

CITY OF VESTA
VESTA, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

CITY OF VESTA, MINNESOTA
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SECTION I

INTRODUCTORY SECTION

CITY OF VESTA
VESTA, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

2021

MAYOR	Jeff Wall
COUNCIL MEMBER	Justin Kolander
COUNCIL MEMBER	Jamie Haas - Resigned July 7, 2021
COUNCIL MEMBER	Ashley Penske
COUNCIL MEMBER	Adam Krause
COUNCIL MEMBER	Joseph Bitton - Appointed July 13, 2021
CITY CLERK/TREASURER	Jacob Kolander
CITY ATTORNEY	Quarnstrom & Doering P.A.

2022

MAYOR	Jeff Wall
COUNCIL MEMBER	Justin Kolander
COUNCIL MEMBER	Joseph Bitton
COUNCIL MEMBER	Ashley Penske
COUNCIL MEMBER	Adam Krause
CITY CLERK/TREASURER	Jacob Kolander - Resigned March 9, 2022
CITY CLERK/TREASURER	Brooke Guetter - Appointed March 31, 2022
CITY ATTORNEY	Quarnstrom & Doering P.A.

SECTION II

FINANCIAL SECTION

Dennis E. Oberloh, CPA
Sara J. Oberloh, CPA



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INDEPENDENT AUDITORS' REPORT

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

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Vesta, Minnesota as of December 31, 2021, and the respective changes in financial position, and, where applicable cash flows thereof 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Vesta, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the City of Vesta, 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.

Auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Vesta, 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 Vesta, 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, budgetary comparison information and pension reporting schedules on pages 6 through 14 and 44 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Vesta, Minnesota's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and summary financial report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements and summary financial report are 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 annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2022 on our consideration of City of Vesta, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Vesta, Minnesota's 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 City of Vesta, Minnesota's internal control over financial reporting and compliance.

Oberloh & Oberloh, Ltd.

Oberloh & Oberloh, Ltd.
Redwood Falls, Minnesota

April 12, 2022

CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

FINANCIAL HIGHLIGHTS

As Management of the City of Vesta (hereinafter referred to as “the City”) we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2021.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,911,178 (net position). Of this amount \$518,369 (unrestricted net position) may be used to meet the City’s on going obligations to citizens and creditors.
- The City’s total net position increased by \$133,106. The governmental activities net position increased during 2021 by \$137,862 and the business-type activities net position decreased by \$4,756.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$486,356, a decrease of \$15,746 in comparison with the prior year. Approximately 54.5 percent of this total amount, \$265,297 is available for spending at the City’s discretion, but \$11,954 has been committed and \$58,105 has been assigned for specific purposes.

USING THIS ANNUAL REPORT

This management discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional components: (1) required supplementary information, and (2) other supplementary information, in addition to the basic financial statements.

Government-wide Financial Statements

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

The Statement of Net Position (on page 15) provides information on all the City’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them presented 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 is improving or deteriorating.

The Statement of Activities (on page 16) provides 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 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 unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (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 include general government, public safety, public works, culture and recreation, economic development, and miscellaneous. The business-type activities of the City include water utility, wastewater utility and garbage services.

CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

USING THIS ANNUAL REPORT (Cont.)

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, 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 can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for essentially the same function 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 nonspendable and spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing 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 by the government's near-term financing decisions. Both the governmental fund balance sheet (on page 17) and the governmental fund statement of revenues, expenditures and changes in fund balances (on page 19) provide a reconciliation (on pages 18 and 20) to facilitate this comparison between governmental funds and governmental activities.

The City maintains four 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 EDA Fund; which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

The City adopts annual appropriated budgets for its General Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

Proprietary Funds: The City 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 uses enterprise funds to account for its water utility, wastewater utility and garbage services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Water Fund and Wastewater Fund; which are considered to be major funds of the City. The Garbage Fund is shown in a separate column as a nonmajor fund. The basic proprietary fund financial statements can be found on pages 21 through 23 of this report.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements. The notes to the financial statements can be found beginning on page 24 through 43 of this report.

CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

USING THIS ANNUAL REPORT (Cont.)

Required Supplementary Information

This Management's Discussion and Analysis and the General Fund Budgetary Comparison, and Pension Schedules (on pages 44 - 54) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes, referred to as the basic financial statements.

Other Supplementary Information

This part of the annual report (starting on page 55) includes optional financial information such as combining nonmajor governmental fund statements (which are added together and shown in the fund financial statements in a single column) and summary financial report. This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

THE CITY AS A WHOLE

Looking at the net position and net expenses of the governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities.

Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current Assets	\$ 620,374	\$ 604,719	\$ 265,172	\$ 285,556	\$ 885,546	\$ 890,275
Capital Assets	<u>605,737</u>	<u>471,165</u>	<u>1,239,996</u>	<u>1,277,753</u>	<u>1,845,733</u>	<u>1,748,918</u>
Total Assets	<u>1,226,111</u>	<u>1,075,884</u>	<u>1,505,168</u>	<u>1,563,309</u>	<u>2,731,279</u>	<u>2,639,193</u>
Deferred Outflows of						
Resources	<u>13,462</u>	<u>16,535</u>	<u>15,883</u>	<u>4,027</u>	<u>29,345</u>	<u>20,562</u>
Current Liabilities	<u>9,713</u>	<u>5,001</u>	<u>7,414</u>	<u>40,165</u>	<u>17,127</u>	<u>45,166</u>
Long-term Liabilities	<u>40,411</u>	<u>52,325</u>	<u>707,834</u>	<u>730,620</u>	<u>748,245</u>	<u>782,945</u>
Total Liabilities	<u>50,124</u>	<u>57,326</u>	<u>715,248</u>	<u>770,785</u>	<u>765,372</u>	<u>828,111</u>
Deferred Inflows of						
Resources	<u>65,438</u>	<u>48,944</u>	<u>18,636</u>	<u>4,628</u>	<u>84,074</u>	<u>53,572</u>
Net Position						
Net Investment in						
Capital Assets	605,738	471,165	542,993	553,753	1,148,731	1,024,918
Restricted	210,910	210,553	33,168	32,965	244,078	243,518
Unrestricted	<u>307,363</u>	<u>304,431</u>	<u>211,006</u>	<u>205,205</u>	<u>518,369</u>	<u>509,636</u>
Total Net Position	<u>\$ 1,124,011</u>	<u>\$ 986,149</u>	<u>\$ 787,167</u>	<u>\$ 791,923</u>	<u>\$ 1,911,178</u>	<u>\$ 1,778,072</u>

CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

THE CITY AS A WHOLE (Cont.)

Net Position (Cont.)

A large portion of the City's net position, 60.1 percent reflects its net investment in capital assets (e.g., land, buildings and improvements, systems and infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

An additional portion of the City's net position, 12.8 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, 27.1 percent may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for both governmental and business-type activities.

Changes in Net Position

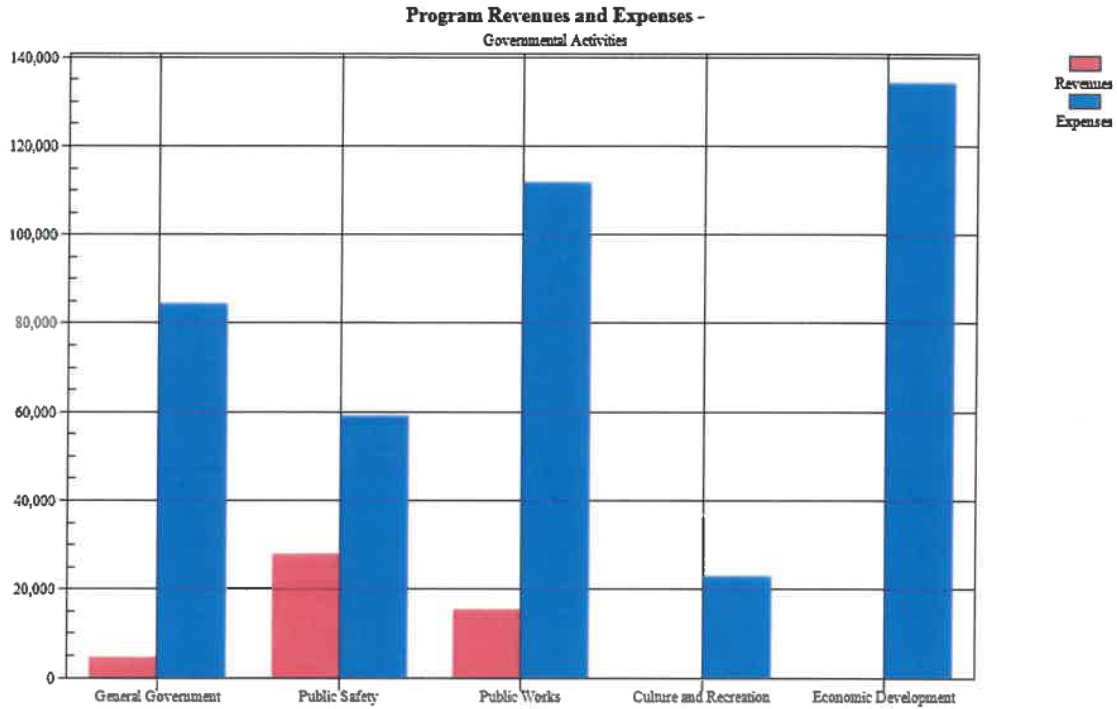
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<u>Revenues</u>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 18,441	\$ 13,677	\$ 175,753	\$ 181,213	\$ 194,194	\$ 194,890
Operating Grants and Contributions	29,541	269,541	-	-	29,541	269,541
General Revenues:						
Taxes and Assessments	178,390	176,155	2,931	207	181,321	176,362
Intergovernmental Revenue	319,170	93,655	-	-	319,170	93,655
Interest Income	649	1,079	189	286	838	1,365
Insurance Proceeds	-	-	-	5,729	-	5,729
Other Income	-	-	-	893	-	893
Miscellaneous Income	<u>11,686</u>	<u>7,793</u>	<u>-</u>	<u>-</u>	<u>11,686</u>	<u>7,793</u>
Total Revenues	<u>557,877</u>	<u>561,900</u>	<u>178,873</u>	<u>188,328</u>	<u>736,750</u>	<u>750,228</u>
<u>Expenses</u>						
General Government	84,489	111,427	-	-	84,489	111,427
Public Safety	58,978	39,024	-	-	58,978	39,024
Public Works	111,639	81,382	-	-	111,639	81,382
Culture and Recreation	22,962	19,800	-	-	22,962	19,800
Economic Development	134,197	233,117	-	-	134,197	233,117
Water	-	-	129,845	132,976	129,845	132,976
Wastewater	-	-	43,872	49,772	43,872	49,772
Garbage	-	-	<u>17,662</u>	<u>16,975</u>	<u>17,662</u>	<u>16,975</u>
Total Expenses	<u>412,265</u>	<u>484,750</u>	<u>191,379</u>	<u>199,723</u>	<u>603,644</u>	<u>684,473</u>
Transfers	<u>(7,750)</u>	<u>-</u>	<u>7,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	137,862	77,150	(4,756)	(11,395)	133,106	65,755
Net Position Beginning	<u>986,149</u>	<u>908,999</u>	<u>791,923</u>	<u>803,318</u>	<u>1,778,072</u>	<u>1,712,317</u>
Net Position Ending	<u>\$ 1,124,011</u>	<u>\$ 986,149</u>	<u>\$ 787,167</u>	<u>\$ 791,923</u>	<u>\$ 1,911,178</u>	<u>\$ 1,778,072</u>

CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

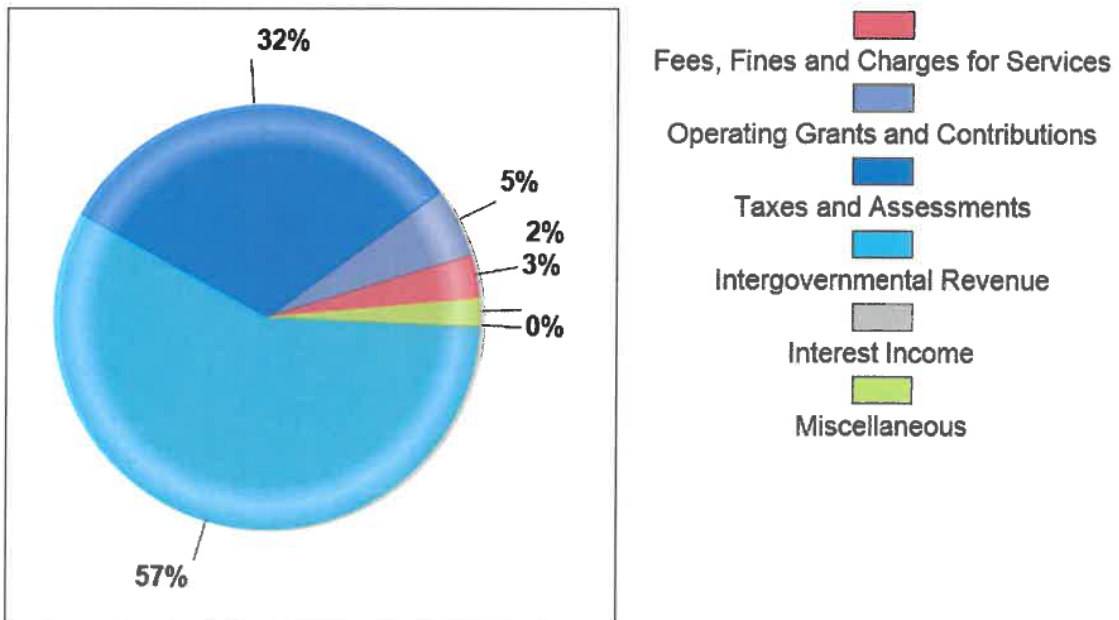
THE CITY AS A WHOLE (Cont.)

Governmental Activities

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.



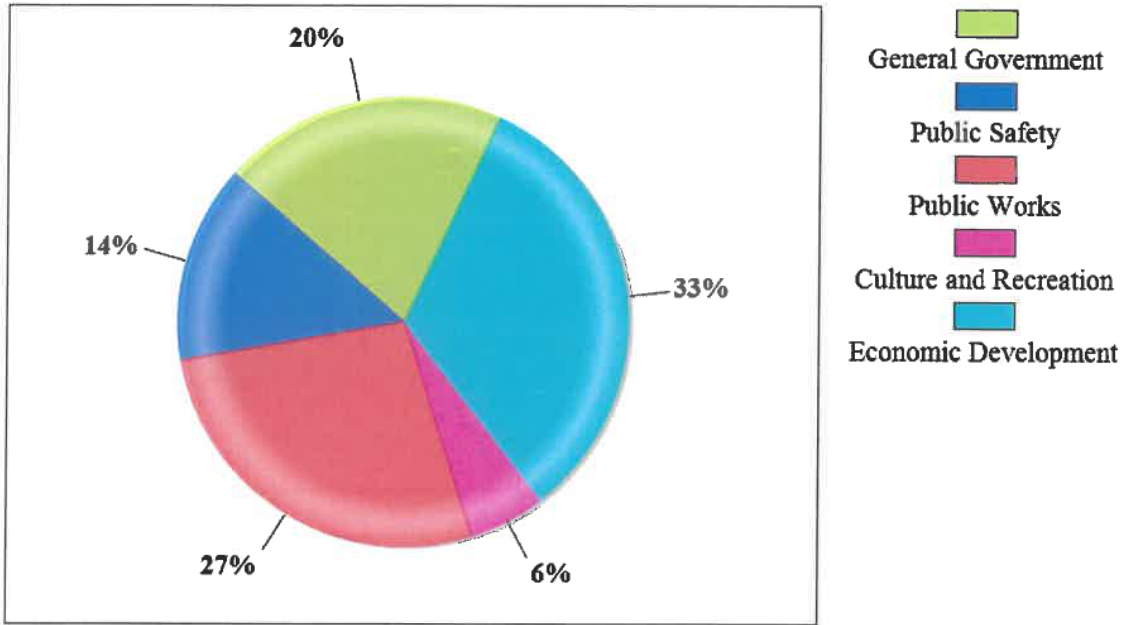
Sources of Funds in Governmental Activities



CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

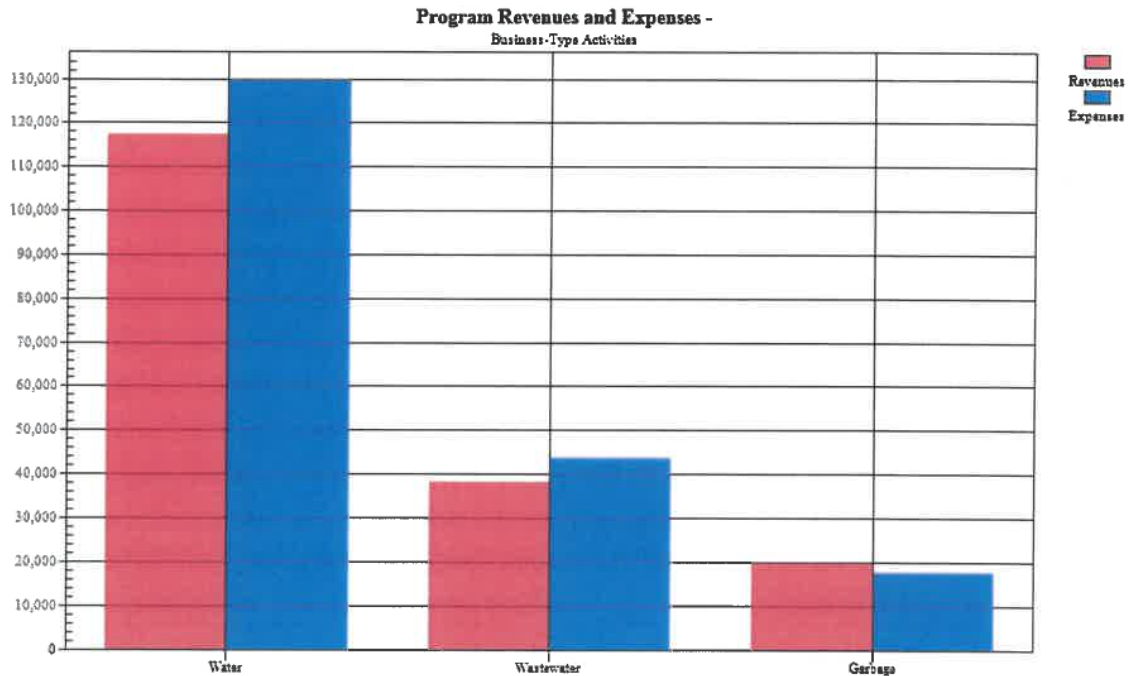
THE CITY AS A WHOLE (Cont.)
Governmental Activities (Cont.)

Uses of Funds in Governmental Activities



Business-Type Activities

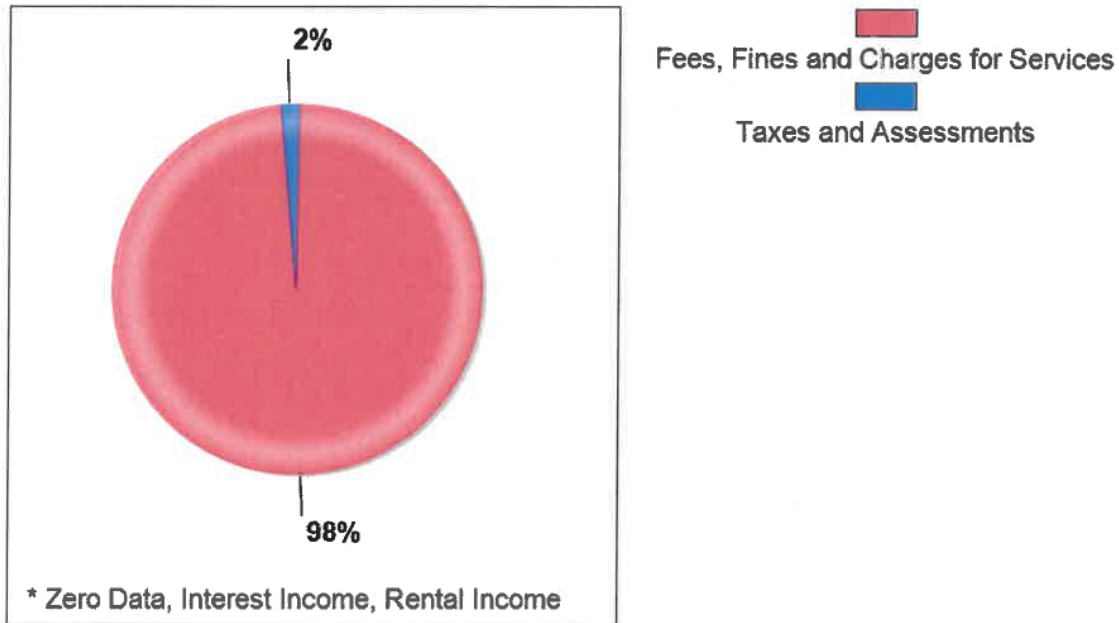
The following graphs depict various business-type activities and show the revenue and expenses directly related to those activities.



CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

THE CITY AS A WHOLE (Cont.)
Business-Type Activities (Cont.)

Sources of Funds in Business-Type Activities



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The City of Vesta currently has seven different funds that will be accounted for in the 2021 audit. Those funds include the General Fund, EDA Fund, Street Improvement Bond (2003 Bond), Debt 2008, Water Fund, Wastewater Fund and Garbage Fund.

Governmental Funds

The focus of the City'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's financing requirements. In particular unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$419,903, of which \$10,149 was nonspendable, \$144,457 was restricted, \$11,954 was committed and \$58,105 was assigned. As a measure of the General Funds liquidity, it may be useful to compare the fund balance to fund expenditures. The unassigned fund balance represents 44.4 percent of fund expenditures. The fund balance of the City's General Fund decreased \$7,890 compared to the prior year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the business-type activities in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$211,006. The total decrease in net position of the funds was \$4,756. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget called for revenues in excess of expenditures of \$7,091 in 2021. Revenues were over expectations by \$145,999 and expenditures came in over budget by \$170,009 during 2021.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounts to \$1,845,730 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 5.5 percent (an 28.6 percent increase for governmental activities and a 3.0 percent decrease for business-type activities). The increase was due to capital outlay exceeding depreciation.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 79,045	\$ 79,045	\$ 54,380	\$ 54,380	\$ 133,425	\$ 133,425
Construction in Progress	89,252	-	-	-	89,252	-
Buildings	578,564	499,589	-	-	578,564	499,589
Infrastructure and Improvements	108,880	104,521	3,174,394	3,174,394	3,283,274	3,278,915
Equipment and Vehicles	<u>886,126</u>	<u>871,183</u>	<u>246,915</u>	<u>221,846</u>	<u>1,133,041</u>	<u>1,093,029</u>
Subtotal	1,741,867	1,554,338	3,475,689	3,450,620	5,217,556	5,004,958
Less: Accumulated Depreciation	<u>1,136,130</u>	<u>1,083,173</u>	<u>2,235,696</u>	<u>2,172,867</u>	<u>3,371,826</u>	<u>3,256,040</u>
Total	<u>\$ 605,737</u>	<u>\$ 471,165</u>	<u>\$ 1,239,993</u>	<u>\$ 1,277,753</u>	<u>\$ 1,845,730</u>	<u>\$ 1,748,918</u>

The City's major addition in the governmental activities included construction in progress. The City's major addition in the business-type activities was water equipment.

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$697,000.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
G.O. Revenue						
Bonds	\$ -	\$ -	\$ 697,000	\$ 724,000	\$ 697,000	\$ 724,000
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 697,000</u>	<u>\$ 724,000</u>	<u>\$ 697,000</u>	<u>\$ 724,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2022 budget, tax rates and fees that will be charged for the business-type activities. The Council expects operations to remain consistent with 2021 during 2022.

CITY OF VESTA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens and other interested individuals with a general overview of the City's finances and to show the accountability for the monies it receives through property taxes, user fees, and local government aid. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at City of Vesta, PO Box 7, , Vesta, MN 56292, phone 507 762 3140.

CITY OF VESTA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 482,758	\$ 246,662	\$ 729,420
Receivables:			
Accounts Receivable	2,299	13,189	15,488
Property Taxes Receivable	6,254	902	7,156
Prepaid Expense	10,149	4,422	14,571
Capital Assets:			
Nondepreciable:			
Land	79,045	54,380	133,425
Construction in Progress	89,252	-	89,252
Depreciable, Net of Accumulated Depreciation:			
Buildings	179,550	-	179,550
Infrastructure and Improvements	100,247	1,082,852	1,183,099
Equipment and Vehicles	157,643	102,761	260,404
Net Pension Asset	118,914	-	118,914
TOTAL ASSETS	<u>1,226,111</u>	<u>1,505,168</u>	<u>2,731,279</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	<u>13,462</u>	<u>15,883</u>	<u>29,345</u>
LIABILITIES			
Accounts Payable	6,665	3,605	10,270
Taxes Payable	6	795	801
Accrued Wages Payable	2,301	1,180	3,481
Accrued Compensated Absences	741	1,112	1,853
Customer Deposits	-	722	722
Noncurrent liabilities:			
Due within one year	-	14,000	14,000
Net Pension Liability	40,411	10,834	51,245
Due in more than one year	-	683,000	683,000
TOTAL LIABILITIES	<u>50,124</u>	<u>715,248</u>	<u>765,372</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	<u>65,438</u>	<u>18,636</u>	<u>84,074</u>
NET POSITION			
Net Investment in Capital Assets	605,738	542,993	1,148,731
Restricted			
Debt Service	66,453	33,168	99,621
First Responders	144,457	-	144,457
Unrestricted	307,363	211,006	518,369
TOTAL NET POSITION	<u>\$ 1,124,011</u>	<u>\$ 787,167</u>	<u>\$ 1,911,178</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF VESTA, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs Primary Government	Program Revenues		Net Sources (Uses) and Changes in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	\$ 84,489	\$ 4,631	-	\$ (79,858)	\$ -	\$ (79,858)
Public Safety	58,978	13,810	14,138	(31,030)	-	(31,030)
Public Works	111,639	-	15,403	(96,236)	-	(96,236)
Culture and Recreation	22,962	-	-	(22,962)	-	(22,962)
Economic Development	134,197	-	-	(134,197)	-	(134,197)
Total Governmental Activities	412,265	18,441	29,541	(364,283)	-	(364,283)
Business-Type Activities:						
Water	129,845	117,454	-	-	(12,391)	(12,391)
Wastewater	43,872	38,308	-	-	(5,564)	(5,564)
Garbage	17,662	19,991	-	-	2,329	2,329
Total Business-Type Activities:	191,379	175,753	-	-	(15,626)	(15,626)
Total Primary Government	\$ 603,644	\$ 194,194	\$ 29,541	(364,283)	(15,626)	(379,909)
General Revenues:						
		Taxes and Assessments		178,390	2,931	181,321
		Intergovernmental Revenue		319,169	-	319,169
		Interest Income		650	189	839
		Miscellaneous		11,686	-	11,686
		Transfers		(7,750)	7,750	-
		Total General Revenues		502,145	10,870	513,015
		Changes in Net Position		137,862	(4,756)	133,106
		Net Position - January 1		986,149	791,923	1,778,072
		Net Position - December 31		\$ 1,124,011	\$ 787,167	\$ 1,911,178

The Notes to the Financial Statements are an integral part of this statement.

CITY OF VESTA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	EDA	Nonmajor Governmental Funds	Total
ASSETS:				
Cash and Cash Equivalents	\$ 416,304	\$ -	\$ 66,453	\$ 482,757
Accounts Receivable	2,299	-	-	2,299
Property Taxes Receivable	6,254	-	-	6,254
Prepaid Expense	10,149	-	-	10,149
Total Assets	\$ 435,006	\$ -	\$ 66,453	\$ 501,459
LIABILITIES:				
Accounts Payable	\$ 6,665	\$ -	\$ -	\$ 6,665
Taxes Payable	6	-	-	6
Accrued Wages Payable	2,301	-	-	2,301
Total Liabilities	8,972	-	-	8,972
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue	6,131	-	-	6,131
Total Deferred Inflows of Resources	6,131	-	-	6,131
FUND BALANCES:				
Nonspendable	10,149	-	-	10,149
Restricted	144,457	-	66,453	210,910
Committed	11,954	-	-	11,954
Assigned	58,105	-	-	58,105
Unassigned	195,238	-	-	195,238
Total Fund Balances	419,903	-	66,453	486,356
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 435,006	\$ -	\$ 66,453	\$ 501,459

The Notes to the Financial Statements are an integral part of this statement.

CITY OF VESTA, MINNESOTA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021

Total Governmental Fund Balances	\$ 486,356
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	605,738
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	6,131
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(741)
Net Pension Liability, Deferred Inflows of Resources Related to Pensions and Deferred Outflows of Resources Related to Pensions in the governmental activities are not current financial resources and therefore not reported in the governmental funds.	<u>26,527</u>
Net Position of Governmental Activities	\$ <u><u>1,124,011</u></u>

CITY OF VESTA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	EDA	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 177,701	\$ -	\$ 312	\$ 178,013
Licenses and Permits	3,181	-	-	3,181
Intergovernmental Revenue	222,980	125,597	-	348,577
Charges for Services	15,260	-	-	15,260
Interest Income	600	6	45	651
Miscellaneous	11,686	-	-	11,686
Total Revenues	431,408	125,603	357	557,368
EXPENDITURES				
Current Operations:				
General Government	87,640	-	-	87,640
Public Safety	52,055	-	-	52,055
Public Works	90,173	-	-	90,173
Culture and Recreation	13,768	-	-	13,768
Economic Development	8,600	125,597	-	134,197
Capital Outlay	187,531	-	-	187,531
Total Expenditures	439,767	125,597	-	565,364
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(8,359)	6	357	(7,996)
OTHER FINANCING SOURCES (USES)				
Transfer In	8,219	-	-	8,219
Transfer Out	(7,750)	(8,219)	-	(15,969)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(7,890)	(8,213)	357	(15,746)
FUND BALANCES - January 1	427,793	8,213	66,096	502,102
FUND BALANCES - December 31	\$ 419,903	\$ -	\$ 66,453	\$ 486,356

The Notes to the Financial Statements are an integral part of this statement.

CITY OF VESTA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ (15,746)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report 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	187,530
Depreciation Expense	(52,957)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	377
Compensated Absences do not require the use of current financial resources and, therefore, are not accrued in the fund statements.	
	760
Pension expense related to the Net Pension Liability reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
	<u>17,898</u>
Change in Net Position of Governmental Activities	<u>\$ 137,862</u>

CITY OF VESTA, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Water Fund	Wastewater Fund	<u>Nonmajor</u> Garbage	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 187,042	\$ 49,582	\$ 10,038	\$ 246,662
Accounts Receivable	6,961	3,951	2,277	13,189
Property Taxes Receivable	902	-	-	902
Prepaid Expense	2,211	2,211	-	4,422
Total Current Assets	197,116	55,744	12,315	265,175
NONCURRENT ASSETS				
Capital Assets:				
Land	7,700	46,680	-	54,380
Infrastructure and Improvements	1,468,221	1,706,173	-	3,174,394
Equipment and Vehicles	149,292	97,623	-	246,915
Total Capital Assets	1,625,213	1,850,476	-	3,475,689
Less: Accumulated Depreciation	533,324	1,702,372	-	2,235,696
Net Capital Assets	1,091,889	148,104	-	1,239,993
TOTAL ASSETS	1,289,005	203,848	12,315	1,505,168
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	7,941	7,942	-	15,883
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,296,946	\$ 211,790	\$ 12,315	\$ 1,521,051
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 1,881	\$ 363	\$ 1,361	\$ 3,605
Taxes Payable	263	10	522	795
Accrued Wages Payable	590	590	-	1,180
Accrued Compensated Absences	556	556	-	1,112
Customer Deposits	722	-	-	722
Current Amount of Long-Term Debt	14,000	-	-	14,000
Total Current Liabilities	18,012	1,519	1,883	21,414
LONG-TERM LIABILITIES				
Net Pension Liability	5,417	5,417	-	10,834
Bonds Payable	683,000	-	-	683,000
Total Long-Term Liabilities	688,417	5,417	-	693,834
TOTAL LIABILITIES	706,429	6,936	1,883	715,248
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	9,318	9,318	-	18,636
NET POSITION				
Net Investment in Capital Assets	394,889	148,104	-	542,993
Restricted	33,168	-	-	33,168
Unrestricted	153,142	47,432	10,432	211,006
Total Net Position	581,199	195,536	10,432	787,167
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND EQUITY	\$ 1,296,946	\$ 211,790	\$ 12,315	\$ 1,521,051

The Notes to the Financial Statements are an integral part of this statement.

CITY OF VESTA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Nonmajor Garbage</u>	<u>Total</u>
OPERATING REVENUES				
Charges for Services	\$ 117,454	\$ 38,308	\$ 19,991	\$ 175,753
Total Operating Revenues	<u>117,454</u>	<u>38,308</u>	<u>19,991</u>	<u>175,753</u>
OPERATING EXPENSES				
Personnel Services	23,407	23,407	-	46,814
Depreciation	51,083	11,746	-	62,829
Insurance	1,266	1,266	-	2,532
Permits, Testing and Fees	-	2,200	-	2,200
Professional Services	2,727	-	-	2,727
Repairs, Maintenance and Supplies	4,875	1,750	-	6,625
Utilities	1,713	1,875	-	3,588
Miscellaneous	1,657	1,628	-	3,285
Contracted Service	23,510	-	17,662	41,172
Total Operating Expenses	<u>110,238</u>	<u>43,872</u>	<u>17,662</u>	<u>171,772</u>
NET OPERATING INCOME (LOSS)	<u>7,216</u>	<u>(5,564)</u>	<u>2,329</u>	<u>3,981</u>
NON OPERATING INCOME AND EXPENSE:				
Interest Income	108	80	1	189
Taxes and Special Assessments	2,537	394	-	2,931
Interest Expense	<u>(19,607)</u>	<u>-</u>	<u>-</u>	<u>(19,607)</u>
Net Non Operating Income and Expense	<u>(16,962)</u>	<u>474</u>	<u>1</u>	<u>(16,487)</u>
INCOME (LOSS) BEFORE TRANSFERS	(9,746)	(5,090)	2,330	(12,506)
Transfer In	<u>7,750</u>	<u>-</u>	<u>-</u>	<u>7,750</u>
CHANGE IN NET POSITION	(1,996)	(5,090)	2,330	(4,756)
NET POSITION - January 1	<u>583,195</u>	<u>200,626</u>	<u>8,102</u>	<u>791,923</u>
NET POSITION - December 31	<u>\$ 581,199</u>	<u>\$ 195,536</u>	<u>\$ 10,432</u>	<u>\$ 787,167</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF VESTA, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Water Fund	Wastewater Fund	Nonmajor Garbage	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 120,165	\$ 38,095	\$ 19,735	\$ 177,995
Payments to Vendors	(36,022)	(8,943)	(17,640)	(62,605)
Payments to Employees	(26,684)	(26,684)	-	(53,368)
Net Cash Provided By Operating Activities	<u>57,459</u>	<u>2,468</u>	<u>2,095</u>	<u>62,022</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfer from Other Funds	<u>7,750</u>	-	-	<u>7,750</u>
Net Cash Provided By Noncapital Financing Activities	<u>7,750</u>	-	-	<u>7,750</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Property Taxes and Special Assessments	11,695	394	-	12,089
Purchase of Capital Assets	(17,299)	(7,770)	-	(25,069)
Principal Paid on Capital Debt	(27,000)	-	-	(27,000)
Interest Paid on Capital Debt	(39,462)	-	-	(39,462)
Net Cash Used By Capital and Related Financing Activities	<u>(72,066)</u>	<u>(7,376)</u>	-	<u>(79,442)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	<u>108</u>	<u>80</u>	<u>1</u>	<u>189</u>
Net Cash Provided By Investing Activities	<u>108</u>	<u>80</u>	<u>1</u>	<u>189</u>
NET INCREASE (DECREASE) IN CASH	(6,749)	(4,828)	2,096	(9,481)
CASH AND CASH EQUIVALENTS - January 1	<u>193,791</u>	<u>54,410</u>	<u>7,942</u>	<u>256,143</u>
CASH AND CASH EQUIVALENTS - December 31	<u>\$ 187,042</u>	<u>\$ 49,582</u>	<u>\$ 10,038</u>	<u>\$ 246,662</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities				
Operating Income (Loss)	\$ 7,216	\$ (5,564)	\$ 2,329	\$ 3,981
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities				
Depreciation	51,083	11,746	-	62,829
Noncash Pension Expense	(3,317)	(3,317)	-	(6,634)
Changes in Assets and Liabilities				
Accounts Receivable	2,589	(213)	(256)	2,120
Prepaid Items	(189)	(189)	-	(378)
Accounts Payable	(85)	(35)	22	(98)
Accrued Salaries	590	590	-	1,180
Accrued Compensated Absences	(550)	(550)	-	(1,100)
Customer Deposits	122	-	-	122
Net Cash Provided By Operating Activities	<u>\$ 57,459</u>	<u>\$ 2,468</u>	<u>\$ 2,095</u>	<u>\$ 62,022</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Vesta (the City) was established under the laws of the State of Minnesota. 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 provides the following: general government, public safety, public works, public health and welfare, culture, recreation, waterworks, wastewater, and garbage services.

The financial statements of the City of Vesta, Minnesota are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant of these accounting policies are described below.

A. Reporting Entity

The City has considered all potential 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. 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.

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 the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these financial statements. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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) sales. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows of resources and liabilities and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

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, special assessments, franchise taxes, licenses, charges for services, 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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement 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 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 specified 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 can be recognized.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also 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 City reports the following major governmental funds:

- General Fund - This fund is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- EDA Fund - This fund is used to account for the resources and expenditures related to economic development within the City.

The City reports the following major proprietary funds:

- Water Fund - This fund is used to account for the water treatment and distribution to the residential and commercial users of the City.
- Wastewater Fund - This fund is used to account for the wastewater treatment and distribution from the residential and commercial users of the City.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water, wastewater and garbage 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) sales. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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. Use of Estimates

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

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

F. Deposits 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.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

G. Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for the City. 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. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by an unavailable revenue liability for delinquent taxes not received within 60 days after year end in the fund financial statements.

H. Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2021. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

I. Special Assessments

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

J. Prepaid Items

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.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. 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. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

As the City constructs or acquires assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004 as allowed by GASB Statement No. 34.

For financial statement purposes only, capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives: 10 to 50 years for buildings, 3 to 20 years for machinery and equipment, and 15 to 65 years for infrastructure.

L. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount of compensated absences accrued at December 31, 2021 was \$1,853.

M. 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 discounts and premiums are recorded as assets and liabilities, respectively and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the year incurred.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Long-term Obligations (Cont.)

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.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

O. Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - Consists of amounts that are not in spendable form, such as prepaid items.

Restricted - Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management.

Unassigned - The residual classification for the general fund and also reflects negative residual amounts in other funds

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

P. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- (a) Net investment in capital assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- (b) Restricted net position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- (c) Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In July of each year, all departments of the City submit requests for appropriations to the City clerk/treasurer so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

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 City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Expenditures Over Appropriations

The following sub-functions of the general fund had expenditures in excess of appropriations for the year ended December 31, 2021.

<u>Function Area</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	\$ 90,965	\$ 166,615	\$ (75,650)
Public Safety	\$ 33,550	\$ 153,882	\$ (120,332)

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

Custodial Credit Risk - Custodial Credit Risk for deposits and investments is the risk that in the event of a bank failure the City’s deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes, the City maintains deposits at the depository banks, which are authorized by the City Council and are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (140% in the case of mortgage notes pledged).

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

A. Cash and Cash Investments (Cont.)

Authorized collateral includes the legal investments described by state statutes, as well as certain first mortgage notes, and certain other state and local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral.

At year end, the City's carrying amount of deposits was \$729,420 and the bank balance was \$742,642. Of the bank balance, \$374,360 was covered by federal depository insurance. Of the remaining balance, \$368,102 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

B. Investments

The City maintains no investment accounts.

4. CHANGES IN CAPITAL ASSETS

Governmental Activities - Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>December 31</u>
Not Being Depreciated:				
Land	\$ 79,045	\$ -	\$ -	\$ 79,045
Construction in Progress	-	<u>89,252</u>	-	<u>89,252</u>
Subtotal	<u>79,045</u>	<u>89,252</u>	-	<u>168,297</u>
Other Capital Assets:				
Buildings	499,589	78,975	-	578,564
Infrastructure and Improvements	104,521	4,359	-	108,880
Equipment and Vehicles	<u>871,183</u>	<u>14,943</u>	-	<u>886,126</u>
Subtotal	<u>1,475,293</u>	<u>98,277</u>	-	<u>1,573,570</u>
Less: Accumulated Depreciation				
Buildings	385,312	13,702	-	399,014
Infrastructure and Improvements	3,091	5,542	-	8,633
Equipment and Vehicles	<u>694,770</u>	<u>33,713</u>	-	<u>728,483</u>
Subtotal	<u>1,083,173</u>	<u>52,957</u>	-	<u>1,136,130</u>
Net Other Capital Assets	<u>392,120</u>	<u>45,320</u>	-	<u>437,440</u>
Net Capital Assets	<u>\$ 471,165</u>	<u>\$ 134,572</u>	<u>\$ -</u>	<u>\$ 605,737</u>

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

4. CHANGES IN CAPITAL ASSETS (Cont.)

Business-Type Activities - The following is a summary of business-type activities capital assets at December 31, 2021.

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>December 31</u>
Not Being Depreciated:				
Land	\$ 54,380	\$ -	\$ -	\$ 54,380
Subtotal	<u>54,380</u>	<u>-</u>	<u>-</u>	<u>54,380</u>
Other Capital Assets:				
Infrastructure and Improvements	3,174,394	-	-	3,174,394
Equipment and Vehicles	<u>221,846</u>	<u>25,069</u>	<u>-</u>	<u>246,915</u>
Subtotal	<u>3,396,240</u>	<u>25,069</u>	<u>-</u>	<u>3,421,309</u>
Less: Accumulated Depreciation				
Infrastructure and Improvements	2,040,906	50,636	-	2,091,542
Equipment and Vehicles	<u>131,961</u>	<u>12,193</u>	<u>-</u>	<u>144,154</u>
Subtotal	<u>2,172,867</u>	<u>62,829</u>	<u>-</u>	<u>2,235,696</u>
Net Other Capital Assets	<u>1,223,373</u>	<u>(37,760)</u>	<u>-</u>	<u>1,185,613</u>
Net Capital Assets	<u>\$ 1,277,753</u>	<u>\$ (37,760)</u>	<u>\$ -</u>	<u>\$ 1,239,993</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities:	
General Government	\$ 2,221
Public Safety	15,833
Public Works	25,709
Culture and Recreation	<u>9,194</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 52,957</u>
Business-Type Activities:	
Water Utility	\$ 51,083
Wastewater Utility	<u>11,746</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 62,829</u>

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

5. FUND BALANCE
A. Classifications

	General Fund	EDA Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Prepaid Items	\$ 10,149	\$ -	\$ -	\$ 10,149
Total Nonspendable	<u>10,149</u>	<u>-</u>	<u>-</u>	<u>10,149</u>
Restricted for:				
First Responders	144,457	-	-	144,457
Debt Service	-	-	66,453	66,453
Total Restricted	<u>144,457</u>	<u>-</u>	<u>66,453</u>	<u>210,910</u>
Committed to:				
Capital Assets	11,954	-	-	11,954
Total Committed	<u>11,954</u>	<u>-</u>	<u>-</u>	<u>11,954</u>
Assigned to:				
Fire Truck	22,263	-	-	22,263
Street Improvements	35,000	-	-	35,000
First Responders	842	-	-	842
Total Assigned	<u>58,105</u>	<u>-</u>	<u>-</u>	<u>58,105</u>
Unassigned	195,238	-	-	195,238
Total	<u>\$ 419,903</u>	<u>\$ -</u>	<u>\$ 66,453</u>	<u>\$ 486,356</u>

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year - June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 35-50% of the subsequent year's budgeted expenditures. At December 31, 2021, the unassigned fund balance of the General Fund was 71.3 percent of the subsequent years budgeted expenditures.

6. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2021.

	Balance <u>January 1</u>	Debt <u>Issued</u>	Debt <u>Retired</u>	Balance <u>December 31</u>	Current <u>Amount</u>
G.O. Revenue Bonds	\$ 724,000	\$ -	\$ 27,000	\$ 697,000	\$ 14,000
Totals	<u>\$ 724,000</u>	<u>\$ -</u>	<u>\$ 27,000</u>	<u>\$ 697,000</u>	<u>\$ 14,000</u>

General Obligation Revenue Bonds issued by the business-type activities are liquidated through the Water Fund.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

6. CHANGES IN LONG-TERM DEBT (Cont.)

Bonds outstanding at December 31, 2021 are comprised of the following issues:

Business-Type Activities

\$784,000 General Obligation Revenue Bond of 2014, due in annual installments of \$13,000 through 2054, plus interest at 2.75% due in semi-annual installments through January 1, 2054.

	\$ <u>697,000</u>
Total Long-Term Debt	\$ <u><u>697,000</u></u>

The annual requirements to maturity for long-term liabilities are as follows:

	<u>G.O. Revenue Bonds</u>		
	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 14,000	\$ 19,168	\$ 33,168
2023	14,000	18,783	32,783
2024	15,000	18,448	33,448
2025	15,000	17,985	32,985
2026	15,000	17,572	32,572
2027-2031	84,000	81,364	165,364
2032-2036	96,000	69,183	165,183
2037-2041	110,000	55,193	165,193
2042-2046	127,000	39,154	166,154
2047-2051	144,000	20,777	164,777
2052-2056	<u>63,000</u>	<u>2,617</u>	<u>65,617</u>
Total	\$ <u><u>697,000</u></u>	\$ <u><u>360,244</u></u>	\$ <u><u>1,057,244</u></u>

Interest expense was charged to functions/programs of the City as follows:

Business-Type Activities:

Water Utility	\$ <u>19,607</u>
Total Interest Expense - Business-Type Activities	\$ <u><u>19,607</u></u>

7. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

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

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

B. Benefits Provided

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

1. General Employees Plan Benefits

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

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

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 and the City of Vesta, Minnesota was required to contribute 7.50% for Coordinated Plan members. The City of Vesta, Minnesota contributions to the General Employees Fund for the year ended December 31, 2021, were \$6,550. The City of Vesta, Minnesota contributions were equal to the required contributions as set by state statute.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2021, the City of Vesta, Minnesota reported a liability of \$51,245 for its proportionate share of the General Employees Fund's net pension liability. The City of Vesta, Minnesota'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 of Vesta, Minnesota totaled \$1,645.

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Vesta, Minnesota proportion share of the net pension liability was based on the City of Vesta, Minnesota contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the City of Vesta, Minnesota proportionate share was 0.0012% at the end of the measurement period which was unchanged from its proportion measured as of June 30, 2020.

City of Vesta proportionate share of the net pension liability	\$ 51,245
State of Minnesota's proportionate share of the net pension liability associated with the City of Vesta	<u>1,645</u>
Total	<u>\$ 52,890</u>

For the year ended December 31, 2021, the City of Vesta, Minnesota recognized pension expense of \$4,305 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Vesta, Minnesota recognized an additional \$133 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.

At December 31, 2021, the City of Vesta, Minnesota reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 315	\$ 1,568
Changes in actuarial assumptions	31,289	1,134
Net collective difference between projected and actual investment earnings	-	44,265
Changes in proportion	1,387	-
Contributions paid to PERA subsequent to the measurement date	<u>3,448</u>	<u>-</u>
Total	<u>\$ 36,439</u>	<u>\$ 46,967</u>

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs (Cont.)

The \$3,448 reported as deferred outflows of resources related to pensions resulting from City of Vesta, Minnesota contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Pension Expense Amount</u>
2022	\$ 703
2023	\$ 768
2024	\$ 400
2025	\$ 12,105
2026	\$ -
Thereafter	\$ -

E. 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%	

F. Actuarial Assumptions

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

Inflation is assumed to be 2.25% for the General Employee Plan, 2.25% for the Police and Fire Plan and 2.25% for the Correctional Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 2% for the Correctional Plan. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

E. Actuarial Assumptions (Cont.)

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0% at age 20 to 3.0% at age 60.

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 and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

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

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changed in Plan Provisions:

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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 assumption, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

H. Pension Liability Sensitivity

The following presents the City of Vesta, Minnesota 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 of Vesta, Minnesota proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (5.5%)	Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
General Employees Fund:	\$ 104,514	\$ 51,245	\$ 7,536

I. 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.

8. DEFINED BENEFIT PENSION PLANS – STATEWIDE FIRE PERA

A. Plan Description

The City of Vesta, Minnesota participates in the Statewide Volunteer Firefighter Retirement Plan (accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2021 the plan covered 16 active firefighters and 4 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

B. Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City of Vesta, Minnesota. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City of Vesta, Minnesota contributions. The State of Minnesota contributed \$12,288 in fire state aid to the fund for the year ended December 31, 2021. Required employer contributions are calculated annually based on statutory provisions. The City had no required annual contribution for December 31, 2021.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs

At December 31, 2021, the City of Vesta, Minnesota reported a net pension asset of \$118,915 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2021. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension Liability <u>(Asset)</u>
Beginning Balance December 31, 2020	\$ 139,688	\$ 233,052	\$ (93,364)
Changes for the Year			
Service Cost	3,779	-	3,779
TPL Interest	8,608	-	8,608
Projected Investment Earnings	(3,331)	-	(3,331)
Contributions (ER/State)	-	12,288	(12,288)
Difference between Projected and Actual Investment Earnings	-	22,933	(22,933)
PERA Administrative Fee	-	(614)	614
Net Changes	<u>9,056</u>	<u>34,607</u>	<u>(25,551)</u>
Balance End of Year December 31, 2021	<u>\$ 148,744</u>	<u>\$ 267,659</u>	<u>\$ (118,915)</u>

For the year ended December 31, 2021 the City of Vesta, Minnesota recognized pension expense of \$12,288.

At December 31, 2021 the City of Vesta, Minnesota reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes in actuarial assumptions	\$ -	\$ 6,251
Difference between projected and actual investment earnings	<u>3,203</u>	<u>25,431</u>
Total	<u>\$ 3,203</u>	<u>\$ 31,682</u>

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2020	\$ (9,070)
2023	\$ (10,578)
2024	\$ (6,374)
2025	\$ (2,457)
Thereafter	\$ -

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

E. Actuarial Assumptions

The total pension liability in the December 31, 2021, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.0 percent
- Inflation rate of 3.0 percent

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net pension was projected to be available to make all projected future benefit payments of current active and inactive 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.

G. Pension Liability Sensitivity

The following presents the City of Vesta, Minnesota net pension liability for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the City of Vesta, Minnesota net pension liability would be if it were calculated using a discount rate one percent lower or one percent high than the current discount rate:

	1% Decrease in Discount Rate (5.0%)	Discount Rate (6.0%)	1% Increase in Discount Rate (7.0%)
Net Pension Liability (Asset)	\$ (115,581)	\$ (118,914)	\$ (122,253)

H. Plan Investments Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 353G.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

I. Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35%	5.10%
International Stocks	15%	5.30%
Bonds	45%	0.75%
Unallocated Cash	5%	0.00%

The six percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and that target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Description of significant investment policy changes during the year: The SBI made no significant changes to their investment policy during Fiscal Year 2020 for the Volunteer Firefighter Fund.

J. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2021, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

9. OTHER POST EMPLOYMENT BENEFITS

Any contingent liability for other post employment benefits is considered immaterial and not recognized in the financial statements.

10. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2021.

11. COMMITMENTS AND CONTINGENCIES

A. Risk Management

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

CITY OF VESTA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

11. COMMITMENTS AND CONTINGENCIES (Cont.)

A. Risk Management (Cont.)

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. Claims and Judgments

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.

12. SUBSEQUENT EVENTS

Management evaluated all activity of City of Vesta through April 12, 2022 (the issue date of the financial statements) and concluded that no subsequent events other than those affecting the nursing as follows, have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF VESTA, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2021
 With Comparative Amounts for the year ended December 31, 2020

	<u>2021</u>			Variance with Final Budget	<u>2020</u>
	Original Budget	Final Budget	Actual		Actual
REVENUES:					
TAXES:					
General Property Taxes	\$ 177,000	\$ 177,000	\$ 177,701	\$ 701	\$ 181,188
LICENSES AND PERMITS:					
Licenses and Permits	500	500	3,181	2,681	840
INTERGOVERNMENTAL REVENUE:					
Other Federal Grants	-	-	105,426	105,426	-
Local Government Aid	89,513	89,513	88,013	(1,500)	87,617
State Fire Aid	-	-	12,288	12,288	14,048
Other State Grants	250	250	17,253	17,003	3,851
County Grants	-	-	-	-	2,000
Total Intergovernmental Revenue	<u>89,763</u>	<u>89,763</u>	<u>222,980</u>	<u>133,217</u>	<u>107,516</u>
CHARGES FOR SERVICES:					
General Government	1,240	1,240	1,450	210	481
Public Safety	13,800	13,800	13,810	10	12,306
Total Charges for Services	<u>15,040</u>	<u>15,040</u>	<u>15,260</u>	<u>220</u>	<u>12,787</u>
FINES AND FORFEITS	6	6	-	(6)	50
INTEREST INCOME	1,600	1,600	600	(1,000)	987
MISCELLANEOUS:					
Refunds and Reimbursements	1,000	1,000	8,949	7,949	3,218
Donations	-	-	450	450	1,015
Miscellaneous Income	500	500	652	152	660
Sale of Property	-	-	1,635	1,635	2,900
Total Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>11,686</u>	<u>10,186</u>	<u>7,793</u>
TOTAL REVENUES	<u>285,409</u>	<u>285,409</u>	<u>431,408</u>	<u>145,999</u>	<u>311,161</u>
OTHER FINANCING SOURCES					
Transfer In	-	-	8,219	8,219	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>285,409</u>	<u>285,409</u>	<u>439,627</u>	<u>154,218</u>	<u>311,161</u>

CITY OF VESTA, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2021
 With Comparative Amounts for the year ended December 31, 2020

	<u>2021</u>			Variance	<u>2020</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	\$ 7,745	\$ 7,745	\$ 5,575	\$ 2,170	\$ 7,135
Election:					
Current Expenditures	-	-	-	-	84
Administrative and Finance:					
Personnel Services	41,285	41,285	42,512	(1,227)	49,202
Office Expenses	2,500	2,500	2,628	(128)	2,179
Training Expense	3,820	3,820	513	3,307	1,170
Other Current Expenditures	550	550	203	347	176
Other General Government:					
Personnel Services	912	912	1,805	(893)	1,542
Professional Fees	2,500	2,500	1,209	1,291	660
Insurance	-	-	1,266	(1,266)	2,476
Repairs and Supplies	8,660	8,660	6,006	2,654	6,616
Utilities	5,250	5,250	4,777	473	3,069
Other Current Expenditures	4,025	4,025	6,448	(2,423)	4,342
Capital Outlay	-	-	78,975	(78,975)	-
Assessor Fees					
Current Expenditures	2,718	2,718	2,758	(40)	2,683
Independent Auditing					
Current Expenditures	9,000	9,000	9,550	(550)	12,300
Legal					
Current Expenditures	<u>2,000</u>	<u>2,000</u>	<u>2,390</u>	<u>(390)</u>	<u>2,983</u>
Total General Government	<u>90,965</u>	<u>90,965</u>	<u>166,615</u>	<u>(75,650)</u>	<u>96,617</u>
PUBLIC SAFETY:					
First Responders:					
Personnel Services	1,060	1,060	859	201	631
Other Current Expenditures	7,460	7,460	9,892	(2,432)	7,831

CITY OF VESTA, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2021
 With Comparative Amounts for the year ended December 31, 2020

	<u>2021</u>			Variance with Final Budget	<u>2020</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
EXPENDITURES:					
PUBLIC SAFETY: (Cont.)					
Fire Protection:					
Personnel Services	\$ 6,000	\$ 6,000	\$ 6,204	\$ (204)	\$ 5,835
State Fire Aid	-	-	12,288	(12,288)	14,048
Professional Services	-	-	401	(401)	1,405
Insurance	-	-	1,266	(1,266)	2,476
Repairs and Supplies	14,000	14,000	11,585	2,415	8,128
Training and Travel	2,000	2,000	3,250	(1,250)	-
Utilities	2,730	2,730	3,379	(649)	1,144
Other Current Expenditures	300	300	2,931	(2,631)	901
Capital Outlay	-	-	<u>101,827</u>	<u>(101,827)</u>	-
Total Public Safety	<u>33,550</u>	<u>33,550</u>	<u>153,882</u>	<u>(120,332)</u>	<u>42,399</u>
PUBLIC WORKS:					
Highways and Streets:					
Personnel Services	18,045	18,045	30,729	(12,684)	28,398
Insurance	-	-	1,266	(1,266)	2,476
Gas and Oil	3,197	3,197	5,436	(2,239)	3,295
Repairs and Maintenance	66,200	66,200	41,127	25,073	16,199
Street Maintenance	-	-	-	-	3,393
Utilities	895	895	3,754	(2,859)	540
Other Current Expenditures	5,338	5,338	424	4,914	2,421
Capital Outlay	5,000	5,000	4,360	640	98,667
Ice and Snow Removal:					
Current Expenditures	6,000	6,000	1,962	4,038	1,840
Street Lighting:					
Current Expenditures	<u>6,000</u>	<u>6,000</u>	<u>5,475</u>	<u>525</u>	<u>5,552</u>
Total Public Works	<u>110,675</u>	<u>110,675</u>	<u>94,533</u>	<u>16,142</u>	<u>162,781</u>
CULTURE AND RECREATION:					
Parks:					
Personnel Services	4,940	4,940	-	4,940	2,023
Insurance	-	-	1,266	(1,266)	2,476
Supplies	1,700	1,700	1,110	590	723
Utilities	825	825	1,028	(203)	628
Other Current Expenditures	3,877	3,877	627	3,250	73
Capital Outlay	13,259	13,259	2,369	10,890	-

CITY OF VESTA, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2021
 With Comparative Amounts for the year ended December 31, 2020

	<u>2021</u>			<u>2020</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
EXPENDITURES:					
CULTURE AND RECREATION (Cont.):					
Community Center:					
Insurance	\$ -	\$ -	\$ 1,266	\$ (1,266)	\$ 2,476
Repairs and Maintenance	710	710	3,083	(2,373)	878
Utilities	552	552	4,553	(4,001)	1,617
Other Current Expenditures	<u>105</u>	<u>105</u>	<u>835</u>	<u>(730)</u>	<u>350</u>
Total Culture and Recreation	<u>25,968</u>	<u>25,968</u>	<u>16,137</u>	<u>9,831</u>	<u>11,244</u>
ECONOMIC DEVELOPMENT:					
Current Expenditures	<u>8,600</u>	<u>8,600</u>	<u>8,600</u>	<u>-</u>	<u>-</u>
Total Economic Development	<u>8,600</u>	<u>8,600</u>	<u>8,600</u>	<u>-</u>	<u>-</u>
DEBT SERVICE:					
Principal Payments	-	-	-	-	3,764
Interest Payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73</u>
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,837</u>
TOTAL EXPENDITURES	<u>269,758</u>	<u>269,758</u>	<u>439,767</u>	<u>(170,009)</u>	<u>316,878</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>15,651</u>	<u>15,651</u>	<u>(140)</u>	<u>(15,791)</u>	<u>(5,717)</u>
OTHER FINANCING USES:					
Transfer to Enterprise Funds	<u>(7,750)</u>	<u>(7,750)</u>	<u>(7,750)</u>	<u>-</u>	<u>-</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	7,901	7,901	(7,890)	(15,791)	(5,717)
FUND BALANCE - January 1	<u>427,793</u>	<u>427,793</u>	<u>427,793</u>	<u>-</u>	<u>433,510</u>
FUND BALANCE - December 31	<u>\$ 435,694</u>	<u>\$ 435,694</u>	<u>\$ 419,903</u>	<u>\$ (15,791)</u>	<u>\$ 427,793</u>

CITY OF VESTA, MINNESOTA
 SCHEDULE OF PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 PERA GENERAL EMPLOYEES RETIREMENT FUND
 DECEMBER 31, 2021

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Share (Amount) of the Net Pension Liability Associated with City	Proportionate Share of the Net Pension Liability Associated with the City	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0012 %	51,245	1,645	52,890	87,480	60.46 %	87.00 %
June 30, 2020	0.0012 %	71,945	2,152	74,097	83,773	88.45 %	79.10 %
June 30, 2019	0.0012 %	66,345	5,861	72,206	83,459	86.52 %	80.20 %
June 30, 2018	0.0011 %	61,023	3,539	64,562	84,325	76.56 %	79.50 %
June 30, 2017	0.0017 %	108,527	1,340	109,867	75,806	144.93 %	75.90 %
June 30, 2016	0.0022 %	178,629	2,408	181,037	138,062	131.13 %	68.90 %
June 30, 2015	0.0021 %	108,833	-	108,833	142,659	76.29 %	78.19 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015.
 Information for prior years is not available.

CITY OF VESTA, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2021

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2021	\$ 6,550	\$ 6,550	-	\$ 87,333	7.50 %
December 31, 2020	\$ 6,704	\$ 6,704	-	\$ 89,387	7.50 %
December 31, 2019	\$ 6,191	\$ 6,191	-	\$ 82,552	7.50 %
December 31, 2018	\$ 6,324	\$ 6,324	-	\$ 84,325	7.50 %
December 31, 2017	\$ 5,685	\$ 5,685	-	\$ 75,806	7.50 %
December 31, 2016	\$ 10,131	\$ 10,131	-	\$ 135,078	7.50 %
December 31, 2015	\$ 10,699	\$ 10,699	-	\$ 142,659	7.50 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015.
Information for prior years is not available.

CITY OF VESTA, MINNESOTA
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
 AND RELATED RATIOS
 VESTA FIRE DEPARTMENT RELIEF ASSOCIATION
 DECEMBER 31, 2021

Fiscal Year	2021	2020	2019	2018	2017
Total Pension Liability					
Service Cost	\$ 3,779	\$ 3,992	\$ 4,191	\$ 4,385	\$ 4,634
Interest on the Total Pension Liability	8,608	7,988	7,455	7,276	7,178
Difference Between Expected and Actual Experience	(3,331)	(1,433)	(2,574)	(8,474)	(2,525)
Changes in Assumptions	-	-	-	-	-
Changes of Benefit Terms	-	-	-	-	-
Net change in total pension liability	9,056	10,547	9,072	3,187	9,287
Total Pension Liability - Beginning	<u>139,688</u>	<u>129,141</u>	<u>120,069</u>	<u>116,882</u>	<u>122,395</u>
Total Pension Liability - Ending (a)	<u>\$ 148,744</u>	<u>\$ 139,688</u>	<u>\$ 129,141</u>	<u>\$ 120,069</u>	<u>\$ 131,682</u>
Plan Fiduciary Net Position					
Contributions State	\$ 12,288	\$ 14,048	\$ 11,679	\$ 12,654	\$ 11,647
Contributions Local	-	-	-	-	-
Net Investment Income	22,933	29,554	28,263	(6,534)	17,607
Benefit Payments	-	-	-	-	(14,800)
Pension Plan Administrative Expense	(613)	(551)	(13,534)	(579)	(607)
Net Change in Total Pension Liability	34,608	43,051	26,408	5,541	13,847
Plan Fiduciary Net Position - Beginning	<u>233,051</u>	<u>190,000</u>	<u>163,592</u>	<u>158,051</u>	<u>144,204</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 267,659</u>	<u>\$ 233,051</u>	<u>\$ 190,000</u>	<u>\$ 163,592</u>	<u>\$ 158,051</u>
Net Pension (Asset)/Liability - Ending (a) - (b)	<u>\$ (118,915)</u>	<u>\$ (93,363)</u>	<u>\$ (60,859)</u>	<u>\$ (43,523)</u>	<u>\$ (26,369)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	179.95 %	166.84 %	147.13 %	136.25 %	120.02 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2017. Information for prior years is not available.

CITY OF VESTA, MINNESOTA
SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY (ASSET)
AS A PERCENT OF PAYROLL
VESTA FIRE DEPARTMENT RELIEF ASSOCIATION
DECEMBER 31, 2021

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2021	\$ 12,288	\$ 12,288	-	N/A	N/A
December 31, 2020	\$ 14,048	\$ 14,048	-	N/A	N/A
December 31, 2019	\$ 11,679	\$ 11,679	-	N/A	N/A
December 31, 2018	\$ 12,654	\$ 12,654	-	N/A	N/A
December 31, 2017	\$ 11,647	\$ 11,647	-	N/A	N/A

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2017.
Information for prior years is not available.

CITY OF VESTA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

General Employees Fund

2021 Changes

Change in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Change in Actuarial Assumptions

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

Change in Plan Provisions

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

2019 Changes

Change in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

CITY OF VESTA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2018 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2015 to MP-2017
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and no more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

CITY OF VESTA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increase, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

SECTION III

SUPPLEMENTAL SECTION

CITY OF VESTA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>Debt Service Funds</u>		
		Street Improvement Bond (2003 Bond)	Total
	<u>Debt 2008</u>		
ASSETS:			
Cash and Cash Equivalents	\$ <u>10,557</u>	\$ <u>55,896</u>	\$ <u>66,453</u>
TOTAL ASSETS	\$ <u>10,557</u>	\$ <u>55,896</u>	\$ <u>66,453</u>
LIABILITIES:	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
FUND BALANCES:			
Restricted	<u>10,557</u>	<u>55,896</u>	<u>66,453</u>
Total Fund Balances	<u>10,557</u>	<u>55,896</u>	<u>66,453</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>10,557</u>	\$ <u>55,896</u>	\$ <u>66,453</u>

CITY OF VESTA, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Debt Service Funds</u>		
		Street Improvement Bond (2003 Bond)	Total
	<u>Debt 2008</u>	<u>Bond</u>	<u>Total</u>
REVENUES			
Taxes	\$ -	\$ 312	\$ 312
Interest Income	1	45	46
Total Revenues	<u>1</u>	<u>357</u>	<u>358</u>
EXPENDITURES			
EXCESS REVENUES OVER EXPENDITURES	1	357	358
FUND BALANCES - January 1	<u>10,556</u>	<u>55,539</u>	<u>66,095</u>
FUND BALANCES - December 31	<u>\$ 10,557</u>	<u>\$ 55,896</u>	<u>\$ 66,453</u>

CITY OF VESTA, MINNESOTA
SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

The purpose of this report is to provide a summary of financial information concerning the City of Vesta to interested citizens. The complete financial statements may be examined at the City Hall, PO Box 7 Vesta, MN. Questions about this report should be directed to Brooke Guetter, City Clerk, at 507 762 3140

	Total <u>2021</u>	Total <u>2020</u>	Percent Increase (Decrease)
REVENUES:			
Taxes and Assessments	\$ 178,013	\$ 181,494	(1.92)%
Licenses and Permits	3,181	840	278.69 %
Intergovernmental	348,577	363,009	(3.98)%
Charges for Services	15,260	12,787	19.34 %
Fines	-	50	(100.00)%
Investment Earnings	651	1,081	(39.78)%
Miscellaneous	11,686	7,793	49.96 %
Transfer In	<u>8,219</u>	<u>-</u>	<u>100.00 %</u>
Total Revenues	\$ <u>565,587</u>	\$ <u>567,054</u>	<u>(0.26)%</u>
Per Capita	<u>1,964</u>	<u>1,969</u>	
EXPENDITURES:			
Current			
General Government	\$ 87,640	\$ 118,993	(26.35)%
Public Safety	52,055	42,399	22.77 %
Public Works	90,173	64,114	40.64 %
Culture and Recreation	13,768	11,244	22.45 %
Economic Development	134,197	233,117	(42.43)%
Debt Service:			
Principal Payments	-	3,764	(100.00)%
Interest Payments	-	73	(100.00)%
Capital Outlay	187,531	3,870	4,745.76 %
Transfer Out	<u>15,969</u>	<u>-</u>	<u>100.00 %</u>
Total Expenditures	\$ <u>581,333</u>	\$ <u>572,371</u>	<u>1.57 %</u>
Per Capita	<u>2,019</u>	<u>1,987</u>	
 General Fund Unassigned Fund Balance - December 31	 \$ <u>195,238</u>	 \$ <u>192,977</u>	 <u>1.17 %</u>
Per Capita	<u>678</u>	<u>670</u>	

SECTION IV

ADDITIONAL INFORMATION

Dennis E. Oberloh, CPA
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INDEPENDENT AUDITORS' 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 Council
City of Vesta
Vesta, 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, business-type activities, each major fund, and the aggregate remaining fund information of City of Vesta, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Vesta, Minnesota's basic financial statements, and have issued our report thereon dated April 12, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Vesta, Minnesota's internal control over financial reporting (internal control) to determine the 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 Vesta, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Vesta, 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 in a timely basis. A *material weakness* is a deficiency, or 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 the 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 were not 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Items 2021-001 and 2021-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Vesta, Minnesota's financial statements are free of 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 determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

City of Vesta, Minnesota's Response to Findings

City of Vesta, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Vesta, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Oberloh & Oberloh, Ltd.
Oberloh & Oberloh, Ltd.
Redwood Falls, Minnesota

April 12, 2022

CITY OF VESTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021

INTERNAL CONTROL FINDINGS

Audit Finding 2021-001

Criteria: The City does not have the internal resources to identify all journal entries required to maintain a general ledger and to prepare the full-disclosure financial statements in conformity with generally accepted accounting principles.

Condition: The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Council. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by generally accepted accounting principles for external reporting. The City is aware of this significant deficiency, and obtains our assistance in the preparation of the City's annual financial statements.

Cause: The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect: The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to prepare the financial statements and maintain a working knowledge of the required disclosures.

Audit Finding 2021-002

Criteria: Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition: The City does not have adequate segregation of accounting duties.

Cause: There are a limited number of office employees.

Effect: The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal control that supports the adequate segregation of duties.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to maintain proper segregation of duties.

Dennis E. Oberloh, CPA
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MINNESOTA LEGAL COMPLIANCE
INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Vesta, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 12, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that City of Vesta, Minnesota failed to comply with the provisions 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 of Vesta, Minnesota's noncompliance with the above reference provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Oberloh & Oberloh, Ltd.
Oberloh & Oberloh, Ltd.
Redwood Falls, Minnesota

April 12, 2022