

CITY OF KASSON, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2024

CITY OF KASSON, MINNESOTA

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CITY OF KASSON, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2024

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CITY OF KASSON, MINNESOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2024

Chris McKern	Mayor
Ryan Christensen	Councilor
Dan Egger	Councilor
Melisa Ferris	Councilor
Paul Johnson	Councilor
Sarah Schmidt	Accounting Clerk
Tim Ibisch	City Administrator

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CITY OF KASSON, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2024

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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, 2024, 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, 2024, 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* (GAS), 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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS 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 GAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Supplementary Information (Continued)

The combining and individual nonmajor fund 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 combining and individual nonmajor fund statements and schedules and supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2023, from which such partial information was derived.

We have previously audited the City's 2023 financial statements and our report dated June 21, 2024, 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, 2023, 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 May 20, 2025, on our consideration of the City of Kasson, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kasson, Minnesota's internal control over financial reporting and compliance.

Smith, Schafn and Associates, Ltd.

Rochester, Minnesota
May 20, 2025

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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, 2024.

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 \$67,065,127 (*net position*). Of this amount, \$21,992,092 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's designations and fiscal policies.
- The City's total net position increased by \$3,794,634.
- As of the close of the current fiscal year, the City of Kasson, Minnesota's governmental funds reported combined ending fund balances of \$9,537,913. Approximately \$6,051,184 of this total amount or 63% is available for use within the City's designations and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,459,972 or 68% of the subsequent year's budgeted expenditures of the general fund.

CITY OF KASSON, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

CITY OF KASSON, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The City of Kasson, Minnesota maintains thirty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and public safety building, which are considered to be major funds. Data from the other thirty 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 101-106) and certain special revenue funds (pages 98-100) 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, and municipal liquor.

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

Fiduciary funds. The City of Kasson, Minnesota maintains one fiduciary fund. *Fiduciary* funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. This fund accounts for Festival in the Park activities and net position was \$6,624 at the end of 2024.

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 32-82 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds, special revenues funds, and the debt service funds can be found on pages 86-89, 90-93, and 94-97 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 \$67,065,127 at the close of the most recent fiscal year.

The largest portion of the City of Kasson, Minnesota's net position (\$41,161,811) 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			
	Activities		Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 11,915,220	\$ 14,808,105	\$ 19,230,661	\$ 16,588,465	\$ 31,145,881	\$ 31,396,570
Capital assets	31,890,820	29,552,401	30,517,904	31,344,662	62,408,724	60,897,063
Total assets	43,806,040	44,360,506	49,748,565	47,933,127	93,554,605	92,293,633
Deferred outflows of resources	1,267,913	1,645,352	92,053	230,755	1,359,966	1,876,107
Long-term liabilities outstanding	14,046,846	15,156,075	9,163,207	10,177,005	23,210,053	25,333,080
Other liabilities	928,662	1,887,715	762,813	693,092	1,691,475	2,580,807
Total liabilities	14,975,508	17,043,790	9,926,020	10,870,097	24,901,528	27,913,887
Deferred inflows of resources	2,052,721	1,816,988	895,195	1,168,372	2,947,916	2,985,360
Net position:						
Net investment in capital assets	19,150,978	19,476,186	22,010,833	22,222,558	41,161,811	41,698,744
Restricted	3,355,922	2,943,137	555,302	552,202	3,911,224	3,495,339
Unrestricted	5,538,824	4,725,757	16,453,268	13,350,653	21,992,092	18,076,410
Total net position	\$ 28,045,724	\$ 27,145,080	\$ 39,019,403	\$ 36,125,413	\$ 67,065,127	\$ 63,270,493

The balance of *unrestricted net position* (\$21,992,092) 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 \$900,644.

Business-type activities. Business-type activities increased the City of Kasson, Minnesota's net position by \$2,893,990.

A condensed version of the Statement of Activities follows:

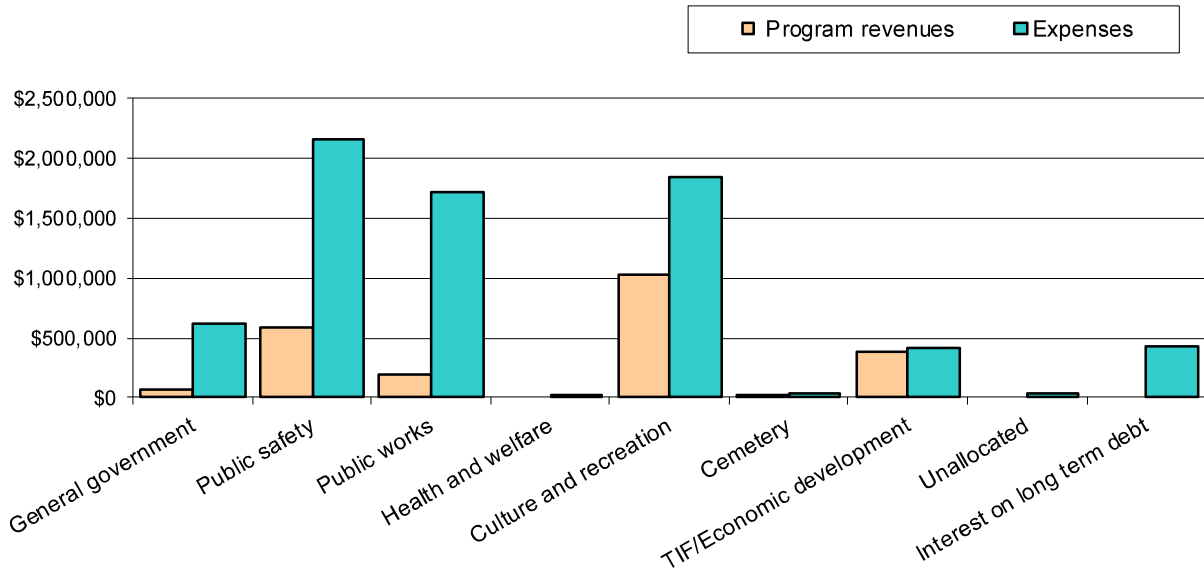
City of Kasson, Minnesota Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenue:						
Program revenues:						
Charges for services	\$ 845,928	\$ 896,307	\$ 10,118,945	\$ 9,602,847	\$ 10,964,873	\$ 10,499,154
Operating grants and contributions	1,003,977	949,681		36,877	1,003,977	986,558
Capital grants and contributions	430,937	4,470,358	16,835	11,236	447,772	4,481,594
General revenues:						
Property taxes/tax increments	3,770,734	4,132,641			3,770,734	4,132,641
Franchise fees	158,145	169,241			158,145	169,241
Grants and contributions not restricted to specific programs:						
Local government aid	1,369,567	1,252,644			1,369,567	1,252,644
Miscellaneous	521,129	437,359	522,477	291,082	1,043,606	728,441
Total revenues	8,100,417	12,308,231	10,658,257	9,942,042	18,758,674	22,250,273
Expenses:						
General government	624,880	550,026			624,880	550,026
Public safety	2,151,105	2,172,438			2,151,105	2,172,438
Public works	1,716,568	1,437,902			1,716,568	1,437,902
Health and welfare	4,091	8,066			4,091	8,066
Culture and recreation	1,843,373	1,906,022			1,843,373	1,906,022
Cemetery	43,706	36,440			43,706	36,440
TIF/Economic development	413,570	252,018			413,570	252,018
Unallocated	41,341	40,288			41,341	40,288
Interest on long-term debt	437,139	448,321			437,139	448,321
Water			936,256	906,003	936,256	906,003
Wastewater			2,056,419	1,746,202	2,056,419	1,746,202
Electric			4,126,102	4,546,862	4,126,102	4,546,862
Stormwater			272,738	297,557	272,738	297,557
Liquor			296,752	309,352	296,752	309,352
Total expenses	7,275,773	6,851,521	7,688,267	7,805,976	14,964,040	14,657,497
Change in net position before transfers	824,644	5,456,710	2,969,990	2,136,066	3,794,634	7,592,776
Transfers	76,000	(24,000)	(76,000)	24,000		
Change in net position	900,644	5,432,710	2,893,990	2,160,066	3,794,634	7,592,776
Net position, beginning	27,145,080	21,712,370	36,125,413	33,965,347	63,270,493	55,677,717
Net position, ending	\$ 28,045,724	\$ 27,145,080	\$ 39,019,403	\$ 36,125,413	\$ 67,065,127	\$ 63,270,493

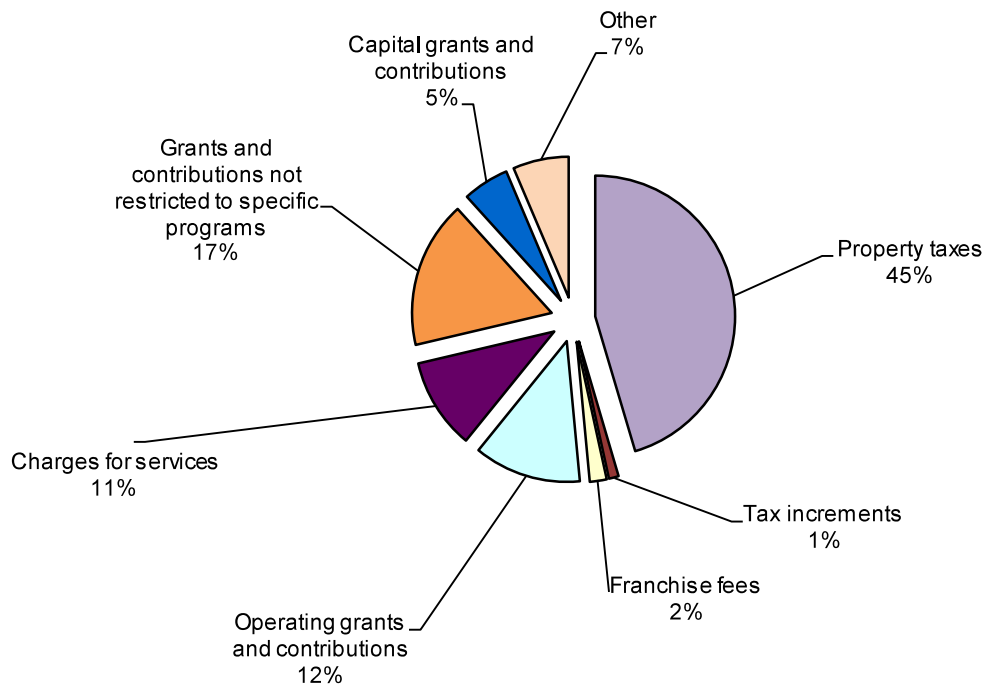
CITY OF KASSON, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



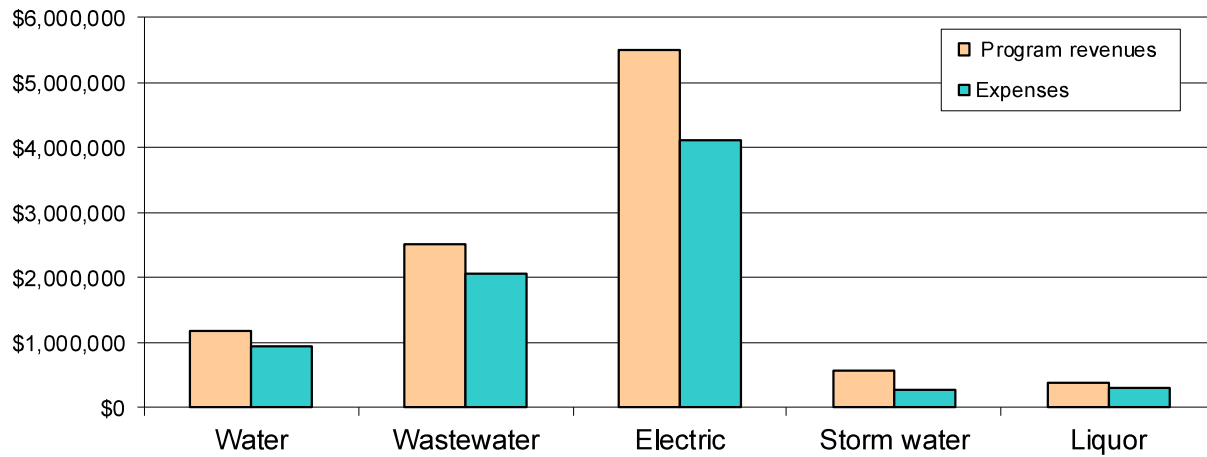
Revenues by Source - Governmental Activities



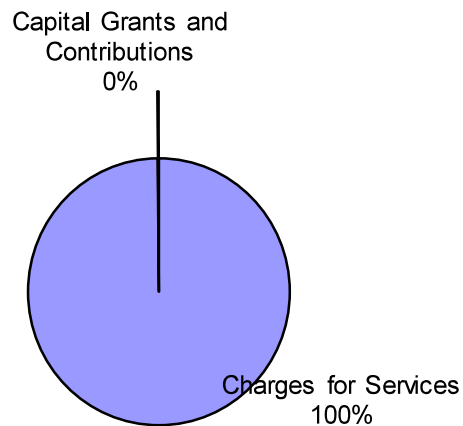
**CITY OF KASSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$9,537,913, a decrease of \$1,794,402. The amount of \$6,501,184 constitutes *unassigned, assigned, and committed fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *restricted* to indicate that it is not available for new spending because it has already been set aside 1) to liquidate contracts and purchase orders of the prior period, 2) to repay interfund advances or other debt, or 3) to fund specific capital projects or programs as obligated by statute or other regulation.

The general fund is the chief operating fund of the City of Kasson, Minnesota. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,459,972. 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 68% of the subsequent year's budgeted expenditures of the general fund.

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

The fund balance of the City's General fund increased by \$299,808 during the current fiscal year.

The *Debt Service funds* have a total fund balance of \$1,944,498, of which it all is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$344,025.

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 - \$1,524,167, Wastewater - \$4,924,995, Electric - \$8,314,024, Stormwater - \$1,237,778, and Municipal Liquor Store - \$452,304. The City adjusted rates for 2025 to cover any rise in costs.

General Fund Budgetary Highlights

Revenues exceeded expectations by \$480,553, and expenditures were under budget by \$312,309.

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

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, 2024, amounts to \$62,408,724 (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 \$1,511,661.

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

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
Land	\$ 984,858	\$ 1,027,760	\$ 319,751	\$ 319,751	\$ 1,304,609	\$ 1,347,511
Construction in process	718,924	4,188,550	196,362		915,286	4,188,550
Buildings and improvements	11,951,093	4,903,128	5,865,327	6,184,730	17,816,420	11,087,858
Improvements other than buildings	1,205,040	1,317,010	8,253,562	8,468,575	9,458,602	9,785,585
Machinery and equipment	206,807	295,953	398,119	557,941	604,926	853,894
Office equipment and furnishings	59,573	81,749		442	59,573	82,191
Vehicles	1,766,338	1,902,795	51,442	41,477	1,817,780	1,944,272
Infrastructure	14,998,187	15,835,456	15,433,341	15,771,746	30,431,528	31,607,202
Total	<u>\$ 31,890,820</u>	<u>\$29,552,401</u>	<u>\$ 30,517,904</u>	<u>\$ 31,344,662</u>	<u>\$ 62,408,724</u>	<u>\$ 60,897,063</u>

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

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

Capital Asset and Debt Administration (Continued)

Long-term debt. At the end of the current fiscal year, the City of Kasson, Minnesota had \$21,172,957 in bonds, notes, and capital leases outstanding. All of this debt is backed by the full faith and credit of the City.

City of Kasson, Minnesota Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
GO Bonds	\$ 811,000	\$ 1,119,000	\$	\$	\$ 811,000	\$ 1,119,000
GO Improvement Bonds	10,953,637	11,299,596			10,953,637	11,299,596
GO Tax Increment Bonds	644,000	659,000			644,000	659,000
GO Revenue Bonds			6,069,364	6,495,404	6,069,364	6,495,404
Notes Payable			2,362,000	2,555,000	2,362,000	2,555,000
Capital Leases Payable	261,490	192,194	71,466	66,854	332,956	259,048
Total	<u>\$ 12,670,127</u>	<u>\$ 13,269,790</u>	<u>\$ 8,502,830</u>	<u>\$ 9,117,258</u>	<u>\$ 21,172,957</u>	<u>\$ 22,387,048</u>

The City of Kasson, Minnesota's total bonds, notes, and capital lease payable decreased by \$1,214,091 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 3G, beginning on page 55.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Dodge County is currently 2.5 percent.
- Property valuations within the City reflect national trends.
- Inflationary trends in the region compare similarly to national indices.
- There was a 5.90% property tax increase in 2024, and there will be a 5.90% increase in 2025.
- While the overall tax levy rose for 2025, the majority of the increase can be attributed to a 4.3% increase in taxable market value for the City.
- Water and Electric utility rates were increased for 2025, while Sewer utility rates were reduced and Storm Water utility rates remained the same for 2025.

All of these factors were considered in preparing the City's budget for the 2025 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 Staff, 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, 2024

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CITY OF KASSON, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2024
With Comparative Totals for December 31, 2023

	Governmental Activities	Business-Type Activities	Totals	
			2024	2023
ASSETS				
Cash and investments	\$ 9,811,247	\$ 15,828,426	\$ 25,639,673	\$ 24,888,720
Restricted cash		555,302	555,302	552,202
Receivables	1,903,205	1,788,145	3,691,350	4,858,425
Lease receivable				211,202
Inventories	343	750,502	750,845	455,690
Prepaid items	44,286	23,145	67,431	61,237
Intangibles - service area		285,141	285,141	300,613
Net pension asset	156,139		156,139	68,481
Capital assets:				
Nondepreciable	1,703,782	516,113	2,219,895	5,536,061
Depreciable, net	30,187,038	30,001,791	60,188,829	55,361,002
Total Assets	43,806,040	49,748,565	93,554,605	92,293,633
Deferred Outflows of Resources				
Deferred outflows from pension activity	1,251,040	92,053	1,343,093	1,857,769
Deferred outflows from OPEB activity	16,873		16,873	18,338
Total Deferred Outflows or Resources	1,267,913	92,053	1,359,966	1,876,107
LIABILITIES				
Accounts payable	318,624	474,336	792,960	1,807,111
Deposits payable	142,630		142,630	170,999
Due to other governments	125,638	41,300	166,938	74,112
Accrued interest payable	175,560	83,045	258,605	264,681
Accrued liabilities	79,751	52,585	132,336	115,066
Deposits payable		88,080	88,080	49,924
Unearned revenue	12,753	23,467	36,220	22,710
Noncurrent liabilities:				
Due within one year:				
Long-term liabilities	788,603	758,627	1,547,230	1,608,183
Other post-employment benefit liability	8,259		8,259	7,360
Due in more than one year:				
Long-term liabilities	12,142,051	7,902,957	20,045,008	21,166,959
Other post-employment benefit liability	65,447		65,447	68,844
Net pension liability	1,116,192	501,623	1,617,815	2,557,938
Total Liabilities	14,975,508	9,926,020	24,901,528	27,913,887
Deferred Inflows of Resources				
Deferred revenue		424,510	424,510	454,793
Deferred inflows from leasing activity				211,202
Deferred inflows from pension activity	1,784,638	470,685	2,255,323	1,998,696
Deferred inflows from OPEB activity	268,083		268,083	320,669
Total Deferred Inflows or Resources	2,052,721	895,195	2,947,916	2,985,360
NET POSITION				
Net investment in capital assets	19,150,978	22,010,833	41,161,811	41,698,744
Restricted for:				
Fire pension asset	156,139		156,139	68,481
Economic development	579,164		579,164	482,615
Debt service	2,612,619	555,302	3,167,921	2,944,243
Contributors	8,000		8,000	
Unrestricted	5,538,824	16,453,268	21,992,092	18,076,410
Total Net Position	\$ 28,045,724	\$ 39,019,403	\$ 67,065,127	\$ 63,270,493

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2024
With Comparative Totals for the Fiscal Year Ending December 31, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 624,880	\$ 64,772	\$	\$
Public safety	2,151,105	227,200	352,239	
Public works	1,716,568			194,534
Health and welfare	4,091			
Culture and recreation	1,843,373	528,006	498,122	
Cemetery	43,706	25,950		
TIF/Economic development	413,570		153,616	236,403
Unallocated	41,341			
Interest on long-term debt	437,139			
Total governmental activities	<u>7,275,773</u>	<u>845,928</u>	<u>1,003,977</u>	<u>430,937</u>
Business-Type activities:				
Water	936,256	1,163,433		8,152
Wastewater	2,056,419	2,499,854		8,683
Electric	4,126,102	5,510,736		
Storm water	272,738	557,665		
Liquor	296,752	387,257		
Total business-type activities	<u>7,688,267</u>	<u>10,118,945</u>		<u>16,835</u>
Total	<u>\$ 14,964,040</u>	<u>\$ 10,964,873</u>	<u>\$ 1,003,977</u>	<u>\$ 447,772</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

 Investment income

 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	
		2024	2023
\$ (560,108)	\$	\$ (560,108)	\$ (474,584)
(1,571,666)		(1,571,666)	(1,318,603)
(1,522,034)		(1,522,034)	3,032,456
(4,091)		(4,091)	(8,066)
(817,245)		(817,245)	(1,077,908)
(17,756)		(17,756)	(16,940)
(23,551)		(23,551)	(182,921)
(41,341)		(41,341)	(40,288)
(437,139)		(437,139)	(448,321)
(4,994,931)		(4,994,931)	(535,175)
	235,329	235,329	187,211
	452,118	452,118	661,103
	1,384,634	1,384,634	719,196
	284,927	284,927	221,450
	90,505	90,505	56,024
	2,447,513	2,447,513	1,844,984
(4,994,931)	2,447,513	(2,547,418)	1,309,809
2,455,850		2,455,850	3,186,025
1,221,822		1,221,822	852,187
93,062		93,062	94,429
158,145		158,145	169,241
1,369,567		1,369,567	1,252,644
377,142	474,223	851,365	602,415
94,223	22,754	116,977	37,026
49,764	25,500	75,264	89,000
76,000	(76,000)		
5,895,575	446,477	6,342,052	6,282,967
900,644	2,893,990	3,794,634	7,592,776
27,145,080	36,125,413	63,270,493	55,677,717
<u>\$ 28,045,724</u>	<u>\$ 39,019,403</u>	<u>\$ 67,065,127</u>	<u>\$ 63,270,493</u>

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CITY OF KASSON, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2024

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CITY OF KASSON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2024
With Comparative Totals for December 31, 2023

	101 General	430 Public Safety Building	Other Governmental Funds	Totals	
				2024	2023
ASSETS					
Cash and investments	\$ 3,011,588	\$ 3,241	\$ 6,796,418	\$ 9,811,247	\$ 11,558,913
Accounts receivable	74,116		30,438	104,554	196,638
Interest receivable	13,812		16,562	30,374	49,963
Notes receivable	15,000		62,370	77,370	146,162
Due from other governmental units	82,099		67,036	149,135	1,035,664
Taxes receivable delinquent	42,950			42,950	36,170
Special assessments receivable			1,498,822	1,498,822	1,689,587
Inventories			343	343	343
Prepaid items	32,089		12,197	44,286	26,184
Advance to other funds	383,068			383,068	451,744
Due from other funds	593,801		82,577	676,378	1,931,560
TOTAL ASSETS	\$ 4,248,523	\$ 3,241	\$ 8,566,763	\$ 12,818,527	\$ 17,122,928
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 92,039	\$ 3,241	\$ 124,243	\$ 219,523	\$ 1,438,370
Deposits payable	142,630			142,630	170,999
Due to other governments	848		223,891	224,739	848
Accrued salaries payable	59,174		20,577	79,751	71,335
Due to other funds			676,378	676,378	1,931,560
Advance from other funds			383,068	383,068	451,744
Unearned revenue	12,753			12,753	
Total Liabilities	307,444	3,241	1,428,157	1,738,842	4,064,856
Deferred Inflows of Resources					
Unavailable revenue:					
Property taxes	42,950			42,950	36,170
Special assessments			1,498,822	1,498,822	1,689,587
Total Deferred Inflows of Resources	42,950		1,498,822	1,541,772	1,725,757
Fund Balance					
Nonspendable:					
Prepaid items and inventories	32,089		12,540	44,629	26,527
Loans	15,000		62,370	77,370	146,162
Advances	383,068			383,068	451,744
Restricted:					
Regulations			579,164	579,164	482,615
Debt service			1,944,498	1,944,498	1,600,473
Contributors	8,000			8,000	
Committed:					
Economic development			163,415	163,415	139,594
Library operations			343,870	343,870	300,827
Assigned:					
Capital improvements			3,597,524	3,597,524	6,478,466
Unassigned	3,459,972		(1,063,597)	2,396,375	1,705,907
Total Fund Balance	3,898,129		5,639,784	9,537,913	11,332,315
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 4,248,523	\$ 3,241	\$ 8,566,763	\$ 12,818,527	\$ 17,122,928

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, 2024

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

Total governmental fund balances (page 18)		\$ 9,537,913
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 52,407,370	
Less: Accumulated depreciation	<u>(20,516,550)</u>	
		31,890,820
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 42,950	
Special assessments	<u>1,498,822</u>	
		1,541,772
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (12,670,127)	
Net pension liability	(1,649,790)	
Net pension asset	156,139	
Compensated absences	(182,553)	
Other postemployment benefits	(324,916)	
Bond premiums net of amortization	(77,974)	
Accrued interest	<u>(175,560)</u>	
		<u>(14,924,781)</u>
Net position of governmental activities (page 15)		<u><u>\$ 28,045,724</u></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, 2024
With Comparative Totals for the Year Ended December 31, 2023

	101 General	430 Public Safety Building	Other Governmental Funds	Totals	
				2024	2023
REVENUES					
Property taxes	\$ 2,419,019	\$	\$ 1,801,395	\$ 4,220,414	\$ 3,974,595
Tax increments			158,978	158,978	152,726
Franchise fees	158,145			158,145	169,241
Special assessments	33,469		290,065	323,534	378,426
Licenses and permits	96,945			96,945	117,815
Intergovernmental	1,795,640		198,926	1,994,566	6,107,783
Charges for services	422,999		285,491	708,490	740,117
Fines and forfeits	15,039		2,203	17,242	16,044
Investment income	136,512	40,737	199,893	377,142	311,333
Miscellaneous revenues	139,778		37,740	177,518	281,033
TOTAL REVENUES	5,217,546	40,737	2,974,691	8,232,974	12,249,113
EXPENDITURES					
General government	542,679			542,679	503,159
Public safety	1,619,580			1,619,580	1,680,487
Public works	486,392			486,392	533,553
Health and welfare	4,091			4,091	8,066
Culture and recreation	734,913		771,145	1,506,058	1,444,848
Cemetery	34,752			34,752	27,602
TIF/economic development			399,042	399,042	225,909
Unallocated	41,341			41,341	40,288
Capital Outlay	735,999	3,176,296	609,990	4,522,285	8,574,060
Debt Service	116,276		1,092,600	1,208,876	1,301,102
TOTAL EXPENDITURES	4,316,023	3,176,296	2,872,777	10,365,096	14,339,074
Excess (deficiency) of revenues over (under) expenditures	901,523	(3,135,559)	101,914	(2,132,122)	(2,089,961)
OTHER FINANCING SOURCES (USES)					
Sale of assets	42,667		50,000	92,667	89,000
Issuance of long-term debt					7,000,000
Premium from issuance of long-term debt					76,287
Issuance of capital lease payable	169,053			169,053	33,599
Transfers in	202,861	228,811	1,136,929	1,568,601	803,580
Transfers out	(1,016,296)		(476,305)	(1,492,601)	(827,580)
TOTAL OTHER FINANCING SOURCES (USES)	(601,715)	228,811	710,624	337,720	7,174,886
Net change in fund balances	299,808	(2,906,748)	812,538	(1,794,402)	5,084,925
FUND BALANCE - BEGINNING	3,598,321	2,906,748	4,827,246	11,332,315	6,247,390
FUND BALANCE - ENDING	\$ 3,898,129	\$	\$ 5,639,784	\$ 9,537,913	\$ 11,332,315

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, 2024

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

Net change in fund balances - total governmental funds (page 20)		\$ (1,794,402)
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 4,398,177	
Depreciation expense	<u>(1,939,156)</u>	2,459,021
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(120,602)
Certain revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenue, December 31, 2024	\$ 1,541,772	
Unavailable revenue, December 31, 2023	<u>(1,725,757)</u>	(183,985)
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows.		
Principal retirement on bonds payable	\$ 668,959	
Amortization of bond premiums	3,299	
Change in accrued interest	<u>217</u>	672,475
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Repayment of capital lease principal	\$ 99,757	
Issuance of capital lease payable	<u>(169,053)</u>	(69,296)
In the statement of activities, certain operating expenses - other postemployment benefits, compensated absences, net pension liability, and net pension asset - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Other postemployment benefits	\$ (173,979)	
Change in compensated absences	(14,239)	
Change in net pension liability activity	37,993	
Change in net pension asset activity	<u>87,658</u>	(62,567)
Change in net position of governmental activities (pages 16-17)		<u>\$ 900,644</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, 2024

	Budgeted Amounts		2024 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,472,149	\$ 2,472,149	\$ 2,419,019	\$ (53,130)
Special assessments			33,469	33,469
Franchise fees	190,002	190,002	158,145	(31,857)
Licenses and permits	84,500	84,500	96,945	12,445
Intergovernmental	1,543,967	1,543,967	1,795,640	251,673
Charges for services	376,975	376,975	422,999	46,024
Fines and forfeits	18,000	18,000	15,039	(2,961)
Investment income	24,100	24,100	136,512	112,412
Miscellaneous	27,300	27,300	139,778	112,478
TOTAL REVENUES	4,736,993	4,736,993	5,217,546	480,553
EXPENDITURES				
Current:				
General government	570,253	570,253	542,679	27,574
Public safety	1,881,314	1,881,314	1,619,580	261,734
Public works	714,367	714,367	486,392	227,975
Emergency services/health	14,250	14,250	4,091	10,159
Culture and recreation	845,795	845,795	734,913	110,882
Cemetery	43,817	43,817	34,752	9,065
Unallocated	209,140	209,140	41,341	167,799
Capital outlay:				
General government	82,617	82,617	1,824	80,793
Public safety	48,533	48,533	196,288	(147,755)
Public works	100,000	100,000	373,977	(273,977)
Culture and recreation	18,500	18,500	163,910	(145,410)
Debt Service	99,746	99,746	116,276	(16,530)
TOTAL EXPENDITURES	4,628,332	4,628,332	4,316,023	312,309
Excess of revenues over expenditures	108,661	108,661	901,523	792,862
OTHER FINANCING SOURCES (USES)				
Sale of assets			42,667	42,667
Issuance of capital lease payable			169,053	169,053
Transfers in	92,000	92,000	202,861	110,861
Transfers out			(1,016,296)	(1,016,296)
TOTAL FINANCING SOURCES (USES)	92,000	92,000	(601,715)	(693,715)
NET CHANGE IN FUND BALANCES	200,661	200,661	299,808	99,147
FUND BALANCES, beginning	3,598,321	3,598,321	3,598,321	
FUND BALANCES, ending	\$ 3,798,982	\$ 3,798,982	\$ 3,898,129	\$ 99,147

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statements of Net Position
December 31, 2024 and 2023

	Business-Type Activities - Enterprise Funds					
	601 Water		602 Wastewater Treatment		604 Electric	
	2024	2023	2024	2023	2024	2023
ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES						
Current Assets						
Cash and investments	\$ 1,647,410	\$ 1,539,687	\$ 4,957,835	\$ 4,117,417	\$ 7,469,890	\$ 6,185,969
Restricted cash and investments	265,503	263,110	188,884	188,681		
Interest receivable	10,165	4,449	11,449	7,260	21,229	14,939
Accounts receivable	140,031	125,228	295,155	280,039	726,142	681,239
Due from other governments			25,891			
Special assessments receivable	15,408	16,748	21,239	30,460		
Lease receivable		8,025				
Inventories					616,221	341,270
Prepaid items	3,302	6,972	5,430	6,606	11,234	13,906
Total Current Assets	2,081,819	1,964,219	5,505,883	4,630,463	8,844,716	7,237,323
Noncurrent Assets						
Contribution aid receivable			424,510	454,793		
Lease receivable, noncurrent		203,177				
Intangibles - service area					285,141	300,613
Total Noncurrent Assets		203,177	424,510	454,793	285,141	300,613
Capital assets:						
Land	32,779	32,779	156,187	156,187	6,317	6,317
Construction in process	143,479					
Buildings	1,252,796	1,252,796	10,448,848	10,448,848	648,629	648,629
Improvements other than buildings	6,371,351	6,371,351	8,920,972	8,920,972	2,020,217	2,020,217
Machinery and equipment	142,119	142,119	682,698	729,558	1,141,746	1,141,746
Office equipment and furnishings	34,776	34,776	36,766	36,766	90,839	90,839
Vehicles	66,962	57,903	68,066	59,007	209,487	209,487
Infrastructure	7,796,560	7,728,043	5,194,143	5,194,143		
Less accumulated depreciation	(5,960,631)	(5,665,600)	(12,086,597)	(11,540,359)	(3,294,630)	(3,124,042)
Net capital assets	9,880,191	9,954,167	13,421,083	14,005,122	822,605	993,193
Deferred Outflows of Resources						
Deferred outflows from pension activity	13,379	33,655	22,686	61,564	36,913	83,384
Deferred outflows from OPEB activity		1,586		2,828		4,637
Total Deferred Outflows of Resources	13,379	35,241	22,686	64,392	36,913	88,021
TOTAL ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES						
	\$ 11,975,389	\$ 12,156,804	\$ 19,374,162	\$ 19,154,770	\$ 9,989,375	\$ 8,619,150
LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES, AND NET POSITION						
Current Liabilities						
Current maturities of bonds payable	\$ 241,463	\$ 235,923	\$ 292,419	\$ 288,493	\$	\$
Current maturities of leases payable	12,151	10,861	12,151	10,861	11,967	12,176
Current maturities of other postemployment benefits obligation		666		1,110		1,850
Accounts payable	73,727	50,432	121,340	49,354	228,011	240,250
Contracts payable						
Due to other governments	474	31,930			25,447	23,629
Deposits payable					88,080	49,924
Accrued interest payable	44,137	46,821	26,142	28,418		
Compensated absences payable	14,069	11,727	25,573	17,581	41,172	43,073
Unearned revenue						
Accrued salaries payable	6,971	5,869	11,701	10,142	23,181	18,884
Total Current Liabilities	392,992	394,229	489,326	405,959	417,858	389,786
Noncurrent Liabilities						
Other postemployment benefits obligation		5,926		10,641		17,419
Compensated absences payable	12,716	13,555	19,331	17,172	23,100	19,990
Net pension liability	66,519	132,541	109,958	236,264	225,420	387,420
Capital leases payable, net of current maturities	17,598	11,285	17,599	11,286		10,385
Bonds payable, net of current maturities and unamortized premium	3,368,356	3,610,051	3,390,864	3,683,436		
Total Noncurrent Liabilities	3,465,189	3,773,358	3,537,752	3,958,799	248,520	435,214
Deferred Inflows of Resources						
Deferred revenue - contribution aid			424,510	454,793		
Deferred inflows from leasing activity		211,202				
Deferred inflows from pension activity	86,915	43,382	100,645	76,072	198,335	134,789
Deferred inflows from OPEB activity		27,741		49,447		81,085
Total Deferred Inflows of Resources	86,915	282,325	525,155	580,312	198,335	215,874
NET POSITION						
Net investment in capital assets	6,240,623	6,086,047	9,708,050	10,011,046	810,638	970,632
Restricted for debt service	265,503	263,110	188,884	188,681		
Unrestricted	1,524,167	1,357,735	4,924,995	4,009,973	8,314,024	6,607,644
Total Net Position	8,030,293	7,706,892	14,821,929	14,209,700	9,124,662	7,578,276
TOTAL LIABILITIES, DEFERRED INFLOWS						
OF RESOURCES, AND NET POSITION						
	\$ 11,975,389	\$ 12,156,804	\$ 19,374,162	\$ 19,154,770	\$ 9,989,375	\$ 8,619,150

See Notes to the Financial Statements

Business-Type Activities - Enterprise Funds					
605		609		Totals	
Stormwater		Municipal Liquor Store			
2024	2023	2024	2023	2024	2023
\$ 1,226,079	\$ 931,614	\$ 527,212	\$ 555,120	\$ 15,828,426	\$ 13,329,807
100,915	100,411			555,302	552,202
1,586	1,586	5,247	1,470	49,676	29,704
71,343	67,280			1,232,671	1,153,786
				25,891	
18,750	18,750			55,397	65,958
					8,025
		134,281	114,077	750,502	455,347
1,615	3,490	1,564	4,079	23,145	35,053
1,420,288	1,123,131	668,304	674,746	18,521,010	15,629,882
				424,510	454,793
					203,177
				285,141	300,613
				709,651	958,583
74,968	74,968	49,500	49,500	319,751	319,751
52,883				196,362	
		757,915	757,915	13,108,188	13,108,188
		119,746	7,273	17,432,286	17,319,813
124,793	124,793	10,324	10,324	2,101,680	2,148,540
2,609	2,609	64,402	64,402	229,392	229,392
				344,515	326,397
7,423,861	7,423,861			20,414,564	20,346,047
(1,957,953)	(1,809,476)	(329,023)	(313,989)	(23,628,834)	(22,453,466)
5,721,161	5,816,755	672,864	575,425	30,517,904	31,344,662
4,834	12,616	14,241	28,510	92,053	219,729
	574		1,401		11,026
4,834	13,190	14,241	29,911	92,053	230,755
\$ 7,146,283	\$ 6,953,076	\$ 1,355,409	\$ 1,280,082	\$ 49,840,618	\$ 48,163,882
\$ 96,155	\$ 94,624	\$	\$	\$ 630,037	\$ 619,040
				36,269	33,898
	222		592		4,440
822	547	50,436	28,158	474,336	368,741
		15,379	17,705	41,300	73,264
				88,080	49,924
12,766	13,665			83,045	88,904
4,078	6,066	7,429	2,294	92,321	80,741
18,750	18,750	4,717	3,960	23,467	22,710
2,467	1,957	8,265	6,879	52,585	43,731
135,038	135,831	86,226	59,588	1,521,440	1,385,393
	2,164		5,228		41,378
1,834	2,203	5,211		62,192	52,920
23,945	47,969	75,781	117,046	501,623	921,240
				35,197	32,956
1,046,348	1,142,723			7,805,568	8,436,210
1,072,127	1,195,059	80,992	122,274	8,404,580	9,484,704
				424,510	454,793
					211,202
21,767	16,526	63,023	38,802	470,685	309,571
	10,040		24,493		192,806
21,767	26,566	63,023	63,295	895,195	1,168,372
4,578,658	4,579,408	672,864	575,425	22,010,833	22,222,558
100,915	100,411			555,302	552,202
1,237,778	915,801	452,304	459,500	16,453,268	13,350,653
5,917,351	5,595,620	1,125,168	1,034,925	39,019,403	36,125,413
\$ 7,146,283	\$ 6,953,076	\$ 1,355,409	\$ 1,280,082	\$ 49,840,618	\$ 48,163,882

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statements of Revenues, Expenses
and Changes in Fund Net Position
For the Years Ended December 31, 2024 and 2023

	Business-Type Activities - Enterprise Funds					
	601 Water		602 Wastewater Treatment		604 Electric	
	2024	2023	2024	2023	2024	2023
Operating Revenues						
Service fees and charges	\$ 1,109,078	\$ 1,035,755	\$ 2,366,561	\$ 2,281,298	\$ 5,375,339	\$ 5,250,142
Less cost of sales						
Connection and access fees	53,300	41,040	104,800	82,990	39,062	8,129
Refunds and reimbursements	1,055		28,493	34,094	96,335	2,758
Total operating revenue	1,163,433	1,076,795	2,499,854	2,398,382	5,510,736	5,261,029
Operating Expenses						
Personnel services	176,018	230,862	253,079	391,187	537,027	730,488
Supplies	102,727	124,772	148,038	161,213	252,384	325,724
Insurance	8,720	8,607	18,759	18,768	10,583	10,490
Utilities	78,173	77,718	5,085	5,075	10,898	8,851
Purchased power					2,781,497	3,006,822
Other services and charges	157,111	131,929	958,489	508,216	346,552	279,665
Depreciation	307,271	226,933	605,340	594,920	170,588	170,042
Total Operating Expenses	830,020	800,821	1,988,790	1,679,379	4,109,529	4,532,082
Operating Income	333,413	275,974	511,064	719,003	1,401,207	728,947
Nonoperating Revenues (Expenses)						
Investment income	61,977	31,952	147,361	87,152	212,343	137,819
Lease income	13,345	14,106			9,409	5,029
Gain on sale of assets	12,750		12,750			
Interest expense and fiscal charges	(106,236)	(105,182)	(67,629)	(66,823)	(16,573)	(14,780)
Total Nonoperating Revenues (Expenses)	(18,164)	(59,124)	92,482	20,329	205,179	128,068
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	315,249	216,850	603,546	739,332	1,606,386	857,015
Capital contributions	8,152	2,313	8,683	8,923		
Transfers in						100,000
Transfers out					(60,000)	(60,000)
CHANGE IN NET POSITION	323,401	219,163	612,229	748,255	1,546,386	897,015
NET POSITION - BEGINNING OF YEAR	7,706,892	7,487,729	14,209,700	13,461,445	7,578,276	6,681,261
NET POSITION - END OF YEAR	\$ 8,030,293	\$ 7,706,892	\$ 14,821,929	\$ 14,209,700	\$ 9,124,662	\$ 7,578,276

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		Totals	
2024	2023	2024	2023	2024	2023
\$ 557,615	\$ 519,007	\$ 1,689,831	\$ 1,650,800	\$ 11,098,424	\$ 10,737,002
		(1,303,082)	(1,285,449)	(1,303,082)	(1,285,449)
				197,162	132,159
50		508	25	126,441	36,877
557,665	519,007	387,257	365,376	10,118,945	9,620,589
52,480	82,653	220,209	238,651	1,238,813	1,673,841
4,029	6,767	11,557	24,585	518,735	643,061
758	533	4,854	4,362	43,674	42,760
		9,567	11,078	103,723	102,722
				2,781,497	3,006,822
36,379	44,203	35,531	28,466	1,534,062	992,479
148,477	140,943	15,034	2,210	1,246,710	1,135,048
242,123	275,099	296,752	309,352	7,467,214	7,596,733
315,542	243,908	90,505	56,024	2,651,731	2,023,856
36,804	19,085	15,738	15,074	474,223	291,082
				22,754	19,135
				25,500	
(30,615)	(22,458)			(221,053)	(209,243)
6,189	(3,373)	15,738	15,074	301,424	100,974
321,731	240,535	106,243	71,098	2,953,155	2,124,830
				16,835	11,236
					100,000
		(16,000)	(16,000)	(76,000)	(76,000)
321,731	240,535	90,243	55,098	2,893,990	2,160,066
5,595,620	5,355,085	1,034,925	979,827	36,125,413	33,965,347
\$ 5,917,351	\$ 5,595,620	\$ 1,125,168	\$ 1,034,925	\$ 39,019,403	\$ 36,125,413

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	Business-Type Activities - Enterprise Funds					
	601 Water		602 Wastewater Treatment		604 Electric	
	2024	2023	2024	2023	2024	2023
Cash Flows From Operating Activities						
Cash received from customers	\$ 1,149,970	\$ 1,066,927	\$ 2,468,068	\$ 2,387,634	\$ 5,503,989	\$ 5,133,504
Other receipts	13,345	14,106			9,409	5,029
Cash paid to employees	(173,413)	(236,134)	(241,369)	(409,801)	(531,521)	(721,981)
Cash paid to suppliers	(433,682)	(375,837)	(1,178,434)	(724,656)	(3,832,314)	(3,650,433)
Net Cash Provided By Operating Activities	556,220	469,062	1,048,265	1,253,177	1,149,563	766,119
Cash Flows From Noncapital Financing Activities						
Transfer in/out, net					(60,000)	40,000
Net Cash Provided By (Used In) Noncapital Financing Activities					(60,000)	40,000
Cash Flows From Capital and Related Financing Activities						
Capital asset acquisitions	(164,496)	(308,995)		(11,818)		(58,958)
Capital contributions	8,152	2,313	8,683	8,923		
Proceeds from sale of assets	12,750		12,750			
Principal payments on bonds and capital leases	(249,621)	(309,307)	(302,191)	(397,028)	(10,594)	(108,631)
Interest payments on bonds and capital leases	(109,150)	(130,609)	(70,058)	(78,796)	(1,101)	(3,986)
Net Cash Used In Capital and Related Financing Activities	(502,365)	(746,598)	(350,816)	(478,719)	(11,695)	(171,575)
Cash Flows From Investing Activities						
Investment income received	56,261	30,750	143,172	86,666	206,053	136,290
Net Cash Provided By Capital and Related Financing Activities	56,261	30,750	143,172	86,666	206,053	136,290
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	110,116	(246,786)	840,621	861,124	1,283,921	770,834
CASH AND INVESTMENTS, BEGINNING OF YEAR	1,802,797	2,049,583	4,306,098	3,444,974	6,185,969	5,415,135
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 1,912,913</u>	<u>\$ 1,802,797</u>	<u>\$ 5,146,719</u>	<u>\$ 4,306,098</u>	<u>\$ 7,469,890</u>	<u>\$ 6,185,969</u>
Classified as:						
Cash and investments	\$ 1,647,410	\$ 1,539,687	\$ 4,957,835	\$ 4,117,417	\$ 7,469,890	\$ 6,185,969
Restricted cash	265,503	263,110	188,884	188,681		
Total Cash and Investments, End of Year	<u>\$ 1,912,913</u>	<u>\$ 1,802,797</u>	<u>\$ 5,146,719</u>	<u>\$ 4,306,098</u>	<u>\$ 7,469,890</u>	<u>\$ 6,185,969</u>

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		Totals	
2024	2023	2024	2023	2024	2023
\$ 553,602	\$ 516,835	\$ 387,257	\$ 365,376	\$ 10,062,886	\$ 9,470,276
				22,754	19,135
(54,327)	(83,043)	(208,477)	(239,310)	(1,209,107)	(1,690,269)
(61,955)	(56,783)	(90,176)	(93,111)	(5,596,561)	(4,900,820)
437,320	377,009	88,604	32,955	3,279,972	2,898,322
		(16,000)	(16,000)	(76,000)	24,000
		(16,000)	(16,000)	(76,000)	24,000
(52,797)	(6,233)	(112,473)	(478,924)	(329,766)	(864,928)
				16,835	11,236
				25,500	
(94,624)	(133,053)			(657,030)	(948,019)
(31,734)	(28,656)			(212,043)	(242,047)
(179,155)	(167,942)	(112,473)	(478,924)	(1,156,504)	(2,043,758)
36,804	19,393	11,961	14,999	454,251	288,098
36,804	19,393	11,961	14,999	454,251	288,098
294,969	228,460	(27,908)	(446,970)	2,501,719	1,166,662
1,032,025	803,565	555,120	1,002,090	13,882,009	12,715,347
\$ 1,326,994	\$ 1,032,025	\$ 527,212	\$ 555,120	\$ 16,383,728	\$ 13,882,009
\$ 1,226,079	\$ 931,614	\$ 527,212	\$ 555,120	\$ 15,828,426	\$ 13,329,807
100,915	100,411			555,302	552,202
\$ 1,326,994	\$ 1,032,025	\$ 527,212	\$ 555,120	\$ 16,383,728	\$ 13,882,009

CITY OF KASSON, MINNESOTA
PROPRIETARY FUNDS
Statements of Cash Flows - continued
For the Years Ended December 31, 2024 and 2023
RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	601 Water		602 Wastewater Treatment		604 Electric	
	2024	2023	2024	2023	2024	2023
Operating Income	\$ 333,413	\$ 275,974	\$ 511,064	\$ 719,003	\$ 1,401,207	\$ 728,947
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	307,271	226,933	605,340	594,920	170,588	170,042
Change in net pension liability	(2,213)	811	(62,855)	(11,491)	(51,983)	58,097
Miscellaneous nonoperating income	13,345	14,106			9,409	5,029
(Increase) Decrease In:						
Accounts receivable	(14,803)	(11,645)	(15,116)	(17,410)	(44,903)	(125,132)
Special assessments receivable	1,340	1,777	9,221	6,662		
Due from other governments			(25,891)			
Inventories					(274,951)	(52,238)
Prepaid items	3,670	(4,189)	1,176	(4,098)	2,672	(6,325)
Deferred outflows from OPEB activity	1,586	1,122	2,828	2,207	4,637	2,652
Increase (Decrease) In:						
Accounts payable	(24,205)	40,476	71,986	10,962	(12,239)	(15,807)
Contracts payable		(89,800)				
Due to other governments	(31,456)	25,383		(14,048)	1,818	4,541
Accrued salaries payable	1,102	(847)	1,559	(2,242)	4,297	885
Compensated absences payable	1,503	(4,425)	10,151	(16,372)	1,209	7,622
Unearned revenue						
Deferred inflows from OPEB activity	(27,741)	15,211	(49,447)	26,153	(81,085)	47,374
Other postemployment benefits obligation	(6,592)	(21,825)	(11,751)	(41,069)	(19,269)	(57,175)
Deposits payable					38,156	(2,393)
Net Cash Provided By Operating Activities	\$ 556,220	\$ 469,062	\$ 1,048,265	\$ 1,253,177	\$ 1,149,563	\$ 766,119
Noncash Capital and Related Financing Activities						
Amortization of bond premium and intangibles	\$ (232)	\$ (3,883)	\$ (153)	\$ (3,707)	\$ 15,472	\$ 12,233
Capital asset additions included in accounts payable	47,500					

See Notes to the Financial Statements

605 Stormwater		609 Municipal Liquor Store		Totals	
2024	2023	2024	2023	2024	2023
\$ 315,542	\$ 243,908	\$ 90,505	\$ 56,024	\$ 2,651,731	\$ 2,023,856
148,477	140,943	15,034	2,210	1,246,710	1,135,048
(11,001)	(1,220)	(2,775)	11,600	(130,827)	57,797
				22,754	19,135
(4,063)	(2,172)			(78,885)	(156,359)
				10,561	8,439
				(25,891)	
		(20,204)	(6,439)	(295,155)	(58,677)
1,875	(1,448)	2,515	(1,450)	11,908	(17,510)
574	427	1,401	825	11,026	7,233
189	(342)	22,278	(25,208)	58,009	10,081
					(89,800)
		(2,326)	(44)	(31,964)	15,832
510	(398)	1,386	160	8,854	(2,442)
(2,357)	8	10,346	(819)	20,852	(13,986)
		757	(571)	757	(571)
(10,040)	5,412	(24,493)	14,196	(192,806)	108,346
(2,386)	(8,109)	(5,820)	(17,529)	(45,818)	(145,707)
				38,156	(2,393)
\$ 437,320	\$ 377,009	\$ 88,604	\$ 32,955	\$ 3,279,972	\$ 2,898,322

\$ (220) \$ (1,973) \$ \$ \$ 14,867 \$ 2,670

86

47,586

CITY OF KASSON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
For the Year Ended December 31, 2024

	Custodial
	877
	Festival
	in the Park
ASSETS	
Cash and investments	\$ 5,711
Prepaid items	1,913
TOTAL ASSETS	\$ 7,624
LIABILITIES	
Accounts payable	\$ 1,000
NET POSITION	\$ 6,624

CITY OF KASSON, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2024

	Custodial
	877
	Festival
	in the Park
Additions	
Contributions and donations	\$ 37,984
Deductions	
Other services and charges	47,457
CHANGE IN NET POSITION	(9,473)
NET POSITION - BEGINNING	16,097
NET POSITION - ENDING	\$ 6,624

See Notes to the Financial Statements

CITY OF KASSON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

The *Public Safety Building fund* accounts for the accumulation of financial resources for the Fire Hall construction 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.

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.

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.

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)

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)

Cash and Investments (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 2024. Since the City is generally able to certify delinquent amounts to the county for collection as special assessments, an allowance for uncollectible accounts of \$4,000 has been provided on current receivables.

Special Assessments

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

Contribution Aid Receivable

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Inventories and Prepaid Items

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

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

Restricted Assets

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

Capital Assets

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets (Continued)

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

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

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

	Useful Life <u>in Years</u>
Buildings	5 - 15
Improvements Other than Buildings	15 - 20
Machinery and Equipment	5 - 15
Office Equipment and Furnishings	5 - 15
Vehicles	5 - 15
Infrastructure	15 - 50

Deferred Outflows of Resources

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Compensated Absences

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

Postemployment Benefits Other Than Pensions

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

Long-Term Obligations

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Net Position / Fund Balance

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

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

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

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

The City classifies governmental fund balances as follows:

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

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

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

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

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

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Deferred Inflows of Resources

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

Pensions

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

Leases

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

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

Right to use lease assets are reported with capital assets and lease liabilities are reporting with long-term debt on the statement of net position.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Leases (continued)

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

Comparative Data/Reclassifications

Comparative total data for the prior year has been presented in certain statements and schedules of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the prior year totals column have been reclassified to conform with the current year presentation.

Implementation of New Accounting Principles

During the year, the City implemented GASB Statement No. 101, *Compensated Absences*. This Statement provides guidance on accounting and financial reporting for reporting a liability for certain types of leave (compensated absences). Under this Statement, government organizations are required to recognize a liability for employee's compensated absences if the leave is attributable to employee's services already rendered, if the leave accumulates, or if it is more likely than not to be used for time off or paid in cash upon separation. The liability is measured using an employee's rate of pay at the date of the financial statements. The liability and associated expense are reported in the government-wide and proprietary statements. The Statement has been implemented and a liability has been reported on the government-wide and proprietary financial statements.

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, Library, Economic Development, and Ice Arena 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, 2024, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Cash On Hand	\$ 400
Deposits	8,059,791
Money Market	3,474,278
4M Fund	3,089,749
US Treasuries	182,476
Non-Negotiable Certificate of Deposit	779,175
Negotiable Certificate of Deposit	<u>10,609,106</u>
Total Cash and Investments	<u>\$ 26,194,975</u>
Cash and Investments	\$ 25,639,673
Restricted Cash and Investments	<u>555,302</u>
Cash and Investments per Statement of Net Position	<u>\$ 26,194,975</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)

Investments Authorized by Minnesota Statutes

The City is authorized by Minnesota Statutes Chapter 118A to invest idle funds as follows:

- (a) Direct obligations or obligations guaranteed by the United States or its agencies
- (b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (c) General obligations of the State of Minnesota or its municipalities.
- (d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- (e) Commercial paper issued by the United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- (f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

The City's established investment policy complies with Minnesota Statutes Chapter 118A and investment transactions are executed in accordance with the authorized investment policy.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk follows Minnesota Statutes for deposits. The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial banks 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.

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 investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of total investments are as follows:

Non-Negotiable Certificate of Deposit	7%
Negotiable Certificate of Deposit	92%

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, 2024 were as follows:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk - Maturity Date in Years				
	Rating	Agency		No Maturity Date	Less than 1	1 to 5	6 to 10	Total
US Treasuries	AAAm	S&P	Level 1	\$	\$ 182,476	\$	\$	\$ 182,476
4M Fund	Not Rated	N/A	N/A	3,089,749				3,089,749
Negotiable Certificate of Deposit	N/A	N/A	Level 2		3,347,191	7,261,915		10,609,106
Total Investments				<u>\$3,089,749</u>	<u>\$3,529,667</u>	<u>\$7,261,915</u>	<u>\$</u>	<u>\$ 13,881,331</u>

N/A - Not Applicable

The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission regulated by Minnesota Statutes. The City's investments in this investment pool is measured at the net asset value per share provided by the pool, which is based on the amortized cost method that approximates fair value. For the 4M investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required.

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 per annum. The balance on notes receivable at December 31, 2024 is \$62,370.

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, 2024 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,027,760	\$	\$ 42,902	\$ 984,858
Construction in progress	4,188,550	695,314	4,164,940	718,924
Total capital assets, not being depreciated	5,216,310	695,314	4,207,842	1,703,782
Capital assets, being depreciated:				
Buildings	7,111,100	7,323,045	239,075	14,195,070
Improvements other than buildings	2,441,832	54,100		2,495,932
Machinery and equipment	1,221,780			1,221,780
Office equipment and furnishings	305,547			305,547
Vehicles	4,150,898	169,053	125,601	4,194,350
Infrastructure	27,969,304	321,605		28,290,909
Total capital assets, being depreciated	43,200,461	7,867,803	364,676	50,703,588
Less accumulated depreciation for:				
Buildings	2,207,972	197,380	161,375	2,243,977
Improvements other than buildings	1,124,822	166,070		1,290,892
Machinery and equipment	925,827	89,146		1,014,973
Office equipment and furnishings	223,798	22,176		245,974
Vehicles	2,248,103	305,510	125,601	2,428,012
Infrastructure	12,133,848	1,158,874		13,292,722
Total accumulated depreciation	18,864,370	1,939,156	286,976	20,516,550
Total capital assets, being depreciated, net	24,336,091	5,928,647	77,700	30,187,038
Governmental activities capital assets, net	\$ 29,552,401	\$ 6,623,961	\$ 4,285,542	\$ 31,890,820

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	\$ 319,751	\$	\$	\$ 319,751
Construction in progress		196,362		196,362
Total capital assets, not being depreciated	319,751	196,362		516,113
Capital assets, being depreciated:				
Buildings	13,108,188			13,108,188
Improvements other than buildings	17,319,813	112,473		17,432,286
Machinery and equipment	2,148,540		46,860	2,101,680
Office equipment and furnishings	229,392			229,392
Vehicles	326,397	42,602	24,484	344,515
Infrastructure	20,346,047	68,517		20,414,564
Total capital assets, being depreciated	53,478,377	223,592	71,344	53,630,625
Less accumulated depreciation for:				
Buildings	6,923,458	319,403		7,242,861
Improvements other than buildings	8,851,238	327,486		9,178,724
Machinery and equipment	1,590,599	159,822	46,860	1,703,561
Office equipment and furnishings	228,950	442		229,392
Vehicles	284,920	32,635	24,482	293,073
Infrastructure	4,574,301	406,922		4,981,223
Total accumulated depreciation	22,453,466	1,246,710	71,342	23,628,834
Total capital assets, being depreciated, net	31,024,911	(1,023,118)	2	30,001,791
Business-type activities capital assets, net	\$ 31,344,662	\$ (826,756)	\$ 2	\$ 30,517,904

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	\$	25,702
Public safety		291,128
Public works		1,295,511
Culture and recreation		317,909
Cemetery		8,906
		<hr/>

Total depreciation expense - governmental activities	\$	<u><u>1,939,156</u></u>
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Business-Type Activities:

Water	\$	307,271
Wastewater treatment		605,340
Electric		170,588
Stormwater		148,477
Liquor		15,034
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Total depreciation expense - business-type activities	\$	<u><u>1,246,710</u></u>
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CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

E. Leases

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

In 2024, the City derecognized this lease as the lessor is no longer leasing this space from the City.

F. Interfund Balances and Transfers

The amounts due to and from other funds as of December 31, 2024, at the individual fund level are summarized below:

Funds	Due From Other Funds	Due To Other Funds
General Fund	\$ 593,801	\$
Economic Development	82,577	
Bigelow-Voigt Abatement		120,086
Dodge County Ice Arena		18,571
Vail Property		77,591
Sand Company TIF		7,454
Raegan Addition TIF		5,754
2025 Street Project		42,140
2025 SW Reconstruction		297,500
16th Street NW		24,705
Downtown TIF		82,577
Total	\$ 676,378	\$ 676,378

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Interfund Balances and Transfers

The amounts advanced to and from other funds as of December 31, 2024, at the individual fund level are summarized below:

<u>Funds</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	\$ 383,068	\$
2023 Street Repair Project		383,068
Total	<u>\$ 383,068</u>	<u>\$ 383,068</u>

Transfers during the year ended December 31, 2024 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 202,861	\$ 1,016,296
Stabilization/Capital Projects Reserves	300,000	
Oppidan Folkestad TIF		35,848
Vail Property	300,000	
Highway 57		117,016
16th St NW	384,065	
Public Safety Building	228,811	
Fire Truck and Equipment		126,861
G.O. Tax Increment Refunding Bonds of 2020A	35,848	
2022A Hwy 57	117,016	
Gas Row Fees		196,580
Enterprise:		
Electric		60,000
Municipal Liquor Store		16,000
Total Transfers	<u>\$ 1,568,601</u>	<u>\$ 1,568,601</u>

The City generally utilizes interfund transfers for cash flow purposes.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

F. Interfund Balances and Transfers (Continued)

At December 31, 2024 the following funds have deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Special Revenue:	
Bigelow-Voigt Abatement	\$ 119,831
Vail Property	27,657
Capital Projects:	
Downtown TIF	82,577
Sand Company TIF	7,454
Raegan Addition TIF	5,754
16th Street NW	38,430
2023 Street Repair Project	383,068
2025 Street Project	46,060
2025 SW Reconstruction Project	350,000

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

G. Long-term Debt

General Obligation Bonds

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

G.O. Tax Increment Bonds

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

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
G.O. Tax Increment Refunding Bonds of 2020A	\$ 708,000	3.20 %	03/16/20	02/01/42	<u>\$ 644,000</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term Debt (Continued)

G.O. Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Note of 2020B	\$ 708,000	1.75 %	05/28/20	02/01/28	<u>\$ 811,000</u>

G.O. Improvement Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2014C	\$ 430,000	2.50 - 3.50 %	06/02/14	02/01/30	\$ 190,000
G.O. Improvement and Utility Revenue Bonds of 2017A	3,762,900	2.00 - 2.50	07/05/17	02/01/33	2,397,600
G.O. Improvement & Utility Revenue Bond 2022A	1,491,664	3.063	05/11/22	02/01/38	1,366,037
G.O Special Election Bonds of 2023A	7,000,000	4.00	08/09/23	02/01/53	<u>7,000,000</u>
Total G.O. Improvement Bonds					<u>\$ 10,953,637</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term Debt (Continued)

G.O. Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement and Utility Revenue Bonds of 2017A	\$ 3,017,100	2.00 - 2.50 %	07/05/17	02/01/33	\$ 1,922,400
G.O. Improvement & Utility Revenue Bond 2022A	4,528,336	3.063	05/11/22	02/01/38	4,146,964
Total G.O. Revenue Bonds					<u>\$ 6,069,364</u>

Notes Payable

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue Note of 2011 (PFA)	\$ 994,038	1.86 %	08/31/11	08/20/31	\$ 399,000
G.O. Sewer Revenue Note of 2018 (PFA)	2,843,535	1.095	02/14/18	08/20/37	1,963,000
Total Notes Payable					<u>\$ 2,362,000</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term Debt (Continued)

The following is a summary of changes in long-term debt obligations during the year ended December 31, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable:					
General Obligation Bonds:					
2014A GO Equipment Certificate	\$ 114,000	\$	\$ 114,000	\$	\$
2020B GO Refunding Note	1,005,000		194,000	811,000	199,000
General Obligation Improvement Bonds:					
2014C GO Improvement Bond	220,000		30,000	190,000	30,000
2017A GO Improvement and Utility Revenue Bonds	2,636,250		238,650	2,397,600	241,425
2022A GO Improvement and Utility Revenue Bonds	1,443,346		77,309	1,366,037	79,539
2023A GO Special Election Bonds	7,000,000			7,000,000	
General Obligation Tax Increment Bonds:					
2020A GO Tax Increment Refunding Bond	659,000		15,000	644,000	19,000
Capital Lease Payable	192,194	169,053	99,757	261,490	99,659
Plus: Unamortized premiums	81,273		3,299	77,974	
Total Bonds and Capital Leases Payable	13,351,063	169,053	772,015	12,748,101	668,623
Other Liabilities:					
Compensated absences	168,314	14,239		182,553	119,980
Governmental Activities					
Long-term Liabilities	13,519,377	183,292	772,015	12,930,654	788,603
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Revenue Bonds:					
2017A GO Improvement and Utility Revenue Bonds	2,113,750		191,350	1,922,400	193,575
2022A GO Improvement and Utility Revenue Bonds	4,381,654		234,690	4,146,964	241,462
Notes Payable:					
2011 PFA Loan	452,000		53,000	399,000	54,000
2018 PFA Loan	2,103,000		140,000	1,963,000	141,000
Capital Lease Payable	66,854	42,602	37,990	71,466	36,269
Plus: Unamortized premiums	4,846		605	4,241	
Total Bonds, Notes, and Capital Leases Payable	9,122,104	42,602	657,635	8,507,071	666,306
Other Liabilities:					
Compensated absences	133,661	20,852		154,513	92,321
Business-type Activities					
Long-term Liabilities	9,255,765	63,454	657,635	8,661,584	758,627
Total	\$ 22,775,142	\$ 246,746	\$ 1,429,650	\$ 21,592,238	\$ 1,547,230

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term Debt (Continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2024, excluding compensated absences over the life of the debt, are summarized below:

General Obligation Bonds			General Improvement Bonds		General Obligation Tax Increment Bonds		Total
Years	Principal	Interest	Principal	Interest	Principal	Interest	
Governmental Activities							
2025	\$ 199,000	\$ 12,451	\$ 350,964	\$ 382,693	\$ 19,000	\$ 20,304	\$ 984,412
2026	202,000	8,943	498,992	371,016	18,000	19,712	1,118,663
2027	204,000	5,390	512,267	355,618	22,000	19,072	1,118,347
2028	206,000	1,802	525,047	339,732	21,000	18,384	1,111,965
2029			551,098	323,133	24,000	17,664	915,895
2030-2034			2,544,301	1,360,970	152,000	74,976	4,132,247
2035-2039			1,530,968	1,027,749	216,000	45,600	2,820,317
2040-2044			1,315,000	760,700	172,000	8,448	2,256,148
2045-2049			1,595,000	470,500			
2050-2053			1,530,000	125,400			
Totals	\$ 811,000	\$ 28,586	\$ 10,953,637	\$ 5,517,511	\$ 644,000	\$ 224,160	\$ 14,457,994

	General Obligation Revenue				Total	
	Bonds		Notes Payable			
	Principal	Interest	Principal	Interest		
<u>Business-Type Activities</u>						
2025	\$ 435,036	\$ 168,480	\$ 195,000	\$ 28,920	\$ 827,436	
2026	447,008	156,557	198,000	26,370	827,935	
2027	459,733	143,798	200,000	23,782	827,313	
2028	470,953	130,698	203,000	21,162	825,813	
2029	485,902	117,227	206,000	18,504	827,633	
2030-2034	2,401,699	373,043	882,000	54,750	3,711,492	
2035-2039	1,369,033	85,456	478,000	10,500	1,942,989	
Totals	\$ 6,069,364	\$ 1,175,259	\$ 2,362,000	\$ 183,988	\$ 9,790,611	

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Detailed Notes on All Funds (Continued)

G. Long-term Debt (Continued)

The annual requirements to amortize capital leases payable outstanding as of December 31, 2024, over the life of the leases, are summarized below:

Capital Leases Payable - Governmental			
Years	Principal	Interest	
2025	\$ 99,659	\$ 8,898	
2026	66,735	3,612	
2027	42,112	1,661	
2028	36,930	318	
2029	16,054	39	
Totals	<u>\$ 261,490</u>	<u>\$ 14,528</u>	

Capital Leases Payable - Business-Type			
Years	Principal	Interest	
2025	\$ 36,269	\$ 1,678	
2026	16,646	238	
2027	8,344	92	
2028	8,396	40	
2029	1,811	1	
Totals	<u>\$ 71,466</u>	<u>\$ 2,049</u>	

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

3. Detailed Notes on All Funds (Continued)

H. Fund Balance

The following is a summary of committed, restricted, and assigned fund balances as of December 31, 2024 and 2023:

Committed For:	2024	2023
Economic Development	\$ 163,415	\$ 139,594
Library Operations	343,870	300,827
Total Committed Fund Balance	<u>\$ 507,285</u>	<u>\$ 440,421</u>
Restricted For:		
Ice Arena Improvements	\$ 8,000	\$
Debt Service	1,944,498	1,600,473
Tax Increments	253,243	217,513
Abatements	55,000	
Loans	270,921	265,102
Total Restricted Fund Balance	<u>\$ 2,531,662</u>	<u>\$ 2,083,088</u>
Assigned For:		
Capital Improvements:		
Ice Arena	\$	\$ 37,604
Stabilization/Cap Projects Reserve	2,094,650	1,741,752
Permanent Improvement Revolving	1,274,729	1,132,734
Hwy 57		241,505
Gas ROW Fees		196,580
Public Safety Building		2,906,748
Park Project	228,145	221,543
Total Assigned Fund Balance	<u>\$ 3,597,524</u>	<u>\$ 6,478,466</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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Public Employees Police and Fire Retirement Plan (Police and Fire Plan)

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit 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. Members can receive a reduced retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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. The 2024 annual increase was 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.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increases by 10 percent each full year of service until members are 100 percent vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

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 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 prorated increase.

Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 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, 2024, were \$155,077. The City's contributions were equal to the required contributions as set by state statute.

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 2024 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, 2024 were \$133,136. 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, 2024, the City reported a liability of \$903,184 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 \$23,354.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Pension Costs (Continued)

City's proportionate share of the net pension liability	\$	903,184
State of Minnesota's proportionate share of the net pension liability associated with the City		23,354
Total	\$	<u>926,538</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0244 percent at the end of the measurement 0.0274 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$(135,017) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$(448) 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$41,504 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions of the General Employees Fund.

At December 31, 2024, the City reported 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	\$ 81,983	\$ 4,004
Changes in actuarial assumptions	5,019	372,180
Net difference between projected and actual earnings on pension plan investments		253,055
Changes in proportion	4,269	167,555
Employer contributions subsequent to the measurement date	76,306	
Total	<u>\$ 167,577</u>	<u>\$ 796,794</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Pension Costs (Continued)

The \$76,306 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 ending December 31, 2025. 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>
2025	\$ (365,356)
2026	(106,107)
2027	(164,834)
2028	(69,226)

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2024, the City reported a liability of \$714,631 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0543 percent at the end of the measurement period and 0.0594 percent for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$27,241.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Pension Costs (Continued)

City's proportionate share of the net pension liability	\$	714,631
State of Minnesota's proportionate share of the net pension liability associated with the City		<u>27,241</u>
Total	\$	<u>741,872</u>

For the year ended December 31, 2024, the City recognized pension expense of \$(33,803) for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$2,645 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

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 \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$2,645 for the year ended December 31, 2024 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, 2024, the City reported 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	\$ 283,963	\$
Changes in actuarial assumptions	783,619	1,118,967
Net difference between projected and actual earnings on pension plan investments		221,921
Changes in proportion	38,057	117,641
Employer contributions subsequent to the measurement date	69,877	
Total	<u>\$ 1,175,516</u>	<u>\$ 1,458,529</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Pension Costs (Continued)

The \$69,877 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 ending December 31, 2025. 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>
2025	\$ (64,966)
2026	140,738
2027	(127,683)
2028	(302,773)
2029	1,794

Aggregate Pension Costs

The total pension expense for all plans recognized by the City for the year ended December 31, 2024 is as follows:

General Employees Retirement Fund	\$(135,465)
Police and Fire Fund	(31,158)
Fire Relief	<u>(87,658)</u>
Total	<u>\$(254,281)</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Long-Term Expected Return on Investment

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

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

Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine of the total liability is 7%. The 7% 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 considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25 percent for the General Employees Plan and the Police and Fire Plan.
- Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3% after 24 years of service.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

Actuarial Methods and Assumptions (Continued)

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 General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

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 (continued)

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.00 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.

Pension Liability Sensitivity

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

Sensitivity Analysis					
<i>Net Pension Liability (Asset) at Different Discount Rates</i>					
	General Employees Fund			Police and Fire Fund	
1% Lower	6.00%	\$	1,972,700	6.00%	\$ 1,688,813
Current Discount Rate	7.00%		903,184	7.00%	714,631
1% Higher	8.00%		23,410	8.00%	(85,376)

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plan - Statewide (Continued)

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 Contribution Pension Plan

The elected officials of the City of Kasson, Minnesota are covered by the Defined Contribution Plan, a multi-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D and 356, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the asset in each member's account annually.

Total contributions made by the City during fiscal year 2024 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 351	\$ 351	5%	5%	5%

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. 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).

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.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Plan Description (Continued)

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, 2023 (most current information available) the Association's funding status is as follows:

Total plan assets	\$ 695,346
Total accrued liability	<u>(539,207)</u>
Excess of Plan Assets over Accrued Liability	<u>\$ 156,139</u>

Contributions Required and Contributions Made

Financial requirements of the Association are determined on a computation based on member years of service. The City's minimum obligation is the financial requirement for the year less Association investment earnings and State aids. The funding strategy should provide sufficient resources to pay relief association benefits on a timely basis. The City was not obligated to make a contribution in 2024.

The computation of the pension contribution requirements for 2024 was based on the same assumptions, benefit provision, lump sum funding method, and other significant factors used to determine pension contributions requirements in previous years.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. 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, 2024.

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 is 1 retiree receiving payments. Benefit provisions are established through negotiations between the City and the unions representing City employees and are renegotiated from time to time. The Retiree Health Plan does not issue a publicly available financial report.

B. Funding Policy

The City has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the City and union representatives. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The City does not contribute any of the cost of current year premiums for eligible retired plan members and their spouses. For fiscal year 2024, the City contributed \$7,750 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs.

C. Total OPEB Liability

The City's total OPEB liability was measured as of January 1, 2024 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	\$ 73,706
Covered employee payroll	
Total OPEB liability as a % of payroll	0%

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Postemployment Benefits Other Than Pensions (Continued)

D. Funded Status and Funding Progress

As of January 1, 2024, the most recent valuation date, the actuarial accrued liability for benefits was \$73,706 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$0 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 0 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.

The following changes in actuarial assumptions occurred in 2024:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The discount rate was changed from 4.00% to 3.70%

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. 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, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.70%
20-year Municipal Bond Yield	3.70%
Inflation rate	2.50%
Mortality	Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale
Medical trend rate	6.50% as of January 1, 2024 grading to 5.00% over 6 years and then to 4.00% over the next 48 years.

F. *Changes in Total OPEB Liability*

	<u>Total OPEB Liability</u>
Beginning Balance 1/1/2024	\$ 76,204
Changes for the year:	
Interest	2,876
Assumption changes	2,106
Differences between expected and actual experience	1,222
Benefit payments	(8,702)
Net Changes	(2,498)
Balance End of Year 12/31/2024	<u>\$ 73,706</u>

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. 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 (2.70%)	\$ 76,876
Current Discount Rate (3.70%)	73,706
1% increase in Discount Rate (4.70%)	70,730

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	\$ 71,101
Current Trend Rates	73,706
1% increase in Trend Rates	76,416

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

As of the year ended December 31, 2024, 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	\$ 9,444	\$ 6,943
Liability gains		261,140
Contributions paid to OPEB subsequent to the measurement date	7,429	
	<u>\$ 16,873</u>	<u>\$ 268,083</u>

Contributions made subsequent to the measurement date of \$7,429 will be recognized as a reduction of the OPEB liability in the year ending December 31, 2025.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. 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>
2025	\$ (49,062)
2026	(47,860)
2027	(47,861)
2028	(38,021)
2029	(25,280)
Thereafter	(50,555)

8. 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)

8. 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 (\$730,943,300) which is \$21,928,299. The City currently has \$811,000 of general obligation debt subject to this limit, leaving a debt margin of \$21,117,299 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)

9. 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, 2024.

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 \$4,613 and \$3,597 in 2024 and 2023, 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 property taxes generated by the property for the period of up to 20 years to help pay for the infrastructure.

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

The City may enter into tax increment financing agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.174 to 469.1794 through pay-as-you-go tax increment financing program. The City has three pay-as-you-go tax increment financing districts. For the year ended December 31, 2024, the City paid tax increments totaling \$99,101 related to these agreements.

CITY OF KASSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. 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 \$424,510 in contribution aid receivable at December 31, 2024.

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

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

CITY OF KASSON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

CITY OF KASSON, MINNESOTA
Schedules of City Pension Contributions

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

Year Ended December 31	Contributions in Relation to		Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)			
2015	\$ 140,991	\$ 140,991	\$	\$ 1,879,880	7.50%
2016	135,921	135,921		1,812,280	7.50%
2017	145,970	145,970		1,946,267	7.50%
2018	147,541	147,541		1,967,213	7.50%
2019	146,530	146,530		1,953,733	7.50%
2020	146,300	146,300		1,950,667	7.50%
2021	147,805	147,805		1,970,733	7.50%
2022	156,028	156,028		2,080,373	7.50%
2023	163,322	163,322		2,177,627	7.50%
2024	155,077	155,077		2,067,693	7.50%

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

Year Ended December 31	Contributions in Relation to		Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)			
2015	\$ 87,418	\$ 87,418	\$	\$ 539,617	16.20%
2016	92,805	92,805		572,870	16.20%
2017	95,949	95,949		592,278	16.20%
2018	91,393	91,393		564,154	16.20%
2019	104,042	104,042		613,817	16.95%
2020	125,768	125,768		710,554	17.70%
2021	111,754	111,754		631,379	17.70%
2022	122,181	122,181		690,288	17.70%
2023	138,136	138,136		780,429	17.70%
2024	133,136	133,136		752,181	17.70%

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
2015	0.0325%	\$ 1,684,319	\$	\$ 1,684,319	\$ 1,773,568	95%	78.20%
2016	0.0292%	2,370,895	30,984	2,401,879	1,846,080	130%	68.90%
2017	0.0302%	1,927,948	24,251	1,952,199	1,879,273	104%	75.90%
2018	0.0293%	1,625,444	53,210	1,678,654	1,956,740	86%	79.53%
2019	0.0276%	1,525,942	47,498	1,573,440	1,960,473	80%	80.23%
2020	0.0274%	1,642,755	50,576	1,693,331	1,952,200	87%	79.06%
2021	0.0274%	1,170,103	35,686	1,205,789	1,960,700	61%	87.00%
2022	0.0278%	2,201,769	64,515	2,266,284	2,025,553	112%	76.67%
2023	0.0274%	1,532,177	42,154	1,574,331	2,129,000	74%	83.10%
2024	0.0244%	903,184	23,354	926,538	2,122,660	44%	89.10%

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)	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 (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
2015	0.0610%	\$ 693,103	\$	\$ 693,103	\$ 525,992	132%	86.60%
2016	0.0590%	2,367,773		2,367,773	556,244	426%	63.90%
2017	0.0580%	783,069		783,069	582,574	134%	85.40%
2018	0.0535%	570,255		570,255	578,216	99%	88.84%
2019	0.0595%	633,438		633,438	588,986	108%	89.26%
2020	0.0643%	847,543	19,962	867,505	662,185	128%	87.19%
2021	0.0534%	412,191	18,531	430,722	670,966	61%	93.66%
2022	0.0568%	2,471,712	108,012	2,579,724	660,833	374%	70.53%
2023	0.0594%	1,025,761	41,323	1,067,084	735,359	139%	86.50%
2024	0.0543%	714,631	27,241	741,872	766,305	93%	90.20%

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

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	\$	\$ 489	\$ 17,329	\$ 22,017	\$ 21,324	\$ 20,544	\$ 21,490
Interest cost	2,876	6,214	6,844	6,335	10,294	8,411	7,915
Assumption changes	2,106	(7,383)	10,539		4,221	(8,444)	
Plan changes			169,791				
Differences between expected and actual experience	1,222	(223,877)	(99,720)		(82,942)		
Benefit payments	(8,702)	(18,801)	(7,750)	(4,498)	(7,514)	(3,055)	(23,658)
Net change in total OPEB liability	(2,498)	(243,358)	97,033	23,854	(54,617)	17,456	5,747
Total OPEB Liability - beginning of year	76,204	319,562	222,529	198,675	253,292	235,836	230,089
Total OPEB Liability - end of year	\$ 73,706	\$ 76,204	\$ 319,562	\$ 222,529	\$ 198,675	\$ 253,292	\$ 235,836
 Covered Employee Payroll	 \$	 \$ 2,720,269	 \$ 2,641,038	 \$ 2,597,937	 \$ 2,516,162	 \$ 2,319,236	 \$ 2,251,685
 Total OPEB Liability as a % of payroll	 0%	 3%	 12%	 9%	 8%	 11%	 10%

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

CITY OF KASSON, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR FUNDS
STATEMENTS AND SCHEDULES
DECEMBER 31, 2024

CITY OF KASSON, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2024

	Capital Projects							
	Total Special Revenue Funds	Total Debt Service Funds	210 Stabilization/ Cap Projects Reserve	223 Sand Company TIF	247 2004 Assisted Living TIF	248 Downtown TIF	249 Oppidan Folkestad TIF	251 Raegan Addition TIF
ASSETS								
Cash and investments	\$ 770,942	\$ 1,926,161	\$ 2,093,477	\$	\$ 137,418	\$	\$ 253,243	\$
Accounts receivable	30,438							
Interest receivable		3,233	1,173					
Notes receivable	62,370							
Due from other governmental units	51,932	15,104						
Special assessments receivable	71,617	843,681						
Inventories	343							
Prepaid items	12,197							
Due from other funds	82,577							
TOTAL ASSETS	\$ 1,082,416	\$ 2,788,179	\$ 2,094,650	\$	\$ 137,418	\$	\$ 253,243	\$
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 15,781	\$	\$	\$	\$ 38,317	\$	\$	\$
Due to other governments	331				99,101			
Accrued salaries payable	20,577							
Due to other funds	216,248			7,454		82,577		5,754
Advance from other fund								
Total Liabilities	252,937			7,454	137,418	82,577		5,754
Deferred Inflows of Resources								
Unavailable revenue:								
Special assessments	71,617	843,681						
Fund Balance								
Nonspendable:								
Prepaid items and inventories	12,540							
Loans	62,370							
Restricted:								
Regulations	325,921						253,243	
Debt service		1,944,498						
Committed:								
Economic development	163,415							
Library operations	343,870							
Assigned:								
Capital improvements			2,094,650					
Unassigned	(150,254)			(7,454)		(82,577)		(5,754)
Total Fund Balance	757,862	1,944,498	2,094,650	(7,454)		(82,577)	253,243	(5,754)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,082,416	\$ 2,788,179	\$ 2,094,650	\$	\$ 137,418	\$	\$ 253,243	\$

Capital Projects								
401 Permanent Improvement Revolving	424 Highway 57	426 16th Street NW	427 2023 Street Repair Project	428 Gas ROW Fees	429 Parks Project	431 2025 Street Project	432 2025 SW Reconstruction Project	Total Nonmajor Governmental Funds
\$ 1,262,573	\$ 124,459	\$	\$	\$	\$ 228,145	\$	\$	\$ 6,796,418
12,156								30,438
								16,562
								62,370
								67,036
441,752			141,772					1,498,822
								343
								12,197
								82,577
<u>\$ 1,716,481</u>	<u>\$ 124,459</u>	<u>\$</u>	<u>\$ 141,772</u>	<u>\$</u>	<u>\$ 228,145</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,566,763</u>
\$	\$ 124,459	\$ 13,725	\$	\$	\$	\$ 3,920	\$ 52,500	\$ 124,243
								223,891
		24,705				42,140	297,500	20,577
			383,068					676,378
								383,068
	<u>124,459</u>	<u>38,430</u>	<u>383,068</u>			<u>46,060</u>	<u>350,000</u>	<u>1,428,157</u>
<u>441,752</u>			<u>141,772</u>					<u>1,498,822</u>
								12,540
								62,370
								579,164
								1,944,498
								163,415
								343,870
1,274,729					228,145			3,597,524
		(38,430)	(383,068)			(46,060)	(350,000)	(1,063,597)
<u>1,274,729</u>		<u>(38,430)</u>	<u>(383,068)</u>		<u>228,145</u>	<u>(46,060)</u>	<u>(350,000)</u>	<u>5,639,784</u>
<u>\$ 1,716,481</u>	<u>\$ 124,459</u>	<u>\$</u>	<u>\$ 141,772</u>	<u>\$</u>	<u>\$ 228,145</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,566,763</u>

CITY OF KASSON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2024

	Capital Projects							
	Total Special Revenue Funds	Total Debt Service Funds	210 Stabilization/ Cap Projects Reserve	223 Sand Company TIF	247 2004 Assisted Living TIF	248 Downtown TIF	249 Oppidan Folkestad TIF	251 Raegan Addition TIF
REVENUES								
Property taxes	\$ 579,573	\$ 1,180,872	\$	\$	\$	\$	\$	\$
Tax increments					93,062		65,916	
Special assessments		174,880						
Intergovernmental	198,926							
Charges for services	285,491							
Fines and forfeits	2,203							
Investment income	20,616	54,870	52,898				7,328	
Miscellaneous	31,701				6,039			
TOTAL REVENUES	1,118,510	1,410,622	52,898		99,101		73,244	
EXPENDITURES								
Current:								
Culture and recreation	771,145							
TIF/economic development	284,168			7,454	99,101	899	1,666	5,754
Capital outlay:								
Culture and recreation	5,814							
Economic development	40,555							
Public works								
Debt service		1,092,600						
TOTAL EXPENDITURES	1,101,682	1,092,600		7,454	99,101	899	1,666	5,754
Excess (deficiency) of revenues over (under) expenditures	16,828	318,022	52,898	(7,454)		(899)	71,578	(5,754)
OTHER FINANCING SOURCES (USES)								
Sale of assets	50,000							
Transfers out		(126,861)					(35,848)	
Transfers in	300,000	152,864	300,000					
TOTAL OTHER FINANCING SOURCES (USES)	350,000	26,003	300,000				(35,848)	
Net change in fund balances	366,828	344,025	352,898	(7,454)		(899)	35,730	(5,754)
FUND BALANCE - BEGINNING	391,034	1,600,473	1,741,752			(81,678)	217,513	
FUND BALANCE - ENDING	\$ 757,862	\$ 1,944,498	\$ 2,094,650	\$ (7,454)	\$	\$ (82,577)	\$ 253,243	\$ (5,754)

Capital Projects								Total Nonmajor Governmental Funds
401 Permanent Improvement Revolving	424 Highway 57	426 16th Street NW	427 2023 Street Repair Project	428 Gas ROW Fees	429 Parks Project	431 2025 Street Project	432 2025 SW Reconstruction Project	
\$	\$	\$	\$ 40,950	\$	\$	\$	\$	\$ 1,801,395
84,416			30,769					158,978
								290,065
								198,926
								285,491
57,579					6,602			2,203
								199,893
								37,740
141,995			71,719		6,602			2,974,691
								771,145
								399,042
								5,814
	124,489	40,029	3,043			46,060	350,000	40,555
								563,621
	124,489	40,029	3,043			46,060	350,000	1,092,600
								2,872,777
141,995	(124,489)	(40,029)	68,676		6,602	(46,060)	(350,000)	101,914
	(117,016)			(196,580)				50,000
		384,065						(476,305)
								1,136,929
	(117,016)	384,065		(196,580)				710,624
141,995	(241,505)	344,036	68,676	(196,580)	6,602	(46,060)	(350,000)	812,538
1,132,734	241,505	(382,466)	(451,744)	196,580	221,543			4,827,246
\$ 1,274,729	\$	\$ (38,430)	\$ (383,068)	\$	\$ 228,145	\$ (46,060)	\$ (350,000)	\$ 5,639,784

CITY OF KASSON, MINNESOTA
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
December 31, 2024

	Special Revenue			
	211	219	220	225
	Library	Bigelow Voigt Abatement	Hamilton Abatement	EDA FED MIF
ASSETS				
Cash and investments	\$ 359,476	\$	\$ 55,000	\$ 172,032
Accounts receivable	97			
Notes receivable				62,370
Due from other governmental units	1,371	255		
Special assessments receivable				
Inventories				
Prepaid items	7,911			
Due from other funds				
TOTAL ASSETS	<u>\$ 368,855</u>	<u>\$ 255</u>	<u>\$ 55,000</u>	<u>\$ 234,402</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 4,967	\$	\$	\$
Due to other governments	12			
Accrued salaries payable	12,095			
Due to other funds		120,086		
Total Liabilities	<u>17,074</u>	<u>120,086</u>		
Deferred Inflows of Resources				
Unavailable revenue:				
Special assessments				
Fund Balance				
Nonspendable:				
Prepaid items and inventories	7,911			
Loans				62,370
Restricted:				
Regulations			55,000	172,032
Committed:				
Economic development				
Library operations	343,870			
Unassigned		(119,831)		
Total Fund Balance	<u>351,781</u>	<u>(119,831)</u>	<u>55,000</u>	<u>234,402</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 368,855</u>	<u>\$ 255</u>	<u>\$ 55,000</u>	<u>\$ 234,402</u>

Special Revenue					
226 EDA RLF	246 & 250 Vail Property	260 Small Cities Grant Program	290 Economic Development	606 Dodge County Ice Arena	Total Special Revenue Funds
\$ 98,889	\$	\$	\$ 85,545 36	\$ 30,305	\$ 770,942 30,438 62,370 51,932 71,617 343 12,197 82,577
21,617	50,000 50,000		306	343 3,754	
			532 82,577		
<u>\$ 120,506</u>	<u>\$ 100,000</u>	<u>\$</u>	<u>\$ 168,996</u>	<u>\$ 34,402</u>	<u>\$ 1,082,416</u>
\$	\$ 66	\$	\$ 3,230	\$ 7,518 319	\$ 15,781 331
	77,591		1,819	6,663 18,571	20,577 216,248
	77,657		5,049	33,071	252,937
21,617	50,000				71,617
			532	4,097	12,540 62,370
98,889					325,921
			163,415		163,415 343,870 (150,254)
98,889	(27,657) (27,657)		163,947	(2,766) 1,331	757,862
<u>\$ 120,506</u>	<u>\$ 100,000</u>	<u>\$</u>	<u>\$ 168,996</u>	<u>\$ 34,402</u>	<u>\$ 1,082,416</u>

CITY OF KASSON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS

For the Year Ended December 31, 2024

	Special Revenue			
	211	219	220	225
	Library	Bigelow Voigt Abatement	Hamilton Abatement	EDA FED MIF
REVENUES				
Property taxes	\$ 412,504	\$ 20,076	\$ 55,000	\$
Intergovernmental	65,851			
Charges for services	1,562			
Fines and forfeits	2,203			
Investment income	10,110			5,138
Miscellaneous	8,794			
TOTAL REVENUES	501,024	20,076	55,000	5,138
EXPENDITURES				
Current:				
Culture and recreation	446,000			
Economic development				10,000
Capital outlay:				
Culture and recreation	5,814			
Economic development				
TOTAL EXPENDITURES	451,814			10,000
Excess (deficiency) of revenues over (under) expenditures	49,210	20,076	55,000	(4,862)
OTHER FINANCING SOURCES				
Sale of assets				
Transfers in				
TOTAL OTHER FINANCING SOURCES				
Net change in fund balances	49,210	20,076	55,000	(4,862)
FUND BALANCE - BEGINNING	302,571	(139,907)		239,264
FUND BALANCE - ENDING	\$ 351,781	\$ (119,831)	\$ 55,000	\$ 234,402

Special Revenue					
226 EDA RLF	246 & 250 Vail Property	260 Small Cities Grant Program	290 Economic Development	606 Dodge County Ice Arena	Total Special Revenue Funds
\$	\$	\$	\$ 91,993	\$	\$ 579,573
		131,116		1,959	198,926
				283,929	285,491
					2,203
2,866			2,502		20,616
			22,533	374	31,701
2,866		131,116	117,028	286,262	1,118,510
				325,145	771,145
60,977	2,468	131,116	79,607		284,168
					5,814
	27,462		13,093		40,555
60,977	29,930	131,116	92,700	325,145	1,101,682
(58,111)	(29,930)		24,328	(38,883)	16,828
	50,000				50,000
	300,000				300,000
	350,000				350,000
(58,111)	320,070		24,328	(38,883)	366,828
157,000	(347,727)		139,619	40,214	391,034
\$ 98,889	\$ (27,657)	\$	\$ 163,947	\$ 1,331	\$ 757,862

CITY OF KASSON, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
December 31, 2024

	Debt Service			
	385	386	389	391
	G.O.	Fire	Oppidan	G.O. Tax
	Refunding	Truck and	Assessment	Increment
	Note of	Equipment		Refunding
	2020B			Bonds of 2020A
ASSETS				
Cash and investments	\$ 461,306	\$	\$ 59,022	\$
Interest receivable	6			
Due from other governmental units	832			
Special assessments receivable			172,965	
TOTAL ASSETS	<u>\$ 462,144</u>	<u>\$</u>	<u>\$ 231,987</u>	<u>\$</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Deferred Inflows of Resources				
Unavailable revenue:				
Special assessments	\$	\$	\$ 172,965	\$
Fund Balance				
Restricted:				
Debt service	462,144		59,022	
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 462,144</u>	<u>\$</u>	<u>\$ 231,987</u>	<u>\$</u>

Debt Service			
393	394	395	
2017 Street Assessment Project	2022A Hwy 57	2023A Fire Hall	Total Debt Service Funds
\$ 625,776	\$ 572,578	\$ 207,479	\$ 1,926,161
3,227			3,233
11,930	647	1,695	15,104
263,972	406,744		843,681
<u>\$ 904,905</u>	<u>\$ 979,969</u>	<u>\$ 209,174</u>	<u>\$ 2,788,179</u>

<u>\$ 263,972</u>	<u>\$ 406,744</u>	<u>\$</u>	<u>\$ 843,681</u>
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<u>640,933</u>	<u>573,225</u>	<u>209,174</u>	<u>1,944,498</u>
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<u>\$ 904,905</u>	<u>\$ 979,969</u>	<u>\$ 209,174</u>	<u>\$ 2,788,179</u>
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CITY OF KASSON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS

For the Year Ended December 31, 2024

	Debt Service			
	385	386	389	391
	G.O. Refunding Note of 2020B	Fire Truck and Equipment	Oppidan Assessment	G.O. Tax Increment Refunding Bonds of 2020A
REVENUES				
Property taxes	\$ 229,545	\$ 127,256	\$	\$
Special assessments			38,973	
Investment income	14,890		1,708	
TOTAL REVENUES	244,435	127,256	40,681	
EXPENDITURES				
Current:				
Debt service:				
Principal	194,000	114,000	30,000	15,000
Interest and fiscal charges	15,890	1,339	7,146	20,848
TOTAL EXPENDITURES	209,890	115,339	37,146	35,848
Excess (deficiency) of revenues over (under) expenditures	34,545	11,917	3,535	(35,848)
OTHER FINANCING SOURCES (USES)				
Transfers out		(126,861)		
Transfers in				35,848
TOTAL OTHER FINANCING SOURCES (USES)		(126,861)		35,848
Net change in fund balances	34,545	(114,944)	3,535	
FUND BALANCES, beginning	427,599	114,944	55,487	
FUND BALANCES, ending	\$ 462,144	\$	\$ 59,022	\$

Debt Service			
393	394	395	
2017 Street Assessment Project	2022A Hwy 57	2023A Fire Hall	Total Debt Service Funds
\$ 201,893	\$ 173,173	\$ 449,005	\$ 1,180,872
62,293	73,614		174,880
15,699	16,569	6,004	54,870
<u>279,885</u>	<u>263,356</u>	<u>455,009</u>	<u>1,410,622</u>
238,650	77,309		668,959
61,614	43,026	273,778	423,641
<u>300,264</u>	<u>120,335</u>	<u>273,778</u>	<u>1,092,600</u>
(20,379)	143,021	181,231	318,022
	117,016		(126,861)
			152,864
	117,016		26,003
(20,379)	260,037	181,231	344,025
661,312	313,188	27,943	1,600,473
<u>\$ 640,933</u>	<u>\$ 573,225</u>	<u>\$ 209,174</u>	<u>\$ 1,944,498</u>

CITY OF KASSON, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2024
With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
REVENUES					
Property taxes	\$ 410,491	\$ 410,491	\$ 412,504	\$ 2,013	\$ 410,704
Intergovernmental	60,079	60,079	65,851	5,772	58,882
Charges for services	800	800	1,562	762	1,796
Library fines	4,000	4,000	2,203	(1,797)	2,199
Investment income	150	150	10,110	9,960	6,990
Miscellaneous	1,450	1,450	8,794	7,344	204,779
TOTAL REVENUES	476,970	476,970	501,024	24,054	685,350
EXPENDITURES					
Library:					
Salaries	280,000	280,000	238,974	41,026	251,904
Employee benefits and retirement	42,420	42,420	51,007	(8,587)	36,672
Workers compensation	2,950	2,950	1,494	1,456	2,269
Health insurance	85,000	85,000	74,627	10,373	75,259
Operating supplies/small tools	21,400	21,400	22,390	(990)	32,392
Insurance	4,550	4,550	5,060	(510)	4,907
Telephone	3,000	3,000	2,276	724	2,264
Professional fees	10,800	10,800	12,547	(1,747)	17,441
Capital outlay	5,000	5,000	5,814	(814)	10,133
Other	30,750	30,750	37,625	(6,875)	27,102
TOTAL EXPENDITURES	485,870	485,870	451,814	34,056	460,343
Net change in fund balances	(8,900)	(8,900)	49,210	58,110	225,007
FUND BALANCES, beginning	302,571	302,571	302,571		77,564
FUND BALANCES, ending	\$ 293,671	\$ 293,671	\$ 351,781	\$ 58,110	\$ 302,571

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

For the Year Ended December 31, 2024
With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
			Amounts		Amounts
REVENUES					
Property taxes	\$ 91,511	\$ 91,511	\$ 91,993	\$ 482	\$ 89,884
Investment income	500	500	2,502	2,002	1,192
Miscellaneous			22,533	22,533	
TOTAL REVENUES	<u>92,011</u>	<u>92,011</u>	<u>117,028</u>	<u>25,017</u>	<u>91,076</u>
EXPENDITURES					
Economic development:					
Personnel services	64,311	64,311	48,773	15,538	42,542
Supplies	500	500	397	103	375
Other services and charges	25,700	25,700	30,437	(4,737)	17,537
Capital outlay	1,500	1,500	13,093	(11,593)	11,895
TOTAL EXPENDITURES	<u>92,011</u>	<u>92,011</u>	<u>92,700</u>	<u>(689)</u>	<u>72,349</u>
Net change in fund balances			24,328	24,328	18,727
FUND BALANCES, beginning	<u>139,619</u>	<u>139,619</u>	<u>139,619</u>		<u>120,892</u>
FUND BALANCES, ending	<u>\$ 139,619</u>	<u>\$ 139,619</u>	<u>\$ 163,947</u>	<u>\$ 24,328</u>	<u>\$ 139,619</u>

CITY OF KASSON, MINNESOTA
DODGE COUNTY ICE ARENA
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2024
With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
			Amounts		Amounts
REVENUES					
Intergovernmental	\$	\$	\$ 1,959	\$ 1,959	\$
Charges for services	288,000	288,000	283,929	(4,071)	285,416
Miscellaneous	4,800	4,800	374	(4,426)	3,676
TOTAL REVENUES	<u>292,800</u>	<u>292,800</u>	<u>286,262</u>	<u>(6,538)</u>	<u>289,092</u>
EXPENDITURES					
Culture and recreation:					
Personnel services	223,874	223,874	176,337	47,537	169,778
Supplies	9,600	9,600	7,828	1,772	6,638
Other services and charges	105,900	105,900	140,980	(35,080)	101,767
TOTAL EXPENDITURES	<u>339,374</u>	<u>339,374</u>	<u>325,145</u>	<u>14,229</u>	<u>278,183</u>
Net change in fund balances	(46,574)	(46,574)	(38,883)	7,691	10,909
FUND BALANCES, beginning	<u>40,214</u>	<u>40,214</u>	<u>40,214</u>		<u>29,305</u>
FUND BALANCES, ending	<u>\$ (6,360)</u>	<u>\$ (6,360)</u>	<u>\$ 1,331</u>	<u>\$ 7,691</u>	<u>\$ 40,214</u>

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

For the Year Ended December 31, 2024

With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
REVENUES					
Property Taxes	\$ 2,472,149	\$ 2,472,149	\$ 2,419,019	\$ (53,130)	\$ 2,601,727
Franchise Fees	190,002	190,002	158,145	(31,857)	169,241
Special Assessments			33,469	33,469	
Licenses and Permits					
Business	13,500	13,500	22,864	9,364	18,173
Nonbusiness	71,000	71,000	74,081	3,081	99,642
Total Licenses and Permits	84,500	84,500	96,945	12,445	117,815
Intergovernmental					
Local government aid	1,259,567	1,259,567	1,369,567	110,000	1,252,644
Fire relief aid	43,000	43,000	69,439	26,439	71,838
Police aid	70,000	70,000	110,818	40,818	95,282
Highway aid	75,800	75,800	95,234	19,434	84,804
ARPA funds					33,333
Other aid	16,000	16,000	20,345	4,345	316,187
Other school aid	79,600	79,600	130,237	50,637	83,238
Total Intergovernmental	1,543,967	1,543,967	1,795,640	251,673	1,937,326
Charges for Services					
General government	58,100	58,100	129,351	71,251	93,197
Public safety	57,775	57,775	47,262	(10,513)	84,028
Culture and recreation	261,100	261,100	246,386	(14,714)	275,680
Total Charges for Service	376,975	376,975	422,999	46,024	452,905
Fines and Forfeits	18,000	18,000	15,039	(2,961)	13,845
Investment Income	24,100	24,100	136,512	112,412	44,218
Miscellaneous					
Rents and leases	11,000	11,000	14,101	3,101	15,581
Contributions and donations			29,650	29,650	17,503
Other	16,300	16,300	96,027	79,727	39,494
Total Miscellaneous	27,300	27,300	139,778	112,478	72,578
TOTAL REVENUES	\$ 4,736,993	\$ 4,736,993	\$ 5,217,546	\$ 480,553	\$ 5,409,655

CITY OF KASSON, MINNESOTA
GENERAL FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2024
With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
EXPENDITURES			Amounts		Amounts
General Government					
Mayor and Council					
Personnel services	\$ 54,514	\$ 54,514	\$ 46,416	\$ 8,098	\$ 51,271
Legal fees	10,000	10,000	12,883	(2,883)	8,744
Other services and charges	31,000	31,000	37,682	(6,682)	19,872
Total Mayor and Council	95,514	95,514	96,981	(1,467)	79,887
Ordinances and Proceedings					
Other services and charges	3,000	3,000	1,232	1,768	1,850
City Administration					
Personnel services	210,887	210,887	181,956	28,931	184,671
Supplies	8,650	8,650	3,696	4,954	4,350
Other services and charges	33,400	33,400	44,948	(11,548)	39,087
Total City Administration	252,937	252,937	230,600	22,337	228,108
Elections and Voter Registration					
Personnel services	19,972	19,972	20,476	(504)	5,501
Other services and charges	700	700	2,475	(1,775)	
Total Elections and Voter Registration	20,672	20,672	22,951	(2,279)	5,501
Assessor					
Other services and charges	35,250	35,250	34,968	282	34,397
Accounting					
Other services and charges	8,500	8,500	10,287	(1,787)	11,244
Legal					
Other services and charges	25,000	25,000	35,585	(10,585)	31,414
Planning and Zoning					
Personnel services	55,499	55,499	32,045	23,454	34,894
Supplies	500	500	302	198	466
Other services and charges	36,050	36,050	33,273	2,777	36,469
Total Planning and Zoning	\$ 92,049	\$ 92,049	\$ 65,620	\$ 26,429	\$ 71,829

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

For the Year Ended December 31, 2024
With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget - Favorable (Unfavorable)	Actual
			Amounts	(Unfavorable)	Amounts
EXPENDITURES - CONTINUED					
Data Processing					
Other services and charges	\$ 20,000	\$ 20,000	\$ 27,922	\$ (7,922)	\$ 25,780
General Government Buildings					
Personnel services	4,281	4,281	4,048	233	3,600
Supplies	800	800	618	182	111
Other services and charges	12,250	12,250	11,867	383	9,438
Total General Governmental Buildings	17,331	17,331	16,533	798	13,149
Total General Government	570,253	570,253	542,679	27,574	503,159
Public Safety					
Police					
Personnel services	1,379,148	1,379,148	1,129,586	249,562	1,179,519
Supplies	62,500	62,500	42,441	20,059	53,360
Other services and charges	138,470	138,470	108,866	29,604	118,715
Total Police	1,580,118	1,580,118	1,280,893	299,225	1,351,594
Fire					
Personnel services	96,800	96,800	82,068	14,732	85,704
Supplies	20,000	20,000	21,432	(1,432)	18,861
Other services and charges	130,721	130,721	202,471	(71,750)	178,116
Total Fire	247,521	247,521	305,971	(58,450)	282,681
Building inspection					
Other services and charges	53,500	53,500	32,716	20,784	46,212
Animal Control					
Other services and charges	175	175		175	
Total Public Safety	\$ 1,881,314	\$ 1,881,314	\$ 1,619,580	\$ 261,734	\$ 1,680,487

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

For the Year Ended December 31, 2024
With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
EXPENDITURES - CONTINUED			Amounts		Amounts
Public Works					
Street and Alleys					
Personnel services	\$ 232,637	\$ 232,637	\$ 228,777	\$ 3,860	\$ 235,450
Supplies	49,000	49,000	11,239	37,761	13,984
Other services and charges	<u>222,725</u>	<u>222,725</u>	<u>110,233</u>	<u>112,492</u>	<u>125,568</u>
Total Streets and Alleys	<u>504,362</u>	<u>504,362</u>	<u>350,249</u>	<u>154,113</u>	<u>375,002</u>
Engineer					
Other services and charges	<u>23,000</u>	<u>23,000</u>	<u>31,205</u>	<u>(8,205)</u>	<u>23,559</u>
Snow and Ice Removal					
Personnel services	20,545	20,545	1,926	18,619	6,779
Supplies	32,550	32,550	17,360	15,190	26,614
Other services and charges	<u>11,910</u>	<u>11,910</u>	<u>790</u>	<u>11,120</u>	<u>7,248</u>
Total Snow and Ice Removal	<u>65,005</u>	<u>65,005</u>	<u>20,076</u>	<u>44,929</u>	<u>40,641</u>
Street Lighting					
Other services and charges	<u>60,000</u>	<u>60,000</u>	<u>52,996</u>	<u>7,004</u>	<u>56,132</u>
Sidewalks					
Other services and charges	<u>50,000</u>	<u>50,000</u>	<u>15,940</u>	<u>34,060</u>	<u>16,219</u>
Sanitation					
Other services and charges	<u>12,000</u>	<u>12,000</u>	<u>15,926</u>	<u>(3,926)</u>	<u>14,105</u>
Total Public Works	<u>\$ 714,367</u>	<u>\$ 714,367</u>	<u>\$ 486,392</u>	<u>\$ 227,975</u>	<u>\$ 525,658</u>

CITY OF KASSON, MINNESOTA
GENERAL FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2024
With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
EXPENDITURES - CONTINUED					
Emergency Services/Health					
Supplies	\$ 1,500	\$ 1,500	\$	\$ 1,500	\$
Other services and charges	12,750	12,750	4,091	8,659	8,066
Total Emergency Services/Health	14,250	14,250	4,091	10,159	8,066
Culture and Recreation					
Parks and Recreation					
Supplies	500	500	314	186	314
Other services and charges	8,680	8,680	2,376	6,304	4,466
Total Parks and Recreation	9,180	9,180	2,690	6,490	4,780
Playgrounds					
Supplies	6,000	6,000	5,289	711	4,284
Swimming Pool					
Personnel services	199,898	199,898	175,813	24,085	185,426
Supplies	39,450	39,450	26,670	12,780	33,895
Other services and charges	115,150	115,150	81,355	33,795	100,701
Total Swimming Pool	354,498	354,498	283,838	70,660	320,022
Municipal Parks					
Personnel services	293,930	293,930	317,051	(23,121)	268,702
Supplies	14,000	14,000	7,258	6,742	13,706
Other services and charges	62,250	62,250	65,179	(2,929)	46,688
Total Municipal Parks	370,180	370,180	389,488	(19,308)	329,096
Historic Water Tower					
Other services and charges	2,000	2,000	3,044	(1,044)	1,407
Dodge County Arena					
Other services and charges	23,580	23,580	1,055	22,525	805
Other Recreational Facilities					
Personnel services	3,232	3,232		3,232	
Supplies	8,000	8,000	3,600	4,400	2,245
Other services and charges	54,150	54,150	38,118	16,032	37,886
Total Recreational Facilities	65,382	65,382	41,718	23,664	40,131
Forestry and Nursery					
Supplies	2,000	2,000	46	1,954	1,425
Other services and charges	12,975	12,975	7,745	5,230	14,505
Total Forestry and Nursery	14,975	14,975	7,791	7,184	15,930
Total Culture and Recreation	\$ 845,795	\$ 845,795	\$ 734,913	\$ 110,882	\$ 716,455

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

For the Year Ended December 31, 2024

With Comparative Totals for the Year Ended December 31, 2023

	Budgeted Amounts		2024 Actual Amounts	Variance with Final Budget - Positive (Negative)	2023 Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Cemetery					
Personnel services	\$ 13,617	\$ 13,617	\$ 13,868	\$ (251)	\$ 12,922
Supplies	1,100	1,100	132	968	174
Other services and charges	29,100	29,100	20,752	8,348	14,506
Total Cemetery	43,817	43,817	34,752	9,065	27,602
Unallocated					
Other services and charges	209,140	209,140	41,341	167,799	40,288
Total Current Expenditures	4,278,936	4,278,936	3,463,748	815,188	3,501,715
Capital Outlay					
General government	82,617	82,617	1,824	80,793	
Public safety	48,533	48,533	196,288	(147,755)	481,684
Public works	100,000	100,000	373,977	(273,977)	232,533
Culture and recreation	18,500	18,500	163,910	(145,410)	125,942
Total Capital Outlay	249,650	249,650	735,999	(486,349)	840,159
Debt Service/Capital Leases					
Principal	82,192	82,192	99,757	(17,565)	69,198
Interest and fiscal charges	17,554	17,554	16,519	1,035	17,200
Total Debt Service/Capital Leases	99,746	99,746	116,276	(16,530)	86,398
TOTAL EXPENDITURES	4,628,332	4,628,332	4,316,023	312,309	4,428,272
Excess of revenues over expenditures	108,661	108,661	901,523	792,862	981,383
OTHER FINANCING SOURCES (USES)					
Sale of assets	10,000	10,000	42,667	32,667	89,000
Issuance of lease payable			169,053	169,053	33,599
Transfers in	92,000	92,000	202,861	110,861	76,000
Transfers out			(1,016,296)	(1,016,296)	(765,093)
TOTAL OTHER FINANCING SOURCES (USES)	102,000	102,000	(601,715)	(703,715)	(566,494)
NET CHANGE IN FUND BALANCES	210,661	210,661	299,808	89,147	414,889
FUND BALANCES, beginning	3,598,321	3,598,321	3,598,321		3,183,432
FUND BALANCES, ending	\$ 3,808,982	\$ 3,808,982	\$ 3,898,129	\$ 89,147	\$ 3,598,321

**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, 2024, and the related notes to the financial statements, which collectively comprise the City of Kasson, Minnesota's basic financial statements, and have issued our report thereon dated May 20, 2025.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

City of Kasson, Minnesota's Response to Finding

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

Purpose of this Report

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



Rochester, Minnesota
May 20, 2025

**CITY OF KASSON, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2024**

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

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

Criteria: The City should have controls in place to prevent or detect the omission of a material disclosure in the annual financial statements. An important element of internal controls is an adequate segregation of duties that minimizes the opportunities for any one individual to be in a position to both perpetuate and conceal errors or irregularities in the normal course of business.

Context: Because of the limited size of the City's administrative staff, there is not an adequate segregation of duties. The City has informed us they will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the financial statements.

Effect: No effect on the financial statements.

Cause: There is a limited number of administrative staff. The City does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.

Recommendation: We recommend the City continue to segregate duties as best it can within the limits of what the City considers to be cost beneficial and to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting are beneficial.

**Views of Responsible
Officials and Planned**

Corrective Action: Management agrees with the recommendation. See corresponding Corrective Action Plan.

CURRENT STATUS:

The finding recurred in 2024.

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TREE
CITY
USA

CITY OF
KASSON

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

CORRECTIVE ACTION PLAN (CAP):

The City respectfully submits the following corrective action plan for the year ended December 31, 2024.

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

RESPONSE: FINDING 2014-001

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Sarah Schmidt, City Accountant, 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 City Accountant has been completed. He will do this through discussion with the City Accountant and reviewing the draft of the financial statements.



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