

CITY OF KASSON, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2021

CITY OF KASSON, MINNESOTA

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
List of Elected and Appointed Officials	i
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of Net Position in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	22
Statement of Net Position - Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	27
Fiduciary Funds	
Statement of Net Position - Fiduciary Funds	31
Statement of Changes in Fiduciary Net Position	31
Notes to the Financial Statements	32
Required Supplementary Information	
Schedules of City Pension Contributions	
General Employees Retirement Fund	78
Public Employees Police and Fire Fund Pension Plan	78
Schedules of City and Non-Employer Proportionate Share of Net Pension Liability	
General Employees Retirement Fund	79
Public Employees Police and Fire Fund Pension Plan	79
Schedule of Changes in Total OPEB Liability	80

CITY OF KASSON, MINNESOTA

TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
FINANCIAL SECTION (CONTINUED)	
Combining and Individual Nonmajor Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	83
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Library Fund	85
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - EDA Fund	86
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Dodge County Ice Arena Fund	87
Combining Balance Sheet - Debt Service Funds	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Debt Service Funds	90
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	92
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 <i>Government Auditing Standards</i>	98
Schedule of Prior Year Findings and Responses	100

CITY OF KASSON, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2021

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CITY OF KASSON, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2021

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

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CITY OF KASSON, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kasson, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kasson, Minnesota, as of December 31, 2021, and the respective changes in financial position, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Kasson, Minnesota's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kasson, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund 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 supplementary 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.

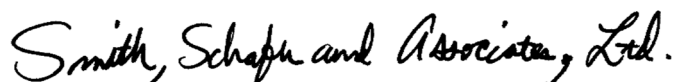
Report on Summarized Comparative Information

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, 2020, from which such partial information was derived.

We have previously audited the City's 2020 financial statements and our report dated April 2, 2021, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, 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.



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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, 2021.

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 \$52,125,132 (*net position*). Of this amount, \$14,652,466 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's designations and fiscal policies.
- The City's total net position increased by \$5,494,015.
- As of the close of the current fiscal year, the City of Kasson, Minnesota's governmental funds reported combined ending fund balances of \$6,676,584. Approximately \$4,594,806 of this total amount or 69% is available for use within the City's designations and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,968,857 or 67% 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 twenty-one 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, Highway 57 and the debt service fund, which are considered to be major funds. Data from the other eighteen 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 92-97) and certain special revenue funds (pages 85-87) 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 88-91 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 \$52,125,132 at the close of the most recent fiscal year.

The largest portion of the City of Kasson, Minnesota's net position (\$34,369,958) 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			
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 9,269,834	\$ 7,642,714	\$ 13,684,298	\$ 11,550,521	\$ 22,954,132	\$ 19,193,235
Capital assets	19,944,988	19,285,530	27,418,370	27,504,809	47,363,358	46,790,339
Total assets	<u>29,214,822</u>	<u>26,928,244</u>	<u>41,102,668</u>	<u>39,055,330</u>	<u>70,317,490</u>	<u>65,983,574</u>
Deferred outflows of resources	1,110,779	530,959	486,266	74,273	1,597,045	605,232
Long-term liabilities outstanding	7,750,346	9,085,707	7,171,076	8,679,557	14,921,422	17,765,264
Other liabilities	1,366,444	319,533	666,241	586,901	2,032,685	906,434
Total liabilities	<u>9,116,790</u>	<u>9,405,240</u>	<u>7,837,317</u>	<u>9,266,458</u>	<u>16,954,107</u>	<u>18,671,698</u>
Deferred inflows of resources	1,608,919	621,010	1,226,377	664,981	2,835,296	1,285,991
Net position:						
Net investment in capital assets	13,253,561	11,949,550	21,116,397	20,096,161	34,369,958	32,045,711
Restricted	2,737,647	2,809,589	365,061	633,236	3,102,708	3,442,825
Unrestricted	3,608,684	2,673,814	11,043,782	8,468,767	14,652,466	11,142,581
Total net position	<u>\$ 19,599,892</u>	<u>\$ 17,432,953</u>	<u>\$ 32,525,240</u>	<u>\$ 29,198,164</u>	<u>\$ 52,125,132</u>	<u>\$ 46,631,117</u>

The balance of *unrestricted net position* (\$14,652,466) 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 \$2,166,939.

Business-type activities. Business-type activities increased the City of Kasson, Minnesota's net position by \$3,327,076.

A condensed version of the Statement of Activities follows:

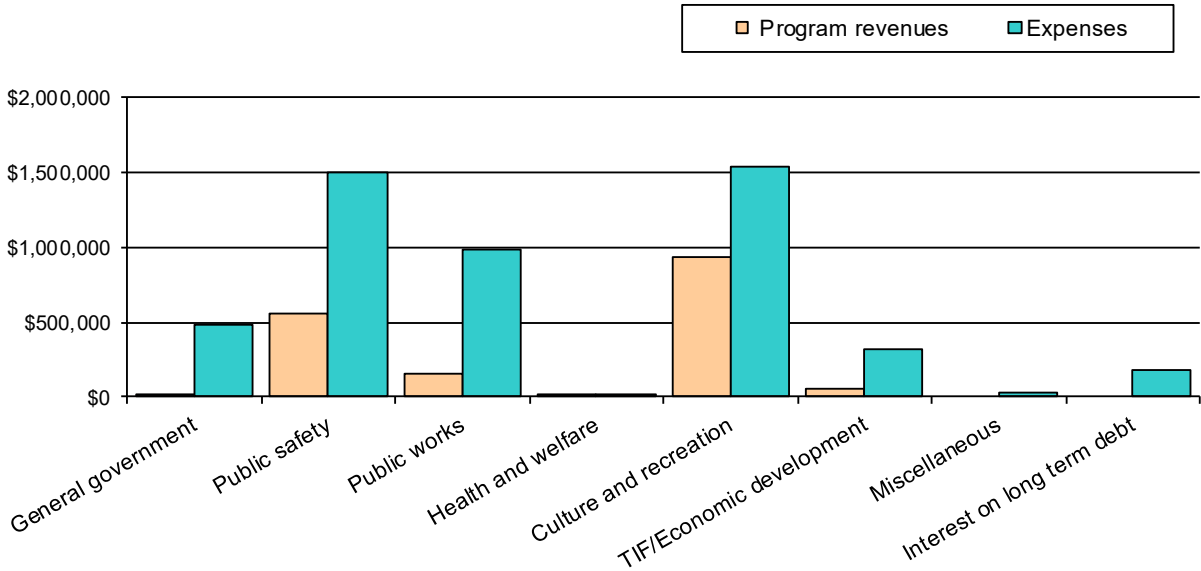
City of Kasson, Minnesota Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenue:						
Program revenues:						
Charges for services	\$ 984,949	\$ 658,316	\$ 9,131,211	\$ 8,305,379	\$ 10,116,160	\$ 8,963,695
Operating grants and contributions	369,574	387,556			369,574	387,556
Capital grants and contributions	371,756	1,139,659	809,831	4,024	1,181,587	1,143,683
General revenues:						
Property taxes/tax increments	3,747,845	3,531,723			3,747,845	3,531,723
Franchise fees	136,094	62,115			136,094	62,115
Grants and contributions not restricted to specific programs:						
Local government aid	1,211,160	1,169,485			1,211,160	1,169,485
Other		637,546				637,546
Miscellaneous	136,305	166,102	9,243	198,866	145,548	364,968
Total revenues	<u>6,957,683</u>	<u>7,752,502</u>	<u>9,950,285</u>	<u>8,508,269</u>	<u>16,907,968</u>	<u>16,260,771</u>
Expenses:						
General government	479,631	500,545			479,631	500,545
Public safety	1,502,066	1,578,344			1,502,066	1,578,344
Public works	979,249	1,556,457			979,249	1,556,457
Health and welfare	17,481	129,128			17,481	129,128
Culture and recreation	1,541,662	1,548,816			1,541,662	1,548,816
Economic development	323,225	160,077			323,225	160,077
Miscellaneous	30,611	36,296			30,611	36,296
Interest on long-term debt	180,819	276,604			180,819	276,604
Water			804,276	695,112	804,276	695,112
Wastewater			1,613,509	1,771,693	1,613,509	1,771,693
Electric			3,079,948	3,056,547	3,079,948	3,056,547
Stormwater			579,772	244,556	579,772	244,556
Liquor			238,537	251,752	238,537	251,752
Cemetery			43,167	47,159	43,167	47,159
Total expenses	<u>5,054,744</u>	<u>5,786,267</u>	<u>6,359,209</u>	<u>6,066,819</u>	<u>11,413,953</u>	<u>11,853,086</u>
Change in net position before transfers	1,902,939	1,966,235	3,591,076	2,441,450	5,494,015	4,407,685
Transfers	264,000	446,000	(264,000)	(446,000)		
Change in net position	<u>2,166,939</u>	<u>2,412,235</u>	<u>3,327,076</u>	<u>1,995,450</u>	<u>5,494,015</u>	<u>4,407,685</u>
Net position, beginning	17,432,953	15,020,718	29,198,164	27,202,714	46,631,117	42,223,432
Net position, ending	<u>\$ 19,599,892</u>	<u>\$ 17,432,953</u>	<u>\$ 32,525,240</u>	<u>\$ 29,198,164</u>	<u>\$ 52,125,132</u>	<u>\$ 46,631,117</u>

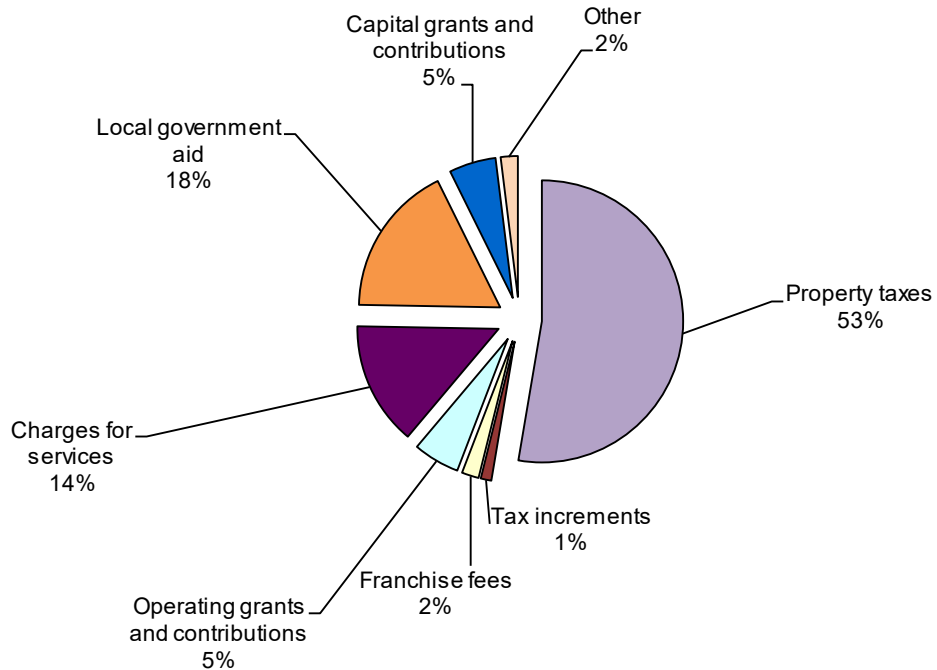
CITY OF KASSON, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



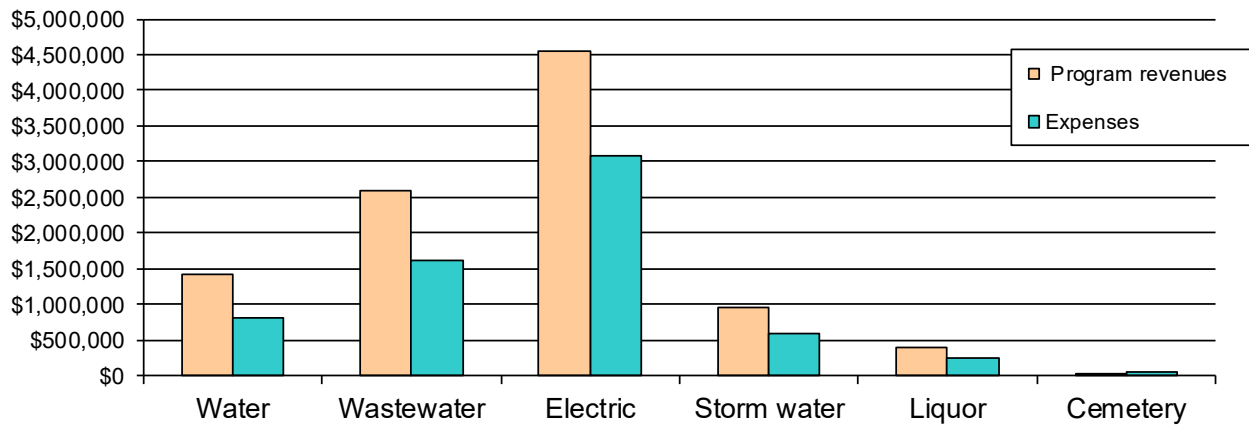
Revenues by Source - Governmental Activities



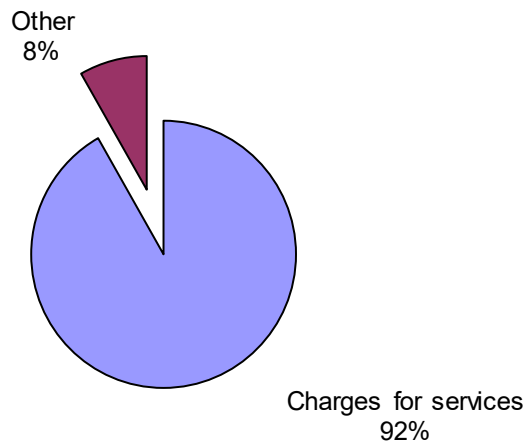
**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$6,676,584, an increase of \$720,487. Approximately \$4,594,806 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 \$2,968,857. 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 67% 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 \$60,216 during the current fiscal year.

The *Debt Service fund* has a total fund balance of \$1,582,539, 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 \$43,902.

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

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

The unrestricted net position in the respective proprietary funds are Water - \$1,231,171, Wastewater - \$2,210,056, Electric - \$6,052,421, Stormwater - \$626,580, Municipal Liquor Store - \$863,992, and Maple Grove Cemetery - \$59,562. The City adjusted rates for 2021 to cover any rise in costs.

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

General Fund Budgetary Highlights

Revenues exceeded expectations by \$773,363, and expenditures had a negative variance of \$247,545.

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, 2021, amounts to \$47,363,358 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, furniture and fixtures, wastewater treatment facility, park facilities, and roads. The total increase in the City of Kasson, Minnesota's reported capital assets, net of depreciation, for the current fiscal year was \$573,019.

City of Kasson, Minnesota Capital Assets

(net of depreciation)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Land	\$ 906,086	\$ 672,921	\$ 452,151	\$ 452,151	\$ 1,358,237	\$ 1,125,072
Construction in process	1,014,693	660,402	52,500		1,067,193	660,402
Buildings and improvements	5,271,653	5,462,381	6,275,841	6,582,651	11,547,494	12,045,032
Improvements other than buildings	665,116	569,743	6,920,528	7,225,223	7,585,644	7,794,966
Machinery and equipment	195,155	172,612	374,354	380,095	569,509	552,707
Office equipment and furnishings	126,103	148,279	2,207	3,090	128,310	151,369
Vehicles	1,384,014	913,616	109,144	106,213	1,493,158	1,019,829
Infrastructure	10,382,168	10,685,576	13,231,645	12,755,386	23,613,813	23,440,962
Total	<u>\$ 19,944,988</u>	<u>\$ 19,285,530</u>	<u>\$ 27,418,370</u>	<u>\$ 27,504,809</u>	<u>\$ 47,363,358</u>	<u>\$ 46,790,339</u>

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

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

Capital Asset and Debt Administration (Continued)

Long-term debt. At the end of the current fiscal year, the City of Kasson, Minnesota had \$12,956,959 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	
	2021	2020	2021	2020	2021	2020
GO Bonds	\$ 2,866,112	\$ 3,321,771	\$	\$	\$ 2,866,112	\$ 3,321,771
GO Improvement Bonds	3,523,700	3,842,005	3,226,126	3,742,162	6,749,826	7,584,167
GO Revenue Bonds			2,932,000	3,636,000	2,932,000	3,636,000
Capital Leases Payable	289,443	235,689	119,578	111,802	409,021	347,491
Total	<u>\$ 6,679,255</u>	<u>\$ 7,399,465</u>	<u>\$ 6,277,704</u>	<u>\$ 7,489,964</u>	<u>\$ 12,956,959</u>	<u>\$ 14,889,429</u>

The City of Kasson, Minnesota's total bonds and notes payable decreased by \$1,932,470 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3F, beginning on page 54.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Dodge County is currently 3.9 percent.
- Property valuations within the City reflect national trends.
- Inflationary trends in the region compare favorably to national indices.
- There was a 6.39% property tax increase in 2021, and there will be an 6.58% increase in 2022.
- Utility rates were increased for 2021.

All of these factors were considered in preparing the City's budget for the 2022 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, 2021

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CITY OF KASSON, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2021

With Comparative Totals for December 31, 2020

	Governmental	Business-Type	Totals	
	Activities	Activities	2021	2020
ASSETS				
Cash and investments	\$ 7,498,146	\$ 10,974,002	\$ 18,472,148	\$ 14,389,121
Restricted cash		531,735	531,735	795,748
Receivables	1,695,457	1,655,970	3,351,427	3,404,565
Inventories	228	390,423	390,651	368,589
Prepaid items	25,211	19,228	44,439	50,235
Intangibles - service area		112,940	112,940	119,670
Net pension asset	50,792		50,792	65,307
Capital assets:				
Nondepreciable	1,920,779	504,651	2,425,430	1,785,474
Depreciable, net	18,024,209	26,913,719	44,937,928	45,004,865
Total Assets	<u>29,214,822</u>	<u>41,102,668</u>	<u>70,317,490</u>	<u>65,983,574</u>
Deferred Outflows of Resources				
Deferred outflows from pension activity	1,106,494	479,636	1,586,130	597,041
Deferred outflows from OPEB activity	4,285	6,630	10,915	8,191
Total Deferred Outflows or Resources	<u>1,110,779</u>	<u>486,266</u>	<u>1,597,045</u>	<u>605,232</u>
LIABILITIES				
Accounts payable	357,878	317,238	675,116	325,563
Deposits payable	366,864		366,864	
Contracts payable	26,802		26,802	
Due to other governments	15,125	48,643	63,768	70,368
Accrued interest payable	63,953	47,393	111,346	133,281
Accrued liabilities	93,498	44,236	137,734	103,979
Deposits payable		54,767	54,767	55,743
Unearned revenue	355,009	18,750	373,759	18,825
Noncurrent liabilities:				
Due within one year	969,081	756,046	1,725,127	2,248,986
Due in more than one year	5,909,802	5,704,199	11,614,001	13,025,980
Other post-employment benefit liability	87,315	135,214	222,529	198,675
Net pension liability	871,463	710,831	1,582,294	2,490,298
Total Liabilities	<u>9,116,790</u>	<u>7,837,317</u>	<u>16,954,107</u>	<u>18,671,698</u>
Deferred Inflows of Resources				
Deferred revenue		514,058	514,058	543,259
Deferred inflows from pension activity	1,582,621	671,588	2,254,209	664,128
Deferred inflows from OPEB activity	26,298	40,731	67,029	78,604
Total Deferred Inflows or Resources	<u>1,608,919</u>	<u>1,226,377</u>	<u>2,835,296</u>	<u>1,285,991</u>
NET POSITION				
Net investment in capital assets	13,253,561	21,116,397	34,369,958	32,045,711
Restricted for:				
Economic development	473,800		473,800	412,484
Debt service	2,263,847	365,061	2,628,908	3,030,341
Unrestricted	3,608,684	11,043,782	14,652,466	11,142,581
Total Net Position	<u>\$ 19,599,892</u>	<u>\$ 32,525,240</u>	<u>\$ 52,125,132</u>	<u>\$ 46,631,117</u>

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021
With Comparative Totals for the Fiscal Year Ending December 31, 2020

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 479,631	\$ 23,198	\$	\$
Public safety	1,502,066	313,247	222,149	27,921
Public works	979,249			150,928
Health and welfare	17,481		2,500	
Culture and recreation	1,541,662	648,504	91,807	192,645
TIF/Economic development	323,225		53,118	262
Miscellaneous	30,611			
Interest on long-term debt	180,819			
Total governmental activities	<u>5,054,744</u>	<u>984,949</u>	<u>369,574</u>	<u>371,756</u>
Business-Type activities:				
Water	804,276	1,152,407		274,188
Wastewater	1,613,509	2,422,809		176,308
Electric	3,079,948	4,552,470		1,335
Storm water	579,772	594,429		358,000
Liquor	238,537	385,146		
Cemetery	43,167	23,950		
Total business-type activities	<u>6,359,209</u>	<u>9,131,211</u>		<u>809,831</u>
Total	<u>\$ 11,413,953</u>	<u>\$ 10,116,160</u>	<u>\$ 369,574</u>	<u>\$ 1,181,587</u>

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

Change in net position

Net position, beginning

Net position, ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2021	2020
\$ (456,433)	\$	\$ (456,433)	\$ (445,338)
(938,749)		(938,749)	(1,079,502)
(828,321)		(828,321)	(451,871)
(14,981)		(14,981)	(129,128)
(608,706)		(608,706)	(1,022,448)
(269,845)		(269,845)	(159,549)
(30,611)		(30,611)	(36,296)
(180,819)		(180,819)	(276,604)
<u>(3,328,465)</u>		<u>(3,328,465)</u>	<u>(3,600,736)</u>
	622,319	622,319	239,826
	985,608	985,608	347,132
	1,473,857	1,473,857	1,320,097
	372,657	372,657	217,635
	146,609	146,609	154,362
	<u>(19,217)</u>	<u>(19,217)</u>	<u>(36,468)</u>
	<u>3,581,833</u>	<u>3,581,833</u>	<u>2,242,584</u>
<u>(3,328,465)</u>	<u>3,581,833</u>	<u>253,368</u>	<u>(1,358,152)</u>
2,909,780		2,909,780	2,627,670
753,540		753,540	745,987
84,525		84,525	158,066
136,094		136,094	62,115
1,211,160		1,211,160	1,169,485
(7,865)	(2,407)	(10,272)	637,546
60,949		60,949	298,741
83,221	11,650	94,871	36,502
264,000	(264,000)		29,725
<u>5,495,404</u>	<u>(254,757)</u>	<u>5,240,647</u>	<u>5,765,837</u>
2,166,939	3,327,076	5,494,015	4,407,685
<u>17,432,953</u>	<u>29,198,164</u>	<u>46,631,117</u>	<u>42,223,432</u>
<u>\$ 19,599,892</u>	<u>\$ 32,525,240</u>	<u>\$ 52,125,132</u>	<u>\$ 46,631,117</u>

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CITY OF KASSON, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2021

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CITY OF KASSON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021
With Comparative Totals for December 31, 2020

	101	424	Debt	Other	Totals	
	General	Highway 57	Service	Governmental Funds	2021	2020
ASSETS						
Cash and investments	\$ 3,478,237	\$	\$ 1,575,307	\$ 2,444,602	\$ 7,498,146	\$ 5,751,584
Accounts receivable	107,094			42,895	149,989	105,686
Interest receivable	6,258		696	2,540	9,494	7,025
Notes receivable				73,521	73,521	174,105
Due from other governmental units	128,635		6,536		135,171	53,772
Taxes receivable delinquent	33,853				33,853	42,265
Special assessments receivable			745,261	548,168	1,293,429	1,412,028
Inventories				228	228	416
Prepaid items	22,618			2,593	25,211	30,526
Due from other funds	180,000			918,369	1,098,369	935,209
Advances to other funds						77,555
TOTAL ASSETS	\$ 3,956,695	\$	\$ 2,327,800	\$ 4,032,916	\$ 10,317,411	\$ 8,590,171
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 102,907	\$ 100,000	\$	\$ 155,404	\$ 358,311	\$ 99,743
Deposits payable	366,864				366,864	
Contracts payable	26,802				26,802	
Due to other governments	18			14,674	14,692	1,379
Accrued salaries payable	49,767			13,731	63,498	65,820
Other accrued expenses	30,000				30,000	
Due to other funds		644,984		453,385	1,098,369	935,209
Advances from other funds						77,555
Unearned revenue	355,009				355,009	75
Total Liabilities	931,367	744,984		637,194	2,313,545	1,179,781
Deferred Inflows of Resources						
Unavailable revenue:						
Property taxes	33,853				33,853	42,265
Special assessments			745,261	548,168	1,293,429	1,412,028
Total Deferred Inflows of Resources	33,853		745,261	548,168	1,327,282	1,454,293
Fund Balance						
Nonspendable:						
Prepaid items and inventories	22,618			2,821	25,439	30,942
Advances to other funds						77,555
Restricted:						
Regulations				473,800	473,800	406,629
Debt service			1,582,539		1,582,539	1,626,441
Committed:						
Economic development				158,433	158,433	149,898
Library operations				300,200	300,200	264,106
Assigned:						
Capital improvements				2,398,995	2,398,995	1,517,294
Unassigned	2,968,857	(744,984)		(486,695)	1,737,178	1,883,232
Total Fund Balance	2,991,475	(744,984)	1,582,539	2,847,554	6,676,584	5,956,097
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 3,956,695	\$	\$ 2,327,800	\$ 4,032,916	\$ 10,317,411	\$ 8,590,171

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, 2021**

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

Total governmental fund balances (page 18)		\$ 6,676,584
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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	\$ 36,015,495	
Less: Accumulated depreciation	<u>(16,070,507)</u>	
		19,944,988

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

Delinquent property taxes	\$ 33,853	
Special assessments	<u>1,293,429</u>	
		1,327,282

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	\$ (6,679,255)	
Net pension liability	(1,347,590)	
Net pension asset	50,792	
Compensated absences	(187,456)	
Other postemployment benefits	(109,328)	
Bond premiums net of amortization	(12,172)	
Accrued interest	<u>(63,953)</u>	
		<u>(8,348,962)</u>

Net position of governmental activities (page 15)		<u>\$ 19,599,892</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, 2021
With Comparative Totals for the Year Ended December 31, 2020

	101	424	Debt	Other	Totals	
	General	Highway 57	Service	Governmental Funds	2021	2020
REVENUES						
Property taxes	\$ 2,390,281	\$	\$ 748,329	\$ 473,393	\$ 3,612,003	\$ 3,409,505
Tax increments				144,208	144,208	131,579
Franchise fees	136,094				136,094	62,115
Special assessments	467		150,265	36,040	186,772	262,224
Licenses and permits	159,590				159,590	129,845
Intergovernmental	1,622,388			134,717	1,757,105	3,262,332
Charges for services	503,761			295,936	799,697	507,509
Fines and forfeits	21,348			1,128	22,476	19,116
Investment income (loss)	(3,904)		(1,430)	(2,531)	(7,865)	110,775
Miscellaneous revenues	173,267			14,751	188,018	58,086
TOTAL REVENUES	5,003,292		897,164	1,097,642	6,998,098	7,953,086
EXPENDITURES						
Current:						
General government	492,655				492,655	490,434
Public safety	1,596,406				1,596,406	1,553,544
Public works	647,314				647,314	576,020
Health and welfare	17,481				17,481	317,005
Culture and recreation	593,271			773,345	1,366,616	1,332,787
TIF/economic development				262,725	262,725	152,051
Miscellaneous	30,611				30,611	36,296
Capital Outlay	988,915	197,600		110,628	1,297,143	1,261,413
Debt Service	80,754		941,066		1,021,820	1,136,683
TOTAL EXPENDITURES	4,447,407	197,600	941,066	1,146,698	6,732,771	6,856,233
Excess (deficiency) of revenues over (under) expenditures	555,885	(197,600)	(43,902)	(49,056)	265,327	1,096,853
OTHER FINANCING SOURCES (USES)						
Sale of assets	83,221				83,221	18,825
Proceeds from issuance of leases	107,939				107,939	114,527
Proceeds from issuance of bonds						2,291,000
Bond refunding payments						(3,085,000)
Transfers in	278,665			965,494	1,244,159	890,435
Transfers out	(965,494)			(14,665)	(980,159)	(444,435)
TOTAL OTHER FINANCING SOURCES (USES)	(495,669)			950,829	455,160	(214,648)
Net change in fund balances	60,216	(197,600)	(43,902)	901,773	720,487	882,205
FUND BALANCE - BEGINNING	2,931,259	(547,384)	1,626,441	1,945,781	5,956,097	5,073,892
FUND BALANCE - ENDING	\$ 2,991,475	\$ (744,984)	\$ 1,582,539	\$ 2,847,554	\$ 6,676,584	\$ 5,956,097

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, 2021

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

Net change in fund balances - total governmental funds (page 20)		\$ 720,487
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay capitalized	\$ 2,087,289	
Depreciation expense	<u>(1,422,453)</u>	
		664,836
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
		(5,378)
<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, 2021	\$ 1,327,282	
Unavailable revenue, December 31, 2020	<u>(1,454,293)</u>	
		(127,011)
<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	\$ 828,149	
Issuance of capital lease payable	(107,939)	
Amortization of bond premiums, net	2,294	
Change in accrued interest	<u>10,612</u>	
		733,116
<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	\$ (3,751)	
Change in compensated absences	(7,759)	
Change in net pension liability activity	206,914	
Change in net pension asset activity	<u>(14,515)</u>	
		180,889
Change in net position of governmental activities (pages 16-17)		<u>\$ 2,166,939</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, 2021

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,389,150	\$ 2,389,150	\$ 2,390,281	\$ 1,131
Franchise fees	65,000	65,000	136,094	71,094
Special assessments			467	467
Licenses and permits	85,200	85,200	159,590	74,390
Intergovernmental	1,295,109	1,295,109	1,622,388	327,279
Charges for services	351,870	351,870	503,761	151,891
Fines and forfeits	18,000	18,000	21,348	3,348
Investment income (loss)	10,100	10,100	(3,904)	(14,004)
Miscellaneous	15,500	15,500	173,267	157,767
TOTAL REVENUES	4,229,929	4,229,929	5,003,292	773,363
EXPENDITURES				
Current:				
General government	479,986	479,986	492,655	(12,669)
Public safety	1,598,499	1,598,499	1,596,406	2,093
Public works	728,977	728,977	647,314	81,663
Emergency services/health	14,350	14,350	17,481	(3,131)
Culture and recreation	869,762	869,762	593,271	276,491
Miscellaneous	103,130	103,130	30,611	72,519
Capital outlay:				
General government	32,500	32,500	27,980	4,520
Public safety	140,430	140,430	207,930	(67,500)
Public works	132,805	132,805	296,100	(163,295)
Culture and recreation	90,917	90,917	456,905	(365,988)
Debt Service	8,506	8,506	80,754	(72,248)
TOTAL EXPENDITURES	4,199,862	4,199,862	4,447,407	(247,545)
EXCESS OF REVENUES OVER EXPENDITURES	30,067	30,067	555,885	525,818
OTHER FINANCING SOURCES (USES)				
Sale of assets			83,221	83,221
Proceeds from issuance of leases			107,939	107,939
Transfers in	81,000	81,000	278,665	197,665
Transfers out	(89,000)	(89,000)	(965,494)	(876,494)
TOTAL FINANCING SOURCES (USES)	(8,000)	(8,000)	(495,669)	(487,669)
NET CHANGE IN FUND BALANCES	22,067	22,067	60,216	38,149
FUND BALANCES, beginning	2,931,259	2,931,259	2,931,259	
FUND BALANCES, ending	\$ 2,953,326	\$ 2,953,326	\$ 2,991,475	\$ 38,149

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2021 and 2020

	Business-Type Activities - Enterprise Funds					
	601 Water		602 Wastewater Treatment		604 Electric	
	2021	2020	2021	2020	2021	2020
ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES						
Current Assets						
Cash and investments	\$ 1,320,146	\$ 957,268	\$ 2,334,160	\$ 1,617,135	\$ 5,756,240	\$ 4,648,050
Interest receivable	2,158	2,298	1,987	1,393	10,088	11,708
Accounts receivable	109,065	107,252	255,026	247,880	625,765	572,090
Special assessments receivable	19,261	20,447	34,411	21,549		
Inventories					288,078	264,529
Prepaid items	3,342	3,443	3,067	3,168	7,497	7,801
Total Current Assets	1,453,972	1,090,708	2,628,651	1,891,125	6,687,668	5,504,178
Noncurrent Assets						
Restricted cash and investments	171,450	241,217	193,611	392,019	46,053	44,494
Contribution aid receivable			514,058	543,259		
Intangibles - service area					112,940	119,670
Total Noncurrent Assets	171,450	241,217	707,669	935,278	158,993	164,164
Capital assets:						
Land	32,779	32,779	156,187	156,187	6,317	6,317
Construction in process	52,500					
Buildings	1,252,796	1,252,796	10,448,848	10,448,848	648,629	648,629
Improvements other than buildings	4,222,901	4,222,901	8,920,972	8,927,222	2,020,217	2,020,217
Machinery and equipment	142,119	142,119	729,558	741,814	670,938	592,371
Office equipment and furnishings	34,776	34,776	36,766	36,766	90,839	90,839
Vehicles	57,903	52,121	59,007	53,226	331,878	331,878
Infrastructure	6,157,262	5,884,262	4,141,588	3,966,588		
Less accumulated depreciation	(5,211,664)	(4,993,300)	(10,349,413)	(9,785,831)	(2,941,953)	(2,846,072)
Net capital assets	6,741,372	6,628,454	14,143,513	14,544,820	826,865	844,179
Deferred Outflows of Resources						
Deferred outflows from pension activity	70,160	10,743	129,613	21,454	189,584	23,767
Deferred outflows from OPEB activity	957	715	1,810	1,363	2,600	1,946
Total Deferred Outflows of Resources	71,117	11,458	131,423	22,817	192,184	25,713
TOTAL ASSETS AND DEFERRED	\$ 8,437,911	\$ 7,971,837	\$ 17,611,256	\$ 17,394,040	\$ 7,865,710	\$ 6,538,234
OUTFLOWS OF RESOURCES						
LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES, AND NET POSITION						
Current Liabilities						
Current maturities of bonds payable	\$ 173,239	\$ 246,902	\$ 297,335	\$ 810,813	\$ 48,015	\$ 45,897
Current maturities of leases payable	8,153	5,547	8,153	5,547	9,024	8,329
Accounts payable	15,123	8,914	31,671	29,924	221,652	183,563
Due to other governments	321	309	8,681	30,201	18,108	17,711
Deposits payable					54,767	55,743
Accrued interest payable	12,648	14,891	22,345	30,108	2,039	2,421
Compensated absences payable	15,655	16,466	28,628	30,897	36,725	34,122
Unearned revenue						
Accrued salaries payable	6,370	5,624	11,971	10,726	17,153	14,034
Total Current Liabilities	231,509	298,653	408,784	948,216	407,483	361,820
Noncurrent Liabilities						
Other postemployment benefits obligation	19,473	17,353	36,985	33,069	52,939	47,210
Compensated absences payable	16,405	15,689	25,769	23,480	19,772	28,164
Net pension liability	104,016	143,486	192,107	273,433	281,013	390,362
Capital leases payable, net of current maturities	30,955	25,508	30,955	25,508	32,338	41,363
Bonds payable, net of current maturities	1,060,360	1,235,197	3,457,896	3,757,162	103,629	153,236
Total Noncurrent Liabilities	1,231,209	1,437,233	3,743,712	4,112,652	489,691	660,335
Deferred Inflows of Resources						
Deferred revenue - contribution aid			514,058	543,259		
Deferred inflows from pension activity	98,070	10,396	180,678	19,644	266,358	29,272
Deferred inflows from OPEB activity	5,837	6,866	11,183	13,083	15,898	18,678
Total Deferred Inflows of Resources	103,907	17,262	705,919	575,986	282,256	47,950
NET POSITION						
Net investment in capital assets	5,468,665	5,115,300	10,349,174	9,945,790	633,859	595,354
Restricted for debt service	171,450	241,217	193,611	392,019		
Unrestricted	1,231,171	862,172	2,210,056	1,419,377	6,052,421	4,872,775
Total Net Position	6,871,286	6,218,689	12,752,841	11,757,186	6,686,280	5,468,129
TOTAL LIABILITIES, DEFERRED INFLOWS	\$ 8,437,911	\$ 7,971,837	\$ 17,611,256	\$ 17,394,040	\$ 7,865,710	\$ 6,538,234
OF RESOURCES, AND NET POSITION						

See Notes to the Financial Statements

Business-Type Activities - Enterprise Funds

605		609		610		Totals	
Stormwater		Municipal Liquor Store		Maple Grove Cemetery			
2021	2020	2021	2020	2021	2020	2021	2020
\$ 522,357	\$ 484,052	\$ 966,498	\$ 839,686	\$ 74,601	\$ 91,346	\$ 10,974,002	\$ 8,637,537
1,312	1,457	1,325	1,345	36	136	16,906	18,337
62,728	60,120					1,052,584	987,342
18,750	18,750					72,422	60,746
		102,345	103,644			390,423	368,173
2,656	2,775	2,517	2,379	149	143	19,228	19,709
607,803	567,154	1,072,685	947,054	74,786	91,625	12,525,565	10,091,844
120,621	118,018					531,735	795,748
						514,058	543,259
						112,940	119,670
120,621	118,018					1,158,733	1,458,677
74,968	74,968	49,500	49,500	132,400	132,400	452,151	452,151
						52,500	
		234,928	234,928	9,600	9,600	12,594,801	12,594,801
		7,273	7,273	32,579	32,579	15,203,942	15,210,192
124,793	124,793	10,324	10,324			1,677,732	1,611,421
2,609	2,609	64,402	64,402	10,298	10,298	239,690	239,690
						448,788	437,225
6,818,476	6,460,476					17,117,326	16,311,326
(1,530,424)	(1,396,258)	(309,318)	(306,857)	(25,788)	(23,679)	(20,368,560)	(19,351,997)
5,490,422	5,266,588	57,109	59,570	159,089	161,198	27,418,370	27,504,809
26,726	2,829	58,644	9,810	4,909	694	479,636	69,297
302	210	896	694	65	48	6,630	4,976
27,028	3,039	59,540	10,504	4,974	742	486,266	74,273
\$ 6,245,874	\$ 5,954,799	\$ 1,189,334	\$ 1,017,128	\$ 238,849	\$ 253,565	\$ 41,588,934	\$ 39,129,603
\$ 120,284	\$ 116,424	\$	\$	\$	\$	\$ 638,873	\$ 1,220,036
						25,330	19,423
4,369	449	43,854	2,939	569	31	317,238	225,820
		21,533	20,768			48,643	68,989
						54,767	55,743
10,361	11,296					47,393	58,716
5,453	4,592	4,080	1,601	1,302	1,358	91,843	89,036
18,750	18,750					18,750	18,750
2,459	2,069	5,848	5,330	435	376	44,236	38,159
161,676	153,580	75,315	30,638	2,306	1,765	1,287,073	1,794,672
5,899	5,090	18,602	16,834	1,316	1,168	135,214	120,724
2,468	2,506			2,015	2,013	66,429	71,852
39,686	42,089	86,733	139,190	7,276	9,659	710,831	998,219
						94,248	92,379
921,637	1,043,017					5,543,522	6,188,612
969,690	1,092,702	105,335	156,024	10,607	12,840	6,550,244	7,471,786
						514,058	543,259
37,806	3,187	81,781	10,721	6,895	739	671,588	73,959
1,621	2,014	5,802	6,660	390	462	40,731	47,763
39,427	5,201	87,583	17,381	7,285	1,201	1,226,377	664,981
4,448,501	4,107,147	57,109	59,570	159,089	161,198	21,116,397	19,984,359
						365,061	633,236
626,580	596,169	863,992	753,515	59,562	76,561	11,043,782	8,580,569
5,075,081	4,703,316	921,101	813,085	218,651	237,759	32,525,240	29,198,164
\$ 6,245,874	\$ 5,954,799	\$ 1,189,334	\$ 1,017,128	\$ 238,849	\$ 253,565	\$ 41,588,934	\$ 39,129,603

**CITY OF KASSON, MINNESOTA
 PROPRIETARY FUNDS
 Statement of Revenues, Expenses
 and Changes in Fund Net Position**

For the Years Ended December 31, 2021 and 2020

	Business-Type Activities - Enterprise Funds					
	601 Water		602 Wastewater Treatment		604 Electric	
	2021	2020	2021	2020	2021	2020
Operating Revenues						
Service fees and charges	\$ 937,218	\$ 851,580	\$ 2,160,133	\$ 2,037,941	\$ 4,535,256	\$ 4,360,366
Less cost of sales						
Total operating revenue	937,218	851,580	2,160,133	2,037,941	4,535,256	4,360,366
Operating Expenses						
Personnel services	214,402	232,176	389,018	445,582	554,451	593,506
Supplies	128,573	78,654	125,838	63,971	197,860	120,703
Insurance	4,905	5,527	12,060	13,337	7,307	7,094
Utilities	70,449	42,916	4,332	4,060	10,555	11,376
Purchased power					2,197,121	2,319,750
Other services and charges	125,328	72,899	448,960	566,005	265,713	275,024
Depreciation	229,852	228,321	593,574	590,464	95,880	87,484
Total Operating Expenses	773,509	660,493	1,573,782	1,683,419	3,328,887	3,414,937
Operating Income (Loss)	163,709	191,087	586,351	354,522	1,206,369	945,429
Nonoperating Revenues (Expenses)						
Special assessments	1,188	2,721	1,308	364	1,335	939
Investment income (loss)	24,453	18,333	4,222	26,830	(7,706)	112,703
Rents	14,413	12,909			9,409	9,519
Connection and access fees	200,776	67,728	262,676	80,520	7,805	5,820
Refunds and reimbursements	1,933	1,421	30,743	65	262,800	370,566
Gain on sale of assets	5,825	4,250	5,825			6,650
Interest expense and fiscal charges	(32,700)	(36,040)	(70,470)	(88,339)	(13,861)	(12,176)
Total Nonoperating Revenues (Expenses)	215,888	71,322	234,304	19,440	259,782	494,021
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	379,597	262,409	820,655	373,962	1,466,151	1,439,450
Capital contributions	273,000			175,000		
Transfers out					(248,000)	(430,000)
CHANGE IN NET POSITION	652,597	262,409	995,655	373,962	1,218,151	1,009,450
NET POSITION - BEGINNING OF YEAR	6,218,689	5,956,280	11,757,186	11,383,224	5,468,129	4,458,679
NET POSITION - END OF YEAR	\$ 6,871,286	\$ 6,218,689	\$ 12,752,841	\$ 11,757,186	\$ 6,686,280	\$ 5,468,129

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2021	2020	2021	2020	2021	2020	2021	2020
\$ 484,813	\$ 462,191	\$ 1,705,176	\$ 1,766,088	\$ 23,950	\$ 10,691	\$ 9,846,546	\$ 9,488,857
		(1,320,030)	(1,359,974)			(1,320,030)	(1,359,974)
484,813	462,191	385,146	406,114	23,950	10,691	8,526,516	8,128,883
94,266	67,814	181,048	201,448	15,580	14,677	1,448,765	1,555,203
6,812	3,769	13,680	8,580	393	87	473,156	275,764
563	707	3,719	4,319	546	608	29,100	31,592
		10,822	11,406	363	355	96,521	70,113
						2,197,121	2,319,750
319,663	24,099	26,807	23,840	24,626	29,823	1,211,097	991,690
134,165	121,625	2,461	2,462	2,109	2,109	1,058,041	1,032,465
555,469	218,014	238,537	252,055	43,617	47,659	6,513,801	6,276,577
(70,656)	244,177	146,609	154,059	(19,667)	(36,968)	2,012,715	1,852,306
						3,831	4,024
(892)	12,649	(22,593)	16,488	109	963	(2,407)	187,966
						23,822	22,428
109,616						580,873	154,068
			303	450	500	295,926	372,855
						11,650	10,900
(24,303)	(26,542)					(141,334)	(163,097)
84,421	(13,893)	(22,593)	16,791	559	1,463	772,361	589,144
13,765	230,284	124,016	170,850	(19,108)	(35,505)	2,785,076	2,441,450
358,000						806,000	
		(16,000)	(16,000)			(264,000)	(446,000)
371,765	230,284	108,016	154,850	(19,108)	(35,505)	3,327,076	1,995,450
4,703,316	4,473,032	813,085	658,235	237,759	273,264	29,198,164	27,202,714
\$ 5,075,081	\$ 4,703,316	\$ 921,101	\$ 813,085	\$ 218,651	\$ 237,759	\$ 32,525,240	\$ 29,198,164

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statement of Cash Flows
For the Years Ended December 31, 2021 and 2020

	Business-Type Activities - Enterprise Funds					
	601		602		604	
	Water		Wastewater Treatment		Electric	
	2021	2020	2021	2020	2021	2020
Cash Flows From Operating Activities						
Cash received from customers	\$ 936,591	\$ 898,210	\$ 2,140,125	\$ 2,055,351	\$ 4,480,605	\$ 4,378,462
Other receipts	16,346	14,330	30,743	65	272,209	380,085
Cash paid to employees	(213,751)	(227,054)	(387,753)	(436,995)	(557,121)	(593,944)
Cash paid to suppliers	(333,297)	(199,760)	(637,744)	(622,622)	(2,699,100)	(2,752,380)
Net Cash Provided By (Used In) Operating Activities	405,889	485,726	1,145,371	995,799	1,496,593	1,412,223
Cash Flows From Noncapital Financing Activities						
Connection and access fees	200,776	67,728	262,676	80,520	7,805	5,820
Transfer in/out					(248,000)	(430,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	200,776	67,728	262,676	80,520	(240,195)	(424,180)
Cash Flows From Capital and Related Financing Activities						
Capital asset acquisitions	(69,767)	(24,052)	(17,267)	(25,052)	(78,567)	(32,802)
Cash received from sale of assets	5,825	4,250	5,825			6,650
Special assessment collections	1,188	2,721	1,308	364	1,335	939
Lease proceeds	15,201	14,059	15,201	14,060		30,672
Principal payments on bonds and capital leases	(254,052)	(248,111)	(817,962)	(795,346)	(54,226)	(50,016)
Interest payments on bonds and capital leases	(36,542)	(39,831)	(80,163)	(97,832)	(9,105)	(7,415)
Net Cash (Used In) Capital and Related Financing Activities	(338,147)	(290,964)	(893,058)	(903,806)	(140,563)	(51,972)
Cash Flows From Investing Activities						
Investment income (loss) received	24,593	21,814	3,628	31,727	(6,086)	131,040
Net Cash Provided By (Used In) Capital and Related Financing Activities	24,593	21,814	3,628	31,727	(6,086)	131,040
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	293,111	284,304	518,617	204,240	1,109,749	1,067,111
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,198,485	914,181	2,009,154	1,804,914	4,692,544	3,625,433
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,491,596	\$ 1,198,485	\$ 2,527,771	\$ 2,009,154	\$ 5,802,293	\$ 4,692,544
Classified as:						
Cash and cash equivalents	\$ 1,320,146	\$ 957,268	\$ 2,334,160	\$ 1,617,135	\$ 5,756,240	\$ 4,648,050
Restricted cash	171,450	241,217	193,611	392,019	46,053	44,494
Total Cash and Cash Equivalents, End of Year	\$ 1,491,596	\$ 1,198,485	\$ 2,527,771	\$ 2,009,154	\$ 5,802,293	\$ 4,692,544

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2021	2020	2021	2020	2021	2020	2021	2020
\$ 482,205	\$ 460,062	\$ 385,146	\$ 406,737	\$ 23,950	\$ 10,691	\$ 8,448,622	\$ 8,209,513
			303	450	500	319,748	395,283
(93,053)	(66,224)	(178,051)	(200,886)	(15,575)	(14,427)	(1,445,304)	(1,539,530)
(314,356)	(85,387)	(41,710)	(55,822)	(25,779)	(31,458)	(4,051,986)	(3,747,429)
74,796	308,451	165,385	150,332	(16,954)	(34,694)	3,271,080	3,317,837
109,616		(16,000)	(16,000)			580,873	154,068
						(264,000)	(446,000)
109,616		(16,000)	(16,000)			316,873	(291,932)
	(14,275)					(165,601)	(96,181)
						11,650	10,900
						3,831	4,024
						30,402	58,791
(116,422)	(115,251)					(1,242,662)	(1,208,724)
(26,335)	(28,542)					(152,145)	(173,620)
(142,757)	(158,068)					(1,514,525)	(1,404,810)
(747)	11,809	(22,573)	15,787	209	827	(976)	213,004
(747)	11,809	(22,573)	15,787	209	827	(976)	213,004
40,908	162,192	126,812	150,119	(16,745)	(33,867)	2,072,452	1,834,099
602,070	439,878	839,686	689,567	91,346	125,213	9,433,285	7,599,186
\$ 642,978	\$ 602,070	\$ 966,498	\$ 839,686	\$ 74,601	\$ 91,346	\$ 11,505,737	\$ 9,433,285
\$ 522,357	\$ 484,052	\$ 966,498	\$ 839,686	\$ 74,601	\$ 91,346	\$ 10,974,002	\$ 8,637,537
120,621	118,018					531,735	795,748
\$ 642,978	\$ 602,070	\$ 966,498	\$ 839,686	\$ 74,601	\$ 91,346	\$ 11,505,737	\$ 9,433,285

**CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS**

Statement of Cash Flows - continued

For the Years Ended December 31, 2021 and 2020

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

	601 Water		602 Wastewater Treatment		604 Electric	
	2021	2020	2021	2020	2021	2020
Operating Income (Loss)	\$ 163,709	\$ 191,087	\$ 586,351	\$ 354,522	\$ 1,206,369	\$ 945,429
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	229,852	228,321	593,574	590,464	95,880	87,484
Change in net pension liability	(11,213)	272	(28,451)	1,518	(38,080)	(6,274)
Miscellaneous nonoperating income	16,346	14,330	30,743	65	272,209	380,085
(Increase) Decrease In:						
Accounts receivable	(1,813)	25,015	(7,146)	24,467	(53,675)	15,173
Special assessments receivable	1,186	21,615	(12,862)	(7,057)		
Due from other governments						
Inventories					(23,549)	1,520
Prepaid items	101	(41)	101	(26)	304	261
Deferred outflows from OPEB activity	(242)	(96)	(447)	(186)	(654)	(238)
Increase (Decrease) In:						
Accounts payable	6,209	(2,630)	1,747	5,722	38,089	(20,555)
Contracts payable						
Due to other governments	12	(20)	(21,520)	12,380	397	189
Accrued salaries payable	746	1,860	1,245	3,225	3,119	2,913
Compensated absences payable	(95)	3,262	20	5,362	(5,789)	(3,351)
Deferred inflows from OPEB activity	(1,029)	6,270	(1,900)	11,949	(2,780)	17,033
Other postemployment benefits obligation	2,120	(3,519)	3,916	(6,606)	5,729	(10,369)
Deposits payable					(976)	2,923
Net Cash Provided By (Used In) Operating Activities	\$ 405,889	\$ 485,726	\$ 1,145,371	\$ 995,799	\$ 1,496,593	\$ 1,412,223
Noncash Capital and Related Financing Activities						
Amortization of bond discount, premium and intangibles	\$ (1,598)	\$ (1,597)	\$ (1,930)	\$ (1,930)	\$ 5,138	\$ 5,138
Receipt of capital contributions	273,000		175,000			

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		610 Maple Grove Cemetery		Totals	
2021	2020	2021	2020	2021	2020	2021	2020
\$ (70,656)	\$ 244,177	\$ 146,609	\$ 154,059	\$ (19,667)	\$ (36,968)	\$ 2,012,715	\$ 1,852,306
134,165	121,625	2,461	2,462	2,109	2,109	1,058,041	1,032,465
8,319	(2,140)	(30,231)	(12,224)	(442)	(801)	(100,098)	(19,649)
			303	450	500	319,748	395,283
(2,608)	(2,129)					(65,242)	62,526
			623			(11,676)	14,558
		1,299	(834)			(22,250)	623
119	(40)	(138)	323	(6)	173	481	650
(92)	(18)	(202)	(32)	(17)	(2)	(1,654)	(572)
3,920	(173)	40,915	78	538	1	91,418	(17,557)
	(54,884)						(54,884)
		765	4,479			(20,346)	17,028
390	1,123	518	540	59	85	6,077	9,746
823	467	2,479	22	(54)	165	(2,616)	5,927
(393)	1,829	(858)	6,022	(72)	418	(7,032)	43,521
809	(1,386)	1,768	(5,489)	148	(374)	14,490	(27,743)
						(976)	2,923
<u>\$ 74,796</u>	<u>\$ 308,451</u>	<u>\$ 165,385</u>	<u>\$ 150,332</u>	<u>\$ (16,954)</u>	<u>\$ (34,694)</u>	<u>\$ 3,271,080</u>	<u>\$ 3,317,837</u>

\$ (1,097) \$ (1,097) \$ \$ \$ \$ 513 \$ 514
358,000 806,000

CITY OF KASSON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
For the Year Ended December 31, 2021

	Custodial
	877
	Festival in Park
ASSETS	
Cash and investments	\$ 21,202
Prepaid items	1,800
TOTAL ASSETS	\$ 23,002
NET POSITION	\$ 23,002

CITY OF KASSON, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2021

	Custodial
	877
	Festival in Park
Additions	
Contributions and donations	\$ 31,163
Interest income	10
Total Additions	31,173
Deductions	
Other services and charges	28,529
CHANGE IN NET POSITION	2,644
NET POSITION - BEGINNING	20,358
NET POSITION - ENDING	\$ 23,002

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 *Highway 57 fund* accounts for the accumulation of financial resources for the Highway 57 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Cash and Investments (Continued)

Investment policy

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

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

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

Interfund Transactions

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Interfund Transactions (Continued)

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

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2021. 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Inventories and Prepaid Items

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

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

Restricted Assets

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

Capital Assets

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets (Continued)

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

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

Compensated Absences

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

Postemployment Benefits Other Than Pensions

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

Long-Term Obligations

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Net Position / Fund Balance

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

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

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

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

The City classifies governmental fund balances as follows:

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

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

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

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City recognized 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)

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, 2021, 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	6,183,974
Certificates of deposit	February 2022 - December 2026	N/A	12,818,734
Total Cash and Investments			<u>\$ 19,003,883</u>
Cash and Investments			\$ 18,472,148
Restricted Cash and Investments			<u>531,735</u>
Cash and Investments per Statement of Net Position			<u>\$ 19,003,883</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments (Continued)

Collateralization of Cash Deposits

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

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

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

Fair Value Measurements

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

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments (Continued)

Fair Value Measurements (Continued)

The City's investments within the fair value hierarchy at December 31, 2021 and 2020 were as follows:

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

Interest Rate Risk

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

Custodial Credit Risk

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

Credit Risk

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

A. Summary of Cash and Investments (continued)

Concentration of Credit Risk

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

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

B. Deferred Special Assessments Receivable

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

C. Notes Receivable

The Economic Development Authority (EDA) has loaned various economic development notes to city businesses. These notes are receivable by the EDA with interest at 3 percent to 4.75 percent per annum. The balance on notes receivable at December 31, 2021 is \$73,521.

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, 2021 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 672,921	\$ 233,165	\$	\$ 906,086
Construction in progress	660,402	354,291		1,014,693
Total capital assets, not being depreciated	<u>1,333,323</u>	<u>587,456</u>		<u>1,920,779</u>
Capital assets, being depreciated:				
Buildings	7,166,908		16,330	7,150,578
Improvements other than buildings	1,298,884	172,556		1,471,440
Machinery and equipment	951,845	88,666	28,063	1,012,448
Office equipment and furnishings	306,353			306,353
Vehicles	2,962,535	639,611	233,318	3,368,828
Infrastructure	<u>20,186,069</u>	<u>599,000</u>		<u>20,785,069</u>
Total capital assets, being depreciated	<u>32,872,594</u>	<u>1,499,833</u>	<u>277,711</u>	<u>34,094,716</u>
Less accumulated depreciation for:				
Buildings	1,704,527	187,904	13,506	1,878,925
Improvements other than buildings	729,141	77,183		806,324
Machinery and equipment	779,233	63,569	25,509	817,293
Office equipment and furnishings	158,074	22,176		180,250
Vehicles	2,048,919	169,213	233,318	1,984,814
Infrastructure	<u>9,500,493</u>	<u>902,408</u>		<u>10,402,901</u>
Total accumulated depreciation	<u>14,920,387</u>	<u>1,422,453</u>	<u>272,333</u>	<u>16,070,507</u>
Total capital assets, being depreciated, net	<u>17,952,207</u>	<u>77,380</u>	<u>5,378</u>	<u>18,024,209</u>
Governmental activities capital assets, net	<u>\$ 19,285,530</u>	<u>\$ 664,836</u>	<u>\$ 5,378</u>	<u>\$ 19,944,988</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		52,500		52,500
Total capital assets, not being depreciated	452,151	52,500		504,651
Capital assets, being depreciated:				
Buildings	12,594,801			12,594,801
Improvements other than buildings	15,210,192		6,250	15,203,942
Machinery and equipment	1,611,421	78,567	12,256	1,677,732
Office equipment and furnishings	239,690			239,690
Vehicles	437,225	34,535	22,972	448,788
Infrastructure	16,311,326	806,000		17,117,326
Total capital assets, being depreciated	46,404,655	919,102	41,478	47,282,279
Less accumulated depreciation for:				
Buildings	6,012,150	306,810		6,318,960
Improvements other than buildings	7,984,969	304,695	6,250	8,283,414
Machinery and equipment	1,231,326	84,308	12,256	1,303,378
Office equipment and furnishings	236,600	883		237,483
Vehicles	331,012	31,604	22,972	339,644
Infrastructure	3,555,940	329,741		3,885,681
Total accumulated depreciation	19,351,997	1,058,041	41,478	20,368,560
Total capital assets, being depreciated, net	27,052,658	(138,939)		26,913,719
Business-type activities capital assets, net	\$ 27,504,809	\$ (86,439)	\$	\$ 27,418,370

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	\$	28,677
Public safety		172,926
Public works		961,478
Culture and recreation		259,372
		<hr/>

Total depreciation expense - governmental activities	\$	<u>1,422,453</u>
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Business-Type Activities:

Water	\$	229,852
Wastewater treatment		593,574
Electric		95,880
Stormwater		134,165
Liquor		2,461
Cemetery		2,109
		<hr/>

Total depreciation expense - business-type activities	\$	<u>1,058,041</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, 2021, 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	\$ 180,000	\$
Economic Development	81,678	
Permanent Improvement Revolving	836,691	
Tax Abatement Development		180,000
Vail Property		53,628
Highway 57		644,984
16th Street NW		138,079
Downtown TIF		81,678
	<hr/>	<hr/>
Total	<u>\$ 1,098,369</u>	<u>\$ 1,098,369</u>

At December 31, 2021 the following funds have deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Special Revenue	
Tax Abatement Development	\$ 180,000
Vail Property	53,628
Downtown TIF	81,678
Capital Projects	
Highway 57	744,984
16th Street NW	171,389

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, 2021 were as follows:

Funds	Transfers In	Transfers Out
General Fund	\$ 278,665	\$ 965,494
Dodge County Ice Arena	12,500	14,665
2017 Street Assessment Project	77,555	
Stabilization/Capital Projects Reserves	600,628	
Safe Routes to School	67,500	
Gas ROW Fees	75,811	
Parks Project	131,500	
Enterprise		
Electric		248,000
Municipal Liquor Store		16,000
Total Transfers	\$ 1,244,159	\$ 1,244,159

The City generally utilizes interfund transfers for cash flow purposes.

Excess expenditures over budgeted appropriations at the individual fund level during 2021 are as follows:

General Fund	\$ 247,545
Dodge County Ice Arena	7,058

All excess expenditures were the result of a planned process.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt

General Obligation Bonds

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

G.O. Bonds

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

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Equipment Certificate Bonds of 2014A	\$ 1,025,000	2.35 %	03/12/14	02/01/24	\$ 334,000
G.O. Crossover Refunding Bonds of 2015A	\$ 2,620,000	2.00 - 4.00	09/01/15	02/01/24	1,040,003
G.O. Tax Increment Refunding Bonds of 2020A	\$ 708,000	3.20	03/16/20	02/01/42	692,000
G.O. Refunding Note of 2020B	\$ 1,583,000	1.75	05/28/20	02/01/28	<u>1,390,000</u>
Total G.O. Bonds					<u>\$3,456,003</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (Continued)

G.O. Special Assessment Improvement Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Street Reconstruction and Utility Revenue Bonds of 2012A	1,430,000	1.70 - 2.10	07/01/12	02/01/23	\$ 299,935
G.O. Improvement Bonds of 2014C	430,000	2.50 - 3.50	06/02/14	02/01/30	280,000
G.O. Improvement and Utility Revenue Bonds of 2017A	6,780,000	2.00 - 2.50	07/05/17	02/01/33	<u>5,580,000</u>
Total G.O. Special Assessment Bonds					<u>\$6,159,935</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 2011 (PFA)	994,038	1.86	08/31/11	08/20/31	\$ 555,000
G.O. Sewer Revenue Note of 2018 (PFA)	2,843,535	1.095	02/14/18	08/20/37	<u>2,377,000</u>
Total G.O. Revenue Bonds					<u>\$2,932,000</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Long-term debt (Continued)

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
2014A GO Equipment Certificate	\$ 440,000	\$	\$ 106,000	\$ 334,000	\$ 109,000
2015A GO Crossover Refunding Bonds	590,771		140,659	450,112	147,151
2020A GO Tax Increment Refunding Bond	708,000		16,000	692,000	17,000
2020B GO Refunding Note	1,583,000		193,000	1,390,000	190,000
General Improvement Bonds					
2012A GO Street Reconstruction and Utility	215,330		68,530	146,800	73,425
2014C GO Improvement Bond	305,000		25,000	280,000	30,000
2017A GO Improvement and Utility Revenue Bonds	3,321,675		224,775	3,096,900	227,550
Capital Lease Payable	235,689	107,939	54,185	289,443	61,650
Plus: Unamortized premiums	14,466		2,294	12,172	
Total Bonds and Notes Payable	7,413,931	107,939	830,443	6,691,427	855,776
Other Liabilities:					
Compensated absences	179,697	121,064	113,305	187,456	113,305
Governmental Activities					
Long-term Liabilities	7,593,628	229,003	943,748	6,878,883	969,081
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Revenue Bonds:					
2001 PFA Loan	519,000		519,000		
2011 PFA Loan	605,000		50,000	555,000	51,000
2017A GO Improvement and Utility Revenue Bonds	2,663,325		180,225	2,483,100	182,450
2018 PFA Loan	2,512,000		135,000	2,377,000	136,000
General Obligation Special Assessment Bonds:					
2011A GO Refunding Bond	80,000		80,000		
2012A GO Street Reconstruction and Utility	224,605		71,470	153,135	76,575
2015A GO Crossover Refunding Bonds	774,232		184,341	589,891	192,848
Capital Lease Payable	111,802	30,402	22,626	119,578	25,330
Plus: Unamortized premiums	30,946		6,677	24,269	
Less: Unamortized discount	(460)		(460)		
Total Bonds and Notes Payable	7,520,450	30,402	1,248,879	6,301,973	664,203
Other Liabilities:					
Compensated absences	160,888	89,227	91,843	158,272	91,843
Business-type Activities					
Long-term Liabilities	7,681,338	119,629	1,340,722	6,460,245	756,046
Total	\$ 15,274,966	\$ 348,632	\$ 2,284,470	\$ 13,339,128	\$ 1,725,127

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, 2021, 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>					
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	220,000	28,655	276,975	55,667	581,297
2027-2031	531,000	95,112	1,456,450	166,719	2,249,281
2032-2036	177,000	64,528	582,750	14,638	838,916
2037-2041	248,000	30,720			278,720
2042	61,000	976			61,976
Totals	<u>\$ 2,866,112</u>	<u>\$ 409,238</u>	<u>\$ 3,523,700</u>	<u>\$ 521,852</u>	<u>\$ 7,320,902</u>
	General Obligation Revenue Bonds		General Obligation Special Assessment Bonds		
	Principal	Interest	Principal	Interest	
<u>Business-Type Activities</u>					
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	396,025	67,115			463,140
2027-2031	2,091,550	218,482			2,310,032
2032-2036	1,247,250	46,349			1,293,599
2037	161,000	1,762			162,762
Totals	<u>\$ 5,415,100</u>	<u>\$ 667,774</u>	<u>\$ 743,026</u>	<u>\$ 32,875</u>	<u>\$ 6,858,775</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, 2021, over the life of the leases, are summarized below:

Capital Leases Payable - Governmental			
Years	Principal	Interest	
2022	\$ 61,650	\$ 19,416	
2023	66,296	14,451	
2024	46,470	7,711	
2025	35,132	3,948	
2026	79,895	231	
Totals	<u>\$ 289,443</u>	<u>\$ 45,757</u>	

Capital Leases Payable - Business-Type			
Years	Principal	Interest	
2022	\$ 25,330	\$ 8,491	
2023	27,131	6,327	
2024	19,194	3,439	
2025	10,438	1,433	
2026	37,485	95	
Totals	<u>\$ 119,578</u>	<u>\$ 19,785</u>	

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. *Fund Equity*

The following is a summary of committed and assigned fund balances as of December 31, 2021 and 2020:

Committed For:	2021	2020
Economic Development	\$ 158,433	\$ 149,898
Library Operations	300,200	264,106
Total Committed Fund Balance	<u>\$ 458,633</u>	<u>\$ 414,004</u>
Assigned For:		
Capital Improvements		
Ice Arena	\$ 27,689	\$ 36,058
Stabilization/Cap Projects Reserve	1,058,328	506,363
Permanent Improvement Revolving	1,079,258	974,873
Safe Routes to School	26,409	
Gas ROW Fees	75,811	
Park Project	131,500	
Total Assigned Fund Balance	<u>\$ 2,398,995</u>	<u>\$ 1,517,294</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide

Plan Description

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

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

Benefits Provided

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

1. General Employees Plan Benefits

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Benefits Provided (Continued)

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

2. Police and Fire Plan Benefits

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

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

Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 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, 2021, were \$147,805. The City's contributions were equal to the required contributions as set by state statute.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$111,754. 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, 2021, the City reported a liability of \$1,170,103 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 \$35,686.

The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021, 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 0.0274 percent for the beginning of the period.

City's proportionate share of net pension liability	\$	1,170,103
State of Minnesota's proportionate share of the net pension liability associated with the City	\$	35,686

For the year ended December 31, 2021, the City recognized pension expense of (\$164,846) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$2,879 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, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 7,242	\$ 35,808
Changes in actuarial assumptions	714,440	25,944
Net collective difference between projected and actual investment earnings		1,015,522
Changes in proportion		29,110
Contributions paid to PERA subsequent to the measurement date	<u>68,107</u>	
Total	<u>\$ 789,789</u>	<u>\$ 1,106,384</u>

The \$68,107 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, 2022. 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>
2022	\$ (78,869)
2023	(20,318)
2024	(9,117)
2025	(276,398)

2. Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$412,191 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0534 percent at the end of the measurement period and 0.0643 percent for the beginning of the period.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized pension expense of (\$142,166) for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$3,375 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$18,531 for the year ended December 31, 2021 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, 2021, 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	\$ 76,321	\$ 3,504
Changes in actuarial assumptions	588,985	239,685
Net collective difference between projected and actual investment earnings		768,547
Changes in proportion	70,753	136,089
Contributions paid to PERA subsequent to the measurement date	60,282	
Total	<u>\$ 796,341</u>	<u>\$ 1,147,825</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

The \$60,282 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2022	\$ (300,799)
2023	(63,084)
2024	(53,503)
2025	(100,043)
2026	105,663

Aggregate Pension Costs

The total pension expense for all plans recognized by the City for the year ended December 31, 2021 is as follows:

General Employees Retirement Fund	(\$161,967)
Police and Fire Fund	(138,791)
Fire Relief	<u>14,515</u>
Total	<u><u>(\$286,243)</u></u>

Long-Term Expected Return on Investment

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Actuarial Methods and Assumptions (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

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

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 (Asset) at Different Discount Rates

	General Employees Fund		Police and Fire Fund	
1% Lower	5.50%	\$ 2,386,412	5.50%	\$ 1,308,638
Current Discount Rate	6.50%	1,170,103	6.50%	412,191
1% Higher	7.50%	172,047	7.50%	(322,673)

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, 2020 (most current information available) the Association's funding status is as follows:

Total plan assets	\$ 567,032
Total accrued liability	<u>(516,240)</u>
Excess of Plan Assets over Accrued Liability	<u>\$ 50,792</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 \$421 in 2021.

The computation of the pension contribution requirements for 2021 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, 2021.

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 2021, the City contributed \$7,750 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Postemployment Benefits Other Than Pensions (Continued)

C. Total OPEB Liability

The City's total OPEB liability was measured as of January 1, 2021 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>\$ 222,529</u>
Covered payroll	<u>\$ 2,597,937</u>
Total OPEB liability as a % of payroll	<u>9%</u>

D. Funded Status and Funding Progress

As of January 1, 2020, the most recent valuation date, the actuarial accrued liability for benefits was \$222,529 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,597,937 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9 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, 2021, 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 1/1/2021	\$ 198,675
Changes for the year:	
Service cost	22,017
Interest	6,335
Benefit payments	<u>(4,498)</u>
Net Changes	23,854
Balance End of Year 12/31/2021	<u>\$ 222,529</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%)	\$ 240,807
Current Discount Rate (2.90%)	222,529
1% increase in Discount Rate (3.90%)	205,331

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	\$ 192,843
Current Trend Rates	222,529
1% increase in Trend Rates	258,187

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

As of the year ended December 31, 2021, 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	\$ 3,165	\$ 4,823
Liability gains		62,206
Contributions paid to OPEB subsequent to the measurement date	7,750	
	<u>\$ 10,915</u>	<u>\$ 67,029</u>

Contributions made subsequent to the measurement date of \$7,750 will be recognized as a reduction of the OPEB liability in the year ended December 31, 2022.

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>
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 (\$525,993,800) which is \$15,779,814. The City currently has \$1,724,000 of general obligation debt subject to this limit, leaving a debt margin of \$14,055,814 after adding back debt service restricted fund balances. Debt financed partially or entirely by special assessments or by operations of enterprise funds is excluded from this computation by statute.

D. Dodge County Ice Arena

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

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

E. Tax increment districts

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

The City has made no commitments, other than tax abatement, under the agreements. The taxpayer submits property taxes annually and is reimbursed by the City for the abatement amount if the taxpayer has filed reports substantiating that it has met the employment levels stipulated in the agreement if applicable. The City had the following tax abatement agreements as of December 31, 2021.

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 2021 and 2020, 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, 2021, the City paid tax increments totaling \$84,525 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 \$514,058 in contribution aid receivable at December 31, 2021.

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, 2021

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	147,805	147,805		1,970,733	7.50%
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	111,754	111,754		631,379	17.70%
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	0.0274%	1,170,103	35,686	1,205,789	1,960,700	61%	87.00%
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	0.0534%	412,191	670,966	61%	93.66%
2022					
2023					

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

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

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

CITY OF KASSON, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2021

CITY OF KASSON, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2021

	Special Revenue							
	211 Library	219 Tax Abatement Development	225 EDA FED MIF	226 EDA RLF	246 Vail Property	247 2004 Assisted Living TIF	248 Downtown TIF	249 Oppidan Folkestad TIF
ASSETS								
Cash and investments	\$ 314,428		\$ 159,973	\$ 79,999				\$ 160,307
Accounts receivable	12							
Interest receivable								
Notes receivable			73,521					
Special assessments receivable								
Inventories								
Prepaid items	1,180							
Due from other funds								
TOTAL ASSETS	\$ 315,620		\$ 233,494	\$ 79,999				\$ 160,307
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 5,018							
Due to other governments	9							
Accrued salaries payable	9,213							
Due to other funds		180,000			53,628		81,678	
Total Liabilities	14,240	180,000			53,628		81,678	
Deferred Inflows of Resources								
Unavailable revenue:								
Special assessments								
Total Deferred Inflows of Resources								
Fund Balance								
Nonspendable:								
Prepaid items and inventories	1,180							
Restricted:								
Regulations			233,494	79,999				160,307
Committed:								
Economic development								
Library Operations	300,200							
Assigned:								
Capital improvements								
Unassigned:		(180,000)			(53,628)		(81,678)	
Total Fund Balance	301,380	(180,000)	233,494	79,999	(53,628)		(81,678)	160,307
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 315,620		\$ 233,494	\$ 79,999				\$ 160,307

Special Revenue			Capital Projects							Total Nonmajor Governmental Funds
260 Small Cities Grant Program	290 Economic Development	606 Dodge County Ice Arena	210 Stabilization/ Cap Projects Reserve	401 Permanent Improvement Revolving	423 2017 Street Assessment Project	425 Safe Routes to School	426 16th Street NW	428 Gas ROW Fees	429 Parks Project	
\$ 53,118	\$ 81,656	\$ 58,410 42,883	\$ 1,062,585	\$ 240,406	\$	\$ 26,409	\$	\$ 75,811	\$ 131,500	\$ 2,444,602
			379	2,161						42,895
				548,168						2,540
		228								73,521
	25	1,388								548,168
	81,678			836,691						228
										2,593
										918,369
\$ 53,118	\$ 163,359	\$ 102,909	\$ 1,062,964	\$ 1,627,426	\$	\$ 26,409	\$	\$ 75,811	\$ 131,500	\$ 4,032,916
\$ 53,118	\$ 4,415	\$ 54,907 14,665	\$ 4,636	\$	\$	\$	\$ 33,310	\$	\$	\$ 155,404
	486	4,032								14,674
							138,079			13,731
										453,385
53,118	4,901	73,604	4,636				171,389			637,194
				548,168						548,168
				548,168						548,168
	25	1,616								2,821
										473,800
	158,433									158,433
										300,200
		27,689	1,058,328	1,079,258		26,409		75,811	131,500	2,398,995
							(171,389)			(486,695)
	158,458	29,305	1,058,328	1,079,258		26,409	(171,389)	75,811	131,500	2,640,243
\$ 53,118	\$ 163,359	\$ 102,909	\$ 1,062,964	\$ 1,627,426	\$	\$ 26,409	\$	\$ 75,811	\$ 131,500	\$ 4,032,916

CITY OF KASSON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	Special Revenue							
	211	219	225	226	246	247	248	249
	Library	Tax Abatement Development	EDA FED MIF	EDA RLF	Vail Property	2004 Assisted Living TIF	Downtown TIF	Oppidan Folkestad TIF
REVENUES								
Property taxes	\$ 359,959	\$ 20,000	\$	\$	\$	\$	\$	\$
Tax increments						84,525		59,683
Special assessments			6,117					
Intergovernmental	59,099							
Charges for services	1,290							
Fines and forfeits	1,128							
Investment income (loss)	(382)		2,237	37				47
Miscellaneous	10,545							
TOTAL REVENUES	431,639	20,000	8,354	37		84,525		59,730
EXPENDITURES								
Current:								
Culture and recreation	393,500							
TIF/economic development					53,628	84,525		
Capital outlay:								
Culture and recreation	1,929							
TIF/economic development								950
Public works								
TOTAL EXPENDITURES	395,429				53,628	84,525		950
Excess (deficiency) of revenues over (under) expenditures	36,210	20,000	8,354	37	(53,628)			58,780
OTHER FINANCING SOURCES (USES)								
Transfer in								
Transfer out								
TOTAL OTHER FINANCING SOURCES (USES)								
Net change in fund balances	36,210	20,000	8,354	37	(53,628)			58,780
FUND BALANCE - BEGINNING	265,170	(200,000)	225,140	79,962			(81,678)	101,527
FUND BALANCE - ENDING	\$ 301,380	\$ (180,000)	\$ 233,494	\$ 79,999	\$ (53,628)	\$	\$ (81,678)	\$ 160,307

Special Revenue			Capital Projects							Total Nonmajor Governmental Funds
260 Small Cities Grant Program	290 Economic Development	606 Dodge County Ice Arena	210 Stabilization/ Cap Projects Reserve	401 Permanent Improvement Revolving	423 2017 Street Assessment Project	425 Safe Routes to School	426 16th Street NW	428 Gas ROW Fees	429 Parks Project	
\$	\$ 88,223	\$	\$ 5,211	\$	\$	\$	\$	\$	\$	\$ 473,393
					29,923					144,208
53,118		22,500 294,646								36,040
	34		(1,411)	(3,093)						134,717
		4,206								295,936
										1,128
										(2,531)
										14,751
53,118	88,257	321,352	3,800	26,830						1,097,642
53,118	71,454	327,382	52,463							773,345
										262,725
	8,287									1,929
						6,546	92,916			9,237
53,118	79,741	327,382	52,463			6,546	92,916			99,462
										1,146,698
	8,516	(6,030)	(48,663)	26,830		(6,546)	(92,916)			(49,056)
		12,500 (14,665)	600,628		77,555	67,500		75,811	131,500	965,494 (14,665)
		(2,165)	600,628		77,555	67,500		75,811	131,500	950,829
	8,516	(8,195)	551,965	26,830	77,555	60,954	(92,916)	75,811	131,500	901,773
	149,942	37,500	506,363	1,052,428	(77,555)	(34,545)	(78,473)			1,945,781
\$	\$ 158,458	\$ 29,305	\$ 1,058,328	\$ 1,079,258	\$	\$ 26,409	\$ (171,389)	\$ 75,811	\$ 131,500	\$ 2,847,554

CITY OF KASSON, MINNESOTA
LIBRARY FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2021
With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 359,959	\$ 359,959	\$ 359,959	\$	\$ 361,203
Intergovernmental	60,079	60,079	59,099	(980)	57,908
Charges for services	800	800	1,290	490	1,084
Library fines	4,000	4,000	1,128	(2,872)	1,409
Investment income (loss)	150	150	(382)	(532)	4,422
Miscellaneous	1,450	1,450	10,545	9,095	4,628
TOTAL REVENUES	426,438	426,438	431,639	5,201	430,654
EXPENDITURES					
Library:					
Salaries	235,200	235,200	233,435	1,765	214,896
Employee benefits and retirement	35,633	35,633	34,087	1,546	31,862
Workers compensation	2,500	2,500	2,015	485	2,364
Health insurance	41,500	41,500	63,181	(21,681)	48,951
Operating supplies/small tools	23,050	23,050	15,249	7,801	14,913
Insurance	3,545	3,545	2,739	806	3,077
Telephone	2,000	2,000	1,827	173	1,758
Professional fees	20,500	20,500	21,378	(878)	18,353
Capital outlay	26,000	26,000	1,929	24,071	335
Other	36,510	36,510	19,589	16,921	21,687
TOTAL EXPENDITURES	426,438	426,438	395,429	31,009	358,196
Net change in fund balances			36,210	36,210	72,458
FUND BALANCES, beginning	265,170	265,170	265,170		192,712
FUND BALANCES, ending	\$ 265,170	\$ 265,170	\$ 301,380	\$ 36,210	\$ 265,170

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, 2021
With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 88,223	\$ 88,223	\$ 88,223	\$	\$ 90,763
Investment income	500	500	34	(466)	242
TOTAL REVENUES	<u>88,723</u>	<u>88,723</u>	<u>88,257</u>	<u>(466)</u>	<u>91,005</u>
EXPENDITURES					
Economic development:					
Personnel services	19,073	19,073	16,814	2,259	14,495
Supplies	500	500	288	212	260
Other services and charges	67,650	67,650	54,352	13,298	55,197
Capital outlay	1,500	1,500	8,287	(6,787)	3,443
TOTAL EXPENDITURES	<u>88,723</u>	<u>88,723</u>	<u>79,741</u>	<u>8,982</u>	<u>73,395</u>
Excess of revenues over expenditures			8,516	8,516	17,610
OTHER FINANCING USES					
Transfers out					(20,000)
Net change in fund balances			8,516	8,516	(2,390)
FUND BALANCES, beginning	<u>149,942</u>	<u>149,942</u>	<u>149,942</u>		<u>152,332</u>
FUND BALANCES, ending	<u>\$ 149,942</u>	<u>\$ 149,942</u>	<u>\$ 158,458</u>	<u>\$ 8,516</u>	<u>\$ 149,942</u>

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

For the Year Ended December 31, 2021
With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental	\$	\$	\$ 22,500	\$ 22,500	\$ 86,230
Charges for services	293,216	293,216	294,646	1,430	204,432
Miscellaneous	3,000	3,000	4,206	1,206	
TOTAL REVENUES	<u>296,216</u>	<u>296,216</u>	<u>321,352</u>	<u>25,136</u>	<u>290,662</u>
EXPENDITURES					
Culture and recreation:					
Personnel services	187,714	187,714	143,186	44,528	164,253
Supplies	14,100	14,100	7,272	6,828	6,830
Other services and charges	118,510	118,510	176,924	(58,414)	107,078
TOTAL EXPENDITURES	<u>320,324</u>	<u>320,324</u>	<u>327,382</u>	<u>(7,058)</u>	<u>278,161</u>
Excess (deficiency) of revenues over (under) expenditures	(24,108)	(24,108)	(6,030)	18,078	12,501
OTHER FINANCING SOURCES (USES)					
Transfers in			12,500	12,500	
Transfers out			(14,665)	(14,665)	
TOTAL OTHER FINANCING SOURCES (USES)			<u>(2,165)</u>	<u>(2,165)</u>	
Net change in fund balances	(24,108)	(24,108)	(8,195)	15,913	12,501
FUND BALANCES, beginning	<u>37,500</u>	<u>37,500</u>	<u>37,500</u>		<u>24,999</u>
FUND BALANCES, ending	<u>\$ 13,392</u>	<u>\$ 13,392</u>	<u>\$ 29,305</u>	<u>\$ 15,913</u>	<u>\$ 37,500</u>

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**CITY OF KASSON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2021**

	Debt Service			
	382 G.O. Street Reconstruction & Utility Revenue Bonds of 2012A	385 G.O. Refunding Note of 2020B	386 Fire Truck and Equipment	389 Oppidan Assessment
ASSETS				
Cash and investments	\$ 89,474	\$ 290,750	\$ 111,233	\$ 53,055
Interest receivable		2		
Due from other governmental units				
Special assessments receivable				261,206
TOTAL ASSETS	\$ 89,474	\$ 290,752	\$ 111,233	\$ 314,261
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Deferred Inflows of Resources				
Unavailable revenue:				
Special assessments	\$	\$	\$	\$ 261,206
Total Deferred Inflows of Resources				261,206
Fund Balance				
Restricted:				
Debt service	89,474	290,752	111,233	53,055
Total Fund Balance	89,474	290,752	111,233	53,055
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 89,474	\$ 290,752	\$ 111,233	\$ 314,261

Debt Service			
391	392	393	
G.O. Tax Increment Refunding Bonds of 2020A	G.O. Crossover Refunding Bonds of 2015A	2017 Street Assessment Project	Total Debt Service Funds
\$ 10,555	\$ 361,362	\$ 658,878	\$ 1,575,307
		694	696
		6,536	6,536
	93,266	390,789	745,261
<u>\$ 10,555</u>	<u>\$ 454,628</u>	<u>\$ 1,056,897</u>	<u>\$ 2,327,800</u>
<u>\$</u>	<u>\$ 93,266</u>	<u>\$ 390,789</u>	<u>\$ 745,261</u>
	93,266	390,789	745,261
10,555	361,362	666,108	1,582,539
10,555	361,362	666,108	1,582,539
<u>\$ 10,555</u>	<u>\$ 454,628</u>	<u>\$ 1,056,897</u>	<u>\$ 2,327,800</u>

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

For the Year Ended December 31, 2021

	Debt Service			
	382 G.O. Street Reconstruction & Utility Revenue Bonds of 2012A	385 G.O. Refunding Note of 2020B	386 Fire Truck and Equipment	389 Oppidan Assessment
REVENUES				
Property taxes	\$ 75,652	\$ 224,015	\$ 115,562	\$
Special assessments				38,972
Investment income (loss)	42	(1,323)	54	24
TOTAL REVENUES	<u>75,694</u>	<u>222,692</u>	<u>115,616</u>	<u>38,996</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	68,530	193,000	106,000	25,000
Interest and fiscal charges	3,644	31,016	9,095	9,408
TOTAL EXPENDITURES	<u>72,174</u>	<u>224,016</u>	<u>115,095</u>	<u>34,408</u>
Net change in fund balances	3,520	(1,324)	521	4,588
FUND BALANCES, beginning	<u>85,954</u>	<u>292,076</u>	<u>110,712</u>	<u>48,467</u>
FUND BALANCES, ending	<u>\$ 89,474</u>	<u>\$ 290,752</u>	<u>\$ 111,233</u>	<u>\$ 53,055</u>

Debt Service			
391 G.O. Tax Increment Refunding Bonds of 2020A	392 G.O. Crossover Refunding Bonds of 2015A	393 2017 Street Assessment Project	Total Debt Service Funds
\$	\$ 128,000	\$ 205,100	\$ 748,329
	41,018	70,275	150,265
23	469	(719)	(1,430)
23	169,487	274,656	897,164
16,000	140,659	224,775	773,964
22,346	16,502	75,091	167,102
38,346	157,161	299,866	941,066
(38,323)	12,326	(25,210)	(43,902)
48,878	349,036	691,318	1,626,441
\$ 10,555	\$ 361,362	\$ 666,108	\$ 1,582,539

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

For the Year Ended December 31, 2021

With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
REVENUES					
Property Taxes	\$ 2,389,150	\$ 2,389,150	\$ 2,390,281	\$ 1,131	\$ 2,135,399
Franchise Fees	65,000	65,000	136,094	71,094	62,115
Special Assessments			467	467	774
Licenses and Permits					
Business	13,500	13,500	9,448	(4,052)	14,298
Nonbusiness	71,700	71,700	150,142	78,442	115,547
Total Licenses and Permits	85,200	85,200	159,590	74,390	129,845
Intergovernmental					
Local government aid	1,011,000	1,011,000	1,211,160	200,160	1,169,485
Fire relief aid	43,000	43,000	48,730	5,730	47,328
Police aid	70,000	70,000	78,137	8,137	85,059
Highway aid	88,640	88,640	72,987	(15,653)	80,081
CARES Act funding					490,013
State disaster assistance					143,664
Other aid	19,869	19,869	144,091	124,222	25,724
Total State Aid	1,232,509	1,232,509	1,555,105	322,596	2,041,354
School					
Other School aid	62,600	62,600	67,283	4,683	63,297
Total Intergovernmental	1,295,109	1,295,109	1,622,388	327,279	2,104,651
Charges for Services					
General government	47,100	47,100	93,862	46,762	71,754
Public safety	56,670	56,670	61,645	4,975	67,896
Culture and recreation	248,100	248,100	348,254	100,154	162,343
Total Charges for Service	351,870	351,870	503,761	151,891	301,993
Fines and Forfeits	18,000	18,000	21,348	3,348	17,707
Investment Income (Loss)	10,100	10,100	(3,904)	(14,004)	51,566
Miscellaneous					
Rents and leases	5,000	5,000	17,208	12,208	10,768
Refunds and reimbursements	10,500	10,500	42,384	31,884	25,201
Contributions and donations			113,675	113,675	17,489
Total Miscellaneous	15,500	15,500	173,267	157,767	53,458
TOTAL REVENUES	\$ 4,229,929	\$ 4,229,929	\$ 5,003,292	\$ 773,363	\$ 4,857,508

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2021
With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Personnel services	\$ 51,207	\$ 51,207	\$ 48,725	\$ 2,482	\$ 45,403
Legal fees	9,000	9,000	30,805	(21,805)	19,032
Other services and charges	22,000	22,000	37,114	(15,114)	40,119
Total Mayor and Council	<u>82,207</u>	<u>82,207</u>	<u>116,644</u>	<u>(34,437)</u>	<u>104,554</u>
Ordinances and Proceedings					
Other services and charges	<u>3,000</u>	<u>3,000</u>	<u>2,677</u>	<u>323</u>	<u>5,882</u>
City Administration					
Personnel services	178,429	178,429	177,475	954	168,282
Supplies	9,220	9,220	4,777	4,443	4,732
Other services and charges	32,900	32,900	27,013	5,887	37,600
Total City Administration	<u>220,549</u>	<u>220,549</u>	<u>209,265</u>	<u>11,284</u>	<u>210,614</u>
Elections and Voter Registration					
Personnel services	5,130	5,130	5,090	40	14,544
Other services and charges					934
Total Elections and Voter Registration	<u>5,130</u>	<u>5,130</u>	<u>5,090</u>	<u>40</u>	<u>15,478</u>
Assessor					
Other services and charges	<u>32,700</u>	<u>32,700</u>	<u>31,635</u>	<u>1,065</u>	<u>31,373</u>
Accounting					
Other services and charges	<u>6,300</u>	<u>6,300</u>	<u>5,578</u>	<u>722</u>	<u>6,644</u>
Legal					
Other services and charges	<u>30,000</u>	<u>30,000</u>	<u>32,927</u>	<u>(2,927)</u>	<u>35,281</u>
Planning and Zoning					
Personnel services	46,980	46,980	9,147	37,833	8,621
Supplies	500	500	297	203	1,069
Other services and charges	21,750	21,750	49,828	(28,078)	45,517
Total Planning and Zoning	<u>\$ 69,230</u>	<u>\$ 69,230</u>	<u>\$ 59,272</u>	<u>\$ 9,958</u>	<u>\$ 55,207</u>

CITY OF KASSON, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2021
With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)	2020 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Data Processing					
Other services and charges	\$ 15,500	\$ 15,500	\$ 12,437	\$ 3,063	\$ 10,526
General Government Buildings					
Personnel services	4,020	4,020	3,543	477	3,599
Supplies	800	800	515	285	144
Other services and charges	10,550	10,550	13,072	(2,522)	11,132
Total General Governmental Buildings	15,370	15,370	17,130	(1,760)	14,875
Total General Government	479,986	479,986	492,655	(12,669)	490,434
Public Safety					
Police					
Personnel services	1,158,331	1,158,331	1,095,797	62,534	1,106,251
Supplies	43,000	43,000	42,413	587	38,924
Other services and charges	110,797	110,797	96,333	14,464	92,975
Total Police	1,312,128	1,312,128	1,234,543	77,585	1,238,150
Fire					
Personnel services	76,775	76,775	90,075	(13,300)	84,240
Supplies	58,800	58,800	51,319	7,481	44,182
Other services and charges	102,421	102,421	149,630	(47,209)	106,038
Total Fire	237,996	237,996	291,024	(53,028)	234,460
Building inspection					
Other services and charges	\$ 48,200	\$ 48,200	\$ 70,839	\$ (22,639)	\$ 80,934

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

With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Animal Control					
Other services and charges	\$ 175	\$ 175	\$	\$ 175	\$
Total Public Safety	1,598,499	1,598,499	1,596,406	2,093	1,553,544
Public Works					
Street and Alleys					
Personnel services	230,458	230,458	194,984	35,474	163,978
Supplies	47,000	47,000	35,088	11,912	49,511
Other services and charges	230,825	230,825	229,139	1,686	191,867
Total Streets and Alleys	508,283	508,283	459,211	49,072	405,356
Engineer					
Other services and charges	25,000	25,000	24,717	283	40,046
Snow and Ice Removal					
Personnel services	25,024	25,024	8,025	16,999	11,868
Supplies	32,300	32,300	15,698	16,602	18,753
Other services and charges	11,870	11,870	9,483	2,387	4,444
Total Snow and Ice Removal	69,194	69,194	33,206	35,988	35,065
Street Lighting					
Other services and charges	65,000	65,000	70,538	(5,538)	67,406
Sidewalks					
Other services and charges	50,000	50,000	48,235	1,765	16,070
Sanitation					
Waste collection and disposal					
Other services and charges	11,500	11,500	11,407	93	12,077
Total Public Works	\$ 728,977	\$ 728,977	\$ 647,314	\$ 81,663	\$ 576,020

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

For the Year Ended December 31, 2021
With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Emergency Services/Health					
Supplies	\$ 1,500	\$ 1,500	\$ 38	\$ 1,462	\$ 830
Other services and charges	12,850	12,850	17,443	(4,593)	316,175
Total Emergency Services/Health	14,350	14,350	17,481	(3,131)	317,005
Culture and Recreation					
Parks and Recreation					
Supplies	500	500	362	138	1,637
Other services and charges	8,680	8,680	3,842	4,838	5,400
Total Parks and Recreation	9,180	9,180	4,204	4,976	7,037
Playgrounds					
Supplies	3,000	3,000	1,898	1,102	
Swimming Pool					
Personnel services	186,917	186,917	157,342	29,575	157,764
Supplies	81,500	81,500	55,745	25,755	35,894
Other services and charges	72,050	72,050	46,181	25,869	68,902
Total Swimming Pool	340,467	340,467	259,268	81,199	262,560
Municipal Parks					
Personnel services	347,756	347,756	219,131	128,625	299,481
Supplies	27,500	27,500	16,691	10,809	13,545
Other services and charges	36,650	36,650	42,731	(6,081)	30,841
Total Municipal Parks	411,906	411,906	278,553	133,353	343,867
Historic Water Tower					
Other services and charges	2,000	2,000	787	1,213	778
Dodge County Arena					
Other services and charges	25,854	25,854	787	25,067	37,676
Other Recreational Facilities					
Personnel services	3,230	3,230		3,230	
Supplies	15,500	15,500	5,057	10,443	8,068
Other services and charges	43,150	43,150	32,483	10,667	28,636
Total Recreational Facilities	61,880	61,880	37,540	24,340	36,704
Forestry and Nursery					
Supplies	1,350	1,350	1,084	266	341
Other services and charges	14,125	14,125	9,150	4,975	7,802
Total Forestry and Nursery	15,475	15,475	10,234	5,241	8,143
Total Culture and Recreation	\$ 869,762	\$ 869,762	\$ 593,271	\$ 276,491	\$ 696,765

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

For the Year Ended December 31, 2021
With Comparative Totals for the Year Ended December 31, 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Miscellaneous					
Other services and charges	\$ 103,130	\$ 103,130	\$ 30,611	\$ 72,519	\$ 36,296
Total Current Expenditures	3,794,704	3,794,704	3,377,738	416,966	3,670,064
Capital Outlay					
General government	32,500	32,500	27,980	4,520	
Public safety	140,430	140,430	207,930	(67,500)	113,589
Public works	132,805	132,805	296,100	(163,295)	41,253
Culture and recreation	90,917	90,917	456,905	(365,988)	52,466
Total Capital Outlay	396,652	396,652	988,915	(592,263)	207,308
Debt Service/Capital Leases					
Principal			54,185	(54,185)	27,206
Interest and fiscal charges	8,506	8,506	26,569	(18,063)	14,296
Total Debt Service/Capital Leases	8,506	8,506	80,754	(72,248)	41,502
TOTAL EXPENDITURES	4,199,862	4,199,862	4,447,407	(247,545)	3,918,874
EXCESS OF REVENUES OVER EXPENDITURES	30,067	30,067	555,885	525,818	938,634
OTHER FINANCING SOURCES (USES)					
Sale of assets			83,221	83,221	18,825
Proceeds from issuance of leases			107,939	107,939	114,527
Transfers in	81,000	81,000	278,665	197,665	86,000
Transfers out	(89,000)	(89,000)	(965,494)	(876,494)	(424,435)
TOTAL OTHER FINANCING SOURCES (USES)	(8,000)	(8,000)	(495,669)	(487,669)	(205,083)
NET CHANGE IN FUND BALANCES	22,067	22,067	60,216	38,149	733,551
FUND BALANCES, beginning	2,931,259	2,931,259	2,931,259		2,197,708
FUND BALANCES, ending	\$ 2,953,326	\$ 2,953,326	\$ 2,991,475	\$ 38,149	\$ 2,931,259

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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, 2021, 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 March 31, 2022.

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
March 31, 2022

**CITY OF KASSON, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021**

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 2021.

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TREE
CITY
USA

CITY OF
KASSON

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PHONE: (507) 634-7071
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CORRECTIVE ACTION PLAN (CAP):

The City respectfully submits the following corrective action plan for the year ended December 31, 2021.

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. The City will continue to evaluate assignment of duties and implement segregation whenever it is practical.

Official Responsible for Ensuring CAP:

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

Planned Completion Date for CAP:

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

Plan to Monitor Completion of CAP:

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



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