

CITY OF KASSON, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2019

CITY OF KASSON, MINNESOTA

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CITY OF KASSON, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2019

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CITY OF KASSON, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2019

Chris McKern	Mayor
Lonnie Zelinske	Councilor
Dan Egger	Councilor
Melisa Ferris	Councilor
Duane Burton	Councilor
Nancy Zaworski	Finance Director
Nancy Zaworski	Interim City Administrator

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CITY OF KASSON, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kasson, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kasson, Minnesota, as of December 31, 2019, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

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

We have previously audited the City's 2018 financial statements and our report dated March 28, 2019, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Honorable Mayor and Members
of the City Council
Page 3

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kasson, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2020, on our consideration of the City of Kasson, Minnesota'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 City of Kasson, Minnesota'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 the City of Kasson, Minnesota's internal control over financial reporting and compliance.

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
May 6, 2020

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**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Kasson, Minnesota, we offer readers of the City of Kasson, Minnesota's financial statements this narrative overview and analysis of the financial activities of the City of Kasson, Minnesota for the fiscal year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

- The assets of the City of Kasson, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$42,198,433 (*net position*). Of this amount, \$8,530,907 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's designations and fiscal policies.
- The City's total net position increased by \$1,995,805.
- As of the close of the current fiscal year, the City of Kasson, Minnesota's governmental funds reported combined ending fund balances of \$5,048,893. Approximately \$2,305,745 of this total amount or 46% is available for use within the City's designations and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,186,459 or 54% of the total expenditures of the general fund.

**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Kasson, Minnesota's basic financial statements. The City of Kasson, Minnesota's basic financial statements comprise three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Additional explanation of these sections of the financial statements follows.

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

The *statement of net position* presents information on all of the City of Kasson, Minnesota's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Kasson, Minnesota is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Kasson, Minnesota that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Kasson, Minnesota include general government, public safety, public works, health and welfare, culture and recreation, and TIF/economic development. The business-type activities of the City of Kasson, Minnesota include the water, wastewater treatment, electric, stormwater, municipal liquor store, and Maple Grove Cemetery. The government-wide financial statements can be found on pages 15-17 of this report.

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

CITY OF KASSON, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Kasson, Minnesota maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund, which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Kasson, Minnesota adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund (page 22 and pages 89-94) and the special revenue funds (pages 83-84) to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 18 and 20 of this report.

Proprietary funds. The City of Kasson, Minnesota maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Kasson, Minnesota uses enterprise funds to account for its water, wastewater, electric, stormwater, municipal liquor, and cemetery funds.

The proprietary fund financial statements can be found on pages 23-30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-75 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and the debt service fund can be found on pages 79-82 and 85-89 of this report.

**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Kasson, Minnesota, assets and deferred outflows exceeded liabilities and deferred inflows by \$42,198,433 at the close of the most recent fiscal year.

The largest portion of the City of Kasson, Minnesota's net position (\$30,306,727) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Kasson, Minnesota uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Kasson, Minnesota's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Kasson, Minnesota Net Position						
	Governmental		Business-Type		Totals	
	Activities		Activities			
	2019	2018	2019	2018		
Current and other assets	\$ 7,234,628	\$ 8,325,612	\$ 9,856,217	\$ 8,910,921	\$ 17,090,845	\$ 17,236,533
Capital assets	19,235,983	19,579,269	28,441,093	27,957,769	47,677,076	47,537,038
Total assets	<u>26,470,611</u>	<u>27,904,881</u>	<u>38,297,310</u>	<u>36,868,690</u>	<u>64,767,921</u>	<u>64,773,571</u>
Deferred outflows of resources	724,491	992,015	98,736	210,772	823,227	1,202,787
Long-term liabilities outstanding	10,503,473	11,105,664	9,874,461	11,129,818	20,377,934	22,235,482
Other liabilities	601,368	716,224	519,958	547,020	1,121,326	1,263,244
Total liabilities	<u>11,104,841</u>	<u>11,821,888</u>	<u>10,394,419</u>	<u>11,676,838</u>	<u>21,499,260</u>	<u>23,498,726</u>
Deferred inflows of resources	1,094,542	1,402,230	798,913	872,774	1,893,455	2,275,004
Net position:						
Net investment in capital assets	10,316,392	10,007,081	19,990,335	18,236,934	30,306,727	28,244,015
Restricted	2,727,106	2,858,398	633,693	644,251	3,360,799	3,502,649
Unrestricted	1,952,221	2,807,299	6,578,686	5,648,665	8,530,907	8,455,964
Total net position	<u>\$ 14,995,719</u>	<u>\$ 15,672,778</u>	<u>\$ 27,202,714</u>	<u>\$ 24,529,850</u>	<u>\$ 42,198,433</u>	<u>\$ 40,202,628</u>

The balance of *unrestricted net position* (\$8,530,907) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Kasson, Minnesota is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities.

**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental activities. Governmental activities decreased the City of Kasson, Minnesota's net position by \$677,059.

Business-type activities. Business-type activities increased the City of Kasson, Minnesota's net position by \$2,672,864.

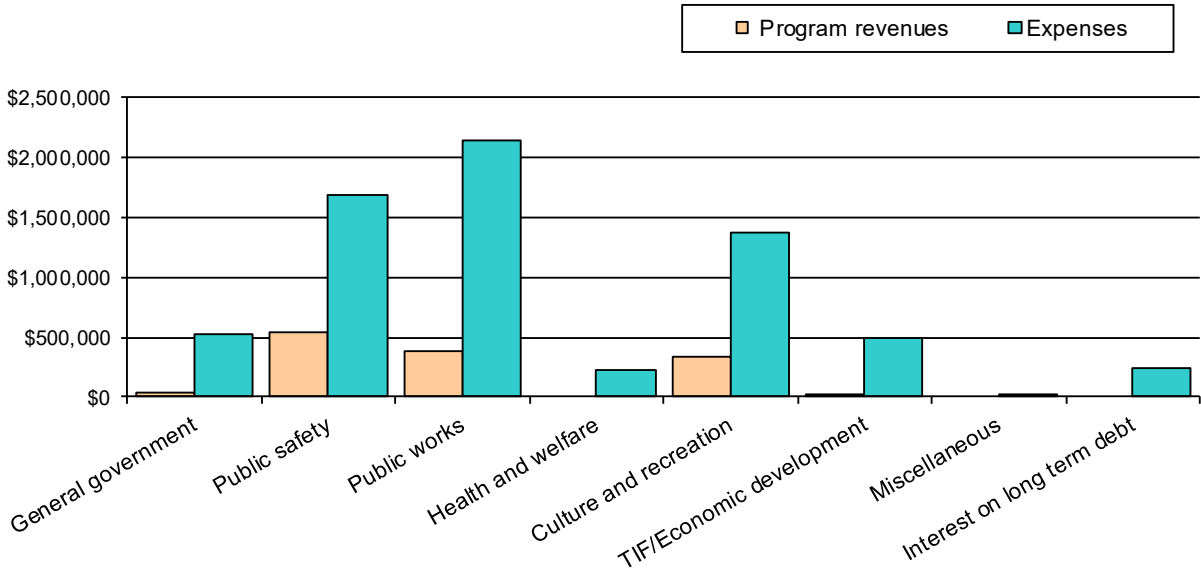
A condensed version of the Statement of Activities follows:

City of Kasson, Minnesota Change in Net Position						
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenue:						
Program revenues:						
Charges for services	\$ 622,303	\$ 511,730	\$ 8,227,163	\$ 8,055,019	\$ 8,849,466	\$ 8,566,749
Operating grants and contributions	292,198	275,977			292,198	275,977
Capital grants and contributions	388,028	817,337	2,923	830,519	390,951	1,647,856
General revenues:						
Property taxes/tax increments	3,216,467	3,080,577			3,216,467	3,080,577
Other taxes	65,309	61,990			65,309	61,990
Grants and contributions not restricted to specific programs						
Local government aid	1,080,311	1,076,622			1,080,311	1,076,622
Other	3,870	3,869			3,870	3,869
Miscellaneous	318,833	92,309	302,610	41,415	621,443	133,724
Total revenues	<u>5,987,319</u>	<u>5,920,411</u>	<u>8,532,696</u>	<u>8,926,953</u>	<u>14,520,015</u>	<u>14,847,364</u>
Expenses:						
General government	526,313	459,315			526,313	459,315
Public safety	1,686,089	1,401,143			1,686,089	1,401,143
Public works	2,138,736	1,384,126			2,138,736	1,384,126
Health and welfare	219,590	10,273			219,590	10,273
Culture and recreation	1,369,548	1,520,854			1,369,548	1,520,854
Economic development	500,609	260,705			500,609	260,705
Miscellaneous	25,978	30,460			25,978	30,460
Interest on long-term debt	247,990	260,674			247,990	260,674
Water			642,786	688,625	642,786	688,625
Wastewater			1,741,279	1,484,995	1,741,279	1,484,995
Electric			2,903,538	3,676,211	2,903,538	3,676,211
Stormwater			187,966	219,451	187,966	219,451
Liquor			286,071	256,213	286,071	256,213
Cemetery			47,717	45,228	47,717	45,228
Total expenses	<u>6,714,853</u>	<u>5,327,550</u>	<u>5,809,357</u>	<u>6,370,723</u>	<u>12,524,210</u>	<u>11,698,273</u>
Change in net position before transfers	(727,534)	592,861	2,723,339	2,556,230	1,995,805	3,149,091
Transfers	50,475	145,705	(50,475)	(145,705)		
Change in net position	(677,059)	738,566	2,672,864	2,410,525	1,995,805	3,149,091
Net Position - beginning	15,672,778	14,934,212	24,529,850	22,119,325	40,202,628	37,053,537
Net position, ending	<u>\$ 14,995,719</u>	<u>\$ 15,672,778</u>	<u>\$ 27,202,714</u>	<u>\$ 24,529,850</u>	<u>\$ 42,198,433</u>	<u>\$ 40,202,628</u>

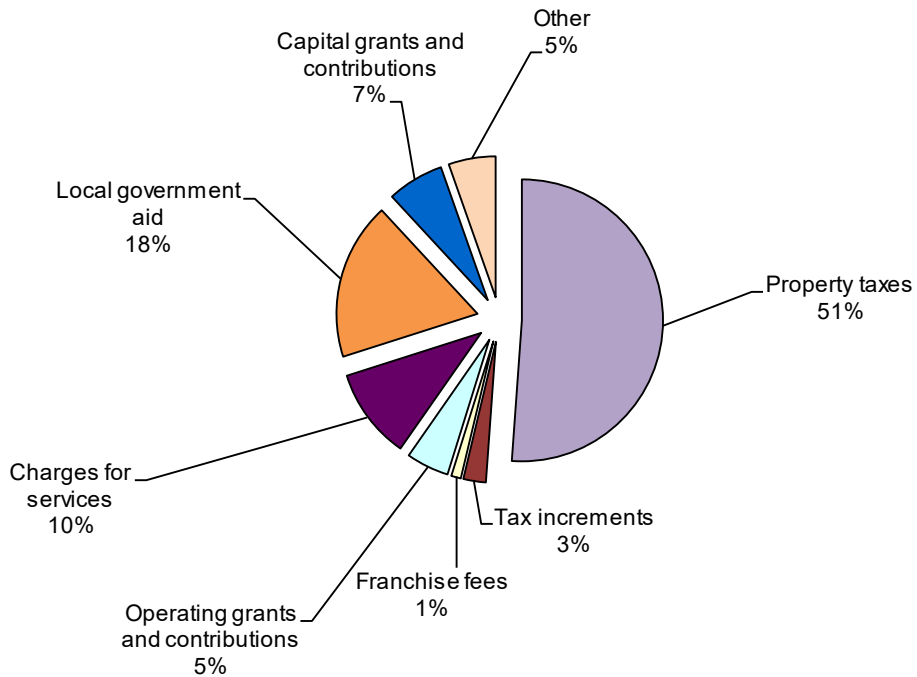
CITY OF KASSON, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenses and Program Revenues - Governmental Activities



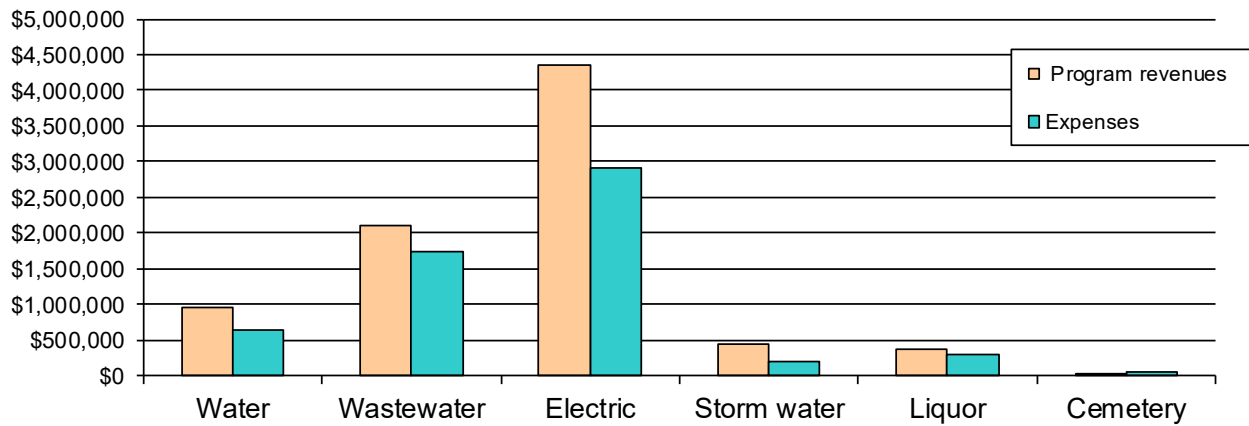
Revenues by Source - Governmental Activities



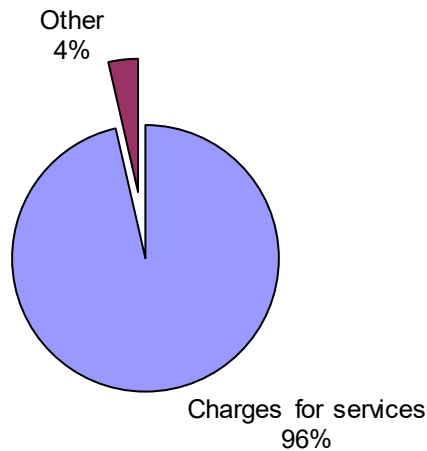
**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenses. Since all of these activities require significant physical assets to operate, any excess revenues are held for planned capital expenses to keep pace with growing demand for services.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FUND BASIS FINANCIAL ANALYSIS

As noted earlier, the City of Kasson, Minnesota uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Kasson, Minnesota's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Kasson, Minnesota's financing requirements. In particular, *unassigned* and *assigned* fund balance may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

Fund balance is classified as non-spendable, restricted, committed, assigned or unassigned according to the following definitions:

Nonspendable – representing that portion of fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items and inventory.

Restricted – reports resources that have external constraints placed upon their use.

Committed – reports those resources for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.

Assigned – represents the portion of fund balance that reflects the amounts the City intends to use for a specific purpose. The Council has authorized the City Administrator and Finance Director to assign fund balance.

Unassigned – represents the amount available for any purpose. However, only the General Fund may report a positive fund balance. Fund balance in other governmental funds will fall into one or more of the categories listed above, unless a fund has a negative fund balance.

At the end of the current fiscal year, the City of Kasson, Minnesota's governmental funds reported combined ending fund balances of \$5,048,893, a decrease of \$770,157. Approximately \$2,305,745 of this total amount constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *restricted* to indicate that it is not available for new spending because it has already been set aside 1) to liquidate contracts and purchase orders of the prior period, 2) to repay interfund advances or other debt, or 3) to fund specific capital projects or programs as obligated by statute or other regulation.

The general fund is the chief operating fund of the City of Kasson, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,186,459. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures for the general fund. Unassigned fund balance represents 54% of the total expenditures of the general fund.

**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The fund balance of the City's General fund increased by \$229,269 during the current fiscal year.

The *Debt Service fund* has a total fund balance of \$2,458,378, of which it all is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$58,952.

The City of Kasson, Minnesota has planned and implemented procedures to ensure that its general fund balance is at a level that meets its cash flow needs on a regular basis.

Proprietary funds. The City of Kasson, Minnesota's proprietary funds statements found on pages 23-30 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary funds are Water - \$610,604, Wastewater - \$1,243,383, Electric - \$3,761,511, Stormwater - \$257,028, Municipal Liquor Store - \$596,203, and Maple Grove Cemetery - \$109,957. The City adjusted rates for 2019 to cover any rise in costs.

**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund Budgetary Highlights

Revenues exceeded expectations by \$291,333, and expenditures had a negative variance of \$260,115.

Capital Asset and Debt Administration

Capital assets. The City of Kasson, Minnesota's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$47,677,076 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, furniture and fixtures, wastewater treatment facility, park facilities, and roads. The total increase in the City of Kasson, Minnesota's reported capital assets, net of depreciation, for the current fiscal year was \$140,038.

City of Kasson, Minnesota Capital Assets
(net of depreciation)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Land	\$ 672,921	\$ 672,921	\$ 452,151	\$ 452,151	\$ 1,125,072	\$ 1,125,072
Construction in process	880,342	4,078,320	1,082,257	3,068,179	1,962,599	7,146,499
Buildings and improvements	5,592,333	5,773,650	6,889,461	7,196,270	12,481,794	12,969,920
Improvements other than buildings	1,337,919	1,342,689	7,521,161	7,807,689	8,859,080	9,150,378
Machinery and equipment	119,330	147,509	466,158	196,999	585,488	344,508
Office equipment and furnishings	107,443	137,840	4,420	1,907	111,863	139,747
Vehicles	932,160	798,564	65,167	22,036	997,327	820,600
Infrastructure	9,593,535	6,627,776	11,960,318	9,212,538	21,553,853	15,840,314
Total	<u>\$ 19,235,983</u>	<u>\$ 19,579,269</u>	<u>\$ 28,441,093</u>	<u>\$ 27,957,769</u>	<u>\$ 47,677,076</u>	<u>\$ 47,537,038</u>

Additional information on the City of Kasson, Minnesota's capital assets can be found in Note 3D on pages 49-51 of this report.

**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Debt Administration (Continued)

Long-term debt. At the end of the current fiscal year, the City of Kasson, Minnesota had \$17,512,010 in bonds and notes outstanding. All of this debt is backed by the full faith and credit of the City.

City of Kasson, Minnesota Outstanding Debt

	Governmental		Business-Type		Totals	
	Activities		Activities		2019	2018
GO Bonds	\$ 4,573,266	\$ 5,017,761	\$	\$	\$ 4,573,266	\$ 5,017,761
GO Improvement Bonds	4,157,535	4,483,707	4,253,134	4,848,466	8,410,669	9,332,173
GO Revenue Bonds			4,323,000	4,992,035	4,323,000	4,992,035
Capital Leases Payable	141,312	17,534	63,763	19,882	205,075	37,416
Total	<u>\$ 8,872,113</u>	<u>\$ 9,519,002</u>	<u>\$ 8,639,897</u>	<u>\$ 9,860,383</u>	<u>\$ 17,512,010</u>	<u>\$ 19,379,385</u>

The City of Kasson, Minnesota's total bonds and notes payable decreased by \$1,867,375 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3F, beginning on page 54.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Dodge County is currently 3.1 percent.
- Property valuations within the City reflect national trends.
- Inflationary trends in the region compare favorably to national indices.
- There was a 6.28% property tax increase in 2019, and there will be an 8% increase in 2020.
- Utility rates were increased for 2019, except for Electric utility rates.

All of these factors were considered in preparing the City's budget for the 2020 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Kasson, Minnesota's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, City Hall, 401 5th Street SE, Kasson, MN 55944 or financedept@cityofkasson.com.

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CITY OF KASSON, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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CITY OF KASSON, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2019

With Comparative Totals for December 31, 2018

	Governmental	Business-Type	Totals	
	Activities	Activities	2019	2018
ASSETS				
Cash and investments	\$ 4,989,879	\$ 6,803,415	\$ 11,793,294	\$ 12,006,143
Restricted cash		795,771	795,771	806,835
Receivables	2,222,854	1,741,413	3,964,267	3,830,407
Inventories		368,859	368,859	357,262
Prepaid items	16,042	20,359	36,401	34,654
Intangibles - service area		126,400	126,400	133,129
Net pension asset	5,853		5,853	68,103
Capital assets:				
Nondepreciable	1,553,263	1,534,408	3,087,671	8,271,571
Depreciable, net	17,682,720	26,906,685	44,589,405	39,265,467
Total Assets	26,470,611	38,297,310	64,767,921	64,773,571
Deferred Outflows of Resources				
Deferred outflows from pension activity	721,381	94,332	815,713	1,202,787
Deferred outflows from OPEB activity	3,110	4,404	7,514	
Total Deferred Outflows or Resources	724,491	98,736	823,227	1,202,787
LIABILITIES				
Accounts payable	126,914	243,377	370,291	482,292
Contracts payable	332,443	54,884	387,327	413,895
Due to other governments	39	51,961	52,000	47,321
Accrued interest payable	101,329	69,753	171,082	185,322
Accrued liabilities	40,208	28,413	68,621	60,834
Deposits payable		52,820	52,820	54,605
Unearned revenue	435	18,750	19,185	18,975
Noncurrent liabilities:				
Due within one year	918,123	1,289,133	2,207,256	2,210,232
Due in more than one year	8,320,404	7,690,894	16,011,298	17,829,551
Net pension liability	1,264,946	894,434	2,159,380	2,195,699
Total Liabilities	11,104,841	10,394,419	21,499,260	23,498,726
Deferred Inflows of Resources				
Deferred revenue		572,243	572,243	600,802
Deferred inflows from pension activity	1,091,548	222,428	1,313,976	1,674,202
Deferred inflows from OPEB activity	2,994	4,242	7,236	
Total Deferred Inflows or Resources	1,094,542	798,913	1,893,455	2,275,004
NET POSITION				
Net investment in capital assets	10,316,392	19,990,335	30,306,727	28,244,015
Restricted for:				
Economic development	268,728		268,728	341,068
Debt service	2,458,378	633,693	3,092,071	3,161,581
Unrestricted	1,952,221	6,578,686	8,530,907	8,455,964
Total Net Position	\$ 14,995,719	\$ 27,202,714	\$ 42,198,433	\$ 40,202,628

See Notes to the Financial Statements

**CITY OF KASSON, MINNESOTA
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2019
With Comparative Totals for the Fiscal Year Ending December 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 526,313	\$ 31,587	\$	\$
Public safety	1,686,089	328,347	212,096	
Public works	2,138,736			387,238
Health and welfare	219,590			
Culture and recreation	1,369,548	262,369	80,102	
TIF/Economic development	500,609			790
Miscellaneous	25,978			
Interest on long-term debt	247,990			
Total governmental activities	<u>6,714,853</u>	<u>622,303</u>	<u>292,198</u>	<u>388,028</u>
Business-Type activities:				
Water	642,786	950,347		2,212
Wastewater	1,741,279	2,097,023		450
Electric	2,903,538	4,349,920		261
Storm water	187,966	451,861		
Liquor	286,071	362,746		
Cemetery	47,717	15,266		
Total business-type activities	<u>5,809,357</u>	<u>8,227,163</u>		<u>2,923</u>
Total	<u>\$ 12,524,210</u>	<u>\$ 8,849,466</u>	<u>\$ 292,198</u>	<u>\$ 390,951</u>

General revenues:

- General property taxes
- Property taxes levied for debt service
- Tax increments
- Franchise fees
- Grants and contributions not restricted to specific programs
- Local government aid
- Other
- Interest earnings
- Miscellaneous
- Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2019	2018
\$ (494,726)	\$	\$ (494,726)	\$ (439,694)
(1,145,646)		(1,145,646)	(978,403)
(1,751,498)		(1,751,498)	(568,108)
(219,590)		(219,590)	(10,273)
(1,027,077)		(1,027,077)	(1,175,244)
(499,819)		(499,819)	(259,650)
(25,978)		(25,978)	(30,460)
(247,990)		(247,990)	(260,674)
<u>(5,412,324)</u>		<u>(5,412,324)</u>	<u>(3,722,506)</u>
	309,773	309,773	265,046
	356,194	356,194	1,067,452
	1,446,643	1,446,643	724,400
	263,895	263,895	380,808
	76,675	76,675	107,621
	<u>(32,451)</u>	<u>(32,451)</u>	<u>(30,512)</u>
	<u>2,420,729</u>	<u>2,420,729</u>	<u>2,514,815</u>
<u>(5,412,324)</u>	<u>2,420,729</u>	<u>(2,991,595)</u>	<u>(1,207,691)</u>
2,326,662		2,326,662	2,131,191
735,103		735,103	794,875
154,702		154,702	154,511
65,309		65,309	61,990
1,080,311		1,080,311	1,076,622
3,870		3,870	3,869
196,783		196,783	66,682
28,575	285,110	313,685	62,042
93,475	17,500	110,975	5,000
50,475	<u>(50,475)</u>		
<u>4,735,265</u>	<u>252,135</u>	<u>4,987,400</u>	<u>4,356,782</u>
(677,059)	2,672,864	1,995,805	3,149,091
<u>15,672,778</u>	<u>24,529,850</u>	<u>40,202,628</u>	<u>37,053,537</u>
<u>\$ 14,995,719</u>	<u>\$ 27,202,714</u>	<u>\$ 42,198,433</u>	<u>\$ 40,202,628</u>

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CITY OF KASSON, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2019

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CITY OF KASSON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019
With Comparative Totals for December 31, 2018

	101	Debt	Other	Totals	
	General	Service	Governmental Funds	2019	2018
ASSETS					
Cash and investments	\$ 1,964,702	\$ 2,456,670	\$ 568,507	\$ 4,989,879	\$ 6,084,997
Accounts receivable	91,333		1,327	92,660	88,419
Interest receivable	12,478	1,726	3,627	17,831	9,556
Notes receivable			192,491	192,491	211,812
Due from other governmental units	11,597		228,432	240,029	17,152
Taxes receivable delinquent	52,400			52,400	50,957
Special assessments receivable		1,040,640	586,803	1,627,443	1,779,429
Prepaid items	11,249		4,793	16,042	15,187
Due from other funds	219,949		704,666	924,615	134,836
Advances to other funds			338,885	338,885	
TOTAL ASSETS	\$ 2,363,708	\$ 3,499,036	\$ 2,629,531	\$ 8,492,275	\$ 8,392,345
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 77,718	\$ 18	\$ 49,178	\$ 126,914	\$ 158,572
Contracts payable			332,443	332,443	413,895
Due to other governments	32		7	39	15
Accrued salaries payable	35,415		4,793	40,208	35,366
Due to other funds			924,615	924,615	134,836
Advances from other funds			338,885	338,885	
Unearned revenue	435			435	225
Total Liabilities	113,600	18	1,649,921	1,763,539	742,909
Deferred Inflows of Resources:					
Unavailable revenue:					
Property taxes	52,400			52,400	50,957
Special assessments		1,040,640	586,803	1,627,443	1,779,429
Total Deferred Inflows of Resources	52,400	1,040,640	586,803	1,679,843	1,830,386
Fund Balance:					
Nonspendable:					
Prepaid items	11,249		4,793	16,042	15,187
Restricted:					
Economic development			268,728	268,728	341,068
Debt service		2,458,378		2,458,378	2,517,330
Committed:					
Economic development			152,266	152,266	119,504
Library operations			187,985	187,985	158,793
Assigned:					
Capital improvements			1,171,736	1,171,736	1,084,012
Unassigned:	2,186,459		(1,392,701)	793,758	1,583,156
Total Fund Balance	2,197,708	2,458,378	392,807	5,048,893	5,819,050
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,363,708	\$ 3,499,036	\$ 2,629,531	\$ 8,492,275	\$ 8,392,345

See Notes to the Financial Statements

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**CITY OF KASSON, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2019**

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balances (page 18)		\$ 5,048,893
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental funds - capital assets	\$ 32,877,044	
Less: Accumulated depreciation	<u>(13,641,061)</u>	
		19,235,983

Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.

Delinquent property taxes	\$ 52,400	
Special assessments	<u>1,627,443</u>	
		1,679,843

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

Bonds and notes payable	\$ (8,872,113)	
Net pension liability	(1,635,113)	
Net pension asset	5,853	
Compensated absences	(214,111)	
Other postemployment benefits	(104,709)	
Bond premiums net of amortization	(47,478)	
Accrued interest	<u>(101,329)</u>	
		<u>(10,969,000)</u>

Net position of governmental activities (page 15)		<u>\$ 14,995,719</u>
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CITY OF KASSON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	101 General	Debt Service	Other Governmental Funds	Totals	
				2019	2018
REVENUES					
Property taxes	\$ 1,886,662	\$ 797,760	\$ 418,601	\$ 3,103,023	\$ 2,978,274
Tax increments			111,676	111,676	111,709
Franchise fees	65,309			65,309	61,990
Special assessments	325	185,059	43,734	229,118	350,665
Licenses and permits	196,966			196,966	97,069
Intergovernmental revenues	1,357,067		290,728	1,647,795	1,408,973
Charges for services	391,271		1,567	392,838	386,343
Fines and forfeits	27,204		3,212	30,416	25,260
Investment income	76,821	52,560	67,402	196,783	66,682
Miscellaneous revenues	79,071		86,809	165,880	52,552
TOTAL REVENUES	4,080,696	1,035,379	1,023,729	6,139,804	5,539,517
EXPENDITURES					
Current					
General government	491,254			491,254	409,491
Public safety	1,552,025			1,552,025	1,374,756
Public works	698,453			698,453	690,766
Health and welfare	219,590			219,590	10,273
Culture and recreation	733,597		375,868	1,109,465	1,099,999
TIF/economic development			498,920	498,920	257,320
Miscellaneous	25,978			25,978	30,460
Capital Outlay	281,877		1,188,867	1,470,744	3,701,690
Debt Service	27,413	1,127,931	2,963	1,158,307	969,516
TOTAL EXPENDITURES	4,030,187	1,127,931	2,066,618	7,224,736	8,544,271
Excess (deficiency) of revenues over (under) expenditures	50,509	(92,552)	(1,042,889)	(1,084,932)	(3,004,754)
OTHER FINANCING SOURCES (USES)					
Sale of assets	13,475			13,475	1,000
Proceeds from issuance of leases	147,227			147,227	
Transfers in	107,058	33,600	136,015	276,673	366,428
Transfers out	(89,000)		(33,600)	(122,600)	(220,723)
TOTAL OTHER FINANCING SOURCES (USES)	178,760	33,600	102,415	314,775	146,705
Net change in fund balances	229,269	(58,952)	(940,474)	(770,157)	(2,858,049)
FUND BALANCES, beginning	1,968,439	2,517,330	1,333,281	5,819,050	8,677,099
FUND BALANCES, ending	\$ 2,197,708	\$ 2,458,378	\$ 392,807	\$ 5,048,893	\$ 5,819,050

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 20)		\$ (770,157)
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay capitalized	\$ 874,230	
Depreciation expense	<u>(1,217,516)</u>	(343,286)
<p>Certain revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.</p>		
Unavailable revenue, December 31, 2019	\$ 1,679,843	
Unavailable revenue, December 31, 2018	<u>(1,830,386)</u>	(150,543)
<p>Infrastructure is contributed from business-type activities to governmental activities. The amounts affect governmental net position but do not affect fund balance.</p>		
		(103,598)
<p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows.</p>		
Principal retirement on long-term debt	\$ 897,714	
Issuance of capital lease payable	(147,227)	
Amortization of bond premiums, net	5,708	
Change in accrued interest	<u>6,822</u>	763,017
<p>In the statement of activities, certain operating expenses - other postemployment benefits, compensated absences, net pension liability, and net pension asset - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>		
Other postemployment benefits	\$ 28,487	
Change in compensated absences	(19,535)	
Change in net pension liability activity	(19,194)	
Change in net pension asset activity	<u>(62,250)</u>	(72,492)
Change in net position of governmental activities (pages 16-17)		<u>\$ (677,059)</u>

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,918,715	\$ 1,918,715	\$ 1,886,662	\$ (32,053)
Franchise fees	60,000	60,000	65,309	5,309
Special assessments			325	325
Licenses and permits	84,058	84,058	196,966	112,908
Intergovernmental	1,327,320	1,327,320	1,357,067	29,747
Charges for services	346,870	346,870	391,271	44,401
Fines and forfeits	15,500	15,500	27,204	11,704
Investment earnings	13,200	13,200	76,821	63,621
Miscellaneous	23,700	23,700	79,071	55,371
TOTAL REVENUES	3,789,363	3,789,363	4,080,696	291,333
EXPENDITURES				
Current				
General Government	473,281	473,281	491,254	(17,973)
Public safety	1,476,067	1,476,067	1,552,025	(75,958)
Pulic works	650,342	650,342	698,453	(48,111)
Emergency services/health	14,760	14,760	219,590	(204,830)
Culture and recreation	823,750	823,750	733,597	90,153
Miscellaneous	36,770	36,770	25,978	10,792
Capital outlay				
General Government	28,500	28,500	13,089	15,411
Public safety	56,666	56,666	185,002	(128,336)
Pulic works	124,136	124,136		124,136
Culture and recreation	85,800	85,800	83,786	2,014
Debt Service			27,413	(27,413)
TOTAL EXPENDITURES	3,770,072	3,770,072	4,030,187	(260,115)
EXCESS OF REVENUES OVER EXPENDITURES	19,291	19,291	50,509	31,218
OTHER FINANCING SOURCES (USES)				
Sale of assets			13,475	13,475
Proceeds from issuance of leases			147,227	147,227
Transfers in	71,000	71,000	107,058	36,058
Transfers out	(89,000)	(89,000)	(89,000)	
TOTAL FINANCING SOURCES (USES)	(18,000)	(18,000)	178,760	196,760
NET CHANGE IN FUND BALANCES	1,291	1,291	229,269	227,978
FUND BALANCES, beginning	1,968,439	1,968,439	1,968,439	
FUND BALANCES, ending	\$ 1,969,730	\$ 1,969,730	\$ 2,197,708	\$ 227,978

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2019 and 2018

	Business-Type Activities - Enterprise Funds					
	601		602		604	
	Water		Wastewater Treatment		Electric	
	2019	2018	2019	2018	2019	2018
ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES						
Current Assets						
Cash and temporary investments	\$ 672,385	\$ 405,758	\$ 1,413,017	\$ 1,543,766	\$ 3,581,210	\$ 2,224,218
Interest receivable	5,779	447	6,290	5,238	30,045	4,820
Accounts receivable	132,267	123,157	272,347	261,189	587,263	544,759
Special assessments receivable	42,062	44,789	14,492	5,620		
Due from other governments						
Inventories					266,049	250,992
Prepaid items	3,402	3,421	3,142	3,089	8,062	7,601
Total Current Assets	<u>855,895</u>	<u>577,572</u>	<u>1,709,288</u>	<u>1,818,902</u>	<u>4,472,629</u>	<u>3,032,390</u>
Noncurrent Assets						
Restricted cash and investments	241,796	252,388	391,897	391,863	44,223	44,599
Contribution aid receivable			572,243	600,802		
Intangibles - service area					126,400	133,129
Total Noncurrent Assets	<u>241,796</u>	<u>252,388</u>	<u>964,140</u>	<u>992,665</u>	<u>170,623</u>	<u>177,728</u>
Capital assets:						
Land	32,779	32,779	156,187	156,187	6,317	6,317
Construction in process		1,159,380		759,360		
Buildings	1,252,796	1,252,796	10,448,848	10,448,848	648,629	648,629
Improvements other than buildings	4,222,901	4,201,519	8,917,222	8,917,222	2,020,217	2,028,954
Machinery and equipment	142,119	142,119	741,814	463,264	592,371	572,790
Office equipment and furnishings	34,776	34,776	36,766	36,766	90,839	90,600
Vehicles	59,392	65,983	38,174	24,832	322,831	316,532
Infrastructure	5,875,262	4,715,882	3,966,588	3,207,228		
Less accumulated depreciation	<u>(4,787,302)</u>	<u>(4,591,297)</u>	<u>(9,195,367)</u>	<u>(8,671,114)</u>	<u>(2,782,343)</u>	<u>(2,737,459)</u>
Net capital assets	<u>6,832,723</u>	<u>7,013,937</u>	<u>15,110,232</u>	<u>15,342,593</u>	<u>898,861</u>	<u>926,363</u>
Deferred Outflows of Resources						
Deferred outflows from pension activity	12,965	28,144	24,145	51,383	38,474	90,708
Deferred outflows from OPEB activity	619		1,177		1,708	
Total Deferred Outflows of Resources	<u>13,584</u>	<u>28,144</u>	<u>25,322</u>	<u>51,383</u>	<u>40,182</u>	<u>90,708</u>
TOTAL ASSETS AND DEFERRED	\$ 7,943,998	\$ 7,872,041	\$ 17,808,982	\$ 18,205,543	\$ 5,582,295	\$ 4,227,189
OUTFLOWS OF RESOURCES						
LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES, AND NET POSITION						
Current Liabilities						
Current maturities of bonds payable	\$ 245,138	\$ 330,866	\$ 792,384	\$ 773,859	\$ 45,191	\$ 45,191
Current maturities of leases payable	4,495	156	4,495	157	5,065	
Accounts payable	11,544	18,572	24,202	48,247	204,118	234,242
Contracts payable						
Due to other governments	329	1,208	17,821	14,784	17,522	15,983
Deposits payable					52,820	54,605
Accrued interest payable	17,086	19,245	37,670	41,680	2,798	3,175
Compensated absences payable	14,507	12,430	28,249	24,049	27,164	28,023
Unearned revenue						
Accrued salaries payable	3,764	3,395	7,501	6,703	11,121	10,432
Total Current Liabilities	<u>296,863</u>	<u>385,872</u>	<u>912,322</u>	<u>909,479</u>	<u>365,799</u>	<u>391,651</u>
Noncurrent Liabilities						
Other postemployment benefits obligation	20,872	18,259	39,675	20,201	57,579	38,958
Compensated absences payable	14,386	10,934	20,766	15,237	38,473	33,724
Net pension liability	125,742	132,401	239,021	240,337	346,884	426,891
Capital leases payable, net of current maturities	15,464	9,785	15,464	9,784	18,780	
Bonds payable, net of current maturities	1,483,705	1,730,441	4,569,904	5,364,218	200,725	247,507
Total Noncurrent Liabilities	<u>1,660,169</u>	<u>1,901,820</u>	<u>4,884,830</u>	<u>5,649,777</u>	<u>662,441</u>	<u>747,080</u>
Deferred Inflows of Resources						
Deferred revenue			572,243	600,802		
Deferred inflows from pension activity	30,090	36,372	55,229	66,026	93,731	117,278
Deferred inflows from OPEB activity	596		1,134		1,645	
Total Deferred Inflows of Resources	<u>30,686</u>	<u>36,372</u>	<u>628,606</u>	<u>666,828</u>	<u>95,376</u>	<u>117,278</u>
NET POSITION						
Net investment in capital assets	5,103,880	4,952,630	9,747,944	9,204,516	697,168	678,264
Restricted for debt service	241,796	252,388	391,897	391,863		
Unrestricted	610,604	342,959	1,243,383	1,383,080	3,761,511	2,292,916
Total Net Position	<u>5,956,280</u>	<u>5,547,977</u>	<u>11,383,224</u>	<u>10,979,459</u>	<u>4,458,679</u>	<u>2,971,180</u>
TOTAL LIABILITIES, DEFERRED INFLOWS	\$ 7,943,998	\$ 7,872,041	\$ 17,808,982	\$ 18,205,543	\$ 5,582,295	\$ 4,227,189
OF RESOURCES AND NET POSITION						

See Notes to the Financial Statements

Business-Type Activities - Enterprise Funds

605		609		610		Totals	
Stormwater		Municipal Liquor Store		Maple Grove Cemetery			
2019	2018	2019	2018	2019	2018	2019	2018
\$ 322,023	\$ 1,003,269	\$ 689,567	\$ 590,381	\$ 125,213	\$ 153,754	\$ 6,803,415	\$ 5,921,146
617	4,049	644	2,334		45	43,375	16,933
57,991	57,083					1,049,868	986,188
18,750	18,750					75,304	69,159
		623				623	
		102,810	106,270			368,859	357,262
2,735	2,675	2,702	2,363	316	318	20,359	19,467
402,116	1,085,826	796,346	701,348	125,529	154,117	8,361,803	7,370,155
117,855	117,985					795,771	806,835
						572,243	600,802
						126,400	133,129
117,855	117,985					1,494,414	1,540,766
74,968	74,968	49,500	49,500	132,400	132,400	452,151	452,151
1,082,257	1,149,439					1,082,257	3,068,179
		234,928	234,928	9,600	9,600	12,594,801	12,594,801
		7,273	7,273			15,167,613	15,154,968
124,793	124,793	10,324	10,324	32,579	32,579	1,644,000	1,345,869
2,609	2,609	64,402	64,402	10,298	10,298	239,690	239,451
						420,397	407,347
5,363,944	4,265,584					15,205,794	12,188,694
(1,274,633)	(1,172,820)	(304,395)	(301,540)	(21,570)	(19,461)	(18,365,610)	(17,493,691)
5,373,938	4,444,573	62,032	64,887	163,307	165,416	28,441,093	27,957,769
4,108	9,170	13,703	29,365	937	2,002	94,332	210,772
192		662		46		4,404	
4,300	9,170	14,365	29,365	983	2,002	98,736	210,772
\$ 5,898,209	\$ 5,657,554	\$ 872,743	\$ 795,600	\$ 289,819	\$ 321,535	\$ 38,396,046	\$ 37,079,462
\$ 115,261	\$ 114,451	\$	\$	\$	\$	\$ 1,197,974	\$ 1,264,367
622	955	2,861	20,476	30	30	14,055	313
54,884						243,377	322,522
		16,289	16,529			54,884	
						51,961	48,504
12,199	13,071					52,820	54,605
4,268	4,206	1,579	1,307	1,337	1,012	69,753	77,171
18,750	18,750					77,104	71,027
946	1,042	4,790	3,666	291	230	18,750	18,750
206,930	152,475	25,519	41,978	1,658	1,272	28,413	25,468
						1,809,091	1,882,727
6,476	4,838	22,323	14,487	1,542	5,897	148,467	102,640
2,363	1,775			1,869	1,185	77,857	62,855
39,013	43,065	134,482	137,943	9,292	9,358	894,434	989,995
						49,708	19,569
1,160,528	1,276,886					7,414,862	8,619,052
1,208,380	1,326,564	156,805	152,430	12,703	16,440	8,585,328	9,794,111
9,682	11,831	31,546	37,894	2,150	2,571	572,243	600,802
185		638		44		222,428	271,972
9,867	11,831	32,184	37,894	2,194	2,571	4,242	
						798,913	872,774
4,216,004	3,171,221	62,032	64,887	163,307	165,416	19,990,335	18,236,934
						633,693	644,251
257,028	995,463	596,203	498,411	109,957	135,836	6,578,686	5,648,665
4,473,032	4,166,684	658,235	563,298	273,264	301,252	27,202,714	24,529,850
\$ 5,898,209	\$ 5,657,554	\$ 872,743	\$ 795,600	\$ 289,819	\$ 321,535	\$ 38,396,046	\$ 37,079,462

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statement of Revenues, Expenses
and Changes in Fund Net Position
For the Years Ended December 31, 2019 and 2018

	Business-Type Activities - Enterprise Funds					
	601 Water		602 Wastewater Treatment		604 Electric	
	2019	2018	2019	2018	2019	2018
Operating Revenues						
Service fees and charges	\$ 927,528	\$ 830,322	\$ 2,097,023	\$ 1,978,456	\$ 4,340,401	\$ 4,390,919
Less cost of sales						
Total operating revenue	<u>927,528</u>	<u>830,322</u>	<u>2,097,023</u>	<u>1,978,456</u>	<u>4,340,401</u>	<u>4,390,919</u>
Operating Expenses						
Personal services	209,575	178,907	427,033	364,906	516,751	547,817
Supplies	66,397	74,165	121,965	97,132	87,703	197,796
Insurance	5,569	5,310	12,073	12,236	7,157	6,889
Utilities	44,826	47,722	3,998	3,111	11,461	11,592
Purchased power					2,195,147	2,374,610
Other services and charges	69,057	133,172	503,127	333,347	206,840	440,425
Depreciation	215,935	204,976	562,754	540,612	85,148	90,172
Total Operating Expenses	<u>611,359</u>	<u>644,252</u>	<u>1,630,950</u>	<u>1,351,344</u>	<u>3,110,207</u>	<u>3,669,301</u>
Operating Income (Loss)	<u>316,169</u>	<u>186,070</u>	<u>466,073</u>	<u>627,112</u>	<u>1,230,194</u>	<u>721,618</u>
Nonoperating Revenues (Expenses)						
Special assessments	2,212	2,970	450		261	149
Interest income (loss)	16,297	5,816	40,071	18,258	147,564	(1,988)
Rents	22,819	27,259			9,519	9,543
Refunds and reimbursements	10,026	1,223			219,244	6,019
Gain on sale of assets	5,650	2,000	7,500	2,000	4,350	
Interest expense and fiscal charges	(43,050)	(47,193)	(112,259)	(135,581)	(7,437)	(7,791)
Amortization expense	1,597	1,597	1,930	1,930	(5,138)	(5,138)
Total Nonoperating Revenues (Expenses)	<u>15,551</u>	<u>(6,328)</u>	<u>(62,308)</u>	<u>(113,393)</u>	<u>368,363</u>	<u>794</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>331,720</u>	<u>179,742</u>	<u>403,765</u>	<u>513,719</u>	<u>1,598,557</u>	<u>722,412</u>
Capital contributions	103,598	93,120			573,991	
Transfers out	(27,015)	(90,480)			(111,058)	(27,000)
CHANGE IN NET POSITION	<u>408,303</u>	<u>182,382</u>	<u>403,765</u>	<u>1,075,485</u>	<u>1,487,499</u>	<u>695,412</u>
NET POSITION - BEGINNING OF YEAR	<u>5,547,977</u>	<u>5,365,595</u>	<u>10,979,459</u>	<u>9,903,974</u>	<u>2,971,180</u>	<u>2,275,768</u>
NET POSITION - END OF YEAR	<u>\$ 5,956,280</u>	<u>\$ 5,547,977</u>	<u>\$ 11,383,224</u>	<u>\$ 10,979,459</u>	<u>\$ 4,458,679</u>	<u>\$ 2,971,180</u>

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2019	2018	2019	2018	2019	2018	2019	2018
\$ 451,861	\$ 439,970	\$ 1,553,101	\$ 1,558,830	\$ 15,266	\$ 14,716	\$ 9,385,180	\$ 9,213,213
		(1,190,355)	(1,194,996)			(1,190,355)	(1,194,996)
451,861	439,970	362,746	363,834	15,266	14,716	8,194,825	8,018,217
66,829	60,585	231,790	207,078	12,598	13,125	1,464,576	1,372,418
5,441	7,887	11,134	7,442	1,203	243	293,843	384,665
745	701	4,203	4,024	576	546	30,323	29,706
		11,774	11,869	358	344	72,417	74,638
						2,195,147	2,374,610
34,436	26,483	24,366	20,531	32,051	29,261	869,877	983,219
101,813	92,811	2,856	5,269	2,109	2,109	970,615	935,949
209,264	188,467	286,123	256,213	48,895	45,628	5,896,798	6,155,205
242,597	251,503	76,623	107,621	(33,629)	(30,912)	2,298,027	1,863,012
						2,923	3,119
42,453	14,190	34,262	(1,142)	4,463	2,281	285,110	37,415
						32,338	36,802
50,000		52		1,178	400	280,500	7,642
						17,500	4,000
(29,799)	(32,081)					(192,545)	(222,646)
1,097	1,097					(514)	(514)
63,751	(16,794)	34,314	(1,142)	5,641	2,681	425,312	(134,182)
306,348	234,709	110,937	106,479	(27,988)	(28,231)	2,723,339	1,728,830
	160,289					103,598	827,400
		(16,000)	(16,000)			(154,073)	(145,705)
306,348	394,998	94,937	90,479	(27,988)	(28,231)	2,672,864	2,410,525
4,166,684	3,771,686	563,298	472,819	301,252	329,483	24,529,850	22,119,325
\$ 4,473,032	\$ 4,166,684	\$ 658,235	\$ 563,298	\$ 273,264	\$ 301,252	\$ 27,202,714	\$ 24,529,850

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statement of Cash Flows
For the Years Ended December 31, 2019 and 2018

	Business-Type Activities - Enterprise Funds					
	601		602		604	
	Water		Wastewater Treatment		Electric	
	2019	2018	2019	2018	2019	2018
Cash Flows From Operating Activities						
Cash received from customers	\$ 918,418	\$ 808,430	\$ 2,085,865	\$ 1,973,840	\$ 4,296,112	\$ 4,279,310
Other receipts	32,845	28,482			228,763	15,562
Cash paid to employees	(203,677)	(175,349)	(416,506)	(355,653)	(512,172)	(543,313)
Cash paid to suppliers	(188,909)	(267,920)	(627,668)	(652,512)	(2,585,173)	(3,027,309)
Net Cash Provided By (Used In) Operating Activities	558,677	393,643	1,041,691	965,675	1,427,530	724,250
Cash Flows From Noncapital Financing Activities						
Transfer in/out	(27,015)	(90,480)		(12,225)	(111,058)	(27,000)
Net Cash Used In Noncapital Financing Activities	(27,015)	(90,480)		(12,225)	(111,058)	(27,000)
Cash Flows From Capital and Related Financing Activities						
Capital asset acquisitions	(34,723)	(282,785)	(330,391)	(14,255)	(57,646)	(49,536)
Cash received from sale of assets	5,650	2,000	7,500	2,000	4,350	
Special assessment collections	2,212	2,970	450		261	149
Capital contributions received				483,831		
Bond and lease proceeds	13,341		13,341	2,843,535	26,681	
Principal payments on bonds and capital leases	(230,592)	(108,639)	(777,183)	(3,145,648)	(48,027)	(43,779)
Interest payments on bonds and capital leases	(42,480)	(51,692)	(125,142)	(151,767)	(7,814)	(8,602)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(286,592)	(438,146)	(1,211,425)	17,696	(82,195)	(101,768)
Cash Flows From Investing Activities						
Investment income received	10,965	6,135	39,019	13,607	122,339	(1,847)
Net Cash Provided By (Used In) Capital and Related Financing Activities	10,965	6,135	39,019	13,607	122,339	(1,847)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	256,035	(128,848)	(130,715)	984,753	1,356,616	593,635
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	658,146	786,994	1,935,629	950,876	2,268,817	1,675,182
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 914,181	\$ 658,146	\$ 1,804,914	\$ 1,935,629	\$ 3,625,433	\$ 2,268,817
Classified as:						
Cash and cash equivalents	\$ 672,385	\$ 405,758	\$ 1,413,017	\$ 1,543,766	\$ 3,581,210	\$ 2,224,218
Restricted cash	241,796	252,388	391,897	391,863	44,223	44,599
Total Cash and Cash Equivalents, End of Year	\$ 914,181	\$ 658,146	\$ 1,804,914	\$ 1,935,629	\$ 3,625,433	\$ 2,268,817

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2019	2018	2019	2018	2019	2018	2019	2018
\$ 450,953	\$ 439,844	\$ 362,123	\$ 363,834	\$ 15,266	\$ 14,766	\$ 8,128,737	\$ 7,880,024
50,000		52		1,178	400	312,838	44,444
(66,275)	(59,654)	(230,394)	(205,937)	(11,528)	(13,091)	(1,440,552)	(1,352,997)
14,361	(45,290)	(52,546)	(39,230)	(37,965)	(31,819)	(3,477,900)	(4,064,080)
449,039	334,900	79,235	118,667	(33,049)	(29,744)	3,523,123	2,507,391
		(16,000)	(16,000)			(154,073)	(145,705)
		(16,000)	(16,000)			(154,073)	(145,705)
(1,031,178)	(35,263)		(2,514)	(23,919)		(1,453,938)	(408,272)
						17,500	4,000
						2,923	3,119
							483,831
						53,363	2,843,535
(114,451)	(49,755)					(1,170,253)	(3,347,821)
(30,671)	(33,896)					(206,107)	(245,957)
(1,176,300)	(118,914)		(2,514)	(23,919)		(2,756,512)	(667,565)
45,885	12,663	35,951	(2,779)	4,508	3,038	258,667	30,817
45,885	12,663	35,951	(2,779)	4,508	3,038	258,667	30,817
(681,376)	228,649	99,186	97,374	(28,541)	(50,625)	871,205	1,724,938
1,121,254	892,605	590,381	493,007	153,754	204,379	6,727,981	5,003,043
\$ 439,878	\$ 1,121,254	\$ 689,567	\$ 590,381	\$ 125,213	\$ 153,754	\$ 7,599,186	\$ 6,727,981
\$ 322,023	\$ 1,003,269	\$ 689,567	\$ 590,381	\$ 125,213	\$ 153,754	\$ 6,803,415	\$ 5,921,146
117,855	117,985					795,771	806,835
\$ 439,878	\$ 1,121,254	\$ 689,567	\$ 590,381	\$ 125,213	\$ 153,754	\$ 7,599,186	\$ 6,727,981

**CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS**

Statement of Cash Flows - continued

For the Years Ended December 31, 2019 and 2018

**RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

	601 Water		602 Wastewater Treatment		604 Electric	
	2019	2018	2019	2018	2019	2018
Operating Income (Loss)	\$ 316,169	\$ 186,070	\$ 466,073	\$ 627,112	\$ 1,230,194	\$ 721,618
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation	215,935	204,976	562,754	540,612	85,148	90,172
Change in net pension liability	2,238	(3,819)	15,125	21,710	(51,320)	(22,036)
Miscellaneous nonoperating income	32,845	28,482			228,763	15,562
(Increase) Decrease In:						
Accounts receivable	(9,110)	(21,892)	(11,158)	(21,516)	(42,504)	(113,603)
Due from other governments				16,900		95
Inventories					(15,057)	225
Prepaid items	19	(1,575)	(53)	1,125	(461)	64
Deferred outflows from OPEB activity	(619)		(1,177)		(1,708)	
Increase (Decrease) In:						
Accounts payable	(7,028)	(806)	(24,045)	(242,810)	(30,124)	21,652
Contracts payable						
Due to other governments	(879)		3,037	14,784	1,539	6,982
Accrued salaries payable	369	935	798	2,128	689	2,333
Compensated absences payable	5,529	2,623	9,729	7,125	3,890	2,171
Deferred inflows from OPEB activity	596		1,134		1,645	
Other postemployment benefits obligation	2,613	(1,351)	19,474	(1,495)	18,621	(2,884)
Deposits payable					(1,785)	1,899
Net Cash Provided By (Used In) Operating Activities	\$ 558,677	\$ 393,643	\$ 1,041,691	\$ 965,675	\$ 1,427,530	\$ 724,250
Noncash Capital and Related Financing Activities						
Amortization of bond discount, premium and intangibles	\$ (1,597)	\$ (1,597)	\$ (1,930)	\$ (1,930)	\$ 5,138	\$ 5,138

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2019	2018	2019	2018	2019	2018	2019	2018
\$ 242,597	\$ 251,503	\$ 76,623	\$ 107,621	\$ (33,629)	\$ (30,912)	\$ 2,298,027	\$ 1,863,012
101,813	92,811	2,856	5,269	2,109	2,109	970,615	935,949
(1,139)	(2,273)	5,853	(522)	578	(10)	(28,665)	(6,950)
50,000		52		1,178	400	312,838	44,444
(908)	(126)				50	(63,680)	(157,087)
		(623)				(623)	16,995
		3,460	5,778			(11,597)	6,003
(60)	(65)	(339)	(99)	2	(19)	(892)	(569)
(192)		(662)		(46)		(4,404)	
(333)	(7,523)	(17,615)	(397)		(959)	(79,145)	(230,843)
54,884						54,884	
		(240)	948			3,457	22,714
(96)	205	1,124	503	61	46	2,945	6,150
650	726	272	638	1,009	(12)	21,079	13,271
185		638		44		4,242	
1,638	(358)	7,836	(1,072)	(4,355)	(437)	45,827	(7,597)
						(1,785)	1,899
\$ 449,039	\$ 334,900	\$ 79,235	\$ 118,667	\$ (33,049)	\$ (29,744)	\$ 3,523,123	\$ 2,507,391

\$ (1,097) \$ (1,097) \$ \$ \$ \$ 514 \$ 514

CITY OF KASSON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS (FESTIVAL IN THE PARK AND ARENA FUND)
December 31, 2019

	877 Festival in Park	606 Arena	Total
ASSETS			
Cash and investments	\$ 11,223	\$ (25,687)	\$ (14,464)
Accounts receivable		53,913	53,913
Due from other governmental units		15,272	15,272
Inventory		563	563
Prepaid items		1,113	1,113
	<u>11,223</u>	<u>(23,901)</u>	<u>(12,678)</u>
TOTAL ASSETS	<u>\$ 11,223</u>	<u>\$ 45,174</u>	<u>\$ 56,397</u>
LIABILITIES			
Accounts payable	\$ 11,223	\$ 6,862	\$ 18,085
Accrued wages payable		11,580	11,580
Due to other governments		1,733	1,733
	<u>11,223</u>	<u>19,175</u>	<u>30,398</u>
TOTAL LIABILITIES	<u>11,223</u>	<u>20,175</u>	<u>31,398</u>
FUND BALANCE			
Unassigned		24,999	24,999
	<u>11,223</u>	<u>24,999</u>	<u>36,222</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,223</u>	<u>\$ 45,174</u>	<u>\$ 56,397</u>

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity

City of Kasson, Minnesota, (the City) operates under “Optional Plan A” as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and four-member Council. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are in substance, part of the City’s operations and so data from these units are combined with data of the primary government. The blended component unit presented has a December 31 year end.

Blended Component Unit. The Economic Development Authority (EDA) is responsible for economic and industrial development and redevelopment within the City’s jurisdiction. The seven members of the EDA’s governing board, including two council members, are appointed and approved by the Council. In accordance with GASB accounting standards, this entity is properly presented as a blended presented component unit as a governmental fund type. This is shown as a blended component unit because of the nature of operations with the City and EDA.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in which the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements, other than time requirements, are met and recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as unavailable revenue in the fund financial statements.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and to ensure that user charges are sufficient to pay for those costs.

The *Wastewater Treatment fund* accounts for the costs associated with the City's waste water treatment system and to ensure that user charges are sufficient to pay for those costs.

The *Electric fund* accounts for the costs associated with the City's electrical system and to ensure that user charges are sufficient to pay for those costs.

The *Stormwater fund* accounts for the costs associated with the City's storm water system, which are financed by the storm water surcharge, and to ensure that user charges are sufficient to pay for those costs.

The *Municipal Liquor Store fund* accounts for the operations of the City's off-sale liquor store.

The *Maple Grove Cemetery fund* accounts for the costs associated with maintaining and operating the Maple Grove Cemetery.

Additionally, the City reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The *Agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. Agency funds account for Festival in the Park and Arena activities.

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water, sewer and electric functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Cash and Investments

The City'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. Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, related in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments for the City are reported at fair value. Broker money market accounts operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

Cash and Investments (Continued)

Investment policy

The three main objectives of all investment activities can be prioritized as safety, liquidity, and yield. Safety of principal is the foremost objective of the City. Each investment transaction shall seek to first insure that capital losses are avoided. The objective will be to mitigate credit risk and interest rate risk. Credit risk is the risk of loss due to failure of the security issuer or backer. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated demands. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. The investment portfolio of the City shall be designed to attain the market-average rate of return through budgetary and economic cycles, taking into consideration the City's investment risk constraints, cash flow characteristics of the portfolio and prudent investment policies.

The City will attempt to diversify its investments according to type and maturity. The portfolio, as much as possible, will contain both short-term and long-term investments. The City will attempt to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields; however, no more than 50 percent of total investments, based upon year end investment balance of the prior year, should extend beyond five years and in no circumstance, should any extend beyond ten years.

The purpose of this policy is to establish specific guidelines the City will use in the investment of City funds. It will be the responsibility of the Finance Director or City Administrator to invest City funds in order to attain a market rate of return while preserving and protecting the capital of the overall portfolio. Investments will be made, based on statutory constraints, in safe, low risk investments.

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

Interfund Transactions (Continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources unless the proceeds from those advances meets the definition of restricted, committed, or assigned fund balance.

Property Taxes

Property tax levies are set by the City Council in December each year and are certified for collection in the following year. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. In Minnesota, counties are responsible and act as collection agents for all property taxes and tax settlements are made to the City during January, June and December each year.

Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the governmental fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. Since the City is generally able to certify delinquent amounts to the county for collection as special assessments, an allowance for uncollectible accounts of \$4,000 has been provided on current receivables.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Contribution Aid Receivable

Contribution aid receivable represents amounts due to the City related to construction costs associated with the expansion of the wastewater treatment facility.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

Inventories and Prepaid Items

All inventories are stated at cost on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Restricted assets consist of cash and temporary investments restricted to specific purposes by bonded debt requirements and other agreements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the acquisition value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

Capital Assets (Continued)

For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land and Land Improvements	\$ 5,000
Other Improvements	5,000
Buildings	5,000
Building Improvements	5,000
Machinery and Equipment	2,500
Vehicles	5,000
Infrastructure	100,000
Other Assets	5,000

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life <u>in Years</u>
System improvements/Infrastructure	15 - 50
Buildings and Improvements	5 - 15
Land Improvements	15 - 20
Other Improvements	15 - 20
Vehicles	5 - 15
Machinery and Equipment	5 - 15

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one type of deferred outflow which is pension related and reported on the statement of net position.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, sick and comp time which is paid to the employees upon separation and meeting policy requirements. Vacation, sick and comp time pay is accrued when incurred and reported as a fund liability. The General fund is typically used to liquidate governmental compensated absences payable.

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirements. All premiums are funded on a pay as you go basis. This amount was actuarially determined in accordance with GASB Statement No. 75.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

Net Position / Fund Balance

In the government-wide and proprietary financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position.”

The City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City Council through formal action and remain binding unless removed by the City Council by subsequent formal action.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The council also delegates the power to assign fund balances for specific purposes to the City Administrator and Finance Director.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance (Continued)

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City recognized three types of deferred inflows. The first type occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting. The second type is pension related and reported on the statement of net position. The third type (deferred revenue) relates to contributions in aid of construction that will be recognized over the term of the related financing per GASB No. 62, which includes accounting for regulated entities.

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 payable in accordance with the benefit terms. Investments are reported at fair value.

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and the Library and Economic Development special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

Each August, all departments of the City submit requests for appropriations to the Finance Director so that a budget may be prepared. Before September 15, the proposed budget is presented to the council for review and the proposed levy is adopted. The Council prepared a final budget and it is adopted in early December. The Council invites the public to the meeting when the budget is discussed.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control is the department level. Budgeted amounts are as amended.

3. Detailed Notes on All Funds

A. Summary of Cash and Investments

As of December 31, 2019, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

<u>Cash and Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Cash on hand	None	N/A	\$ 1,175
Deposits	None	N/A	3,159,345
Certificates of deposit	February 2020 - November 2026	N/A	<u>9,428,545</u>
Total Cash and Investments			<u>\$ 12,589,065</u>
Cash and Investments			\$ 11,793,294
Restricted Cash and Investments			<u>795,771</u>
Cash and Investments per Statement of Net Position			<u>\$ 12,589,065</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments (Continued)

Collateralization of Cash Deposits

The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Fair Value Measurements

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2: Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical assets or liabilities in inactive markets
 - Inputs other than quoted prices that are observable for the asset or liability
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other meansIf the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments (Continued)

Fair Value Measurements (Continued)

The City's investments within the fair value hierarchy at December 31, 2019 and 2018 were as follows:

	At December 31, 2019			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 9,428,545	\$	\$ 9,428,545	\$

	At December 31, 2018			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 9,043,515	\$	\$ 9,043,515	\$

Interest Rate Risk

The City has a formal investment policy that limits investment maturities up to ten years to manage decline in fair values of an investment.

Custodial Credit Risk

The City's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.

Credit Risk

The City has a formal investment policy that aims to minimize credit risk by limiting its investment choices to specific types of investments, pre-qualifying financial institutions, and diversifying the investment portfolio.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments (continued)

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. Investments that are more than 5 percent of the City's total investments are as follows:

<u>Investments</u>	<u>Ratings</u>	<u>of Total</u>
Certificates of deposit	N/A	100%

B. Deferred Special Assessments Receivable

Deferred assessments receivable represent levies made on the property of owners benefited by public improvement projects. Assessments are payable over various periods.

C. Notes Receivable

The Economic Development Authority (EDA) has loaned various economic development notes to city businesses. These notes are receivable by the EDA with interest at 2.0 percent to 4.75 percent per annum. The balance on notes receivable at December 31, 2019 is \$192,491.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity, including internal service fund capital assets, for the year ended December 31, 2019 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 672,921	\$	\$	\$ 672,921
Construction in progress	4,078,320	819,642	4,017,620	880,342
Total capital assets, not being depreciated	<u>4,751,241</u>	<u>819,642</u>	<u>4,017,620</u>	<u>1,553,263</u>
Capital assets, being depreciated:				
Buildings	7,116,199			7,116,199
Improvements other than buildings	1,939,047	59,743		1,998,790
Machinery and equipment	851,136	29,037	42,713	837,460
Office equipment and furnishings	268,727		13,003	255,724
Vehicles	2,752,793	211,116	40,109	2,923,800
Infrastructure	14,419,496	3,772,312		18,191,808
Total capital assets, being depreciated	<u>27,347,398</u>	<u>4,072,208</u>	<u>95,825</u>	<u>31,323,781</u>
Less accumulated depreciation for:				
Buildings	1,342,549	181,317		1,523,866
Improvements other than buildings	596,358	64,513		660,871
Machinery and equipment	703,627	57,216	42,713	718,130
Office equipment and furnishings	130,887	30,397	13,003	148,281
Vehicles	1,954,229	77,520	40,109	1,991,640
Infrastructure	7,791,720	806,553		8,598,273
Total accumulated depreciation	<u>12,519,370</u>	<u>1,217,516</u>	<u>95,825</u>	<u>13,641,061</u>
Total capital assets, being depreciated, net	<u>14,828,028</u>	<u>2,854,692</u>		<u>17,682,720</u>
Governmental activities capital assets, net	<u>\$ 19,579,269</u>	<u>\$ 3,674,334</u>	<u>\$ 4,017,620</u>	<u>\$ 19,235,983</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 452,151	\$	\$	\$ 452,151
Construction in progress	3,068,179	1,031,178	3,017,100	1,082,257
Total capital assets, not being depreciated	3,520,330	1,031,178	3,017,100	1,534,408
Capital assets, being depreciated:				
Buildings	12,594,801			12,594,801
Improvements other than buildings	15,187,547	21,382	8,737	15,200,192
Machinery and equipment	1,313,290	343,601	45,471	1,611,420
Office equipment and furnishings	239,451	4,414	4,175	239,690
Vehicles	407,347	53,364	40,313	420,398
Infrastructure	12,188,694	3,017,100		15,205,794
Total capital assets, being depreciated	41,931,130	3,439,861	98,696	45,272,295
Less accumulated depreciation for:				
Buildings	5,398,531	306,809		5,705,340
Improvements other than buildings	7,379,858	307,910	8,737	7,679,031
Machinery and equipment	1,116,291	74,442	45,471	1,145,262
Office equipment and furnishings	237,544	1,901	4,175	235,270
Vehicles	385,311	10,233	40,313	355,231
Infrastructure	2,976,156	269,320		3,245,476
Total accumulated depreciation	17,493,691	970,615	98,696	18,365,610
Total capital assets, being depreciated, net	24,437,439	2,469,246		26,906,685
Business-type activities capital assets, net	\$ 27,957,769	\$ 3,500,424	\$ 3,017,100	\$ 28,441,093

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$	32,216
Public safety		84,615
Public works		855,665
Culture and recreation		245,020
		<u>245,020</u>

Total depreciation expense - governmental activities	\$	<u>1,217,516</u>
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Business-Type Activities:

Water	\$	215,935
Wastewater treatment		562,754
Electric		85,148
Stormwater		101,813
Liquor		2,856
Cemetery		2,109
		<u>2,109</u>

Total depreciation expense - business-type activities	\$	<u>970,615</u>
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Construction Commitments

The City has an active utility improvement construction project as of December 31, 2019. At year end, the City's commitments with the contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
E Main St. Storm Project	\$ 1,082,257	\$ 51,026
16th St. NE Project	588,488	653,840

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Interfund Balances and Transfers

The amounts due to and from other funds as of December 31, 2019, at the individual fund level are summarized below:

<u>Funds</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 219,949	\$
Economic Development	82,678	
Permanent Improvement Revolving	621,988	
Tax Abatement Development		200,000
16th Street NE		378,485
Highway 57		224,084
16th Street NW		19,419
Downtown TIF		81,532
Oppidan Folkestad TIF		21,095
	<hr/>	<hr/>
Total	<u>\$ 924,615</u>	<u>\$ 924,615</u>

The amounts advanced to and from other funds as of December 31, 2019, at the individual fund level are summarized below:

<u>Funds</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Permanent Improvement Revolving	\$ 338,885	\$
2017 Street Assessment Project		338,885
	<hr/>	<hr/>
Total	<u>\$ 338,885</u>	<u>\$ 338,885</u>

At December 31, 2019 the following funds have deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Special Revenue	
Downtown TIF	\$ 81,532
Tax Abatement Development	200,000
Capital Projects	
2017 Street Assessment Project	464,910
16th Street NE	360,056
Highway 57	266,784
16th Street NW	19,419

The City plans to eliminate the deficits in these funds through future tax increment collections, transfers, debt issuance, and developer reimbursements.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Interfund Balances and Transfers (Continued)

Excess of expenditures over appropriations, the result of a planned process, are as follows:

General Fund	\$ 260,115
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Transfers during the year ended December 31, 2019 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 107,058	\$ 89,000
Economic Development	20,000	
2017 Street Assessment Project	116,015	
Debt Service	33,600	
Oppidan Folkestad TIF - Special Revenue		33,600
Enterprise		
Water		27,015
Electric		111,058
Municipal Liquor Store		16,000
	<u>\$ 276,673</u>	<u>\$ 276,673</u>
Total Transfers		

In the government-wide statement of net position, transfers in/out are comprised of:

Governmental Funds:	
Transfer in	\$ 276,673
Transfers out	(122,600)
Capital assets transferred from business-type activities to government-type activities	<u>(103,598)</u>
Government-wide Statement of Activities - Transfers in/out	<u>\$ 50,475</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt

General Obligation Bonds

The City and EDA issue general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation debt is backed by the full faith and credit of the City. Each year the tax levy equal 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax payments.

G.O. Bonds

The following notes were issued to finance various improvements and will be repaid primarily from ad valorem tax levies. All general obligation debt is backed by the full faith and credit of the City. Each year the tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax payments.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Aquatic Center Bonds of 2013A	\$2,800,000	0.3 - 3.00 %	03/14/13	02/01/28	\$1,735,000
G.O. Equipment Certificate Bonds of 2014A	\$1,025,000	2.35	03/12/14	02/01/24	544,000
G.O. Tax Increment Bonds of 2014B	\$1,655,000	4.00 - 5.50	06/02/14	02/01/42	1,565,000
G.O. Crossover Refunding Bonds of 2015A	\$2,620,000	2.00 - 4.00	09/01/15	02/01/24	<u>1,685,000</u>
Total G.O. Bonds					<u>\$5,529,000</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (Continued)

G.O. Special Assessment (Improvement) Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from specific assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equal 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds of 2011A	\$ 1,775,000	2.00 - 2.70 %	11/01/11	02/01/21	\$ 160,000
G.O. Street Reconstruction and Utility Revenue Bonds of 2012A	1,430,000	0.40 - 2.10	07/01/12	02/01/23	579,935
G.O. Improvement Bonds of 2014C	430,000	2.00 - 3.50	06/02/14	02/01/30	330,000
G.O. Improvement and Utility Revenue Bonds of 2017A	6,780,000	2.00 - 2.50	07/05/17	02/01/33	6,385,000
Total G.O. Special Assessment Bonds					<u>\$7,454,935</u>

G.O. Revenue Notes

The following notes were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue Note of 2001 (PFA)	\$ 7,632,919	3.07 %	08/30/01	08/20/21	\$ 1,023,000
G.O. Sewer Revenue Note of 2011 (PFA)	994,038	1.86	08/31/11	08/20/31	654,000
G.O. Sewer Revenue Note of 2018 (PFA)	2,843,535	1.095	02/14/18	08/20/37	2,646,000
Total G.O. Revenue Bonds					<u>\$4,323,000</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (Continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2019, over the life of the debt, are summarized below:

Years	General Obligation Bonds		General Improvement Bonds		Total
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2020	\$ 457,495	\$ 142,213	\$ 315,530	\$ 94,755	\$ 1,009,993
2021	461,659	132,944	318,305	87,400	1,000,308
2022	481,151	122,199	330,975	80,907	1,015,232
2023	490,315	109,304	336,475	74,083	1,010,177
2024	497,646	95,969	268,650	67,769	930,034
2025-2029	1,055,000	352,230	1,420,400	240,898	3,068,528
2030-2034	330,000	242,053	1,167,200	58,195	1,797,448
2035-2039	450,000	152,064			602,064
2040-2042	350,000	29,701			379,701
Totals	<u>\$ 4,573,266</u>	<u>\$ 1,378,676</u>	<u>\$ 4,157,535</u>	<u>\$ 704,007</u>	<u>\$ 10,813,484</u>
	General Obligation Revenue Bonds		General Obligation Special Assessment Bonds		
	Principal	Interest	Principal	Interest	
<u>Business-Type Activities</u>					
2020	\$ 865,000	\$ 136,241	\$ 332,975	\$ 33,209	\$ 1,367,425
2021	884,225	114,808	335,811	26,248	1,361,092
2022	369,450	92,838	269,424	19,097	750,809
2023	376,900	86,706	272,245	10,758	746,609
2024	384,350	80,446	201,354	3,020	669,170
2025-2029	2,442,650	332,136			2,774,786
2030-2034	1,521,750	70,382			1,592,132
2035-2037	320,000	5,266			325,266
Totals	<u>\$ 7,164,325</u>	<u>\$ 918,823</u>	<u>\$ 1,411,809</u>	<u>\$ 92,332</u>	<u>\$ 9,587,289</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (Continued)

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2019:

	Beginning Balance	Transfers	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES						
Bonds and Notes Payable:						
General Obligation Bonds:						
2013A GO Aquatic Center	\$ 1,910,000	\$	\$	\$ 175,000	\$ 1,735,000	\$ 180,000
2014A GO Equipment Certificate	645,000			101,000	544,000	104,000
2014B GO Tax Increment Bonds	1,595,000			30,000	1,565,000	35,000
2015A GO Crossover Refunding Bonds	867,761			138,495	729,266	138,495
General Improvement Bonds						
2011A GO Refunding Bond	13,417	103,598		117,015		
2012A GO Street Reconstruction and Utility	352,390			68,530	283,860	68,530
2014C GO Improvement Bond	355,000			25,000	330,000	25,000
2017A GO Improvement and Utility Revenue Bonds	3,762,900			219,225	3,543,675	222,000
Capital Lease Payable	17,534		147,227	23,449	141,312	31,476
Plus: Unamortized premiums	53,186			5,708	47,478	
Total Bonds and Notes Payable	9,572,188	103,598	147,227	903,422	8,919,591	804,501
Other Liabilities:						
Other postemployment benefits obligation	133,196			28,371	104,825	
Compensated absences	194,576		133,157	113,622	214,111	113,622
Governmental Activities						
Long-term Liabilities	9,899,960	103,598	280,384	1,045,415	9,238,527	918,123
BUSINESS-TYPE ACTIVITIES						
Bonds and Notes Payable:						
General Obligation Revenue Bonds:						
2001 PFA Loan	1,512,000			489,000	1,023,000	504,000
2011 PFA Loan	702,000			48,000	654,000	49,000
2017A GO Improvement and Utility Revenue Bonds	3,017,100			175,775	2,841,325	178,000
2018 PFA Loan	2,778,035			132,035	2,646,000	134,000
General Obligation Special Assessment Bonds:						
2011A GO Refunding Bond	326,583	(103,598)		62,985	160,000	80,000
2012A GO Street Reconstruction and Utility	367,545			71,470	296,075	71,470
2015A GO Crossover Refunding Bonds	1,137,238			181,504	955,734	181,504
Capital Lease Payable	19,882		53,363	9,482	63,763	14,055
Plus: Unamortized premiums	44,299			6,676	37,623	
Less: Unamortized discount	(1,381)			(460)	(921)	
Total Bonds and Notes Payable	9,903,301	(103,598)	53,363	1,176,467	8,676,599	1,212,029
Other Liabilities:						
Other postemployment benefits obligation	102,640		45,827		148,467	
Compensated absences	133,882		98,183	77,104	154,961	77,104
Business-type Activities						
Long-term Liabilities	10,139,823	(103,598)	197,373	1,253,571	8,980,027	1,289,133
Total	\$ 20,039,783	\$	\$ 477,757	\$ 2,298,986	\$ 18,218,554	\$ 2,207,256

The City transferred a portion (\$103,598) of the debt related to the 2011A GO Refunding from business-type to governmental to reallocate a portion of the project to governmental activities.

The City entered into several vehicle capital leases payable in amounts of \$205,075 through May 2024.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide

Plan Description

The City 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 Plan

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

2. Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

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 of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Benefits Provided (Continued)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be 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. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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 percent of their annual covered salary in fiscal year 2019; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$146,530. The City's contributions were equal to the required contributions as set by state statute.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increase from 16.2 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019 were \$104,042. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,525,942 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$47,498. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0276 percent which was a decrease of 0.0017 percent from its proportion measured as of June 30, 2018.

City's proportionate share of net pension liability	\$	1,525,942
State of Minnesota's proportionate share of the net pension liability associated with the City	\$	47,498

For the year ended December 31, 2019, the City recognized pension expense of (\$31,263) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$3,557 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Pension Costs (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 44,187	\$
Changes in actuarial assumptions		127,715
Difference between projected and actual investment earnings		169,974
Changes in proportion	49,026	70,732
Contributions paid to PERA subsequent to the measurement date	<u>64,949</u>	
Total	<u>\$ 158,162</u>	<u>\$ 368,421</u>

The \$64,949 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability during the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2020	\$ (79,440)
2021	(142,134)
2022	(56,093)
2023	2,459

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2019 the City reported a liability of \$633,438 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0595 percent which was an increase of 0.006 percent from its proportionate share measured as of June 30, 2018. The City also recognized \$8,032 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$21,792 for its proportionate share of the Police and Fire Fund's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 14,518	\$ 104,803
Changes in actuarial assumptions	506,742	672,967
Difference between projected and actual investment earnings		121,043
Changes in proportion	74,925	46,742
Contributions paid to PERA subsequent to the measurement date	61,366	
Total	<u>\$ 657,551</u>	<u>\$ 945,555</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

The \$61,366 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2020	\$ (36,222)
2021	(85,781)
2022	(237,454)
2023	261
2024	9,826

Aggregate Pension Costs

The total pension expense for all plans recognized by the City for the year ended December 31, 2019 is as follows:

General Employees Retirement Fund	(\$27,706)
Police and Fire Fund	<u>29,824</u>
Total	<u><u>\$2,118</u></u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the Correctional Plan.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

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.

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Pension Liability Sensitivity

The following presents the City'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 City'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:

Sensitivity Analysis
Net Pension Liability at Different Discount Rates

	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	\$ 2,508,567	6.50%	\$ 1,384,577
Current Discount Rate	7.50%	\$ 1,525,942	7.50%	\$ 633,438
1% Higher	8.50%	\$ 714,590	8.50%	\$ 12

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.

5. Defined Benefit Pension Plan – Fire Relief Association

The Kasson Firemen's Relief Association has not had an actuarial study performed. The Association believes the funding status determined using the calculation required by the Minnesota State Auditor is sufficient to determine the reportable amounts under GASB No. 68, *Accounting and Financial Reporting for Pensions*.

Plan Description

The Kasson Firemen's Relief Association (the Association) is the administrator of a single-employer Public Employee Retirement System (PERS) established to provide benefits for members of the Kasson Fire Department (the Department).

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is partially from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980).

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Defined Benefit Pension Plan – Fire Relief Association (Continued)

Plan Description (Continued)

The financial requirements of the Special fund are determined in accordance with Minnesota statutes section 69.772 which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 20 years of service, and 10 years of Association membership, or upon death.

Benefits are accumulated at \$2,400 per year of active service in the Department. The accrued liability for these accumulated benefits is computed using increasing percentages based on years of service. At 20 years of service, the liability is equal to the number of years of service times benefits per year. Association members are fully vested after 20 years.

All members of the Department are covered by a defined benefit plan (the Plan) administered by the Association. The Plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is partially from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report. The report may be obtained by writing to Kasson Firefighters' Relief Association, Kasson, MN 55944.

Funding Status and Progress

The financial requirements of the Special fund are determined in accordance with Section 69.772 of the Minnesota statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 20 years of service, and to years of Association membership or upon death.

At December 31, 2018 (most current information available) the Association's funding status is as follows:

Total plan assets	\$	439,629
Total accrued liability		<u>(433,776)</u>
Excess of Plan Assets over Accrued Liability	\$	<u>5,853</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Defined Benefit Pension Plan – Fire Relief Association (Continued)

Contributions Required and Contributions Made

Financial requirements of the Association are determined on a computation based on member years of service. The City's minimum obligation is the financial requirement for the year less Association investment earnings and State aids. The funding strategy should provide sufficient resources to pay relief association benefits on a timely basis. The City was not obligated to make a contribution in 2019.

The computation of the pension contribution requirements for 2019 was based on the same assumptions, benefit provision, lump sum funding method, and other significant factors used to determine pension contributions requirements in previous years.

6. Postemployment Benefits Other Than Pensions

The City engaged an actuary to determine the City's liability for postemployment healthcare benefits other than pension for the year ended December 31, 2019.

A. Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan until Medicare age, which covers both active and retired members. There are 36 active participants. Benefit provisions are established through negotiations between the City and the unions representing City employees and are renegotiated from time to time. The Retiree Health Plan does not issue a publicly available financial report.

B. Funding Policy

The City has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the City and union representatives. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The City does not contribute any of the cost of current year premiums for eligible retired plan members and their spouses. For fiscal year 2019, the City contributed \$3,055 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Postemployment Benefits Other Than Pensions (Continued)

C. Net OPEB Liability

The City's net OPEB liability was measured as of January 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the City at year-end were as follows:

Total OPEB liability	<u>\$ 253,292</u>
Covered payroll	<u>\$ 2,319,236</u>
Total OPEB liability as a % of payroll	<u>11%</u>

D. Funded Status and Funding Progress

As of January 1, 2019, the most recent valuation date, the actuarial accrued liability for benefits was \$235,292 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,319,236 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11 percent. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Methods and Assumptions

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Postemployment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions (Continued)

The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.80%
20-year Municipal Bond Yield	3.80%
Inflation rate	2.50%
Mortality	Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
Medical trend rate	6.50% as of July 1, 2018 grading to 5.00% over 6 years. The medical trend rates have been chosen based on a review of historical health care increase rates, projected health care increase rates, and projected health care expenditures as a percentage of GDP. The components of health care costs were considered when developing the aggregate set of trend rates.

F. Changes in Net OPEB Liability

	<u>Total OPEB Liability</u>
Beginning Balance 1/1/2019	\$ 235,836
Changes for the year:	
Service cost	20,544
Interest	8,411
Assumption changes	(8,444)
Benefit payments	(3,055)
Net Changes	<u>17,456</u>
Balance End of Year 12/31/2019	<u>\$ 253,292</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Postemployment Benefits Other Than Pensions (Continued)

G. Net OPEB Liability Sensitivity to Discount and Health-Care Trend Rate Changes

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it would be calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	<u>Net OPEB Liability</u>
1% decrease in Discount Rate (2.80%)	\$ 273,819
Current Discount Rate (3.80%)	253,292
1% increase in Discount Rate (4.80%)	234,212

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it would be calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<u>Net OPEB Liability</u>
1% decrease in Trend Rates	\$ 223,028
Current Trend Rates	253,292
1% increase in Trend Rates	289,390

H. OPEB Expense and Related Deferred Outflows/Inflows of Resources of Resources

As of the year ended December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$	\$ 7,237
Contributions paid to OPEB subsequent to the measurement date	7,514	
	<u>\$ 7,514</u>	<u>\$ 7,237</u>

Contributions made subsequent to the measurement date of \$7,514 will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Other Information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Legal debt margin

The City's statutory debt limit is three percent of estimated market value of real and personal property located within the City (\$424,988,900) which is \$12,749,667. The City currently has \$2,279,000 of general obligation debt subject to this limit, leaving a debt margin of \$10,470,667 after adding back debt service restricted fund balances. Debt financed partially or entirely by special assessments or by operations of enterprise funds is excluded from this computation by statute.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Other Information (Continued)

D. Joint venture – Arena

On April 3, 1996, the Cities of Kasson, Dodge Center, Mantorville and the County of Dodge entered into a joint powers agreement to construct and operate an all-purpose arena. All members had an interest in the property as tenants-in-common. The City of Kasson had a 35 percent interest. Effective January 1, 2010 this agreement was terminated and a new agreement between Dodge County and the City of Kasson was signed which also designated the arena to be under the management of the City of Kasson.

The agreement further states that Dodge County and the City of Kasson will share in one-half of the net income or net loss from operations. The entity has a calendar year end. Arena activities are reported as an agency fund of the City.

E. Tax increment districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

8. Tax Abatement – Pay-As-You-Go Tax Increment

The City may enter into tax abatement agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.1812, 469.1813 and 469.1815. Any parcel of property in the City qualifies for tax abatement. The City negotiates tax abatement agreements on an individual basis generally with the purpose of adding employment and or increasing the tax capacity of the parcel.

The City has made no commitments, other than tax abatement, under the agreements. The taxpayer submits property taxes annually and is reimbursed by the City for the abatement amount if the taxpayer has filed reports substantiating that it has met the employment levels stipulated in the agreement. The City had the following tax abatement agreements as of December 31, 2019.

The City entered into a tax abatement agreement in January 2017 for the purpose of remodeling an existing commercial facility. Under the agreement, the City shall abate 100% of the City's property tax amount generated by the Abatement Property for a period not to exceed 10 years commencing with taxes payable 2017 for as long as the taxpayer is operating its business on the Abatement Property. City abated \$3,597 and \$3,597 in 2019 and 2018, respectively.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Tax Abatement – Pay-As-You-Go Tax Increment (Continued)

The City entered into a tax abatement agreement in October 2015 for the purpose of building a new structure. Under the agreement, the City shall abate 90% of the new city taxes generated by the Abatement Property for a period of 10 years commencing with taxes payable 2017. City abated \$2,503 and \$2,643 in 2019 and 2018, respectively.

The City entered into a tax abatement agreement in April 2019 for the purpose of assisting with the construction of public improvements within a subdivision. Under the agreement, the City shall abate generated by the property for the period of up to 20 years to help pay for the infrastructure.

The City may enter into tax increment financing agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.174 to 469.1794 through pay-as-you-go tax increment financing program. The City has three pay-as-you-go tax increment financing districts. For the year ended December 31, 2019, the City paid tax increments totaling \$78,549 related to these agreements.

9. Wastewater Treatment Agreement

The City has entered into a wastewater collection, treatment and disposal agreement with the City of Mantorville. The agreements effective date is July 9, 2014 and has a term of 40 years. Under the agreement, the wastewater utility of the City will treat all wastewater derived from the City of Mantorville.

The terms of the agreement require the City of Mantorville to pay a one-time connection fees of \$2,250 per hookup which totals \$819,000. Any costs for future capital improvements required for the treatment facility will be shared in the following percentages: Kasson 82.3% and Mantorville 17.7%. The City has recorded a contribution aid receivable of \$615,507 representing Mantorville's share of the net expansion costs. Mantorville is required to make annual payments toward this receivable corresponding with the required debt service of the net financing of the treatment facility expansion. There was a balance of \$572,243 in contribution aid receivable at December 31, 2019.

The City has elected to account for this contribution pursuant to GASB No. 62 which includes accounting for regulated entities. Under the standard, the contribution is deferred and recognized over the term of the associated financing of the treatment facility expansion.

Mantorville is required to maintain the infrastructure for the collection system from the City of Mantorville to the treatment facility. The costs of operating and maintaining the treatment facility will be shared between the two parties. On a quarterly basis, the City of Mantorville is required to pay to the City their share of the operating and maintenance costs based on the treatment volumes generated by each party as detailed in the agreement.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 30, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact future operations, however, the potential impact is unknown at this time.

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CITY OF KASSON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

CITY OF KASSON, MINNESOTA
Schedules of City Pension Contributions

PERA General Employees Retirement Fund
Last Ten Years (presented prospectively)

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2014	\$ 120,876	\$ 120,876	\$	\$ 1,667,255	7.25%
2015	140,991	140,991		1,879,880	7.50%
2016	135,921	135,921		1,812,280	7.50%
2017	145,970	145,970		1,946,267	7.50%
2018	147,541	147,541		1,967,213	7.50%
2019	146,530	146,530		1,953,733	7.50%
2020					
2021					
2022					
2023					

PERA Public Employees Police and Fire Fund Pension Plan
Last Ten Years (presented prospectively)

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2014	\$ 78,392	\$ 78,392	\$	\$ 512,366	15.3%
2015	87,418	87,418		539,617	16.2%
2016	92,805	92,805		572,870	16.2%
2017	95,949	95,949		592,278	16.2%
2018	91,393	91,393		564,154	16.2%
2019	104,042	104,042		642,235	16.2%
2020					
2021					
2022					
2023					

CITY OF KASSON, MINNESOTA
Schedules of City and Non-Employer Proportionate Share of Net Pension Liability

PERA General Employees Retirement Fund
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	Employer's Proportionate Share (Percentage) of Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0318%	\$ 1,493,805	\$	\$ 1,493,805	\$ 1,667,255	90%	78.70%
2015	0.0325%	1,684,319		1,684,319	1,773,568	95%	78.20%
2016	0.0292%	2,370,895	30,984	2,401,879	1,846,080	130%	68.90%
2017	0.0302%	1,927,948	24,251	1,952,199	1,879,273	104%	75.90%
2018	0.0293%	1,625,444	53,210	1,678,654	1,956,740	86%	79.53%
2019	0.0276%	1,525,942	47,498	1,573,440	1,960,473	80%	80.23%
2020							
2021							
2022							
2023							

PERA Public Employees Police and Fire Fund Pension Plan
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	Employer's Proportionate Share (Percentage) of Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll a/b	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0590%	\$ 637,224	\$ 512,366	124%	87.10%
2015	0.0610%	693,103	525,992	132%	86.60%
2016	0.0590%	2,367,773	556,244	426%	63.90%
2017	0.0580%	783,069	582,574	134%	85.40%
2018	0.0535%	570,255	578,216	99%	88.84%
2019	0.0595%	633,438	603,194	105%	89.26%
2020					
2021					
2022					
2023					

**Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net OPEB
Liability and Related Ratios**

	2019	2018
Total OPEB Liability		
Service cost	\$ 20,544	\$ 21,490
Interest cost	8,411	7,915
Assumption changes	(8,444)	
Benefit payments	(3,055)	(23,658)
Net change in total OPEB liability	17,456	5,747
Total OPEB Liability - beginning of year	235,836	230,089
Total OPEB Liability - end of year	\$ 253,292	\$ 235,836
 Covered Payroll	 \$ 2,319,236	 \$ 2,251,685
 Total OPEB Liability as a % of payroll	 11%	 10%

CITY OF KASSON, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2019

**CITY OF KASSON, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2019

	Special Revenue						
	211 Library	219 Tax Abatement Development	225 EDA FED MIF	247 2004 Assisted Living TIF	248 Downtown TIF	249 Oppidan Folkestad TIF	290 Economic Development
ASSETS							
Cash and investments	\$ 194,423		\$ 18,690			\$ 78,570	\$ 69,588
Accounts receivable	1,255		72				
Interest receivable							
Notes receivable			192,491				
Due from other governmental units							
Special assessments receivable			11,709				
Prepaid expenses	4,727						66
Due from other funds							82,678
Advances to other funds							
TOTAL ASSETS	\$ 200,405	\$	\$ 222,962	\$	\$	\$ 78,570	\$ 152,332
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 2,893						
Contracts payable							
Due to other governments	7						
Accrued salaries payable	4,793						
Due to other funds		200,000			81,532	21,095	
Advances from other funds							
Total Liabilities	7,693	200,000			81,532	21,095	
Deferred Inflows of Resources:							
Unavailable revenue:							
Special assessments			11,709				
Total Deferred Inflows of Resources			11,709				
Fund Balance							
Nonspendable:							
Prepaid items	4,727						66
Restricted:							
Economic development			211,253			57,475	
Committed:							
Economic development							152,266
Library Operations	187,985						
Assigned:							
Capital improvements							
Unassigned:		(200,000)			(81,532)		
Total Fund Balance	192,712	(200,000)	211,253		(81,532)	57,475	152,332
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 200,405	\$	\$ 222,962	\$	\$	\$ 78,570	\$ 152,332

Capital Projects						
210 Stabilization/ Cap Projects Reserve	401 Permanent Improvement Revolving	412 16th Street NE	423 2017 Street Assessment Project	424 Highway 57	426 16th Street NW	Total Nonmajor Governmental Funds
\$ 171,413	\$ 35,823	\$	\$	\$	\$	\$ 568,507
	3,627					1,327
		228,432				3,627
	575,094					192,491
	621,988					228,432
	338,885					586,803
						4,793
						704,666
						338,885
<u>\$ 171,413</u>	<u>\$ 1,575,417</u>	<u>\$ 228,432</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,629,531</u>
\$	\$	\$ 3,120	\$ 465	\$ 42,700	\$	\$ 49,178
		206,883	125,560			332,443
						7
		378,485		224,084	19,419	4,793
			338,885			924,615
						338,885
		588,488	464,910	266,784	19,419	1,649,921
	575,094					586,803
	575,094					586,803
						4,793
						268,728
						152,266
						187,985
171,413	1,000,323					1,171,736
		(360,056)	(464,910)	(266,784)	(19,419)	(1,392,701)
<u>171,413</u>	<u>1,000,323</u>	<u>(360,056)</u>	<u>(464,910)</u>	<u>(266,784)</u>	<u>(19,419)</u>	<u>392,807</u>
<u>\$ 171,413</u>	<u>\$ 1,575,417</u>	<u>\$ 228,432</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,629,531</u>

CITY OF KASSON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	Special Revenue						
	211 Library	219 Tax Abatement Development	225 EDA FED MIF	247 2004 Assisted Living TIF	248 Downtown TIF	249 Oppidan Folkestad TIF	290 Economic Development
REVENUES							
Property tax collected	\$ 334,913	\$	\$	\$	\$	\$	\$ 70,192
Special assessments			6,644				
Tax increments				78,549		33,127	
Fines and forfeits	3,212						
Intergovernmental	62,296						
Charges for services	1,567						
Investment income	1,237		10,323			890	2,637
Miscellaneous	6,809					80,000	
TOTAL REVENUES	410,034		16,967	78,549		114,017	72,829
EXPENDITURES							
Current:							
Culture and recreation	375,868						
TIF/economic development		200,000	146,782	78,549	505		60,097
Debt service							
Interest and fiscal charges					2,360	603	
Capital outlay							
Culture and recreation	2,657						
TIF/economic development						1,244	
Public works							
TOTAL EXPENDITURES	378,525	200,000	146,782	78,549	2,865	1,847	60,097
Excess (deficiency) of revenues over (under) expenditures	31,509	(200,000)	(129,815)		(2,865)	112,170	12,732
OTHER FINANCING SOURCES (USES)							
Transfer in							20,000
Transfer out						(33,600)	
TOTAL OTHER FINANCING SOURCES (USES)						(33,600)	20,000
Net change in fund balances	31,509	(200,000)	(129,815)		(2,865)	78,570	32,732
FUND BALANCES, beginning	161,203		341,068		(78,667)	(21,095)	119,600
FUND BALANCES, ending	\$ 192,712	\$ (200,000)	\$ 211,253	\$	\$ (81,532)	\$ 57,475	\$ 152,332

Capital Projects

210 Stabilization/ Cap Projects Reserve	401 Permanent Improvement Revolving	412 16th Street NE	423 2017 Street Assessment Project	424 Highway 57	426 16th Street NW	Total Nonmajor Governmental Funds
\$ 13,496	\$ 37,090	\$	\$	\$	\$	\$ 418,601
						43,734
						111,676
		228,432				3,212
						290,728
1,926	48,277		2,112			1,567
						67,402
						86,809
15,422	85,367	228,432	2,112			1,023,729
						375,868
12,987						498,920
						2,963
						2,657
						1,244
	78	570,788	365,246	239,979	8,875	1,184,966
12,987	78	570,788	365,246	239,979	8,875	2,066,618
2,435	85,289	(342,356)	(363,134)	(239,979)	(8,875)	(1,042,889)
			116,015			136,015
						(33,600)
			116,015			102,415
2,435	85,289	(342,356)	(247,119)	(239,979)	(8,875)	(940,474)
168,978	915,034	(17,700)	(217,791)	(26,805)	(10,544)	1,333,281
\$ 171,413	\$ 1,000,323	\$ (360,056)	\$ (464,910)	\$ (266,784)	\$ (19,419)	\$ 392,807

CITY OF KASSON, MINNESOTA
LIBRARY FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 334,913	\$ 334,913	\$ 334,913	\$	\$ 317,617
Intergovernmental revenues	61,396	61,396	62,296	900	62,345
Library fines	5,000	5,000	3,212	(1,788)	3,634
Investment income	150	150	1,237	1,087	1,006
Miscellaneous	2,250	2,250	8,376	6,126	6,036
TOTAL REVENUES	403,709	403,709	410,034	6,325	390,638
EXPENDITURES					
Library					
Salaries	251,724	251,724	227,604	24,120	239,678
Employee benefits and retirement	38,591	38,591	33,913	4,678	35,431
Workers compensation	1,000	1,000	2,154	(1,154)	1,346
Health insurance	39,200	39,200	43,646	(4,446)	35,958
Operating supplies/small tools	20,650	20,650	19,793	857	19,772
Insurance	3,500	3,500	2,944	556	2,811
Telephone	1,700	1,700	1,569	131	1,861
Professional fees	16,700	16,700	17,460	(760)	17,007
Capital outlay	2,000	2,000	2,657	(657)	1,187
Other	28,644	28,644	26,785	1,859	53,499
TOTAL EXPENDITURES	403,709	403,709	378,525	25,184	408,550
Net change in fund balances			31,509	31,509	(17,912)
FUND BALANCES, beginning	161,203	161,203	161,203		179,115
FUND BALANCES, ending	\$ 161,203	\$ 161,203	\$ 192,712	\$ 31,509	\$ 161,203

CITY OF KASSON, MINNESOTA
EDA FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 69,602	\$ 69,602	\$ 70,192	\$ 590	\$ 69,920
Investment Income	2,000	2,000	2,637	637	2,445
TOTAL REVENUES	<u>71,602</u>	<u>71,602</u>	<u>72,829</u>	<u>1,227</u>	<u>72,365</u>
EXPENDITURES					
Economic development					
Personal services	14,643	14,643	8,294	6,349	13,380
Supplies	400	400	465	(65)	514
Other services and charges	73,559	73,559	51,338	22,221	46,304
Capital outlay	3,000	3,000		3,000	
TOTAL EXPENDITURES	<u>91,602</u>	<u>91,602</u>	<u>60,097</u>	<u>31,505</u>	<u>60,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,000)</u>	<u>(20,000)</u>	<u>12,732</u>	<u>32,732</u>	<u>12,167</u>
OTHER FINANCING SOURCES					
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>		
Net change in fund balances			32,732	32,732	12,167
FUND BALANCES, beginning	<u>119,600</u>	<u>119,600</u>	<u>119,600</u>		<u>107,433</u>
FUND BALANCES, ending	<u>\$ 119,600</u>	<u>\$ 119,600</u>	<u>\$ 152,332</u>	<u>\$ 32,732</u>	<u>\$ 119,600</u>

CITY OF KASSON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2019

	Debt Service				
	382	384	385	386	389
	G.O. Street Reconstruction & Utility Revenue Bonds of 2012A	G.O. Refunding Bond of 2011A	Aquatic Center Bonds of 2013A	Fire Truck and Equipment	Oppidan Assessment
ASSETS					
Cash and investments	\$ 84,266	\$	\$ 272,746	\$ 110,659	\$ 44,498
Interest receivable					
Special assessments receivable					314,380
TOTAL ASSETS	\$ 84,266	\$	\$ 272,746	\$ 110,659	\$ 358,878
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Accounts payable					
Deferred Inflows of Resources:					
Unavailable revenue:					
Special assessments					314,380
Total Deferred Inflows of Resources					314,380
Fund Balance					
Restricted:					
Debt service	84,266		272,746	110,659	44,498
Total Fund Balance	84,266		272,746	110,659	44,498
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 84,266	\$	\$ 272,746	\$ 110,659	\$ 358,878

Debt Service			
391	392	393	
Oppidan Folkestad TIF	G.O. Crossover Refunding Bonds of 2015A	2017 Street Assessment Project	Total Debt Service Funds
\$ 964,102	\$ 335,605	\$ 644,794	\$ 2,456,670
1,429		297	1,726
	158,785	567,475	1,040,640
<u>\$ 965,531</u>	<u>\$ 494,390</u>	<u>\$ 1,212,566</u>	<u>\$ 3,499,036</u>
18			18
	158,785	567,475	1,040,640
	<u>158,785</u>	<u>567,475</u>	<u>1,040,640</u>
965,513	335,605	645,091	2,458,378
<u>965,513</u>	<u>335,605</u>	<u>645,091</u>	<u>2,458,378</u>
<u>\$ 965,531</u>	<u>\$ 494,390</u>	<u>\$ 1,212,566</u>	<u>\$ 3,499,036</u>

**CITY OF KASSON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS**

For the Year Ended December 31, 2019

	Debt Service				
	382 G.O. Street Reconstruction & Utility Revenue Bonds of 2012A	384 G.O. Refunding Bond of 2011A	385 Aquatic Center Bonds of 2013A	386 Fire Truck and Equipment	389 Oppidan Assessment
REVENUES					
Property tax collected	\$ 74,910	\$	\$ 216,413	\$ 114,971	\$
Special assessments					38,972
Investment income	330	1,423	1,374	309	210
TOTAL REVENUES	<u>75,240</u>	<u>1,423</u>	<u>217,787</u>	<u>115,280</u>	<u>39,182</u>
EXPENDITURES					
Current:					
Debt service					
Principal	68,530	117,015	175,000	101,000	25,000
Interest and fiscal charges	5,699	1,415	41,908	13,971	10,595
TOTAL EXPENDITURES	<u>74,229</u>	<u>118,430</u>	<u>216,908</u>	<u>114,971</u>	<u>35,595</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,011</u>	<u>(117,007)</u>	<u>879</u>	<u>309</u>	<u>3,587</u>
OTHER FINANCING SOURCES					
Transfer in					
Net change in fund balances	1,011	(117,007)	879	309	3,587
FUND BALANCES, beginning	<u>83,255</u>	<u>117,007</u>	<u>271,867</u>	<u>110,350</u>	<u>40,911</u>
FUND BALANCES, ending	<u>\$ 84,266</u>	<u>\$</u>	<u>\$ 272,746</u>	<u>\$ 110,659</u>	<u>\$ 44,498</u>

Debt Service			
391	392	393	
Oppidan Folkestad TIF	G.O. Crossover Refunding Bonds of 2015A	2017 Street Assessment Project	Total Debt Service Funds
\$ 76,153	\$ 128,000	\$ 187,313	\$ 797,760
	48,162	97,925	185,059
29,428	2,360	17,126	52,560
<u>105,581</u>	<u>178,522</u>	<u>302,364</u>	<u>1,035,379</u>
30,000	138,495	219,225	874,265
74,043	22,064	83,971	253,666
<u>104,043</u>	<u>160,559</u>	<u>303,196</u>	<u>1,127,931</u>
1,538	17,963	(832)	(92,552)
33,600			33,600
35,138	17,963	(832)	(58,952)
930,375	317,642	645,923	2,517,330
<u>\$ 965,513</u>	<u>\$ 335,605</u>	<u>\$ 645,091</u>	<u>\$ 2,458,378</u>

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2019

With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 1,918,715	\$ 1,918,715	\$ 1,886,662	\$ (32,053)	\$ 1,719,709
Franchise fees	60,000	60,000	65,309	5,309	61,990
Special Assessments			325	325	569
Licenses and Permits					
Business	13,500	13,500	15,320	1,820	12,943
Nonbusiness	70,558	70,558	181,646	111,088	84,126
Total Licenses and Permits	84,058	84,058	196,966	112,908	97,069
Intergovernmental					
Local government aid	1,080,311	1,080,311	1,080,311		1,076,622
Fire relief aid	40,000	40,000	44,533	4,533	42,394
Police aid	61,000	61,000	67,933	6,933	69,601
Highway aid	72,640	72,640	73,377	737	71,387
Other aid	15,369	15,369	31,526	16,157	29,447
Total State Aid	1,269,320	1,269,320	1,297,680	28,360	1,289,451
School					
Other School aid	58,000	58,000	59,387	1,387	57,177
Total School	58,000	58,000	59,387	1,387	57,177
Total Intergovernmental	1,327,320	1,327,320	1,357,067	29,747	1,346,628
Charges for Service					
General government	44,600	44,600	68,962	24,362	66,548
Public safety	51,670	51,670	66,802	15,132	59,506
Culture and recreation	250,600	250,600	255,507	4,907	258,819
Total Charges for Service	346,870	346,870	391,271	44,401	384,873
Fines and Forfeits	15,500	15,500	27,204	11,704	21,626
Investment Earnings	13,200	13,200	76,821	63,621	520
Miscellaneous					
Rents and leases	2,700	2,700	7,069	4,369	9,558
Refunds and reimbursements	13,000	13,000	46,035	33,035	14,584
Contributions and donations	8,000	8,000	25,967	17,967	23,844
Total Miscellaneous	23,700	23,700	79,071	55,371	47,986
TOTAL REVENUES	\$ 3,789,363	\$ 3,789,363	\$ 4,080,696	\$ 291,333	\$ 3,680,970

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Personal services	\$ 49,397	\$ 49,397	\$ 47,519	\$ 1,878	\$ 42,168
Legal fees	11,000	11,000	8,371	2,629	8,708
Other services and charges	30,600	30,600	70,660	(40,060)	22,092
Total Mayor and Council	90,997	90,997	126,550	(35,553)	72,968
Ordinances and Proceedings					
Other services and charges	4,500	4,500	1,142	3,358	2,346
City Clerk					
Personal services	166,425	166,425	142,816	23,609	145,770
Supplies	9,720	9,720	5,803	3,917	4,807
Other services and charges	31,380	31,380	32,571	(1,191)	41,250
Total City Clerk's	207,525	207,525	181,190	26,335	191,827
Elections and Voter Registration					
Personal services	4,818	4,818	4,814	4	13,070
Other services and charges					703
Total Elections and Voter Registration	4,818	4,818	4,814	4	13,773
Assessor					
Other services and charges	31,109	31,109	30,809	300	29,891
Accounting					
Other services and charges	6,500	6,500	5,375	1,125	5,380
Legal					
Other services and charges	35,000	35,000	48,656	(13,656)	33,786
Planning and Zoning					
Personal services	200	200	5,075	(4,875)	
Supplies	500	500	479	21	1,189
Other services and charges	53,650	53,650	58,009	(4,359)	36,333
Total Planning and Zoning	54,350	54,350	63,563	(9,213)	37,522

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)	2018 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Data Processing					
Other services and charges	\$ 12,200	\$ 12,200	\$ 12,919	\$ (719)	\$ 6,382
General Government Buildings					
Personal services	10,957	10,957	7,210	3,747	6,636
Supplies	1,275	1,275	188	1,087	68
Other services and charges	14,050	14,050	8,838	5,212	8,912
Total General Governmental Buildings	26,282	26,282	16,236	10,046	15,616
Total General Government	473,281	473,281	491,254	(17,973)	409,491
Public Safety					
Police					
Personal services	1,069,489	1,069,489	1,073,890	(4,401)	989,856
Supplies	39,500	39,500	43,592	(4,092)	52,308
Other services and charges	95,677	95,677	96,867	(1,190)	88,852
Total Police	1,204,666	1,204,666	1,214,349	(9,683)	1,131,016
Fire					
Personal services	66,161	66,161	74,549	(8,388)	63,136
Supplies	52,720	52,720	65,932	(13,212)	46,492
Other services and charges	102,320	102,320	114,540	(12,220)	81,300
Total Fire	221,201	221,201	255,021	(33,820)	190,928
Building inspection					
Other services and charges	48,200	48,200	82,655	(34,455)	51,649

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Animal Control					
Other services and charges	\$ 2,000	\$ 2,000	\$	\$ 2,000	\$ 1,163
Total Animal Control	2,000	2,000		2,000	1,163
Total Public Safety	1,476,067	1,476,067	1,552,025	(75,958)	1,374,756
Public Works					
Street and Alleys					
Personal services	178,794	178,794	166,099	12,695	154,174
Supplies	45,300	45,300	41,329	3,971	46,911
Other services and charges	232,428	232,428	225,413	7,015	225,275
Total Streets and Alleys	456,522	456,522	432,841	23,681	426,360
Engineer					
Other services and charges	15,000	15,000	39,978	(24,978)	27,509
Snow and Ice Removal					
Personal services	18,470	18,470	36,301	(17,831)	15,710
Supplies	29,500	29,500	42,130	(12,630)	33,925
Other services and charges	16,050	16,050	19,088	(3,038)	5,996
Total Snow and Ice Removal	64,020	64,020	97,519	(33,499)	55,631
Street Lighting					
Other services and charges	55,000	55,000	66,390	(11,390)	65,876
Sidewalks					
Other services and charges	50,000	50,000	51,350	(1,350)	104,376
Sanitation					
Waste collection and disposal					
Other services and charges	9,800	9,800	10,375	(575)	11,014
Total Public Works	650,342	650,342	698,453	(48,111)	690,766

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Emergency Services/Health					
Supplies	\$ 2,000	\$ 2,000	\$ 734	\$ 1,266	\$ 883
Other services and charges	12,760	12,760	218,856	(206,096)	9,390
Total Emergency Services/Health	14,760	14,760	219,590	(204,830)	10,273
Culture and Recreation					
Parks and Recreation					
Personal services	100	100		100	38
Supplies	500	500	979	(479)	203
Other services and charges	8,680	8,680	6,211	2,469	6,355
Total Parks and Recreation	9,280	9,280	7,190	2,090	6,596
Playgrounds					
Supplies	3,000	3,000	758	2,242	1,009
Swimming Pool					
Personal services	167,925	167,925	183,134	(15,209)	166,523
Supplies	83,000	83,000	49,016	33,984	61,745
Other services and charges	89,800	89,800	69,974	19,826	66,712
Total Swimming Pool	340,725	340,725	302,124	38,601	294,980
Municipal Parks					
Personal services	294,513	294,513	282,476	12,037	276,881
Supplies	27,500	27,500	19,829	7,671	17,850
Other services and charges	33,550	33,550	29,199	4,351	29,052
Total Municipal Parks	355,563	355,563	331,504	24,059	323,783
Water Tower					
Other services and charges	2,000	2,000	757	1,243	4,966
Dodge County Arena					
Other services and charges	22,977	22,977	28,545	(5,568)	(3,162)
Other Recreational Facilities					
Personal services	3,230	3,230	566	2,664	2,307
Supplies	17,350	17,350	12,201	5,149	11,323
Other services and charges	45,150	45,150	42,836	2,314	36,274
Total Recreational Facilities	65,730	65,730	55,603	10,127	49,904
Forestry and Nursery					
Supplies	1,350	1,350	1,015	335	802
Other services and charges	23,125	23,125	6,101	17,024	13,758
Total Forestry and Nursery	24,475	24,475	7,116	17,359	14,560
Total Culture and Recreation	823,750	823,750	733,597	90,153	692,636

**CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual**

For the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Miscellaneous					
Other services and charges	\$ 36,770	\$ 36,770	\$ 25,978	\$ 10,792	\$ 30,460
Total Current Expenditures	3,474,970	3,474,970	3,720,897	(245,927)	3,208,382
Capital Outlay					
General government	28,500	28,500	13,089	15,411	36,500
Public safety	56,666	56,666	185,002	(128,336)	5,651
Public works	124,136	124,136		124,136	7,490
Culture and recreation	85,800	85,800	83,786	2,014	75,385
Total Capital Outlay	295,102	295,102	281,877	13,225	125,026
Debt Service/Capital Leases					
Principal			23,449	(23,449)	
Interest and fiscal charges			3,964	(3,964)	
Total Debt Service/Capital Leases			27,413	(27,413)	
TOTAL EXPENDITURES	3,770,072	3,770,072	4,030,187	(260,115)	3,333,408
EXCESS OF REVENUES OVER EXPENDITURES	19,291	19,291	50,509	31,218	347,562
OTHER FINANCING SOURCES (USES)					
Sale of assets			13,475	13,475	1,000
Proceeds from issuance of leases			147,227	147,227	
Transfers in	71,000	71,000	107,058	36,058	43,000
Transfers out	(89,000)	(89,000)	(89,000)		(191,923)
TOTAL OTHER FINANCING SOURCES (USES)	(18,000)	(18,000)	178,760	196,760	(147,923)
NET CHANGE IN FUND BALANCES	1,291	1,291	229,269	227,978	199,639
FUND BALANCES, beginning	1,968,439	1,968,439	1,968,439		1,768,800
FUND BALANCES, ending	\$ 1,969,730	\$ 1,969,730	\$ 2,197,708	\$ 227,978	\$ 1,968,439

CITY OF KASSON, MINNESOTA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
December 31, 2019

FESTIVAL IN PARK (877)

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
ASSETS				
Cash and investments	\$ 15,160	\$ 41,744	\$ 45,681	\$ 11,223
LIABILITIES				
Accounts payable	\$ 15,160	\$ 41,744	\$ 45,681	\$ 11,223

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2019

ARENA (606)

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
ASSETS				
Cash and investments	\$ (27,688)	\$ 348,143	\$ 346,142	\$ (25,687)
Accounts receivable	57,192	53,913	57,192	53,913
Due from other governmental units		15,272		15,272
Inventory	475	563	475	563
Prepaid items	1,025	1,113	1,025	1,113
TOTAL ASSETS	\$ 31,004	\$ 419,004	\$ 404,834	\$ 45,174
LIABILITIES				
Accounts payable	\$ 15,115	\$ 6,862	\$ 15,115	\$ 6,862
Accrued wages payable	10,004	11,580	10,004	11,580
Due to other governments	5,885	1,733	5,885	1,733
TOTAL LIABILITIES	31,004	20,175	31,004	20,175
FUND BALANCE				
Unassigned		24,999		24,999
TOTAL LIABILITIES AND FUND BALANCE	\$ 31,004	\$ 45,174	\$ 31,004	\$ 45,174

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kasson, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Kasson, Minnesota's basic financial statements and have issued our report thereon dated May 6, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kasson, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kasson, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kasson, Minnesota's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, finding 2014-001, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kasson, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the City of Kasson, Minnesota failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters except as shown below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

- The City was under collateralized with regard to the City cash deposits at December 31, 2019 as required by Minnesota State Statute.

City of Kasson, Minnesota's Response to Findings

City of Kasson, Minnesota's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. City of Kasson, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
May 6, 2020

**CITY OF KASSON, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019**

FINDING – 2014-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPALS (GAAP)

Condition: A City of this size has an inherent limitation in its ability to effectively segregate its accounting duties and to prepare annual full disclosure financial statements in accordance with generally accepted accounting principles. It would not be practical for City to devote the resources required to overcome this limitation. The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the City's internal controls.

Criteria: The City should have controls in place to prevent or detect the omission of a material disclosure in the annual financial statements.

Context: The City has informed us they will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures, and will review and approve these prior to the issuance of the financial statements.

Effect: No effect on the financial statements.

Cause: The City does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.

Recommendation: We recommend the City continue to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting are beneficial.

CURRENT STATUS:

The finding recurred in 2019.

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TREE
CITY
USA

CITY OF
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CORRECTIVE ACTION PLAN (CAP):

The City respectfully submits the following corrective action plan for the year ended December 31, 2019.

The finding from the schedule of findings and responses is discussed below. The finding is numbered consistently with the number assigned in the schedule.

RESPONSE: FINDING 2014-001

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The management and accounting personnel review the drafted financial statements and notes. The City does not have the expertise to ensure all disclosures required by GAAP are included in the financial statements. Accordingly, the City will rely upon the auditors for completeness of the disclosures. However, the management and accounting personnel will review the notes for accuracy prior to issuance of the statements.

Official Responsible for Ensuring CAP:

Nancy Zaworski, Finance Director, is the official responsible for ensuring the planned responses.

Planned Completion Date for CAP:

Not applicable as the City is willing to accept this risk at this time and will continue to evaluate the recommendation.

Plan to Monitor Completion of CAP:

Tim Ibisch, City Administrator, will ensure the review by the Finance Director has been completed. He will do this through discussion with the Finance Director and reviewing the draft of the financial statements.



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