten years is present.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

General Employees Fund

2021 Changes:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2020 Changes:

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint 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% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS
(CONTINUED)**

General Employees Fund (Continued)

2019 Changes:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2017 Changes:

Changes in Actuarial Assumptions:

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA load are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

**CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS
(CONTINUED)**

General Employees Fund (Continued)

2017 Changes (Continued):

Changes in Actuarial Assumptions (Continued):

- The assumed postretirement benefit increase rate was changed for 1.00% per year for all years to 1.00% per year through 2044 and 2.50% 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 postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% 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**

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF NET POSITION – ELECTRIC UTILITY
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Investments	\$ 44,204,443	\$ 44,318,158
Emergency Repairs	100,000	100,000
Accrued Interest Receivable	35,322	76,441
Customer Accounts Receivable	4,234,201	3,963,007
Allowance for Uncollectible Amounts	(80,663)	(260,922)
Other Accounts Receivable	2,385,045	58,144
Due from City of Shakopee	81,577	84,946
Inventory	1,440,219	1,002,297
Prepaid Expenses	56,629	48,399
Total Current Assets	52,456,773	49,390,470
NONCURRENT ASSETS		
Restricted Assets:		
Customer Deposit Accounts	1,602,470	2,317,923
Capital Assets:		
Plant in Service	78,663,005	76,077,200
Accumulated Depreciation	(33,113,187)	(30,703,485)
Construction in Progress	3,808,757	1,655,084
Total Noncurrent Assets	50,961,045	49,346,722
Total Assets	103,417,818	98,737,192
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	1,359,667	350,348
Total Assets and Deferred Outflows Resources	\$ 104,777,485	\$ 99,087,540

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF NET POSITION – ELECTRIC UTILITY (CONTINUED)
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

LIABILITIES	2021	2020
CURRENT LIABILITIES		
Accounts Payable	\$ 4,152,391	\$ 2,796,098
Due to City of Shakopee	220,448	504,019
Due to Other Fund	200,000	-
Other Current Liabilities	266,986	367,646
Total Current Liabilities	4,839,825	3,667,763
LIABILITIES PAYABLE FROM RESTRICTED ASSETS CUSTOMER DEPOSITS		
	1,602,470	2,317,923
NONCURRENT LIABILITIES		
Unearned Revenues	-	1,825
Customer Advances	895,089	285,854
Net Pension Liability	1,866,526	3,067,046
Total Noncurrent Liabilities	2,761,615	3,354,725
Total Liabilities	9,203,910	9,340,411
DEFERRED INFLOWS OF RESOURCES		
Regulatory Collections to Cover Future Costs	182,161	172,863
Pension Related Amounts	1,859,706	134,467
Total Deferred Inflows of Resources	2,041,867	307,330
NET POSITION		
Net Investment in Capital Assets	49,358,575	47,028,799
Unrestricted	44,173,133	42,411,000
Total Net Position	93,531,708	89,439,799
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 104,777,485	\$ 99,087,540

**SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – ELECTRIC UTILITY
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Sales	\$ 52,853,012	\$ 47,198,288
OPERATING EXPENSES		
Operation, Customer and Administrative	44,127,945	39,010,560
Depreciation of Capital Assets	<u>2,482,092</u>	<u>2,420,110</u>
Total Operating Expenses	<u>46,610,037</u>	<u>41,430,670</u>
OPERATING INCOME	6,242,975	5,767,618
NONOPERATING REVENUES (EXPENSES)		
Rentals and Miscellaneous	171,815	77,161
Interdepartmental Rent from Water	90,000	90,000
Investment Income	(168,812)	595,308
Interest Expense	(3,954)	(34,926)
Gain (Loss) on Disposition of Property	<u>31,057</u>	<u>9,074</u>
Total Nonoperating Revenues (Expenses)	<u>120,106</u>	<u>736,617</u>
Income Before Contributions and Transfers	6,363,081	6,504,235
Capital Contributions	98,931	527,653
Municipal Contributions	<u>(2,370,103)</u>	<u>(2,167,882)</u>
CHANGE IN NET POSITION	4,091,909	4,864,006
Net Position - Beginning of Year	<u>89,439,799</u>	<u>84,575,793</u>
NET POSTION - END OF YEAR	<u><u>\$ 93,531,708</u></u>	<u><u>\$ 89,439,799</u></u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF CASH FLOWS – ELECTRIC UTILITY
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 50,952,596	\$ 46,946,832
Payments to Suppliers	(4,039,994)	(5,274,011)
Payments to Employees	(40,045,951)	(33,338,462)
Net Cash Flows Provided by Operating Activities	<u>6,866,651</u>	<u>8,334,359</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to City of Shakopee	(2,370,103)	(2,053,124)
Proceeds from Sale of Assets	31,745	837,987
Transfers Between Funds	200,000	-
Net Cash Flows Provided by Noncapital Financing Activities	<u>(2,138,358)</u>	<u>(1,215,137)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Paid on Debt	-	(34,926)
Acquisition of Capital Assets	(4,714,315)	(3,053,391)
Net Cash Flows Used by Capital and Related Financing Activities	<u>(4,714,315)</u>	<u>(3,088,317)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,323,544)	(48,396)
Interest and Dividends Received	(127,693)	584,494
Net Cash Provided by Investing Activities	<u>(1,451,237)</u>	<u>536,098</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,437,259)	4,567,003
Cash and Cash Equivalents - Beginning of Year	<u>1,683,342</u>	<u>(2,883,661)</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 246,083</u>	<u>\$ 1,683,342</u>

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF CASH FLOWS – ELECTRIC UTILITY (CONTINUED)
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS		
OPERATING ACTIVITIES		
Operating Income	\$ 6,359,288	\$ 5,767,618
Adjustments to Reconcile Operating Income to Cash		
Provided by Operating Activities:		
Free Electric Service to City of Shakopee	(116,313)	(114,758)
Nonoperating Revenues	257,861	167,161
Depreciation Expense	2,482,782	2,420,110
Pension Related Activity	(484,600)	(60,629)
Allowance for Uncollectible Accounts	-	220,089
Change in Assets and Liabilities:		
Customer Accounts Receivable	(451,453)	(225,324)
Other Accounts Receivable	(2,326,901)	45,875
Due from City of Shakopee	3,369	10,062
Inventory	(437,922)	373,865
Prepaid Items	(8,230)	(2,028)
Accounts Payable	1,356,293	(55,101)
Customer Deposits	715,453	49,801
Unearned Revenue	(1,825)	(3,385)
Customer Advances	(106,218)	(400,977)
Due to City of Shakopee	(283,571)	105,595
Other Liabilities	(100,660)	36,385
Total Adjustments	498,065	2,566,741
Net Cash Provided by Operating Activities	\$ 6,857,353	\$ 8,334,359
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Customer Deposits Account	\$ 1,602,470	\$ 2,317,923
Emergency Repairs Account	100,000	100,000
Cash and Investments	44,204,443	44,318,158
Total	45,906,913	46,736,081
Less: Investments	(45,660,830)	(45,052,739)
Total Cash and Cash Equivalents	\$ 246,083	\$ 1,683,342
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contributions of Capital Assets from the Municipality and Developers	\$ 98,931	\$ 527,653
Free Electric Service to City of Shakopee	116,313	114,758

SHAKOPEE PUBLIC UTILITIES COMMISSION
DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES – ELECTRIC UTILITY
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

	2021	2020
OPERATING REVENUES		
Sales of Electricity:		
Residential	\$ 19,996,991	\$ 18,032,655
Commercial	31,752,298	28,553,792
Uncollectible Accounts	81,089	(258,532)
Total Sales of Electricity	51,830,378	46,327,915
Forfeited Discounts	134,686	60,835
Free Service to City of Shakopee	116,313	114,758
Conservation Program	771,635	694,780
Total Operating Revenues	52,853,012	47,198,288
OPERATING EXPENSES		
Operation and Maintenance:		
Purchased Power	37,965,029	32,729,485
Distribution Operation Expenses	437,040	553,702
Distriution System Maintenance	779,450	653,225
Maintenance of General Plant	261,657	274,843
Total Operation and Maintenance	39,443,176	34,211,255
Customer Accounts:		
Meter Reading	133,206	127,450
Customer Records and Collection	635,858	575,336
Energy Conservation	771,634	693,297
Total Customer Accounts	1,540,698	1,396,083
Administrative and General:		
Administrative and General Salaries	571,493	644,190
Office Supplies and Expense	152,169	136,544
Outside Services Employed	621,638	428,140
Insurance	141,380	129,545
Employee Benefits	1,351,876	1,773,389
Miscellaneous General	305,515	291,414
Total Administrative and General	3,144,071	3,403,222
Total Operation, Customer, and Administrative Expenses	44,127,945	39,010,560
Depreciation of Capital Assets	2,482,092	2,420,110
Total Operating Expenses	46,610,037	41,430,670
Total Operating Income	\$ 6,242,975	\$ 5,767,618

**SHAKOPEE PUBLIC UTILITIES COMMISSION
SCHEDULE OF PLANT IN SERVICE – ELECTRIC UTILITY
YEAR ENDED DECEMBER 31, 2021**

	Balance 12/31/2020	Additions	Retirements/ Adjustments	Balance 12/31/2021
CAPITAL ASSETS				
Distribution:				
Land and Land Rights	\$ 829,867	\$ -	\$ -	\$ 829,867
Structures and Improvements	460,701	-	-	460,701
Station Equipment	23,037,208	-	-	23,037,208
Station Battery	1,857	-	-	1,857
Poles, Towers, and Fixtures	527,824	-	-	527,824
Overhead Conductors and Devices	3,048,389	12,579	-	3,060,968
Underground Conduit	906,281	-	-	906,281
Underground Conductors and Devices	21,479,888	1,405,719	12,182	22,873,425
Line Transformers	5,811,014	624,723	-	6,435,737
Services	50,643	-	-	50,643
Meters	1,552,539	99,743	-	1,652,282
Total Distribution	<u>57,706,211</u>	<u>2,142,764</u>	<u>12,182</u>	<u>59,836,793</u>
General:				
Land and Land Rights	3,551,329	-	-	3,551,329
Structures and Improvements	9,248,411	206,583	-	9,454,994
Office Furniture and Equipment	1,200,247	16,277	-	1,216,524
Computer Equipment	786,650	198,443	-	985,093
Transportation Equipment	2,433,139	93,162	63,391	2,462,910
Tools, Shop, and Garage Equipment	194,999	4,149	-	199,148
Laboratory Equipment	20,041	-	-	20,041
Power Operated Equipment	579,052	-	-	579,052
Communication Equipment	357,121	-	-	357,121
Total General	<u>18,370,989</u>	<u>518,614</u>	<u>63,391</u>	<u>18,826,212</u>
 Total Plant in Service	 <u>\$ 76,077,200</u>	 <u>\$ 2,661,378</u>	 <u>\$ 75,573</u>	 <u>\$ 78,663,005</u>

**SUPPLEMENTARY INFORMATION
WATER UTILITY FUND**

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF NET POSITION – WATER UTILITY
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Investments	\$ 11,334,850	\$ 9,458,885
Accrued Interest Receivable	14,655	19,231
Customer Accounts Receivable	392,448	387,957
Allowance for Uncollectible Amounts	(32,540)	(53,915)
Other Accounts Receivable	340,576	1,128,711
Due from City of Shakopee	27,192	27,728
Due From Electric Fund	200,000	-
Inventory	31,753	33,648
Prepaid Expenses	19,550	16,544
Total Current Assets	12,328,484	11,018,789
NONCURRENT ASSETS		
Restricted Assets:		
Customer Deposit Accounts	96,249	101,662
Connection Account	15,774,600	14,709,814
Water Reconstruction Account	1,904,156	1,082,420
Capital Assets:		
Plant in Service	78,989,856	74,321,675
Accumulated Depreciation	(24,703,991)	(22,926,096)
Construction in Progress	4,951,865	2,371,883
Total Noncurrent Assets	77,012,735	69,661,358
Total Assets	89,341,219	80,680,147
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	612,580	113,987
Total Assets and Deferred Outflows Resources	\$ 89,953,799	\$ 80,794,134

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF NET POSITION – WATER UTILITY (CONTINUED)
DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

LIABILITIES	2021	2020
CURRENT LIABILITIES		
Accounts Payable	\$ 972,528	\$ 475,942
Due to City of Shakopee	52,309	27,726
Other Current Liabilities	131,471	165,365
Total Current Liabilities	1,156,308	669,033
LIABILITIES PAYABLE FROM RESTRICTED ASSETS CUSTOMER DEPOSITS	96,249	101,662
NONCURRENT LIABILITIES		
Customer Advances	375,165	58,411
Net Pension Liability	840,938	997,874
Total Noncurrent Liabilities	1,216,103	1,056,285
Total Liabilities	2,468,660	1,826,980
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	837,866	43,749
NET POSITION		
Net Investment in Capital Assets	59,237,730	53,767,462
Restricted	17,775,005	15,792,234
Unrestricted	9,634,538	9,363,709
Total Net Position	86,647,273	78,923,405
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 89,953,799	 \$ 80,794,134

**SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – WATER UTILITY
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES	\$ 6,610,535	\$ 5,532,276
OPERATING EXPENSES		
Operation, Customer and Administrative	3,686,439	3,062,314
Depreciation of Capital Assets	<u>1,777,894</u>	<u>1,733,331</u>
Total Operating Expenses	<u>5,464,333</u>	<u>4,795,645</u>
OPERATING INCOME	1,146,202	736,631
NONOPERATING REVENUES (EXPENSES)		
Rentals and Miscellaneous	164,655	203,265
Investment Income	(19,643)	291,858
Interest Expense	<u>(185)</u>	<u>(1,497)</u>
Total Nonoperating Revenues (Expenses)	<u>144,827</u>	<u>493,626</u>
Income Before Contributions and Transfers	1,291,029	1,230,257
Capital Contributions	6,685,954	2,849,061
Municipal Contributions	<u>(253,115)</u>	<u>(216,722)</u>
CHANGE IN NET POSITION	7,723,868	3,862,596
Net Position - Beginning of Year	<u>78,923,405</u>	<u>75,060,809</u>
NET POSTION - END OF YEAR	<u>\$ 86,647,273</u>	<u>\$ 78,923,405</u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF CASH FLOWS – WATER UTILITY
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 7,854,564	\$ 4,764,237
Payments to Suppliers	(1,451,518)	(1,817,131)
Payments to Employees	(1,615,581)	(2,151,555)
Net Cash Flows Provided by Operating Activities	<u>4,787,465</u>	<u>795,551</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to City of Shakopee	-	(188,996)
Proceeds from Sale of Assets	-	44,474
Transfers Between Funds	(200,000)	-
Net Cash Flows Provided by Noncapital Financing Activities	<u>(200,000)</u>	<u>(144,522)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Paid on Debt	-	(1,497)
Acquisition of Capital Assets	(4,027,468)	(2,888,576)
Installation Fees	83,098	81,753
Connection Charges	2,517,163	2,356,978
Trunk Charges	611,883	167,135
Net Cash Flows Used by Capital and Related Financing Activities	<u>(815,324)</u>	<u>(284,207)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(733,773)	(5,066)
Interest and Dividends Received	(15,067)	408,586
Net Cash Provided by Investing Activities	<u>(748,840)</u>	<u>403,520</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,023,301	770,342
Cash and Cash Equivalents - Beginning of Year	<u>1,303,491</u>	<u>533,149</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,326,792</u>	<u>\$ 1,303,491</u>

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF CASH FLOWS – WATER UTILITY (CONTINUED)
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS		
OPERATING ACTIVITIES		
Operating Income	\$ 1,146,202	\$ 736,631
Adjustments to Reconcile Operating Income to Cash Provided by Operating		
Nonoperating Revenues	164,470	203,265
Depreciation Expense	1,777,895	1,733,331
Pension Related Activity	138,588	(42,962)
Allowance for Uncollectible Accounts	(21,375)	44,116
Change in Assets and Liabilities		
Customer Accounts Receivable	(4,491)	(82,435)
Other Accounts Receivable	788,135	(1,041,885)
Due from City of Shakopee	536	89,121
Inventory	1,895	(2,209)
Prepaid Items	(3,006)	(1,086)
Accounts Payable	496,586	(696,096)
Customer Deposits	(5,413)	5,492
Customer Advances	316,754	14,287
Due to City of Shakopee	24,583	(180,442)
Other Liabilities	(33,894)	16,423
Total Adjustments	3,641,263	58,920
Net Cash Provided by Operating Activities	\$ 4,787,465	\$ 795,551
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Customer Deposits Account	\$ 96,249	\$ 101,662
Connection Account	15,774,600	14,709,814
Water Reconstruction Account	1,904,156	1,082,420
Cash and Investments	11,334,850	9,458,885
Total	29,109,855	25,352,781
Less Investments	(24,783,063)	(24,049,290)
Total Cash and Cash Equivalents	\$ 4,326,792	\$ 1,303,491

SHAKOPEE PUBLIC UTILITIES COMMISSION
DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES – WATER UTILITY
YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2020)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Sales of Water	\$ 6,592,104	\$ 5,578,527
Forfeited Discounts	12,682	3,602
Uncollectible Accounts	5,749	(49,853)
Total Operating Revenues	<u>6,610,535</u>	<u>5,532,276</u>
OPERATING EXPENSES		
Operation and Maintenance:		
Pumping and Distribution Operation	608,725	612,055
Pumping and Distribution Maintenance	578,202	396,702
Power for Pumping	328,995	284,744
Maintenance of General Plant	47,251	53,307
Total Operating and Maintenance	<u>1,563,173</u>	<u>1,346,808</u>
Customer Accounts:		
Meter Reading	73,395	69,539
Customer Records and Collection	196,524	166,593
Energy Conservation	4,155	1,481
Total Customer Accounts	<u>274,074</u>	<u>237,613</u>
Administrative and General:		
Administrative and General Salaries	379,982	421,797
Office Supplies and Expense	45,631	45,321
Outside Services Employed	320,973	183,196
Insurance	47,127	43,182
Employee Benefits	874,443	615,013
Miscellaneous General	181,036	169,384
Total Administrative and General	<u>1,849,192</u>	<u>1,477,893</u>
Total Operation, Customer, and Administrative Expenses	3,686,439	3,062,314
Depreciation of Capital Assets	1,777,894	1,733,331
Total Operating Expenses	<u>5,464,333</u>	<u>4,795,645</u>
Total Operating Income	<u>\$ 1,146,202</u>	<u>\$ 736,631</u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION
SCHEDULE OF PLANT IN SERVICE – WATER UTILITY
YEAR ENDED DECEMBER 31, 2021**

	<u>Balance 12/31/2020</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance 12/31/2021</u>
CAPITAL ASSETS				
Distribution:				
Land and Land Rights	\$ 1,948,506	\$ -	\$ -	\$ 1,948,506
Wells	4,405,137	170,118	-	4,575,255
Electric Pumping Equipment	8,502,094	166,209	-	8,668,303
Towers and Pump Houses	7,631,469	41,773	-	7,673,242
Distribution system	46,978,718	4,112,046	-	51,090,764
Meters	3,004,672	118,660	-	3,123,332
Total Distribution	<u>72,470,596</u>	<u>4,608,806</u>	<u>-</u>	<u>77,079,402</u>
General:				
Office Furniture and Equipment	149,647	1,530	-	151,177
Computer Equipment	215,910	12,030	-	227,940
Transporation Equipment	459,278	-	-	459,278
Tools, Shop, and Garage Equipment	22,396	-	-	22,396
Laboratory Equipment	64,427	-	-	64,427
Power Operated Equipment	10,268	-	-	10,268
Communication Equipment	22,480	-	-	22,480
Scada Equipment	555,342	45,815	-	601,157
Building Improvements	351,331	-	-	351,331
Total General	<u>1,851,079</u>	<u>59,375</u>	<u>-</u>	<u>1,910,454</u>
 Total Plant in Service	 <u>\$ 74,321,675</u>	 <u>\$ 4,668,181</u>	 <u>\$ -</u>	 <u>\$ 78,989,856</u>

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