

CITY OF KASSON, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2020

CITY OF KASSON, MINNESOTA

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CITY OF KASSON, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2020

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CITY OF KASSON, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2020

Chris McKern	Mayor
Lonnie Zelinske	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, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kasson, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kasson, Minnesota, as of December 31, 2020, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2019, from which such partial information was derived.

We have previously audited the City's 2019 financial statements and our report dated May 6, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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

The combining and individual nonmajor fund financial statements and schedules and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2021, 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, Schafu and Associates, Ltd.

Rochester, Minnesota
April 2, 2021

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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, 2020.

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 \$46,631,117 (*net position*). Of this amount, \$11,142,581 (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 \$4,407,685.
- As of the close of the current fiscal year, the City of Kasson, Minnesota's governmental funds reported combined ending fund balances of \$5,956,097. Approximately \$3,892,085 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 \$2,902,867 or 74% of the total expenditures of the general fund.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The City of Kasson, Minnesota maintains eighteen 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 NE, and the debt service fund, which are considered to be major funds. Data from the other fifteen 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 91-96) and certain special revenue funds (pages 85-86) to demonstrate compliance with the budget.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-77 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 81-84 and 87-90 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 \$46,631,117 at the close of the most recent fiscal year.

The largest portion of the City of Kasson, Minnesota's net position (\$32,045,711) 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			
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 7,642,714	\$ 7,234,628	\$ 11,550,521	\$ 9,856,217	\$ 19,193,235	\$ 17,090,845
Capital assets	19,285,530	19,235,983	27,504,809	28,441,093	46,790,339	47,677,076
Total assets	<u>26,928,244</u>	<u>26,470,611</u>	<u>39,055,330</u>	<u>38,297,310</u>	<u>65,983,574</u>	<u>64,767,921</u>
Deferred outflows of resources	530,959	724,491	74,273	98,736	605,232	823,227
Long-term liabilities outstanding	9,085,707	10,503,473	8,679,557	9,874,461	17,765,264	20,377,934
Other liabilities	319,533	601,368	586,901	519,958	906,434	1,121,326
Total liabilities	<u>9,405,240</u>	<u>11,104,841</u>	<u>9,266,458</u>	<u>10,394,419</u>	<u>18,671,698</u>	<u>21,499,260</u>
Deferred inflows of resources	621,010	1,094,542	664,981	798,913	1,285,991	1,893,455
Net position:						
Net investment in capital assets	11,949,550	10,316,392	20,096,161	19,990,335	32,045,711	30,306,727
Restricted	2,809,589	2,727,106	633,236	633,693	3,442,825	3,360,799
Unrestricted	<u>2,673,814</u>	<u>1,952,221</u>	<u>8,468,767</u>	<u>6,578,686</u>	<u>11,142,581</u>	<u>8,530,907</u>
Total net position	<u>\$ 17,432,953</u>	<u>\$ 14,995,719</u>	<u>\$ 29,198,164</u>	<u>\$ 27,202,714</u>	<u>\$ 46,631,117</u>	<u>\$ 42,198,433</u>

The balance of *unrestricted net position* (\$11,142,581) 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 \$2,412,235.

Business-type activities. Business-type activities increased the City of Kasson, Minnesota's net position by \$1,995,450.

A condensed version of the Statement of Activities follows:

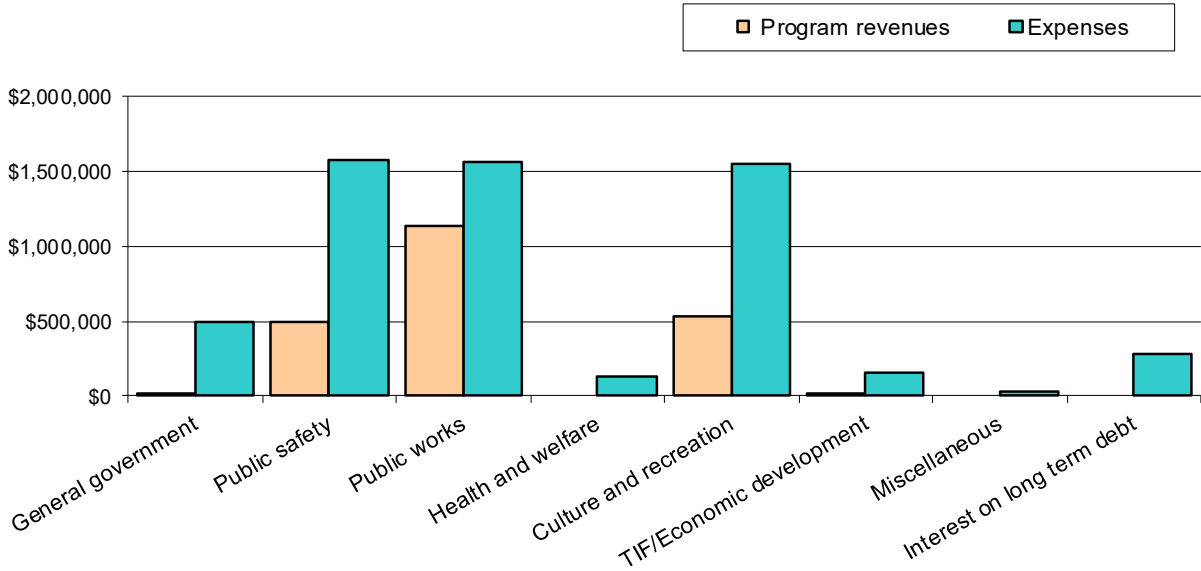
City of Kasson, Minnesota Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenue:						
Program revenues:						
Charges for services	\$ 658,316	\$ 622,303	\$ 8,305,379	\$ 8,227,163	\$ 8,963,695	\$ 8,849,466
Operating grants and contributions	387,556	292,198			387,556	292,198
Capital grants and contributions	1,139,659	388,028	4,024	2,923	1,143,683	390,951
General revenues:						
Property taxes/tax increments	3,531,723	3,216,467			3,531,723	3,216,467
Franchise fees	62,115	65,309			62,115	65,309
Grants and contributions not restricted to specific programs						
Local government aid	1,169,485	1,080,311			1,169,485	1,080,311
Other	637,546	3,870			637,546	3,870
Miscellaneous	166,102	342,282	198,866	302,610	364,968	644,892
Total revenues	<u>7,752,502</u>	<u>6,010,768</u>	<u>8,508,269</u>	<u>8,532,696</u>	<u>16,260,771</u>	<u>14,543,464</u>
Expenses:						
General government	500,545	526,313			500,545	526,313
Public safety	1,578,344	1,703,341			1,578,344	1,703,341
Public works	1,556,457	2,142,096			1,556,457	2,142,096
Health and welfare	129,128	219,590			129,128	219,590
Culture and recreation	1,548,816	1,372,385			1,548,816	1,372,385
Economic development	160,077	500,609			160,077	500,609
Miscellaneous	36,296	25,978			36,296	25,978
Interest on long-term debt	276,604	247,990			276,604	247,990
Water			695,112	642,786	695,112	642,786
Wastewater			1,771,693	1,741,279	1,771,693	1,741,279
Electric			3,056,547	2,903,538	3,056,547	2,903,538
Stormwater			244,556	187,966	244,556	187,966
Liquor			251,752	286,071	251,752	286,071
Cemetery			47,159	47,717	47,159	47,717
Total expenses	<u>5,786,267</u>	<u>6,738,302</u>	<u>6,066,819</u>	<u>5,809,357</u>	<u>11,853,086</u>	<u>12,547,659</u>
Change in net position before transfers	1,966,235	(727,534)	2,441,450	2,723,339	4,407,685	1,995,805
Transfers	446,000	50,475	(446,000)	(50,475)		
Change in net position	<u>2,412,235</u>	<u>(677,059)</u>	<u>1,995,450</u>	<u>2,672,864</u>	<u>4,407,685</u>	<u>1,995,805</u>
Net position - beginning, as originally stated	14,995,719	15,672,778	27,202,714	24,529,850	42,198,433	40,202,628
Change in accounting standards	24,999				24,999	
Net position - beginning, as restated	<u>15,020,718</u>	<u>15,672,778</u>	<u>27,202,714</u>	<u>24,529,850</u>	<u>42,223,432</u>	<u>40,202,628</u>
Net position, ending	<u>\$ 17,432,953</u>	<u>\$ 14,995,719</u>	<u>\$ 29,198,164</u>	<u>\$ 27,202,714</u>	<u>\$ 46,631,117</u>	<u>\$ 42,198,433</u>

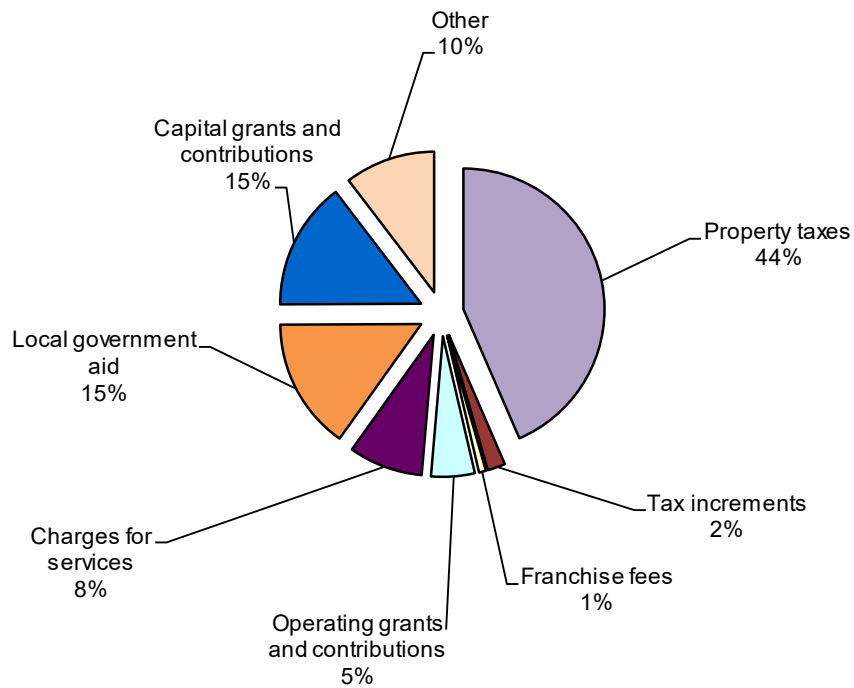
CITY OF KASSON, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Expenses and Program Revenues - Governmental Activities



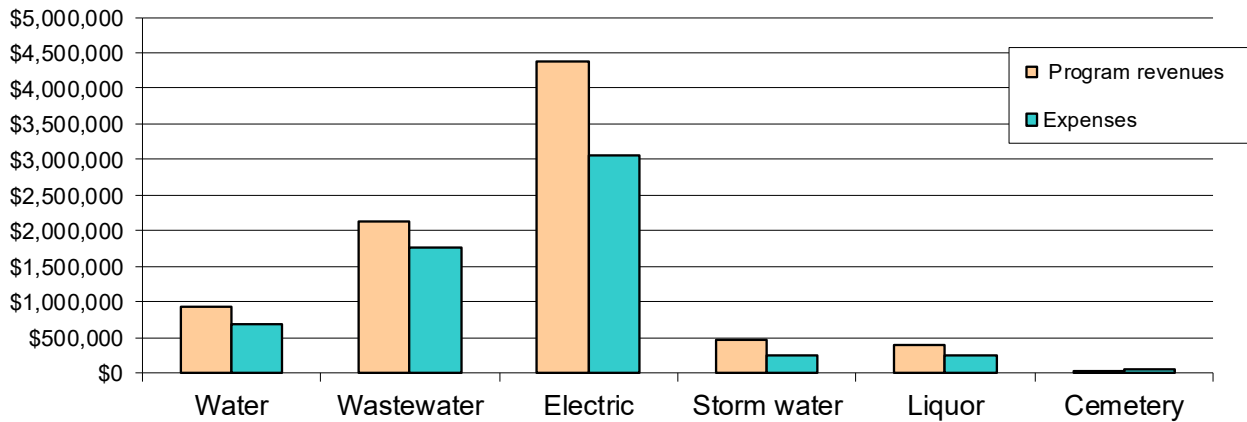
Revenues by Source - Governmental Activities



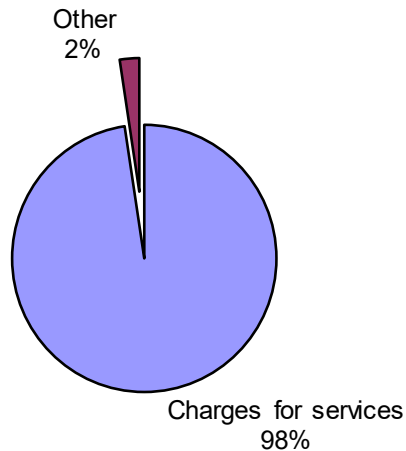
**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



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

FUND BASIS FINANCIAL ANALYSIS

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

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

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

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

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

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

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

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

At the end of the current fiscal year, the City of Kasson, Minnesota's governmental funds reported combined ending fund balances of \$5,956,097, an increase of \$882,205. Approximately \$3,892,085 of this total amount constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *restricted* to indicate that it is not available for new spending because it has already been set aside 1) to liquidate contracts and purchase orders of the prior period, 2) to repay interfund advances or other debt, or 3) to fund specific capital projects or programs as obligated by statute or other regulation.

The general fund is the chief operating fund of the City of Kasson, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,902,867. 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 74% of the total expenditures of the general fund.

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

The fund balance of the City's General fund increased by \$733,551 during the current fiscal year.

The *Debt Service fund* has a total fund balance of \$1,626,441, 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 \$831,937.

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 - \$831,117, Wastewater - \$1,388,322, Electric - \$4,823,083, Stormwater - \$596,169, Municipal Liquor Store - \$753,515, and Maple Grove Cemetery - \$76,561. The City adjusted rates for 2020 to cover any rise in costs.

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

General Fund Budgetary Highlights

Revenues exceeded expectations by \$783,859, and expenditures had a positive variance of \$143,741.

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, 2020, amounts to \$46,790,339 (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 decrease in the City of Kasson, Minnesota's reported capital assets, net of depreciation, for the current fiscal year was \$886,737.

City of Kasson, Minnesota Capital Assets

(net of depreciation)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Land	\$ 672,921	\$ 672,921	\$ 452,151	\$ 452,151	\$ 1,125,072	\$ 1,125,072
Construction in process	660,402	880,342		1,082,257	660,402	1,962,599
Buildings and improvements	5,462,381	5,592,333	6,582,651	6,889,461	12,045,032	12,481,794
Improvements other than buildings	569,743	1,337,919	7,225,223	7,521,161	7,794,966	8,859,080
Machinery and equipment	172,612	119,330	380,095	466,158	552,707	585,488
Office equipment and furnishings	148,279	107,443	3,090	4,420	151,369	111,863
Vehicles	913,616	932,160	106,213	65,167	1,019,829	997,327
Infrastructure	10,685,576	9,593,535	12,755,386	11,960,318	23,440,962	21,553,853
Total	<u>\$ 19,285,530</u>	<u>\$ 19,235,983</u>	<u>\$ 27,504,809</u>	<u>\$ 28,441,093</u>	<u>\$ 46,790,339</u>	<u>\$ 47,677,076</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 \$14,889,429 in bonds and notes outstanding. All of this debt is backed by the full faith and credit of the City.

City of Kasson, Minnesota Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
GO Bonds	\$ 3,321,771	\$ 4,573,266	\$	\$	\$ 3,321,771	\$ 4,573,266
GO Improvement Bonds	3,842,005	4,157,535	3,742,162	4,253,134	7,584,167	8,410,669
GO Revenue Bonds			3,636,000	4,323,000	3,636,000	4,323,000
Capital Leases Payable	235,689	141,312	111,802	63,763	347,491	205,075
Total	<u>\$ 7,399,465</u>	<u>\$ 8,872,113</u>	<u>\$ 7,489,964</u>	<u>\$ 8,639,897</u>	<u>\$ 14,889,429</u>	<u>\$ 17,512,010</u>

The City of Kasson, Minnesota's total bonds and notes payable decreased by \$2,622,581 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3F, beginning on page 55.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Dodge County is currently 4.1 percent.
- Property valuations within the City reflect national trends.
- Inflationary trends in the region compare favorably to national indices.
- There was a 7.99% property tax increase in 2020, and there will be an 6.39% increase in 2021.
- Utility rates were increased for 2020.
- CARES Act funding for COVID covered additional COVID related expenditures. Also as a result of the pandemic, city departments reduced expenditures where possible.

All of these factors were considered in preparing the City's budget for the 2021 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, 2020

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CITY OF KASSON, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2020

With Comparative Totals for December 31, 2019

	Governmental	Business-Type	Totals	
	Activities	Activities	2020	2019
ASSETS				
Cash and investments	\$ 5,751,584	\$ 8,637,537	\$ 14,389,121	\$ 11,793,294
Restricted cash		795,748	795,748	795,771
Receivables	1,794,881	1,609,684	3,404,565	3,964,267
Inventories	416	368,173	368,589	368,859
Prepaid items	30,526	19,709	50,235	36,401
Intangibles - service area		119,670	119,670	126,400
Net pension asset	65,307		65,307	5,853
Capital assets:				
Nondepreciable	1,333,323	452,151	1,785,474	3,087,671
Depreciable, net	17,952,207	27,052,658	45,004,865	44,589,405
Total Assets	<u>26,928,244</u>	<u>39,055,330</u>	<u>65,983,574</u>	<u>64,767,921</u>
Deferred Outflows of Resources				
Deferred outflows from pension activity	527,744	69,297	597,041	815,713
Deferred outflows from OPEB activity	3,215	4,976	8,191	7,514
Total Deferred Outflows or Resources	<u>530,959</u>	<u>74,273</u>	<u>605,232</u>	<u>823,227</u>
LIABILITIES				
Accounts payable	99,743	225,820	325,563	370,291
Contracts payable				387,327
Due to other governments	1,379	68,989	70,368	52,000
Accrued interest payable	74,565	58,716	133,281	171,082
Accrued liabilities	65,820	38,159	103,979	68,621
Deposits payable		55,743	55,743	52,820
Unearned revenue	75	18,750	18,825	19,185
Noncurrent liabilities:				
Due within one year	920,491	1,328,495	2,248,986	2,207,256
Due in more than one year	6,673,137	6,352,843	13,025,980	15,758,006
Other post-employment benefit liability	77,951	120,724	198,675	253,292
Net pension liability	1,492,079	998,219	2,490,298	2,159,380
Total Liabilities	<u>9,405,240</u>	<u>9,266,458</u>	<u>18,671,698</u>	<u>21,499,260</u>
Deferred Inflows of Resources				
Deferred revenue		543,259	543,259	572,243
Deferred inflows from pension activity	590,169	73,959	664,128	1,313,976
Deferred inflows from OPEB activity	30,841	47,763	78,604	7,236
Total Deferred Inflows or Resources	<u>621,010</u>	<u>664,981</u>	<u>1,285,991</u>	<u>1,893,455</u>
NET POSITION				
Net investment in capital assets	11,949,550	20,096,161	32,045,711	30,306,727
Restricted for:				
Economic development	412,484		412,484	280,437
Debt service	2,397,105	633,236	3,030,341	3,397,689
Unrestricted	2,673,814	8,468,767	11,142,581	8,213,580
Total Net Position	<u>\$ 17,432,953</u>	<u>\$ 29,198,164</u>	<u>\$ 46,631,117</u>	<u>\$ 42,198,433</u>

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020
With Comparative Totals for the Fiscal Year Ending December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 500,545	\$ 20,662	\$	\$
Public safety	1,578,344	266,540	232,302	
Public works	1,556,457			1,139,131
Health and welfare	129,128			
Culture and recreation	1,548,816	371,114	155,254	
TIF/Economic development	160,077			528
Miscellaneous	36,296			
Interest on long-term debt	276,604			
Total governmental activities	5,786,267	658,316	387,556	1,139,659
Business-Type activities:				
Water	695,112	932,217		2,721
Wastewater	1,771,693	2,118,461		364
Electric	3,056,547	4,375,705		939
Storm water	244,556	462,191		
Liquor	251,752	406,114		
Cemetery	47,159	10,691		
Total business-type activities	6,066,819	8,305,379		4,024
Total	\$ 11,853,086	\$ 8,963,695	\$ 387,556	\$ 1,143,683

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

Change in net position

Net position - beginning, as originally stated
Change in accounting standards
Net position - beginning, as restated

Net position, ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2020	2019
\$ (479,883)	\$	\$ (479,883)	\$ (494,726)
(1,079,502)		(1,079,502)	(1,162,898)
(417,326)		(417,326)	(1,754,858)
(129,128)		(129,128)	(219,590)
(1,022,448)		(1,022,448)	(1,029,914)
(159,549)		(159,549)	(499,819)
(36,296)		(36,296)	(25,978)
(276,604)		(276,604)	(247,990)
<u>(3,600,736)</u>		<u>(3,600,736)</u>	<u>(5,435,773)</u>
	239,826	239,826	309,773
	347,132	347,132	356,194
	1,320,097	1,320,097	1,446,643
	217,635	217,635	263,895
	154,362	154,362	76,675
	<u>(36,468)</u>	<u>(36,468)</u>	<u>(32,451)</u>
	<u>2,242,584</u>	<u>2,242,584</u>	<u>2,420,729</u>
<u>(3,600,736)</u>	<u>2,242,584</u>	<u>(1,358,152)</u>	<u>(3,015,044)</u>
2,627,670		2,627,670	2,326,662
745,987		745,987	735,103
158,066		158,066	154,702
62,115		62,115	65,309
1,169,485		1,169,485	1,080,311
637,546		637,546	3,870
110,775	187,966	298,741	481,893
36,502		36,502	52,024
18,825	10,900	29,725	110,975
446,000	<u>(446,000)</u>		
<u>6,012,971</u>	<u>(247,134)</u>	<u>5,765,837</u>	<u>5,010,849</u>
<u>2,412,235</u>	<u>1,995,450</u>	<u>4,407,685</u>	<u>1,995,805</u>
14,995,719	27,202,714	42,198,433	40,202,628
24,999		24,999	
<u>15,020,718</u>	<u>27,202,714</u>	<u>42,223,432</u>	<u>40,202,628</u>
<u>\$ 17,432,953</u>	<u>\$ 29,198,164</u>	<u>\$ 46,631,117</u>	<u>\$ 42,198,433</u>

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CITY OF KASSON, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2020

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CITY OF KASSON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020
With Comparative Totals for December 31, 2019

	101	412	Debt	Other	Totals	
	General	16th Street NE		Service	Governmental Funds	2020
ASSETS						
Cash and investments	\$ 2,716,100	\$ 689	\$ 1,626,173	\$ 1,408,622	\$ 5,751,584	\$ 4,989,879
Accounts receivable	91,589			14,097	105,686	92,660
Interest receivable	4,200		286	2,539	7,025	17,831
Notes receivable				174,105	174,105	192,491
Due from other governmental units	16,907			36,865	53,772	240,029
Taxes receivable delinquent	42,265				42,265	52,400
Special assessments receivable			845,229	566,799	1,412,028	1,627,443
Inventories				416	416	
Prepaid items	28,392			2,134	30,526	16,042
Due from other funds	200,000			735,209	935,209	924,615
Advances to other funds				77,555	77,555	338,885
TOTAL ASSETS	\$ 3,099,453	\$ 689	\$ 2,471,688	\$ 3,018,341	\$ 8,590,171	\$ 8,492,275
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 84,765	\$ 689	\$ 18	\$ 14,271	\$ 99,743	\$ 126,914
Contracts payable						332,443
Due to other governments	1,370			9	1,379	39
Accrued salaries payable	39,719			26,101	65,820	40,208
Due to other funds				935,209	935,209	924,615
Advances from other funds				77,555	77,555	338,885
Unearned revenue	75				75	435
Total Liabilities	125,929	689	18	1,053,145	1,179,781	1,763,539
Deferred Inflows of Resources						
Unavailable revenue:						
Property taxes	42,265				42,265	52,400
Special assessments			845,229	566,799	1,412,028	1,627,443
Total Deferred Inflows of Resources	42,265		845,229	566,799	1,454,293	1,679,843
Fund Balance						
Nonspendable:						
Prepaid items	28,392			2,550	30,942	16,042
Restricted:						
Economic development				406,629	406,629	268,728
Debt service			1,626,441		1,626,441	2,458,378
Committed:						
Economic development				149,898	149,898	152,266
Library operations				264,106	264,106	187,985
Assigned:						
Capital improvements				1,594,849	1,594,849	1,171,736
Unassigned:	2,902,867			(1,019,635)	1,883,232	793,758
Total Fund Balance	2,931,259		1,626,441	1,398,397	5,956,097	5,048,893
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 3,099,453	\$ 689	\$ 2,471,688	\$ 3,018,341	\$ 8,590,171	\$ 8,492,275

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, 2020**

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

Total governmental fund balances (page 18)		\$ 5,956,097
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental funds - capital assets	\$ 34,205,917	
Less: Accumulated depreciation	<u>(14,920,387)</u>	
		19,285,530

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

Delinquent property taxes	\$ 42,265	
Special assessments	<u>1,412,028</u>	
		1,454,293

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

Bonds and notes payable	\$ (7,399,465)	
Net pension liability	(1,554,504)	
Net pension asset	65,307	
Compensated absences	(179,697)	
Other postemployment benefits	(105,577)	
Bond premiums net of amortization	(14,466)	
Accrued interest	<u>(74,565)</u>	
		<u>(9,262,967)</u>

Net position of governmental activities (page 15)		<u>\$ 17,432,953</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, 2020
With Comparative Totals for the Year Ended December 31, 2019

	101	412	Debt Service	Other	Totals	
	General	16th Street NE		Governmental Funds	2020	2019
REVENUES						
Property taxes	\$ 2,135,399	\$	\$ 813,339	\$ 460,767	\$ 3,409,505	\$ 3,103,023
Tax increments				131,579	131,579	111,676
Franchise fees	62,115				62,115	65,309
Special assessments	774		223,368	38,082	262,224	229,118
Licenses and permits	129,845				129,845	196,966
Intergovernmental revenues	2,104,651	1,013,543		144,138	3,262,332	1,647,795
Charges for services	301,993			205,516	507,509	392,838
Fines and forfeits	17,707			1,409	19,116	30,416
Investment income	51,566		20,360	38,849	110,775	196,783
Miscellaneous revenues	53,458			4,628	58,086	165,880
TOTAL REVENUES	4,857,508	1,013,543	1,057,067	1,024,968	7,953,086	6,139,804
EXPENDITURES						
Current						
General government	490,434				490,434	491,254
Public safety	1,553,544				1,553,544	1,552,025
Public works	576,020				576,020	698,453
Health and welfare	317,005				317,005	219,590
Culture and recreation	696,765			636,022	1,332,787	1,109,465
TIF/economic development				152,051	152,051	498,920
Miscellaneous	36,296				36,296	25,978
Capital Outlay	207,308	668,963		385,142	1,261,413	1,470,744
Debt Service	41,502		1,095,004	177	1,136,683	1,158,307
TOTAL EXPENDITURES	3,918,874	668,963	1,095,004	1,173,392	6,856,233	7,224,736
Excess (deficiency) of revenues over (under) expenditures	938,634	344,580	(37,937)	(148,424)	1,096,853	(1,084,932)
OTHER FINANCING SOURCES (USES)						
Sale of assets	18,825				18,825	13,475
Proceeds from issuance of leases	114,527				114,527	147,227
Proceeds from issuance of bonds			2,291,000		2,291,000	
Bond refunding payments			(3,085,000)		(3,085,000)	
Transfers in	86,000	15,476		788,959	890,435	276,673
Transfers out	(424,435)			(20,000)	(444,435)	(122,600)
TOTAL OTHER FINANCING SOURCES (USES)	(205,083)	15,476	(794,000)	768,959	(214,648)	314,775
Net change in fund balances	733,551	360,056	(831,937)	620,535	882,205	(770,157)
FUND BALANCE - BEGINNING AS ORIGINALLY STATED	2,197,708	(360,056)	2,458,378	752,863	5,048,893	5,819,050
Change in accounting standards				24,999	24,999	
FUND BALANCE - BEGINNING AS RESTATED	2,197,708	(360,056)	2,458,378	777,862	5,073,892	5,819,050
FUND BALANCE - ENDING	\$ 2,931,259	\$	\$ 1,626,441	\$ 1,398,397	\$ 5,956,097	\$ 5,048,893

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, 2020**

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

Net change in fund balances - total governmental funds (page 20)		\$ 882,205
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay capitalized	\$ 1,425,835	
Depreciation expense	<u>(1,376,288)</u>	49,547
<p>Certain revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.</p>		
Unavailable revenue, December 31, 2020	\$ 1,454,293	
Unavailable revenue, December 31, 2019	<u>(1,679,843)</u>	(225,550)
<p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows.</p>		
Principal retirement on long-term debt	\$ 3,878,175	
Issuance of capital lease payable	(114,527)	
Issuance of bonds	(2,291,000)	
Amortization of bond premiums, net	33,012	
Change in accrued interest	<u>26,764</u>	1,532,424
<p>In the statement of activities, certain operating expenses - other postemployment benefits, compensated absences, net pension liability, and net pension asset - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>		
Other postemployment benefits	\$ (868)	
Change in compensated absences	34,414	
Change in net pension liability activity	80,609	
Change in net pension asset activity	<u>59,454</u>	173,609
Change in net position of governmental activities (pages 16-17)		<u>\$ 2,412,235</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, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,105,253	\$ 2,105,253	\$ 2,135,399	\$ 30,146
Franchise fees	60,000	60,000	62,115	2,115
Special assessments			774	774
Licenses and permits	84,058	84,058	129,845	45,787
Intergovernmental	1,426,068	1,426,068	2,104,651	678,583
Charges for services	346,870	346,870	301,993	(44,877)
Fines and forfeits	19,000	19,000	17,707	(1,293)
Investment earnings	10,200	10,200	51,566	41,366
Miscellaneous	22,200	22,200	53,458	31,258
TOTAL REVENUES	4,073,649	4,073,649	4,857,508	783,859
EXPENDITURES				
Current				
General Government	491,385	491,385	490,434	951
Public safety	1,537,552	1,537,552	1,553,544	(15,992)
Public works	706,934	706,934	576,020	130,914
Emergency services/health	17,460	17,460	317,005	(299,545)
Culture and recreation	869,976	869,976	696,765	173,211
Miscellaneous	33,120	33,120	36,296	(3,176)
Capital outlay				
General Government	32,500	32,500		32,500
Public safety	159,614	159,614	113,589	46,025
Public works	127,606	127,606	41,253	86,353
Culture and recreation	77,665	77,665	52,466	25,199
Debt Service	8,803	8,803	41,502	(32,699)
TOTAL EXPENDITURES	4,062,615	4,062,615	3,918,874	143,741
EXCESS OF REVENUES OVER EXPENDITURES	11,034	11,034	938,634	927,600
OTHER FINANCING SOURCES (USES)				
Sale of assets			18,825	18,825
Proceeds from issuance of leases			114,527	114,527
Transfers in	86,000	86,000	86,000	
Transfers out	(89,000)	(89,000)	(424,435)	(335,435)
TOTAL FINANCING SOURCES (USES)	(3,000)	(3,000)	(205,083)	(202,083)
NET CHANGE IN FUND BALANCES	8,034	8,034	733,551	725,517
FUND BALANCES, beginning	2,197,708	2,197,708	2,197,708	
FUND BALANCES, ending	\$ 2,205,742	\$ 2,205,742	\$ 2,931,259	\$ 725,517

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2020 and 2019

	Business-Type Activities - Enterprise Funds					
	601		602		604	
	Water		Wastewater Treatment		Electric	
	2020	2019	2020	2019	2020	2019
ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES						
Current Assets						
Cash and temporary investments	\$ 957,268	\$ 672,385	\$ 1,617,135	\$ 1,413,017	\$ 4,648,050	\$ 3,581,210
Interest receivable	2,298	5,779	1,393	6,290	11,708	30,045
Accounts receivable	107,252	132,267	247,880	272,347	572,090	587,263
Special assessments receivable	20,447	42,062	21,549	14,492		
Due from other governments						
Inventories					264,529	266,049
Prepaid items	3,443	3,402	3,168	3,142	7,801	8,062
Total Current Assets	<u>1,090,708</u>	<u>855,895</u>	<u>1,891,125</u>	<u>1,709,288</u>	<u>5,504,178</u>	<u>4,472,629</u>
Noncurrent Assets						
Restricted cash and investments	241,217	241,796	392,019	391,897	44,494	44,223
Contribution aid receivable			543,259	572,243		
Intangibles - service area					119,670	126,400
Total Noncurrent Assets	<u>241,217</u>	<u>241,796</u>	<u>935,278</u>	<u>964,140</u>	<u>164,164</u>	<u>170,623</u>
Capital assets:						
Land	32,779	32,779	156,187	156,187	6,317	6,317
Construction in process						
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	8,927,222	8,917,222	2,020,217	2,020,217
Machinery and equipment	142,119	142,119	741,814	741,814	592,371	592,371
Office equipment and furnishings	34,776	34,776	36,766	36,766	90,839	90,839
Vehicles	52,121	59,392	53,226	38,174	331,878	322,831
Infrastructure	5,884,262	5,875,262	3,966,588	3,966,588		
Less accumulated depreciation	(4,993,300)	(4,787,302)	(9,785,831)	(9,195,367)	(2,846,072)	(2,782,343)
Net capital assets	<u>6,628,454</u>	<u>6,832,723</u>	<u>14,544,820</u>	<u>15,110,232</u>	<u>844,179</u>	<u>898,861</u>
Deferred Outflows of Resources						
Deferred outflows from pension activity	10,743	12,965	21,454	24,145	23,767	38,474
Deferred outflows from OPEB activity	715	619	1,363	1,177	1,946	1,708
Total Deferred Outflows of Resources	<u>11,458</u>	<u>13,584</u>	<u>22,817</u>	<u>25,322</u>	<u>25,713</u>	<u>40,182</u>
TOTAL ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES						
	<u>\$ 7,971,837</u>	<u>\$ 7,943,998</u>	<u>\$ 17,394,040</u>	<u>\$ 17,808,982</u>	<u>\$ 6,538,234</u>	<u>\$ 5,582,295</u>
LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES, AND NET POSITION						
Current Liabilities						
Current maturities of bonds payable	\$ 246,902	\$ 245,138	\$ 810,813	\$ 792,384	\$ 45,897	\$ 45,191
Current maturities of leases payable	5,547	4,495	5,547	4,495	8,329	5,065
Accounts payable	8,914	11,544	29,924	24,202	183,563	204,118
Contracts payable						
Due to other governments	309	329	30,201	17,821	17,711	17,522
Deposits payable					55,743	52,820
Accrued interest payable	14,891	17,086	30,108	37,670	2,421	2,798
Compensated absences payable	16,466	14,507	30,897	28,249	34,122	27,164
Unearned revenue						
Accrued salaries payable	5,624	3,764	10,726	7,501	14,034	11,121
Total Current Liabilities	<u>298,653</u>	<u>296,863</u>	<u>948,216</u>	<u>912,322</u>	<u>361,820</u>	<u>365,799</u>
Noncurrent Liabilities						
Other postemployment benefits obligation	17,353	20,872	33,069	39,675	47,210	57,579
Compensated absences payable	15,689	14,386	23,480	20,766	28,164	38,473
Net pension liability	143,486	125,742	273,433	239,021	390,362	346,884
Capital leases payable, net of current maturities	25,508	15,464	25,508	15,464	41,363	18,780
Bonds payable, net of current maturities	1,235,197	1,483,705	3,757,162	4,569,904	153,236	200,725
Total Noncurrent Liabilities	<u>1,437,233</u>	<u>1,660,169</u>	<u>4,112,652</u>	<u>4,884,830</u>	<u>660,335</u>	<u>662,441</u>
Deferred Inflows of Resources						
Deferred revenue			543,259	572,243		
Deferred inflows from pension activity	10,396	30,090	19,644	55,229	29,272	93,731
Deferred inflows from OPEB activity	6,866	596	13,083	1,134	18,678	1,645
Total Deferred Inflows of Resources	<u>17,262</u>	<u>30,686</u>	<u>575,986</u>	<u>628,606</u>	<u>47,950</u>	<u>95,376</u>
NET POSITION						
Net investment in capital assets	5,146,355	5,103,880	9,976,845	9,747,944	645,046	652,945
Restricted for debt service	241,217	241,796	392,019	391,897		
Unrestricted	831,117	610,604	1,388,322	1,243,383	4,823,083	3,805,734
Total Net Position	<u>6,218,689</u>	<u>5,956,280</u>	<u>11,757,186</u>	<u>11,383,224</u>	<u>5,468,129</u>	<u>4,458,679</u>
TOTAL LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES, AND NET POSITION						
	<u>\$ 7,971,837</u>	<u>\$ 7,943,998</u>	<u>\$ 17,394,040</u>	<u>\$ 17,808,982</u>	<u>\$ 6,538,234</u>	<u>\$ 5,582,295</u>

See Notes to the Financial Statements

Business-Type Activities - Enterprise Funds

605		609		610		Totals	
Stormwater		Municipal Liquor Store		Maple Grove Cemetery			
2020	2019	2020	2019	2020	2019	2020	2019
\$ 484,052	\$ 322,023	\$ 839,686	\$ 689,567	\$ 91,346	\$ 125,213	\$ 8,637,537	\$ 6,803,415
1,457	617	1,345	644	136		18,337	43,375
60,120	57,991					987,342	1,049,868
18,750	18,750					60,746	75,304
			623				623
		103,644	102,810			368,173	368,859
2,775	2,735	2,379	2,702	143	316	19,709	20,359
567,154	402,116	947,054	796,346	91,625	125,529	10,091,844	8,361,803
118,018	117,855					795,748	795,771
						543,259	572,243
						119,670	126,400
118,018	117,855					1,458,677	1,494,414
74,968	74,968	49,500	49,500	132,400	132,400	452,151	452,151
	1,082,257						1,082,257
		234,928	234,928	9,600	9,600	12,594,801	12,594,801
		7,273	7,273			15,177,613	15,167,613
124,793	124,793	10,324	10,324	32,579	32,579	1,644,000	1,644,000
2,609	2,609	64,402	64,402	10,298	10,298	239,690	239,690
						437,225	420,397
6,460,476	5,363,944					16,311,326	15,205,794
(1,396,258)	(1,274,633)	(306,857)	(304,395)	(23,679)	(21,570)	(19,351,997)	(18,365,610)
5,266,588	5,373,938	59,570	62,032	161,198	163,307	27,504,809	28,441,093
2,829	4,108	9,810	13,703	694	937	69,297	94,332
210	192	694	662	48	46	4,976	4,404
3,039	4,300	10,504	14,365	742	983	74,273	98,736
\$ 5,954,799	\$ 5,898,209	\$ 1,017,128	\$ 872,743	\$ 253,565	\$ 289,819	\$ 39,129,603	\$ 38,396,046
\$ 116,424	\$ 115,261	\$	\$	\$	\$	\$ 1,220,036	\$ 1,197,974
449	622	2,939	2,861	31	30	19,423	14,055
	54,884					225,820	243,377
		20,768	16,289			54,884	54,884
						68,989	51,961
11,296	12,199					55,743	52,820
4,592	4,268	1,601	1,579	1,358	1,337	58,716	69,753
18,750	18,750					89,036	77,104
2,069	946	5,330	4,790	376	291	18,750	18,750
153,580	206,930	30,638	25,519	1,765	1,658	38,159	28,413
						1,794,672	1,809,091
5,090	6,476	16,834	22,323	1,168	1,542	120,724	148,467
2,506	2,363			2,013	1,869	71,852	77,857
42,089	39,013	139,190	134,482	9,659	9,292	998,219	894,434
						92,379	49,708
1,043,017	1,160,528					6,188,612	7,414,862
1,092,702	1,208,380	156,024	156,805	12,840	12,703	7,471,786	8,585,328
						543,259	572,243
3,187	9,682	10,721	31,546	739	2,150	73,959	222,428
2,014	185	6,660	638	462	44	47,763	4,242
5,201	9,867	17,381	32,184	1,201	2,194	664,981	798,913
4,107,147	4,098,149	59,570	62,032	161,198	163,307	20,096,161	19,828,257
						633,236	633,693
596,169	374,883	753,515	596,203	76,561	109,957	8,468,767	6,740,764
4,703,316	4,473,032	813,085	658,235	237,759	273,264	29,198,164	27,202,714
\$ 5,954,799	\$ 5,898,209	\$ 1,017,128	\$ 872,743	\$ 253,565	\$ 289,819	\$ 39,129,603	\$ 38,396,046

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statement of Revenues, Expenses
and Changes in Fund Net Position
For the Years Ended December 31, 2020 and 2019

	Business-Type Activities - Enterprise Funds					
	601		602		604	
	Water		Wastewater Treatment		Electric	
	2020	2019	2020	2019	2020	2019
Operating Revenues						
Service fees and charges	\$ 919,308	\$ 927,528	\$ 2,118,461	\$ 2,097,023	\$ 4,366,186	\$ 4,340,401
Less cost of sales						
Total operating revenue	<u>919,308</u>	<u>927,528</u>	<u>2,118,461</u>	<u>2,097,023</u>	<u>4,366,186</u>	<u>4,340,401</u>
Operating Expenses						
Personal services	232,176	209,575	445,582	427,033	593,506	516,751
Supplies	78,654	66,397	63,971	121,965	120,703	87,703
Insurance	5,527	5,569	13,337	12,073	7,094	7,157
Utilities	42,916	44,826	4,060	3,998	11,376	11,461
Purchased power					2,319,750	2,195,147
Other services and charges	72,899	69,057	566,005	503,127	275,024	206,840
Depreciation	228,321	215,935	590,464	562,754	87,484	85,148
Total Operating Expenses	<u>660,493</u>	<u>611,359</u>	<u>1,683,419</u>	<u>1,630,950</u>	<u>3,414,937</u>	<u>3,110,207</u>
Operating Income (Loss)	<u>258,815</u>	<u>316,169</u>	<u>435,042</u>	<u>466,073</u>	<u>951,249</u>	<u>1,230,194</u>
Nonoperating Revenues (Expenses)						
Special assessments	2,721	2,212	364	450	939	261
Interest income	18,333	16,297	26,830	40,071	112,703	147,564
Rents	12,909	22,819			9,519	9,519
Refunds and reimbursements	1,421	10,026	65		370,566	219,244
Gain on sale of assets	4,250	5,650		7,500	6,650	4,350
Interest expense and fiscal charges	(36,040)	(41,453)	(88,339)	(110,329)	(12,176)	(12,575)
Total Nonoperating Revenues (Expenses)	<u>3,594</u>	<u>15,551</u>	<u>(61,080)</u>	<u>(62,308)</u>	<u>488,201</u>	<u>368,363</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>262,409</u>	<u>331,720</u>	<u>373,962</u>	<u>403,765</u>	<u>1,439,450</u>	<u>1,598,557</u>
Capital contributions		103,598				
Transfers out		(27,015)			(430,000)	(111,058)
CHANGE IN NET POSITION	<u>262,409</u>	<u>408,303</u>	<u>373,962</u>	<u>403,765</u>	<u>1,009,450</u>	<u>1,487,499</u>
NET POSITION - BEGINNING OF YEAR	<u>5,956,280</u>	<u>5,547,977</u>	<u>11,383,224</u>	<u>10,979,459</u>	<u>4,458,679</u>	<u>2,971,180</u>
NET POSITION - END OF YEAR	<u>\$ 6,218,689</u>	<u>\$ 5,956,280</u>	<u>\$ 11,757,186</u>	<u>\$ 11,383,224</u>	<u>\$ 5,468,129</u>	<u>\$ 4,458,679</u>

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2020	2019	2020	2019	2020	2019	2020	2019
\$ 462,191	\$ 451,861	\$ 1,766,088	\$ 1,553,101	\$ 10,691	\$ 15,266	\$ 9,642,925	\$ 9,385,180
		(1,359,974)	(1,190,355)			(1,359,974)	(1,190,355)
462,191	451,861	406,114	362,746	10,691	15,266	8,282,951	8,194,825
67,814	66,829	201,448	231,790	14,677	12,598	1,555,203	1,464,576
3,769	5,441	8,580	11,134	87	1,203	275,764	293,843
707	745	4,319	4,203	608	576	31,592	30,323
		11,406	11,774	355	358	70,113	72,417
						2,319,750	2,195,147
24,099	34,436	23,840	24,366	29,823	32,051	991,690	869,877
121,625	101,813	2,462	2,856	2,109	2,109	1,032,465	970,615
218,014	209,264	252,055	286,123	47,659	48,895	6,276,577	5,896,798
244,177	242,597	154,059	76,623	(36,968)	(33,629)	2,006,374	2,298,027
						4,024	2,923
12,649	42,453	16,488	34,262	963	4,463	187,966	285,110
						22,428	32,338
	50,000	303	52	500	1,178	372,855	280,500
						10,900	17,500
(26,542)	(28,702)					(163,097)	(193,059)
(13,893)	63,751	16,791	34,314	1,463	5,641	435,076	425,312
230,284	306,348	170,850	110,937	(35,505)	(27,988)	2,441,450	2,723,339
		(16,000)	(16,000)			(446,000)	103,598
230,284	306,348	154,850	94,937	(35,505)	(27,988)	1,995,450	2,672,864
4,473,032	4,166,684	658,235	563,298	273,264	301,252	27,202,714	24,529,850
\$ 4,703,316	\$ 4,473,032	\$ 813,085	\$ 658,235	\$ 237,759	\$ 273,264	\$ 29,198,164	\$ 27,202,714

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statement of Cash Flows
For the Years Ended December 31, 2020 and 2019

	Business-Type Activities - Enterprise Funds					
	601		602		604	
	Water		Wastewater Treatment		Electric	
	2020	2019	2020	2019	2020	2019
Cash Flows From Operating Activities						
Cash received from customers	\$ 965,938	\$ 921,145	\$ 2,135,871	\$ 2,076,993	\$ 4,384,282	\$ 4,296,112
Other receipts	14,330	32,845	65		380,085	228,763
Cash paid to employees	(227,054)	(203,677)	(436,995)	(416,506)	(593,944)	(512,172)
Cash paid to suppliers	(199,760)	(188,909)	(622,622)	(627,668)	(2,752,380)	(2,585,173)
Net Cash Provided By (Used In) Operating Activities	553,454	561,404	1,076,319	1,032,819	1,418,043	1,427,530
Cash Flows From Noncapital Financing Activities						
Transfer in/out		(27,015)			(430,000)	(111,058)
Net Cash Used In Noncapital Financing Activities		(27,015)			(430,000)	(111,058)
Cash Flows From Capital and Related Financing Activities						
Capital asset acquisitions	(24,052)	(34,723)	(25,052)	(330,391)	(32,802)	(57,646)
Cash received from sale of assets	4,250	5,650		7,500	6,650	4,350
Special assessment collections	2,721	2,212	364	450	939	261
Lease proceeds	14,059	13,341	14,060	13,341	30,672	26,681
Principal payments on bonds and capital leases	(248,111)	(230,592)	(795,346)	(777,183)	(50,016)	(48,027)
Interest payments on bonds and capital leases	(39,831)	(45,207)	(97,832)	(116,270)	(7,415)	(7,814)
Net Cash (Used In) Capital and Related Financing Activities	(290,964)	(289,319)	(903,806)	(1,202,553)	(51,972)	(82,195)
Cash Flows From Investing Activities						
Investment income received	21,814	10,965	31,727	39,019	131,040	122,339
Net Cash Provided By Capital and Related Financing Activities	21,814	10,965	31,727	39,019	131,040	122,339
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	284,304	256,035	204,240	(130,715)	1,067,111	1,356,616
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	914,181	658,146	1,804,914	1,935,629	3,625,433	2,268,817
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,198,485	\$ 914,181	\$ 2,009,154	\$ 1,804,914	\$ 4,692,544	\$ 3,625,433
Classified as:						
Cash and cash equivalents	\$ 957,268	\$ 672,385	\$ 1,617,135	\$ 1,413,017	\$ 4,648,050	\$ 3,581,210
Restricted cash	241,217	241,796	392,019	391,897	44,494	44,223
Total Cash and Cash Equivalents, End of Year	\$ 1,198,485	\$ 914,181	\$ 2,009,154	\$ 1,804,914	\$ 4,692,544	\$ 3,625,433

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2020	2019	2020	2019	2020	2019	2020	2019
\$ 460,062	\$ 450,953	\$ 406,737	\$ 362,123	\$ 10,691	\$ 15,266	\$ 8,363,581	\$ 8,122,592
	50,000	303	52	500	1,178	395,283	312,838
(66,224)	(66,275)	(200,886)	(230,394)	(14,427)	(11,528)	(1,539,530)	(1,440,552)
(85,387)	14,361	(55,822)	(52,546)	(31,458)	(37,965)	(3,747,429)	(3,477,900)
308,451	449,039	150,332	79,235	(34,694)	(33,049)	3,471,905	3,516,978
		(16,000)	(16,000)			(446,000)	(154,073)
		(16,000)	(16,000)			(446,000)	(154,073)
(14,275)	(1,031,178)					(96,181)	(1,453,938)
						10,900	17,500
						4,024	2,923
						58,791	53,363
(115,251)	(114,451)					(1,208,724)	(1,170,253)
(28,542)	(30,671)					(173,620)	(199,962)
(158,068)	(1,176,300)					(1,404,810)	(2,750,367)
11,809	45,885	15,787	35,951	827	4,508	213,004	258,667
11,809	45,885	15,787	35,951	827	4,508	213,004	258,667
162,192	(681,376)	150,119	99,186	(33,867)	(28,541)	1,834,099	871,205
439,878	1,121,254	689,567	590,381	125,213	153,754	7,599,186	6,727,981
\$ 602,070	\$ 439,878	\$ 839,686	\$ 689,567	\$ 91,346	\$ 125,213	\$ 9,433,285	\$ 7,599,186
\$ 484,052	\$ 322,023	\$ 839,686	\$ 689,567	\$ 91,346	\$ 125,213	\$ 8,637,537	\$ 6,803,415
118,018	117,855					795,748	795,771
\$ 602,070	\$ 439,878	\$ 839,686	\$ 689,567	\$ 91,346	\$ 125,213	\$ 9,433,285	\$ 7,599,186

**CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS**

Statement of Cash Flows - continued

For the Years Ended December 31, 2020 and 2019

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

	601 Water		602 Wastewater Treatment		604 Electric	
	2020	2019	2020	2019	2020	2019
Operating Income (Loss)	\$ 258,815	\$ 316,169	\$ 435,042	\$ 466,073	\$ 951,249	\$ 1,230,194
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation	228,321	215,935	590,464	562,754	87,484	85,148
Change in net pension liability	272	2,238	1,518	15,125	(6,274)	(51,320)
Miscellaneous nonoperating income	14,330	32,845	65		380,085	228,763
(Increase) Decrease In:						
Accounts receivable	25,015	(9,110)	24,467	(11,158)	15,173	(42,504)
Special assessments receivable	21,615	2,727	(7,057)	(8,872)		
Due from other governments						
Inventories					1,520	(15,057)
Prepaid items	(41)	19	(26)	(53)	261	(461)
Deferred outflows from OPEB activity	(96)	(619)	(186)	(1,177)	(238)	(1,708)
Increase (Decrease) In:						
Accounts payable	(2,630)	(7,028)	5,722	(24,045)	(20,555)	(30,124)
Contracts payable						
Due to other governments	(20)	(879)	12,380	3,037	189	1,539
Accrued salaries payable	1,860	369	3,225	798	2,913	689
Compensated absences payable	3,262	5,529	5,362	9,729	(3,351)	3,890
Deferred inflows from OPEB activity	6,270	596	11,949	1,134	17,033	1,645
Other postemployment benefits obligation	(3,519)	2,613	(6,606)	19,474	(10,369)	18,621
Deposits payable					2,923	(1,785)
Net Cash Provided By (Used In) Operating Activities	\$ 553,454	\$ 561,404	\$ 1,076,319	\$ 1,032,819	\$ 1,418,043	\$ 1,427,530
Noncash Capital and Related Financing Activities						
Amortization of bond discount, premium and intangibles	\$ (1,597)	\$ (1,597)	\$ (1,930)	\$ (1,930)	\$ 5,138	\$ 5,138

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2020	2019	2020	2019	2020	2019	2020	2019
\$ 244,177	\$ 242,597	\$ 154,059	\$ 76,623	\$ (36,968)	\$ (33,629)	\$ 2,006,374	\$ 2,298,027
121,625	101,813	2,462	2,856	2,109	2,109	1,032,465	970,615
(2,140)	(1,139)	(12,224)	5,853	(801)	578	(19,649)	(28,665)
	50,000	303	52	500	1,178	395,283	312,838
(2,129)	(908)					62,526	(63,680)
						14,558	(6,145)
		623	(623)			623	(623)
		(834)	3,460			686	(11,597)
(40)	(60)	323	(339)	173	2	650	(892)
(18)	(192)	(32)	(662)	(2)	(46)	(572)	(4,404)
(173)	(333)	78	(17,615)	1		(17,557)	(79,145)
(54,884)	54,884					(54,884)	54,884
		4,479	(240)			17,028	3,457
1,123	(96)	540	1,124	85	61	9,746	2,945
467	650	22	272	165	1,009	5,927	21,079
1,829	185	6,022	638	418	44	43,521	4,242
(1,386)	1,638	(5,489)	7,836	(374)	(4,355)	(27,743)	45,827
						2,923	(1,785)
<u>\$ 308,451</u>	<u>\$ 449,039</u>	<u>\$ 150,332</u>	<u>\$ 79,235</u>	<u>\$ (34,694)</u>	<u>\$ (33,049)</u>	<u>\$ 3,471,905</u>	<u>\$ 3,516,978</u>

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

CITY OF KASSON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
For the Year Ended December 31, 2020

	<u>Custodial</u> 877 Festival in Park	606 <u>Arena</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 20,358	\$	\$ 20,358
TOTAL ASSETS	<u>\$ 20,358</u>	<u>\$</u>	<u>\$ 20,358</u>
NET POSITION	<u>\$ 20,358</u>	<u>\$</u>	<u>\$ 20,358</u>

CITY OF KASSON, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2020

	<u>Custodial</u> 877 Festival in Park	606 <u>Arena</u>	<u>Total</u>
Additions			
Contributions and donations	\$ 11,671	\$	\$ 11,671
Deductions			
Other services and charges	2,535		2,535
CHANGE IN NET POSITION	9,136		9,136
NET POSITION - BEGINNING, AS ORIGINALLY STATED	11,222	24,999	36,221
CHANGE IN ACCOUNTING STANDARDS		(24,999)	(24,999)
NET POSITION - BEGINNING, AS RESTATED	<u>11,222</u>		<u>11,222</u>
NET POSITION - ENDING	<u>\$ 20,358</u>	<u>\$</u>	<u>\$ 20,358</u>

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

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

The *16th Street NE fund* accounts for the accumulation of financial resources for the 16th Street NE street project.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major proprietary funds:

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

The *Wastewater Treatment fund* accounts for the costs associated with the City's 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.

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

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Cash and Investments (Continued)

Investment policy

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

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

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

Interfund Transactions

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Interfund Transactions (Continued)

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

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2020. Since the City is generally able to certify delinquent amounts to the county for collection as special assessments, an allowance for uncollectible accounts of \$4,000 has been provided on current receivables.

Special Assessments

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

Contribution Aid Receivable

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Inventories and Prepaid Items

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

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

Restricted Assets

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

Capital Assets

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets (Continued)

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

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

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

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

Deferred Outflows of Resources

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Compensated Absences

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

Postemployment Benefits Other Than Pensions

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

Long-Term Obligations

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Net Position / Fund Balance

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

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

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

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

The City classifies governmental fund balances as follows:

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

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

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

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Deferred Inflows of Resources

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

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due payable in accordance with the benefit terms. Investments are reported at fair value.

Comparative Data/Reclassifications

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Change in Accounting Standards

During the year ended December 31, 2020, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by including the Dodge County Ice Arena that was previously separately reported under a fiduciary fund now included as a special revenue fund. The beginning fund balance/net position has been restated to reflect this change.

Activities/Fund	Fund Balance December 31, 2019 as Previously Reported	Restatement for Change in Accounting Standard	Fund Balance December 31, 2019 as Restated
Special Revenue Fund - Dodge County Ice Arena	\$	\$ 24,999	\$ 24,999
Activities/Fund	Net Position December 31, 2019 as Previously Reported	Restatement for Change in Accounting Standard	Net Position December 31, 2019 as Restated
Fiduciary Fund - Dodge County Ice Arena	\$ 24,999	\$ (24,999)	\$
Activities/Fund	Net Position December 31, 2019 as Previously Reported	Restatement for Change in Accounting Standard	Net Position December 31, 2019 as Restated
Governmental Activities	\$ 42,198,433	\$ 24,999	\$ 42,223,432

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, 2020, 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	4,775,650
Certificates of deposit	March 2021 - November 2026	N/A	10,408,044
Total Cash and Investments			<u>\$ 15,184,869</u>
Cash and Investments			\$ 14,389,121
Restricted Cash and Investments			<u>795,748</u>
Cash and Investments per Statement of Net Position			<u>\$ 15,184,869</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments (Continued)

Collateralization of Cash Deposits

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

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

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

Fair Value Measurements

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

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments (Continued)

Fair Value Measurements (Continued)

The City's investments within the fair value hierarchy at December 31, 2020 and 2019 were as follows:

	At December 31, 2020			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of deposit	<u>\$ 10,408,044</u>	<u>\$</u>	<u>\$ 10,408,044</u>	<u>\$</u>

	At December 31, 2019			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Certificates of deposit	<u>\$ 9,428,545</u>	<u>\$</u>	<u>\$ 9,428,545</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 0 percent to 4.75 percent per annum. The balance on notes receivable at December 31, 2020 is \$174,105.

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, 2020 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 672,921	\$	\$	\$ 672,921
Construction in progress	880,342	374,199	594,139	660,402
Total capital assets, not being depreciated	<u>1,553,263</u>	<u>374,199</u>	<u>594,139</u>	<u>1,333,323</u>
Capital assets, being depreciated:				
Buildings	7,116,199	50,709		7,166,908
Improvements other than buildings	1,252,980	45,904		1,298,884
Machinery and equipment	837,460	114,385		951,845
Office equipment and furnishings	255,724	50,629		306,353
Vehicles	2,923,800	135,697	96,962	2,962,535
Infrastructure	<u>18,937,618</u>	<u>1,248,451</u>		<u>20,186,069</u>
Total capital assets, being depreciated	<u>31,323,781</u>	<u>1,645,775</u>	<u>96,962</u>	<u>32,872,594</u>
Less accumulated depreciation for:				
Buildings	1,523,845	180,682		1,704,527
Improvements other than buildings	660,871	68,270		729,141
Machinery and equipment	720,326	58,907		779,233
Office equipment and furnishings	148,281	9,793		158,074
Vehicles	1,991,640	154,241	96,962	2,048,919
Infrastructure	<u>8,596,098</u>	<u>904,395</u>		<u>9,500,493</u>
Total accumulated depreciation	<u>13,641,061</u>	<u>1,376,288</u>	<u>96,962</u>	<u>14,920,387</u>
Total capital assets, being depreciated, net	<u>17,682,720</u>	<u>269,487</u>		<u>17,952,207</u>
Governmental activities capital assets, net	<u>\$ 19,235,983</u>	<u>\$ 643,686</u>	<u>\$ 594,139</u>	<u>\$ 19,285,530</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 452,151	\$	\$	\$ 452,151
Construction in progress	1,082,257		1,082,257	
Total capital assets, not being depreciated	1,534,408		1,082,257	452,151
Capital assets, being depreciated:				
Buildings	12,594,801			12,594,801
Improvements other than buildings	15,200,192	10,000		15,210,192
Machinery and equipment	1,611,421			1,611,421
Office equipment and furnishings	239,690			239,690
Vehicles	420,397	62,906	46,078	437,225
Infrastructure	15,205,794	1,105,532		16,311,326
Total capital assets, being depreciated	45,272,295	1,178,438	46,078	46,404,655
Less accumulated depreciation for:				
Buildings	5,705,340	306,810		6,012,150
Improvements other than buildings	7,679,031	305,938		7,984,969
Machinery and equipment	1,145,262	86,064		1,231,326
Office equipment and furnishings	235,270	1,330		236,600
Vehicles	355,231	21,859	46,078	331,012
Infrastructure	3,245,476	310,464		3,555,940
Total accumulated depreciation	18,365,610	1,032,465	46,078	19,351,997
Total capital assets, being depreciated, net	26,906,685	145,973		27,052,658
Business-type activities capital assets, net	\$ 28,441,093	\$ 145,973	\$ 1,082,257	\$ 27,504,809

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	\$	20,244
Public safety		133,770
Public works		973,064
Culture and recreation		249,210
		<hr/>

Total depreciation expense - governmental activities	\$	<u>1,376,288</u>
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Business-Type Activities:

Water	\$	228,321
Wastewater treatment		590,464
Electric		87,484
Stormwater		121,625
Liquor		2,462
Cemetery		2,109
		<hr/>

Total depreciation expense - business-type activities	\$	<u>1,032,465</u>
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CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Interfund Balances and Transfers

The amounts due to and from other funds as of December 31, 2020, 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	\$ 200,000	\$
Economic Development	81,678	
Permanent Improvement Revolving	653,531	
Tax Abatement Development		200,000
Highway 57		541,284
Safe Routes to School		34,545
16th Street NW		77,702
Downtown TIF		81,678
	<hr/>	<hr/>
Total	<u>\$ 935,209</u>	<u>\$ 935,209</u>

The amounts advanced to and from other funds as of December 31, 2020, at the individual fund level are summarized below:

<u>Funds</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Permanent Improvement Revolving	\$ 77,555	\$
2017 Street Assessment Project		77,555
	<hr/>	<hr/>
Total	<u>\$ 77,555</u>	<u>\$ 77,555</u>

At December 31, 2020 the following funds have deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Special Revenue	
Downtown TIF	\$ 81,678
Tax Abatement Development	200,000
Capital Projects	
2017 Street Assessment Project	77,555
Highway 57	547,384
Safe Routes to School	34,545
16th Street NW	78,473

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Interfund Balances and Transfers (Continued)

Transfers during the year ended December 31, 2020 were as follows:

Funds	Transfers In	Transfers Out
General Fund	\$ 86,000	\$ 424,435
Economic Development		20,000
EDA RLF	80,000	
2017 Street Assessment Project	389,000	
16th Street NE	15,476	
Stabilization/Capital Projects Reserves	319,959	
Enterprise		
Electric		430,000
Municipal Liquor Store		16,000
Total Transfers	\$ 890,435	\$ 890,435

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. Long-term debt

General Obligation Bonds

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

G.O. Bonds

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

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	\$ 440,000
G.O. Crossover Refunding Bonds of 2015A	\$ 2,620,000	2.00 - 4.00	09/01/15	02/01/24	1,365,003
G.O. Tax Increment Refunding Bonds of 2020A	\$ 708,000	3.20	03/16/20	02/01/42	708,000
G.O. Refunding Note of 2020B	\$ 1,583,000	1.75	05/28/20	02/01/28	1,583,000
Total G.O. Bonds					<u>\$4,096,003</u>

Bond Refundings

In 2020, the City issued \$708,000 G.O. Tax Increment Refunding Bonds, Series 2020A with an interest rate of 3.2%. The bond was issued to refund G.O. Tax Increment Bonds, Series 2014B. In 2020, the City issued \$1,583,000 G.O. Refunding Note, Series 2020B with an interest rate of 1.75%. The bond was issued to refund G.O. Aquatic Center Bonds, Series 2013A. The General Obligation Bonds, Series 2014B and Series 2013A were retired in 2020. These refundings were undertaken to reduce total debt service payments by \$624,948 and \$53,046, respectively. The 2014B G.O. Tax Increment Bond was refunded with a combination of the refunding bond proceeds of \$708,000 and fund cash reserves of \$924,553.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (Continued)

G.O. Special Assessment (Improvement) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds of 2011A	\$ 1,775,000	2.70 %	11/01/11	02/01/21	\$ 80,000
G.O. Street Reconstruction and Utility Revenue Bonds of 2012A	1,430,000	1.50 - 2.10	07/01/12	02/01/23	439,935
G.O. Improvement Bonds of 2014C	430,000	2.50 - 3.50	06/02/14	02/01/30	305,000
G.O. Improvement and Utility Revenue Bonds of 2017A	6,780,000	2.00 - 2.50	07/05/17	02/01/33	5,985,000
Total G.O. Special Assessment Bonds					<u>\$6,809,935</u>

G.O. Revenue Notes

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue Note of 2001 (PFA)	\$ 7,632,919	3.07 %	08/30/01	08/20/21	\$ 519,000
G.O. Sewer Revenue Note of 2011 (PFA)	994,038	1.86	08/31/11	08/20/31	605,000
G.O. Sewer Revenue Note of 2018 (PFA)	2,843,535	1.095	02/14/18	08/20/37	2,512,000
Total G.O. Revenue Bonds					<u>\$3,636,000</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (Continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2020, over the life of the debt, are summarized below:

Years	General Obligation Bonds		General Improvement Bonds		Total
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2021	\$ 455,659	\$ 78,914	\$ 318,305	\$ 87,400	\$ 940,278
2022	463,151	63,892	330,975	80,907	938,925
2023	471,315	52,218	336,475	74,083	934,091
2024	476,646	40,383	268,650	67,769	853,448
2025	218,000	32,755	271,425	62,069	584,249
2026-2030	725,000	107,799	1,455,925	204,348	2,493,072
2031-2035	162,000	69,952	860,250	32,676	1,124,878
2036-2040	233,000	38,416			271,416
2041-2042	117,000	3,824			120,824
Totals	<u>\$ 3,321,771</u>	<u>\$ 488,152</u>	<u>\$ 3,842,005</u>	<u>\$ 609,252</u>	<u>\$ 8,261,180</u>
	General Obligation Revenue Bonds		General Obligation Special Assessment Bonds		
	Principal	Interest	Principal	Interest	
<u>Business-Type Activities</u>					
2021	\$ 884,225	\$ 114,808	\$ 335,811	\$ 26,248	\$ 1,361,092
2022	369,450	92,838	269,424	19,097	750,809
2023	376,900	86,706	272,245	10,758	746,609
2024	384,350	80,446	201,357	3,020	669,173
2025	388,575	74,076			462,651
2026-2030	2,054,075	258,060			2,312,135
2031-2035	1,521,750	70,382			1,592,132
2036-2037	320,000	5,266			325,266
Totals	<u>\$ 6,299,325</u>	<u>\$ 782,582</u>	<u>\$ 1,078,837</u>	<u>\$ 59,123</u>	<u>\$ 8,219,867</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (Continued)

The annual requirements to amortize capital leases payable outstanding as of December 31, 2020, over the life of the leases, are summarized below:

Years	Capital Leases Payable	
	Principal	Interest
2021	\$ 56,633	\$ 23,308
2022	61,344	18,597
2023	75,379	13,406
2024	72,565	6,132
2025	81,570	2,165
Totals	<u>\$ 347,491</u>	<u>\$ 63,608</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (Continued)

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
2013A GO Aquatic Center	\$ 1,735,000	\$	\$ 1,735,000	\$	\$
2014A GO Equipment Certificate	544,000		104,000	440,000	106,000
2014B GO Tax Increment Bonds	1,565,000		1,565,000		
2015A GO Crossover Refunding Bonds	729,266		138,495	590,771	140,659
2020A GO Tax Increment Refunding Bond		708,000		708,000	16,000
2020B GO Refunding Note		1,583,000		1,583,000	193,000
General Improvement Bonds					
2012A GO Street Reconstruction and Utility	283,860		68,530	215,330	68,530
2014C GO Improvement Bond	330,000		25,000	305,000	25,000
2017A GO Improvement and Utility Revenue Bonds	3,543,675		222,000	3,321,675	224,775
Capital Lease Payable	141,312	114,527	20,150	235,689	32,320
Plus: Unamortized premiums	47,478		33,012	14,466	
Total Bonds and Notes Payable	8,919,591	2,405,527	3,911,187	7,413,931	806,284
Other Liabilities:					
Other postemployment benefits obligation	104,825		26,874	77,951	
Compensated absences	214,111	79,793	114,207	179,697	114,207
Governmental Activities Long-term Liabilities	9,238,527	2,485,320	4,052,268	7,671,579	920,491
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Revenue Bonds:					
2001 PFA Loan	1,023,000		504,000	519,000	519,000
2011 PFA Loan	654,000		49,000	605,000	50,000
2017A GO Improvement and Utility Revenue Bonds	2,841,325		178,000	2,663,325	180,225
2018 PFA Loan	2,646,000		134,000	2,512,000	135,000
General Obligation Special Assessment Bonds:					
2011A GO Refunding Bond	160,000		80,000	80,000	80,000
2012A GO Street Reconstruction and Utility	296,075		71,470	224,605	71,470
2015A GO Crossover Refunding Bonds	955,734		181,502	774,232	184,341
Capital Lease Payable	63,763	58,791	10,752	111,802	19,423
Plus: Unamortized premiums	37,623		6,677	30,946	
Less: Unamortized discount	(921)		(461)	(460)	
Total Bonds and Notes Payable	8,676,599	58,791	1,214,940	7,520,450	1,239,459
Other Liabilities:					
Other postemployment benefits obligation	148,467		27,743	120,724	
Compensated absences	154,961	94,963	89,036	160,888	89,036
Business-type Activities Long-term Liabilities	8,980,027	153,754	1,331,719	7,802,062	1,328,495
Total	\$ 18,218,554	\$ 2,639,074	\$ 5,383,987	\$ 15,473,641	\$ 2,248,986

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

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. 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. Beginning in 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 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, 2020, were \$146,300. The City's contributions were equal to the required contributions as set by state statute.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3 percent of pay 11.8 percent and employer rates increase from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020 were \$125,768. 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, 2020, the City reported a liability of \$1,642,755 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 \$50,576. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0274 percent at the end of the measurement 0.0276 percent for the beginning of the period.

City's proportionate share of net pension liability	\$	1,642,755
State of Minnesota's proportionate share of the net pension liability associated with the City	\$	50,576

For the year ended December 31, 2020, the City recognized pension expense of (\$115,844) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$4,402 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, 2020, 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	\$ 15,125	\$ 6,215
Changes in actuarial assumptions	16,447	
Difference between projected and actual investment earnings		62,270
Changes in proportion	14,345	55,442
Contributions paid to PERA subsequent to the measurement date	69,220	
Total	<u>\$ 115,137</u>	<u>\$ 123,927</u>

The \$69,220 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, 2021. 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>
2021	\$ (116,106)
2022	(30,065)
2023	28,486
2024	39,675

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$847,543 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0643 percent at the end of the measurement period and 0.0595 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 also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. 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 fire 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.

As a result, 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 \$4.5 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, 2020, the City recognized pension expense of \$15,586 for its proportionate share of the Police and Fire Plan’s pension expense. In addition, the City recognized an additional \$6,141 as pension expense (and grant revenue) for its proportionate share of State of Minnesota’s contribution of \$4.5 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 fire state aid. The City also recognized \$19,962 for the year ended December 31, 2020 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, 2020, 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	\$ 27,047	\$ 42,913
Changes in actuarial assumptions	41,889	
Difference between projected and actual investment earnings	253,377	464,073
Changes in proportion	95,909	33,215
Contributions paid to PERA subsequent to the measurement date	63,682	
Total	<u>\$ 481,904</u>	<u>\$ 540,201</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

The \$63,682 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, 2021. 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</u> <u>Amount</u>
2021	\$ (40,211)
2022	(191,884)
2023	45,831
2024	55,412
2025	8,873

Aggregate Pension Costs

The total pension expense for all plans recognized by the City for the year ended December 31, 2020 is as follows:

General Employees Retirement Fund	(\$111,442)
Police and Fire Fund	21,727
Fire Relief	<u>(59,454)</u>
Total	<u>(\$149,169)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020. The recommended assumptions for the plan was adopted by the Board and will be effective with the July 1, 2021 actuarial valuation if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Actuarial Assumptions (Continued)

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Pension Liability Sensitivity

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

Sensitivity Analysis
Net Pension Liability at Different Discount Rates

	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	\$ 2,632,767	6.50%	\$ 1,689,275
Current Discount Rate	7.50%	\$ 1,642,755	7.50%	\$ 847,543
1% Higher	8.50%	\$ 826,075	8.50%	\$ 151,157

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, 2019 (most current information available) the Association's funding status is as follows:

Total plan assets	\$	515,931
Total accrued liability		<u>(450,624)</u>
Excess of Plan Assets over Accrued Liability	\$	<u>65,307</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 obligated to make a contribution of \$5,741 in 2020.

The computation of the pension contribution requirements for 2020 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, 2020.

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. 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 2020, the City contributed \$4,498 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, 2020 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	<u>\$ 198,675</u>
Covered payroll	<u>\$ 2,516,162</u>
Total OPEB liability as a % of payroll	<u>8%</u>

D. Funded Status and Funding Progress

As of January 1, 2020, the most recent valuation date, the actuarial accrued liability for benefits was \$198,675 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,516,162 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8 percent. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Methods and Assumptions

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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.90%
20-year Municipal Bond Yield	2.90%
Inflation rate	2.50%
Mortality	Mortality rates were based on the Pub-2020 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale
Medical trend rate	6.50% as of January 1, 2020 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 1/1/2020	\$ 253,292
Changes for the year:	
Service cost	21,324
Interest	10,294
Assumption changes	4,221
Differences between expected and actual experience	(82,942)
Benefit payments	(7,514)
Net Changes	<u>(54,617)</u>
Balance End of Year 12/31/2020	<u>\$ 198,675</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 (1.90%)	\$ 215,262
Current Discount Rate (2.90%)	198,675
1% increase in Discount Rate (3.90%)	183,072

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	\$ 172,984
Current Trend Rates	198,675
1% increase in Trend Rates	229,430

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

As of the year ended December 31, 2020, 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	\$ 3,693	\$ 6,030
Liability gains		72,574
Contributions paid to OPEB subsequent to the measurement date	4,498	
	<u>\$ 8,191</u>	<u>\$ 78,604</u>

Contributions made subsequent to the measurement date of \$4,498 will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021.

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>
2021	\$ (11,047)
2022	(11,047)
2023	(11,047)
2024	(11,047)
2025	(11,042)
2026	(9,840)
Thereafter	(9,841)

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 (\$488,208,200) which is \$14,646,246. The City currently has \$2,023,000 of general obligation debt subject to this limit, leaving a debt margin of \$12,623,246 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. The City had the following tax abatement agreements as of December 31, 2020.

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 2020 and 2019, respectively.

The City entered into a tax abatement agreement in October 2015 for the purpose of building a new structure. Under the agreement, the City shall abate 90% of the new city taxes generated by the Abatement Property for a period of 10 years commencing with taxes payable 2017. City abated \$2,876 and \$2,503 in 2020 and 2019, respectively.

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

The City may enter into tax increment financing agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.174 to 469.1794 through pay-as-you-go tax increment financing program. The City has three pay-as-you-go tax increment financing districts. For the year ended December 31, 2020, the City paid tax increments totaling \$81,913 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 \$543,259 in contribution aid receivable at December 31, 2020.

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, 2020

CITY OF KASSON, MINNESOTA
Schedules of City Pension Contributions

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

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

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

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2014	\$ 78,392	\$ 78,392	\$	\$ 512,366	15.30%
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					
2022					
2023					

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

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

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

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

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

Other Post-Employment Benefits Plan
Schedule of Changes in Total OPEB Liability

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 21,324	\$ 20,544	\$ 21,490
Interest cost	10,294	8,411	7,915
Assumption changes	4,221	(8,444)	
Differences between expected and actual experience	(82,942)		
Benefit payments	(7,514)	(3,055)	(23,658)
Net change in total OPEB liability	(54,617)	17,456	5,747
Total OPEB Liability - beginning of year	253,292	235,836	230,089
Total OPEB Liability - end of year	\$ 198,675	\$ 253,292	\$ 235,836
Covered Payroll	\$ 2,516,162	\$ 2,319,236	\$ 2,251,685
Total OPEB Liability as a % of payroll	8%	11%	10%

CITY OF KASSON, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2020

**CITY OF KASSON, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2020**

	Special Revenue								
	211	219	225	226	247	248	249	290	606
	Library	Tax Abatement Development	EDA FED MIF	EDA RLF	2004 Assisted Living TIF	Downtown TIF	Oppidan Folkestad TIF	Economic Development	Dodge County Ice Arena
ASSETS									
Cash and investments	\$ 273,732		\$ 53,335	\$ 77,662			\$ 101,527	\$ 68,676	\$ 8,524
Accounts receivable	11								14,086
Interest receivable									
Notes receivable			171,805	2,300					
Due from other governmental units									36,865
Special assessments receivable			5,855						
Inventories									416
Prepaid items	1,064							44	1,026
Due from other funds								81,678	
Advances to other funds									
TOTAL ASSETS	\$ 274,807		\$ 230,995	\$ 79,962			\$ 101,527	\$ 150,398	\$ 60,917
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE									
Liabilities									
Accounts payable	\$ 1,884							\$ 42	\$ 5,474
Due to other governments	9								
Accrued salaries payable	7,744							414	17,943
Due to other funds		200,000				81,678			
Advances from other funds									
Total Liabilities	9,637	200,000				81,678		456	23,417
Deferred Inflows of Resources									
Unavailable revenue:									
Special assessments			5,855						
Total Deferred Inflows of Resources			5,855						
Fund Balance									
Nonspendable:									
Prepaid items	1,064							44	1,442
Restricted:									
Economic development			225,140	79,962			101,527		
Committed:									
Economic development								149,898	
Library Operations	264,106								
Assigned:									
Capital improvements									36,058
Unassigned:									
Total Fund Balance	265,170	(200,000)	225,140	79,962		(81,678)	101,527	149,942	37,500
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 274,807		\$ 230,995	\$ 79,962			\$ 101,527	\$ 150,398	\$ 60,917

Capital Projects

210 Stabilization/ Cap Projects Reserve	401 Permanent Improvement Revolving	423 2017 Street Assessment Project	424 Highway 57	425 Safe Routes to School	426 16th Street NW	Total Nonmajor Governmental Funds
\$ 505,984	\$ 319,182	\$	\$	\$	\$	\$ 1,408,622
379	2,160					14,097
						2,539
						174,105
						36,865
	560,944					566,799
						416
						2,134
	653,531					735,209
	77,555					77,555
<u>\$ 506,363</u>	<u>\$ 1,613,372</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,018,341</u>
\$	\$	\$	\$ 6,100	\$	\$ 771	\$ 14,271
						9
						26,101
			541,284	34,545	77,702	935,209
		77,555				77,555
		77,555	547,384	34,545	78,473	1,053,145
	560,944					566,799
	560,944					566,799
						2,550
						406,629
						149,898
						264,106
506,363	1,052,428					1,594,849
		(77,555)	(547,384)	(34,545)	(78,473)	(1,019,635)
<u>506,363</u>	<u>1,052,428</u>	<u>(77,555)</u>	<u>(547,384)</u>	<u>(34,545)</u>	<u>(78,473)</u>	<u>1,398,397</u>
<u>\$ 506,363</u>	<u>\$ 1,613,372</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,018,341</u>

CITY OF KASSON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	Special Revenue								
	211	219	225	226	247	248	249	290	606
	Library	Tax Abatement Development	EDA FED MIF	EDA RLF	2004 Assisted Living TIF	Downtown TIF	Oppidan Folkestad TIF	Economic Development	Dodge County Ice Arena
REVENUES									
Property tax collected	\$ 361,203							\$ 90,763	
Tax increments					81,913		49,666		
Special assessments			6,382						
Intergovernmental	57,908								86,230
Charges for services	1,084								204,432
Fines and forfeits	1,409								
Investment income	4,422		7,505	2			83	242	
Miscellaneous	4,628								
TOTAL REVENUES	430,654		13,887	2	81,913		49,749	91,005	290,662
EXPENDITURES									
Current:									
Culture and recreation	357,861								278,161
TIF/economic development				40	81,913	146		69,952	
Debt service									
Interest and fiscal charges							177		
Capital outlay									
Culture and recreation	335								
TIF/economic development							5,520	3,443	
Public works									
TOTAL EXPENDITURES	358,196			40	81,913	146	5,697	73,395	278,161
Excess (deficiency) of revenues over (under) expenditures	72,458		13,887	(38)		(146)	44,052	17,610	12,501
OTHER FINANCING SOURCES (USES)									
Transfer in				80,000					
Transfer out								(20,000)	
TOTAL OTHER FINANCING SOURCES (USES)				80,000				(20,000)	
Net change in fund balances	72,458		13,887	79,962		(146)	44,052	(2,390)	12,501
FUND BALANCE - BEGINNING AS ORIGINALLY STATED	192,712	(200,000)	211,253			(81,532)	57,475	152,332	
Change in accounting standards									24,999
FUND BALANCE - BEGINNING AS RESTATED	192,712	(200,000)	211,253			(81,532)	57,475	152,332	24,999
FUND BALANCE - ENDING	\$ 265,170	\$ (200,000)	\$ 225,140	\$ 79,962	\$	\$ (81,678)	\$ 101,527	\$ 149,942	\$ 37,500

Capital Projects

210 Stabilization/ Cap Projects Reserve	401 Permanent Improvement Revolving	423 2017 Street Assessment Project	424 Highway 57	425 Safe Routes to School	426 16th Street NW	Total Nonmajor Governmental Funds
\$ 8,801						\$ 460,767
	31,700					131,579
						38,082
						144,138
						205,516
6,190	20,405					1,409
						38,849
						4,628
<u>14,991</u>	<u>52,105</u>					<u>1,024,968</u>
						636,022
						152,051
						177
						335
						8,963
		1,645	280,600	34,545	59,054	375,844
		<u>1,645</u>	<u>280,600</u>	<u>34,545</u>	<u>59,054</u>	<u>1,173,392</u>
<u>14,991</u>	<u>52,105</u>	<u>(1,645)</u>	<u>(280,600)</u>	<u>(34,545)</u>	<u>(59,054)</u>	<u>(148,424)</u>
319,959		389,000				788,959
						(20,000)
<u>319,959</u>		<u>389,000</u>				<u>768,959</u>
<u>334,950</u>	<u>52,105</u>	<u>387,355</u>	<u>(280,600)</u>	<u>(34,545)</u>	<u>(59,054)</u>	<u>620,535</u>
171,413	1,000,323	(464,910)	(266,784)		(19,419)	752,863
						24,999
<u>171,413</u>	<u>1,000,323</u>	<u>(464,910)</u>	<u>(266,784)</u>		<u>(19,419)</u>	<u>777,862</u>
<u>\$ 506,363</u>	<u>\$ 1,052,428</u>	<u>\$ (77,555)</u>	<u>\$ (547,384)</u>	<u>\$ (34,545)</u>	<u>\$ (78,473)</u>	<u>\$ 1,398,397</u>

CITY OF KASSON, MINNESOTA
LIBRARY FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 361,203	\$ 361,203	\$ 361,203	\$	\$ 334,913
Intergovernmental revenues	56,932	56,932	57,908	976	62,296
Charges for services	800	800	1,084	284	1,567
Library fines	5,000	5,000	1,409	(3,591)	3,212
Investment income	150	150	4,422	4,272	1,237
Miscellaneous	1,450	1,450	4,628	3,178	6,809
TOTAL REVENUES	425,535	425,535	430,654	5,119	410,034
EXPENDITURES					
Library					
Salaries	251,806	251,806	214,896	36,910	227,604
Employee benefits and retirement	38,482	38,482	31,862	6,620	33,913
Workers compensation	1,500	1,500	2,364	(864)	2,154
Health insurance	56,000	56,000	48,951	7,049	43,646
Operating supplies/small tools	21,350	21,350	14,913	6,437	19,793
Insurance	3,500	3,500	3,077	423	2,944
Telephone	1,700	1,700	1,758	(58)	1,569
Professional fees	17,700	17,700	18,353	(653)	17,460
Capital outlay	2,000	2,000	335	1,665	2,657
Other	31,497	31,497	21,687	9,810	26,785
TOTAL EXPENDITURES	425,535	425,535	358,196	67,339	378,525
Net change in fund balances			72,458	72,458	31,509
FUND BALANCES, beginning	192,712	192,712	192,712		161,203
FUND BALANCES, ending	\$ 192,712	\$ 192,712	\$ 265,170	\$ 72,458	\$ 192,712

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, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 90,533	\$ 90,533	\$ 90,763	\$ 230	\$ 70,192
Investment Income	2,000	2,000	242	(1,758)	2,637
TOTAL REVENUES	<u>92,533</u>	<u>92,533</u>	<u>91,005</u>	<u>(1,528)</u>	<u>72,829</u>
EXPENDITURES					
Economic development					
Personal services	15,573	15,573	14,495	1,078	8,294
Supplies	400	400	260	140	465
Other services and charges	73,560	73,560	55,197	18,363	51,338
Capital outlay	3,000	3,000	3,443	(443)	
TOTAL EXPENDITURES	<u>92,533</u>	<u>92,533</u>	<u>73,395</u>	<u>19,138</u>	<u>60,097</u>
Excess of revenues over expenditures			<u>17,610</u>	<u>17,610</u>	<u>12,732</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					20,000
Transfers out			<u>(20,000)</u>	<u>20,000</u>	
TOTAL OTHER FINANCING SOURCES (USES)			<u>(20,000)</u>	<u>20,000</u>	<u>20,000</u>
Net change in fund balances			<u>(2,390)</u>	<u>37,610</u>	<u>32,732</u>
FUND BALANCES, beginning	<u>152,332</u>	<u>152,332</u>	<u>152,332</u>		<u>119,600</u>
FUND BALANCES, ending	<u>\$ 152,332</u>	<u>\$ 152,332</u>	<u>\$ 149,942</u>	<u>\$ 37,610</u>	<u>\$ 152,332</u>

**CITY OF KASSON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2020**

	Debt Service				
	382 G.O. Street Reconstruction & Utility Revenue Bonds of 2012A	385 Aquatic Center Bonds of 2013A	385 G.O. Refunding Note of 2020B	386 Fire Truck and Equipment	389 Oppidan Assessment
ASSETS					
Cash and investments	\$ 85,954	\$	\$ 292,074	\$ 110,712	\$ 48,467
Interest receivable			2		
Special assessments receivable					288,328
TOTAL ASSETS	\$ 85,954	\$	\$ 292,076	\$ 110,712	\$ 336,795
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	\$	\$	\$	\$	\$
Deferred Inflows of Resources					
Unavailable revenue:					
Special assessments					288,328
Total Deferred Inflows of Resources					288,328
Fund Balance					
Restricted:					
Debt service	85,954		292,076	110,712	48,467
Total Fund Balance	85,954		292,076	110,712	48,467
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 85,954	\$	\$ 292,076	\$ 110,712	\$ 336,795

Debt Service

391 Oppidan Folkestad TIF	391 G.O. Tax Increment Refunding Bonds of 2020A	392 G.O. Crossover Refunding Bonds of 2015A	393 2017 Street Assessment Project	Total Debt Service Funds
\$	\$ 48,896	\$ 349,036	\$ 691,034	\$ 1,626,173
		125,337	284	286
		431,564	431,564	845,229
<u>\$</u>	<u>\$ 48,896</u>	<u>\$ 474,373</u>	<u>\$ 1,122,882</u>	<u>\$ 2,471,688</u>
\$	\$ 18	\$	\$	\$ 18
		125,337	431,564	845,229
		125,337	431,564	845,229
	48,878	349,036	691,318	1,626,441
	48,878	349,036	691,318	1,626,441
<u>\$</u>	<u>\$ 48,896</u>	<u>\$ 474,373</u>	<u>\$ 1,122,882</u>	<u>\$ 2,471,688</u>

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

For the Year Ended December 31, 2020

	Debt Service				
	382	385	385	386	389
	G.O. Street Reconstruction & Utility Revenue Bonds of 2012A	Aquatic Center Bonds of 2013A	G.O. Refunding Note of 2020B	Fire Truck and Equipment	Oppidan Assessment
REVENUES					
Property tax collected	\$ 74,910	\$ 219,280	\$	\$ 115,562	\$
Special assessments					38,973
Investment income	48	284		53	29
TOTAL REVENUES	<u>74,958</u>	<u>219,564</u>		<u>115,615</u>	<u>39,002</u>
EXPENDITURES					
Current:					
Debt service					
Principal	68,530	180,000		104,000	25,000
Interest and fiscal charges	4,740	32,399	15,835	11,562	10,033
TOTAL EXPENDITURES	<u>73,270</u>	<u>212,399</u>	<u>15,835</u>	<u>115,562</u>	<u>35,033</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,688</u>	<u>7,165</u>	<u>(15,835)</u>	<u>53</u>	<u>3,969</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of bonds			1,583,000		
Bond refunding payments		(1,555,000)			
Transfers in		1,275,089			
Transfers out			(1,275,089)		
TOTAL OTHER FINANCING SOURCES (USES)		<u>(279,911)</u>	<u>307,911</u>		
Net change in fund balances	1,688	(272,746)	292,076	53	3,969
FUND BALANCES, beginning	<u>84,266</u>	<u>272,746</u>		<u>110,659</u>	<u>44,498</u>
FUND BALANCES, ending	<u>\$ 85,954</u>	<u>\$</u>	<u>\$ 292,076</u>	<u>\$ 110,712</u>	<u>\$ 48,467</u>

Debt Service					
391	391	392	393		
Oppidan Folkestad TIF	G.O. Tax Increment Refunding Bonds of 2020A	G.O. Crossover Refunding Bonds of 2015A	2017 Street Assessment Project	Eliminations	Total Debt Service Funds
\$ 76,153	\$	\$ 128,000	\$ 199,434	\$	\$ 813,339
12,770		43,094	141,301		223,368
		126	7,050		20,360
88,923		171,220	347,785		1,057,067
35,000		138,495	222,000		773,025
36,438	112,120	19,294	79,558		321,979
71,438	112,120	157,789	301,558		1,095,004
17,485	(112,120)	13,431	46,227		(37,937)
(1,530,000)	708,000				2,291,000
547,002	(547,002)			(1,822,091)	(3,085,000)
				1,822,091	
(982,998)	160,998				(794,000)
(965,513)	48,878	13,431	46,227		(831,937)
965,513		335,605	645,091		2,458,378
\$	\$ 48,878	\$ 349,036	\$ 691,318	\$	\$ 1,626,441

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2020

With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 2,105,253	\$ 2,105,253	\$ 2,135,399	\$ 30,146	\$ 1,886,662
Franchise fees	60,000	60,000	62,115	2,115	65,309
Special Assessments			774	774	325
Licenses and Permits					
Business	13,500	13,500	14,298	798	15,320
Nonbusiness	70,558	70,558	115,547	44,989	181,646
Total Licenses and Permits	84,058	84,058	129,845	45,787	196,966
Intergovernmental					
Local government aid	1,170,059	1,170,059	1,169,485	(574)	1,080,311
Fire relief aid	40,000	40,000	47,328	7,328	44,533
Police aid	70,000	70,000	85,059	15,059	67,933
Highway aid	72,640	72,640	80,081	7,441	73,377
CARES Act funding			490,013	490,013	
State disaster assistance			143,664	143,664	
Other aid	15,369	15,369	25,724	10,355	31,526
Total State Aid	1,368,068	1,368,068	2,041,354	673,286	1,297,680
School					
Other School aid	58,000	58,000	63,297	5,297	59,387
Total School	58,000	58,000	63,297	5,297	59,387
Total Intergovernmental	1,426,068	1,426,068	2,104,651	678,583	1,357,067
Charges for Service					
General government	44,600	44,600	71,754	27,154	68,962
Public safety	51,670	51,670	67,896	16,226	66,802
Culture and recreation	250,600	250,600	162,343	(88,257)	255,507
Total Charges for Service	346,870	346,870	301,993	(44,877)	391,271
Fines and Forfeits	19,000	19,000	17,707	(1,293)	27,204
Investment Earnings	10,200	10,200	51,566	41,366	76,821
Miscellaneous					
Rents and leases	5,700	5,700	10,768	5,068	7,069
Refunds and reimbursements	8,500	8,500	25,201	16,701	46,035
Contributions and donations	8,000	8,000	17,489	9,489	25,967
Total Miscellaneous	22,200	22,200	53,458	31,258	79,071
TOTAL REVENUES	4,073,649	4,073,649	4,857,508	783,859	4,080,696

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Personal services	49,417	49,417	45,403	4,014	47,519
Legal fees	11,000	11,000	19,032	(8,032)	8,371
Other services and charges	22,600	22,600	40,119	(17,519)	70,660
Total Mayor and Council	83,017	83,017	104,554	(21,537)	126,550
Ordinances and Proceedings					
Other services and charges	3,500	3,500	5,882	(2,382)	1,142
City Administration					
Personal services	169,373	169,373	168,282	1,091	142,816
Supplies	9,720	9,720	4,732	4,988	5,803
Other services and charges	33,900	33,900	37,600	(3,700)	32,571
Total City Administration	212,993	212,993	210,614	2,379	181,190
Elections and Voter Registration					
Personal services	14,843	14,843	14,544	299	4,814
Other services and charges	900	900	934	(34)	
Total Elections and Voter Registration	15,743	15,743	15,478	265	4,814
Assessor					
Other services and charges	32,700	32,700	31,373	1,327	30,809
Accounting					
Other services and charges	6,500	6,500	6,644	(144)	5,375
Legal					
Other services and charges	35,000	35,000	35,281	(281)	48,656
Planning and Zoning					
Personal services	44,127	44,127	8,621	35,506	5,075
Supplies	500	500	1,069	(569)	479
Other services and charges	26,750	26,750	45,517	(18,767)	58,009
Total Planning and Zoning	71,377	71,377	55,207	16,170	63,563

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)	2019 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Data Processing					
Other services and charges	15,200	15,200	10,526	4,674	12,919
General Government Buildings					
Personal services	3,705	3,705	3,599	106	3,557
Supplies	1,100	1,100	144	956	188
Other services and charges	10,550	10,550	11,132	(582)	8,838
Total General Governmental Buildings	15,355	15,355	14,875	480	12,583
Total General Government	491,385	491,385	490,434	951	487,601
Public Safety					
Police					
Personal services	1,101,800	1,101,800	1,106,251	(4,451)	1,077,227
Supplies	46,500	46,500	38,924	7,576	43,592
Other services and charges	100,577	100,577	92,975	7,602	96,867
Total Police	1,248,877	1,248,877	1,238,150	10,727	1,217,686
Fire					
Personal services	78,159	78,159	84,240	(6,081)	74,865
Supplies	59,400	59,400	44,182	15,218	65,932
Other services and charges	100,741	100,741	106,038	(5,297)	114,540
Total Fire	238,300	238,300	234,460	3,840	255,337
Building inspection					
Other services and charges	48,200	48,200	80,934	(32,734)	82,655

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

For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Animal Control					
Other services and charges	2,175	2,175		2,175	
Total Animal Control	2,175	2,175		2,175	
Total Public Safety	1,537,552	1,537,552	1,553,544	(15,992)	1,555,678
Public Works					
Street and Alleys					
Personal services	207,486	207,486	163,978	43,508	166,099
Supplies	49,300	49,300	49,511	(211)	41,329
Other services and charges	234,428	234,428	191,867	42,561	225,413
Total Streets and Alleys	491,214	491,214	405,356	85,858	432,841
Engineer					
Other services and charges	20,000	20,000	40,046	(20,046)	39,978
Snow and Ice Removal					
Personal services	18,670	18,670	11,868	6,802	36,301
Supplies	29,500	29,500	18,753	10,747	42,130
Other services and charges	16,050	16,050	4,444	11,606	19,088
Total Snow and Ice Removal	64,220	64,220	35,065	29,155	97,519
Street Lighting					
Other services and charges	70,000	70,000	67,406	2,594	66,390
Sidewalks					
Other services and charges	50,000	50,000	16,070	33,930	51,350
Sanitation					
Waste collection and disposal					
Other services and charges	11,500	11,500	12,077	(577)	10,375
Total Public Works	706,934	706,934	576,020	130,914	698,453

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2020

With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Emergency Services/Health					
Supplies	2,000	2,000	830	1,170	734
Other services and charges	15,460	15,460	316,175	(300,715)	218,856
Total Emergency Services/Health	17,460	17,460	317,005	(299,545)	219,590
Culture and Recreation					
Parks and Recreation					
Personal services	1,000	1,000	1,302	(302)	
Supplies	500	500	382	118	979
Other services and charges	8,680	8,680	5,353	3,327	6,211
Total Parks and Recreation	10,180	10,180	7,037	3,143	7,190
Playgrounds					
Supplies	3,000	3,000		3,000	758
Swimming Pool					
Personal services	175,393	175,393	157,764	17,629	183,134
Supplies	85,000	85,000	35,894	49,106	49,016
Other services and charges	80,500	80,500	68,902	11,598	69,974
Total Swimming Pool	340,893	340,893	262,560	78,333	302,124
Municipal Parks					
Personal services	331,267	331,267	299,481	31,786	282,476
Supplies	27,500	27,500	13,545	13,955	19,829
Other services and charges	37,050	37,050	30,841	6,209	29,199
Total Municipal Parks	395,817	395,817	343,867	51,950	331,504
Water Tower					
Other services and charges	2,000	2,000	778	1,222	757
Dodge County Arena					
Other services and charges	29,081	29,081	37,676	(8,595)	28,545
Other Recreational Facilities					
Personal services	3,230	3,230		3,230	566
Supplies	17,350	17,350	8,068	9,282	12,201
Other services and charges	43,950	43,950	28,636	15,314	42,836
Total Recreational Facilities	64,530	64,530	36,704	27,826	55,603
Forestry and Nursery					
Supplies	1,350	1,350	341	1,009	1,015
Other services and charges	23,125	23,125	7,802	15,323	6,101
Total Forestry and Nursery	24,475	24,475	8,143	16,332	7,116
Total Culture and Recreation	869,976	869,976	696,765	173,211	733,597

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

For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)	2019 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Miscellaneous					
Other services and charges	33,120	33,120	36,296	(3,176)	25,978
Total Current Expenditures	<u>3,656,427</u>	<u>3,656,427</u>	<u>3,670,064</u>	<u>(13,637)</u>	<u>3,720,897</u>
Capital Outlay					
General government	32,500	32,500		32,500	13,089
Public safety	159,614	159,614	113,589	46,025	185,002
Public works	127,606	127,606	41,253	86,353	
Culture and recreation	77,665	77,665	52,466	25,199	83,786
Total Capital Outlay	<u>397,385</u>	<u>397,385</u>	<u>207,308</u>	<u>190,077</u>	<u>281,877</u>
Debt Service/Capital Leases					
Principal			27,206	(27,206)	23,449
Interest and fiscal charges	8,803	8,803	14,296	(5,493)	3,964
Total Debt Service/Capital Leases	<u>8,803</u>	<u>8,803</u>	<u>41,502</u>	<u>(32,699)</u>	<u>27,413</u>
TOTAL EXPENDITURES	<u>4,062,615</u>	<u>4,062,615</u>	<u>3,918,874</u>	<u>143,741</u>	<u>4,030,187</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>11,034</u>	<u>11,034</u>	<u>938,634</u>	<u>927,600</u>	<u>50,509</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets			18,825	18,825	13,475
Proceeds from issuance of leases			114,527	114,527	147,227
Transfers in	86,000	86,000	86,000		107,058
Transfers out	(89,000)	(89,000)	(424,435)	(335,435)	(89,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(205,083)</u>	<u>(202,083)</u>	<u>178,760</u>
NET CHANGE IN FUND BALANCES	8,034	8,034	733,551	725,517	229,269
FUND BALANCES, beginning	<u>2,197,708</u>	<u>2,197,708</u>	<u>2,197,708</u>		<u>1,968,439</u>
FUND BALANCES, ending	<u>\$ 2,205,742</u>	<u>\$ 2,205,742</u>	<u>\$ 2,931,259</u>	<u>\$ 725,517</u>	<u>\$ 2,197,708</u>

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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, 2020, and the related notes to the financial statements, which collectively comprise the City of Kasson, Minnesota's basic financial statements, and have issued our report thereon dated April 2, 2021.

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 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

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 Findings

The City of Kasson, Minnesota's response to the finding identified in our audit is described in the accompanying schedule of 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 it.

Purpose of this Report

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

Smith, Schafn and Associates, Ltd.

Rochester, Minnesota
April 2, 2021

**CITY OF KASSON, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2020**

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

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

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

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

Effect: No effect on the financial statements.

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

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

CURRENT STATUS:

The finding recurred in 2020.

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TREE
CITY
USA

CITY OF
KASSON

401 FIFTH STREET SE
KASSON, MINNESOTA 55944-2204
PHONE: (507) 634-7071
FAX: (507) 634-4737

CORRECTIVE ACTION PLAN (CAP):

The City respectfully submits the following corrective action plan for the year ended December 31, 2020.

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

RESPONSE: FINDING 2014-001

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

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

Planned Completion Date for CAP:

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

Plan to Monitor Completion of CAP:

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



AN EQUAL OPPORTUNITY EMPLOYER