

**SHAKOPEE PUBLIC UTILITIES COMMISSION
A COMPONENT UNIT OF THE
CITY OF SHAKOPEE, MINNESOTA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

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INTRODUCTORY SECTION

**SHAKOPEE PUBLIC UTILITIES COMMISSION
BOARD OF COMMISSIONERS AND ADMINISTRATION
DECEMBER 31, 2023**

Officials	Position	Term Expires
Justin Krieg	President/MMPA Alternate Rep	March 31, 2024
Benedict Letourneau	Vice President	March 31, 2024
Kathi Mocol	Commissioner	March 31, 2025
Kayden Fox	Commissioner	March 31, 2026
Jim Dulaney	Commissioner/City Council Member	March 31, 2026

Administration		
Greg Drent	General Manager/MMPA Rep	
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

Opinion

We have audited the accompanying financial statements of the Shakopee Public Utilities Commission, a component unit of the City of Shakopee, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the 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 financial position of the Shakopee Public Utilities Commission, as of December 31, 2023, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective January 1, 2023, the Shakopee Public Utilities Commission adopted new accounting guidance for subscription-based information technology arrangements (SBITAs). Under this statement, the Shakopee Public Utilities Commission should recognize a right-to-use subscription asset and a corresponding subscription liability for all SBITAs with subscription terms greater than twelve months. Our opinion is not modified with respect to this matter.

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 Forms and Letters - Audit'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 opinion. 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.

Report on Summarized Comparative Information

We have previously audited the Shakopee Public Utilities Commission 2022 financial statements, and we expressed unmodified opinions on the major funds in our report dated April 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 an opinion on the financial statements as a whole. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 financial statements and our auditors' report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 29, 2024, 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 29, 2024

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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, 2023. You are invited to read this narrative in conjunction with the Utilities' financial statements.

FINANCIAL HIGHLIGHTS

- The electric utility's net position increased \$6,891,095 to \$103,682,037 in 2023, an increase of 7.1%. Total assets increased by \$7,316,914 due to increases in net capital assets of \$6,761,005, increases in accounts receivable of \$406,417 and other assets of \$31,417. Deferred outflows of resources decreased \$311,210 reflecting Governmental Accounting Standards Board (GASB) 68 pension reporting. Total liabilities decreased by \$675,723 due to a decrease in net pension liability of \$912,337, accounts payable of \$402,597, partially offset by an increase in customer advances of \$238,778 and subscriptions payable of \$281,311. Deferred inflows of resources increased \$790,332 (see Table 1).
- The electric utility's operating revenue increased by \$2,357,786 or 4.0%, driven by an increase in power cost adjustment revenue, driven by higher-than-average purchase power costs per kilowatt hour, an increase in monthly service charge and demand fee revenue and \$898,184 in conservation revenue. Total kWh sales volume decreased 0.6%. The electric utility added 681 new customers in 2023, an increase of 3.6% (see Table 3).
- The electric utility's operating expenses in 2023 increased \$1,535,871 or 2.9%, due to increases in distribution system maintenance of \$1,154,943, increases in employee benefit and material expenses, and an increase in depreciation expense of \$545,148.
- The water utility's net position increased \$8,648,840 to \$103,981,697 in 2023, an increase of 9.1%. Total assets increased by \$10,953,701 due to an increase in net capital assets of \$7,680,905, an increase of \$874,716 in cash and investments and an increase in other accounts receivable of \$603,743. Deferred outflows of resources decreased \$128,228 reflecting the GASB 68 pension reporting activity. Total liabilities increased \$1,259,888 due to increase in accounts payable of \$1,514,508 with an offset decrease in net pension liability of \$374,453. Deferred inflows of resources increased \$916,745 due to the net impact of a reduction related to GASB 68 pension report activity and the reflection of deferred inflows related to leases receivable (see Table 2).
- The water utility's 2023 operating revenues, generated mostly by sales of water, increased \$1,148,384, or 17.3% due to an increase in water rates, slightly offset by a decrease in water gallons sold. The water utility added 242 new customers in 2023, an increase of 2.0% (see Table 4).
- The water utility's operating expenses in 2023 increased \$1,935,719 or 33.6% driven by an increase in distribution, maintenance, and administrative expenses. Total gallons pumped increased 11.67%.
- Capital contributions for the utility increased from 2022 to 2023 by \$418,700 due to increases in water connection fees and developer capital contributions.
- Municipal contributions expenses to the City of Shakopee increased from 2023 to 2022 by \$203,230 due to an increase in power cost adjustment revenue, which was driven by higher purchase power costs.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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, 2023**

UTILITY FINANCIAL ANALYSIS (CONTINUED)

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>
ASSETS			
Current and Other Assets	\$ 55,517,481	\$ 54,961,572	\$ 555,909
Net Capital Assets	<u>59,714,037</u>	<u>52,953,032</u>	<u>6,761,005</u>
Total Assets	<u>115,231,518</u>	<u>107,914,604</u>	<u>7,316,914</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>894,233</u>	<u>1,205,443</u>	<u>(311,210)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 116,125,751</u>	<u>\$ 109,120,047</u>	<u>\$ 7,005,704</u>
LIABILITIES			
Net Pension Liability	\$ 2,749,804	\$ 3,662,141	\$ (912,337)
Other Liabilities	<u>8,567,219</u>	<u>8,330,605</u>	<u>236,614</u>
Total Liabilities	<u>11,317,023</u>	<u>11,992,746</u>	<u>(675,723)</u>
DEFERRED INFLOWS OF RESOURCES	1,126,691	336,359	790,332
NET POSITION			
Net Investment in Capital Assets	59,344,130	52,953,032	6,391,098
Unrestricted	<u>44,337,907</u>	<u>43,837,910</u>	<u>499,997</u>
Total Net Position	<u>103,682,037</u>	<u>96,790,942</u>	<u>6,891,095</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 116,125,751</u>	<u>\$ 109,120,047</u>	<u>\$ 7,005,704</u>

As can be seen from the table above, the electric utility's net position increased \$6,891,095 to \$103,682,037 in 2023, an increase of 7.1%. Total assets increased by \$7,316,914 due to increases in net capital assets of \$6,761,005, increases in accounts receivable of \$406,417 and other assets of \$31,417. Deferred outflows of resources decreased \$311,210 reflecting Governmental Accounting Standards Board (GASB) 68 pension reporting.

Total liabilities decreased by \$675,723 due to a decrease in net pension liability of \$912,337, accounts payable of \$402,597, partially offset by an increase in customer advances of \$238,778 and subscriptions payable of \$281,311. Deferred inflows of resources increased \$790,332.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

UTILITY FINANCIAL ANALYSIS (CONTINUED)

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>
ASSETS			
Current and Other Assets	\$ 40,337,359	\$ 37,064,563	\$ 3,272,796
Net Capital Assets	70,042,269	62,361,364	7,680,905
Total Assets	<u>110,379,628</u>	<u>99,425,927</u>	10,953,701
DEFERRED OUTFLOWS OF RESOURCES			
	<u>407,795</u>	<u>536,023</u>	<u>(128,228)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 110,787,423</u>	<u>\$ 99,961,950</u>	<u>\$ 10,825,473</u>
LIABILITIES			
Net Pension Liability	\$ 1,253,988	\$ 1,628,441	\$ (374,453)
Other Liabilities	2,822,107	1,187,766	1,634,341
Total Liabilities	<u>4,076,095</u>	<u>2,816,207</u>	1,259,888
DEFERRED INFLOWS OF RESOURCES			
	2,729,631	1,812,886	916,745
NET POSITION			
Net Investment in Capital Assets	70,006,775	62,361,364	7,645,411
Restricted	19,835,106	18,729,524	1,105,582
Unrestricted	14,139,816	14,241,969	(102,153)
Total Net Position	<u>103,981,697</u>	<u>95,332,857</u>	<u>8,648,840</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 110,787,423</u>	<u>\$ 99,961,950</u>	<u>\$ 10,825,473</u>

As can be seen from the table above, the water utility's net position increased \$8,648,840 to \$103,981,697 in 2023, an increase of 9.1%. Total assets increased by \$10,953,701 due to an increase of \$874,716 in cash and investments and an increase in other accounts receivable of \$603,743. Deferred outflows of resources decreased \$128,228 reflecting the GASB 68 pension reporting activity. Total liabilities increased \$1,259,888 due to increase in accounts payable of \$1,514,508 with an offset decrease in net pension liability of \$374,453. Deferred inflows of resources increased \$916,745 due to the net impact of a reduction related to GASB 68 pension report activity and the reflection of deferred inflows related to leases receivable.

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, 2023**

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.

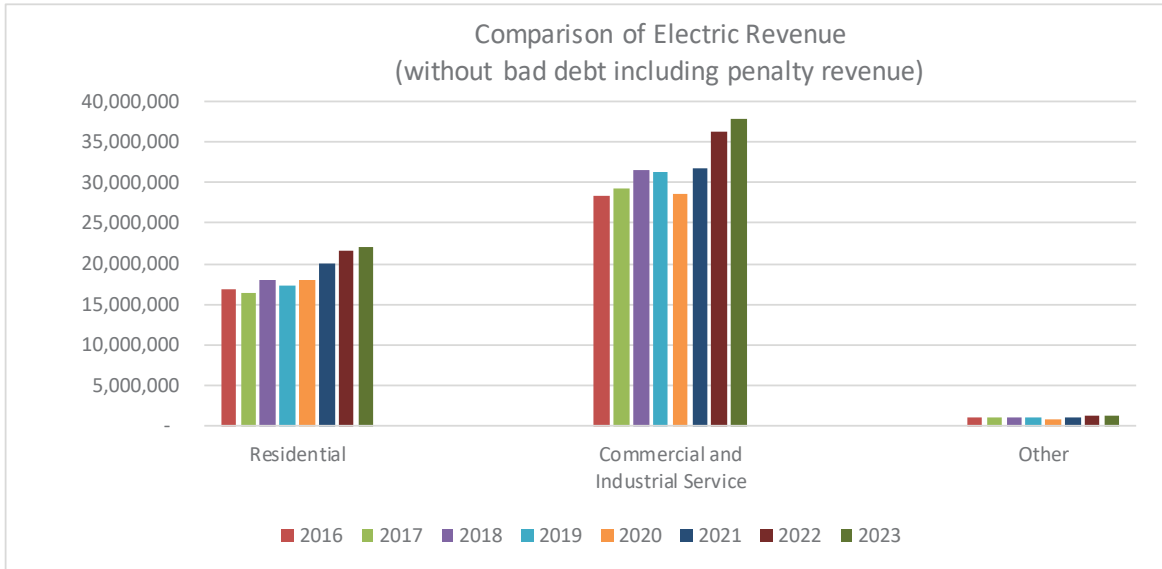
**TABLE 3
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION - ELECTRIC UTILITY**

	<u>2023</u>	<u>2022</u>	<u>Change</u>
OPERATING REVENUES	\$ 61,266,784	\$ 58,908,998	\$ 2,357,786
OPERATING EXPENSES			
Operation, Customer, and Administrative	51,144,360	50,153,637	990,723
Depreciation and Amortization Expense	3,495,150	2,950,002	545,148
Total Operating Expenses	<u>54,639,510</u>	<u>53,103,639</u>	<u>1,535,871</u>
OPERATING INCOME	6,627,274	5,805,359	821,915
Nonoperating Revenues (Expenses)	2,255,889	165,676	2,090,213
Capital Contributions	1,580,437	726,118	854,319
Free Electric Service to the City of Shakopee	144,062	138,104	5,958
Transfers to Municipality	<u>(3,716,567)</u>	<u>(3,576,023)</u>	<u>(140,544)</u>
CHANGE IN NET POSITION	6,891,095	3,259,234	3,631,861
Net Position - Beginning of Year	<u>96,790,942</u>	<u>93,531,708</u>	<u>3,259,234</u>
NET POSITION - END OF YEAR	<u>\$ 103,682,037</u>	<u>\$ 96,790,942</u>	<u>\$ 6,891,095</u>

As can be seen in Table 3, the electric utility's operating revenue increased by \$2,357,786 or 4.0%, driven by an increase in power cost adjustment revenue, driven by higher-than-average purchase power costs per kilowatt hour, an increase in monthly service charge and demand fee revenue and \$898,184 in conservation revenue. Total kWh sales volume decreased 0.6%. Operating expenses in 2023 increased \$1,535,871 or 4%, due to increases in distribution system maintenance of \$1,154,943, increases in employee benefit and material expenses, and an increase in depreciation expense of \$545,148. Nonoperating income increased \$2,090,213 due to higher investment income. Capital contributions increased \$854,319 due to increases in developer capital contributions year to year. Municipal contributions expenses to the City of Shakopee increased \$203,230 from \$3,576,023 to \$3,716,567 driven by higher electric sales revenue.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

UTILITY FINANCIAL ANALYSIS (CONTINUED)



Year	Residential	Commercial and Industrial Service	Other
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
2022	21,548,095	36,255,304	1,315,038
2023	22,150,117	37,881,431	1,271,900

Residential, Commercial, Industrial, and other sales of electricity (without bad debt) increased in 2023 by \$2,329,073 or 4.0% due to higher rates charged in 2023, partially offset by lower kWh sales and purchased power. Purchase power costs decreased in 2023 by \$165,967 or 0.4%. Purchased power is the single largest expense item in the electric system operating budget.

Total kWh purchased in 2023 was 461,468,537 as compared to 462,160,248 in 2022, reflecting a decrease of 0.1% year over year. Total kWh sold in 2023 was 442,969,326 as compared to 441,586,600 in 2022, reflecting a decrease of 0.6% for the year 2022. Electric operating revenues, including bad debt totaled \$61,266,784 in 2023 compared to \$58,908,998 in 2022, an increase of \$2,357,786 or 4.0% driven by higher power cost adjustment revenue due to increased power cost revenue.

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

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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
2023	461,468,537	\$ 42,699,064	109,980	442,969,326
2022	462,160,248	42,865,031	108,770	441,586,600
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

Kilowatt (kWh) Hours

METERED ELECTRIC CUSTOMERS

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

Year	Meters
2023	19,773
2022	19,020
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

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

UTILITY FINANCIAL ANALYSIS (CONTINUED)

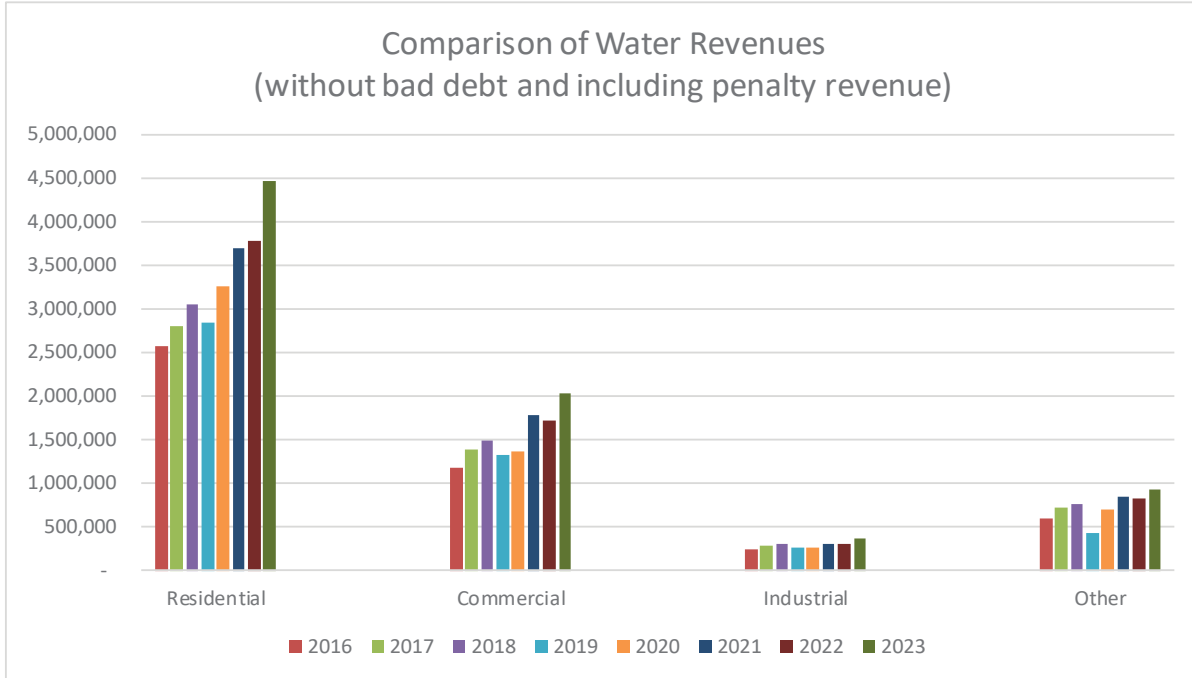
**TABLE 4
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION - WATER UTILITY**

	2023	2022	Change
OPERATING REVENUES	\$ 7,784,798	\$ 6,632,813	\$ 1,151,985
OPERATING EXPENSES			
Operation, Customer, and Administrative	4,582,569	3,900,258	682,311
Depreciation and Amortization Expense	3,114,412	1,860,949	1,253,463
Total Operating Expenses	<u>7,696,981</u>	<u>5,761,207</u>	<u>1,935,774</u>
OPERATING INCOME	87,817	871,606	(783,789)
Nonoperating Revenues (Expenses)	1,399,139	150,188	1,248,951
Capital Contributions	7,572,803	8,012,023	(439,220)
Transfers to Municipality	<u>(410,919)</u>	<u>(348,233)</u>	<u>(62,686)</u>
CHANGE IN NET POSITION	8,648,840	8,685,584	(36,744)
Net Position - Beginning of Year	<u>95,332,857</u>	<u>86,647,273</u>	<u>8,685,584</u>
NET POSITION - END OF YEAR	<u>\$ 103,981,697</u>	<u>\$ 95,332,857</u>	<u>\$ 8,648,840</u>

In 2023 the water utility's operating revenues increased \$1,151,985, or 17.4%. The increase in operating revenues is the result of a water rate increase in 2023 as well as an increase in water gallons sold. Operating expenses increased \$1,935,7774 or 33.6%. The increase in expenses is the result of an increase in operation, customer, and administrative expenses of \$682,311 and an increase in depreciation expense of \$1,253,463. Nonoperating income increased \$1,248,896 from \$150,188 to \$1,399,084 reflecting an increase in investment income of \$1,333,423 and an increase in the municipal contribution to the City of Shakopee, offset by a decrease in miscellaneous income of \$124,303. Capital contributions decreased \$439,220, primarily due to decreases in water connection fees of \$2,511,807, offset by an increase in contributed capital water mains of \$1,787,487.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

UTILITY FINANCIAL ANALYSIS (CONTINUED)



Year	Residential	Commercial	Industrial	Other
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
2022	3,780,680	1,710,132	309,566	828,935
2023	4,452,997	2,023,129	360,093	936,143

Sales of water (without bad debt) increased in 2023 by \$1,140,762 or 17.3%. The increase in operating revenues is the result of an increase in water rates in 2022, offset slightly by a decrease in water gallons sold. The water utility added 242 new customers in 2023.

Water gallons pumped in 2023 totaled 2,241,251 thousand gallons as compared to 2,006,943 thousand gallons in 2022, reflecting an increase of 11.7% for the year 2023. Water gallons sold including hydrant sales in 2023 totaled 2,081,174 thousand gallons as compared to 1,864,700 thousand gallons in 2022, reflecting an increase of 11.6% for the year 2023. Water operating revenues excluding reconstruction fees totaled \$6,921,351 in 2023 as compared to \$5,850,411 in 2022, an increase of 18.3%.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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)
2023	6.140	14.185
2022	5.498	13.254
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

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
2023	6,140,414	42,135	12,299	61	39
2022	5,498,474	40,096	12,057	61	39
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

*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, 2023**

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>2023</u>	<u>2022</u>
CASH FLOWS FROM:		
Operating Activities	\$ 9,467,988	\$ 11,383,461
Noncapital Financing Activities	(3,636,432)	(3,751,023)
Capital and Related Financing Activities	(8,293,161.00)	(5,818,341)
Investing Activities	<u>3,160,044</u>	<u>1,582,877</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	698,439	3,396,974
Cash and Cash Equivalents - Beginning of Year	<u>3,643,057</u>	<u>246,083</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 4,341,496</u></u>	<u><u>\$ 3,643,057</u></u>

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

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM:		
Operating Activities	\$ 4,042,297	\$ 372,409
Noncapital Financing Activities	(410,919)	200,000
Capital and Related Financing Activities	(2,898,246)	2,781,099
Investing Activities	<u>5,417,699</u>	<u>(970,472)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,150,831	2,383,036
Cash and Cash Equivalents - Beginning of Year	<u>6,709,828</u>	<u>4,326,792</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 12,860,659</u></u>	<u><u>\$ 6,709,828</u></u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

UTILITY FINANCIAL ANALYSIS (CONTINUED)

**TABLE 7
CAPITAL ASSETS – ELECTRIC UTILITY**

	2023	2022
CAPITAL ASSETS		
Distribution	\$ 72,116,736	\$ 65,756,507
General	19,032,941	18,490,911
Total Capital Assets	91,149,677	84,247,418
Less: Accumulated Depreciation and Amortization	(38,806,624)	(36,017,540)
Construction in Progress	7,370,984	4,723,154
Net Capital Assets	\$ 59,714,037	\$ 52,953,032

The electric utility's net capital assets increased \$6,761,005 or 12.8% from 2022. Capital assets increased \$6,902,259 due to investments in new underground construction and transformation driven by new development, substation improvements, capital equipment, and the addition to the service center, in addition to an increase in construction in progress of \$2,647,830. These increases were offset by increases in accumulated depreciation of \$3,495,150.

**TABLE 8
CAPITAL ASSETS – WATER UTILITY**

	2023	2022
CAPITAL ASSETS		
Distribution	\$ 95,473,612	\$ 83,903,927
General	2,243,178	1,941,394
Total Capital Assets	97,716,790	85,845,321
Less: Accumulated Depreciation	(29,574,369)	(26,564,937)
Construction in Progress	1,899,848	3,080,980
Net Capital Assets	\$ 70,042,269	\$ 62,361,364

During 2023, the water utility's net capital assets increased by \$7,680,905 or 12.3% from 2022. Distribution and other assets increased by \$11,871,469 due to investments in a water tank and pumping equipment and contributed watermains. In addition, construction in progress decreased \$1,181,132. These changes in the value of assets were offset by accumulated depreciation of \$3,114,412.

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, 2023**

LONG-TERM DEBT

The electric and water utilities have no bonds outstanding as of December 31, 2023. 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 (CONTINUED)
DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2022)

	2023			2022
	Electric	Water	Total	Total
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 4,229,641	\$ 1,888,646	\$ 6,118,287	\$ 5,006,376
Due to City of Shakopee	491,484	-	491,484	563,284
Subscriptions Payable	30,801	10,267	41,068	-
Other Current Liabilities	690,429	319,637	1,010,066	923,934
Total Current Liabilities	<u>5,442,355</u>	<u>2,218,550</u>	<u>7,660,905</u>	<u>6,493,594</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS CUSTOMER DEPOSITS				
	1,754,183	93,788	1,847,971	1,731,390
NONCURRENT LIABILITIES				
Customer Advances	1,089,370	415,999	1,505,369	1,293,387
Subscriptions Payable	281,311	93,770	375,081	-
Net Pension Liability	2,749,804	1,253,988	4,003,792	5,290,582
Total Noncurrent Liabilities	<u>4,120,485</u>	<u>1,763,757</u>	<u>5,884,242</u>	<u>6,583,969</u>
Total Liabilities	<u>11,317,023</u>	<u>4,076,095</u>	<u>15,393,118</u>	<u>14,808,953</u>
DEFERRED INFLOWS OF RESOURCES				
Lease Related Amounts	-	2,309,436	2,309,436	1,747,681
Regulatory Collections to Cover Future Costs	205,267	-	205,267	189,722
Pension Related Amounts	921,424	420,195	1,341,619	211,842
Total Deferred Inflows of Resources	<u>1,126,691</u>	<u>2,729,631</u>	<u>3,856,322</u>	<u>2,149,245</u>
NET POSITION				
Net Investment in Capital Assets	59,344,130	70,006,775	129,350,905	115,314,396
Restricted	-	19,835,106	19,835,106	18,729,524
Unrestricted	44,337,907	14,139,816	58,477,723	58,079,879
Total Net Position	<u>103,682,037</u>	<u>103,981,697</u>	<u>207,663,734</u>	<u>192,123,799</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 116,125,751</u>	<u>\$ 110,787,423</u>	<u>\$ 226,913,174</u>	<u>\$ 209,081,997</u>

See accompanying Notes to Financial Statements.

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2022)

ASSETS	2023			2022
	Electric	Water	Total	Total
CURRENT ASSETS				
Cash and Investments	\$ 44,469,290	\$ 14,531,784	\$ 59,001,074	\$ 58,687,683
Emergency Repairs	100,000	-	100,000	100,000
Accrued Interest Receivable	189,728	87,257	276,985	121,067
Customer Accounts Receivable	5,220,797	436,156	5,656,953	5,591,087
Allowance for Uncollectible Amounts	(22,841)	(1,396)	(24,237)	(105,455)
Other Accounts Receivable	1,057,759	2,960,732	4,018,491	2,721,149
Due from City of Shakopee	241,009	74,820	315,829	703,157
Inventory	2,391,159	32,559	2,423,718	1,881,332
Prepaid Expenses	116,397	23,428	139,825	190,289
Lease Receivable	-	127,494	127,494	118,983
Total Current Assets	53,763,298	18,272,834	72,036,132	70,009,292
NONCURRENT ASSETS				
Restricted Assets:				
Customer Deposit Accounts	1,754,183	93,788	1,847,971	1,731,390
Connection Account	-	18,107,049	18,107,049	16,882,468
Water Reconstruction Account	-	1,634,269	1,634,269	1,751,774
Lease Receivable	-	2,229,419	2,229,419	1,651,211
Capital Assets:				
Plant in Service	91,149,677	97,716,790	188,866,467	170,092,739
Accumulated Depreciation and Amortization	(38,806,624)	(29,574,369)	(68,380,993)	(62,582,477)
Construction in Progress	7,370,984	1,899,848	9,270,832	7,804,134
Total Noncurrent Assets	61,468,220	92,106,794	153,575,014	137,331,239
Total Assets	115,231,518	110,379,628	225,611,146	207,340,531
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Amounts	894,233	407,795	1,302,028	1,741,466
Total Assets and Deferred Outflows Resources	\$ 116,125,751	\$ 110,787,423	\$ 226,913,174	\$ 209,081,997

See accompanying Notes to Financial Statements.

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

	2023			2022
	Electric	Water	Total	Total
OPERATING REVENUES				
Sales	\$ 61,266,784	\$ 7,784,798	\$ 69,051,582	\$ 65,541,811
OPERATING EXPENSES				
Operation, Customer and Administrative	51,144,360	4,582,569	55,726,929	54,053,895
Depreciation and Amortization of Capital Assets	3,495,150	3,114,412	6,609,562	4,810,951
Total Operating Expenses	<u>54,639,510</u>	<u>7,696,981</u>	<u>62,336,491</u>	<u>58,864,846</u>
OPERATING INCOME	6,627,274	87,817	6,715,091	6,676,965
NONOPERATING REVENUES (EXPENSES)				
Rentals and Miscellaneous	164,059	85,410	249,469	1,197,165
Interdepartmental Rent from Water	90,000	-	90,000	90,000
Investment Income	2,000,989	1,247,166	3,248,155	(1,020,485)
Interest from Leases	-	54,735	54,735	26,879
Interest Expense	(79,294)	(4,456)	(83,750)	(2,695)
Gain (Loss) on Disposition of Property	80,135	16,284	96,419	25,000
Total Nonoperating Revenues (Expenses)	<u>2,255,889</u>	<u>1,399,139</u>	<u>3,655,028</u>	<u>315,864</u>
Income Before Contributions and Transfers	8,883,163	1,486,956	10,370,119	6,992,829
Capital Contributions	1,580,437	7,572,803	9,153,240	8,738,141
Free Electric Service to the City of Shakopee	144,062	-	144,062	138,104
Municipal Contributions	<u>(3,716,567)</u>	<u>(410,919)</u>	<u>(4,127,486)</u>	<u>(3,924,256)</u>
CHANGE IN NET POSITION	6,891,095	8,648,840	15,539,935	11,944,818
Net Position - Beginning of Year	<u>96,790,942</u>	<u>95,332,857</u>	<u>192,123,799</u>	<u>180,178,981</u>
NET POSITION - END OF YEAR	<u>\$ 103,682,037</u>	<u>\$ 103,981,697</u>	<u>\$ 207,663,734</u>	<u>\$ 192,123,799</u>

See accompanying Notes to Financial Statements.

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

	2023			2022
	Electric	Water	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 61,433,517	\$ 7,063,870	\$ 68,497,387	\$ 65,308,572
Payments to Employees	(3,686,580)	(1,703,066)	(5,389,646)	(4,663,668)
Payments to Suppliers	(48,278,949)	(1,318,507)	(49,597,456)	(48,889,034)
Net Cash Provided by Operating Activities	9,467,988	4,042,297	13,510,285	11,755,870
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments to City of Shakopee	(3,716,567)	(410,919)	(4,127,486)	(3,576,023)
Proceeds from Sale of Assets	80,135	-	80,135	25,000
Net Cash Used by Noncapital Financing Activities	(3,636,432)	(410,919)	(4,047,351)	(3,551,023)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the Sale of Capital Assets	-	16,284	16,284	-
Leasing Activities	-	99,441	99,441	101,892
Interest from Leases	-	(474)	(474)	-
Subscription Activities	312,112	104,037	416,149	-
Acquisition of Capital Assets	(8,605,273)	(6,941,300)	(15,546,573)	(3,642,797)
Installation Fees	-	148,750	148,750	139,561
Connection Charges	-	3,036,657	3,036,657	-
Trunk Charges	-	638,359	638,359	364,102
Net Cash Used by Capital and Related Financing Activities	(8,293,161)	(2,898,246)	(11,191,407)	(3,037,242)
CASH FLOWS FROM INVESTING ACTIVITIES				
Redemption (Purchase) of Investments	1,259,764	4,170,533	5,430,297	1,677,101
Interest and Dividends Received	1,900,280	1,247,166	3,147,446	(1,064,696)
Net Cash Provided by Investing Activities	3,160,044	5,417,699	8,577,743	612,405
NET CHANGE IN CASH AND CASH EQUIVALENTS	698,439	6,150,831	6,849,270	5,780,010
Cash and Cash Equivalents - Beginning of Year	3,643,057	6,709,828	10,352,885	4,572,875
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,341,496</u>	<u>\$ 12,860,659</u>	<u>\$ 17,202,155</u>	<u>\$ 10,352,885</u>

See accompanying Notes to Financial Statements.

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

	2023			2022
	Electric	Water	Total	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS OPERATING ACTIVITIES				
Operating Income	\$ 6,627,274	\$ 87,817	\$ 6,715,091	\$ 6,676,965
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:				
Free Electric Service to City of Shakopee	144,062	-	144,062	138,104
Nonoperating Revenues	174,765	(43,451)	131,314	1,160,065
Depreciation and Amortization Expense	3,424,705	3,009,432	6,434,137	4,810,951
Pension Related Activity	173,660	108,765	282,425	328,169
Allowance for Uncollectible Accounts	-	(23,771)	(23,771)	(7,373)
Change in Assets and Liabilities				
Customer Accounts Receivable	(109,388)	(13,925)	(123,313)	(964,813)
Other Accounts Receivable	(693,599)	(603,743)	(1,297,342)	4,472
Due from City of Shakopee	396,570	(9,242)	387,328	(594,388)
Inventory	(547,056)	4,670	(542,386)	(409,360)
Prepaid Items	55,023	(4,559)	50,464	(114,110)
Accounts Payable	(402,597)	1,514,508	1,111,911	(118,543)
Customer Deposits	(118,075)	(1,494.00)	(119,569)	(34,605)
Unearned Revenue	15,545	-	15,545	7,561
Customer Advances	356,853	(26,796.0)	330,057	56,771
Due to City of Shakopee	(71,800)	-	(71,800)	290,527
Other Liabilities	42,046	44,086	86,132	525,477
Total Adjustments	<u>2,840,714</u>	<u>3,954,480</u>	<u>6,795,194</u>	<u>5,078,905</u>
Net Cash Provided by Operating Activities	<u>\$ 9,467,988</u>	<u>\$ 4,042,297</u>	<u>\$ 13,510,285</u>	<u>\$ 11,755,870</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Customer Deposits Account	\$ 1,754,183	\$ 93,788	\$ 1,847,971	\$ 1,731,390
Emergency Repairs Account	100,000	-	100,000	100,000
Connection Account	-	18,107,049	18,107,049	16,882,468
Water Reconstruction Account	-	1,634,269	1,634,269	1,751,774
Cash and Investments	<u>44,469,290</u>	<u>14,531,784</u>	<u>59,001,074</u>	<u>58,687,683</u>
Total	46,323,473	34,366,890	80,690,363	79,153,315
Less: Investments	<u>(41,981,977)</u>	<u>(21,506,231)</u>	<u>(63,488,208)</u>	<u>(68,800,430)</u>
Total Cash and Cash Equivalents	<u>\$ 4,341,496</u>	<u>\$ 12,860,659</u>	<u>\$ 17,202,155</u>	<u>\$ 10,352,885</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contributions of Capital Assets from the Municipality and Developers	\$ 1,580,437	\$ 3,747,383	\$ 5,327,820	\$ 2,686,014
Free Electric Service to City of Shakopee	144,062	-	144,062	138,104

See accompanying Notes to Financial Statements.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 reported as a component unit 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 FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023. Bad debts are expensed annually when deemed uncollectible.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. INVENTORY, PREPAID ITEMS, AND OTHER ASSETS

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

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

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

4. RESTRICTED ASSETS

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

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

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

5. CAPITAL ASSETS

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

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

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

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

SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 two items that qualify 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, leases receivable and deferred inflows for regulatory collections.

7. LEASES

For lease payables, the Commission determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the Commission's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the Commission will exercise that option.

The Commission has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Commission has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The Commission determines if an arrangement is a SBITA at inception. SBITAs are included in Right-to-Use assets and subscription payable in the statements of net position. SBITA subscriptions payable represent the Commission's obligation to make SBITA payments arising from the arrangement. SBITA subscriptions payable are recognized at the commencement date based on the present value of expected SBITA payments over the SBITA term, less any SBITA vendor incentives. Interest expense is recognized ratably over the contract term.

9. 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.

10. CUSTOMER ADVANCES FOR CONSTRUCTION

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

11. CUSTOMER DEPOSITS

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

12. 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 which is paid out at separation to the employee's HCSP based on years of Commission service.

13. 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.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. 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.

15. 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.

16. MUNICIPAL CONTRIBUTIONS

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

17. 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. Unrestricted net position includes resources that are not subject to externally imposed stipulations. Such resources are derived from user fees (not restricted to use), and other revenues. This component is used for transactions related to general operations of SPU and may be designated for specific purposes by action of the Board.

18. 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.

19. COMPARATIVE DATA

The 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, 2022, from which the summarized information was derived. Certain comparative information has been reclassified to conform to the current year presentation.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

20. Adoption of New Accounting Standards

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The Entity adopted the requirements of the guidance effective January 1, 2023 and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in the Government reporting a SBITA asset and a SBITA liability as disclosed in Note 3 and Note 7.

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 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, 2023, 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:

	2023
Checking	\$ 11,319,348
CDARS	5,881,207
Total Deposits	\$ 17,200,555

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2023, the Commission had the following investments:

	Rating	Total Value	Years to Maturity			
			Less than	1-5	Over 5	No
			1 Year	Years	Years	Maturity
U.S. Agencies	AAA	\$ 5,523,601	\$ 1,325,267	\$ 4,007,691	\$ 190,643	\$ -
U.S. Treasuries	N/A	36,767,216	16,439,470	20,327,746	-	-
4M Fund	NR	2,480,034	-	-	-	2,480,034
4M Plus Fund	NR	8,546,272	-	-	-	8,546,272
Municipal Bonds	AA	962,655	151,574	811,081	-	-
Money Market	NR	9,208,430	-	-	-	9,208,430
Total		<u>\$ 63,488,208</u>	<u>\$ 17,916,311</u>	<u>\$ 25,146,518</u>	<u>\$ 190,643</u>	<u>\$ 20,234,736</u>

The Commission has the following recurring fair value measurements as of December 31, 2023:

	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	\$ 5,523,601	\$ -	\$ 5,523,601	\$ -
U.S. Treasuries	36,767,216	36,767,216	-	-
Municipal Bonds	962,655	-	962,655	-
Total	<u>43,253,472</u>	<u>\$ 36,767,216</u>	<u>\$ 6,486,256</u>	<u>\$ -</u>
Investments Measured at Amortized Cost	<u>20,234,736</u>			
Total Investments	<u>\$ 63,488,208</u>			

SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The Commission has a formal investment policy in place as of December 31, 2023, to address the following risks:

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

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

As of December 31, 2023, 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).

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Deposits and Investments

Summary of cash, deposits, and investments as of December 31, 2023:

Deposit (Note 2.A)	\$ 17,200,555
Investments (Note 2.B.)	63,488,208
Petty Cash	<u>1,600</u>
Total Deposits	<u><u>\$ 80,690,363</u></u>

Deposits and investments are presented in the December 31, 2023, financial statements as follows:

Statement of Net Position	
Current Assets	
Cash and Investments	\$ 59,001,074
Noncurrent Assets	
Restricted Assets	
Customer Deposit Account	1,847,971
Connection Account	18,107,049
Water Reconstruction Account	1,634,269
Other Assets	
Emergency Repairs Account	<u>100,000</u>
Total	<u><u>\$ 80,690,363</u></u>

SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CAPITAL ASSETS

Electric capital asset activity for the year ended December 31, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land and Land Rights	\$ 4,381,196	\$ 1,822,608	\$ -	\$ 6,203,804
Construction in Progress	4,723,154	8,778,957	(6,131,127)	7,370,984
Total Capital Assets Not Being Depreciated	9,104,350	10,601,565	(6,131,127)	13,574,788
CAPITAL ASSETS BEING DEPRECIATED				
Distribution	61,375,311	5,852,444	(1,314,823)	65,912,932
General	18,435,656	362,081	(287,141)	18,510,596
Total Capital Assets Being Depreciated	79,810,967	6,214,525	(1,601,964)	84,423,528
Less: Accumulated Depreciation	(36,017,540)	(3,424,705)	706,066	(38,736,179)
Total Capital Assets Being Depreciated, Net	43,793,427	2,789,820	(895,898)	45,687,349
Subscription Based Information Technology Arrangement Assets				
Subscription Based Information Technology Arrangements	55,255	467,090	-	522,345
Less Accumulated Amortization:				
Subscription Based Information Technology Arrangements	-	(70,445)	-	(70,445)
Total Subscription Based Information Technology Arrangement Assets, Net	55,255	396,645	-	451,900
Total Capital Assets, Net	<u>\$ 52,953,032</u>	<u>\$ 13,788,030</u>	<u>\$ (7,027,025)</u>	<u>\$ 59,714,037</u>

Water capital asset activity for the year ended December 31, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED / AMORTIZED				
Land and Land Rights	\$ 1,948,506	\$ 996,272	\$ -	\$ 2,944,778
Construction in Progress	3,080,980	5,852,238	(7,033,370)	1,899,848
Total Capital Assets Not Being Depreciated	5,029,486	6,848,510	(7,033,370)	4,844,626
CAPITAL ASSETS BEING DEPRECIATED / AMORTIZED				
Distribution	81,955,421	10,600,560	(27,147)	92,528,834
General	1,941,394	231,477	(85,390)	2,087,481
Total Capital Assets Being Depreciated	83,896,815	10,832,037	(112,537)	94,616,315
Less: Accumulated Depreciation / Amortization	(26,564,937)	(3,100,140)	104,980	(29,560,097)
Total Capital Assets Being Depreciated / Amortized, Net	57,331,878	7,731,897	(7,557)	65,056,218
Subscription Based Information Technology Arrangement Assets				
Subscription Based Information Technology Arrangements	-	155,697	-	155,697
Less Accumulated Amortization:				
Subscription Based Information Technology Arrangements	-	(14,272)	-	(14,272)
Total Subscription Based Information Technology Arrangement Assets, Net	-	141,425	-	141,425
Total Capital Assets, Net	<u>\$ 62,361,364</u>	<u>\$ 14,721,832</u>	<u>\$ (7,040,927)</u>	<u>\$ 70,042,269</u>

Depreciation and amortization expense for 2023 for Electric and Water totaled \$3,495,150 and \$3,114,412 respectively.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 MUNICIPAL RECEIVABLES, PAYABLES, AND CONTRIBUTIONS

Amounts receivable from and payable to the City of Shakopee as of December 31, 2023, are as follows:

Receivable Fund/Municipality	Payable Fund/Municipality	Amount
Electric Fund	City of Shakopee	\$ 241,009
City of Shakopee	Electric Fund	491,484
Water Fund	City of Shakopee	74,820

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

The composition of municipal contributions as of December 31, 2023, was as follows:

Contributions To	Contributions From	Amount
City of Shakopee	Electric Fund	\$ 3,716,567
City of Shakopee	Water Fund	410,919
Total		\$ 4,127,486

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 FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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 2023 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, 2023, were \$417,048. The Commission's contributions were equal to the required contributions as set by state statute.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2023, the Commission reported a liability of \$4,003,792 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 \$110,260.

The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportion was .0716% at the end of the measurement period and .0668% for the beginning of the period.

Commission's Proportionate Share of the Net Pension Liability	\$	4,003,792
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the Commission		<u>110,260</u>
Total		<u>\$ 4,114,052</u>

For the year ended December 31, 2023, the Commission recognized pension expense of \$716,045 for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2023, 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	\$ 131,486	\$ 27,582
Changes in Actuarial Assumptions	648,158	1,097,406
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	149,728
Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions	311,998	66,903
Commission Contributions Subsequent to the Measurement Date	<u>210,386</u>	<u>-</u>
Total	<u>\$ 1,302,028</u>	<u>\$ 1,341,619</u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

D. Pension Costs (Continued)

\$210,386 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, 2024. 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>
2024	\$ 151,223
2025	(480,316)
2026	165,970
2027	(86,854)

E. 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.0 %</u>	

F. Actuarial Assumptions

The total pension liability in the June 30, 2023, 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 7.0 percent. 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 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

F. Actuarial Assumptions (Continued)

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan through December 31, 2054 and 1.5 percent thereafter.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees 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.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

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	6.00 %	7.00 %	8.00 %
Commission's Proportionate Share of the General Employees Fund Net Pension Liability	\$ 7,083,029	\$ 4,003,792	\$ 1,471,002

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 LEASES

The Commission, acting as lessor, leases water tower space for cellular services under long-term, non-cancelable lease agreements. The leases expire at various dates through 2038. During the year ended December 31, 2023, the Commission recognized \$176,446 and \$54,735 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments of either 3 percent or 4 percent.

The future minimum lease payments to be received under lease agreements are as follows:

Year Ending	Principal	Interest
2024	\$ 127,494	\$ 53,017
2025	135,812	51,151
2026	144,524	49,131
2027	153,639	46,943
2028	115,509	44,707
2029-2033	588,300	191,617
2034-2038	555,380	134,468
2039-2043	274,365	75,185
2044-2047	261,890	17,509
Total Minimum Lease Payments	<u>\$ 2,356,913</u>	<u>\$ 646,219</u>

SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 SUBSCRIPTIONS PAYABLE

A summary of the changes in the Commission’s Electric subscriptions payable for the year ended December 31, 2023, are as follows:

	Balance			Balance	Amount Due
	Beginning of Year,	Additions	Deletions	End of Year	Within
					One Year
Subscriptions Payable	\$ -	\$ 340,389	\$ (28,277)	\$ 312,112	\$ 30,801

A summary of the changes in the Commission’s Water subscriptions payable for the year ended December 31, 2023, are as follows:

	Balance			Balance	Amount Due
	Beginning of Year,	Additions	Deletions	End of Year	Within
					One Year
Subscriptions Payable	\$ -	\$ 113,463	\$ (9,426)	\$ 104,037	\$ 10,267

The Entity has entered into a subscription based-information technology arrangement (SBITA) for an accounting and HR information system, with 75% attributable to the Electric Fund and 25% attributable to the Water Fund. Management is reasonably certain that the period covered by the SBITA arrangement will end in 2033.

As of December 31, 2023, SBITA assets and the related accumulated amortization in the Electric Fund totaled \$522,345 and 70,445, respectively.

As of December 31, 2023, SBITA assets and the related accumulated amortization in the Water Fund totaled \$155,697 and 14,272, respectively.

The future Electric subscription payments under SBITA agreements are as follows:

<u>Year Ending December 31,</u>	<u>Electric Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 30,801	\$ 7,899	\$ 38,700
2025	31,628	7,073	38,701
2026	32,476	6,224	38,700
2027	33,347	5,353	38,700
2028	34,241	4,459	38,700
2029-2033	149,619	8,406	158,025
Total	<u>\$ 312,112</u>	<u>\$ 39,414</u>	<u>\$ 351,526</u>

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 SUBSCRIPTIONS PAYABLE (CONTINUED)

The future Water subscription payments under SBITA agreements are as follows:

<u>Year Ending December 31,</u>	<u>Water Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 10,267	\$ 2,633	\$ 12,900
2025	10,542	2,358	12,900
2026	10,825	2,075	12,900
2027	11,116	1,784	12,900
2028	11,414	1,486	12,900
2029-2033	49,873	2,802	52,675
Total	<u>\$ 104,037</u>	<u>\$ 13,138</u>	<u>\$ 117,175</u>

NOTE 8 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 2023 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2023, 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 9 COMMITMENTS

The Commission has in process various multi-year construction projects which were not completed in the current fiscal year. As of December 31, 2023, outstanding commitments for these multi-year projects total approximately \$3,335,791.

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, 2023**

	Measurement Date June 30,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Commission's Proportion of the Net Pension Liability	0.0716 %	0.0668 %	0.0634 %	0.0678 %	0.0639 %	0.0645 %	0.0644 %	0.0621 %	0.0608 %
Commission's Proportionate Share of the Net Pension Liability	\$ 4,003,792	\$ 5,290,582	\$ 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	110,260	155,198	82,761	125,364	109,829	117,344	51,656	65,842	-
Total	<u>\$ 4,114,052</u>	<u>\$ 5,445,780</u>	<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	\$ 5,478,816	\$ 5,009,118	\$ 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	73.08 %	105.62 %	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	83.10 %	76.67 %	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, 2023**

	Fiscal Year Ended December 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 417,048	\$ 401,135	\$ 359,999	\$ 360,080	\$ 350,018	\$ 339,188	\$ 315,791	\$ 299,473	\$ 277,221
Contributions in Relation to the Statutorily Required Contribution	(417,048)	(401,135)	(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>	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered Payroll	\$ 5,560,640	\$ 5,348,467	\$ 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%	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, 2023**

CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021

Changes in Plan Provisions

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

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.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2023**

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

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued):

- 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.

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.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2023**

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

General Employees Fund (Continued)

Changes in Plan Provisions:

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

2017 Changes:

Changes in Actuarial Assumptions:

- The 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.
- 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.

**SHAKOPEE PUBLIC UTILITIES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2023**

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

General Employees Fund (Continued)

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, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Investments	\$ 44,469,290	\$ 45,030,615
Emergency Repairs	100,000	100,000
Accrued Interest Receivable	189,728	89,019
Customer Accounts Receivable	5,220,797	5,168,856
Allowance for Uncollectible Amounts	(22,841)	(80,288)
Other Accounts Receivable	1,057,759	364,160
Due from City of Shakopee	241,009	637,579
Prepaid Supplies	2,391,159	1,844,103
Prepaid Expenses	116,397	171,420
Total Current Assets	53,763,298	53,325,464
NONCURRENT ASSETS		
Restricted Assets:		
Customer Deposit Accounts	1,754,183	1,636,108
Capital Assets:		
Plant in Service	91,149,677	84,247,418
Accumulated Depreciation and Amortization	(38,806,624)	(36,017,540)
Construction in Progress	7,370,984	4,723,154
Total Noncurrent Assets	61,468,220	54,589,140
Total Assets	115,231,518	107,914,604
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	894,233	1,205,443
Total Assets and Deferred Outflows Resources	\$ 116,125,751	\$ 109,120,047

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF NET POSITION – ELECTRIC UTILITY (CONTINUED)
DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

LIABILITIES	2023	2022
CURRENT LIABILITIES		
Accounts Payable	\$ 4,229,641	\$ 4,632,238
Due to City of Shakopee	491,484	563,284
Subscriptions Payable	30,801	-
Other Current Liabilities	690,429	648,383
Total Current Liabilities	5,442,355	5,843,905
LIABILITIES PAYABLE FROM RESTRICTED ASSETS CUSTOMER DEPOSITS		
	1,754,183	1,636,108
NONCURRENT LIABILITIES		
Customer Advances	1,089,370	850,592
Subscriptions Payable	281,311	-
Net Pension Liability	2,749,804	3,662,141
Total Noncurrent Liabilities	4,120,485	4,512,733
Total Liabilities	11,317,023	11,992,746
DEFERRED INFLOWS OF RESOURCES		
Regulatory Collections to Cover Future Costs	205,267	189,722
Pension Related Amounts	921,424	146,637
Total Deferred Inflows of Resources	1,126,691	336,359
NET POSITION		
Net Investment in Capital Assets	59,344,130	52,953,032
Unrestricted	44,337,907	43,837,910
Total Net Position	103,682,037	96,790,942
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 116,125,751	\$ 109,120,047

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – ELECTRIC UTILITY
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

	2023	2022
OPERATING REVENUES		
Sales	\$ 61,266,784	\$ 58,908,998
OPERATING EXPENSES		
Operation, Customer and Administrative	51,144,360	50,153,637
Depreciation and Amortization of Capital Assets	3,495,150	2,950,002
Total Operating Expenses	54,639,510	53,103,639
OPERATING INCOME	6,627,274	5,805,359
NONOPERATING REVENUES (EXPENSES)		
Rentals and Miscellaneous	164,059	987,452
Interdepartmental Rent from Water	90,000	90,000
Investment Income	2,000,989	(934,228)
Interest Expense	(79,294)	(2,548)
Gain (Loss) on Disposition of Property	80,135	25,000
Total Nonoperating Revenues (Expenses)	2,255,889	165,676
Income Before Contributions and Transfers	8,883,163	5,971,035
Capital Contributions	1,580,437	726,118
Free Electric Service to the City of Shakopee	144,062	138,104
Municipal Contributions	(3,716,567)	(3,576,023)
CHANGE IN NET POSITION	6,891,095	3,259,234
Net Position - Beginning of Year	96,790,942	93,531,708
NET POSITION - END OF YEAR	\$ 103,682,037	\$ 96,790,942

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF CASH FLOWS – ELECTRIC UTILITY
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 61,433,517	\$ 60,614,923
Payments to Suppliers	(3,686,580)	(3,200,796)
Payments to Employees	(48,278,949)	(46,030,666)
Net Cash Flows Provided by Operating Activities	9,467,988	11,383,461
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to City of Shakopee	(3,716,567)	(3,576,023)
Proceeds from Sale of Assets	80,135	25,000
Transfers Between Funds	-	(200,000)
Net Cash Flows Used by Noncapital Financing Activities	(3,636,432)	(3,751,023)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(8,605,273)	(5,818,341)
Subscription Activities	312,112	-
Net Cash Flows Used by Capital and Related Financing Activities	(8,293,161)	(5,818,341)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption (Purchase) of Investments	1,259,764	2,570,802
Interest and Dividends Received	1,900,280	(987,925)
Net Cash Provided by Investing Activities	3,160,044	1,582,877
 NET CHANGE IN CASH AND CASH EQUIVALENTS	698,439	3,396,974
 Cash and Cash Equivalents - Beginning of Year	3,643,057	246,083
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,341,496	\$ 3,643,057

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF CASH FLOWS – ELECTRIC UTILITY (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS		
OPERATING ACTIVITIES		
Operating Income	\$ 6,627,274	\$ 5,805,359
Adjustments to Reconcile Operating Income to Cash		
Provided by Operating Activities:		
Free Electric Service to City of Shakopee	144,062	138,104
Nonoperating Revenues	174,765	1,074,904
Depreciation Expense	3,424,705	2,950,002
Pension Related Activity	173,660	236,770
Change in Assets and Liabilities:		
Customer Accounts Receivable	(109,388)	(935,030)
Other Accounts Receivable	(693,599)	2,020,885
Due from City of Shakopee	396,570	(556,002)
Inventory	(547,056)	(403,884)
Prepaid Items	55,023	(114,791)
Accounts Payable	(402,597)	479,847
Customer Deposits	(118,075)	(33,638)
Unearned Revenue	15,545	7,561
Customer Advances	356,853	(10,859)
Due to City of Shakopee	(71,800)	342,836
Other Liabilities	42,046	381,397
Total Adjustments	2,840,714	5,578,102
Net Cash Provided by Operating Activities	\$ 9,467,988	\$ 11,383,461
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Customer Deposits Account	\$ 1,754,183	\$ 1,636,108
Emergency Repairs Account	100,000	100,000
Cash and Investments	44,469,290	45,030,615
Total	46,323,473	46,766,723
Less: Investments	(41,981,977)	(43,123,666)
Total Cash and Cash Equivalents	\$ 4,341,496	\$ 3,643,057
 NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contributions of Capital Assets from the Municipality and Developers	\$ 1,580,437	\$ 726,118
Free Electric Service to City of Shakopee	144,062	138,104

SHAKOPEE PUBLIC UTILITIES COMMISSION
DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES – ELECTRIC UTILITY
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

	2023	2022
OPERATING REVENUES		
Sales of Electricity:		
Residential	\$ 22,150,117	\$ 21,548,095
Commercial	37,881,431	36,255,304
Uncollectible Accounts	(36,664)	(71,335)
Total Sales of Electricity	59,994,884	57,732,064
Forfeited Discounts	373,716	314,715
Conservation Program	898,184	862,219
Total Operating Revenues	61,266,784	58,908,998
OPERATING EXPENSES		
Operation and Maintenance:		
Purchased Power	42,742,370	42,864,366
Distribution Operation Expenses	654,327	537,637
Distribution System Maintenance	1,154,943	809,858
Maintenance of General Plant	404,506	392,233
Total Operation and Maintenance	44,956,146	44,604,094
Customer Accounts:		
Meter Reading	139,742	139,090
Customer Records and Collection	648,814	823,914
Energy Conservation	898,184	872,705
Total Customer Accounts	1,686,740	1,835,709
Administrative and General:		
Administrative and General Salaries	782,567	710,282
Office Supplies and Expense	449,970	78,240
Outside Services Employed	390,485	237,010
Insurance	178,053	141,787
Employee Benefits	2,210,311	2,501,204
Miscellaneous General	490,088	45,311
Total Administrative and General	4,501,474	3,713,834
Total Operation, Customer, and Administrative Expenses	51,144,360	50,153,637
Depreciation of Capital Assets	3,495,150	2,950,002
Total Operating Expenses	54,639,510	53,103,639
Total Operating Income	\$ 6,627,274	\$ 5,805,359

**SHAKOPEE PUBLIC UTILITIES COMMISSION
SCHEDULE OF PLANT IN SERVICE – ELECTRIC UTILITY
YEAR ENDED DECEMBER 31, 2023**

	<u>Balance 12/31/2022</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance 12/31/2023</u>
CAPITAL ASSETS				
Distribution:				
Land and Land Rights	\$ 829,867	\$ 1,822,608	\$ -	\$ 2,652,475
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	-	4,447	523,377
Overhead Conductors and Devices	3,060,968	664,910	18,802	3,707,076
Underground Conduit	906,281	-	-	906,281
Underground Conductors and Devices	24,707,134	2,887,183	1,155,935	26,438,382
Line Transformers	6,690,061	2,175,813	139,185	8,726,689
Services	50,643	-	-	50,643
Meters	1,932,635	128,083	-	2,060,718
Total Distribution	<u>62,205,179</u>	<u>7,678,597</u>	<u>1,318,369</u>	<u>68,565,407</u>
General:				
Computer Hardware	931,053	-	-	931,053
Land and land rights	3,551,329	-	-	3,551,329
Structures and improvements	11,782,882	49,605	-	11,832,487
Office furniture and equipment	1,226,546	13,207	17,602	1,222,151
Transportation equipment	2,730,969	96,760	39,319	2,788,410
Tools, shop and garage equipment	201,467	-	-	201,467
Laboratory equipment	37,660	-	-	37,660
Power operated equipment	992,992	47,787	-	1,040,779
Communication equipment	357,121	-	-	357,121
Miscellaneous equipment	-	99,468	-	99,468
Total General	<u>21,812,019</u>	<u>306,827</u>	<u>56,921</u>	<u>22,061,925</u>
Computer Software	<u>-</u>	<u>522,345</u>	<u>-</u>	<u>522,345</u>
 Total Plant in Service	 <u>\$ 84,017,198</u>	 <u>\$ 8,507,769</u>	 <u>\$ 1,375,290</u>	 <u>\$ 91,149,677</u>

**SUPPLEMENTARY INFORMATION
WATER UTILITY FUND**

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF NET POSITION – WATER UTILITY
DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Investments	\$ 14,531,784	\$ 13,657,068
Accrued Interest Receivable	87,257	32,048
Customer Accounts Receivable	436,156	422,231
Allowance for Uncollectible Amounts	(1,396)	(25,167)
Other Accounts Receivable	2,960,732	2,356,989
Due from City of Shakopee	74,820	65,578
Prepaid Supplies	32,559	37,229
Prepaid Expenses	23,428	18,869
Lease Receivable	127,494	118,983
Total Current Assets	18,272,834	16,683,828
NONCURRENT ASSETS		
Restricted Assets:		
Customer Deposit Accounts	93,788	95,282
Connection Account	18,107,049	16,882,468
Water Reconstruction Account	1,634,269	1,751,774
Lease Receivable	2,229,419	1,651,211
Capital Assets:		
Plant in Service	97,716,790	85,845,321
Accumulated Depreciation and Amortization	(29,574,369)	(26,564,937)
Construction in Progress	1,899,848	3,080,980
Total Noncurrent Assets	92,106,794	82,742,099
Total Assets	110,379,628	99,425,927
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	407,795	536,023
Total Assets and Deferred Outflows Resources	\$ 110,787,423	\$ 99,961,950

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF NET POSITION – WATER UTILITY (CONTINUED)
DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

	2023	2022
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,888,646	\$ 374,138
Subscriptions Payable	10,267	-
Other Current Liabilities	319,637	275,551
Total Current Liabilities	2,218,550	649,689
LIABILITIES PAYABLE FROM RESTRICTED ASSETS CUSTOMER DEPOSITS		
	93,788	95,282
NONCURRENT LIABILITIES		
Customer Advances	415,999	442,795
Subscriptions Payable	93,770	-
Net Pension Liability	1,253,988	1,628,441
Total Noncurrent Liabilities	1,763,757	2,071,236
Total Liabilities	4,076,095	2,816,207
DEFERRED INFLOWS OF RESOURCES		
Lease Related Amounts	2,309,436	1,747,681
Pension Related Amounts	420,195	65,205
Total Deferred Inflows of Resources	2,729,631	1,812,886
NET POSITION		
Net Investment in Capital Assets	70,006,775	62,361,364
Restricted	19,835,106	18,729,524
Unrestricted	14,139,816	14,241,969
Total Net Position	103,981,697	95,332,857
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 110,787,423	\$ 99,961,950

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – WATER UTILITY
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

	2023	2022
OPERATING REVENUES		
Sales	\$ 7,784,798	\$ 6,632,813
OPERATING EXPENSES		
Operation, Customer and Administrative	4,582,569	3,900,258
Depreciation and Amortization of Capital Assets	3,114,412	1,860,949
Total Operating Expenses	7,696,981	5,761,207
OPERATING INCOME	87,817	871,606
NONOPERATING REVENUES (EXPENSES)		
Rentals and Miscellaneous	85,410	209,713
Investment Income	1,247,166	(86,257)
Interest from Leases	54,735	26,879
Interest Expense	(4,456)	(147)
Gain (Loss) on Disposition of Property	16,284	-
Total Nonoperating Revenues (Expenses)	1,399,139	150,188
Income Before Contributions and Transfers	1,486,956	1,021,794
Capital Contributions	7,572,803	8,012,023
Municipal Contributions	(410,919)	(348,233)
CHANGE IN NET POSITION	8,648,840	8,685,584
Net Position - Beginning of Year	95,332,857	86,647,273
NET POSITION - END OF YEAR	\$ 103,981,697	\$ 95,332,857

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF CASH FLOWS – WATER UTILITY
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 7,063,870	\$ 4,693,649
Payments to Suppliers	(1,703,066)	(1,462,872)
Payments to Employees	(1,318,507)	(2,858,368)
Net Cash Flows Provided by Operating Activities	4,042,297	372,409
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to City of Shakopee	(410,919)	-
Transfers Between Funds	-	200,000
Net Cash Flows Provided by Noncapital Financing Activities	(410,919)	200,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the Sale of Capital Assets	16,284	-
Leasing Activities	99,441	101,892
Interest from Leases	(474)	-
Subscription Activities	104,037	-
Acquisition of Capital Assets	(6,941,300)	2,175,544
Installation Fees	148,750	139,561
Connection Charges	3,036,657	-
Trunk Charges	638,359	364,102
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(2,898,246)	2,781,099
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption (Purchase) of Investments	4,170,533	(893,701)
Interest and Dividends Received	1,247,166	(76,771)
Net Cash Provided (Used) by Investing Activities	5,417,699	(970,472)
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,150,831	2,383,036
Cash and Cash Equivalents - Beginning of Year	6,709,828	4,326,792
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 12,860,659	\$ 6,709,828

SHAKOPEE PUBLIC UTILITIES COMMISSION
STATEMENT OF CASH FLOWS – WATER UTILITY (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS		
OPERATING ACTIVITIES		
Operating Income	\$ 87,817	\$ 871,606
Adjustments to Reconcile Operating Income to Cash Provided by Operating		
Nonoperating Revenues	(43,451)	85,161
Depreciation Expense	3,009,432	1,860,949
Pension Related Activity	108,765	91,399
Allowance for Uncollectible Accounts	(23,771)	(7,373)
Change in Assets and Liabilities		
Customer Accounts Receivable	(13,925)	(29,783)
Other Accounts Receivable	(603,743)	(2,016,413)
Due from City of Shakopee	(9,242)	(38,386)
Inventory	4,670	(5,476)
Prepaid Items	(4,559)	681
Accounts Payable	1,514,508	(598,390)
Customer Deposits	(1,494)	(967)
Customer Advances	(26,796)	67,630
Due to City of Shakopee	-	(52,309)
Other Liabilities	44,086	144,080
Total Adjustments	3,954,480	(499,197)
Net Cash Provided by Operating Activities	\$ 4,042,297	\$ 372,409
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Customer Deposits Account	\$ 93,788	\$ 95,282
Connection Account	18,107,049	16,882,468
Water Reconstruction Account	1,634,269	1,751,774
Cash and Investments	14,531,784	13,657,068
Total	34,366,890	32,386,592
Less Investments	(21,506,231)	(25,676,764)
Total Cash and Cash Equivalents	\$ 12,860,659	\$ 6,709,828
 NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contributions of Capital Assets from the Municipality and Developers	\$ 3,747,383	\$ 1,959,896

SHAKOPEE PUBLIC UTILITIES COMMISSION
DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES – WATER UTILITY
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2022)

	2023	2022
OPERATING REVENUES		
Sales of Water	\$ 7,746,571	\$ 6,605,809
Forfeited Discounts	29,392	23,504
Uncollectible Accounts	8,835	3,500
Total Operating Revenues	7,784,798	6,632,813
OPERATING EXPENSES		
Operation and Maintenance:		
Pumping and Distribution Operation	832,974	664,876
Pumping and Distribution Maintenance	873,183	482,629
Power for Pumping	358,161	342,270
Maintenance of General Plant	70,023	80,606
Total Operating and Maintenance	2,134,341	1,570,381
Customer Accounts:		
Meter Reading	86,087	74,913
Customer Records and Collection	190,071	255,640
Energy Conservation	12,564	3,391
Total Customer Accounts	288,722	333,944
Administrative and General:		
Administrative and General Salaries	469,083	433,018
Office Supplies and Expense	142,280	75,445
Outside Services Employed	183,325	136,037
Insurance	59,351	47,262
Employee Benefits	1,054,134	1,059,653
Miscellaneous General	251,333	244,518
Total Administrative and General	2,159,506	1,995,933
Total Operation, Customer, and Administrative Expenses	4,582,569	3,900,258
Depreciation of Capital Assets	3,114,412	1,860,949
Total Operating Expenses	7,696,981	5,761,207
Total Operating Income	\$ 87,817	\$ 871,606

**SHAKOPEE PUBLIC UTILITIES COMMISSION
SCHEDULE OF PLANT IN SERVICE – WATER UTILITY
YEAR ENDED DECEMBER 31, 2023**

	Balance 12/31/2022	Additions	Retirements/ Adjustments	Balance 12/31/2023
CAPITAL ASSETS				
Distribution:				
Land and Land Rights	\$ 1,948,506	\$ 996,272	\$ -	\$ 2,944,778
Wells	4,652,056	518,514	-	5,170,570
Electric Pumping Equipment	8,866,906	-	-	8,866,906
Towers and Pump Houses	12,054,113	8,950	-	12,063,063
Distribution system	53,050,660	8,311,429	27,148	61,334,941
Meters	3,331,686	1,761,667	-	5,093,353
Total Distribution	<u>83,903,927</u>	<u>11,596,832</u>	<u>27,148</u>	<u>95,473,611</u>
General:				
Computer Hardware	203,329	-	-	203,329
Structures Improvements	351,331	-	-	351,331
Furniture-Equipment	154,518	-	-	154,518
Transportation equipment	459,278	231,478	44,330	646,426
Tools, Shop-Garage	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	612,307	-	-	612,307
Total General	<u>1,900,334</u>	<u>231,478</u>	<u>44,330</u>	<u>2,087,482</u>
Subscription Based Information Technology Arrangement Assets:				
Subscription Based Information Technology Arrangements	-	155,697	-	155,697
Total Plant in Service	<u>\$ 85,804,261</u>	<u>\$ 11,984,007</u>	<u>\$ 71,478</u>	<u>\$ 97,716,790</u>



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