

CITY OF KASSON, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2017

CITY OF KASSON, MINNESOTA

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CITY OF KASSON, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2017

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CITY OF KASSON, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2017

Chris McKern	Mayor
Lonnie Zelinske	Councilor
Dan Egger	Councilor
Coy Borgstrom	Councilor
Doug Buck	Councilor
Nancy Zaworski	Finance Director
Theresa Coleman	City Administrator

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CITY OF KASSON, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2017

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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, 2017, 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, 2017, 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 supplemental 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, 2016, from which such partial information was derived.

We have previously audited the City's 2016 financial statements and our report dated April 4, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.

Honorable Mayor and Members
of the City Council
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2018, 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 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 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, Schafn and Associates, Ltd.

Rochester, Minnesota
April 2, 2018

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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, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the City of Kasson, Minnesota exceeded its liabilities at the close of the most recent fiscal year by \$37,233,606 (*net position*). Of this amount, \$5,214,403 (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 \$5,056,122.
- As of the close of the current fiscal year, the City of Kasson, Minnesota's governmental funds reported combined ending fund balances of \$8,677,099. Approximately \$5,990,903 of this total amount or 69% 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 \$1,755,239 or 52% 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 and liabilities, with the difference between the two 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 sixteen 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, 2017 street assessment capital project fund, and the debt service fund, which are considered to be major funds. Data from the other thirteen 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 88-93) and the special revenue funds (pages 82-83) 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 32-74 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 78-81 and 84-87 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 exceeded liabilities by \$37,233,606 at the close of the most recent fiscal year.

The largest portion of the City of Kasson, Minnesota's net position (\$28,858,393) 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			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 10,457,733	\$ 6,710,222	\$ 7,058,756	\$ 7,221,049	\$ 17,516,489	\$ 13,931,271
Capital assets	<u>17,214,262</u>	<u>16,177,227</u>	<u>28,424,025</u>	<u>22,074,430</u>	<u>45,638,287</u>	<u>38,251,657</u>
Total assets	<u>27,671,995</u>	<u>22,887,449</u>	<u>35,482,781</u>	<u>29,295,479</u>	<u>63,154,776</u>	<u>52,182,928</u>
Deferred outflows of resources	<u>174,056</u>	<u>2,070,321</u>	<u>111,328</u>	<u>598,741</u>	<u>285,384</u>	<u>2,669,062</u>
Long-term liabilities outstanding	12,060,524	10,689,337	11,671,113	9,788,269	23,731,637	20,477,606
Other liabilities	<u>422,165</u>	<u>517,651</u>	<u>1,065,638</u>	<u>1,095,623</u>	<u>1,487,803</u>	<u>1,613,274</u>
Total liabilities	<u>12,482,689</u>	<u>11,206,988</u>	<u>12,736,751</u>	<u>10,883,892</u>	<u>25,219,440</u>	<u>22,090,880</u>
Deferred inflows of resources	<u>327,450</u>	<u>395,132</u>	<u>659,664</u>	<u>188,494</u>	<u>987,114</u>	<u>583,626</u>
Net position:						
Net investment in capital assets	10,723,521	10,131,960	18,134,872	15,482,599	28,858,393	25,614,559
Restricted	2,670,313	2,112,079	490,497	422,685	3,160,810	2,534,764
Unrestricted	<u>1,642,078</u>	<u>1,111,611</u>	<u>3,572,325</u>	<u>2,916,550</u>	<u>5,214,403</u>	<u>4,028,161</u>
Total net position	<u>\$ 15,035,912</u>	<u>\$ 13,355,650</u>	<u>\$ 22,197,694</u>	<u>\$ 18,821,834</u>	<u>\$ 37,233,606</u>	<u>\$ 32,177,484</u>

The balance of *unrestricted net position* (\$5,214,403) 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 increased the City of Kasson, Minnesota's net position by \$1,680,262.

Business-type activities. Business-type activities increased the City of Kasson, Minnesota's net position by \$3,375,860.

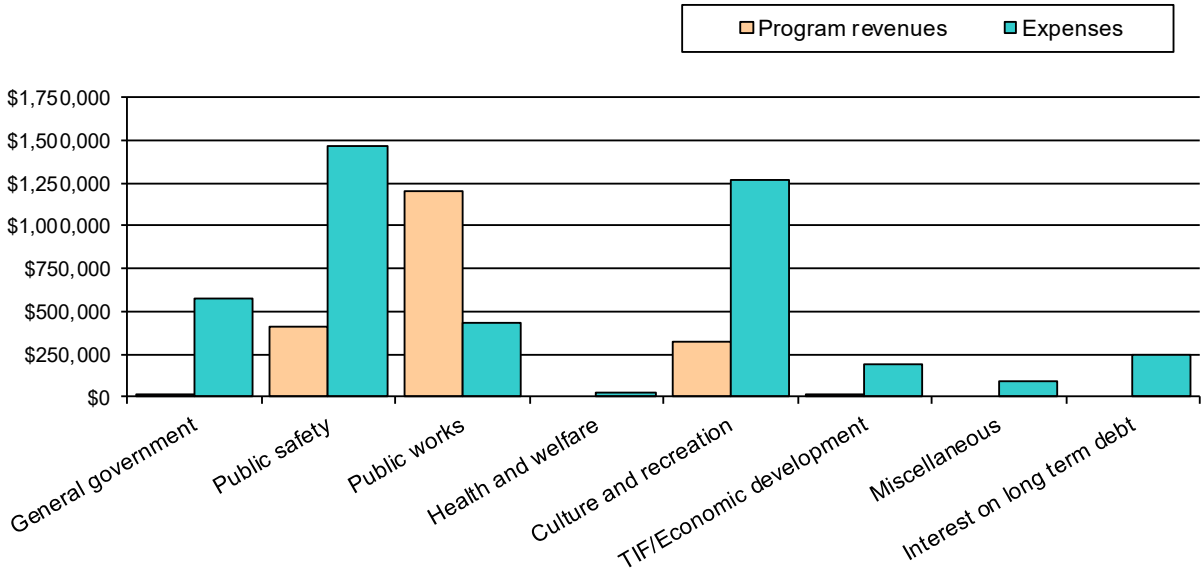
A condensed version of the Statement of Activities follows:

	City of Kasson, Minnesota Change in Net Position					
	Governmental		Business-Type		Totals	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenue:						
Program revenues:						
Charges for services	\$ 488,229	\$ 398,458	\$ 7,532,765	\$ 7,112,847	\$ 8,020,994	\$ 7,511,305
Operating grants and contributions	264,105	245,176			264,105	245,176
Capital grants and contributions	1,200,000	400,569	650,058	467,509	1,850,058	868,078
General revenues:						
Property taxes/tax increments	3,081,068	2,850,968			3,081,068	2,850,968
Other taxes	53,380	59,870			53,380	59,870
Grants and contributions not restricted to specific programs						
Local government aid	1,020,693	1,016,485			1,020,693	1,016,485
Other	3,869	3,869			3,869	3,869
Miscellaneous	132,717	509,927	899,003	52,191	1,031,720	562,118
Total revenues	<u>6,244,061</u>	<u>5,485,322</u>	<u>9,081,826</u>	<u>7,632,547</u>	<u>15,325,887</u>	<u>13,117,869</u>
Expenses:						
General government	571,052	512,247			571,052	512,247
Public safety	1,461,376	1,647,536			1,461,376	1,647,536
Public works	431,836	1,350,825			431,836	1,350,825
Health and welfare	26,904	16,502			26,904	16,502
Culture and recreation	1,262,909	133,893			1,262,909	133,893
Economic development	191,940	2,742,611			191,940	2,742,611
Miscellaneous	92,776	86,056			92,776	86,056
Interest on long-term debt	249,148	204,592			249,148	204,592
Water			644,451	584,702	644,451	584,702
Wastewater			1,311,528	1,254,557	1,311,528	1,254,557
Electric			3,519,462	3,460,547	3,519,462	3,460,547
Stormwater			185,729	80,467	185,729	80,467
Liquor			273,394	251,765	273,394	251,765
Cemetery			47,260	50,160	47,260	50,160
Total expenses	<u>4,287,941</u>	<u>6,694,262</u>	<u>5,981,824</u>	<u>5,682,198</u>	<u>10,269,765</u>	<u>12,376,460</u>
Change in net position before transfers	1,956,120	(1,208,940)	3,100,002	1,950,349	5,056,122	741,409
Transfers	(275,858)	128,615	275,858	(128,615)		
Change in net position	1,680,262	(1,080,325)	3,375,860	1,821,734	5,056,122	741,409
Net position, beginning	13,355,650	14,435,975	18,821,834	17,000,100	32,177,484	31,436,075
Net position, ending	<u>\$ 15,035,912</u>	<u>\$ 13,355,650</u>	<u>\$ 22,197,694</u>	<u>\$ 18,821,834</u>	<u>\$ 37,233,606</u>	<u>\$ 32,177,484</u>

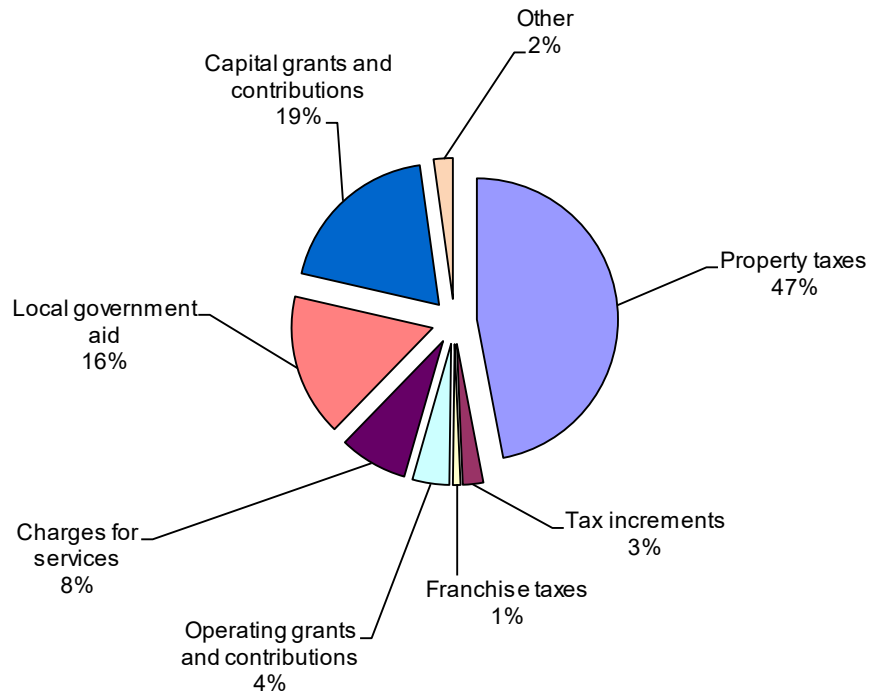
CITY OF KASSON, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



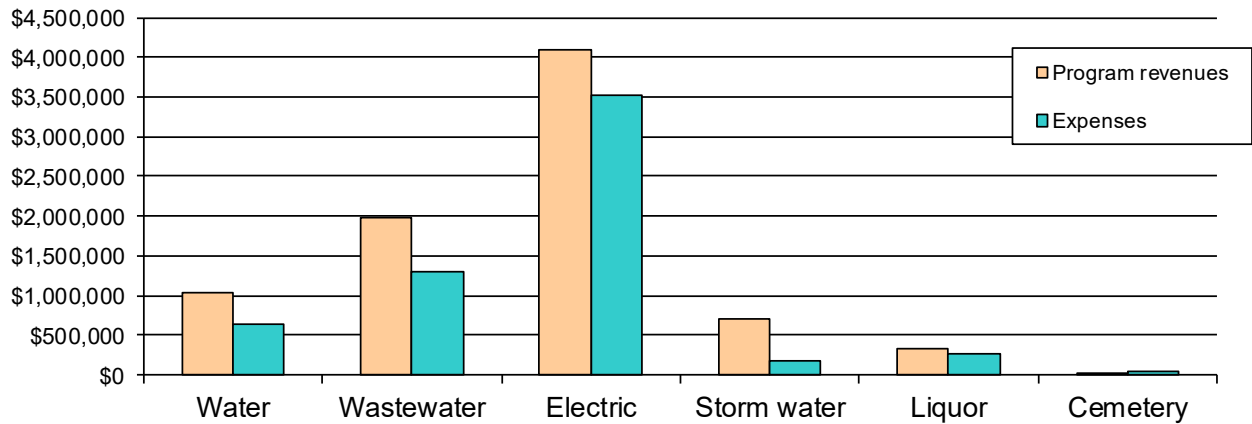
Revenues by Source - Governmental Activities



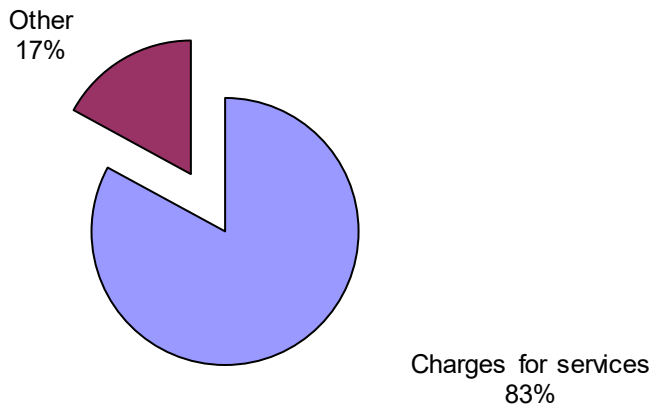
**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 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 \$8,677,099, an increase of \$3,505,928. Approximately \$5,990,903 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 \$1,755,239. 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 52% 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 \$179,262 during the current fiscal year.

The *Debt Service fund* has a total fund balance of \$2,338,204, of which it all is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$543,398.

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 - \$247,382, Wastewater - \$294,090, Electric - \$1,632,914, Stormwater - \$815,240, Municipal Liquor Store - \$416,238, and Maple Grove Cemetery - \$166,461. The City adjusted rates for 2017 to cover the rise in costs.

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

General Fund Budgetary Highlights

Revenues exceeded expectations by \$104,629, and expenditures had a positive variance of \$59,209. Transfers out exceeded budgeted amounts by \$41,932.

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, 2017, amounts to \$45,638,287 (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 \$7,386,630.

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

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 672,921	\$ 657,681	\$ 452,151	\$ 452,151	\$ 1,125,072	\$ 1,109,832
Construction in process	1,181,133		3,032,916	1,164,341	4,214,049	1,164,341
Buildings and improvements	5,799,757	5,979,128	7,503,614	7,812,291	13,303,371	13,791,419
Investment in joint venture	212,246	225,079			212,246	225,079
Improvements other than buildings	1,398,013	703,196	8,066,880	4,244,180	9,464,893	4,947,376
Machinery and equipment	194,385	140,538	253,370	265,997	447,755	406,535
Office equipment and furnishings	162,491	129,420	6,205	13,662	168,696	143,082
Vehicles	858,321	939,888	4,208	12,623	862,529	952,511
Infrastructure	6,734,995	7,402,297	9,104,681	8,109,185	15,839,676	15,511,482
Total	<u>\$ 17,214,262</u>	<u>\$ 16,177,227</u>	<u>\$ 28,424,025</u>	<u>\$ 22,074,430</u>	<u>\$ 45,638,287</u>	<u>\$ 38,251,657</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 \$20,538,935 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

General Obligation and Revenue Bonds

	Governmental		Business-Type		Totals	
	Activities		Activities		2017	2016
General obligation bonds	\$ 5,455,928	\$ 5,888,931	\$	\$	\$ 5,455,928	\$ 5,888,931
GO Improvement Bonds	4,738,820	1,237,002	5,109,187	2,419,002	9,848,007	3,656,004
General obligation revenue bonds			5,235,000	5,741,000	5,235,000	5,741,000
Total	\$ 10,194,748	\$ 7,125,933	\$ 10,344,187	\$ 8,160,002	\$ 20,538,935	\$ 15,285,935

The City of Kasson, Minnesota's total bonds and notes payable increased by \$5,253,000 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 4.6 percent.
- Property valuations within the City reflect national trends.
- Inflationary trends in the region compare favorably to national indices.
- There will be no increase in property taxes in 2018.
- Utility rates were increased for 2017 and there will only be a water rate increase in 2018.

All of these factors were considered in preparing the City's budget for the 2018 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, 2017

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CITY OF KASSON, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2017

With Comparative Totals for December 31, 2016

	Governmental	Business-Type	Totals	
	Activities	Activities	2017	2016
ASSETS				
Cash and investments	\$ 8,642,946	\$ 4,408,381	\$ 13,051,327	\$ 8,646,390
Restricted cash		594,662	594,662	2,037,118
Receivables	1,772,993	1,534,139	3,307,132	2,687,490
Inventories		363,265	363,265	352,797
Prepaid items	15,883	18,898	34,781	34,632
Intangibles - service area		139,411	139,411	146,123
Net pension asset	25,911		25,911	26,721
Capital assets:				
Nondepreciable	1,854,054	3,485,067	5,339,121	2,274,173
Depreciable, net	15,360,208	24,938,958	40,299,166	35,977,484
Total Assets	<u>27,671,995</u>	<u>35,482,781</u>	<u>63,154,776</u>	<u>52,182,928</u>
Deferred Outflows of Resources				
Deferred outflows from pension activity	<u>174,056</u>	<u>111,328</u>	<u>285,384</u>	<u>2,669,062</u>
LIABILITIES				
Accounts payable	108,468	598,061	706,529	864,740
Contracts payable	164,871	259,144	424,015	43,798
Due to other governments	398	24,582	24,980	32,018
Accrued interest payable	117,934	93,077	211,011	137,680
Accrued liabilities	30,129	19,318	49,447	47,022
Deposits payable		52,706	52,706	53,263
Unearned revenue	365	18,750	19,115	434,753
Noncurrent liabilities:				
Due within one year	712,416	925,949	1,638,365	1,693,348
Due in more than one year	9,762,406	9,619,848	19,382,254	14,045,590
Net pension liability	1,585,702	1,125,316	2,711,018	4,738,668
Total Liabilities	<u>12,482,689</u>	<u>12,736,751</u>	<u>25,219,440</u>	<u>22,090,880</u>
Deferred Inflows of Resources				
Deferred revenue		615,507	615,507	
Deferred inflows from pension activity	<u>327,450</u>	<u>44,157</u>	<u>371,607</u>	<u>583,626</u>
Total Deferred Inflows or Resources	<u>327,450</u>	<u>659,664</u>	<u>987,114</u>	<u>583,626</u>
NET POSITION				
Net investment in capital assets	10,723,521	18,134,872	28,858,393	25,614,559
Restricted for:				
Economic development	332,109		332,109	317,273
Debt service	2,338,204	490,497	2,828,701	2,217,491
Unrestricted	<u>1,642,078</u>	<u>3,572,325</u>	<u>5,214,403</u>	<u>4,028,161</u>
Total Net Position	<u>\$ 15,035,912</u>	<u>\$ 22,197,694</u>	<u>\$ 37,233,606</u>	<u>\$ 32,177,484</u>

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017
With Comparative Totals for the Fiscal Year Ending December 31, 2016

<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	\$ 571,052	\$ 19,224	\$	\$
Public safety	1,461,376	212,043	198,554	
Public works	431,836			1,198,397
Health and welfare	26,904			
Culture and recreation	1,262,909	256,962	65,551	
TIF/Economic development	191,940			1,603
Miscellaneous	92,776			
Interest on long-term debt	249,148			
Total governmental activities	4,287,941	488,229	264,105	1,200,000
Business-Type activities:				
Water	644,451	818,586		226,494
Wastewater	1,311,528	1,855,194		119,915
Electric	3,519,462	4,082,687		908
Storm water	185,729	412,827		302,741
Liquor	273,394	342,355		
Cemetery	47,260	21,116		
Total business-type activities	5,981,824	7,532,765		650,058
Total	\$ 10,269,765	\$ 8,020,994	\$ 264,105	\$ 1,850,058

General revenues:
General property taxes
Property taxes levied for debt service
Tax increments
Franchise taxes
Grants and contributions not restricted to specific programs
Local government aid
Other
Interest earnings
Miscellaneous
Gain (loss) 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	
		2017	2016
\$ (551,828)	\$	\$ (551,828)	\$ (496,521)
(1,050,779)		(1,050,779)	(1,341,099)
766,561		766,561	(1,062,947)
(26,904)		(26,904)	(16,502)
(940,396)		(940,396)	298,688
(190,337)		(190,337)	(2,741,030)
(92,776)		(92,776)	(86,056)
(249,148)		(249,148)	(204,592)
<u>(2,335,607)</u>		<u>(2,335,607)</u>	<u>(5,650,059)</u>
	400,629	400,629	293,045
	663,581	663,581	577,647
	564,133	564,133	581,893
	529,839	529,839	399,066
	68,961	68,961	79,126
	(26,144)	(26,144)	(32,619)
	<u>2,200,999</u>	<u>2,200,999</u>	<u>1,898,158</u>
<u>(2,335,607)</u>	<u>2,200,999</u>	<u>(134,608)</u>	<u>(3,751,901)</u>
2,253,416		2,253,416	2,016,721
680,887		680,887	699,404
146,765		146,765	134,843
53,380		53,380	59,870
1,020,693		1,020,693	1,016,485
3,869		3,869	3,869
75,541		75,541	86,006
49,777	886,403	936,180	457,876
7,399	12,600	19,999	18,236
(275,858)	275,858		
<u>4,015,869</u>	<u>1,174,861</u>	<u>5,190,730</u>	<u>4,493,310</u>
1,680,262	3,375,860	5,056,122	741,409
<u>13,355,650</u>	<u>18,821,834</u>	<u>32,177,484</u>	<u>31,436,075</u>
<u>\$ 15,035,912</u>	<u>\$ 22,197,694</u>	<u>\$ 37,233,606</u>	<u>\$ 32,177,484</u>

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CITY OF KASSON, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

December 31, 2017

With Comparative Totals for December 31, 2016

	101 General	423	Debt Service	Other Governmental Funds	Totals	
		2017 Street Assessment Project			2017	2016
ASSETS						
Cash and investments	\$ 1,716,975	\$ 3,255,026	\$ 2,336,966	\$ 1,333,979	\$ 8,642,946	\$ 5,009,355
Accounts receivable	71,388			313	71,701	101,721
Interest receivable	2,449		1,256	2,531	6,236	6,420
Notes receivable				225,694	225,694	243,682
Due from other governmental units	18,438			432	18,870	227,938
Taxes receivable delinquent	60,668				60,668	45,662
Special assessments receivable			1,295,734	94,090	1,389,824	1,032,547
Prepaid items	13,561			2,322	15,883	16,176
Due from other funds	38,887			76,860	115,747	397,308
TOTAL ASSETS	\$ 1,922,366	\$ 3,255,026	\$ 3,633,956	\$ 1,736,221	\$ 10,547,569	\$ 7,080,809
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 66,680	\$ 4,606	\$ 18	\$ 37,173	\$ 108,477	\$ 383,953
Contracts payable		139,537		25,334	164,871	21,706
Due to other governments	389				389	18
Accrued salaries payable	25,464			4,665	30,129	28,191
Due to other funds				115,747	115,747	397,308
Unearned revenue	365				365	253
Total Liabilities	92,898	144,143	18	182,919	419,978	831,429
Deferred Inflows of Resources:						
Unavailable revenue:						
Property taxes	60,668				60,668	45,662
Special assessments			1,295,734	94,090	1,389,824	1,032,547
Total Deferred Inflows of Resources	60,668		1,295,734	94,090	1,450,492	1,078,209
Fund Balance:						
Nonspendable:						
Prepaid items	13,561			2,322	15,883	16,176
Restricted:						
Economic development				332,109	332,109	317,273
Debt service			2,338,204		2,338,204	1,794,806
Committed:						
Economic development				107,343	107,343	90,090
Library operations				176,883	176,883	176,965
Assigned:						
Capital improvements		3,110,883		959,606	4,070,489	1,709,684
Unassigned:	1,755,239			(119,051)	1,636,188	1,066,177
Total Fund Balance	1,768,800	3,110,883	2,338,204	1,459,212	8,677,099	5,171,171
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,922,366	\$ 3,255,026	\$ 3,633,956	\$ 1,736,221	\$ 10,547,569	\$ 7,080,809

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, 2017**

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

Total governmental fund balances (page 18)		\$ 8,677,099
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 28,874,925	
Less: Accumulated depreciation	(11,660,663)	17,214,262
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 60,668	
Special assessments	1,389,824	1,450,492
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	\$ (10,194,748)	
Net pension liability	(1,739,096)	
Net pension asset	25,911	
Compensated absences	(179,826)	
Other postemployment benefits	(41,355)	
Bond premiums net of amortization	(58,893)	
Accrued interest	(117,934)	(12,305,941)
Net position of governmental activities (page 15)		\$ 15,035,912

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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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	101 General	423	Debt Service	Other Governmental Funds	Totals	
		2017 Street Assessment Project			2017	2016
REVENUES						
Property taxes	\$ 1,869,628	\$	\$ 735,865	\$ 354,111	\$ 2,959,604	\$ 2,750,397
Tax increments				106,028	106,028	100,478
Franchise taxes	53,380				53,380	59,870
Special assessments	430		460,708	271,601	732,739	326,203
Licenses and permits	94,997				94,997	41,516
Intergovernmental revenues	1,262,327			105,706	1,368,033	1,525,226
Charges for services	366,261			1,631	367,892	336,452
Fines and forfeits	20,251			3,847	24,098	18,940
Investment income	6,453	22,779	13,879	32,430	75,541	86,006
Miscellaneous revenues	69,632			7,215	76,847	547,421
TOTAL REVENUES	3,743,359	22,779	1,210,452	882,569	5,859,159	5,792,509
EXPENDITURES						
Current						
General government	512,718				512,718	451,139
Public safety	1,335,524				1,335,524	1,238,271
Public works	595,864			80,129	675,993	358,692
Health and welfare	26,980				26,980	16,502
Culture and recreation	656,185			339,090	995,275	964,358
TIF/economic development				124,998	124,998	132,884
Miscellaneous	92,776				92,776	86,056
Capital Outlay	170,867	272,054		737,214	1,180,135	2,060,692
Debt Service		13,386	886,584	3,303	903,273	3,544,968
TOTAL EXPENDITURES	3,390,914	285,440	886,584	1,284,734	5,847,672	8,853,562
Excess (deficiency) of revenues over (under) expenditures	352,445	(262,661)	323,868	(402,165)	11,487	(3,061,053)
OTHER FINANCING SOURCES (USES)						
Sale of assets	7,399				7,399	590
Bond proceeds		3,650,939	111,961		3,762,900	
Transfers in	84,000		107,569	156,155	347,724	2,220,438
Transfers out	(264,582)			(359,000)	(623,582)	(2,091,823)
TOTAL OTHER FINANCING SOURCES (USES)	(173,183)	3,650,939	219,530	(202,845)	3,494,441	129,205
Net change in fund balances	179,262	3,388,278	543,398	(605,010)	3,505,928	(2,931,848)
FUND BALANCES, beginning	1,589,538	(277,395)	1,794,806	2,064,222	5,171,171	8,103,019
FUND BALANCES, ending	\$ 1,768,800	\$ 3,110,883	\$ 2,338,204	\$ 1,459,212	\$ 8,677,099	\$ 5,171,171

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, 2017**

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

Net change in fund balances - total governmental funds (page 20)		\$ 3,505,928
<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	\$ 2,157,880	
Depreciation expense	<u>(1,120,845)</u>	1,037,035
<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, 2017	\$ 1,450,492	
Unavailable revenue, December 31, 2016	<u>(1,078,209)</u>	372,283
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Other postemployment benefits		5,754
Change in compensated absences		(14,640)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal retirement on long-term debt	\$ 694,085	
Issuance of bonds	(3,762,900)	
Amortization of bond premiums, net	(5,628)	
Change in net pension liability activity	(116,441)	
Change in net pension asset activity	(810)	
Change in accrued interest	<u>(34,404)</u>	<u>(3,226,098)</u>
Change in net position of governmental activities (pages 16-17)		<u><u>\$ 1,680,262</u></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, 2017

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,866,490	\$ 1,866,490	\$ 1,869,628	\$ 3,138
Franchise taxes	60,000	60,000	53,380	(6,620)
Special assessments			430	430
Licenses and permits	58,200	58,200	94,997	36,797
Intergovernmental	1,271,270	1,271,270	1,262,327	(8,943)
Charges for services	328,370	328,370	366,261	37,891
Fines and forfeits	15,500	15,500	20,251	4,751
Investment earnings	13,200	13,200	6,453	(6,747)
Miscellaneous	25,700	25,700	69,632	43,932
TOTAL REVENUES	3,638,730	3,638,730	3,743,359	104,629
EXPENDITURES				
Current				
General Government	520,282	520,282	512,718	7,564
Public safety	1,319,104	1,319,104	1,335,524	(16,420)
Pulic works	607,504	607,504	595,864	11,640
Emergency services/health	14,760	14,760	26,980	(12,220)
Culture and recreation	741,223	741,223	656,185	85,038
Miscellaneous	40,650	40,650	92,776	(52,126)
Capital outlay				
General Government	26,000	26,000	15,240	10,760
Public safety	20,100	20,100	54,636	(34,536)
Pulic works	96,500	96,500	18,578	77,922
Culture and recreation	64,000	64,000	82,413	(18,413)
TOTAL EXPENDITURES	3,450,123	3,450,123	3,390,914	59,209
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	188,607	188,607	352,445	163,838
OTHER FINANCING SOURCES (USES)				
Sale of assets			7,399	7,399
Transfers in	34,000	34,000	84,000	50,000
Transfers out	(222,650)	(222,650)	(264,582)	(41,932)
TOTAL FINANCING SOURCES (USES)	(188,650)	(188,650)	(173,183)	15,467
NET CHANGE IN FUND BALANCES	(43)	(43)	179,262	179,305
FUND BALANCES, JANUARY 1	1,589,538	1,589,538	1,589,538	
FUND BALANCES, DECEMBER 31	\$ 1,589,495	\$ 1,589,495	\$ 1,768,800	\$ 179,305

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2017 and 2016

	Business-Type Activities - Enterprise Funds					
	601 Water		602 Wastewater Treatment		604 Electric	
	2017	2016	2017	2016	2017	2016
ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES						
Current Assets						
Cash and temporary investments	\$ 595,077	\$ 559,355	\$ 652,296	\$ 1,420,032	\$ 1,631,513	\$ 893,092
Interest receivable	766	1,369	587	3,242	4,961	3,340
Accounts receivable	101,265	86,872	239,673	219,713	431,156	520,252
Special assessments receivable	43,451	4,340				
Due from other governments			16,900		95	
Inventories					251,217	246,040
Prepaid items	1,846	2,017	4,214	4,149	7,665	7,129
Total Current Assets	<u>742,405</u>	<u>653,953</u>	<u>913,670</u>	<u>1,647,136</u>	<u>2,326,607</u>	<u>1,669,853</u>
Noncurrent Assets						
Restricted cash and investments	191,917	122,130	298,580	1,835,555	43,669	43,381
Contribution aid receivable			615,507			
Intangibles - service area					139,411	146,123
Total Noncurrent Assets	<u>191,917</u>	<u>122,130</u>	<u>914,087</u>	<u>1,835,555</u>	<u>183,080</u>	<u>189,504</u>
Capital assets:						
Land	32,779	32,779	156,187	156,187	6,317	6,317
Construction in process	1,159,380	82,385	759,360	944,297		
Buildings	1,252,796	1,252,796	10,448,848	10,448,848	648,629	648,629
Improvements other than buildings	4,201,519	4,201,519	8,907,039	4,851,597	1,985,775	1,985,775
Machinery and equipment	140,047	125,920	461,192	464,424	566,433	546,329
Office equipment and furnishings	34,776	34,776	36,766	36,766	90,600	90,600
Vehicles	63,990	63,990	22,840	22,840	316,532	316,532
Infrastructure	4,622,762	4,007,492	3,117,068	2,947,152		
Less accumulated depreciation	(4,396,570)	(4,191,439)	(8,140,752)	(7,675,120)	(2,647,287)	(2,553,275)
Net capital assets	<u>7,111,479</u>	<u>5,610,218</u>	<u>15,768,548</u>	<u>12,196,991</u>	<u>966,999</u>	<u>1,040,907</u>
Deferred Outflows of Resources						
Deferred outflows from pension activity	15,085	84,011	25,448	150,490	49,290	245,999
TOTAL ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES						
	<u>\$8,060,886</u>	<u>\$6,470,312</u>	<u>\$ 17,621,753</u>	<u>\$ 15,830,172</u>	<u>\$ 3,525,976</u>	<u>\$ 3,146,263</u>
LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES, AND NET POSITION						
Current Liabilities						
Current maturities of bonds payable	\$ 184,921	\$ 177,635	\$ 579,847	\$ 563,800	\$ 43,779	\$ 43,073
Accounts payable	299,299	18,667	31,913	256,330	212,590	195,681
Contracts payable			259,144	22,092		
Due to other governments					9,001	17,041
Deposits payable					52,706	53,263
Accrued interest payable	22,406	9,308	52,245	37,767	3,539	3,896
Compensated absences payable	12,112	11,928	22,017	18,479	27,981	28,222
Unearned revenue				409,500		
Accrued salaries payable	2,460	2,587	4,575	4,443	8,099	8,092
Total Current Liabilities	<u>521,198</u>	<u>220,125</u>	<u>949,741</u>	<u>1,312,411</u>	<u>357,695</u>	<u>349,268</u>
Noncurrent Liabilities						
Other postemployment benefits obligation	5,669	6,282	6,272	6,951	12,096	13,405
Compensated absences payable	8,629	5,321	10,144	7,566	31,595	26,169
Net pension liability	153,509	202,522	248,948	364,900	504,974	588,508
Bonds payable, net of current maturities	1,986,321	1,009,968	5,861,973	5,682,103	294,289	339,660
Total Noncurrent Liabilities	<u>2,154,128</u>	<u>1,224,093</u>	<u>6,127,337</u>	<u>6,061,520</u>	<u>842,954</u>	<u>967,742</u>
Deferred Inflows of Resources						
Deferred revenue			615,507			
Deferred inflows from pension activity	6,024	26,495	9,770	47,736	19,813	76,994
Total Deferred Inflows of Resources	<u>6,024</u>	<u>26,495</u>	<u>625,277</u>	<u>47,736</u>	<u>19,813</u>	<u>76,994</u>
NET POSITION						
Net investment in capital assets	4,940,237	4,422,615	9,326,728	7,474,587	672,600	701,555
Restricted for debt service	191,917	122,130	298,580	300,555		
Unrestricted	247,382	454,854	294,090	633,363	1,632,914	1,050,704
Total Net Position	<u>5,379,536</u>	<u>4,999,599</u>	<u>9,919,398</u>	<u>8,408,505</u>	<u>2,305,514</u>	<u>1,752,259</u>
TOTAL LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES AND NET POSITION						
	<u>\$8,060,886</u>	<u>\$6,470,312</u>	<u>\$ 17,621,753</u>	<u>\$ 15,830,172</u>	<u>\$ 3,525,976</u>	<u>\$ 3,146,263</u>

See Notes to the Financial Statements

Business-Type Activities - Enterprise Funds

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 832,109	\$ 73,226	\$ 493,007	\$ 445,152	\$ 204,379	\$ 234,677	\$ 4,408,381	\$ 3,625,534
2,522		697	1,184	802	1,244	10,335	10,379
56,957	37,829		126	50	7	829,101	864,799
18,750	25,000					62,201	29,340
	125,002					16,995	125,002
		112,048	106,757			363,265	352,797
2,610	2,553	2,264	2,316	299	292	18,898	18,456
912,948	263,610	608,016	555,535	205,530	236,220	5,709,176	5,026,307
60,496	47,553					594,662	2,048,619
						615,507	
						139,411	146,123
60,496	47,553					1,349,580	2,194,742
74,968	74,968	49,500	49,500	132,400	132,400	452,151	452,151
1,114,176	137,659					3,032,916	1,164,341
		234,928	234,928	9,600	9,600	12,594,801	12,594,801
		7,273	7,273			15,101,606	11,046,164
124,793	117,915	7,810	7,810	32,579		1,332,854	1,262,398
2,609	2,609	67,396	67,396	10,298	10,298	242,445	242,445
						403,362	403,362
4,105,295	3,671,804					11,845,125	10,626,448
(1,080,009)	(990,332)	(299,265)	(291,456)	(17,352)	(16,058)	(16,581,235)	(15,717,680)
4,341,832	3,014,623	67,642	75,451	167,525	136,240	28,424,025	22,074,430
4,975	35,119	15,483	77,307	1,047	5,815	111,328	598,741
\$ 5,320,251	\$ 3,360,905	\$ 691,141	\$ 708,293	\$ 374,102	\$ 378,275	\$ 35,594,109	\$ 29,894,220
\$ 49,755	\$ 48,407	\$	\$	\$	\$	\$ 858,302	\$ 832,915
8,478	8,415	20,873	1,671	24,908	30	598,061	480,794
						259,144	22,092
		15,581	14,952			24,582	31,993
						52,706	53,263
14,887	3,179					93,077	54,150
3,656	3,906	669	1,261	1,212	1,146	67,647	64,942
18,750	25,000					18,750	434,500
837	813	3,163	2,719	184	177	19,318	18,831
96,363	89,720	40,286	20,603	26,304	1,353	1,991,587	1,993,480
1,502	1,664	4,498	4,984	1,831	2,029	31,868	35,315
1,599	1,109			997	759	52,964	40,924
50,976	85,733	156,340	185,135	10,569	14,026	1,125,316	1,440,824
1,392,433	341,618					9,535,016	7,373,349
1,446,510	430,124	160,838	190,119	13,397	16,814	10,745,164	8,890,412
						615,507	
1,998	11,214	6,137	24,221	415	1,834	44,157	188,494
1,998	11,214	6,137	24,221	415	1,834	659,664	188,494
2,960,140	2,672,151	67,642	75,451	167,525	136,240	18,134,872	15,482,599
						490,497	422,685
815,240	157,696	416,238	397,899	166,461	222,034	3,572,325	2,916,550
3,775,380	2,829,847	483,880	473,350	333,986	358,274	22,197,694	18,821,834
\$ 5,320,251	\$ 3,360,905	\$ 691,141	\$ 708,293	\$ 374,102	\$ 378,275	\$ 35,594,109	\$ 29,894,220

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statement of Revenues, Expenses
and Changes in Fund Net Position
For the Years Ended December 31, 2017 and 2016

	Business-Type Activities - Enterprise Funds					
	601		602		604	
	Water		Wastewater Treatment		Electric	
	2017	2016	2017	2016	2017	2016
Operating Revenues						
Service fees and charges	\$ 792,121	\$ 706,822	\$ 1,855,194	\$ 1,710,645	\$ 4,073,144	\$ 4,033,264
Less cost of sales						
Total operating revenue	<u>792,121</u>	<u>706,822</u>	<u>1,855,194</u>	<u>1,710,645</u>	<u>4,073,144</u>	<u>4,033,264</u>
Operating Expenses						
Personal services	186,339	191,940	306,078	303,103	633,485	617,725
Supplies	73,591	75,337	79,839	163,685	124,293	107,366
Insurance	4,718	3,812	10,922	9,884	7,506	5,925
Utilities	37,915	24,542	3,449	3,087	9,448	9,167
Purchased power					2,280,484	2,296,632
Other services and charges	92,495	66,205	254,494	218,571	365,422	321,312
Depreciation	205,131	202,752	489,305	435,291	94,012	92,570
Total Operating Expenses	<u>600,189</u>	<u>564,588</u>	<u>1,144,087</u>	<u>1,133,621</u>	<u>3,514,650</u>	<u>3,450,697</u>
Operating Income (Loss)	<u>191,932</u>	<u>142,234</u>	<u>711,107</u>	<u>577,024</u>	<u>558,494</u>	<u>582,567</u>
Nonoperating Revenues (Expenses)						
Special assessments	349	558			908	1,373
Interest income	4,874	8,500	35,690	1,541	9,122	11,049
Rents	26,465	25,694			9,543	7,803
Refunds and reimbursements	64	310	162	248	8,976	3,251
Gain on sale of assets			12,600			8,500
Other miscellaneous			16,900			
Mantorville connection fee			819,000			
Interest expense and fiscal charges	(45,923)	(21,905)	(169,533)	(123,056)	(8,668)	(7,981)
Amortization expense	1,597	1,481	1,930	1,872	(5,120)	(5,120)
Total Nonoperating Revenues (Expenses)	<u>(12,574)</u>	<u>14,638</u>	<u>716,749</u>	<u>(119,395)</u>	<u>14,761</u>	<u>18,875</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>179,358</u>	<u>156,872</u>	<u>1,427,856</u>	<u>457,629</u>	<u>573,255</u>	<u>601,442</u>
Capital contributions from developers	226,145	144,673	119,915	121,559		
Transfers in						
Transfers out	(25,566)	(13,627)	(36,878)	(11,988)	(20,000)	(19,000)
CHANGE IN NET POSITION	<u>379,937</u>	<u>287,918</u>	<u>1,510,893</u>	<u>567,200</u>	<u>553,255</u>	<u>582,442</u>
NET POSITION - BEGINNING OF YEAR	<u>4,999,599</u>	<u>4,711,681</u>	<u>8,408,505</u>	<u>7,841,305</u>	<u>1,752,259</u>	<u>1,169,817</u>
NET POSITION - END OF YEAR	<u>\$ 5,379,536</u>	<u>\$ 4,999,599</u>	<u>\$ 9,919,398</u>	<u>\$ 8,408,505</u>	<u>\$ 2,305,514</u>	<u>\$ 1,752,259</u>

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 412,827	\$ 280,187	\$ 1,486,424	\$ 1,457,993	\$ 21,116	\$ 17,541	\$ 8,640,826	\$ 8,206,452
		(1,144,069)	(1,127,102)			(1,144,069)	(1,127,102)
412,827	280,187	342,355	330,891	21,116	17,541	7,496,757	7,079,350
45,988	67,112	213,314	201,199	12,778	13,937	1,397,982	1,395,016
4,631	7,119	9,777	7,964	1,243	689	293,374	362,160
504	504	3,929	3,212	429	468	28,008	23,805
		11,492	11,174	352	347	62,656	48,317
						2,280,484	2,296,632
23,271	35,201	27,423	16,115	31,634	34,589	794,739	691,993
89,677	84,169	7,809	12,107	1,294	480	887,228	827,369
164,071	194,105	273,744	251,771	47,730	50,510	5,744,471	5,645,292
248,756	86,082	68,611	79,120	(26,614)	(32,969)	1,752,286	1,434,058
6,250						7,507	1,931
(6,608)	2,492	5,569	7,735	1,856	3,228	50,503	34,545
						36,008	33,497
3,854	125,002	350	6	470	350	13,876	129,167
					9,146	12,600	17,646
						16,900	
						819,000	
(26,609)	(12,561)					(250,733)	(165,503)
1,097	1,197					(496)	(570)
(22,016)	116,130	5,919	7,741	2,326	12,724	705,165	50,713
226,740	202,212	74,530	86,861	(24,288)	(20,245)	2,457,451	1,484,771
296,491	199,346					642,551	465,578
500,000						500,000	
(77,698)		(64,000)	(84,000)			(224,142)	(128,615)
945,533	401,558	10,530	2,861	(24,288)	(20,245)	3,375,860	1,821,734
2,829,847	2,428,289	473,350	470,489	358,274	378,519	18,821,834	17,000,100
\$ 3,775,380	\$ 2,829,847	\$ 483,880	\$ 473,350	\$ 333,986	\$ 358,274	\$ 22,197,694	\$ 18,821,834

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statement of Cash Flows

For the Years Ended December 31, 2017 and 2016

	Business-Type Activities - Enterprise Funds					
	601		602		604	
	Water		Wastewater Treatment		Electric	
	2017	2016	2017	2016	2017	2016
Cash Flows From Operating Activities						
Cash received from customers	\$ 777,728	\$ 704,014	\$ 1,425,734	\$ 1,702,136	\$ 4,161,683	\$ 3,995,005
Other receipts	26,529	26,004	162	248	18,519	11,054
Cash paid to employees	(182,974)	(195,420)	(299,830)	(318,567)	(628,293)	(607,355)
Cash paid to suppliers	(207,800)	(145,485)	(208,997)	(428,799)	(2,729,407)	(2,774,097)
Net Cash Provided By (Used In) Operating Activities	413,483	389,113	917,069	955,018	822,502	624,607
Cash Flows From Noncapital Financing Activities						
Transfer in/out	(25,566)	(13,627)	(36,878)	(11,988)	(20,000)	(19,000)
Net Cash Used In Noncapital Financing Activities	(25,566)	(13,627)	(36,878)	(11,988)	(20,000)	(19,000)
Cash Flows From Capital and Related Financing Activities						
Capital asset acquisitions	(1,239,049)	(82,385)	(3,696,209)	(532,522)	(20,104)	(137,385)
Cash received from sale of assets			12,600			8,500
Special assessment collections	349	1,093			908	1,373
Connection fee			419,500			
Bond proceeds	1,159,380		759,360	2,500,000		
Principal payments on bonds	(177,635)	(239,459)	(563,800)	(590,939)	(43,073)	
Principal paid on interfund advances		(413,334)		(413,333)		(413,333)
Interest payments on bonds	(30,930)	(30,608)	(154,698)	(140,842)	(9,025)	(9,633)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(287,885)	(764,693)	(3,223,247)	822,364	(71,294)	(550,478)
Cash Flows From Investing Activities						
Investment income received	5,477	7,612	38,345	(606)	7,501	9,537
Net Cash Provided By (Used In) Capital and Related Financing Activities	5,477	7,612	38,345	(606)	7,501	9,537
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	105,509	(381,595)	(2,304,711)	1,764,788	738,709	64,666
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	681,485	1,063,080	3,255,587	1,490,799	936,473	871,807
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 786,994</u>	<u>\$ 681,485</u>	<u>\$ 950,876</u>	<u>\$ 3,255,587</u>	<u>\$ 1,675,182</u>	<u>\$ 936,473</u>
Classified as:						
Cash and cash equivalents	\$ 595,077	\$ 559,355	\$ 652,296	\$ 1,420,032	\$ 1,631,513	\$ 893,092
Restricted cash	191,917	122,130	298,580	1,835,555	43,669	43,381
Total Cash and Cash Equivalents, End of Year	<u>\$ 786,994</u>	<u>\$ 681,485</u>	<u>\$ 950,876</u>	<u>\$ 3,255,587</u>	<u>\$ 1,675,182</u>	<u>\$ 936,473</u>

See Notes to the Financial Statements

605		609		610		Totals	
Stormwater		Municipal Liquor Store		Maple Grove Cemetery			
2017	2016	2017	2016	2017	2016	2017	2016
\$ 393,699	\$ 278,227	\$ 342,481	\$ 330,965	\$ 21,073	\$ 17,592	\$ 7,122,398	\$ 7,027,939
3,854	125,002	350	6	470	350	49,884	162,664
(45,724)	(66,098)	(213,462)	(199,705)	(12,467)	(13,296)	(1,382,750)	(1,400,441)
82,611	(150,396)	(23,570)	(45,883)	(9,093)	(37,055)	(3,096,256)	(3,581,715)
434,440	186,735	105,799	85,383	(17)	(32,409)	2,693,276	2,208,447
422,302		(64,000)	(84,000)			275,858	(128,615)
422,302		(64,000)	(84,000)			275,858	(128,615)
(1,120,395)	(137,659)			(32,579)		(6,108,336)	(889,951)
6,250					9,146	12,600	17,646
1,098,360						7,507	2,466
(48,407)	(231,511)					419,500	
(11,594)	(17,638)					3,017,100	2,500,000
(75,786)	(386,808)			(32,579)	9,146	(832,915)	(1,061,909)
						(206,247)	(1,240,000)
						(206,247)	(198,721)
						(3,690,791)	(870,469)
(9,130)	2,611	6,056	7,554	2,298	3,539	50,547	30,247
(9,130)	2,611	6,056	7,554	2,298	3,539	50,547	30,247
771,826	(197,462)	47,855	8,937	(30,298)	(19,724)	(671,110)	1,239,610
120,779	318,241	445,152	436,215	234,677	254,401	5,674,153	4,434,543
\$ 892,605	\$ 120,779	\$ 493,007	\$ 445,152	\$ 204,379	\$ 234,677	\$ 5,003,043	\$ 5,674,153
\$ 832,109	\$ 73,226	\$ 493,007	\$ 445,152	\$ 204,379	\$ 234,677	4,408,381	\$ 3,625,534
60,496	47,553					594,662	2,048,619
\$ 892,605	\$ 120,779	\$ 493,007	\$ 445,152	\$ 204,379	\$ 234,677	\$ 5,003,043	\$ 5,674,153

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statement of Cash Flows - continued
For the Years Ended December 31, 2017 and 2016
RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	601 Water		602 Wastewater Treatment		604 Electric	
	2017	2016	2017	2016	2017	2016
Operating Income (Loss)	\$ 191,932	\$ 142,234	\$ 711,107	\$ 577,024	\$ 558,494	\$ 582,567
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation	205,131	202,752	489,305	435,291	94,012	92,570
Change in net pension liability	(558)	14,997	(28,876)	27,898	55,994	41,711
Miscellaneous nonoperating income	26,529	26,004	162	248	18,519	11,054
(Increase) Decrease In:						
Accounts receivable	(14,393)	(2,808)	(19,960)	(8,509)	89,096	(36,238)
Due from other governments			(16,900)		(95)	
Inventories					(5,177)	(28,314)
Prepaid items	171	139	(65)	231	(536)	(252)
Increase (Decrease) In:						
Accounts payable	1,919	9,922	186,227	(60,985)	16,909	(46,408)
Due to other governments					(8,040)	949
Accrued salaries payable	(127)	208	132	435	7	1,475
Compensated absences payable	3,492	(3,688)	6,116	(15,899)	5,185	8,895
Other postemployment benefits obligation	(613)	(647)	(679)	(716)	(1,309)	(1,381)
Unearned revenue			(409,500)			
Deposits payable					(557)	(2,021)
Net Cash Provided By (Used In) Operating Activities	\$ 413,483	\$ 389,113	\$ 917,069	\$ 955,018	\$ 822,502	\$ 624,607
Noncash Capital and Related Financing Activities						
Amortization of bond discount, premium and intangibles	\$ (1,597)	\$ (1,481)	\$ (1,930)	\$ (1,872)	\$ 5,120	\$ 5,120
Capital asset additions included in accounts payable	278,713			173,592		

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2017	2016	2017	2016	2017	2016	2017	2016
\$ 248,756	\$ 86,082	\$ 68,611	\$ 79,120	\$ (26,614)	\$ (32,969)	\$ 1,752,286	\$ 1,434,058
89,677	84,169	7,809	12,107	1,294	480	887,228	827,369
(13,829)	6,791	14,945	13,201	(108)	1,041	27,568	105,639
3,854	125,002	350	6	470	350	49,884	162,664
(19,128)	(1,960)	126	74	(43)	51	35,698	(49,390)
125,002	(125,002)					108,007	(125,002)
		(5,291)	3,531			(10,468)	(24,783)
(57)	3,993	52	351	(7)	(4)	(442)	4,458
63	6,817	19,202	(24,806)	24,878	(1,790)	249,198	(117,250)
		629	818			(7,411)	1,767
24	89	444	818	7	(25)	487	3,000
240	925	(592)	676	304	666	14,745	(8,425)
(162)	(171)	(486)	(513)	(198)	(209)	(3,447)	(3,637)
						(409,500)	
						(557)	(2,021)
\$ 434,440	\$ 186,735	\$ 105,799	\$ 85,383	\$ (17)	\$ (32,409)	\$ 2,693,276	\$ 2,208,447

\$ (1,097) \$ (1,197) \$ \$ \$ \$ 496 \$ 570

CITY OF KASSON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS (FESTIVAL IN THE PARK AND ARENA FUND)
December 31, 2017

	877 Festival in Park	606 Arena	Total
ASSETS			
Cash and investments	\$ 12,049	\$ (23,284)	\$ (11,235)
Accounts receivable		34,390	34,390
Due from other governments		9,036	9,036
Inventory		520	520
Prepaid items		926	926
	<u>\$ 12,049</u>	<u>\$ 21,588</u>	<u>\$ 33,637</u>
LIABILITIES			
Accounts payable	\$ 12,049	\$ 11,105	\$ 23,154
Accrued wages payable		8,927	8,927
Due to other governments		1,556	1,556
	<u>\$ 12,049</u>	<u>\$ 21,588</u>	<u>\$ 33,637</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 there were bonds issued by the EDA to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

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 taxes, 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.

The *2017 Street Assessment Project fund* accounts for the accumulation of resources for payment of the street assessment capital project.

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 2017. 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 the lower of cost or market 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 backtrending (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 estimated fair 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. The liability was determined by the alternative valuation method, in accordance with GASB Statement 45, at January 1, 2015.

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 are 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 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 originally adopted.

3. Detailed Notes on All Funds

A. Summary of Cash and Investments

As of December 31, 2017, 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	\$ 775
Deposits	None	N/A	4,195,008
Certificates of deposit	February 2018 - November 2026	N/A	5,857,543
Money Market Funds	None	N/A	<u>3,592,663</u>
Total Cash and Investments			<u>\$ 13,645,989</u>
Cash and Investments			\$ 13,051,327
Restricted Cash and Investments			<u>594,662</u>
Cash and Investments per Statement of Net Position			<u>\$ 13,645,989</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, 2017 and 2016 were as follows:

	At December 31, 2017			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 5,857,543	\$	\$ 5,857,543	\$

	At December 31, 2016			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 5,946,270	\$	\$ 5,946,270	\$
U.S. Government Bonds	299,823		299,823	
Total	\$ 6,246,093	\$	\$ 6,246,093	\$

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 3.0 percent per annum. The balance on notes receivable at December 31, 2017 is \$225,694.

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, 2017 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 657,681	\$ 15,240	\$	\$ 672,921
Construction in progress		1,181,133		1,181,133
Total capital assets, not being depreciated	657,681	1,196,373		1,854,054
Capital assets, being depreciated:				
Buildings	6,961,158			6,961,158
Investment in joint venture	381,973			381,973
Improvements other than buildings	1,178,543	754,588		1,933,131
Machinery and equipment	820,045	109,790	84,045	845,790
Office equipment and furnishings	207,856	60,871		268,727
Vehicles	2,764,607	36,258		2,800,865
Infrastructure	13,829,227			13,829,227
Total capital assets, being depreciated	26,143,409	961,507	84,045	27,020,871
Less accumulated depreciation for:				
Buildings	982,030	179,371		1,161,401
Investment in joint venture	156,894	12,833		169,727
Improvements other than buildings	475,347	59,771		535,118
Machinery and equipment	679,507	55,943	84,045	651,405
Office equipment and furnishings	78,436	27,800		106,236
Vehicles	1,824,719	117,825		1,942,544
Infrastructure	6,426,930	667,302		7,094,232
Total accumulated depreciation	10,623,863	1,120,845	84,045	11,660,663
Total capital assets, being depreciated, net	15,519,546	(159,338)		15,360,208
Governmental activities capital assets, net	\$ 16,177,227	\$ 1,037,035	\$	\$ 17,214,262

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	1,164,341	3,032,257	1,163,682	3,032,916
Total capital assets, not being depreciated	1,616,492	3,032,257	1,163,682	3,485,067
Capital assets, being depreciated:				
Buildings	12,594,801			12,594,801
Improvements other than buildings	11,046,164	4,088,021		15,134,185
Machinery and equipment	1,262,398	61,550	23,673	1,300,275
Office equipment and furnishings	242,445			242,445
Vehicles	403,362			403,362
Infrastructure	10,626,448	1,218,677		11,845,125
Total capital assets, being depreciated	36,175,618	5,368,248	23,673	41,520,193
Less accumulated depreciation for:				
Buildings	4,782,510	308,677		5,091,187
Improvements other than buildings	6,801,984	265,321		7,067,305
Machinery and equipment	996,401	74,177	23,673	1,046,905
Office equipment and furnishings	228,783	7,457		236,240
Vehicles	390,739	8,415		399,154
Infrastructure	2,517,263	223,181		2,740,444
Total accumulated depreciation	15,717,680	887,228	23,673	16,581,235
Total capital assets, being depreciated, net	20,457,938	4,481,020		24,938,958
Business-type activities capital assets, net	\$ 22,074,430	\$ 7,513,277	\$ 1,163,682	\$ 28,424,025

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	\$	22,086
Public safety		123,017
Public works		725,294
Culture and recreation		250,448
		<u>250,448</u>

Total depreciation expense - governmental activities	\$	<u>1,120,845</u>
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Business-Type Activities:

Water	\$	205,131
Wastewater treatment		489,305
Electric		94,012
Stormwater		89,677
Liquor		7,809
Cemetery		1,294
		<u>1,294</u>

Total depreciation expense - business-type activities	\$	<u>887,228</u>
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Construction Commitments

The City has an active utility improvement construction project as of December 31, 2017. 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>
South Mantorville Avenue Project	\$ 506,689	\$ 68,492
2017 Street Assessment Project	3,591,268	2,759,856

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, 2017, 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	\$ 38,887	\$
Nonmajor governmental - EDA	76,860	
Nonmajor governmental - 16th Street NE		5,220
Nonmajor governmental - Highway 57		10,194
Nonmajor governmental - 16th Street NW		4,169
Nonmajor governmental - Downtown TIF		75,876
Nonmajor governmental - Oppidan Folkestad TIF		20,288
	<hr/>	<hr/>
Total	<u>\$ 115,747</u>	<u>\$ 115,747</u>

At December 31, 2017 the following funds have deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Special Revenue	
Downtown TIF	\$ 75,876
Oppidan Folkestad TIF	20,288
Capital Projects	
16th Street NE	5,220
Highway 57	13,498
16th Street NW	4,169

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)

Transfers during the year ended December 31, 2017 were as follows:

Funds	Transfers In	Transfers Out
General Fund	\$ 84,000	\$ 264,582
Debt Service	107,569	
Nonmajor Governmental		
Stabilization/Capital Projects Reserves	22,900	330,000
Commerce Drive - Capital Project	133,255	
Oppidan Folkestad TIF - Special Revenue		29,000
Enterprise		
Water		25,566
Wastewater		36,878
Electric		20,000
Stormwater	500,000	77,698
Municipal Liquor Store		64,000
Total Transfers	\$ 847,724	\$ 847,724

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	\$2,085,000
G.O. Equipment Certificate Bonds of 2014A	\$1,025,000	2.35	03/12/14	02/01/24	744,000
G.O. Tax Increment Bonds of 2014B	\$1,655,000	4.00 - 5.50	06/02/14	02/01/42	1,625,000
G.O. Crossover Refunding Bonds of 2015A	\$2,620,000	2.00 - 4.00	09/01/15	02/01/24	<u>2,315,000</u>
Total G.O. Bonds					<u>\$6,769,000</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	\$ 515,000
G.O. Street Reconstruction and Utility Revenue Bonds of 2012A	1,430,000	0.40 - 2.10	07/01/12	02/01/23	859,935
G.O. Improvement Bonds of 2014C	430,000	2.00 - 3.50	06/02/14	02/01/30	380,000
G.O. Improvement and Utility Revenue Bonds of 2017A	6,780,000	2.00 - 2.50	07/05/17	02/01/33	6,780,000
Total G.O. Special Assessment Bonds					<u>\$8,534,935</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	\$ 1,986,000
G.O. Sewer Revenue Note of 2011 (PFA)	994,038	1.86	08/31/11	08/20/31	749,000
G.O. Temporary Utility Revenue Note of 2016A	2,500,000	2.00	11/16/16	11/01/19	2,500,000
Total G.O. Revenue Bonds					<u>\$5,235,000</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, 2017, 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>					
2018	\$ 438,167	\$ 309,949	\$ 210,196	\$ 116,572	\$ 1,074,884
2019	444,495	310,365	371,087	103,902	1,229,849
2020	457,495	304,523	315,529	95,748	1,173,295
2021	461,659	300,882	318,304	88,119	1,168,964
2022	481,151	302,259	330,974	80,907	1,195,291
2023-2027	1,727,961	826,242	1,436,055	308,064	4,298,322
2028-2032	500,000	272,567	1,462,525	129,157	2,364,249
2033-2037	400,000	192,071	294,150	3,676	889,897
2038-2042	545,000	77,582			622,582
Totals	<u>\$ 5,455,928</u>	<u>\$ 2,896,440</u>	<u>\$4,738,820</u>	<u>\$ 926,145</u>	<u>\$ 14,017,333</u>
	General Obligation Revenue		General Obligation		
	Principal	Interest	Principal	Interest	
<u>Business-Type Activities</u>					
2018	\$ 521,000	\$ 198,877	\$ 305,637	\$ 42,683	\$ 1,068,197
2019	3,212,775	176,711	374,643	36,790	3,800,919
2020	731,000	107,268	332,976	31,050	1,202,294
2021	749,225	87,301	335,812	25,528	1,197,866
2022	233,450	66,811	269,425	19,096	588,782
2023-2027	1,242,325	260,466	473,594	13,760	1,990,145
2028-2032	1,326,475	110,189			1,436,664
2033	235,850	2,948			238,798
Totals	<u>\$ 8,252,100</u>	<u>\$ 1,010,571</u>	<u>\$2,092,087</u>	<u>\$ 168,907</u>	<u>\$ 11,523,665</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, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
2013A GO Aquatic Center	\$ 2,260,000	\$	\$ 175,000	\$ 2,085,000	\$ 175,000
2014A GO Equipment Certificate	840,000		96,000	744,000	99,000
2014B GO Tax Increment Bonds	1,655,000		30,000	1,625,000	30,000
2015A GO Crossover Refunding Bonds	1,133,931		132,003	1,001,928	134,167
General Improvement Bonds					
2011A GO Refunding Bond	345,000		170,000	175,000	85,000
2012A GO Street Reconstruction and Utility	487,002		66,082	420,920	68,530
2014C GO Improvement Bond	405,000		25,000	380,000	25,000
2017A GO Improvement and Utility Revenue Bonds		3,762,900		3,762,900	
Plus: Unamortized premiums	53,265	11,335	5,707	58,893	
Total Bonds and Notes Payable	7,179,198	3,774,235	699,792	10,253,641	616,697
Other Liabilities:					
Other postemployment benefits obligation	47,109		5,754	41,355	
Net pension liability	3,297,844		1,712,142	1,585,702	
Compensated absences	165,186	14,640		179,826	95,719
Governmental Activities					
Long-term Liabilities	7,391,493	3,788,875	2,417,688	12,060,524	712,416
BUSINESS-TYPE ACTIVITIES					
Bonds:					
General Obligation Revenue Bonds:					
2001 PFA Loan	2,446,000		460,000	1,986,000	474,000
2011 PFA Loan	795,000		46,000	749,000	47,000
2016A GO Temporary Utility Revenue Note	2,500,000			2,500,000	
2017A GO Improvement and Utility Revenue Bonds		3,017,100		3,017,100	
General Obligation Special Assessment Bonds:					
2011A GO Refunding Bond	425,000		85,000	340,000	90,000
2012A GO Street Reconstruction and Utility	507,933		68,918	439,015	71,470
2015A GO Crossover Refunding Bonds	1,486,069		172,997	1,313,072	175,833
Plus: Unamortized premiums	48,565	9,087	6,677	50,975	
Less: Unamortized discount	(2,303)		(461)	(1,842)	
Other Liabilities:					
Other postemployment benefits obligation	35,315		3,447	31,868	
Net pension liability	1,440,824		315,508	1,125,316	
Compensated absences	105,866	14,743		120,609	67,646
Business-type Activities					
Long-term Liabilities	8,347,445	3,040,930	1,158,086	11,671,113	925,949
Total	\$ 15,738,938	\$ 6,829,805	\$ 3,575,774	\$ 23,731,637	\$ 1,638,365

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 Fund

All full-time and certain part-time employees of the City of Kasson, Minnesota are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund

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 a local relief association 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given one percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year 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.

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. For Police and Fire Plan members who were first hired prior to July 1, 1989 a full annuity is available when age plus years of service equal at least 90.

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

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017, were \$145,970. 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)

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2017. The City's was required to contribute 16.20 percent of pay for members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$95,949. 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, 2017, the City reported a liability of \$1,927,948 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 \$6 million to the fund in 2017. 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 \$24,251. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was 0.0302 percent which was an increase of 0.001 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$99,380 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$700 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

At December 31, 2017, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 59,257
Changes in actuarial assumptions	116,205	
Difference between projected and actual investment earnings	9,297	
Changes in proportion		16,396
Contributions paid to PERA subsequent to the measurement date	62,510	
Total	<u>\$ 188,012</u>	<u>\$ 75,653</u>

\$62,510 reported as deferred outflows of resources related to pensions is 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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2018	\$ 65,372
2019	85,458
2020	(19,144)
2021	(81,837)

2. Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$783,069 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was 0.058 percent which was a decrease of 0.001 percent from its proportion measured at June 30, 2016. The City also recognized \$5,220 for the year ended December 31, 2017 as a revenue and an offsetting reduction of net pension liability for its proportionate share of 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, starting in fiscal year 2014.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

For the year ended December 31, 2017, the City recognized pension expense of \$(107,351) for its proportionate share of the Police and Fire Fund's pension expense.

At December 31, 2017, 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	\$	\$ 228,585
Changes in actuarial assumptions		67,369
Difference between projected and actual investment earnings	17,203	
Changes in proportion	28,586	
Contributions paid to PERA subsequent to the measurement date	51,583	
Total	<u>\$ 97,372</u>	<u>\$ 295,954</u>

\$51,583 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2018	\$ 18,238
2019	18,234
2020	(11,949)
2021	(61,508)
2022	(213,180)

Aggregate Pension Costs

Pension expense recognized by the City for the year ended December 31, 2017 is as follows:

GERF	\$99,380
PEPFF	<u>(107,351)</u>
Total	<u><u>\$(7,971)</u></u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% Per year
Active Member Payroll Growth	3.25% Per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males and females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and the 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 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 2016. The experience five-year experience study for Police and Fire Plan was completed in 2016.

There following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for nonvested members.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Police and Fire Fund (continued)

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

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 Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.50%
Total	<u>100%</u>	

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rate specified in Minnesota Statutes. Based on that assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
City's proportionate share of the GERF net pension	\$ 2,990,391	\$ 1,927,948	\$ 1,058,146
City's proportionate share of the PEPFF net pension	1,474,747	783,070	212,050
Total Net Pension Liability	<u>\$ 4,465,138</u>	<u>\$ 2,711,018</u>	<u>\$ 1,270,196</u>

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.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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). From 2010 to 2014, the City was required to make a contribution to the Association.

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.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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, 2016 (most current information available) the Association's funding status is as follows:

Total plan assets	\$	419,799
Total accrued liability		<u>(393,888)</u>
Excess (Deficiency) of Plan Assets over Accrued Liability	\$	<u>25,911</u>

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 2017.

The computation of the pension contribution requirements for 2017 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.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Postemployment Benefits Other Than Pensions

In 2009, the City prospectively implemented the requirements of GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

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 33 active participants and 2 retired 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 2017, the City contributed \$23,658 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. Defined Contribution Plan

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	<u>Primary Government</u>
Annual required contribution	\$ 14,858
Interest on net OPEB	2,473
Adjustment to annual required contribution	<u>(2,874)</u>
Annual OPEB cost (expense)	14,457
Contributions made	<u>(23,658)</u>
Decrease in net OPEB obligation	(9,201)
Net OPEB obligation - beginning of year	<u>82,424</u>
Net OPEB obligation - end of year	<u>\$ 73,223</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017, 2016, and 2015 follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/2017	\$ 14,457	163.64%	\$ 73,223
12/31/2016	14,418	155.38%	82,424
12/31/2015	14,385	147.50%	90,409

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Postemployment Benefits Other Than Pensions (Continued)

D. Funded Status and Funding Progress

As of January 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$170,095 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,928,347 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.8 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

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

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average age of retirement and expectations of management, the retirement age for active plan members was determined on an individual level. In addition, spouses of retired employees were assumed to discontinue coverage on the plan when the retired employee reaches Medicare age.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2008 United States Life Tables for Males and for Females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Postemployment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions (continued)

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on actual rate changes for 2015 along with projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate increase of 5.0 percent initially in 2015, followed by a 5.6 percent increase in 2016, to an ultimate average rate increase of 5.8 percent after six years, was used.

Health insurance premiums - 2014 and 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation assumption of 2.70 percent was based on average changes over the past ten years in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 3.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2017 was twenty-six years.

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.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Other Information (Continued)

A. Risk management (continued)

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 (\$396,299,300) which is \$11,888,979. The City currently has \$2,829,000 of general obligation debt subject to this limit, leaving a debt margin of \$9,438,774 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.

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.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2017.

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 in 2017.

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 \$2,303 in 2017.

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, 2017, the City paid tax increments totaling \$72,261 related to these agreements.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

CITY OF KASSON, MINNESOTA
Schedules of City Pension Contributions
December 31, 2017

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 Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
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					
2019					
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 Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
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					
2019					
2020					
2021					
2022					
2023					

CITY OF KASSON, MINNESOTA
Schedules of City and Non-Employer Proportionate Share of Net Pension Liability
December 31, 2017

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

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0318%	\$ 1,493,805	\$ 1,667,255	90%	78.7%
2015	0.0325%	1,684,319	1,773,568	95%	78.2%
2016	0.0292%	2,370,895	1,846,080	128%	68.9%
2017	0.0302%	1,927,948	1,879,273	103%	75.9%
2018					
2019					
2020					
2021					
2022					
2023					

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

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.059%	\$ 637,224	\$ 512,366	124%	87.1%
2015	0.061%	693,103	525,992	132%	86.6%
2016	0.059%	2,367,773	556,244	426%	63.9%
2017	0.058%	783,069	582,574	134%	85.4%
2018					
2019					
2020					
2021					
2022					
2023					

CITY OF KASSON, MINNESOTA
SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS
December 31, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability - Simplified Entry Age (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (d)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/d)</u>
1/1/2015	\$ -	\$ 170,095	\$ 170,095	0.00%	\$1,928,347	8.8%
1/1/2012	-	198,937	198,937	0.00	1,681,157	11.8%

CITY OF KASSON, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2017

**CITY OF KASSON, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**
December 31, 2017

	Special Revenue					
	211 Library	225 EDA Financial Assistance	247 2004 Assisted Living TIF	248 Downtown TIF	249 Oppidan Folkestad TIF	290 Economic Development
ASSETS						
Cash and investments	\$ 182,920	\$ 106,102	\$	\$	\$	\$ 30,905
Accounts receivable		313				
Interest receivable						
Notes receivable		225,694				
Due from other governmental units						
Prepaid expenses	2,232					90
Special assessments receivable		23,416				
Due from other funds						76,860
TOTAL ASSETS	\$ 185,152	\$ 355,525	\$	\$	\$	\$ 107,855
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 1,574	\$	\$	\$	\$	\$ 220
Contracts payable						
Accrued salaries	4,463					202
Due to other funds				75,876	20,288	
Total Liabilities	6,037			75,876	20,288	422
Deferred Inflows of Resources:						
Unavailable revenue:						
Special assessments		23,416				
Total Deferred Inflows of Resources		23,416				
Fund Balance						
Nonspendable:						
Prepaid items	2,232					90
Restricted:						
Economic development		332,109				
Committed:						
Economic development						107,343
Library Operations	176,883					
Assigned:						
Capital improvements						
Unassigned:						
Total Fund Balance	179,115	332,109		(75,876)	(20,288)	107,433
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 185,152	\$ 355,525	\$	\$	\$	\$ 107,855

Capital Projects

210 Stabilization/ Cap Projects Reserve	401 Permanent Improvement Revolving	412 16th Street NE	416 Library Building	422 Commerce Drive	424 Highway 57	426 16th Street NW	Total Nonmajor Governmental Funds
\$ 112,403	\$ 900,463	\$	\$ 1,186	\$	\$	\$	\$ 1,333,979
	44						313
	2,487						2,531
	432						225,694
	70,674						432
							2,322
							94,090
							76,860
<u>\$ 112,447</u>	<u>\$ 974,056</u>	<u>\$</u>	<u>\$ 1,186</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,736,221</u>
\$	\$ 30,889	\$	\$ 1,186	\$	\$ 3,304	\$	\$ 37,173
	25,334						25,334
		5,220			10,194	4,169	4,665
							115,747
	56,223	5,220	1,186		13,498	4,169	182,919
	70,674						94,090
	70,674						94,090
							2,322
							332,109
							107,343
							176,883
112,447	847,159						959,606
		(5,220)			(13,498)	(4,169)	(119,051)
<u>112,447</u>	<u>847,159</u>	<u>(5,220)</u>			<u>(13,498)</u>	<u>(4,169)</u>	<u>1,459,212</u>
<u>\$ 112,447</u>	<u>\$ 974,056</u>	<u>\$</u>	<u>\$ 1,186</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,736,221</u>

CITY OF KASSON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue					
	211 Library	225 EDA Financial Assistance	247 2004 Assisted Living TIF	248 Downtown TIF	249 Oppidan Folkestad TIF	290 Economic Development
REVENUES						
Property tax collected	\$ 267,431	\$	\$	\$	\$	\$ 67,154
Special assessments		7,458				
Tax increments			72,261		33,767	
Fines and forfeits	3,847					
Intergovernmental	59,478					
Charges for services	1,631					
Investment income	90	7,378			16	2,391
Miscellaneous	7,215					
TOTAL REVENUES	<u>339,692</u>	<u>14,836</u>	<u>72,261</u>		<u>33,783</u>	<u>69,545</u>
EXPENDITURES						
Current:						
Public works						
Culture and recreation	339,090					
TIF/economic development			72,261	500		52,237
Debt service						
Interest and fiscal charges				2,376	927	
Capital outlay						
Culture and recreation	549					
TIF/economic development					975	
Public works						
TOTAL EXPENDITURES	<u>339,639</u>		<u>72,261</u>	<u>2,876</u>	<u>1,902</u>	<u>52,237</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53</u>	<u>14,836</u>		<u>(2,876)</u>	<u>31,881</u>	<u>17,308</u>
OTHER FINANCING SOURCES (USES)						
Transfer in						
Transfer out					(29,000)	
TOTAL OTHER FINANCING SOURCES (USES)					<u>(29,000)</u>	
Net change in fund balances	53	14,836		(2,876)	2,881	17,308
FUND BALANCES, beginning	<u>179,062</u>	<u>317,273</u>		<u>(73,000)</u>	<u>(23,169)</u>	<u>90,125</u>
FUND BALANCES, ending	<u>\$ 179,115</u>	<u>\$ 332,109</u>	<u>\$</u>	<u>\$(75,876)</u>	<u>\$(20,288)</u>	<u>\$ 107,433</u>

Capital Projects

210 Stabilization/ Cap Projects Reserve	401 Permanent Improvement Revolving	412 16th Street NE	416 Library Building	422 Commerce Drive	424 Highway 57	426 16th Street NW	Total Nonmajor Governmental Funds
\$ 19,526	\$ 264,143	\$	\$	\$	\$	\$	\$ 354,111
				46,228			271,601
							106,028
							3,847
							105,706
360	22,195						1,631
							32,430
							7,215
19,886	286,338			46,228			882,569
							80,129
							339,090
							124,998
							3,303
			64,868				65,417
	604,205	5,220		43,730	13,498	4,169	975
							670,822
80,129	604,205	5,220	64,868	43,730	13,498	4,169	1,284,734
(60,243)	(317,867)	(5,220)	(64,868)	2,498	(13,498)	(4,169)	(402,165)
							22,900
				133,255			156,155
(330,000)							(359,000)
(307,100)				133,255			(202,845)
(367,343)	(317,867)	(5,220)	(64,868)	135,753	(13,498)	(4,169)	(605,010)
479,790	1,165,026		64,868	(135,753)			2,064,222
\$ 112,447	\$ 847,159	\$ (5,220)	\$	\$	\$ (13,498)	\$ (4,169)	\$ 1,459,212

CITY OF KASSON, MINNESOTA
LIBRARY FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 267,431	\$ 267,431	\$ 267,431	\$	\$ 235,604
Intergovernmental revenues	54,120	54,120	59,478	5,358	54,123
Library fines	5,000	5,000	3,847	(1,153)	2,931
Investment income	150	150	90	(60)	
Miscellaneous	2,250	2,250	8,846	6,596	4,324
TOTAL REVENUES	328,951	328,951	339,692	10,741	296,982
EXPENDITURES					
Library					
Salaries	212,790	212,790	219,185	(6,395)	193,391
Employee benefits and retirement	30,042	30,042	32,464	(2,422)	28,494
Workers compensation	1,000	1,000	1,488	(488)	1,093
Health insurance	30,091	30,091	25,221	4,870	24,296
Operating supplies/small tools	17,550	17,550	18,278	(728)	19,265
Insurance	2,000	2,000	2,347	(347)	1,591
Telephone	1,600	1,600	1,628	(28)	1,339
Professional fees	15,700	15,700	15,374	326	12,454
Capital outlay	2,000	2,000	549	1,451	1,449
Other	16,178	16,178	23,105	(6,927)	14,650
TOTAL EXPENDITURES	328,951	328,951	339,639	(10,688)	298,022
Excess (deficiency) of revenues over (under) expenditures			53	53	(1,040)
OTHER FINANCING USES					
Transfers out					(1,700)
Net change in fund balances			53	53	(2,740)
FUND BALANCES, beginning	179,062	179,062	179,062		181,802
FUND BALANCES, ending	\$ 179,062	\$ 179,062	\$ 179,115	\$ 53	\$ 179,062

CITY OF KASSON, MINNESOTA
EDA FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 66,838	\$ 66,838	\$ 67,154	\$ 316	\$ 67,928
Investment Income	2,000	2,000	2,391	391	2,332
TOTAL REVENUES	<u>68,838</u>	<u>68,838</u>	<u>69,545</u>	<u>707</u>	<u>70,260</u>
EXPENDITURES					
Economic development					
Personal services	50,729	50,728	16,915	33,813	48,775
Supplies	400	400	511	(111)	471
Other services and charges	17,709	17,710	30,569	(12,859)	12,180
Capital outlay			4,242	(4,242)	1,248
TOTAL EXPENDITURES	<u>68,838</u>	<u>68,838</u>	<u>52,237</u>	<u>16,601</u>	<u>62,674</u>
Net change in fund balances			17,308	17,308	7,586
FUND BALANCES, beginning	<u>90,125</u>	<u>90,125</u>	<u>90,125</u>		<u>82,539</u>
FUND BALANCES, ending	<u>\$ 90,125</u>	<u>\$ 90,125</u>	<u>\$ 107,433</u>	<u>\$ 17,308</u>	<u>\$ 90,125</u>

**CITY OF KASSON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2017**

	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	\$ 82,984	\$ 163,588	\$ 270,972	\$ 107,823	\$ 37,833
Interest receivable		235			
Special assessments receivable		2,644			363,439
TOTAL ASSETS	\$ 82,984	\$ 166,467	\$ 270,972	\$ 107,823	\$ 401,272
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Accounts payable					
Deferred Inflows of Resources:					
Unavailable revenue:					
Special assessments		2,644			363,439
Total Deferred Inflows of Resources		2,644			363,439
Fund Balance					
Restricted:					
Debt service	82,984	163,823	270,972	107,823	37,833
Total Fund Balance	82,984	163,823	270,972	107,823	37,833
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 82,984	\$ 166,467	\$ 270,972	\$ 107,823	\$ 401,272

Debt Service			
391	392	393	
Oppidan Folkestad TIF	G.O. Crossover Refunding Bonds of 2015A	2017 Street Assessment Project	Total Debt Service Funds
\$ 918,624 1,021	\$ 297,823	\$ 457,319	\$ 2,336,966 1,256
	238,314	691,337	1,295,734
<u>\$ 919,645</u>	<u>\$ 536,137</u>	<u>\$ 1,148,656</u>	<u>\$ 3,633,956</u>

<u>18</u>			<u>18</u>
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	<u>238,314</u>	<u>691,337</u>	<u>1,295,734</u>
	<u>238,314</u>	<u>691,337</u>	<u>1,295,734</u>

<u>919,627</u>	<u>297,823</u>	<u>457,319</u>	<u>2,338,204</u>
<u>919,627</u>	<u>297,823</u>	<u>457,319</u>	<u>2,338,204</u>

<u>\$ 919,645</u>	<u>\$ 536,137</u>	<u>\$ 1,148,656</u>	<u>\$ 3,633,956</u>
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CITY OF KASSON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS

For the Year Ended December 31, 2017

	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	\$ 73,100	\$ 122,902	\$ 220,875	\$ 116,484	\$ 38,973
Special assessments		3,127			38,973
Investment income	41	(103)	133	53	19
TOTAL REVENUES	<u>73,141</u>	<u>125,926</u>	<u>221,008</u>	<u>116,537</u>	<u>38,992</u>
EXPENDITURES					
Current:					
Debt service					
Principal	66,082	170,000	175,000	96,000	25,000
Interest and fiscal charges	7,129	6,340	44,927	18,612	11,596
TOTAL EXPENDITURES	<u>73,211</u>	<u>176,340</u>	<u>219,927</u>	<u>114,612</u>	<u>36,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(70)</u>	<u>(50,414)</u>	<u>1,081</u>	<u>1,925</u>	<u>2,396</u>
OTHER FINANCING SOURCES					
Bond proceeds					
Transfer in		78,569			
TOTAL OTHER FINANCING SOURCES		<u>78,569</u>			
Net change in fund balances	(70)	28,155	1,081	1,925	2,396
FUND BALANCES, beginning	<u>83,054</u>	<u>135,668</u>	<u>269,891</u>	<u>105,898</u>	<u>35,437</u>
FUND BALANCES, ending	<u>\$ 82,984</u>	<u>\$ 163,823</u>	<u>\$ 270,972</u>	<u>\$ 107,823</u>	<u>\$ 37,833</u>

Debt Service			
391	392	393	
Oppidan Folkestad TIF	G.O. Crossover Refunding Bonds of 2015A	2017 Street Assessment Project	Total Debt Service Funds
\$ 74,504	\$ 128,000	\$	\$ 735,865
	73,392	345,216	460,708
13,511	83	142	13,879
88,015	201,475	345,358	1,210,452
30,000	132,003		694,085
76,443	27,452		192,499
106,443	159,455		886,584
(18,428)	42,020	345,358	323,868
29,000		111,961	111,961
			107,569
29,000		111,961	219,530
10,572	42,020	457,319	543,398
909,055	255,803		1,794,806
\$ 919,627	\$ 297,823	\$ 457,319	\$ 2,338,204

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 1,866,490	\$ 1,866,490	\$ 1,869,628	\$ 3,138	\$ 1,682,332
Franchise taxes	60,000	60,000	53,380	(6,620)	59,870
Special Assessments			430	430	256
Licenses and Permits					
Business	13,500	13,500	12,960	(540)	13,033
Nonbusiness	44,700	44,700	82,037	37,337	28,483
Total Licenses and Permits	58,200	58,200	94,997	36,797	41,516
Intergovernmental					
Local government aid	1,020,693	1,020,693	1,020,693		1,016,485
Fire relief aid	40,000	40,000	42,416	2,416	41,266
Police aid	61,000	61,000	64,379	3,379	66,150
Highway aid	72,640	72,640	64,186	(8,454)	65,352
Other aid	18,937	18,937	16,805	(2,132)	13,563
Total State Aid	1,213,270	1,213,270	1,208,479	(4,791)	1,202,816
School					
Other School aid	58,000	58,000	53,848	(4,152)	57,199
Total School	58,000	58,000	53,848	(4,152)	57,199
Total Intergovernmental	1,271,270	1,271,270	1,262,327	(8,943)	1,260,015
Charges for Service					
General government	26,100	26,100	64,107	38,007	23,908
Public safety	51,670	51,670	51,912	242	51,302
Culture and recreation	250,600	250,600	250,242	(358)	260,057
Total Charges for Service	328,370	328,370	366,261	37,891	335,267
Fines and Forfeits	15,500	15,500	20,251	4,751	16,009
Investment Earnings	13,200	13,200	6,453	(6,747)	11,396
Miscellaneous					
Rents and leases	2,700	2,700	12,292	9,592	3,050
Refunds and reimbursements	15,000	15,000	37,585	22,585	19,356
Contributions and donations	8,000	8,000	19,755	11,755	9,809
Total Miscellaneous	25,700	25,700	69,632	43,932	32,215
TOTAL REVENUES	\$ 3,638,730	\$ 3,638,730	\$ 3,743,359	\$ 104,629	\$ 3,438,876

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017

With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Personal services	\$ 48,125	\$ 48,125	\$ 47,377	\$ 748	\$ 41,003
Legal fees	3,000	3,000	14,906	(11,906)	16,616
Other services and charges	50,600	50,600	91,785	(41,185)	19,773
Total Mayor and Council	<u>101,725</u>	<u>101,725</u>	<u>154,068</u>	<u>(52,343)</u>	<u>77,392</u>
Ordinances and Proceedings					
Other services and charges	<u>3,000</u>	<u>3,000</u>	<u>4,078</u>	<u>(1,078)</u>	<u>3,502</u>
City Clerk					
Personal services	156,660	156,660	141,815	14,845	144,752
Supplies	9,720	9,720	5,427	4,293	5,774
Other services and charges	28,680	28,680	24,161	4,519	30,773
Total City Clerk's	<u>195,060</u>	<u>195,060</u>	<u>171,403</u>	<u>23,657</u>	<u>181,299</u>
Elections and Voter Registration					
Personal services	4,497	4,497	4,532	(35)	15,077
Other services and charges			3	(3)	849
Total Elections and Voter Registration	<u>4,497</u>	<u>4,497</u>	<u>4,535</u>	<u>(38)</u>	<u>15,926</u>
Assessor					
Other services and charges	<u>30,169</u>	<u>30,169</u>	<u>29,869</u>	<u>300</u>	<u>29,824</u>
Accounting					
Other services and charges	<u>6,050</u>	<u>6,050</u>	<u>5,585</u>	<u>465</u>	<u>5,343</u>
Legal					
Other services and charges	<u>63,000</u>	<u>63,000</u>	<u>38,016</u>	<u>24,984</u>	<u>51,555</u>
Planning and Zoning					
Personal services	47,845	47,845	3,873	43,972	41,827
Supplies	500	500	490	10	496
Other services and charges	31,900	31,900	77,904	(46,004)	16,064
Total Planning and Zoning	<u>80,245</u>	<u>80,245</u>	<u>82,267</u>	<u>(2,022)</u>	<u>58,387</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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)	2016 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Data Processing					
Other services and charges	\$ 10,700	\$ 10,700	\$ 7,846	\$ 2,854	\$ 3,036
General Government Buildings					
Personal services	10,261	10,261	6,918	3,343	8,192
Supplies	1,525	1,525	189	1,336	1,707
Other services and charges	14,050	14,050	7,944	6,106	14,976
Total General Governmental Buildings	25,836	25,836	15,051	10,785	24,875
Total General Government	520,282	520,282	512,718	7,564	451,139
Public Safety					
Police					
Personal services	944,676	944,676	954,529	(9,853)	926,520
Supplies	34,500	34,500	37,720	(3,220)	36,279
Other services and charges	94,427	94,427	95,633	(1,206)	68,915
Total Police	1,073,603	1,073,603	1,087,882	(14,279)	1,031,714
Fire					
Personal services	78,361	78,361	57,321	21,040	54,394
Supplies	38,220	38,220	39,362	(1,142)	20,569
Other services and charges	95,720	95,720	97,036	(1,316)	81,566
Total Fire	212,301	212,301	193,719	18,582	156,529
Building inspection					
Other services and charges	31,200	31,200	52,626	(21,426)	48,093

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

For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Animal Control					
Other services and charges	\$ 2,000	\$ 2,000	\$ 1,297	\$ 703	\$ 1,935
Total Animal Control	2,000	2,000	1,297	703	1,935
Total Public Safety	1,319,104	1,319,104	1,335,524	(16,420)	1,238,271
Public Works					
Street and Alleys					
Personal services	176,056	176,056	143,042	33,014	148,375
Supplies	42,000	42,000	39,304	2,696	41,294
Other services and charges	232,928	232,928	232,002	926	201,214
Total Streets and Alleys	450,984	450,984	414,348	36,636	390,883
Engineer					
Other services and charges	13,000	13,000	18,100	(5,100)	32,780
Snow and Ice Removal					
Personal services	19,170	19,170	9,321	9,849	10,519
Supplies	29,500	29,500	23,984	5,516	29,837
Other services and charges	16,050	16,050	14,081	1,969	1,319
Total Snow and Ice Removal	64,720	64,720	47,386	17,334	41,675
Street Lighting					
Other services and charges	19,000	19,000	53,421	(34,421)	22,619
Sidewalks					
Other services and charges	50,000	50,000	54,248	(4,248)	18,022
Sanitation					
Waste collection and disposal					
Other services and charges	9,800	9,800	8,361	1,439	8,681
Total Public Works	607,504	607,504	595,864	11,640	514,660

**CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017**

With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Emergency Services/Health					
Personal services	\$	\$	\$ 76	\$ (76)	\$
Supplies	2,000	2,000		2,000	186
Other services and charges	12,760	12,760	26,904	(14,144)	16,316
Total Emergency Services/Health	14,760	14,760	26,980	(12,220)	16,502
Culture and Recreation					
Parks and Recreation					
Personal services	100	100	1,117	(1,017)	428
Supplies	500	500	293	207	135
Other services and charges	8,680	8,680	6,098	2,582	5,847
Total Parks and Recreation	9,280	9,280	7,508	1,772	6,410
Playgrounds					
Supplies	7,000	7,000	3,645	3,355	9,950
Swimming Pool					
Personal services	159,204	159,204	152,448	6,756	156,194
Supplies	60,000	60,000	48,146	11,854	56,813
Other services and charges	54,800	54,800	78,321	(23,521)	35,695
Total Swimming Pool	274,004	274,004	278,915	(4,911)	248,702
Municipal Parks					
Personal services	286,638	286,638	241,795	44,843	256,348
Supplies	26,000	26,000	21,709	4,291	18,953
Other services and charges	38,550	38,550	32,773	5,777	27,839
Total Municipal Parks	351,188	351,188	296,277	54,911	303,140
Water Tower					
Other services and charges	6,500	6,500	652	5,848	3,741
Dodge County Arena					
Other services and charges	10,076	10,076	9,500	576	42,327
Other Recreational Facilities					
Personal services	1,200	1,200	2,906	(1,706)	3,293
Supplies	17,350	17,350	10,020	7,330	14,526
Other services and charges	40,150	40,150	32,451	7,699	29,049
Total Recreational Facilities	58,700	58,700	45,377	13,323	46,868
Forestry and Nursery					
Supplies	1,350	1,350	1,170	180	993
Other services and charges	23,125	23,125	13,141	9,984	5,654
Total Forestry and Nursery	24,475	24,475	14,311	10,164	6,647
Total Culture and Recreation	741,223	741,223	656,185	85,038	667,785

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

For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Miscellaneous					
Other services and charges	\$ 40,650	\$ 40,650	\$ 92,776	\$ (52,126)	\$ 86,056
Total Current Expenditures	<u>3,243,523</u>	<u>3,243,523</u>	<u>3,220,047</u>	<u>23,476</u>	<u>2,974,413</u>
Capital Outlay					
General government	26,000	26,000	15,240	10,760	8,226
Public safety	20,100	20,100	54,636	(34,536)	
Public works	96,500	96,500	18,578	77,922	28,745
Culture and recreation	64,000	64,000	82,413	(18,413)	43,634
Total Capital Outlay	<u>206,600</u>	<u>206,600</u>	<u>170,867</u>	<u>35,733</u>	<u>80,605</u>
TOTAL EXPENDITURES	<u>3,450,123</u>	<u>3,450,123</u>	<u>3,390,914</u>	<u>59,209</u>	<u>3,055,018</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>188,607</u>	<u>188,607</u>	<u>352,445</u>	<u>163,838</u>	<u>383,858</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets			7,399	7,399	590
Transfers in	34,000	34,000	84,000	50,000	33,000
Transfers out	(222,650)	(222,650)	(264,582)	(41,932)	(240,016)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(188,650)</u>	<u>(188,650)</u>	<u>(173,183)</u>	<u>15,467</u>	<u>(206,426)</u>
NET CHANGE IN FUND BALANCES	(43)	(43)	179,262	179,305	177,432
FUND BALANCES, JANUARY 1	<u>1,589,538</u>	<u>1,589,538</u>	<u>1,589,538</u>		<u>1,412,106</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,589,495</u>	<u>\$ 1,589,495</u>	<u>\$ 1,768,800</u>	<u>\$ 179,305</u>	<u>\$ 1,589,538</u>

CITY OF KASSON, MINNESOTA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
December 31, 2017

FESTIVAL IN PARK (877)

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
ASSETS				
Cash and investments	\$ 8,089	\$ 38,394	\$ 34,434	\$ 12,049
Prepaid items	25		25	
TOTAL ASSETS	<u>\$ 8,114</u>	<u>\$ 38,394</u>	<u>\$ 34,459</u>	<u>\$ 12,049</u>
LIABILITIES				
Accounts payable	<u>\$ 8,114</u>	<u>\$ 38,394</u>	<u>\$ 34,459</u>	<u>\$ 12,049</u>

ARENA (606)

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
ASSETS				
Cash and investments	\$ (20,028)	\$ 283,785	\$ 287,041	\$ (23,284)
Accounts receivable	40,661	34,390	40,661	34,390
Due from other governmental units		9,036		9,036
Inventory	644	520	644	520
Prepaid items	1,189	925	1,188	926
TOTAL ASSETS	<u>\$ 22,466</u>	<u>\$ 328,656</u>	<u>\$ 329,534</u>	<u>\$ 21,588</u>
LIABILITIES				
Accounts payable	\$ 6,564	\$ 11,105	\$ 6,564	\$ 11,105
Accrued wages payable	6,911	8,927	6,911	8,927
Due to other governments	8,991	1,556	8,991	1,556
TOTAL LIABILITIES	<u>\$ 22,466</u>	<u>\$ 21,588</u>	<u>\$ 22,466</u>	<u>\$ 21,588</u>

MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Kasson, Minnesota, as of and for the year ended December 31, 2017, 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 April 2, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

The results of our tests indicate that for the items tested, the City of Kasson, Minnesota complied with the material terms and conditions of applicable legal provisions, except as follows:

- The City was under collateralized with regard to the City cash deposits at December 31, 2017 as required by Minnesota State Statute.

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

Smith, Schaffer and Associates, Ltd.

Rochester, Minnesota
April 2, 2018