

CITY OF KASSON, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2022

CITY OF KASSON, MINNESOTA

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CITY OF KASSON, MINNESOTA

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CITY OF KASSON, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2022

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CITY OF KASSON, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2022

Chris McKern	Mayor
Ryan Christensen	Councilor
Dan Egger	Councilor
Melisa Ferris	Councilor
Duane Burton	Councilor
Nancy Zaworski	Finance Director
Tim Ibisch	City Administrator

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CITY OF KASSON, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Kasson, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Kasson, Minnesota's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary 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 combining and individual nonmajor fund statements 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.

Supplementary Information (Continued)

The combining and individual nonmajor fund financial statements 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the report. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express and opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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, 2021, from which such partial information was derived.

We have previously audited the City's 2021 financial statements and our report dated March 31, 2022, 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, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2023, on our consideration of the City of Kasson, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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, Schepel and Associates, Ltd.

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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, 2022.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Kasson, Minnesota exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$55,677,717 (*net position*). Of this amount, \$14,593,879 (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 \$3,552,585.
- As of the close of the current fiscal year, the City of Kasson, Minnesota's governmental funds reported combined ending fund balances of \$6,247,390. Approximately \$4,088,404 of this total amount or 65% 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 \$3,148,261 or 65% of the subsequent year's budgeted expenditures of the general fund.

CITY OF KASSON, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Kasson, Minnesota that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Kasson, Minnesota include general government, public safety, public works, health and welfare, culture and recreation, cemetery, and TIF/economic development. The business-type activities of the City of Kasson, Minnesota include the water, wastewater treatment, electric, stormwater, and municipal liquor store. 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 twenty-two 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, 16th Street NW, and the debt service fund, which are considered to be major funds. Data from the other nineteen 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 94-99) and certain special revenue funds (pages 87-89) 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.

Fiduciary funds. The City of Kasson, Minnesota maintains one fiduciary fund. *Fiduciary* funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. This fund accounts for Festival in the Park activities and net position was \$25,633 at the end of 2022.

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 32-79 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 83-86 and 90-93 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Kasson, Minnesota, assets and deferred outflows exceeded liabilities and deferred inflows by \$55,677,717 at the close of the most recent fiscal year.

The largest portion of the City of Kasson, Minnesota's net position (\$37,480,579) 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			
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 8,505,303	\$ 9,269,834	\$ 15,247,354	\$ 13,684,298	\$ 23,752,657	\$ 22,954,132
Capital assets	22,768,364	19,944,988	31,719,056	27,418,370	54,487,420	47,363,358
Total assets	31,273,667	29,214,822	46,966,410	41,102,668	78,240,077	70,317,490
Deferred outflows of resources	2,020,689	1,110,779	405,470	486,266	2,426,159	1,597,045
Long-term liabilities outstanding	10,789,812	7,750,346	11,550,096	7,171,076	22,339,908	14,921,422
Other liabilities	603,802	1,366,444	1,047,840	666,241	1,651,642	2,032,685
Total liabilities	11,393,614	9,116,790	12,597,936	7,837,317	23,991,550	16,954,107
Deferred inflows of resources	188,372	1,608,919	808,597	1,226,377	996,969	2,835,296
Net position:						
Net investment in capital assets	15,844,392	13,253,561	21,636,187	21,116,397	37,480,579	34,369,958
Restricted	3,085,082	2,737,647	518,177	365,061	3,603,259	3,102,708
Unrestricted	2,782,896	3,608,684	11,810,983	11,043,782	14,593,879	14,652,466
Total net position	\$ 21,712,370	\$ 19,599,892	\$ 33,965,347	\$ 32,525,240	\$ 55,677,717	\$ 52,125,132

The balance of *unrestricted net position* (\$14,593,879) 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 \$2,112,478.

Business-type activities. Business-type activities increased the City of Kasson, Minnesota's net position by \$1,440,107.

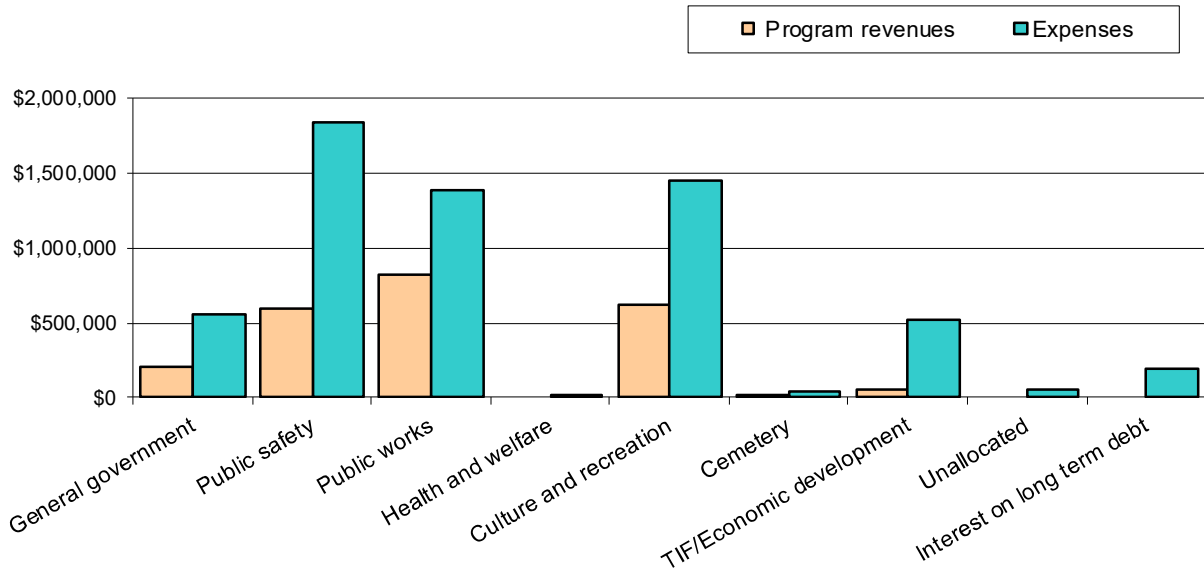
A condensed version of the Statement of Activities follows:

City of Kasson, Minnesota Change in Net Position						
	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenue:						
Program revenues:						
Charges for services	\$ 939,224	\$ 984,949	\$ 8,894,991	\$ 9,131,211	\$ 9,834,215	\$ 10,116,160
Operating grants and contributions	551,665	369,574	88,972		640,637	369,574
Capital grants and contributions	820,097	371,756	288,919	809,831	1,109,016	1,181,587
General revenues:						
Property taxes/tax increments	4,006,075	3,747,845			4,006,075	3,747,845
Franchise fees	174,575	136,094			174,575	136,094
Grants and contributions not restricted to specific programs:						
Local government aid	1,226,307	1,211,160			1,226,307	1,211,160
Other	500,000				500,000	
Miscellaneous	157,076	136,305	(255,601)	9,243	(98,525)	145,548
Total revenues	8,375,019	6,957,683	9,017,281	9,950,285	17,392,300	16,907,968
Expenses:						
General government	560,670	479,631			560,670	479,631
Public safety	1,836,409	1,502,066			1,836,409	1,502,066
Public works	1,389,025	979,249			1,389,025	979,249
Health and welfare	8,635	17,481			8,635	17,481
Culture and recreation	1,452,532	1,541,662			1,452,532	1,541,662
Cemetery	40,709			43,167	40,709	43,167
TIF/Economic development	514,869	323,225			514,869	323,225
Unallocated	57,291	30,611			57,291	30,611
Interest on long-term debt	197,261	180,819			197,261	180,819
Water			948,411	804,276	948,411	804,276
Wastewater			1,717,313	1,613,509	1,717,313	1,613,509
Electric			4,519,577	3,079,948	4,519,577	3,079,948
Stormwater			315,402	579,772	315,402	579,772
Liquor			281,611	238,537	281,611	238,537
Total expenses	6,057,401	5,054,744	7,782,314	6,359,209	13,839,715	11,413,953
Change in net position before transfers	2,317,618	1,902,939	1,234,967	3,591,076	3,552,585	5,494,015
Transfers	(205,140)	264,000	205,140	(264,000)		
Change in net position	2,112,478	2,166,939	1,440,107	3,327,076	3,552,585	5,494,015
Net position, beginning	19,599,892	17,432,953	32,525,240	29,198,164	52,125,132	46,631,117
Net position, ending	\$ 21,712,370	\$ 19,599,892	\$ 33,965,347	\$ 32,525,240	\$ 55,677,717	\$ 52,125,132

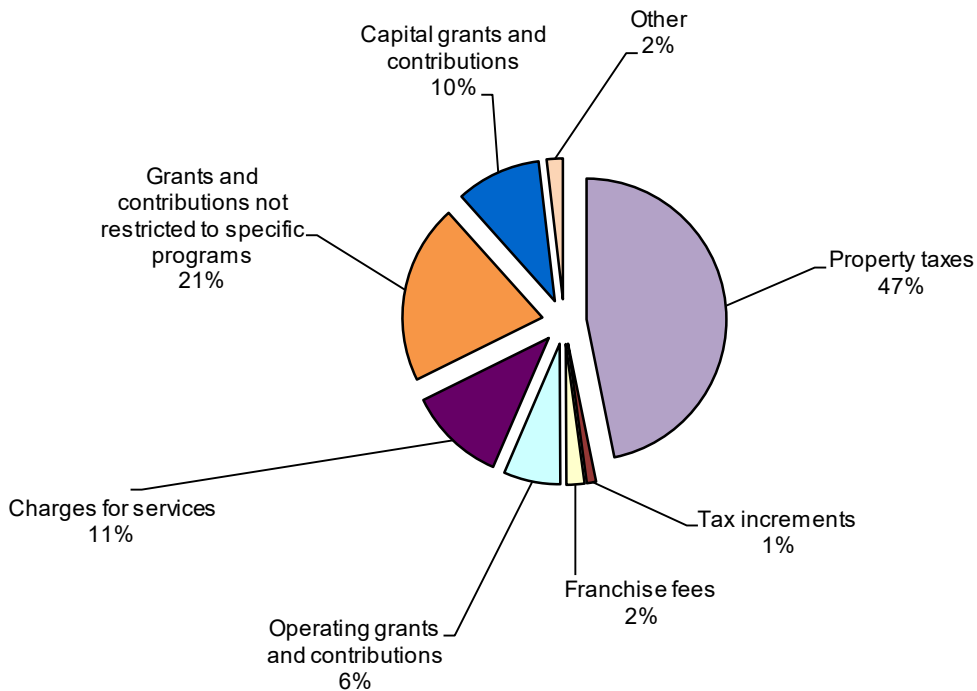
CITY OF KASSON, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Expenses and Program Revenues - Governmental Activities



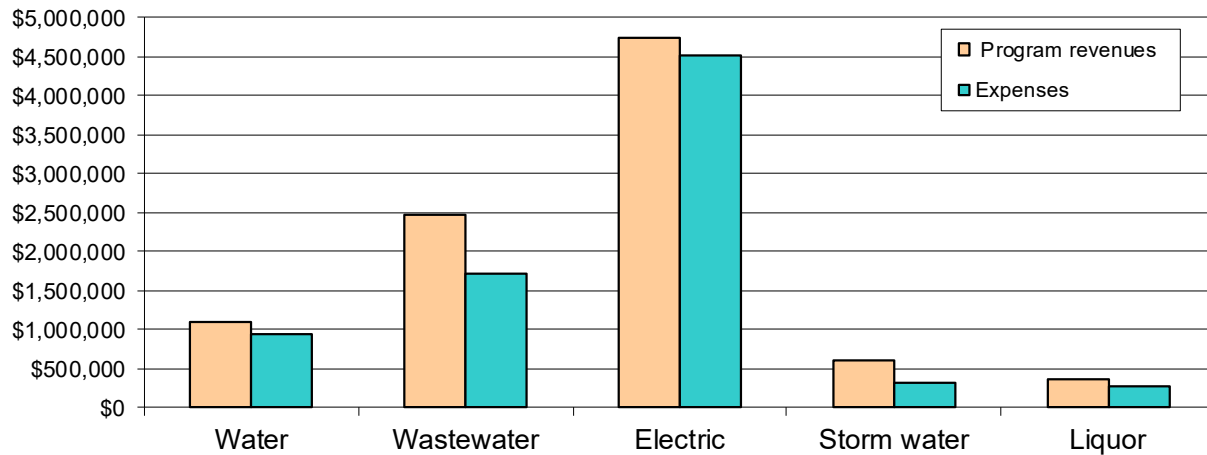
Revenues by Source - Governmental Activities



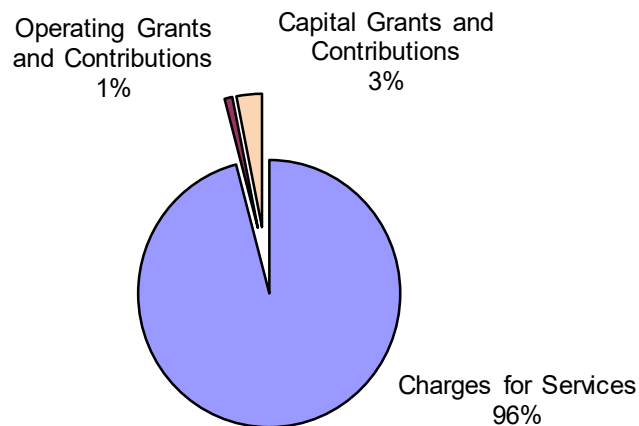
**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



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

FUND BASIS FINANCIAL ANALYSIS

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

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

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

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

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

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

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

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

At the end of the current fiscal year, the City of Kasson, Minnesota's governmental funds reported combined ending fund balances of \$6,247,390, a decrease of \$429,194. The amount of \$4,088,404 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 \$3,148,261. 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 65% of the subsequent year's budgeted 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 \$191,957 during the current fiscal year.

The *Debt Service fund* has a total fund balance of \$1,538,284, of which it all is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$44,255.

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 - \$1,512,237, Wastewater - \$3,034,552, Electric - \$5,711,359, Stormwater - \$775,993, Municipal Liquor Store - \$776,842, and Maple Grove Cemetery ceased operations and was taken over by the General fund in 2022. The City adjusted rates for 2023 to cover any rise in costs.

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

General Fund Budgetary Highlights

Revenues exceeded expectations by \$1,087,160, and expenditures were under budget by \$293,306.

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, 2022, amounts to \$54,487,420 (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 \$7,124,062.

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

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Land	\$ 1,027,760	\$ 906,086	\$ 319,751	\$ 452,151	\$ 1,347,511	\$ 1,358,237
Construction in process	3,861,916	1,014,693	4,913,462	52,500	8,775,378	1,067,193
Buildings and improvements	5,080,627	5,271,653	5,968,072	6,275,841	11,048,699	11,547,494
Improvements other than buildings	1,335,799	665,116	6,600,167	6,920,528	7,935,966	7,585,644
Machinery and equipment	387,523	195,155	666,121	374,354	1,053,644	569,509
Office equipment and furnishings	103,927	126,103	1,324	2,207	105,251	128,310
Vehicles	1,324,636	1,384,014	74,087	109,144	1,398,723	1,493,158
Infrastructure	9,646,176	10,382,168	13,176,072	13,231,645	22,822,248	23,613,813
Total	<u>\$ 22,768,364</u>	<u>\$ 19,944,988</u>	<u>\$ 31,719,056</u>	<u>\$ 27,418,370</u>	<u>\$ 54,487,420</u>	<u>\$ 47,363,358</u>

Additional information on the City of Kasson, Minnesota's capital assets can be found in Note 3D on pages 50-52 of this report.

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

Capital Asset and Debt Administration (Continued)

Long-term debt. At the end of the current fiscal year, the City of Kasson, Minnesota had \$17,307,045 in bonds, notes, and capital leases outstanding. All of this debt is backed by the full faith and credit of the City.

City of Kasson, Minnesota Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
GO Bonds	\$ 1,425,000	\$ 1,724,000	\$	\$	\$ 1,425,000	\$ 1,724,000
GO Improvement Bonds	4,913,975	3,973,812			4,913,975	3,973,812
GO Tax Increment Bonds	675,000	692,000			675,000	692,000
GO Revenue Bonds			7,226,029	3,226,126	7,226,029	3,226,126
Notes Payable			2,745,000	2,932,000	2,745,000	2,932,000
Capital Leases Payable	227,793	289,443	94,248	119,578	322,041	409,021
Total	<u>\$ 7,241,768</u>	<u>\$ 6,679,255</u>	<u>\$ 10,065,277</u>	<u>\$ 6,277,704</u>	<u>\$ 17,307,045</u>	<u>\$ 12,956,959</u>

The City of Kasson, Minnesota's total bonds, notes, and capital lease payable increased by \$4,350,086 during the current fiscal year after issuing the 2022A GO Improvement and Utility Revenue Bonds. A more detailed breakdown of these obligations can be found in Note 3G, beginning on page 55.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Dodge County is currently 3.6 percent.
- Property valuations within the City reflect national trends.
- Inflationary trends in the region compare similarly to national indices.
- There was a 6.58% property tax increase in 2022, and there will be a 3.99% increase in 2023.
- While the tax levy rose, the overall tax rate dropped 18% due to reduced spending.
- Utility rates were increased for 2023.

All of these factors were considered in preparing the City's budget for the 2023 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, 2022

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CITY OF KASSON, MINNESOTA

STATEMENT OF NET POSITION

December 31, 2022

With Comparative Totals for December 31, 2021

	Governmental Activities	Business-Type Activities	Totals	
			2022	2021
ASSETS				
Cash and investments	\$ 6,264,165	\$ 12,034,186	\$ 18,298,351	\$ 18,472,148
Restricted cash		681,161	681,161	531,735
Receivables	2,108,491	1,583,186	3,691,677	3,351,427
Lease receivable		218,579	218,579	232,241
Inventories	343	396,670	397,013	390,651
Prepaid items	22,454	17,543	39,997	44,439
Intangibles - service area		316,029	316,029	112,940
Net pension asset	109,850		109,850	50,792
Capital assets:				
Nondepreciable	4,889,676	5,233,213	10,122,889	2,425,430
Depreciable, net	17,878,688	26,485,843	44,364,531	44,937,928
Total Assets	<u>31,273,667</u>	<u>46,966,410</u>	<u>78,240,077</u>	<u>70,549,731</u>
Deferred Outflows of Resources				
Deferred outflows from pension activity	2,008,477	387,211	2,395,688	1,586,130
Deferred outflows from OPEB activity	12,212	18,259	30,471	10,915
Total Deferred Outflows or Resources	<u>2,020,689</u>	<u>405,470</u>	<u>2,426,159</u>	<u>1,597,045</u>
LIABILITIES				
Accounts payable	104,914	462,934	567,848	675,116
Deposits payable	149,465		149,465	366,864
Contracts payable	35,620	89,800	125,420	26,802
Due to other governments	363	57,432	57,795	63,768
Accrued interest payable	83,489	124,378	207,867	111,346
Accrued liabilities	68,320	46,173	114,493	137,734
Deposits payable		52,317	52,317	54,767
Unearned revenue	33,594	23,281	56,875	373,759
Noncurrent liabilities:				
Due within one year	972,002	824,883	1,796,885	1,725,127
Due in more than one year	6,463,909	9,405,633	15,869,542	11,614,001
Other post-employment benefit liability	128,037	191,525	319,562	222,529
Net pension liability	3,353,901	1,319,580	4,673,481	1,582,294
Total Liabilities	<u>11,393,614</u>	<u>12,597,936</u>	<u>23,991,550</u>	<u>16,954,107</u>
Deferred Inflows of Resources				
Deferred revenue		484,642	484,642	514,058
Deferred inflows from leasing activity		218,579	218,579	232,241
Deferred inflows from pension activity	131,904	20,916	152,820	2,254,209
Deferred inflows from OPEB activity	56,468	84,460	140,928	67,029
Total Deferred Inflows or Resources	<u>188,372</u>	<u>808,597</u>	<u>996,969</u>	<u>3,067,537</u>
NET POSITION				
Net investment in capital assets	15,844,392	21,636,187	37,480,579	34,369,958
Restricted for:				
Economic development	439,903		439,903	473,800
Debt service	2,645,179	518,177	3,163,356	2,628,908
Unrestricted	<u>2,782,896</u>	<u>11,810,983</u>	<u>14,593,879</u>	<u>14,652,466</u>
Total Net Position	<u>\$ 21,712,370</u>	<u>\$ 33,965,347</u>	<u>\$ 55,677,717</u>	<u>\$ 52,125,132</u>

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022
With Comparative Totals for the Fiscal Year Ending December 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 560,670	\$ 30,000	\$ 176,237	\$
Public safety	1,836,409	348,266	243,181	
Public works	1,389,025			820,097
Health and welfare	8,635			
Culture and recreation	1,452,532	545,658	76,692	
Cemetery	40,709	15,300		
TIF/Economic development	514,869		55,555	
Unallocated	57,291			
Interest on long-term debt	197,261			
Total governmental activities	6,057,401	939,224	551,665	820,097
Business-Type activities:				
Water	948,411	1,015,702		79,616
Wastewater	1,717,313	2,328,855	36,408	103,945
Electric	4,519,577	4,683,601	52,564	358
Storm water	315,402	502,461		105,000
Liquor	281,611	364,372		
Cemetery				
Total business-type activities	7,782,314	8,894,991	88,972	288,919
Total	\$ 13,839,715	\$ 9,834,215	\$ 640,637	\$ 1,109,016

General revenues:

- General property taxes
- Property taxes levied for debt service
- Tax increments
- Franchise fees
- Grants and contributions not restricted to specific programs:
- Local government aid
- Other
- Investment income (loss)
- Miscellaneous
- Gain on sale of capital assets
- Transfers
- Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2022	2021
\$ (354,433)	\$	\$ (354,433)	\$ (456,433)
(1,244,962)		(1,244,962)	(938,749)
(568,928)		(568,928)	(828,321)
(8,635)		(8,635)	(14,981)
(830,182)		(830,182)	(608,706)
(25,409)		(25,409)	
(459,314)		(459,314)	(269,845)
(57,291)		(57,291)	(30,611)
(197,261)		(197,261)	(180,819)
<u>(3,746,415)</u>		<u>(3,746,415)</u>	<u>(3,328,465)</u>
	146,907	146,907	622,319
	751,895	751,895	985,608
	216,946	216,946	1,473,857
	292,059	292,059	372,657
	82,761	82,761	146,609
			<u>(19,217)</u>
	<u>1,490,568</u>	<u>1,490,568</u>	<u>3,581,833</u>
<u>(3,746,415)</u>	<u>1,490,568</u>	<u>(2,255,847)</u>	<u>253,368</u>
3,276,133		3,276,133	2,909,780
642,297		642,297	753,540
87,645		87,645	84,525
174,575		174,575	136,094
1,226,307		1,226,307	1,211,160
500,000		500,000	
(145,373)	(255,601)	(400,974)	(10,272)
36,460		36,460	60,949
265,989		265,989	94,871
(205,140)	205,140		
<u>5,858,893</u>	<u>(50,461)</u>	<u>5,808,432</u>	<u>5,240,647</u>
2,112,478	1,440,107	3,552,585	5,494,015
<u>19,599,892</u>	<u>32,525,240</u>	<u>52,125,132</u>	<u>46,631,117</u>
<u>\$ 21,712,370</u>	<u>\$ 33,965,347</u>	<u>\$ 55,677,717</u>	<u>\$ 52,125,132</u>

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CITY OF KASSON, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2022

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CITY OF KASSON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022
With Comparative Totals for December 31, 2021

	101 General	426 16th Street NW	Debt Service	Other Governmental Funds	Totals	
					2022	2021
ASSETS						
Cash and investments	\$ 1,011,672	\$	\$ 1,537,381	\$ 3,715,112	\$ 6,264,165	\$ 7,498,146
Accounts receivable	106,385			41,280	147,665	149,989
Interest receivable	9,575		903	2,168	12,646	9,494
Notes receivable	15,000			143,002	158,002	73,521
Due from other governmental units	15,370			19,021	34,391	135,171
Taxes receivable delinquent	30,850				30,850	33,853
Special assessments receivable			1,190,384	534,553	1,724,937	1,293,429
Inventories				343	343	228
Prepaid items	20,171			2,283	22,454	25,211
Due from other funds	2,286,157			81,678	2,367,835	1,098,369
TOTAL ASSETS	\$ 3,495,180	\$	\$ 2,728,668	\$ 4,539,440	\$ 10,763,288	\$ 10,317,411
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 45,224	\$ 12,791	\$	\$ 46,899	\$ 104,914	\$ 357,878
Deposits payable	149,465				149,465	366,864
Contracts payable				35,620	35,620	26,802
Due to other governments	126			237	363	15,125
Accrued salaries payable	52,489			15,831	68,320	63,498
Other accrued expenses						30,000
Due to other funds		1,059,330		1,308,505	2,367,835	1,098,369
Unearned revenue	33,594				33,594	355,009
Total Liabilities	280,898	1,072,121		1,407,092	2,760,111	2,313,545
Deferred Inflows of Resources						
Unavailable revenue:						
Property taxes	30,850				30,850	33,853
Special assessments			1,190,384	534,553	1,724,937	1,293,429
Total Deferred Inflows of Resources	30,850		1,190,384	534,553	1,755,787	1,327,282
Fund Balance						
Nonspendable:						
Prepaid items and inventories	20,171			2,626	22,797	25,439
Loans	15,000			143,002	158,002	73,521
Restricted:						
Regulations				439,903	439,903	473,800
Debt service			1,538,284		1,538,284	1,582,539
Committed:						
Economic development				120,873	120,873	158,433
Library operations				76,538	76,538	300,200
Assigned:						
Capital improvements				3,183,994	3,183,994	2,398,995
Unassigned	3,148,261	(1,072,121)		(1,369,141)	706,999	1,663,657
Total Fund Balance	3,183,432	(1,072,121)	1,538,284	2,597,795	6,247,390	6,676,584
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 3,495,180	\$	\$ 2,728,668	\$ 4,539,440	\$ 10,763,288	\$ 10,317,411

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, 2022

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

Total governmental fund balances (page 18)		\$ 6,247,390
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 40,172,099	
Less: Accumulated depreciation	<u>(17,403,735)</u>	
		22,768,364
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 30,850	
Special assessments	<u>1,724,937</u>	
		1,755,787
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (7,241,768)	
Net pension liability	(1,477,328)	
Net pension asset	109,850	
Compensated absences	(184,265)	
Other postemployment benefits	(172,293)	
Bond premiums net of amortization	(9,878)	
Accrued interest	<u>(83,489)</u>	
		<u>(9,059,171)</u>
Net position of governmental activities (page 15)		<u>\$ 21,712,370</u>

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CITY OF KASSON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	101 General	426 16th Street NW	Debt Service	Other Governmental Funds	Totals	
					2022	2021
REVENUES						
Property taxes	\$ 2,687,069	\$	\$ 632,997	\$ 540,228	\$ 3,860,294	\$ 3,612,003
Tax increments				148,474	148,474	144,208
Franchise fees	174,575				174,575	136,094
Special assessments	310		274,296	29,666	304,272	186,772
Licenses and permits	166,521				166,521	159,590
Intergovernmental	2,220,127			118,900	2,339,027	1,757,105
Charges for services	462,837			280,509	743,346	799,697
Fines and forfeits	17,257			2,214	19,471	22,476
Investment income (loss)	(80,562)		(23,519)	(41,292)	(145,373)	(7,865)
Miscellaneous revenues	59,467			3,397	62,864	188,018
TOTAL REVENUES	5,707,601		883,774	1,082,096	7,673,471	6,998,098
EXPENDITURES						
Current:						
General government	511,562				511,562	492,655
Public safety	1,621,429				1,621,429	1,596,406
Public works	574,613				574,613	647,314
Health and welfare	8,635				8,635	17,481
Culture and recreation	759,765			717,604	1,477,369	1,366,616
Cemetery	33,999				33,999	
TIF/economic development				209,490	209,490	262,725
Unallocated	57,291				57,291	30,611
Capital Outlay	742,969	900,732		2,293,125	3,936,826	1,297,143
Debt Service	81,067		1,013,412		1,094,479	1,021,820
TOTAL EXPENDITURES	4,391,330	900,732	1,013,412	3,220,219	9,525,693	6,732,771
Excess (deficiency) of revenues over (under) expenditures	1,316,271	(900,732)	(129,638)	(2,138,123)	(1,852,222)	265,327
OTHER FINANCING SOURCES (USES)						
Sale of assets	119,966			164,724	284,690	83,221
Proceeds from issuance of leases						107,939
Proceeds from issuance of bonds			57,693	1,433,971	1,491,664	
Transfers in	147,302		28,317	966,581	1,142,200	1,244,159
Transfers out	(1,391,582)		(627)	(103,317)	(1,495,526)	(980,159)
TOTAL OTHER FINANCING SOURCES (USES)	(1,124,314)		85,383	2,461,959	1,423,028	455,160
Net change in fund balances	191,957	(900,732)	(44,255)	323,836	(429,194)	720,487
FUND BALANCE - BEGINNING	2,991,475	(171,389)	1,582,539	2,273,959	6,676,584	5,956,097
FUND BALANCE - ENDING	\$ 3,183,432	\$ (1,072,121)	\$ 1,538,284	\$ 2,597,795	\$ 6,247,390	\$ 6,676,584

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, 2022

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

Net change in fund balances - total governmental funds (page 20)		\$ (429,194)
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.		
Capital outlay capitalized	\$ 4,098,116	
Depreciation expense	<u>(1,415,128)</u>	
		2,682,988
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(18,701)
Capital assets are contributed from the business-type activities to governmental activities. The amounts effect governmental net position but do not affect fund balance.		159,089
Certain revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenue, December 31, 2022	\$ 1,755,787	
Unavailable revenue, December 31, 2021	<u>(1,327,282)</u>	
		428,505
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows.		
Principal retirement on bonds payable	\$ 867,501	
Proceeds from issuance of bonds	(1,491,664)	
Amortization of bond premiums	2,294	
Change in accrued interest	<u>(19,536)</u>	
		(641,405)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Repayment of capital lease principal		61,650
In the statement of activities, certain operating expenses - other postemployment benefits, compensated absences, net pension liability, and net pension asset - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Other postemployment benefits	\$ (62,965)	
Change in compensated absences	3,191	
Change in net pension liability activity	(129,738)	
Change in net pension asset activity	<u>59,058</u>	
		(130,454)
Change in net position of governmental activities (pages 16-17)		<u>\$ 2,112,478</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, 2022

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,621,819	\$ 2,621,819	\$ 2,687,069	\$ 65,250
Franchise fees	190,000	190,000	174,575	(15,425)
Special assessments			310	310
Licenses and permits	85,200	85,200	166,521	81,321
Intergovernmental	1,299,547	1,299,547	2,220,127	920,580
Charges for services	365,975	365,975	462,837	96,862
Fines and forfeits	18,000	18,000	17,257	(743)
Investment income (loss)	14,100	14,100	(80,562)	(94,662)
Miscellaneous	25,800	25,800	59,467	33,667
TOTAL REVENUES	4,620,441	4,620,441	5,707,601	1,087,160
EXPENDITURES				
Current:				
General government	519,758	519,758	511,562	8,196
Public safety	1,735,612	1,735,612	1,621,429	114,183
Public works	696,900	696,900	574,613	122,287
Emergency services/health	14,400	14,400	8,635	5,765
Culture and recreation	803,955	803,955	759,765	44,190
Cemetery	54,456	54,456	33,999	20,457
Unallocated	223,462	223,462	57,291	166,171
Capital outlay:				
General government	170,000	170,000		170,000
Public safety	115,666	115,666	530,015	(414,349)
Public works	158,669	158,669	20,250	138,419
Culture and recreation	101,717	101,717	56,753	44,964
Cemetery			135,951	(135,951)
Debt Service	90,041	90,041	81,067	8,974
TOTAL EXPENDITURES	4,684,636	4,684,636	4,391,330	293,306
Excess (deficiency) of revenues over (under) expenditures	(64,195)	(64,195)	1,316,271	1,380,466
OTHER FINANCING SOURCES (USES)				
Sale of assets			119,966	119,966
Transfers in	110,000	110,000	147,302	37,302
Transfers out	(82,550)	(82,550)	(1,391,582)	(1,309,032)
TOTAL FINANCING SOURCES (USES)	27,450	27,450	(1,124,314)	(1,151,764)
NET CHANGE IN FUND BALANCES	(36,745)	(36,745)	191,957	228,702
FUND BALANCES, beginning	2,991,475	2,991,475	2,991,475	
FUND BALANCES, ending	\$ 2,954,730	\$ 2,954,730	\$ 3,183,432	\$ 228,702

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statements of Net Position
December 31, 2022 and 2021

	Business-Type Activities - Enterprise Funds					
	601 Water		602 Wastewater Treatment		604 Electric	
	2022	2021	2022	2021	2022	2021
ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES						
Current Assets						
Cash and investments	\$ 1,764,886	\$ 1,320,146	\$ 3,211,494	\$ 2,334,160	\$ 5,369,035	\$ 5,756,240
Interest receivable	3,247	2,158	6,774	1,987	13,410	10,088
Accounts receivable	113,583	109,065	262,629	255,026	556,107	625,765
Special assessments receivable	18,525	19,261	37,122	34,411		
Lease receivable	7,377	6,831				
Inventories					289,032	288,078
Prepaid items	2,783	3,342	2,508	3,067	7,581	7,497
Total Current Assets	1,910,401	1,460,803	3,520,527	2,628,651	6,235,165	6,687,668
Noncurrent Assets						
Restricted cash and investments	284,697	171,450	233,480	193,611	46,100	46,053
Contribution aid receivable			484,642	514,058		
Lease receivable, noncurrent	211,202	225,410				
Intangibles - service area					316,029	112,940
Total Noncurrent Assets	495,899	396,860	718,122	707,669	362,129	158,993
Capital assets:						
Land	32,779	32,779	156,187	156,187	6,317	6,317
Construction in process	3,332,236	52,500	938,737			
Buildings	1,252,796	1,252,796	10,448,848	10,448,848	648,629	648,629
Improvements other than buildings	4,222,901	4,222,901	8,920,972	8,920,972	2,020,217	2,020,217
Machinery and equipment	142,119	142,119	729,558	729,558	1,082,788	670,938
Office equipment and furnishings	34,776	34,776	36,766	36,766	90,839	90,839
Vehicles	57,903	57,903	59,007	59,007	209,487	331,878
Infrastructure	6,235,262	6,157,262	4,243,588	4,141,588		
Less accumulated depreciation	(5,438,667)	(5,211,664)	(10,945,439)	(10,349,413)	(2,954,000)	(2,941,953)
Net capital assets	9,872,105	6,741,372	14,588,224	14,143,513	1,104,277	826,865
Deferred Outflows of Resources						
Deferred outflows from pension activity	57,396	70,160	107,400	129,613	154,276	189,584
Deferred outflows from OPEB activity	2,708	957	5,035	1,810	7,289	2,600
Total Deferred Outflows of Resources	60,104	71,117	112,435	131,423	161,565	192,184
TOTAL ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES	\$ 12,338,509	\$ 8,670,152	\$ 18,939,308	\$ 17,611,256	\$ 7,863,136	\$ 7,865,710
LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES, AND NET POSITION						
Current Liabilities						
Current maturities of bonds payable	\$ 235,999	\$ 173,239	\$ 326,552	\$ 297,335	\$ 48,721	\$ 48,015
Current maturities of leases payable	8,677	8,153	8,677	8,153	9,778	9,024
Accounts payable	9,956	15,123	38,392	31,671	256,057	221,652
Contracts payable	89,800					
Due to other governments	6,547	321	14,048	8,681	19,088	18,108
Deposits payable					52,317	54,767
Accrued interest payable	68,365	12,648	36,684	22,345	1,439	2,039
Compensated absences payable	12,122	15,655	20,695	28,628	36,380	36,725
Unearned revenue						
Accrued salaries payable	6,716	6,370	12,384	11,971	17,999	17,153
Total Current Liabilities	438,182	231,509	457,432	408,784	441,779	407,483
Noncurrent Liabilities						
Other postemployment benefits obligation	28,417	19,473	52,820	36,985	76,444	52,939
Compensated absences payable	17,585	16,405	30,430	25,769	19,061	19,772
Net pension liability	195,782	104,016	363,924	192,107	526,686	281,013
Capital leases payable, net of current maturities	22,278	30,955	22,278	30,955	22,560	32,338
Bonds payable, net of current maturities and unamortized premium	3,914,356	1,060,360	4,037,304	3,457,896	53,316	103,629
Total Noncurrent Liabilities	4,178,418	1,231,209	4,506,756	3,743,712	698,067	489,691
Deferred Inflows of Resources						
Deferred revenue - contribution aid			484,642	514,058		
Deferred inflows from leasing activity	218,579	232,241				
Deferred inflows from pension activity	3,071	98,070	5,739	180,678	8,318	266,358
Deferred inflows from OPEB activity	12,530	5,837	23,294	11,183	33,711	15,898
Total Deferred Inflows of Resources	234,180	336,148	513,675	705,919	42,029	282,256
NET POSITION						
Net investment in capital assets	5,690,795	5,468,665	10,193,413	10,349,174	969,902	633,859
Restricted for debt service	284,697	171,450	233,480	193,611		
Unrestricted	1,512,237	1,231,171	3,034,552	2,210,056	5,711,359	6,052,421
Total Net Position	7,487,729	6,871,286	13,461,445	12,752,841	6,681,261	6,686,280
TOTAL LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES, AND NET POSITION	\$ 12,338,509	\$ 8,670,152	\$ 18,939,308	\$ 17,611,256	\$ 7,863,136	\$ 7,865,710

See Notes to the Financial Statements

Business-Type Activities - Enterprise Funds							
605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2022	2021	2022	2021	2022	2021	2022	2021
\$ 686,681	\$ 522,357	\$ 1,002,090	\$ 966,498	\$ 74,601	\$ 12,034,186	\$ 10,974,002	
1,894	1,312	1,395	1,325	36	26,720	16,906	
65,108	62,728				997,427	1,052,584	
18,750	18,750				74,397	72,422	
					7,377	6,831	
		107,638	102,345		396,670	390,423	
2,042	2,656	2,629	2,517	149	17,543	19,228	
774,475	607,803	1,113,752	1,072,685	74,786	13,554,320	12,532,396	
116,884	120,621				681,161	531,735	
					484,642	514,058	
					211,202	225,410	
					316,029	112,940	
116,884	120,621				1,693,034	1,384,143	
74,968	74,968	49,500	49,500	132,400	319,751	452,151	
494,152		148,337			4,913,462	52,500	
		234,928	234,928	9,600	12,585,201	12,594,801	
		7,273	7,273	32,579	15,171,363	15,203,942	
124,793	124,793	10,324	10,324		2,089,582	1,677,732	
2,609	2,609	64,402	64,402	10,298	229,392	239,690	
					326,397	448,788	
6,923,476	6,818,476				17,402,326	17,117,326	
(1,668,533)	(1,530,424)	(311,779)	(309,318)	(25,788)	(21,318,418)	(20,368,560)	
5,951,465	5,490,422	202,985	57,109	159,089	31,719,056	27,418,370	
20,277	26,726	47,862	58,644	4,909	387,211	479,636	
1,001	302	2,226	896	65	18,259	6,630	
21,278	27,028	50,088	59,540	4,974	405,470	486,266	
\$ 6,864,102	\$ 6,245,874	\$ 1,366,825	\$ 1,189,334	\$ 238,849	\$ 47,371,880	\$ 41,821,175	
\$ 107,995	\$ 120,284	\$	\$	\$	\$ 719,267	\$ 638,873	
889	4,369	157,640	43,854	569	27,132	25,330	
					462,934	317,238	
		17,749	17,160		89,800		
					57,432	44,270	
17,890	10,361				52,317	54,767	
6,174	5,453	3,113	4,080	1,302	124,378	47,393	
18,750	18,750	4,531	4,373		78,484	91,843	
2,355	2,459	6,719	5,848	435	23,281	23,123	
154,053	161,676	189,752	75,315	2,306	46,173	44,236	
					1,681,198	1,287,073	
10,495	5,899	23,349	18,602	1,316	191,525	135,214	
2,087	2,468			2,015	69,163	66,429	
72,311	39,686	160,877	86,733	7,276	1,319,580	710,831	
					67,116	94,248	
1,264,378	921,637				9,269,354	5,543,522	
1,349,271	969,690	184,226	105,335	10,607	10,916,738	6,550,244	
					484,642	514,058	
1,065	37,806	2,723	81,781	6,895	218,579	232,241	
4,628	1,621	10,297	5,802	390	20,916	671,588	
5,693	39,427	13,020	87,583	7,285	84,460	40,731	
					808,597	1,458,618	
4,579,092	4,448,501	202,985	57,109	159,089	21,636,187	21,116,397	
					518,177	365,061	
775,993	626,580	776,842	863,992	59,562	11,810,983	11,043,782	
5,355,085	5,075,081	979,827	921,101	218,651	33,965,347	32,525,240	
\$ 6,864,102	\$ 6,245,874	\$ 1,366,825	\$ 1,189,334	\$ 238,849	\$ 47,371,880	\$ 41,821,175	

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statements of Revenues, Expenses
and Changes in Fund Net Position
For the Years Ended December 31, 2022 and 2021

	Business-Type Activities - Enterprise Funds					
	601		602		604	
	Water		Wastewater Treatment		Electric	
	2022	2021	2022	2021	2022	2021
Operating Revenues						
Service fees and charges	\$ 947,923	\$ 937,218	\$ 2,206,480	\$ 2,160,133	\$ 4,651,571	\$ 4,535,256
Less cost of sales						
Total operating revenue	947,923	937,218	2,206,480	2,160,133	4,651,571	4,535,256
Operating Expenses						
Personnel services	264,613	214,402	491,703	389,018	704,169	554,451
Supplies	156,603	128,573	192,947	125,838	345,125	197,860
Insurance	6,660	4,905	13,154	12,060	8,274	7,307
Utilities	75,045	70,449	4,773	4,332	15,214	10,555
Purchased power					2,781,377	2,197,121
Other services and charges	101,342	125,328	338,026	448,960	503,431	265,713
Depreciation	227,003	229,852	596,026	593,574	141,474	95,880
Total Operating Expenses	831,266	773,509	1,636,629	1,573,782	4,499,064	3,328,887
Operating Income (Loss)	116,657	163,709	569,851	586,351	152,507	1,206,369
Nonoperating Revenues (Expenses)						
Special assessments	1,616	1,188	1,945	1,308	358	1,335
Investment income (loss)	(30,464)	24,453	(43,291)	4,222	(161,965)	(7,706)
Rents					9,409	9,409
Lease income	6,831	6,285				
Lease interest	5,748	8,128				
Connection and access fees	55,200	200,776	122,375	262,676	22,621	7,805
Refunds and reimbursements		1,933	36,408	30,743	52,564	262,800
Gain on sale of assets		5,825		5,825		
Interest expense and fiscal charges	(117,145)	(32,700)	(80,684)	(70,470)	(20,513)	(13,861)
Total Nonoperating Revenues (Expenses)	(78,214)	215,888	36,753	234,304	(97,526)	259,782
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	38,443	379,597	606,604	820,655	54,981	1,466,151
Capital contributions	78,000	273,000	102,000	175,000		
Transfers in	500,000					
Transfers out					(60,000)	(248,000)
CHANGE IN NET POSITION	616,443	652,597	708,604	995,655	(5,019)	1,218,151
NET POSITION - BEGINNING OF YEAR	6,871,286	6,218,689	12,752,841	11,757,186	6,686,280	5,468,129
NET POSITION - END OF YEAR	\$ 7,487,729	\$ 6,871,286	\$ 13,461,445	\$ 12,752,841	\$ 6,681,261	\$ 6,686,280

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2022	2021	2022	2021	2022	2021	2022	2021
\$ 502,461	\$ 484,813	\$ 1,684,032	\$ 1,705,176	\$	\$ 23,950	\$ 9,992,467	\$ 9,846,546
		(1,319,660)	(1,320,030)			(1,319,660)	(1,320,030)
502,461	484,813	364,372	385,146		23,950	8,672,807	8,526,516
99,858	94,266	225,788	181,048		15,580	1,786,131	1,448,765
8,371	6,812	13,192	13,680		393	716,238	473,156
598	563	3,567	3,719		546	32,253	29,100
		12,104	10,822		363	107,136	96,521
						2,781,377	2,197,121
33,256	319,663	24,499	26,807		24,626	1,000,554	1,211,097
138,109	134,165	2,461	2,461		2,109	1,105,073	1,058,041
280,192	555,469	281,611	238,537		43,617	7,528,762	6,513,801
222,269	(70,656)	82,761	146,609		(19,667)	1,144,045	2,012,715
						3,919	3,831
(12,055)	(892)	(8,035)	(22,593)	209	109	(255,601)	(2,407)
						9,409	9,409
						6,831	6,285
						5,748	8,128
	109,616					200,196	580,873
					450	88,972	295,926
							11,650
(35,210)	(24,303)					(253,552)	(141,334)
(47,265)	84,421	(8,035)	(22,593)	209	559	(194,078)	772,361
175,004	13,765	74,726	124,016	209	(19,108)	949,967	2,785,076
105,000	358,000					285,000	806,000
		(16,000)	(16,000)	(218,860)		500,000	
						(294,860)	(264,000)
280,004	371,765	58,726	108,016	(218,651)	(19,108)	1,440,107	3,327,076
5,075,081	4,703,316	921,101	813,085	218,651	237,759	32,525,240	29,198,164
\$ 5,355,085	\$ 5,075,081	\$ 979,827	\$ 921,101	\$	\$ 218,651	\$ 33,965,347	\$ 32,525,240

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	Business-Type Activities - Enterprise Funds					
	601 Water		602 Wastewater Treatment		604 Electric	
	2022	2021	2022	2021	2022	2021
Cash Flows From Operating Activities						
Cash received from customers	\$ 944,141	\$ 936,591	\$ 2,196,166	\$ 2,140,125	\$ 4,718,779	\$ 4,480,605
Other receipts	12,579	16,346	36,408	30,743	61,973	272,209
Cash paid to employees	(266,620)	(213,751)	(494,562)	(387,753)	(704,379)	(557,121)
Cash paid to suppliers	(224,815)	(333,297)	(492,441)	(637,744)	(3,559,504)	(2,699,100)
Net Cash Provided By (Used In) Operating Activities	465,285	405,889	1,245,571	1,145,371	516,869	1,496,593
Cash Flows From Noncapital Financing Activities						
Connection and access fees	55,200	200,776	122,375	262,676	22,621	7,805
Transfer in/out, net	500,000				(60,000)	(248,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	555,200	200,776	122,375	262,676	(37,379)	(240,195)
Cash Flows From Capital and Related Financing Activities						
Capital asset acquisitions	(3,279,736)	(69,767)	(938,737)	(17,267)	(418,886)	(78,567)
Acquisition of service area					(218,561)	
Cash received from sale of assets		5,825		5,825		
Special assessment collections	1,616	1,188	1,945	1,308	358	1,335
Bond proceeds	3,133,358		913,292			
Lease proceeds		15,201		15,201		
Principal payments on bonds and capital leases	(222,696)	(254,052)	(310,892)	(817,962)	(57,039)	(54,226)
Interest payments on bonds and capital leases	(63,487)	(36,542)	(68,273)	(80,163)	(7,233)	(9,105)
Net Cash (Used In) Capital and Related Financing Activities	(430,945)	(338,147)	(402,665)	(893,058)	(701,361)	(140,563)
Cash Flows From Investing Activities						
Investment income (loss) received	(31,553)	24,593	(48,078)	3,628	(165,287)	(6,086)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(31,553)	24,593	(48,078)	3,628	(165,287)	(6,086)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	557,987	293,111	917,203	518,617	(387,158)	1,109,749
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,491,596	1,198,485	2,527,771	2,009,154	5,802,293	4,692,544
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,049,583</u>	<u>\$ 1,491,596</u>	<u>\$ 3,444,974</u>	<u>\$ 2,527,771</u>	<u>\$ 5,415,135</u>	<u>\$ 5,802,293</u>
Classified as:						
Cash and cash equivalents	\$ 1,764,886	\$ 1,320,146	\$ 3,211,494	\$ 2,334,160	\$ 5,369,035	\$ 5,756,240
Restricted cash	284,697	171,450	233,480	193,611	46,100	46,053
Total Cash and Cash Equivalents, End of Year	<u>\$ 2,049,583</u>	<u>\$ 1,491,596</u>	<u>\$ 3,444,974</u>	<u>\$ 2,527,771</u>	<u>\$ 5,415,135</u>	<u>\$ 5,802,293</u>

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2022	2021	2022	2021	2022	2021	2022	2021
\$ 500,081	\$ 482,205	\$ 364,372	\$ 385,146	\$	\$ 23,950	\$ 8,723,539	\$ 8,448,622
					450	110,960	319,748
(99,622)	(93,053)	(225,884)	(178,051)	(3,752)	(15,575)	(1,794,819)	(1,445,304)
(35,854)	(314,356)	(34,728)	(41,710)	(420)	(25,779)	(4,347,762)	(4,051,986)
364,605	74,796	103,760	165,385	(4,172)	(16,954)	2,691,918	3,271,080
	109,616					200,196	580,873
		(16,000)	(16,000)	(70,674)		353,326	(264,000)
	109,616	(16,000)	(16,000)	(70,674)		553,522	316,873
(494,152)		(44,063)				(5,175,574)	(165,601)
						(218,561)	
							11,650
						3,919	3,831
481,686						4,528,336	
							30,402
(150,136)	(116,422)					(740,763)	(1,242,662)
(28,779)	(26,335)					(167,772)	(152,145)
(191,381)	(142,757)	(44,063)				(1,770,415)	(1,514,525)
(12,637)	(747)	(8,105)	(22,573)	245	209	(265,415)	(976)
(12,637)	(747)	(8,105)	(22,573)	245	209	(265,415)	(976)
160,587	40,908	35,592	126,812	(74,601)	(16,745)	1,209,610	2,072,452
642,978	602,070	966,498	839,686	74,601	91,346	11,505,737	9,433,285
\$ 803,565	\$ 642,978	\$ 1,002,090	\$ 966,498	\$	\$ 74,601	\$ 12,715,347	\$ 11,505,737
\$ 686,681	\$ 522,357	\$ 1,002,090	\$ 966,498	\$	\$ 74,601	\$ 12,034,186	\$ 10,974,002
116,884	120,621					681,161	531,735
\$ 803,565	\$ 642,978	\$ 1,002,090	\$ 966,498	\$	\$ 74,601	\$ 12,715,347	\$ 11,505,737

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statement of Cash Flows - continued
For the Years Ended December 31, 2022 and 2021
RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	601 Water		602 Wastewater Treatment		604 Electric	
	2022	2021	2022	2021	2022	2021
Operating Income (Loss)	\$ 116,657	\$ 163,709	\$ 569,851	\$ 586,351	\$ 152,507	\$ 1,206,369
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	227,003	229,852	596,026	593,574	141,474	95,880
Change in net pension liability	9,531	(11,213)	19,091	(28,451)	22,941	(38,080)
Miscellaneous nonoperating income	12,579	16,346	36,408	30,743	61,973	272,209
(Increase) Decrease In:						
Accounts receivable	(4,518)	(1,813)	(7,603)	(7,146)	69,658	(53,675)
Special assessments receivable	736	1,186	(2,711)	(12,862)		
Inventories					(954)	(23,549)
Prepaid items	559	101	559	101	(84)	304
Deferred outflows from OPEB activity	(1,751)	(242)	(3,225)	(447)	(4,689)	(654)
Increase (Decrease) In:						
Accounts payable	(5,167)	6,209	6,721	1,747	34,405	38,089
Contracts payable	89,800					
Due to other governments	6,226	12	5,367	(21,520)	980	397
Accrued salaries payable	346	746	413	1,245	846	3,119
Compensated absences payable	(2,353)	(95)	(3,272)	20	(1,056)	(5,789)
Unearned revenue						
Deferred inflows from OPEB activity	6,693	(1,029)	12,111	(1,900)	17,813	(2,780)
Other postemployment benefits obligation	8,944	2,120	15,835	3,916	23,505	5,729
Deposits payable					(2,450)	(976)
Net Cash Provided By (Used In) Operating Activities	\$ 465,285	\$ 405,889	\$ 1,245,571	\$ 1,145,371	\$ 516,869	\$ 1,496,593
Noncash Capital and Related						
Financing Activities						
Amortization of bond premium and intangibles	\$ (2,058)	\$ (1,598)	\$ (1,930)	\$ (1,930)	\$ 13,880	\$ 5,138
Receipt of capital contributions	78,000	273,000	102,000	175,000		
Capital asset additions included in accounts payable						

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2022	2021	2022	2021	2022	2021	2022	2021
\$ 222,269	\$ (70,656)	\$ 82,761	\$ 146,609	\$	\$ (19,667)	\$ 1,144,045	\$ 2,012,715
138,109	134,165	2,461	2,461		2,109	1,105,073	1,058,041
2,333	8,319	5,868	(30,231)		(442)	59,764	(100,098)
					450	110,960	319,748
(2,380)	(2,608)					55,157	(65,242)
		(5,293)	1,299			(1,975)	(11,676)
		(112)	(138)	149	(6)	(6,247)	(22,250)
614	119	(112)	(138)			1,685	481
(699)	(92)	(1,330)	(202)		(17)	(11,694)	(1,654)
(3,480)	3,920	9,512	40,915	(569)	538	41,422	91,418
		589	765			89,800	
		871	518	(435)	59	13,162	(20,346)
(104)	390	(967)	2,479	(3,317)	(54)	1,937	6,077
340	823	158				(10,625)	(2,616)
		4,495	(858)		(72)	158	
3,007	(393)	4,747	1,768			44,119	(7,032)
4,596	809				148	57,627	14,490
						(2,450)	(976)
<u>\$ 364,605</u>	<u>\$ 74,796</u>	<u>\$ 103,760</u>	<u>\$ 165,385</u>	<u>\$ (4,172)</u>	<u>\$ (16,954)</u>	<u>\$ 2,691,918</u>	<u>\$ 3,271,080</u>

\$ (1,097)	\$ (1,097)	\$	\$	\$	\$	\$ 8,795	\$ 513
105,000	358,000					285,000	806,000
		104,274				104,274	

CITY OF KASSON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
For the Year Ended December 31, 2022

		Custodial
		877
		Festival
		in Park
ASSETS		
Cash and investments	\$	25,260
Prepaid items		373
TOTAL ASSETS	\$	25,633
NET POSITION	\$	25,633

CITY OF KASSON, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2022

		Custodial
		877
		Festival
		in Park
Additions		
Contributions and donations	\$	39,620
Deductions		
Other services and charges		36,989
CHANGE IN NET POSITION		2,631
NET POSITION - BEGINNING		23,002
NET POSITION - ENDING	\$	25,633

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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)

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

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

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

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

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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

The *16th St NW fund* accounts for the accumulation of financial resources for the 16th St NW street project.

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major proprietary funds:

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

The *Wastewater Treatment fund* accounts for the costs associated with the City's wastewater 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. In 2022, this fund ceased operations and was taken over by the General Fund.

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 custodial fund is used to account for assets that the government holds for others in an agency capacity. This fund accounts for Festival in the Park 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, Deferred Outflows of Resources, 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, Deferred Outflows of Resources, 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, Deferred Outflows of Resources, 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, Deferred Outflows of Resources, 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 2022. 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

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Assessment collections are deferred over a period of fifteen years with interest charges of 4.11% to 9.0%. Revenue from these assessments is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The amount of delinquent assessments receivable are fully offset by deferred inflow of resources in the Governmental Fund Types because they are not known to be available to finance current expenditures.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Inventories and Prepaid Items

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

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

Restricted Assets

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

Capital Assets

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, 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:

Buildings	\$ 5,000
Improvements Other than Buildings	5,000
Machinery and Equipment	2,500
Office Equipment and Furnishings	5,000
Vehicles	5,000
Infrastructure	100,000

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>
Buildings	5 - 15
Improvements Other than Buildings	15 - 20
Machinery and Equipment	5 - 15
Office Equipment and Furnishings	5 - 15
Vehicles	5 - 15
Infrastructure	15 - 50

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 two types of deferred outflows which are pension and OPEB 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Compensated Absences

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

Postemployment Benefits Other Than Pensions

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

Long-Term Obligations

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Net Position / Fund Balance

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

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

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

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

The City classifies governmental fund balances as follows:

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

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

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

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, 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 four 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. The fourth type is lease related and reported on the statement of net position.

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. 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.

Leases

For leases with term exceeding 12 months, the City recognized a lease liability and a right to use lease asset in the government-wide financial statements.

The right to use lease asset is calculated at the initial amount of the lease liability, plus any lease payments made to the lessor, before the lease commencement date, plus certain initial direct costs incurred, minus any lease incentives received. Subsequently, the right to use lease asset is amortized on a straight-line basis over its useful life. The City initially measures the lease liability at the present value of payment expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. Remeasurement of the right to use lease asset and lease liability occurs when certain changes occur that are likely to have a significant impact on the lease liability.

Right to use lease assets are reported with capital assets and lease liabilities are reporting with long-term debt 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Leases (continued)

The City leases water tower space to an external party. Lease receivables and deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective lease. The expected payments and receipts are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the City's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The City does not have any leases subject to a residual value guarantee.

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.

Implementation of New Accounting Principles

During the year, the City implemented GASB Statement No. 87, Leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The implementation of this standard resulted in changing the presentation of the financial statements by including the lease receivable and deferred inflows from leases as of January 1, 2021. The beginning net position has not been impacted by the implementation.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

3. Detailed Notes on All Funds

A. Summary of Cash and Investments

As of December 31, 2022, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

<u>Cash and Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Cash on hand	None	N/A	\$ 1,175
Deposits	None	N/A	5,640,728
Money market	None	N/A	20,876
Certificates of deposit	February 2023 - November 2027	N/A	13,316,733
Total Cash and Investments			<u>\$ 18,979,512</u>
Cash and Investments			\$ 18,298,351
Restricted Cash and Investments			<u>681,161</u>
Cash and Investments per Statement of Net Position			<u>\$ 18,979,512</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: Observable market-based inputs or unobservable inputs that are corroborated by market data. 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, 2022 and 2021 were as follows:

At December 31, 2022				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of deposit	<u>\$ 13,316,733</u>	<u>\$</u>	<u>\$ 13,316,733</u>	<u>\$</u>
At December 31, 2021				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of deposit	<u>\$ 12,818,734</u>	<u>\$</u>	<u>\$ 12,818,734</u>	<u>\$</u>

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 3 percent to 4.8 percent per annum. The balance on notes receivable at December 31, 2022 is \$143,002.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 906,086	\$	\$ 10,726	\$ 132,400	\$ 1,027,760
Construction in progress	1,014,693	2,904,452	57,229		3,861,916
Total capital assets, not being depreciated	1,920,779	2,904,452	67,955	132,400	4,889,676
Capital assets, being depreciated:					
Buildings	7,150,578		49,078	9,600	7,111,100
Improvements other than buildings	1,471,440	799,762		32,579	2,303,781
Machinery and equipment	1,012,448	274,050	64,718		1,221,780
Office equipment and furnishings	306,353		11,104	10,298	305,547
Vehicles	3,368,828		113,154	122,391	3,378,065
Infrastructure	20,785,069	177,081			20,962,150
Total capital assets, being depreciated	34,094,716	1,250,893	238,054	174,868	35,282,423
Less accumulated depreciation for:					
Buildings	1,878,925	184,491	41,103	8,160	2,030,473
Improvements other than buildings	806,324	154,328		7,330	967,982
Machinery and equipment	817,293	81,682	64,718		834,257
Office equipment and furnishings	180,250	22,176	11,104	10,298	201,620
Vehicles	1,984,814	59,378	113,154	122,391	2,053,429
Infrastructure	10,402,901	913,073			11,315,974
Total accumulated depreciation	16,070,507	1,415,128	230,079	148,179	17,403,735
Total capital assets, being depreciated, net	18,024,209	(164,235)	7,975	26,689	17,878,688
Governmental activities capital assets, net	<u>\$ 19,944,988</u>	<u>\$ 2,740,217</u>	<u>\$ 75,930</u>	<u>\$ 159,089</u>	<u>\$ 22,768,364</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 452,151	\$	\$	\$ (132,400)	\$ 319,751
Construction in progress	52,500	4,860,962			4,913,462
Total capital assets, not being depreciated	504,651	4,860,962		(132,400)	5,233,213
Capital assets, being depreciated:					
Buildings	12,594,801			(9,600)	12,585,201
Improvements other than buildings	15,203,942			(32,579)	15,171,363
Machinery and equipment	1,677,732	419,668	7,818		2,089,582
Office equipment and furnishings	239,690			(10,298)	229,392
Vehicles	448,788			(122,391)	326,397
Infrastructure	17,117,326	285,000			17,402,326
Total capital assets, being depreciated	47,282,279	704,668	7,818	(174,868)	47,804,261
Less accumulated depreciation for:					
Buildings	6,318,960	306,329		(8,160)	6,617,129
Improvements other than buildings	8,283,414	295,112		(7,330)	8,571,196
Machinery and equipment	1,303,378	127,119	7,036		1,423,461
Office equipment and furnishings	237,483	883		(10,298)	228,068
Vehicles	339,644	35,057		(122,391)	252,310
Infrastructure	3,885,681	340,573			4,226,254
Total accumulated depreciation	20,368,560	1,105,073	7,036	(148,179)	21,318,418
Total capital assets, being depreciated, net	26,913,719	(400,405)	782	(26,689)	26,485,843
Business-type activities capital assets, net	\$ 27,418,370	\$ 4,460,557	\$ 782	\$ (159,089)	\$ 31,719,056

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	\$	26,143
Public safety		192,745
Public works		984,044
Culture and recreation		206,688
Cemetery		5,508

Total depreciation expense - governmental activities	\$	1,415,128
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Business-Type Activities:

Water	\$	227,003
Wastewater treatment		596,026
Electric		141,474
Stormwater		138,109
Liquor		2,461

Total depreciation expense - business-type activities	\$	1,105,073
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CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Leases

In February 2000, the City entered into a lease with a cell phone service company. Under the lease, the cell phone service provider pays the City between \$1,144 - \$1,891 per month for two-hundred four months in exchange for providing cell phone services to the City residents with antennas on top of the water towers. The lease receivable is measured at the present value of the future rent payments expected to be received during the lease term at a discount rate of 3.063%, which is the assumed rate based on the City's most recent bond rate.

In 2022, the City recognized \$6,831 of lease revenue and \$5,748 of interest revenue under this water tower antenna space lease.

F. Interfund Balances and Transfers

The amounts due to and from other funds as of December 31, 2022, 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	\$ 2,286,157	\$
Economic Development	81,678	
Tax Abatement Development		160,000
Vail Property		170,556
Safe Routes to School		464,198
16th Street NW		1,059,330
2023 Street Repair Project		2,848
Public Safety Building		429,225
Downtown TIF		81,678
Total	<u>\$ 2,367,835</u>	<u>\$ 2,367,835</u>

Excess expenditures over budgeted appropriations at the individual fund level during 2022 are as follows:

Library Fund	\$ 220,985
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All excess expenditures were the result of a planned process.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Interfund Balances and Transfers

Transfers during the year ended December 31, 2022 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 147,302	\$ 1,391,582
Dodge County Ice Arena	4,177	
EDA RLF	75,000	
Stabilization/Capital Projects Reserves	662,939	
Safe Routes to School	22,500	
Gas ROW Fees	116,655	
Parks Project	85,310	
G.O. Street Reconstruction & Utility Revenue Bonds of 2012A		627
Oppidan Folkestad TIF		28,317
Economic Development		75,000
G.O. Tax Increment Refunding Bonds of 2020A	28,317	
Enterprise:		
Water	500,000	
Electric		60,000
Cemetery		70,674
Municipal Liquor Store		16,000
Total Transfers	<u>\$ 1,642,200</u>	<u>\$ 1,642,200</u>
Cemetery Capital Asset and Liabilities Transfer		148,186
		<u>\$ 1,790,386</u>

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

Governmental Funds:	
Transfer in	\$ 1,142,200
Transfers out	(1,495,526)
Capital assets and liabilities transferred from Business-type activities to Governmental-type activities	<u>148,186</u>
Government-wide Statement of	
Activities - Transfers in/out	<u>\$ (205,140)</u>

The City generally utilizes interfund transfers for cash flow purposes.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Interfund Balances and Transfers (Continued)

At December 31, 2022 the following funds have deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Special Revenue:	
Tax Abatement Development	\$ 160,000
Vail Property	181,026
Downtown TIF	81,678
Capital Projects:	
Safe Routes to School	489,468
16th Street NW	1,072,121
2023 Street Repair Project	10,746
Public Safety Building	446,223

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

G. 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. Tax Increment Bonds

The following bond was issued to refund the 2014B Tax Increment Bonds that were issued to finance development within TIF 1-18. Specifically, land acquisition costs associated with the Shopko project and site improvements associated with the EDA owned and operated Folkestad building. The debt is to be repaid using tax increments and is backed by the full faith and credit of the City.

<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. Tax Increment Refunding Bonds of 2020A	\$ 708,000	3.20 %	03/16/20	02/01/42	\$ 675,000
Total Tax Increment Bonds					\$ 675,000

CITY OF KASSON, MINNESOTA**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (Continued)**G.O. Bonds**

The following bonds 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.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment Certificate Bonds of 2014A	\$ 1,025,000	2.35 %	03/12/14	02/01/24	\$ 225,000
G.O. Refunding Note of 2020B	1,583,000	1.75	05/28/20	02/01/28	1,200,000
Total G.O. Bonds					<u>\$1,425,000</u>

G.O. 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. Improvement Bonds of 2014C	\$ 430,000	2.50 - 3.50 %	06/02/14	02/01/30	\$ 250,000
G.O. Crossover Refunding Bonds of 2015A	1,133,931	3.00 - 4.00	09/01/15	02/01/24	302,961
G.O. Improvement and Utility Revenue Bonds of 2017A	3,762,900	2.00 - 2.50	07/05/17	02/01/33	2,869,350
G.O. Improvement & Utility Revenue Bond 2022A	1,491,664	3.063	05/11/22	02/01/38	1,491,664
Total G.O. Improvement Bonds					<u>\$4,913,975</u>

CITY OF KASSON, MINNESOTA**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (Continued)**G.O. Revenue Bonds**

The following revenue bonds 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. Crossover Refunding Bonds of 2015A	\$ 1,486,069	3.00 - 4.00 %	09/01/15	02/01/24	\$ 397,043
G.O. Improvement and Utility Revenue Bonds of 2017A	3,017,100	2.00 - 2.50	07/05/17	02/01/33	2,300,650
G.O. Improvement & Utility Revenue Bond 2022A	4,528,336	3.063	05/11/22	02/01/38	<u>4,528,336</u>
Total G.O. Revenue Bonds					<u><u>\$7,226,029</u></u>

Notes Payable

The following notes payable 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 2011 (PFA)	\$ 994,038	1.86 %	08/31/11	08/20/31	\$ 504,000
G.O. Sewer Revenue Note of 2018 (PFA)	2,843,535	1.095	02/14/18	08/20/37	<u>2,241,000</u>
Total Notes Payable					<u><u>\$2,745,000</u></u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (Continued)

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable:					
General Obligation Bonds:					
2014A GO Equipment Certificate	\$ 334,000	\$	\$ 109,000	\$ 225,000	\$ 111,000
2020B GO Refunding Note	1,390,000		190,000	1,200,000	195,000
General Obligation Improvement Bonds:					
2012A GO Street Reconstruction and Utility	146,800		146,800		
2014C GO Improvement Bond	280,000		30,000	250,000	30,000
2015A GO Crossover Refunding Bonds	450,112		147,151	302,961	149,315
2017A GO Improvement and Utility Revenue Bonds	3,096,900		227,550	2,869,350	233,100
2022A GO Improvement and Utility Revenue Bonds		1,491,664		1,491,664	48,318
General Obligation Tax Increment Bonds:					
2020A GO Tax Increment Refunding Bond	692,000		17,000	675,000	16,000
Capital Lease Payable	289,443		61,650	227,793	66,296
Plus: Unamortized premiums	12,172		2,294	9,878	
Total Bonds and Capital Leases Payable	6,691,427	1,491,664	931,445	7,251,646	849,029
Other Liabilities:					
Compensated absences	187,456	119,782	122,973	184,265	122,973
Governmental Activities					
Long-term Liabilities	6,878,883	1,611,446	1,054,418	7,435,911	972,002
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Revenue Bonds:					
2012A GO Street Reconstruction and Utility	153,135		153,135		
2015A GO Crossover Refunding Bonds	589,891		192,848	397,043	195,685
2017A GO Improvement and Utility Revenue Bonds	2,483,100		182,450	2,300,650	186,900
2022A GO Improvement and Utility Revenue Bonds		4,528,336		4,528,336	146,682
Notes Payable:					
2011 PFA Loan	555,000		51,000	504,000	52,000
2018 PFA Loan	2,377,000		136,000	2,241,000	138,000
Capital Lease Payable	119,578		25,330	94,248	27,132
Plus: Unamortized premiums	24,269		6,677	17,592	
Total Bonds, Notes, and Capital Leases Payable	6,301,973	4,528,336	747,440	10,082,869	746,399
Other Liabilities:					
Compensated absences	158,272	67,859	78,484	147,647	78,484
Business-type Activities					
Long-term Liabilities	6,460,245	4,596,195	825,924	10,230,516	824,883
Total	\$ 13,339,128	\$ 6,207,641	\$ 1,880,342	\$ 17,666,427	\$ 1,796,885

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (Continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2022, excluding compensated absences over the life of the debt, are summarized below:

General Obligation Bonds			General Improvement Bonds		General Obligation Tax Increment Bonds		Total
Years	Principal	Interest	Principal	Interest	Principal	Interest	
Governmental Activities							
2023	\$ 306,000	\$ 23,278	\$ 460,733	\$ 136,011	\$ 16,000	\$ 21,344	\$ 963,366
2024	308,000	17,230	499,604	113,100	15,000	20,848	973,782
2025	199,000	12,451	350,964	102,693	19,000	20,304	704,412
2026	202,000	8,943	358,992	93,816	18,000	19,712	701,463
2027	204,000	5,390	367,267	84,118	22,000	19,072	701,847
2028-2032	206,000	1,802	1,925,387	266,075	128,000	83,936	2,611,200
2033-2037			833,082	64,003	191,000	58,640	1,146,725
2038-2042			117,946	1,806	266,000	22,496	408,248
Totals	\$ 1,425,000	\$ 69,094	\$4,913,975	\$861,622	\$ 675,000	\$266,352	\$8,211,043
General Obligation Revenue Bonds			Notes Payable		Total		
	Principal	Interest	Principal	Interest			
Business-Type Activities							
2023	\$ 529,267	\$ 230,021	\$ 190,000	\$ 33,918	\$ 983,206		
2024	627,399	182,642	193,000	31,440	1,034,481		
2025	435,036	168,480	195,000	28,920	827,436		
2026	447,008	156,557	198,000	26,370	827,935		
2027	459,733	143,798	200,000	23,782	827,313		
2028-2032	2,497,613	514,857	981,000	78,846	4,072,316		
2033-2037	1,871,918	186,084	788,000	26,070	2,872,072		
2038	358,055	5,483			363,538		
Totals	\$ 7,226,029	\$ 1,587,922	\$2,745,000	\$249,346	\$ 11,808,297		

For governmental activities, compensated absences have generally been liquidated by the general, library, economic development, and ice arena funds.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term debt (Continued)

The annual requirements to amortize capital leases payable outstanding as of December 31, 2022, over the life of the leases, are summarized below:

Capital Leases Payable - Governmental		
Years	Principal	Interest
2023	\$ 66,296	\$ 14,451
2024	46,470	7,711
2025	35,132	3,948
2026	79,895	231
Totals	<u>\$ 227,793</u>	<u>\$ 26,341</u>

Capital Leases Payable - Business-Type		
Years	Principal	Interest
2023	\$ 27,132	\$ 6,327
2024	19,194	3,439
2025	10,438	1,433
2026	37,484	95
Totals	<u>\$ 94,248</u>	<u>\$ 11,294</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

H. Fund Equity

The following is a summary of committed and assigned fund balances as of December 31, 2022 and 2021:

Committed For:	2022	2021
Economic Development	\$ 120,873	\$ 158,433
Library Operations	76,538	300,200
Total Committed Fund Balance	<u>\$ 197,411</u>	<u>\$ 458,633</u>
Assigned For:		
Capital Improvements:		
Ice Arena	\$ 27,724	\$ 27,689
Stabilization/Cap Projects Reserve	1,410,791	1,058,328
Permanent Improvement Revolving	1,079,964	1,079,258
Hwy 57	255,914	
Safe Routes to School		26,409
Gas ROW Fees	192,573	75,811
Park Project	217,028	131,500
Total Assigned Fund Balance	<u>\$ 3,183,994</u>	<u>\$ 2,398,995</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide

Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Benefits Provided (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$156,028. The City's contributions were equal to the required contributions as set by state statute.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022 were \$122,181. 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, 2022, the City reported a liability of \$2,201,769 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 \$64,515.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0278 percent at the end of the measurement 0.0274 percent for the beginning of the period.

City's proportionate share of net pension liability	\$ 2,201,769
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>64,515</u>
Total	<u><u>\$ 2,266,284</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$110,202 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$9,640 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Pension Costs (Continued)

At December 31, 2022, 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	\$ 18,391	\$ 23,039
Changes in actuarial assumptions	488,385	8,775
Net collective difference between projected and actual investment earnings	53,793	
Changes in proportion	12,809	2,748
Contributions paid to PERA subsequent to the measurement date	75,315	
Total	<u>\$ 648,693</u>	<u>\$ 34,562</u>

The \$75,315 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2023	\$ 194,355
2024	205,488
2025	(60,145)
2026	199,118

2. Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$2,471,712 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0568 percent at the end of the measurement period and 0.0534 percent for the beginning of the period.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$79,300 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$20,962 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$64,515 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2022, 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	\$ 145,053	\$
Changes in actuarial assumptions	1,384,565	15,295
Net collective difference between projected and actual investment earnings	82,771	
Changes in proportion	66,860	102,963
Contributions paid to PERA subsequent to the measurement date	67,746	
Total	<u>\$ 1,746,995</u>	<u>\$ 118,258</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

The 67,746 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2023	\$ 303,860
2024	313,441
2025	266,901
2026	472,605
2027	204,184

Aggregate Pension Costs

The total pension expense for all plans recognized by the City for the year ended December 31, 2022 is as follows:

General Employees Retirement Fund	\$119,842
Police and Fire Fund	100,262
Fire Relief	<u>(59,058)</u>
Total	<u>\$161,046</u>

Long-Term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	<u>25.0%</u>	5.90%
Total	100%	

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Actuarial Methods and Assumptions (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

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

Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund and Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060 and June 30, 2061 respectively. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund and June 30, 2062 for the Correctional Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund and 5.42 percent for the Correctional Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis				
<i>Net Pension Liability (Asset) at Different Discount Rates</i>				
	General Employees Fund		Police and Fire Fund	
1% Lower	5.50%	\$ 3,477,810	4.40%	\$ 3,740,619
Current Discount Rate	6.50%	2,201,769	5.40%	2,471,712
1% Higher	7.50%	1,155,219	6.40%	1,445,876

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

5. Defined Benefit Pension Plan – Fire Relief Association

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

Plan Description

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Plan Description (Continued)

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

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

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

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

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

Funding Status and Progress

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

At December 31, 2021 (most current information available) the Association's funding status is as follows:

Total plan assets	\$ 590,847
Total accrued liability	<u>(480,997)</u>
Excess of Plan Assets over Accrued Liability	<u>\$ 109,850</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Contributions Required and Contributions Made

Financial requirements of the Association are determined on a computation based on member years of service. The City's minimum obligation is the financial requirement for the year less Association investment earnings and State aids. The funding strategy should provide sufficient resources to pay relief association benefits on a timely basis. The City was not obligated to make a contribution in 2022.

The computation of the pension contribution requirements for 2022 was based on the same assumptions, benefit provision, lump sum funding method, and other significant factors used to determine pension contributions requirements in previous years.

6. Postemployment Benefits Other Than Pensions

The City engaged an actuary to determine the City's liability for postemployment healthcare benefits other than pension for the year ended December 31, 2022.

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 38 active participants and 1 retiree receiving payments. 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 2022, the City contributed \$7,750 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. Total OPEB Liability

The City's total OPEB liability was measured as of January 1, 2022 and was determined by an actuarial valuation as of that date. The components of the total OPEB liability of the City at year-end were as follows:

Total OPEB liability	\$ 319,562
Covered employee payroll	\$ 2,641,038
Total OPEB liability as a % of payroll	<u>12%</u>

D. Funded Status and Funding Progress

As of January 1, 2021, the most recent valuation date, the actuarial accrued liability for benefits was \$319,562 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,641,038 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12 percent. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Methods and Assumptions

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Postemployment Benefits Other Than Pensions (Continued)

E. Methods and Assumptions (Continued)

The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.00%
20-year Municipal Bond Yield	2.00%
Inflation rate	2.00%
Mortality	Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale
Medical trend rate	6.50% as of January 1, 2022 grading to 5.00% over 6 years and then to 4.00% over the next 48 years. The medical trend rates have been chosen based on a review of historical health care increase rates, projected health care increase rates, and projected health care expenditures as a percentage of GDP. The components of health care costs were considered when developing the aggregate set of trend rates.

F. Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning Balance 1/1/2022	\$ 222,529
Changes for the year:	
Service cost	17,329
Interest	6,844
Assumption changes	10,539
Plan changes	169,791
Differences between expected and actual experience	(99,720)
Benefit payments	(7,750)
Net Changes	<u>97,033</u>
Balance End of Year 12/31/2022	<u>\$ 319,562</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Postemployment Benefits Other Than Pensions (Continued)

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

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

	<u>Total OPEB Liability</u>
1% decrease in Discount Rate (1.0%)	\$ 340,727
Current Discount Rate (2.0%)	319,562
1% increase in Discount Rate (3.0%)	299,746

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

	<u>Total OPEB Liability</u>
1% decrease in Trend Rates	\$ 293,808
Current Trend Rates	319,562
1% increase in Trend Rates	349,127

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

As of the year ended December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ 11,670	\$ 3,616
Liability gains		137,312
Contributions paid to OPEB subsequent to the measurement date	18,801	
	<u>\$ 30,471</u>	<u>\$ 140,928</u>

Contributions made subsequent to the measurement date of \$18,801 will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Postemployment Benefits Other Than Pensions (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2023	\$ (23,787)
2024	(23,787)
2025	(23,782)
2026	(22,580)
2027	(22,581)
Thereafter	(12,741)

7. Other Information

A. Risk management

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

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

B. Contingent liabilities

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Other Information (Continued)

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 (\$564,974,700) which is \$16,949,241. The City currently has \$1,425,000 of general obligation debt subject to this limit, leaving a debt margin of \$15,524,241 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. Dodge County Ice 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 a special revenue 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 if applicable. The City had the following tax abatement agreements as of December 31, 2022.

The City entered into a tax abatement agreement in January 2017 for the purpose of remodeling an existing commercial facility. Under the agreement, the City shall abate 100% of the City's property tax amount generated by the Abatement Property for a period not to exceed 10 years commencing with taxes payable 2017 for as long as the taxpayer is operating its business on the Abatement Property. City abated \$3,597 and \$3,597 in 2022 and 2021, respectively.

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

The City entered into a tax abatement agreement in March 2022 for the purpose of assisting with the construction of public improvements within a subdivision. Under the agreement, the City shall abate generated by the property for the period of up to 8 years to help pay for the infrastructure.

The City may enter into tax increment financing agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.174 to 469.1794 through pay-as-you-go tax increment financing program. The City has three pay-as-you-go tax increment financing districts. For the year ended December 31, 2022, the City paid tax increments totaling \$87,645 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. There was a balance of \$484,642 in contribution aid receivable at December 31, 2022.

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.

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CITY OF KASSON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

CITY OF KASSON, MINNESOTA
Schedules of City Pension Contributions

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

Year Ended December 31	Contributions in Relation to			Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
2014	\$ 120,876	\$ 120,876	\$	\$ 1,667,255	7.25%
2015	140,991	140,991		1,879,880	7.50%
2016	135,921	135,921		1,812,280	7.50%
2017	145,970	145,970		1,946,267	7.50%
2018	147,541	147,541		1,967,213	7.50%
2019	146,530	146,530		1,953,733	7.50%
2020	146,300	146,300		1,950,667	7.50%
2021	147,805	147,805		1,970,733	7.50%
2022	156,028	156,028		2,080,373	7.50%
2023					

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

Year Ended December 31	Contributions in Relation to			Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
2014	\$ 78,392	\$ 78,392	\$	\$ 512,366	15.30%
2015	87,418	87,418		539,617	16.20%
2016	92,805	92,805		572,870	16.20%
2017	95,949	95,949		592,278	16.20%
2018	91,393	91,393		564,154	16.20%
2019	104,042	104,042		613,817	16.95%
2020	125,768	125,768		710,554	17.70%
2021	111,754	111,754		631,379	17.70%
2022	122,181	122,181		690,288	17.70%
2023					

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

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

Fiscal Year Ended June 30	Employer's Proportionate Share (Percentage) of Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0318%	\$ 1,493,805	\$	\$ 1,493,805	\$ 1,667,255	90%	78.70%
2015	0.0325%	1,684,319		1,684,319	1,773,568	95%	78.20%
2016	0.0292%	2,370,895	30,984	2,401,879	1,846,080	130%	68.90%
2017	0.0302%	1,927,948	24,251	1,952,199	1,879,273	104%	75.90%
2018	0.0293%	1,625,444	53,210	1,678,654	1,956,740	86%	79.53%
2019	0.0276%	1,525,942	47,498	1,573,440	1,960,473	80%	80.23%
2020	0.0274%	1,642,755	50,576	1,693,331	1,952,200	87%	79.06%
2021	0.0274%	1,170,103	35,686	1,205,789	1,960,700	61%	87.00%
2022	0.0278%	2,201,769	64,515	2,266,284	2,025,553	112%	76.67%
2023							

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

Fiscal Year Ended June 30	Employer's Proportionate Share (Percentage) of Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll a/b	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0590%	\$ 637,224	\$ 512,366	124%	87.10%
2015	0.0610%	693,103	525,992	132%	86.60%
2016	0.0590%	2,367,773	556,244	426%	63.90%
2017	0.0580%	783,069	582,574	134%	85.40%
2018	0.0535%	570,255	578,216	99%	88.84%
2019	0.0595%	633,438	588,986	108%	89.26%
2020	0.0643%	847,543	662,185	128%	87.19%
2021	0.0534%	412,191	670,966	61%	93.66%
2022	0.0568%	2,471,712	660,833	374%	70.53%
2023					

CITY OF KASSON, MINNESOTA
Other Post-Employment Benefits Plan
Schedule of Changes in Total OPEB Liability

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 17,329	\$ 22,017	\$ 21,324	\$ 20,544	\$ 21,490
Interest cost	6,844	6,335	10,294	8,411	7,915
Assumption changes	10,539		4,221	(8,444)	
Plan changes	169,791				
Differences between expected and actual experience	(99,720)		(82,942)		
Benefit payments	(7,750)	(4,498)	(7,514)	(3,055)	(23,658)
Net change in total OPEB liability	97,033	23,854	(54,617)	17,456	5,747
Total OPEB Liability - beginning of year	222,529	198,675	253,292	235,836	230,089
Total OPEB Liability - end of year	<u>\$ 319,562</u>	<u>\$ 222,529</u>	<u>\$ 198,675</u>	<u>\$ 253,292</u>	<u>\$ 235,836</u>
 Covered Employee Payroll	 \$ 2,641,038	 \$ 2,597,937	 \$ 2,516,162	 \$ 2,319,236	 \$ 2,251,685
 Total OPEB Liability as a % of payroll	 12%	 9%	 8%	 11%	 10%

Note: There are no assets in a trust to pay related benefits.

CITY OF KASSON, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2022

CITY OF KASSON, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2022

	Special Revenue							
	211	219	225	226	246	247	248	249
	Library	Tax Abatement Development	EDA FED MIF	EDA RLF	Vail Property	2004 Assisted Living TIF	Downtown TIF	Oppidan Folkestad TIF
ASSETS								
Cash and investments	\$ 74,727	\$	\$ 164,433	\$ 83,342	\$	\$	\$	\$ 192,128
Accounts receivable								
Interest receivable								
Notes receivable			71,224	71,778				
Due from other governmental units	14,845							
Special assessments receivable								
Inventories								
Prepaid items	1,026							
Due from other funds								
TOTAL ASSETS	\$ 90,598	\$	\$ 235,657	\$ 155,120	\$	\$	\$	\$ 192,128
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 2,228	\$	\$	\$	\$ 120	\$	\$	\$
Contracts payable					10,350			
Due to other governments	12							
Accrued salaries payable	10,794							
Due to other funds		160,000			170,556		81,678	
Total Liabilities	13,034	160,000			181,026		81,678	
Deferred Inflows of Resources								
Unavailable revenue:								
Special assessments								
Fund Balance								
Nonspendable:								
Prepaid items and inventories	1,026							
Loans			71,224	71,778				
Restricted:								
Regulations			164,433	83,342				192,128
Committed:								
Economic development								
Library operations	76,538							
Assigned:								
Capital improvements								
Unassigned		(160,000)			(181,026)		(81,678)	
Total Fund Balance	77,564	(160,000)	235,657	155,120	(181,026)		(81,678)	192,128
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 90,598	\$	\$ 235,657	\$ 155,120	\$	\$	\$	\$ 192,128

Special Revenue			Capital Projects								Total Nonmajor Governmental Funds
260 Small Cities Grant Program	290 Economic Development	606 Dodge County Ice Arena	210 Stabilization/ Cap Projects Reserve	401 Permanent Improvement Revolving	424 Highway 57	425 Safe Routes to School	427 2023 Street Repair Project	428 Gas ROW Fees	429 Parks Project	430 Public Safety Building	
\$	\$ 40,332	\$ 5,272 41,280	\$ 1,410,356	\$ 1,078,231	\$ 256,690	\$	\$	\$ 192,573	\$ 217,028	\$	\$ 3,715,112
			435	1,733							41,280
											2,168
		4,176									143,002
				534,553							19,021
		343									534,553
	19	1,238									343
	81,678										2,283
											81,678
<u>\$</u>	<u>\$ 122,029</u>	<u>\$ 52,309</u>	<u>\$ 1,410,791</u>	<u>\$ 1,614,517</u>	<u>\$ 256,690</u>	<u>\$</u>	<u>\$</u>	<u>\$ 192,573</u>	<u>\$ 217,028</u>	<u>\$</u>	<u>\$ 4,539,440</u>
\$	\$	\$ 18,879	\$	\$	\$ 776	\$	\$ 7,898	\$	\$	\$ 16,998	\$ 46,899
						25,270					35,620
		225									237
	1,137	3,900									15,831
						464,198	2,848			429,225	1,308,505
	1,137	23,004			776	489,468	10,746			446,223	1,407,092
				534,553							534,553
	19	1,581									2,626
											143,002
											439,903
	120,873										120,873
											76,538
		27,724	1,410,791	1,079,964	255,914			192,573	217,028		3,183,994
						(489,468)	(10,746)			(446,223)	(1,369,141)
	120,892	29,305	1,410,791	1,079,964	255,914	(489,468)	(10,746)	192,573	217,028	(446,223)	2,597,795
<u>\$</u>	<u>\$ 122,029</u>	<u>\$ 52,309</u>	<u>\$ 1,410,791</u>	<u>\$ 1,614,517</u>	<u>\$ 256,690</u>	<u>\$</u>	<u>\$</u>	<u>\$ 192,573</u>	<u>\$ 217,028</u>	<u>\$</u>	<u>\$ 4,539,440</u>

CITY OF KASSON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	Special Revenue							
	211	219	225	226	246	247	248	249
		Tax				2004		
	Library	Abatement	EDA	EDA	Vail	Assisted	Downtown	Oppidan
		Development	FED MIF	RLF	Property	Living TIF	TIF	Folkestad
								TIF
REVENUES								
Property taxes	\$ 408,484	\$ 20,000	\$	\$	\$	\$ 87,645	\$	\$
Tax increments								60,829
Special assessments								
Intergovernmental	59,169							
Charges for services	1,397							
Fines and forfeits	2,214							
Investment income (loss)	476		2,163	121	79			259
Miscellaneous	392							
TOTAL REVENUES	472,132	20,000	2,163	121	79	87,645		61,088
EXPENDITURES								
Current:								
Culture and recreation	427,132							
TIF/economic development					1,279	87,645		
Capital outlay:								
Public safety								
Culture and recreation	268,816							
TIF/economic development					290,922			950
Public works								
TOTAL EXPENDITURES	695,948				292,201	87,645		950
Excess (deficiency) of revenues over (under) expenditures	(223,816)	20,000	2,163	121	(292,122)			60,138
OTHER FINANCING SOURCES (USES)								
Sale of assets					164,724			
Proceeds from issuance of bonds								
Transfer in				75,000				
Transfer out								(28,317)
TOTAL OTHER FINANCING SOURCES (USES)				75,000	164,724			(28,317)
Net change in fund balances	(223,816)	20,000	2,163	75,121	(127,398)			31,821
FUND BALANCE - BEGINNING	301,380	(180,000)	233,494	79,999	(53,628)		(81,678)	160,307
FUND BALANCE - ENDING	\$ 77,564	\$ (160,000)	\$ 235,657	\$ 155,120	\$ (181,026)	\$	\$ (81,678)	\$ 192,128

Special Revenue			Capital Projects								Total Nonmajor Governmental Funds
260 Small Cities Grant Program	290 Economic Development	606 Dodge County Ice Arena	210 Stabilization/ Cap Projects Reserve	401 Permanent Improvement Revolving	424 Highway 57	425 Safe Routes to School	427 2023 Street Repair Project	428 Gas ROW Fees	429 Parks Project	430 Public Safety Building	
\$	\$ 102,444	\$	\$ 9,300	\$	\$	\$	\$	\$	\$	\$	\$ 540,228
				29,666							148,474
55,555		4,176									29,666
		279,112									118,900
											280,509
											2,214
	1	2	(16,404)	(28,960)	624	22		107	218		(41,292)
		3,005									3,397
55,555	102,445	286,295	(7,104)	706	624	22		107	218		1,082,096
		290,472									717,604
55,555	65,011										209,490
			303,372							446,223	446,223
					433,697	538,399	10,746				572,188
					433,697	538,399	10,746				291,872
55,555	65,011	290,472	303,372							446,223	982,842
											3,220,219
	37,434	(4,177)	(310,476)	706	(433,073)	(538,377)	(10,746)	107	218	(446,223)	(2,138,123)
					1,433,971						164,724
		4,177	662,939			22,500		116,655	85,310		1,433,971
(75,000)											966,581
											(103,317)
	(75,000)	4,177	662,939		1,433,971	22,500		116,655	85,310		2,461,959
	(37,566)		352,463	706	1,000,898	(515,877)	(10,746)	116,762	85,528	(446,223)	323,836
158,458	29,305	1,058,328	1,079,258		(744,984)	26,409		75,811	131,500		2,273,959
\$	\$ 120,892	\$ 29,305	\$ 1,410,791	\$ 1,079,964	\$ 255,914	\$ (489,468)	\$ (10,746)	\$ 192,573	\$ 217,028	\$ (446,223)	\$ 2,597,795

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

For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts		2022	Variance with	2021
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
			Amounts		Amounts
REVENUES					
Property taxes	\$ 408,484	\$ 408,484	\$ 408,484	\$	\$ 359,959
Intergovernmental	60,079	60,079	59,169	(910)	59,099
Charges for services	800	800	1,397	597	1,290
Library fines	4,000	4,000	2,214	(1,786)	1,128
Investment income (loss)	150	150	476	326	(382)
Miscellaneous	1,450	1,450	392	(1,058)	10,545
TOTAL REVENUES	474,963	474,963	472,132	(2,831)	431,639
EXPENDITURES					
Library:					
Salaries	253,300	253,300	254,063	(763)	233,435
Employee benefits and retirement	38,375	38,375	37,320	1,055	34,087
Workers compensation	2,600	2,600	2,153	447	2,015
Health insurance	67,500	67,500	67,404	96	63,181
Operating supplies/small tools	20,600	20,600	15,595	5,005	15,249
Insurance	3,548	3,548	3,940	(392)	2,739
Telephone	2,500	2,500	2,925	(425)	1,827
Professional fees	23,500	23,500	20,850	2,650	21,378
Capital outlay	30,000	30,000	268,816	(238,816)	1,929
Other	33,040	33,040	22,882	10,158	19,589
TOTAL EXPENDITURES	474,963	474,963	695,948	(220,985)	395,429
Net change in fund balances			(223,816)	(223,816)	36,210
FUND BALANCES, beginning	301,380	301,380	301,380		265,170
FUND BALANCES, ending	\$ 301,380	\$ 301,380	\$ 77,564	\$ (223,816)	\$ 301,380

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

For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts		2022	Variance with	2021
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
REVENUES					
Property taxes	\$ 102,444	\$ 102,444	\$ 102,444	\$	\$ 88,223
Investment income	500	500	1	(499)	34
TOTAL REVENUES	<u>102,944</u>	<u>102,944</u>	<u>102,445</u>	<u>(499)</u>	<u>88,257</u>
EXPENDITURES					
Economic development:					
Personnel services	20,494	20,494	28,104	(7,610)	16,814
Supplies	500	500	597	(97)	288
Other services and charges	80,450	80,450	36,310	44,140	54,352
Capital outlay	1,500	1,500		1,500	8,287
TOTAL EXPENDITURES	<u>102,944</u>	<u>102,944</u>	<u>65,011</u>	<u>37,933</u>	<u>79,741</u>
Excess of revenues over expenditures			37,434	37,434	8,516
OTHER FINANCING USES					
Transfers out			(75,000)	75,000	
Net change in fund balances			(37,566)	112,434	8,516
FUND BALANCES, beginning	<u>158,458</u>	<u>158,458</u>	<u>158,458</u>		<u>149,942</u>
FUND BALANCES, ending	<u>\$ 158,458</u>	<u>\$ 158,458</u>	<u>\$ 120,892</u>	<u>\$ 112,434</u>	<u>\$ 158,458</u>

CITY OF KASSON, MINNESOTA
DODGE COUNTY ICE ARENA
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts		2022	Variance with	2021
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
			Amounts		Amounts
REVENUES					
Intergovernmental	\$	\$	\$ 4,176	\$ 4,176	\$ 22,500
Charges for services	303,216	303,216	279,112	(24,104)	294,646
Investment income			2	2	
Miscellaneous	3,000	3,000	3,005	5	4,206
TOTAL REVENUES	306,216	306,216	286,295	(19,921)	321,352
EXPENDITURES					
Culture and recreation:					
Personnel services	206,789	206,789	175,202	31,587	143,186
Supplies	14,100	14,100	6,407	7,693	7,272
Other services and charges	121,050	121,050	108,863	12,187	176,924
TOTAL EXPENDITURES	341,939	341,939	290,472	51,467	327,382
Excess (deficiency) of revenues over (under) expenditures	(35,723)	(35,723)	(4,177)	31,546	(6,030)
OTHER FINANCING SOURCES (USES)					
Transfers in			4,177	4,177	12,500
Transfers out					(14,665)
TOTAL OTHER FINANCING SOURCES (USES)			4,177	4,177	(2,165)
Net change in fund balances	(35,723)	(35,723)		35,723	(8,195)
FUND BALANCES, beginning	29,305	29,305	29,305		37,500
FUND BALANCES, ending	\$ (6,418)	\$ (6,418)	\$ 29,305	\$ 35,723	\$ 29,305

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CITY OF KASSON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2022

	Debt Service			
	382	385	386	389
	G.O. Street Reconstruction & Utility Revenue Bonds of 2012A	G.O. Refunding Note of 2020B	Fire Truck and Equipment	Oppidan Assessment
ASSETS				
Cash and investments	\$	\$ 295,982	\$ 111,302	\$ 53,355
Interest receivable		3		
Special assessments receivable				232,968
TOTAL ASSETS	<u>\$</u>	<u>\$ 295,985</u>	<u>\$ 111,302</u>	<u>\$ 286,323</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Deferred Inflows of Resources				
Unavailable revenue:				
Special assessments	\$	\$	\$	\$ 232,968
Fund Balance				
Restricted:				
Debt service		295,985	111,302	53,355
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$</u>	<u>\$ 295,985</u>	<u>\$ 111,302</u>	<u>\$ 286,323</u>

Debt Service				
391 G.O. Tax Increment Refunding Bonds of 2020A	392 G.O. Crossover Refunding Bonds of 2015A	393 2017 Street Assessment Project	394 2022A Hwy 57	Total Debt Service Funds
\$	\$ 268,301	\$ 630,416	\$ 178,025	\$ 1,537,381
	332	568		903
	62,178	340,282	554,956	1,190,384
\$	\$ 330,811	\$ 971,266	\$ 732,981	\$ 2,728,668
\$	\$ 62,178	\$ 340,282	\$ 554,956	\$ 1,190,384
	268,633	630,984	178,025	1,538,284
\$	\$ 330,811	\$ 971,266	\$ 732,981	\$ 2,728,668

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

For the Year Ended December 31, 2022

	Debt Service			
	382	385	386	389
	G.O. Street Reconstruction & Utility Revenue Bonds of 2012A	G.O. Refunding Note of 2020B	Fire Truck and Equipment	Oppidan Assessment
REVENUES				
Property taxes	\$ 60,320	\$ 224,015	\$ 115,562	\$
Special assessments				38,973
Investment income (loss)		(6,119)	75	47
TOTAL REVENUES	<u>60,320</u>	<u>217,896</u>	<u>115,637</u>	<u>39,020</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	146,800	190,000	109,000	30,000
Interest and fiscal charges	2,367	22,663	6,568	8,720
TOTAL EXPENDITURES	<u>149,167</u>	<u>212,663</u>	<u>115,568</u>	<u>38,720</u>
Excess (deficiency) of revenues over (under) expenditures	(88,847)	5,233	69	300
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of bonds				
Transfers in				
Transfers out	(627)			
Net change in fund balances	(89,474)	5,233	69	300
FUND BALANCES, beginning	<u>89,474</u>	<u>290,752</u>	<u>111,233</u>	<u>53,055</u>
FUND BALANCES, ending	<u>\$</u>	<u>\$ 295,985</u>	<u>\$ 111,302</u>	<u>\$ 53,355</u>

Debt Service				
391 G.O. Tax Increment Refunding Bonds of 2020A	392 G.O. Crossover Refunding Bonds of 2015A	393 2017 Street Assessment Project	394 2022A Hwy 57	Total Debt Service Funds
\$	\$ 28,000	\$ 205,100	\$	\$ 632,997
	37,909	77,272	120,142	274,296
	1,402	(19,129)	205	(23,519)
	67,311	263,243	120,347	883,774
17,000	147,151	227,550		867,501
21,872	12,889	70,817	15	145,911
38,872	160,040	298,367	15	1,013,412
(38,872)	(92,729)	(35,124)	120,332	(129,638)
28,317			57,693	57,693
				28,317
				(627)
(10,555)	(92,729)	(35,124)	178,025	(44,255)
10,555	361,362	666,108		1,582,539
\$	\$ 268,633	\$ 630,984	\$ 178,025	\$ 1,538,284

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

For the Year Ended December 31, 2022

With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
	Original	Final			
REVENUES					
Property Taxes	\$ 2,621,819	\$ 2,621,819	\$ 2,687,069	\$ 65,250	\$ 2,390,281
Franchise Fees	190,000	190,000	174,575	(15,425)	136,094
Special Assessments			310	310	467
Licenses and Permits					
Business	13,500	13,500	12,944	(556)	9,448
Nonbusiness	71,700	71,700	153,577	81,877	150,142
Total Licenses and Permits	85,200	85,200	166,521	81,321	159,590
Intergovernmental					
Local government aid	1,026,307	1,026,307	1,226,307	200,000	1,211,160
Fire relief aid	43,000	43,000	54,909	11,909	48,730
Police aid	70,000	70,000	75,123	5,123	78,137
Highway aid	81,640	81,640	84,627	2,987	72,987
ARPA funds			676,237	676,237	
Other aid	16,000	16,000	21,440	5,440	144,091
Other school aid	62,600	62,600	81,484	18,884	67,283
Total Intergovernmental	1,299,547	1,299,547	2,220,127	920,580	1,622,388
Charges for Services					
General government	47,100	47,100	120,116	73,016	93,862
Public safety	57,775	57,775	74,372	16,597	61,645
Culture and recreation	261,100	261,100	268,349	7,249	348,254
Total Charges for Service	365,975	365,975	462,837	96,862	503,761
Fines and Forfeits	18,000	18,000	17,257	(743)	21,348
Investment Income (Loss)	14,100	14,100	(80,562)	(94,662)	(3,904)
Miscellaneous					
Rents and leases	11,000	11,000	18,726	7,726	17,208
Contributions and donations			16,402	16,402	113,675
Other	14,800	14,800	24,339	9,539	42,384
Total Miscellaneous	25,800	25,800	59,467	33,667	173,267
TOTAL REVENUES	\$ 4,620,441	\$ 4,620,441	\$ 5,707,601	\$ 1,087,160	\$ 5,003,292

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts		2022	Variance with	2021
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
EXPENDITURES					
General Government					
Mayor and Council					
Personnel services	\$ 52,127	\$ 52,127	\$ 48,930	\$ 3,197	\$ 48,725
Legal fees	9,000	9,000	6,351	2,649	30,805
Other services and charges	27,200	27,200	29,799	(2,599)	37,114
Total Mayor and Council	88,327	88,327	85,080	3,247	116,644
Ordinances and Proceedings					
Other services and charges	3,000	3,000	1,951	1,049	2,677
City Administration					
Personnel services	189,835	189,835	207,002	(17,167)	177,475
Supplies	8,810	8,810	3,805	5,005	4,777
Other services and charges	32,480	32,480	27,773	4,707	27,013
Total City Administration	231,125	231,125	238,580	(7,455)	209,265
Elections and Voter Registration					
Personnel services	14,845	14,845	15,832	(987)	5,090
Other services and charges	950	950	768	182	
Total Elections and Voter Registration	15,795	15,795	16,600	(805)	5,090
Assessor					
Other services and charges	33,850	33,850	33,521	329	31,635
Accounting					
Other services and charges	6,300	6,300	7,456	(1,156)	5,578
Legal					
Other services and charges	35,000	35,000	24,165	10,835	32,927
Planning and Zoning					
Personnel services	49,711	49,711	19,076	30,635	9,147
Supplies	500	500	956	(456)	297
Other services and charges	22,750	22,750	52,178	(29,428)	49,828
Total Planning and Zoning	\$ 72,961	\$ 72,961	\$ 72,210	\$ 751	\$ 59,272

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

For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts		2022	Variance with	2021
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Favorable	Amounts
				(Unfavorable)	
EXPENDITURES - CONTINUED					
Current - continued					
Data Processing					
Other services and charges	\$ 18,000	\$ 18,000	\$ 15,043	\$ 2,957	\$ 12,437
General Government Buildings					
Personnel services	4,050	4,050	3,683	367	3,543
Supplies	800	800	242	558	515
Other services and charges	10,550	10,550	13,031	(2,481)	13,072
Total General Governmental Buildings	15,400	15,400	16,956	(1,556)	17,130
Total General Government	519,758	519,758	511,562	8,196	492,655
Public Safety					
Police					
Personnel services	1,263,371	1,263,371	1,157,844	105,527	1,095,797
Supplies	55,500	55,500	54,985	515	42,413
Other services and charges	121,220	121,220	99,273	21,947	96,333
Total Police	1,440,091	1,440,091	1,312,102	127,989	1,234,543
Fire					
Personnel services	90,225	90,225	86,752	3,473	90,075
Supplies	55,300	55,300	50,464	4,836	51,319
Other services and charges	101,621	101,621	112,901	(11,280)	149,630
Total Fire	247,146	247,146	250,117	(2,971)	291,024
Building inspection					
Other services and charges	\$ 48,200	\$ 48,200	\$ 59,210	\$ (11,010)	\$ 70,839

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

For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts		2022	Variance with	2021
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
			Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Animal Control					
Other services and charges	\$ 175	\$ 175	\$	\$ 175	\$
Total Public Safety	1,735,612	1,735,612	1,621,429	114,183	1,596,406
Public Works					
Street and Alleys					
Personnel services	208,516	208,516	213,874	(5,358)	194,984
Supplies	47,000	47,000	33,721	13,279	35,088
Other services and charges	225,625	225,625	203,215	22,410	229,139
Total Streets and Alleys	481,141	481,141	450,810	30,331	459,211
Engineer					
Other services and charges	25,000	25,000	12,794	12,206	24,717
Snow and Ice Removal					
Personnel services	25,049	25,049	7,412	17,637	8,025
Supplies	32,300	32,300	18,637	13,663	15,698
Other services and charges	11,910	11,910	11,242	668	9,483
Total Snow and Ice Removal	69,259	69,259	37,291	31,968	33,206
Street Lighting					
Other services and charges	60,000	60,000	60,612	(612)	70,538
Sidewalks					
Other services and charges	50,000	50,000		50,000	48,235
Sanitation					
Other services and charges	11,500	11,500	13,106	(1,606)	11,407
Total Public Works	\$ 696,900	\$ 696,900	\$ 574,613	\$ 122,287	\$ 647,314

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

For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Emergency Services/Health					
Supplies	\$ 1,500	\$ 1,500	\$	\$ 1,500	\$ 38
Other services and charges	12,900	12,900	8,635	4,265	17,443
Total Emergency Services/Health	14,400	14,400	8,635	5,765	17,481
Culture and Recreation					
Parks and Recreation					
Supplies	500	500	546	(46)	362
Other services and charges	8,680	8,680	3,769	4,911	3,842
Total Parks and Recreation	9,180	9,180	4,315	4,865	4,204
Playgrounds					
Supplies	3,000	3,000	2,669	331	1,898
Swimming Pool					
Personnel services	198,282	198,282	184,645	13,637	157,342
Supplies	85,000	85,000	80,805	4,195	55,745
Other services and charges	72,850	72,850	71,879	971	46,181
Total Swimming Pool	356,132	356,132	337,329	18,803	259,268
Municipal Parks					
Personnel services	256,166	256,166	289,728	(33,562)	219,131
Supplies	27,500	27,500	20,234	7,266	16,691
Other services and charges	53,150	53,150	39,806	13,344	42,731
Total Municipal Parks	336,816	336,816	349,768	(12,952)	278,553
Historic Water Tower					
Other services and charges	2,000	2,000	2,011	(11)	787
Dodge County Arena					
Other services and charges	19,162	19,162	852	18,310	787
Other Recreational Facilities					
Personnel services	3,230	3,230		3,230	
Supplies	16,000	16,000	6,368	9,632	5,057
Other services and charges	42,210	42,210	34,168	8,042	32,483
Total Recreational Facilities	61,440	61,440	40,536	20,904	37,540
Forestry and Nursery					
Supplies	1,800	1,800	3,215	(1,415)	1,084
Other services and charges	14,425	14,425	19,070	(4,645)	9,150
Total Forestry and Nursery	16,225	16,225	22,285	(6,060)	10,234
Total Culture and Recreation	\$ 803,955	\$ 803,955	\$ 759,765	\$ 44,190	\$ 593,271

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Budgeted Amounts		2022	Variance with	2021
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
EXPENDITURES - CONTINUED					
Current - continued					
Cemetery					
Personnel services	\$ 18,896	\$ 18,896	\$ 12,265	\$ 6,631	\$
Supplies	1,100	1,100	428	672	
Other services and charges	34,460	34,460	21,306	13,154	
Total Cemetery	54,456	54,456	33,999	20,457	
Unallocated					
Other services and charges	223,462	223,462	57,291	166,171	30,611
Total Current Expenditures	4,048,543	4,048,543	3,567,294	481,249	3,377,738
Capital Outlay					
General government	170,000	170,000		170,000	27,980
Public safety	115,666	115,666	530,015	(414,349)	207,930
Public works	158,669	158,669	20,250	138,419	296,100
Culture and recreation	101,717	101,717	56,753	44,964	456,905
Cemetery			135,951	(135,951)	
Total Capital Outlay	546,052	546,052	742,969	(196,917)	988,915
Debt Service/Capital Leases					
Principal	68,692	68,692	61,650	7,042	54,185
Interest and fiscal charges	21,349	21,349	19,417	1,932	26,569
Total Debt Service/Capital Leases	90,041	90,041	81,067	8,974	80,754
TOTAL EXPENDITURES	4,684,636	4,684,636	4,391,330	293,306	4,447,407
Excess (deficiency) of revenues over (under) expenditures	(64,195)	(64,195)	1,316,271	1,380,466	555,885
OTHER FINANCING SOURCES (USES)					
Sale of assets			119,966	119,966	83,221
Proceeds from issuance of leases					107,939
Transfers in	110,000	110,000	147,302	37,302	278,665
Transfers out	(82,550)	(82,550)	(1,391,582)	(1,309,032)	(965,494)
TOTAL OTHER FINANCING SOURCES (USES)	27,450	27,450	(1,124,314)	(1,151,764)	(495,669)
NET CHANGE IN FUND BALANCES	(36,745)	(36,745)	191,957	228,702	60,216
FUND BALANCES, beginning	2,991,475	2,991,475	2,991,475		2,931,259
FUND BALANCES, ending	\$ 2,954,730	\$ 2,954,730	\$ 3,183,432	\$ 228,702	\$ 2,991,475

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kasson, Minnesota, as of and for the year ended December 31, 2022, 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 13, 2023.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

City of Kasson, Minnesota's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City of Kasson, Minnesota's response to the finding identified in our audit and described in the accompanying schedule of prior year findings and responses. The City of Kasson, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Smith, Schafn and Associates, Ltd.

Rochester, Minnesota
April 13, 2023

**CITY OF KASSON, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2022**

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

Condition:	A City of this size has an inherent limitation in its ability to effectively segregate its accounting duties and to prepare annual full disclosure financial statements in accordance with generally accepted accounting principles. It would not be practical for the City to devote the resources required to overcome this limitation. The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the City's internal controls.
Criteria:	The City should have controls in place to prevent or detect the omission of a material disclosure in the annual financial statements. An important element of internal controls is an adequate segregation of duties that minimizes the opportunities for any one individual to be in a position to both perpetuate and conceal errors or irregularities in the normal course of business.
Context:	Because of the limited size of the City's administrative staff, there is not an adequate segregation of duties. The City has informed us they will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the financial statements.
Effect:	No effect on the financial statements.
Cause:	There is a limited number of administrative staff. The City does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.
Recommendation:	We recommend the City continue to segregate duties as best it can within the limits of what the City considers to be cost beneficial and to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting are beneficial.

CURRENT STATUS:

The finding recurred in 2022.

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TREE
CITY
USA

CITY OF
KASSON

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KASSON, MINNESOTA 55944-2204
PHONE: (507) 634-7071
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CORRECTIVE ACTION PLAN (CAP):

The City respectfully submits the following corrective action plan for the year ended December 31, 2022.

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

RESPONSE: FINDING 2014-001

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Jessica Royer, Finance Director, is the official responsible for ensuring the planned responses.

Planned Completion Date for CAP:

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

Plan to Monitor Completion of CAP:

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



AN EQUAL OPPORTUNITY EMPLOYER