



Annual Financial Report

City of Wabasha

Wabasha, Minnesota

For the year ended December 31, 2021



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INTRODUCTORY SECTION

CITY OF WABASHA
WABASHA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Wabasha, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2021

ELECTED

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Emily Durand	2022	Mayor
John Friedmeyer	2022	Council Member
Timothy Wallerich	2022	Council Member
Dean Meurer	2022	Council Member
Jeff Sulla	2024	Council Member
Brian Wodele	2024	Council Member
Craig Falkum	2022	Council Member

APPOINTED

Caroline Gregerson		City Administrator
Tyler Grabau		Finance Director

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FINANCIAL SECTION
CITY OF WABASHA
WABASHA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Wabasha, Minnesota

Report on the Financial Statements

Opinion

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 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.

Management's Responsibility 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 City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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'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'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.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the related note disclosures starting on page 74 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 the City's internal control over financial reporting and compliance.



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Minneapolis, Minnesota
March 17, 2022



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Management's Discussion and Analysis

As management of the City of Wabasha, Minnesota, (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.

Financial Highlights

- 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 \$19,231,333. Of this amount, \$1,959,959 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$569,871. Governmental activities increased \$114,536 while business-type activities increased \$455,335. The increase is mainly due to revenues in excess of expenses in business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,164,486, an increase of \$51,630 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,799,629, or 54.7 percent of total General fund 2022 budgeted expenditures.
- The City's total bonded debt decreased \$944,000 during the current fiscal year. The main reason for the decrease is regularly scheduled principal payments.

Overview of the Financial Statements

This 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 other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

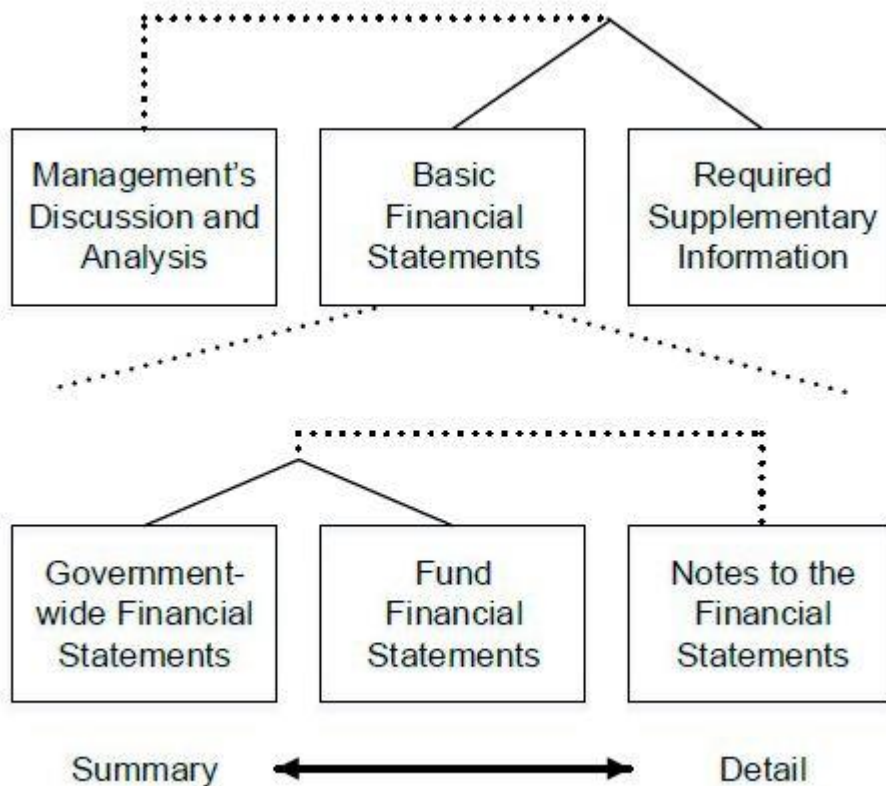


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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, miscellaneous and interest on long-term debt. The business-type activities of the City include water and sewer.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Port Authority (PA) for which the City is financially accountable. Financial information for this *component unit* is discretely presented from the primary government itself.

The government-wide financial statements start on page 29 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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. These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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 City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eight individual governmental funds, one of which is a Debt Service fund comprised of two subfunds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General fund, Capital Improvement fund, the Debt Service funds, and the American Rescue Plan fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General and Library funds. A budgetary comparison statement has been provided for the General fund and Library fund to demonstrate compliance with these budgets.

The basic governmental funds financial statements start on page 34 of this report.

Proprietary Fund. 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 and sewer activities.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 39 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 43 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 74 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 84 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred inflows of resources exceeded liabilities and deferred outflows of resources by \$19,231,333 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (84.2 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are 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.

City of Wabasha's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Assets						
Current and other assets	\$ 3,743,570	\$ 3,495,618	\$ 247,952	\$ 993,306	\$ 745,829	\$ 247,477
Capital assets	10,886,676	11,427,313	(540,637)	7,908,749	8,045,491	(136,742)
Total Assets	<u>14,630,246</u>	<u>14,922,931</u>	<u>(292,685)</u>	<u>8,902,055</u>	<u>8,791,320</u>	<u>110,735</u>
Deferred Inflows of Resources						
Pension resources	<u>1,031,363</u>	<u>479,611</u>	<u>551,752</u>	<u>67,181</u>	<u>24,847</u>	<u>42,334</u>
Liabilities						
Noncurrent liabilities						
outstanding	2,792,138	3,646,178	(854,040)	941,720	1,311,042	(369,322)
Other liabilities	<u>226,532</u>	<u>80,937</u>	<u>145,595</u>	<u>25,455</u>	<u>35,742</u>	<u>(10,287)</u>
Total Liabilities	<u>3,018,670</u>	<u>3,727,115</u>	<u>(708,445)</u>	<u>967,175</u>	<u>1,346,784</u>	<u>(379,609)</u>
Deferred Outflows of Resources						
Pension resources	<u>1,330,311</u>	<u>477,335</u>	<u>852,976</u>	<u>83,356</u>	<u>6,013</u>	<u>77,343</u>
Net Assets						
Net investment in						
capital assets	9,119,676	9,207,313	(87,637)	7,073,041	6,876,491	196,550
Restricted	<u>1,078,657</u>	<u>1,120,629</u>	<u>(41,972)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unrestricted	<u>1,114,295</u>	<u>870,150</u>	<u>244,145</u>	<u>845,664</u>	<u>586,879</u>	<u>258,785</u>
Total Net Position	<u>\$ 11,312,628</u>	<u>\$ 11,198,092</u>	<u>\$ 114,536</u>	<u>\$ 7,918,705</u>	<u>\$ 7,463,370</u>	<u>\$ 455,335</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

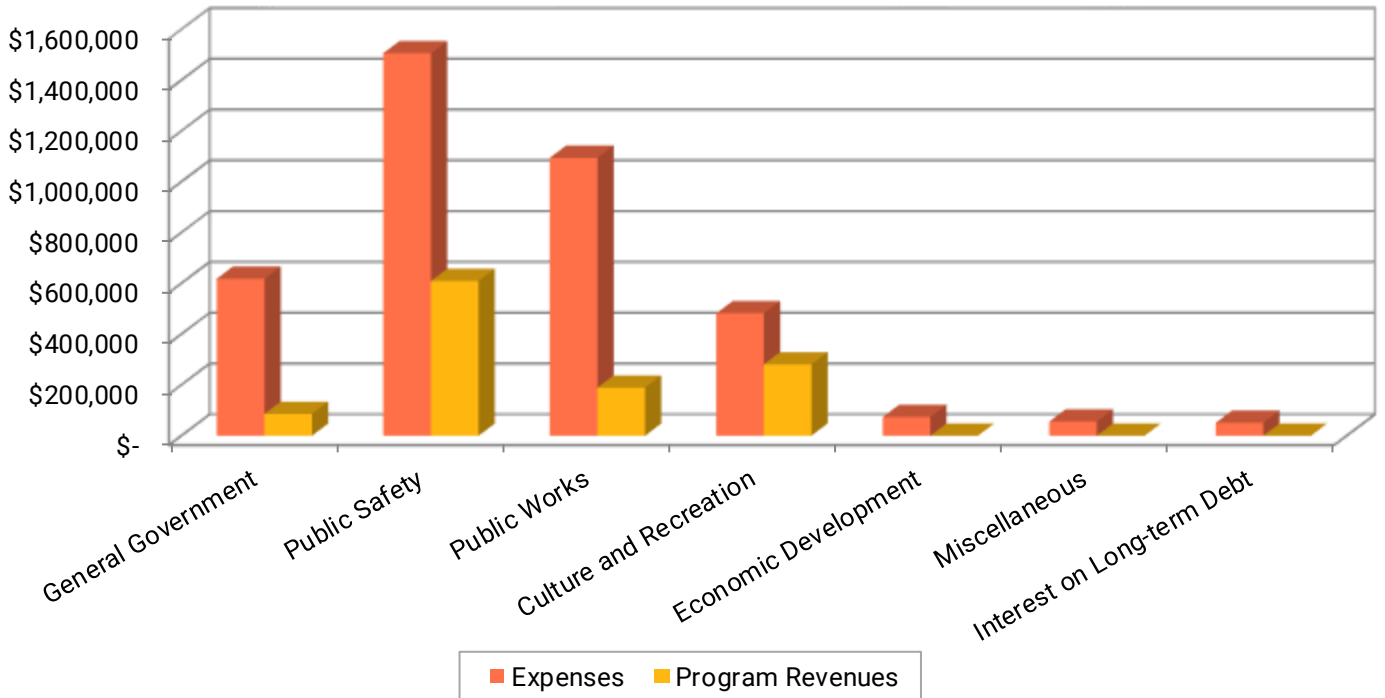
Statement of Activities. Governmental type activities increased the City's net position by \$114,536 and the business-type activities increased the City's net position by \$455,335. Key elements of the overall increase are as follows:

City of Wabasha's Changes in Net Position

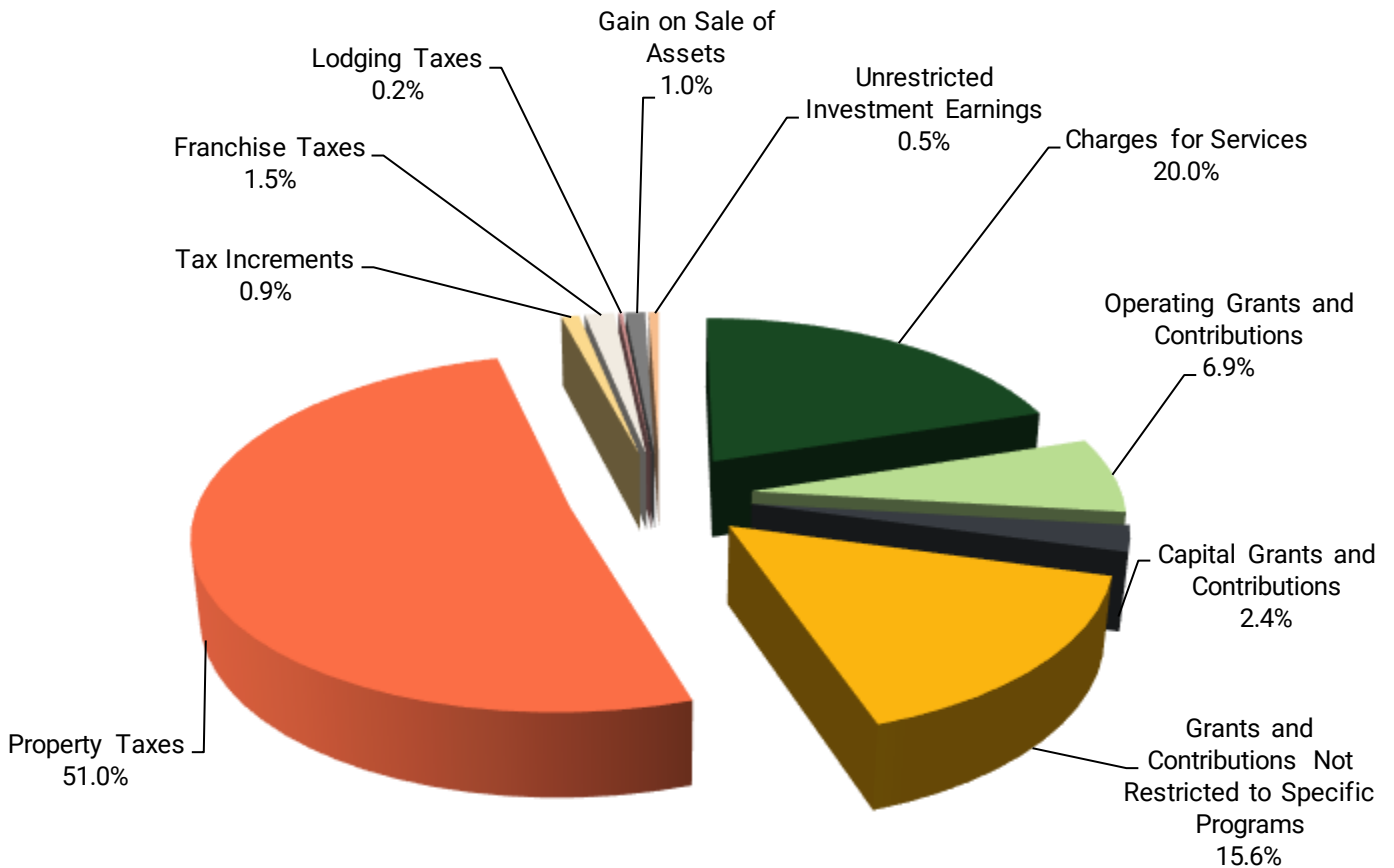
	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 797,611	\$ 682,260	\$ 115,351	\$ 1,216,747	\$ 1,198,000	\$ 18,747
Operating grants and contributions	271,662	488,040	(216,378)	-	-	-
Capital grants and contributions	96,011	92,047	3,964	16,029	2,269	13,760
General Revenues						
Property taxes	2,008,769	1,883,734	125,035	-	-	-
Tax increments	36,003	38,772	(2,769)	-	-	-
Other taxes	61,308	47,384	13,924	-	-	-
Interest	18,244	10,194	8,050	7,938	9,314	(1,376)
Grants and contributions not restricted to specific programs	613,940	627,384	(13,444)	-	-	-
Gain on sale of assets	38,385	6,235	32,150	27,826	-	27,826
Total Revenues	3,941,933	3,876,050	65,883	1,268,540	1,209,583	58,957
Expenses						
General government	618,378	650,589	(32,211)	-	-	-
Public safety	1,506,166	1,448,148	58,018	-	-	-
Public works	1,094,385	1,153,087	(58,702)	-	-	-
Culture and recreation	482,215	429,476	52,739	-	-	-
Economic development	74,026	74,285	(259)	-	-	-
Miscellaneous	56,054	21,980	34,074	-	-	-
Interest on long-term debt	51,173	39,518	11,655	-	-	-
Water	-	-	-	225,892	193,513	32,379
Sewer	-	-	-	532,313	538,289	(5,976)
Total Expenses	3,882,397	3,817,083	65,314	758,205	731,802	26,403
Increase (Decrease) in Net Position						
Before Transfers	59,536	58,967	569	510,335	477,781	32,554
Transfers	55,000	55,000	-	(55,000)	(55,000)	-
Change in Net Position	114,536	113,967	569	455,335	422,781	32,554
Net Position, January 1	11,198,092	11,084,125	113,967	7,463,370	7,040,589	422,781
Net Position, December 31	\$ 11,312,628	\$ 11,198,092	\$ 114,536	\$ 7,918,705	\$ 7,463,370	\$ 455,335

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities

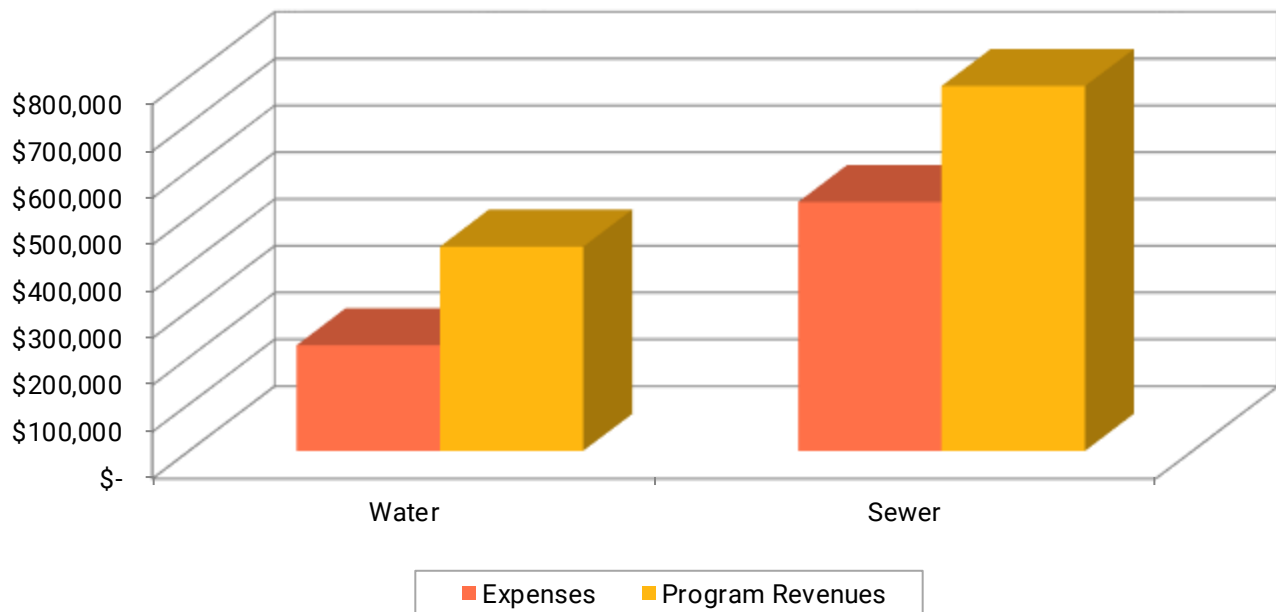


Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities increased the City’s net position by \$455,335. Key elements of this increase are as follows:

Expenses and Program Revenues - Business-type Activities



Financial Analysis of the Government’s Funds

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

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, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the fiscal year ending 2021, the City’s governmental funds reported combined ending fund balances of \$3,164,486, an increase of \$51,630 in comparison with the prior year. Approximately 52.4 percent of this total amount, \$1,657,490, constitutes unassigned fund balance, which is available for spending at the City’s discretion. The remainder of fund balance is not available for new spending because it is either 1) Nonspendable (\$28,229) 2) Restricted (\$974,941) and 3) Assigned (\$503,826) for the purposes described in Note 3.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$1,827,313. As a measure of the General fund’s liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures. The unassigned General fund balance of \$1,799,629 accounts for 54.7 percent of 2022 budgeted expenditures. The fund balance of the City’s General fund increased \$6,851 during the current fiscal year mainly due to positive revenue variances from budget during the year.

The *Debt Service fund* has a total fund balance of \$734,770. The net decrease in fund balance during the current year in the Debt Service fund was \$34,912. This decrease was due to principal and interest payments in excess of property tax and special assessment revenue.

The *Capital Improvement fund* has an ending fund balance of \$503,826. The net increase in fund balance of \$33,181 is mainly due to other financing sources which included a transfer from the general fund and the sale of capital assets.

The *American Rescue Plan fund* has an ending cash balance of \$135,347, all of which is considered unearned revenue at year end and is restricted for future projects.

Proprietary Fund. The City’s proprietary fund provides the same type of information found 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 \$7,073,041. The total increase in net position for the funds was \$455,335. Other factors concerning the finances of this fund have already been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

The City’s General fund budget was not amended during the year. The budget called for neither an increase nor a decrease in fund balance. Total revenues show a positive budget variance of \$137,826 mainly due to intergovernmental revenues, which was over budget by \$73,974. Total expenditures show a negative budget variance of \$110,475 mainly due to public works and miscellaneous expenses being over budget by \$49,553 and \$39,054, respectively.

Capital Asset and Debt Administration

Capital Assets. The City’s net investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounts to \$18,795,425 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City’s investment in capital assets for the current fiscal year was \$677,379.

Major capital asset events during the current fiscal year included the following:

- 2021 Ford Explorer
- City Dock Project
- Jetter Truck and Camera

**City of Wabasha’s Capital Assets
(Net of Depreciation)**

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 756,707	\$ 756,707	\$ -	\$ -	\$ -	\$ -
Buildings	3,200,853	3,354,901	(154,048)	-	-	-
Improvements Other than Buildings	113,334	59,767	53,567	-	-	-
Machinery and Equipment	1,003,048	1,142,960	(139,912)	244,723	127,513	117,210
Infrastructure	5,670,596	5,942,583	(271,987)	7,664,026	7,917,978	(253,952)
Construction in Progress	142,138	170,395	(28,257)	-	-	-
Total	\$ 10,886,676	\$ 11,427,313	\$ (540,637)	\$ 7,908,749	\$ 8,045,491	\$ (136,742)

Additional information on the City’s capital assets can be found in Note 3C starting on page 53 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$2,445,000. Of this amount, \$1,767,000 is a general obligation debt and \$678,000 is general obligation revenue debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

Additional information on the City's long-term debt can be found in Note 3E starting on page 55 of this report. A table summarizing the bonds outstanding at the end of the year is listed above.

City of Wabasha's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
General Obligation Bonds	\$ 1,767,000	\$ 2,220,000	\$ (453,000)	\$ -	\$ -	\$ -
Capital leases	-	-	-	157,708	-	157,708
General Obligation Revenue Bonds	-	-	-	678,000	1,169,000	(491,000)
Total	<u>\$ 1,767,000</u>	<u>\$ 2,220,000</u>	<u>\$ (453,000)</u>	<u>\$ 835,708</u>	<u>\$ 1,169,000</u>	<u>\$ (333,292)</u>

The City's total debt decreased by \$944,000 during the current fiscal year. The main reason for the decrease in overall debt is due to the City making regularly scheduled debt payments during the year.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. There is no outstanding debt at year end that is subject to the limit.

Economic Factors and Next Year's Budgets and Rates

The City of Wabasha continues to maintain a solid fiscal position while balancing the budget with levy increase of 8.2%. The levy increase was primarily due to increased contributions to the Capital Improvement Fund and wage increases for employees who had no step increases in 2021. The Police Department negotiated a three-year contract that will bring their wages to be more competitive with surrounding areas. A new City Administrator was hired in 2021. A franchise fee was approved by Council to focus on long-term funding for the capital improvement budget, as Wabasha has increasingly aging buildings, streets, water/sewer infrastructure.

The housing market in Wabasha continues to be solid with homes selling quickly. There is more of a demand for homes currently than there is a supply, per anecdotal evidence. Twelve (12) new home building permits were issued in 2021. Over the last three years, the average number of new home building permits issued per year is nine (9). The Wabasha Main Street program is beginning its 5th year.

Progress is being made on Phase One of the Wabasha Riverfront Revitalization Project. This includes improvements to Big Jo Alley and the installation of a new city dock. The City of Wabasha is working with the Army Corps of Engineers on the new Dredge Material Management Plan and a barge terminal project. The City continues to look at how to plan for the long-term sustainability and viability of its ambulance service. The City also received federal funds to be able to offer HVAC replacement grants to its local business owners. It was also awarded funds from the USDA for equipment replacement and from the DOT for local road improvements. The City is planning for a major road improvement in its downtown area.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Wabasha, City Hall, City Clerk/Treasurer, 900 Hiawatha Drive East, Wabasha, MN 55981.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WABASHA
WABASHA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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City of Wabasha, Minnesota

Statement of Net Position

December 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Port Authority
Assets				
Cash and temporary investments	\$ 3,259,944	\$ 809,244	\$ 4,069,188	\$ 434,740
Receivables				
Accrued interest	495	-	495	-
Taxes	57,548	-	57,548	-
Accounts	24,203	105,870	130,073	-
Special assessments	190,725	44,584	235,309	-
Loans	-	-	-	46,720
Due from other governments	50,127	303	50,430	-
Inventory	-	30,818	30,818	-
Prepaid items	28,229	2,487	30,716	-
Net pension asset	132,299	-	132,299	-
Capital assets (net of accumulated depreciation)				
Land and construction work in process	898,846	-	898,846	-
Depreciable buildings, property and equipment, net	9,987,830	7,908,749	17,896,579	-
Total Assets	14,630,246	8,902,055	23,532,301	481,460
Deferred Outflows of Resources				
Deferred pension resources	1,031,363	67,181	1,098,544	-
Liabilities				
Accounts payable	23,346	10,610	33,956	42,222
Accrued interest payable	28,020	9,745	37,765	-
Accrued salaries payable	40,369	5,100	45,469	-
Unearned revenue	134,797	-	134,797	-
Noncurrent liabilities				
Due within one year				
Long-term liabilities	616,405	530,554	1,146,959	-
Due in more than one year				
Long-term liabilities	1,375,692	320,947	1,696,639	-
Net pension liability	800,041	90,219	890,260	-
Total Liabilities	3,018,670	967,175	3,985,845	42,222
Deferred Inflows of Resources				
Deferred pension resources	1,330,311	83,356	1,413,667	-
Net Position				
Net investment in capital assets	9,119,676	7,073,041	16,192,717	-
Restricted				
Debt service	837,941	-	837,941	-
Economic development	-	-	-	209,056
Loans	-	-	-	230,182
Tax increment financing	1,818	-	1,818	-
Library	231,212	-	231,212	-
Police projects	7,686	-	7,686	-
Unrestricted	1,114,295	845,664	1,959,959	-
Total Net Position	\$ 11,312,628	\$ 7,918,705	\$ 19,231,333	\$ 439,238

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 618,378	\$ 74,668	\$ 11,159	\$ -
Public safety	1,506,166	409,796	168,189	31,156
Public works	1,094,385	76,437	48,042	64,855
Culture and recreation	482,215	236,710	44,272	-
Economic development	74,026	-	-	-
Miscellaneous	56,054	-	-	-
Interest on long-term debt	51,173	-	-	-
Total Governmental Activities	<u>3,882,397</u>	<u>797,611</u>	<u>271,662</u>	<u>96,011</u>
Business-type Activities				
Water	225,892	436,719	-	3,751
Sewer	532,313	780,028	-	12,278
Total Business-type Activities	<u>758,205</u>	<u>1,216,747</u>	<u>-</u>	<u>16,029</u>
Total Primary Government	<u>4,640,602</u>	<u>2,014,358</u>	<u>271,662</u>	<u>112,040</u>
Component Unit				
Port authority	<u>\$ 131,895</u>	<u>\$ -</u>	<u>\$ 20,512</u>	<u>\$ -</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Franchise taxes

Lodging tax

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenues and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Port Authority
\$ (532,551)	\$ -	\$ (532,551)	\$ -
(897,025)	-	(897,025)	-
(905,051)	-	(905,051)	-
(201,233)	-	(201,233)	-
(74,026)	-	(74,026)	-
(56,054)	-	(56,054)	-
(51,173)	-	(51,173)	-
<u>(2,717,113)</u>	<u>-</u>	<u>(2,717,113)</u>	<u>-</u>
-	214,578	214,578	-
-	259,993	259,993	-
<u>-</u>	<u>474,571</u>	<u>474,571</u>	<u>-</u>
<u>(2,717,113)</u>	<u>474,571</u>	<u>(2,242,542)</u>	<u>-</u>
			<u>(111,383)</u>
1,606,147	-	1,606,147	46,711
402,622	-	402,622	-
36,003	-	36,003	-
58,663	-	58,663	-
2,645	-	2,645	-
613,940	-	613,940	-
18,244	7,938	26,182	1,228
38,385	27,826	66,211	-
55,000	(55,000)	-	-
<u>2,831,649</u>	<u>(19,236)</u>	<u>2,812,413</u>	<u>47,939</u>
114,536	455,335	569,871	(63,444)
<u>11,198,092</u>	<u>7,463,370</u>	<u>18,661,462</u>	<u>502,682</u>
<u>\$ 11,312,628</u>	<u>\$ 7,918,705</u>	<u>\$ 19,231,333</u>	<u>\$ 439,238</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF WABASHA
WABASHA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Wabasha, Minnesota

Balance Sheet

Governmental Funds

December 31, 2021

	General	Debt Service	Capital Improvement	American Rescue Plan	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and temporary investments	\$ 1,787,454	\$ 731,503	\$ 489,205	\$ 134,797	\$ 116,985	\$ 3,259,944
Receivables						
Accrued interest	495	-	-	-	-	495
Taxes	57,548	-	-	-	-	57,548
Accounts	11,995	-	12,208	-	-	24,203
Special assessments	-	131,191	59,534	-	-	190,725
Due from other governments	44,447	3,267	2,413	-	-	50,127
Prepaid items	27,684	-	-	-	545	28,229
Total Assets	\$ 1,929,623	\$ 865,961	\$ 563,360	\$ 134,797	\$ 117,530	\$ 3,611,271
Liabilities						
Accounts payable	\$ 5,219	\$ -	\$ -	\$ -	\$ 18,127	\$ 23,346
Accrued salaries payable	39,543	-	-	-	826	40,369
Unearned revenue	-	-	-	134,797	-	134,797
Total Liabilities	44,762	-	-	134,797	18,953	198,512
Deferred Inflows of Resources						
Unavailable revenue - taxes	57,548	-	-	-	-	57,548
Unavailable revenue - special assessments	-	131,191	59,534	-	-	190,725
Total Deferred Inflows of Resources	57,548	131,191	59,534	-	-	248,273
Fund Balances						
Nonspendable	27,684	-	-	-	545	28,229
Restricted	-	734,770	-	-	240,171	974,941
Assigned	-	-	503,826	-	-	503,826
Unassigned	1,799,629	-	-	-	(142,139)	1,657,490
Total Fund Balances	1,827,313	734,770	503,826	-	98,577	3,164,486
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,929,623	\$ 865,961	\$ 563,360	\$ 134,797	\$ 117,530	\$ 3,611,271

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2021

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

Total Fund Balances - Governmental	\$ 3,164,486
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	19,526,981
Less: accumulated depreciation	(8,640,305)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	
	132,299
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(225,097)
Bond payable	(1,767,000)
Net pension liability	(800,041)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes receivable	57,548
Special assessments receivable	190,725
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,031,363
Deferred inflows of pension resources	(1,330,311)
Governmental funds do not report a liability for accrued interest until due and payable.	(28,020)
Total Net Position - Governmental Activities	\$ 11,312,628

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General	Debt Service	Capital Improvement	American Rescue Plan	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 1,491,320	\$ 402,622	\$ -	\$ -	\$ 219,176	\$ 2,113,118
Licenses and permits	71,372	-	-	-	-	71,372
Intergovernmental	797,900	-	18,970	330	43,665	860,865
Charges for services	663,527	-	-	-	2,865	666,392
Fines and forfeitures	20,249	-	-	-	-	20,249
Special assessments	125	52,935	23,914	-	-	76,974
Interest on investments	6,084	4,425	3,696	-	4,039	18,244
Miscellaneous	51,741	-	61,975	-	27,415	141,131
Total Revenues	<u>3,102,318</u>	<u>459,982</u>	<u>108,555</u>	<u>330</u>	<u>297,160</u>	<u>3,968,345</u>
Expenditures						
Current						
General government	575,731	-	-	330	-	576,061
Public safety	1,512,948	-	-	-	5,087	1,518,035
Public works	787,114	-	-	-	-	787,114
Culture and recreation	81,633	-	-	-	169,772	251,405
Miscellaneous	56,054	-	-	-	-	56,054
Capital outlay						
General government	2,859	-	7,981	-	-	10,840
Public safety	77,622	-	72,420	-	-	150,042
Public works	32,607	-	49,408	-	-	82,015
Culture and recreation	3,399	-	2,950	-	40,382	46,731
Economic development	-	-	-	-	35,409	35,409
Debt service						
Principal	-	453,000	-	-	-	453,000
Interest and other	-	41,894	-	-	-	41,894
Total Expenditures	<u>3,129,967</u>	<u>494,894</u>	<u>132,759</u>	<u>330</u>	<u>250,650</u>	<u>4,008,600</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(27,649)</u>	<u>(34,912)</u>	<u>(24,204)</u>	<u>-</u>	<u>46,510</u>	<u>(40,255)</u>
Other Financing Sources (Uses)						
Transfers in	55,000	-	20,500	-	-	75,500
Sale of capital assets	-	-	36,885	-	-	36,885
Transfers out	(20,500)	-	-	-	-	(20,500)
Total Other Financing Sources (Uses)	<u>34,500</u>	<u>-</u>	<u>57,385</u>	<u>-</u>	<u>-</u>	<u>91,885</u>
Net Change in Fund Balances	6,851	(34,912)	33,181	-	46,510	51,630
Fund Balances , January 1	<u>1,820,462</u>	<u>769,682</u>	<u>470,645</u>	<u>-</u>	<u>52,067</u>	<u>3,112,856</u>
Fund Balances, December 31	<u>\$ 1,827,313</u>	<u>\$ 734,770</u>	<u>\$ 503,826</u>	<u>\$ -</u>	<u>\$ 98,577</u>	<u>\$ 3,164,486</u>

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2021

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

Total Net Change in Fund Balances - Governmental Funds	\$ 51,630
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	80,771
Depreciation expense	(622,908)
<p>The statement of activities reports gains and losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely the governmental funds do not report any gain or loss on a trade-in of capital assets.</p>	
	1,500
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal repayments	453,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(9,279)
<p>Some expenses 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.</p>	
Compensated absences	(14,870)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	239,489
Pension revenue	7,496
<p>Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(7,038)
Special assessments	(65,255)
	114,536
Change in Net Position - Governmental Activities	\$ 114,536

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,423,222	\$ 1,423,222	\$ 1,491,320	\$ 68,098
Licenses and permits	34,200	34,200	71,372	37,172
Intergovernmental	723,926	723,926	797,900	73,974
Charges for services	701,144	701,144	663,527	(37,617)
Fines and forfeitures	16,000	16,000	20,249	4,249
Special assessments	-	-	125	125
Interest on investments	15,000	15,000	6,084	(8,916)
Miscellaneous	51,000	51,000	51,741	741
Total Revenues	<u>2,964,492</u>	<u>2,964,492</u>	<u>3,102,318</u>	<u>137,826</u>
Expenditures				
Current				
General government	583,328	583,328	575,731	7,597
Public safety	1,491,619	1,491,619	1,512,948	(21,329)
Public works	737,561	737,561	787,114	(49,553)
Culture and recreation	85,784	85,784	81,633	4,151
Miscellaneous	17,000	17,000	56,054	(39,054)
Capital outlay	104,200	104,200	116,487	(12,287)
Total Expenditures	<u>3,019,492</u>	<u>3,019,492</u>	<u>3,129,967</u>	<u>(110,475)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(55,000)</u>	<u>(55,000)</u>	<u>(27,649)</u>	<u>27,351</u>
Other Financing Sources (Uses)				
Transfers in	55,000	55,000	55,000	-
Transfers out	-	-	(20,500)	(20,500)
Total Other Financing Sources (Uses)	<u>55,000</u>	<u>55,000</u>	<u>34,500</u>	<u>(20,500)</u>
Net Change in Fund Balances	-	-	6,851	6,851
Fund Balances, January 1	<u>1,820,462</u>	<u>1,820,462</u>	<u>1,820,462</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,820,462</u>	<u>\$ 1,820,462</u>	<u>\$ 1,827,313</u>	<u>\$ 6,851</u>

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2021

	Business-type Activities - Enterprise Funds		
	800 Water	810 Sewer	Totals
Assets			
Current Assets			
Cash and temporary investments	\$ 424,784	\$ 384,460	\$ 809,244
Accounts receivable	37,658	68,212	105,870
Special assessments receivable	2,064	14,211	16,275
Due from other governments	-	303	303
Advance to other funds	-	35,071	35,071
Prepaid assets	1,241	1,246	2,487
Inventory	30,818	-	30,818
Total Current Assets	496,565	503,503	1,000,068
Noncurrent Assets			
Advance to other funds	-	105,210	105,210
Special assessments	3,013	25,296	28,309
Capital assets	2,880,192	11,011,668	13,891,860
Less accumulated depreciation	(1,632,695)	(4,350,416)	(5,983,111)
Total Capital Assets (Net of Accumulated Depreciation)	1,247,497	6,661,252	7,908,749
Total Noncurrent Assets	1,250,510	6,791,758	8,042,268
Total Assets	1,747,075	7,295,261	9,042,336
Deferred Outflows of Resources			
Deferred pension resources	22,891	44,290	67,181
Liabilities			
Current Liabilities			
Accounts payable	950	9,660	10,610
Compensated absences payable	6,676	9,117	15,793
Accrued salaries payable	2,387	2,713	5,100
Accrued interest payable	4,552	5,193	9,745
Current portion of capital lease payable	-	13,761	13,761
Current portion of bonds payable	65,920	435,080	501,000
Advances from other funds	35,071	-	35,071
Total Current Liabilities	115,556	475,524	591,080
Noncurrent Liabilities			
Advances from other funds	105,210	-	105,210
Capital lease payable	-	143,947	143,947
Bonds payable	177,000	-	177,000
Net pension liability	30,818	59,401	90,219
Total Noncurrent Liabilities	313,028	203,348	516,376
Total Liabilities	428,584	678,872	1,107,456
Deferred Inflows of Resources			
Deferred pension resources	28,474	54,882	83,356
Net Position			
Net investment in capital assets	1,004,577	6,068,464	7,073,041
Unrestricted	308,331	537,333	845,664
Total Net Position	\$ 1,312,908	\$ 6,605,797	\$ 7,918,705

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds		
	<u>800</u> Water	<u>810</u> Sewer	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 431,051	\$ 776,803	\$ 1,207,854
Operating Expenses			
Personal services	81,992	134,484	216,476
Supplies	11,191	37,193	48,384
Contracted services	-	1,685	1,685
Repairs and maintenance	13,906	30,992	44,898
Insurance	7,501	7,501	15,002
Utilities	44,061	45,260	89,321
Depreciation	49,876	254,366	304,242
Miscellaneous	8,122	5,203	13,325
Total Operating Expenses	<u>216,649</u>	<u>516,684</u>	<u>733,333</u>
Operating Income	<u>214,402</u>	<u>260,119</u>	<u>474,521</u>
Nonoperating Revenues (Expenses)			
Interest income	4,848	3,090	7,938
Other income	5,668	3,225	8,893
Gain on sale of assets	-	27,826	27,826
Interest expense and other	(9,243)	(15,629)	(24,872)
Total Nonoperating Revenues (Expenses)	<u>1,273</u>	<u>18,512</u>	<u>19,785</u>
Income Before Contributions and Transfers	215,675	278,631	494,306
Capital Contributions	3,751	12,278	16,029
Transfers Out	<u>(27,500)</u>	<u>(27,500)</u>	<u>(55,000)</u>
Change in Net Position	191,926	263,409	455,335
Net Position, January 1	<u>1,120,982</u>	<u>6,342,388</u>	<u>7,463,370</u>
Net Position, December 31	<u>\$ 1,312,908</u>	<u>\$ 6,605,797</u>	<u>\$ 7,918,705</u>

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds		
	800 Water	810 Sewer	Totals
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 441,145	\$ 781,683	\$ 1,222,828
Payments to suppliers, contractors and other governments	(100,230)	(130,627)	(230,857)
Payments to employees	(82,002)	(135,177)	(217,179)
Net Cash Provided by Operating Activities	258,913	515,879	774,792
Cash Flows From Noncapital Financing Activities			
Transfers to other funds	(27,500)	(27,500)	(55,000)
Cash Flows From Capital And Related Financing Activities			
Acquisition of capital assets	-	(167,500)	(167,500)
Special assessments received	3,751	12,278	16,029
Proceeds of capital lease	-	167,500	167,500
Proceeds from sale of capital assets	-	27,826	27,826
Receipt (payment) for interfund loan	(35,071)	35,071	-
Principal paid on long-term debt	(64,080)	(436,712)	(500,792)
Interest paid on long-term debt	(7,700)	(17,970)	(25,670)
Net Cash Used by Capital and Related Financing Activities	(103,100)	(379,507)	(482,607)
Cash Flows From Investing Activities			
Interest received on investments	4,848	3,090	7,938
Net Increase (Decrease) in Cash and Cash Equivalents	133,161	111,962	245,123
Cash and Cash Equivalents, January 1	291,623	272,498	564,121
Cash and Cash Equivalents, December 31	\$ 424,784	\$ 384,460	\$ 809,244

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds		
	800 Water	810 Sewer	Totals
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 214,402	\$ 260,119	\$ 474,521
Adjustments to reconcile operating income to net cash provided by operating activities			
Other income related to operations	5,668	3,225	8,893
Depreciation	49,876	254,366	304,242
(Increase) decrease in assets			
Accounts receivable	995	(5,869)	(4,874)
Deferred pension resources	(14,343)	(27,991)	(42,334)
Special assessments receivable	3,431	7,524	10,955
Due from other governments	423	(303)	120
Prepaid assets	(99)	(775)	(874)
Inventory	(7,681)	-	(7,681)
(Increase) decrease in liabilities			
Accounts payable	(8,092)	(1,715)	(9,807)
Accrued wages payable	340	(22)	318
Compensated absences payable	(52)	(1,692)	(1,744)
Net pension liability	(12,344)	(21,942)	(34,286)
Deferred pension resources	26,389	50,954	77,343
Net Cash Provided by Operating Activities	<u>\$ 258,913</u>	<u>\$ 515,879</u>	<u>\$ 774,792</u>
Noncash Investing, Capital and Financing Activities			
Disposal of capital assets	<u>\$ -</u>	<u>\$ (61,596)</u>	<u>\$ (61,596)</u>

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Wabasha, Minnesota (the City), operates under a home rule charter form of government as defined in the State of Minnesota statutes, which is termed the "Mayor-City Council Plan." The City is governed by an elected Mayor and a six-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. 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. The City has identified the following component unit using the above criteria.

Port Authority (PA)

The Port Authority (PA) was created pursuant to *Minnesota statutes* 469.0855, 469.048 through 469.068 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. Two of the seven-member board of commissioners is made up of City Council members while all members are appointed by the mayor. The Port Authority's governing body does not have substantively the same board as the City, has no outstanding debt issued through the City, and does not provide services entirely to the City. Thus, the Port Authority has been reported as a discretely presented component unit. The PA does not prepare separate financial statements. The PA financial statements are included in the report starting on page 99.

B. Government-wide and Fund Financial Statements

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Property taxes, franchise taxes, licenses, 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 when 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.

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.

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

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Improvement fund* accounts for the resources accumulated and payments made for capital improvements.

The *American Rescue Plan fund* accounts for the resources accumulated and payments made for funds received from the American Rescue Plan Act.

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the City's water distribution system.

The *Sewer fund* accounts for the activities of the City's sewage collection operations.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits

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. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency

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. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Note 1: Summary of Significant Accounting Policies (Continued)

Interfund Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property Taxes

The City Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for 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 Auditor and tax settlements are made to the City during January, July and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

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 received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Inventory

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

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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.

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

Major outlays for capital assets and improvement are capitalized as projects are constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Land Improvements	15 - 30
Buildings and Improvements	15 - 75
System and Improvements	20 - 60
Office Furniture and Fixtures	3 - 15
Machinery and Equipment	3 - 15
Automotive Equipment	3 - 12

Deferred Outflows of Resources

In addition to assets, the statement of net 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. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay are accrued when incurred in the government-wide 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. Sick leave may be accumulated but is not payable upon termination from City employment and, therefore, no liability is reported at year end. The General fund is typically used to liquidate governmental compensated absences payable.

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. The recognition of bond premiums and discounts as well as insurance costs, are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by the Wabasha Firefighters' Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension asset.

The total pension expense for the General Employee Plan (GERP), Police and Fire Plan (PEFPF), DCP and the Wabasha Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)			Fire Relief Association	Total All Plans
	GERP	PEFPF	PEDCP		
Pension Expense	\$ 73,245	\$ (12,527)	\$ 125	\$ (133,544)	\$ (72,701)

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as due from other funds.

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

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Clerk.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 60 percent of budgeted operating expenditures for cash-flow timing needs.

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in following 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 do not meet the definition of "restricted" or "net investment in capital assets".

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.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30th, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget must be prepared and adopted no later than December 31st.

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 (i.e., the level at which expenditures may not legally exceed appropriations) is at the department level. The City made no budget amendments in 2021.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2021, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 3,019,492	\$ 3,129,967	\$ 110,475

These over expenditures were funded by an excess of revenues over budget and available fund balances.

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Deficit Fund Balances

The following funds had a deficit fund balance at December 31, 2021:

Fund	Amount
Nonmajor	
Riverside Revitalization	\$ 142,139

The City plans to fund this deficit with future revenues from future grants.

Note 3: Detailed Notes on All Funds

A. Deposits

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 and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$4,503,928 and the bank balance was \$4,603,520. Of the bank balance, \$860,360 was covered by federal depository insurance. The remaining balance was undercollateralized by \$211,289 as of December 31, 2021.

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash as shown on the statement of net position for the City is as follows:

	Primary Government
Carrying Amount of Deposits	\$ 4,503,928
Primary Government	
Cash and Temporary Investments	\$ 4,069,188
Discretely Presented Component Unit	
Port Authority	434,740
Total	\$ 4,503,928

B. Receivables

Loans Receivable

The Port Authority has made loans to local businesses that qualify for the Minnesota small cities development program, the rental housing redevelopment program or for COVID-19 emergency funding. The businesses pay varying installments on the loans. The loans balances at year end totaled \$46,720.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 756,707	\$ -	\$ -	\$ 756,707
Construction in progress	170,395	33,927	(62,184)	142,138
Total Capital Assets, not Being Depreciated	927,102	33,927	(62,184)	898,845
Capital Assets Being Depreciated				
Buildings	6,106,010	-	-	6,106,010
Machinery and equipment	3,212,868	48,344	(36,691)	3,224,521
Infrastructure	8,949,588	-	-	8,949,588
Land improvements	285,833	62,184	-	348,017
Total Capital Assets Being Depreciated	18,554,299	110,528	(36,691)	18,628,136
Less Accumulated Depreciation				
Buildings	(2,751,109)	(154,048)	-	(2,905,157)
Machinery and equipment	(2,069,908)	(188,256)	36,691	(2,221,473)
Infrastructure	(3,007,005)	(271,987)	-	(3,278,992)
Land improvements	(226,066)	(8,617)	-	(234,683)
Total Accumulated Depreciation	(8,054,088)	(622,908)	36,691	(8,640,305)
Total Capital Assets Being Depreciated, Net	10,500,211	(512,380)	-	9,987,831
Governmental Activities Capital Assets, Net	\$ 11,427,313	\$ (478,453)	\$ (62,184)	\$ 10,886,676

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets Being Depreciated				
Machinery and equipment	586,544	167,500	(61,596)	692,448
Infrastructure	<u>13,199,412</u>	-	-	<u>13,199,412</u>
Total Capital Assets Being Depreciated	<u>13,785,956</u>	<u>167,500</u>	<u>(61,596)</u>	<u>13,891,860</u>
Less Accumulated Depreciation				
Machinery and equipment	(459,031)	(50,290)	61,596	(447,725)
Infrastructure	<u>(5,281,434)</u>	<u>(253,952)</u>	-	<u>(5,535,386)</u>
Total Accumulated Depreciation	<u>(5,740,465)</u>	<u>(304,242)</u>	<u>61,596</u>	<u>(5,983,111)</u>
 Total Capital Assets Being Depreciated, Net	<u>8,045,491</u>	<u>(136,742)</u>	-	<u>7,908,749</u>
 Business-type Activities Capital Assets, Net	<u>\$ 8,045,491</u>	<u>\$ (136,742)</u>	<u>\$ -</u>	<u>\$ 7,908,749</u>

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

Governmental Activities		
General government		\$ 29,357
Public safety		114,885
Public works		256,503
Culture and recreation		183,546
Economic development		<u>38,617</u>
 Total Depreciation Expense - Governmental Activities		<u>\$ 622,908</u>
Business-type Activities		
Water		\$ 49,876
Sewer		<u>254,366</u>
 Total Depreciation Expense - Business-type Activities		<u>\$ 304,242</u>

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
Sewer	Water	\$ 140,281

The interfund receivable balances in the General and Sewer funds were used to cover project costs.

The composition of interfund transfers for the year ending December 31, 2021 is as follows:

- Budgeted transfers of \$27,500 were made from the Water fund and Sewer fund to the General fund for administrative costs.
- A transfer of \$20,500 was made from the General fund to the Capital Improvement fund for capital projects.

E. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary fund if they are expected to be repaid from proprietary fund revenues. In addition, bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City.

General Obligation Improvement Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds Series 2013A	\$ 4,410,000	0.40 - 2.00 %	05/22/13	02/01/24	\$ 1,305,000
G.O. Improvement Bonds Series 2019A	500,000	3.00 %	08/20/19	02/01/30	462,000
Total G.O. Improvement Bonds					\$ 1,767,000

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Requirement to maturity for general obligation improvement bonds follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 471,000	\$ 33,624	\$ 504,624
2023	482,000	24,699	506,699
2024	493,000	14,800	507,800
2025	50,000	8,880	58,880
2026	51,000	7,365	58,365
2027 - 2030	220,000	13,410	233,410
Total	\$ 1,767,000	\$ 102,778	\$ 1,869,778

General Obligation Revenue Bonds

The following bonds were issued to finance improvements to the water and sewer system. They will be repaid with revenue generated from the system:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2003 PFA Loan					
Wastewater	\$ 5,866,644	1.59 %	12/31/03	08/20/22	\$ 371,000
G.O Sewer and Water					
Revenue Refunding Bonds 2013B	651,000	2.60	11/05/13	12/01/22	89,000
G.O. Water Revenue					
Bonds 2015A	405,000	2.70	10/30/15	02/01/26	218,000
Total G.O. Revenue Bonds					\$ 678,000

Requirement to maturity for general obligation revenue bonds follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2022	\$ 501,000	\$ 13,545	\$ 514,545
2023	42,000	4,212	46,212
2024	44,000	3,051	47,051
2025	45,000	1,850	46,850
2026	46,000	621	46,621
Total	\$ 678,000	\$ 23,279	\$ 701,279

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Sewer
Net Operating Revenues	\$ 431,051	\$ 776,803
Principal and Interest	71,780	454,682
Percentage of Revenues	17%	59%

Capital Lease Obligation

The City has entered into capital lease agreements for the purchase of equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Jetter Truck	\$ 167,500	2.75 %	05/13/21	05/13/31	\$ 157,708

Annual debt service requirements to maturity for capital leases are as follows:

<u>Year Ending December 31,</u>	Capital Leases		
	Business-type Activities		
	Principal	Interest	Total
2022	\$ 13,761	\$ 3,819	\$ 17,580
2023	15,412	3,765	19,177
2024	15,842	3,336	19,178
2025	16,283	2,895	19,178
2026	16,736	2,441	19,177
207-2031	79,674	5,028	84,702
Total	\$ 157,708	\$ 21,284	\$ 178,992

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General obligation					
improvement bonds	\$ 2,220,000	\$ -	\$ (453,000)	\$ 1,767,000	\$ 471,000
Compensated Absences Payable	<u>210,227</u>	<u>145,405</u>	<u>(130,535)</u>	<u>225,097</u>	<u>145,405</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 2,430,227</u>	<u>\$ 145,405</u>	<u>\$ (583,535)</u>	<u>\$ 1,992,097</u>	<u>\$ 616,405</u>
Business-type Activities					
Bonds Payable					
General obligations					
revenue bonds	\$ 1,169,000	\$ -	\$ (491,000)	\$ 678,000	\$ 501,000
Capital Lease Payable	-	167,500	(9,792)	157,708	13,761
Compensated Absences Payable	<u>17,537</u>	<u>10,202</u>	<u>(11,946)</u>	<u>15,793</u>	<u>15,793</u>
Business-type Activities					
Long-term Liabilities	<u>\$ 1,186,537</u>	<u>\$ 177,702</u>	<u>\$ (512,738)</u>	<u>\$ 851,501</u>	<u>\$ 530,554</u>

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At December 31, 2021, portions of the City's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), City Council action (Committed), policy and/or intent (assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Capital Improvement	Other Governmental Funds	Total
Nonspendable					
Prepaid items	\$ 27,684	\$ -	\$ -	\$ 545	\$ 28,229
Restricted					
Debt service	-	734,770	-	-	734,770
Police	-	-	-	7,686	7,686
Library	-	-	-	230,667	230,667
Capital projects	-	-	-	1,818	1,818
Subtotal	-	734,770	-	240,171	974,941
Assigned					
Capital projects	-	-	503,826	-	503,826
Unassigned	1,799,629	-	-	(142,139)	1,657,490
 Total	 <u>\$ 1,827,313</u>	 <u>\$ 1,469,540</u>	 <u>\$ 503,826</u>	 <u>\$ 338,748</u>	 <u>\$ 3,164,486</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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.

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3-0 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

C. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021. The City was required to contribute 7.50 percent for Coordinated Plan members in fiscal year 2021. The City's contributions to the General Employees Fund for the years ending December 31, 2021, 2020 and 2019 were \$73,880, \$73,662 and \$68,719, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2021, 2020 and 2019 were \$91,838, \$85,440 and \$76,922, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$572,240 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$17,463. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was 0.0134 percent which was a 0.0001 percent, an increase from its proportion measured as June 30, 2020.

City's Proportionate Share of the Net Pension Liability	\$ 572,240
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	17,463
	17,463
Total	\$ 589,703

For the year ended December 31, 2021, the City recognized pension expense of \$71,836 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$1,409 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 3,306	\$ 17,497
Changes in Actuarial Assumptions	349,398	12,354
Net Difference Between Projected and Actual Earnings on Plan Investments	-	495,741
Changes in Proportion	24,712	3,112
Contributions Paid to PERA Subsequent to the Measurement Date	38,333	-
Total	\$ 415,748	\$ 528,703

The \$38,333 reported as deferred outflows of resources related to pensions resulting from the City's contributions to 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:

2022	\$ (15,099)
2023	3,586
2024	(4,603)
2025	(135,171)

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$318,020 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion was a 0.0412 percent, which was the same as its proportionate share measured as of June 30, 2020.

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

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. The City recognized negative \$15,128 for the year ended December 31, 2021, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund. In addition, the City recognized an additional \$2,601 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized 3,708 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2021, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 63,829	\$ 6,190
Changes in Actuarial Assumptions	492,008	200,411
Net Difference Between Projected and Actual Earnings on Plan Investments	-	606,403
Changes in Proportion	28,387	20,767
Contributions Paid to PERA Subsequent to the Measurement Date	<u>46,134</u>	<u>-</u>
Total	<u>\$ 630,358</u>	<u>\$ 833,771</u>

The \$46,134 reported as deferred outflows of resources related to pensions resulting from the City's 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:

2022	\$ (210,419)
2023	(43,428)
2024	(33,198)
2025	(64,824)
2026	102,322

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

E. 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 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	25.0	0.75
International Equity	<u>16.5</u>	5.30
Total	<u><u>100.00 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
General Employees Fund	\$ 1,167,078	\$ 572,240	\$ 84,140
Police and Fire Fund	1,009,661	318,020	(248,953)

H. 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.

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 5: Public Employees Defined Contribution Plan (Defined Contribution Plan)

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during the fiscal year 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 125	\$ 125	5.00%	5.00%	5.00%

The City and council member's contributions to the DCP plan for the years ending December 31, 2021, 2020 and 2019 were \$125 in all years.

Note 6: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Wabasha Fire Department (the Department) are covered by a defined benefit plan administered by the Wabasha Firefighters' Relief Association (the Association). As of December 31, 2021, the plan covered 26 active firefighters and 1 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

B. Benefits Provided

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$29,303 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2021, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2021 were \$29,303. The City's contributions were equal to the required contributions as set by state statute. The city made \$15,217 in voluntary contributions to the plan. The firefighter has no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2021, the City reported a net pension asset of \$132,299 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2020. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension asset during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a-b)
Beginning Balance January 1, 2021	\$ 440,985	\$ 490,180	\$ (49,195)
Changes for the Year			
Service cost	21,824	-	21,824
Interest	24,492	-	24,492
Gain or loss	(18,570)	44,861	(63,431)
Benefit payments	(35,000)	(35,000)	-
Contributions - employer	-	15,217	(15,217)
Contributions - state	-	28,503	(28,503)
Projected investment return	-	27,068	(27,068)
Administrative expense	-	(4,799)	4,799
Total Changes	<u>(7,254)</u>	<u>75,850</u>	<u>(83,104)</u>
Ending Balance December 31, 2021	<u>\$ 433,731</u>	<u>\$ 566,030</u>	<u>\$ (132,299)</u>

For the year ended December 31, 2021, the City recognized negative pension expense of \$133,544.

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

At December 31, 2021, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 13,332
Changes in Actuarial Assumptions	8,718	12,885
Net Difference Between Projected and Actual Earnings on Plan Investments	-	24,977
Changes in Proportion Contributions to Plan Subsequent to the Measurement Date	15,217	-
	<u>28,503</u>	<u> </u>
Total	<u>\$ 52,438</u>	<u>\$ 51,194</u>

Deferred outflows of resources totaling \$28,503 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2022	\$ (4,883)
2023	(6,605)
2024	(13,930)
2025	(2,516)
2026	676

E. Actuarial Assumptions

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

Cost of Living Increases	2.50% per year
Investment Rate of Return	5.50%

There were no changes in actuarial assumptions in 2021.

F. Discount Rate

The discount rate used to measure the total pension liability was 5.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position 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.

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

G. Pension Liability Sensitivity

The following presents the City's net pension asset for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension asset would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	<u>1 Percent Decrease (4.5%)</u>	<u>Current (5.5%)</u>	<u>1 Percent Increase (6.5%)</u>
Defined Benefit Plan	\$ (120,976)	\$ (132,299)	\$ (143,258)

I. Asset Allocation

The long-term expected rate of return on pension plan investments was set based on the plan's target investment allocation along with long-term return expectations by asset class. All economic assumptions were based on input from various published sources and projected future financial data available.

The target allocation and best estimates of arithmetic 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>
Equities	65.00 %	7.00 %
Fixed Income	24.00	3.10
Cash	8.00	1.80
Other	<u>3.00</u>	6.00
Total	<u><u>100.00 %</u></u>	

J. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Wabasha Firefighters' Relief Association, 113 Hiawatha Dr W, Wabasha, MN 55981.

Note 7: Other Information

A. Risk Management

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

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

City of Wabasha, Minnesota
Notes to the Financial Statements
December 31, 2021

Note 7: Other Information (Continued)

B. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. There was no debt subject to this limit in 2021.

C. Tax Increment Districts

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

D. Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2021 was \$605,148. This accounted for 20 percent of General fund revenues.

Note 8: COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City's financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WABASHA
WABASHA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Wabasha, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2021

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.0134 %	\$ 572,240	\$ 17,463	\$ 589,703	\$ 964,208	59.3 %	87.0 %
06/30/20	0.0133	797,396	24,571	821,967	949,667	84.0	79.0
06/30/19	0.0126	696,626	21,666	718,292	924,211	75.4	80.2
06/30/18	0.0128	710,092	23,257	733,349	823,905	86.2	79.5
06/30/17	0.0101	644,779	8,109	644,777	650,791	99.1	75.9
06/30/16	0.0095	771,353	10,049	771,353	589,865	130.8	68.9
06/30/15	0.0097	502,704	-	502,704	571,281	88.0	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/21	\$ 73,880	\$ 73,880	\$ -	\$ 985,070	7.50 %
12/31/20	73,662	73,662	-	982,160	7.50
12/31/19	68,719	68,719	-	916,259	7.50
12/31/18	64,880	64,880	-	865,071	7.50
12/31/17	57,142	57,142	-	761,892	7.50
12/31/16	46,421	46,421	-	618,944	7.50
12/31/15	42,571	42,571	-	567,607	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Wabasha, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2021- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - 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.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality 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.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

City of Wabasha, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

2020 - 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 - 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.

2018 - 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 not 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 - 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.

2016 - There were no changes in plan provisions since the previous valuation.

2015 - 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.

City of Wabasha, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2021

Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.0412 %	\$ 318,020	\$ 14,280	\$ 332,300	\$ 503,603	63.1 %	93.7 %
06/30/20	0.0412	543,060	-	543,060	485,530	111.8	87.2
06/30/19	0.0419	446,068	-	446,068	457,380	97.5	89.3
06/30/18	0.0389	414,634	-	414,634	394,329	105.1	88.8
06/30/17	0.0410	553,549	-	553,549	417,821	132.5	85.4
06/30/16	0.0400	1,605,270	-	1,605,270	387,525	414.2	63.9
06/30/15	0.0390	443,131	-	443,131	357,643	123.9	86.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/21	\$ 91,838	\$ 91,838	\$ -	\$ 518,856	17.70 %
12/31/20	85,440	85,440	-	504,071	17.70
12/31/19	76,922	76,922	-	453,815	16.95
12/31/18	67,771	67,771	-	418,342	16.20
12/31/17	67,756	67,756	-	418,246	16.20
12/31/16	64,909	64,909	-	400,673	16.20
12/31/15	60,333	60,333	-	372,429	16.20

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Wabasha, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

City of Wabasha, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information - Police and Fire Fund (Continued)

Changes in Plan Provisions

2021 – There were no changes in plan provisions since the previous valuation.

2020 – There were no changes in plan provisions since the previous valuation.

2019 – There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. 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. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 – There were no changes in plan provisions since the previous valuation.

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

City of Wabasha, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 21,824	\$ 21,292	\$ 16,956	\$ 15,569	\$ 19,588	\$ 18,639	\$ 18,184
Interest	24,492	22,990	24,150	20,385	14,092	11,814	12,064
Assumption changes	-	-	10,897	-	(20,253)	-	-
Plan changes	-	-	-	20,595	19,570	20,574	-
Gain or loss	(18,570)	-	(9,890)	-	(8,520)	-	-
Benefit payments	(35,000)	-	-	-	(40,000)	-	(46,785)
Net Change in Total Pension Liability	<u>(7,254)</u>	<u>44,282</u>	<u>42,113</u>	<u>56,549</u>	<u>(15,523)</u>	<u>51,027</u>	<u>(16,537)</u>
Total Pension Liability - January 1	<u>440,985</u>	<u>396,703</u>	<u>354,590</u>	<u>298,041</u>	<u>313,564</u>	<u>262,537</u>	<u>279,074</u>
Total Pension Liability - December 31 (a)	<u>\$ 433,731</u>	<u>\$ 440,985</u>	<u>\$ 396,703</u>	<u>\$ 354,590</u>	<u>\$ 298,041</u>	<u>\$ 313,564</u>	<u>\$ 262,537</u>
Plan Fiduciary Net Position							
Contributions - employer	\$ 15,217	\$ 17,799	\$ 8,242	\$ 5,942	\$ 18,096	\$ 19,676	\$ 25,296
Contributions - state	28,503	26,713	27,472	26,215	26,362	28,325	29,404
Projected investment return	27,068	21,531	23,928	21,215	12,461	12,438	11,461
Gain or loss	44,861	57,074	(36,634)	(8,613)	23,709	(33,709)	(13,748)
Benefit payments	(35,000)	-	-	-	(40,000)	-	(46,785)
Administrative expense	(4,799)	(4,312)	(3,804)	(5,775)	(4,242)	(4,665)	(3,252)
Net Change in Plan Fiduciary Net Position	<u>75,850</u>	<u>118,805</u>	<u>19,204</u>	<u>38,984</u>	<u>36,386</u>	<u>22,065</u>	<u>2,376</u>
Plan Fiduciary Net Position - January 1	<u>490,180</u>	<u>371,375</u>	<u>352,171</u>	<u>313,187</u>	<u>276,801</u>	<u>254,736</u>	<u>252,360</u>
Plan Fiduciary Net Position - December 31 (b)	<u>\$ 566,030</u>	<u>\$ 490,180</u>	<u>\$ 371,375</u>	<u>\$ 352,171</u>	<u>\$ 313,187</u>	<u>\$ 276,801</u>	<u>\$ 254,736</u>
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	<u>\$(132,299)</u>	<u>\$ (49,195)</u>	<u>\$ 25,328</u>	<u>\$ 2,419</u>	<u>\$ (15,146)</u>	<u>\$ 36,763</u>	<u>\$ 7,801</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	130.50%	111.16%	93.62%	99.32%	105.08%	88.28%	97.03%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Wabasha, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2021

Notes to the Required Supplementary Information – Fire Relief Association

Changes in Actuarial Assumptions

2021 - There were no changes in actuarial assumptions since the previous valuation.

2020 - There were no changes in actuarial assumptions since the previous valuation.

2019 - The discount rate changed from 6.5% to 5.5%.

2018 - There were no changes in actuarial assumptions since the previous valuation.

2017 - The discount rate increased from 4.5% to 6.5%.

2016 - There were no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There were no changes in plan provisions since the previous valuation.

2019 - There were no changes in plan provisions since the previous valuation.

2018 - The Benefit level increased from \$1,600 to \$1,700.

2017 - The Benefit level increased from \$1,500 to \$1,600.

2016 - The Benefit level increased from \$1,400 to \$1,500.

City of Wabasha, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2021

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/21	\$ 29,303	\$ 29,303	\$ -
12/31/20	28,503	28,503	-
12/31/19	26,713	26,713	-
12/31/18	27,472	27,472	-
12/31/17	26,215	26,215	-
12/31/16	26,362	26,362	-

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF WABASHA
WABASHA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

City of Wabasha, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2021

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and temporary investments	\$ 239,538	\$ (122,553)	\$ 116,985
Prepaid items	545	-	545
	<u>545</u>	<u>-</u>	<u>545</u>
Total Assets	<u>\$ 240,083</u>	<u>\$ (122,553)</u>	<u>\$ 117,530</u>
Liabilities			
Accounts payable	\$ 359	\$ 17,768	\$ 18,127
Accrued salaries payable	826	-	826
	<u>1,185</u>	<u>17,768</u>	<u>18,953</u>
Total Liabilities	<u>\$ 1,185</u>	<u>\$ 17,768</u>	<u>\$ 18,953</u>
Fund Balances			
Nonspendable	545	-	545
Restricted	238,353	1,818	240,171
Unassigned	-	(142,139)	(142,139)
	<u>238,898</u>	<u>(140,321)</u>	<u>98,577</u>
Total Fund Balances	<u>\$ 238,898</u>	<u>\$ (140,321)</u>	<u>\$ 98,577</u>
Total Liabilities and Fund Balances	<u>\$ 240,083</u>	<u>\$ (122,553)</u>	<u>\$ 117,530</u>

City of Wabasha, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2021

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 183,173	\$ 36,003	\$ 219,176
Intergovernmental	43,665	-	43,665
Charges for services	2,865	-	2,865
Interest on investments	4,039	-	4,039
Miscellaneous	27,415	-	27,415
Total Revenues	<u>261,157</u>	<u>36,003</u>	<u>297,160</u>
Expenditures			
Current			
Public safety	5,087	-	5,087
Culture and recreation	169,772	-	169,772
Capital outlay			
Culture and recreation	40,382	-	40,382
Economic development	-	35,409	35,409
Total Expenditures	<u>215,241</u>	<u>35,409</u>	<u>250,650</u>
Net Change in Fund Balances	45,916	594	46,510
Fund Balances, January 1	<u>192,982</u>	<u>(140,915)</u>	<u>52,067</u>
Fund Balances, December 31	<u>\$ 238,898</u>	<u>\$ (140,321)</u>	<u>\$ 98,577</u>

City of Wabasha, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2021

	202	211	
	Special Police	Library	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and temporary investments	\$ 7,686	\$ 231,852	\$ 239,538
Prepaid items	-	545	545
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 7,686</u>	<u>\$ 232,397</u>	<u>\$ 240,083</u>
Liabilities			
Accounts payable	\$ -	\$ 359	\$ 359
Accrued salaries payable	-	826	826
Total Liabilities	<u>-</u>	<u>1,185</u>	<u>1,185</u>
Fund Balances			
Nonspendable	-	545	545
Restricted	7,686	230,667	238,353
Total Fund Balances	<u>7,686</u>	<u>231,212</u>	<u>238,898</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 7,686</u>	<u>\$ 232,397</u>	<u>\$ 240,083</u>

City of Wabasha, Minnesota
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2021

	202 Special Police	211 Library	Total
Revenues			
Property taxes	\$ -	\$ 183,173	\$ 183,173
Intergovernmental	-	43,665	43,665
Charges for services	-	2,865	2,865
Interest on investments	-	4,039	4,039
Miscellaneous			
Contributions and donations	-	24,543	24,543
Other	2,872	-	2,872
Total Revenues	<u>2,872</u>	<u>258,285</u>	<u>261,157</u>
Expenditures			
Current			
Public safety			
Other services and charges	5,087	-	5,087
Culture and recreation			
Personal services	-	127,596	127,596
Supplies	-	2,730	2,730
Other services and charges	-	39,446	39,446
Capital outlay			
Culture and recreation	-	40,382	40,382
Total Expenditures	<u>5,087</u>	<u>210,154</u>	<u>215,241</u>
Net Change in Fund Balances	(2,215)	48,131	45,916
Fund Balances, January 1	<u>9,901</u>	<u>183,081</u>	<u>192,982</u>
Fund Balances, December 31	<u>\$ 7,686</u>	<u>\$ 231,212</u>	<u>\$ 238,898</u>

City of Wabasha, Minnesota
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Library Special Revenue Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 183,173	\$ 183,173	\$ 183,173	\$ -
Intergovernmental				
County	37,015	37,015	43,665	6,650
Charges for services	2,000	2,000	2,865	865
Interest on investments	-	-	4,039	4,039
Miscellaneous				
Contributions and donations	-	-	24,543	24,543
Total Revenues	<u>222,188</u>	<u>222,188</u>	<u>258,285</u>	<u>36,097</u>
Expenditures				
Current				
Culture and recreation				
Personal services	151,438	151,438	127,596	23,842
Supplies	2,100	2,100	2,730	(630)
Other services and charges	33,350	33,350	39,446	(6,096)
Capital outlay	35,300	35,300	40,382	(5,082)
Total Expenditures	<u>222,188</u>	<u>222,188</u>	<u>210,154</u>	<u>12,034</u>
Net Change in Fund Balances	-	-	48,131	48,131
Fund Balances, January 1	<u>183,081</u>	<u>183,081</u>	<u>183,081</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 183,081</u>	<u>\$ 183,081</u>	<u>\$ 231,212</u>	<u>\$ 48,131</u>

The notes to the financial statements are an integral part of this statement.

City of Wabasha, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2021

	383	394	
	TIF 8		
	Pepin	Riverside	
	<u>Manufacturing</u>	<u>Revitalization</u>	<u>Total</u>
Assets			
Cash and temporary investments	<u>\$ 19,586</u>	<u>\$ (142,139)</u>	<u>\$ (122,553)</u>
Liabilities			
Accounts payable	<u>\$ 17,768</u>	<u>\$ -</u>	<u>\$ 17,768</u>
Fund Balances			
Restricted	1,818	-	1,818
Unassigned	-	(142,139)	(142,139)
Total Fund Balances	<u>1,818</u>	<u>(142,139)</u>	<u>(140,321)</u>
Total Liabilities and Fund Balances	<u>\$ 19,586</u>	<u>\$ (142,139)</u>	<u>\$ (122,553)</u>

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City of Wabasha, Minnesota
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2021

	383	394	
	TIF 8		
	Pepin	Riverside	
	<u>Manufacturing</u>	<u>Revitalization</u>	<u>Total</u>
Revenues			
Tax increment	\$ 36,003	\$ -	\$ 36,003
Expenditures			
Capital outlay			
Economic development	<u>35,409</u>	<u>-</u>	<u>35,409</u>
Net Change in Fund Balances	594	-	594
Fund Balances, January 1	<u>1,224</u>	<u>(142,139)</u>	<u>(140,915)</u>
Fund Balances, December 31	<u>\$ 1,818</u>	<u>\$ (142,139)</u>	<u>\$ (140,321)</u>

City of Wabasha, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual (Continued on the Following Pages)
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 1,367,222	\$ 1,367,222	\$ 1,430,012	\$ 62,790	\$ 1,249,983
Franchise fees	56,000	56,000	58,663	2,663	45,630
Lodging tax	-	-	2,645	2,645	1,754
Total taxes	<u>1,423,222</u>	<u>1,423,222</u>	<u>1,491,320</u>	<u>68,098</u>	<u>1,297,367</u>
Licenses and permits					
Business	15,000	15,000	23,160	8,160	10,630
Nonbusiness	19,200	19,200	48,212	29,012	20,007
Total licenses and permits	<u>34,200</u>	<u>34,200</u>	<u>71,372</u>	<u>37,172</u>	<u>30,637</u>
Intergovernmental					
Federal					
CARES funding	-	-	-	-	124,853
State					
Local government aid	604,426	604,426	605,148	722	601,640
Small cities assistance	-	-	48,042	48,042	-
Property tax credits	1,600	1,600	1,296	(304)	1,265
Police state aid	64,000	64,000	64,348	348	66,157
Fire state aid	26,500	26,500	42,624	16,124	39,175
PERA aid	2,400	2,400	-	(2,400)	70
Other	25,000	25,000	36,442	11,442	13,510
Total intergovernmental	<u>723,926</u>	<u>723,926</u>	<u>797,900</u>	<u>73,974</u>	<u>846,670</u>
Charges for services					
General government	14,150	14,150	30,486	16,336	15,536
Public safety	414,544	414,544	362,680	(51,864)	385,713
Streets and highways	60,100	60,100	58,202	(1,898)	61,966
Culture and recreation	212,350	212,350	212,159	(191)	204,230
Total charges for services	<u>701,144</u>	<u>701,144</u>	<u>663,527</u>	<u>(37,617)</u>	<u>667,445</u>
Fines and forfeitures	<u>16,000</u>	<u>16,000</u>	<u>20,249</u>	<u>4,249</u>	<u>10,975</u>
Special assessments	<u>-</u>	<u>-</u>	<u>125</u>	<u>125</u>	<u>-</u>
Interest on investments	<u>15,000</u>	<u>15,000</u>	<u>6,084</u>	<u>(8,916)</u>	<u>4,040</u>
Miscellaneous					
Contributions and donations	-	-	-	-	835
Refunds and reimbursements	-	-	8,243	8,243	8,468
Other	51,000	51,000	43,498	(7,502)	30,426
Total miscellaneous	<u>51,000</u>	<u>51,000</u>	<u>51,741</u>	<u>741</u>	<u>39,729</u>
Total Revenues	<u>2,964,492</u>	<u>2,964,492</u>	<u>3,102,318</u>	<u>137,826</u>	<u>2,896,863</u>

City of Wabasha, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and city council					
Personal services	\$ 19,377	\$ 19,377	\$ 19,862	\$ (485)	\$ 19,967
Other services and charges	6,150	6,150	4,396	1,754	4,254
Total mayor and city council	<u>25,527</u>	<u>25,527</u>	<u>24,258</u>	<u>1,269</u>	<u>24,221</u>
Election					
Personal services	1,000	1,000	-	1,000	5,314
Supplies	-	-	28	(28)	2,046
Other services and charges	1,000	1,000	1,325	(325)	1,975
Total election	<u>2,000</u>	<u>2,000</u>	<u>1,353</u>	<u>647</u>	<u>9,335</u>
City clerk					
Personal services	405,301	405,301	348,749	56,552	377,484
Other services and charges	12,700	12,700	31,136	(18,436)	19,756
Total city clerk	<u>418,001</u>	<u>418,001</u>	<u>379,885</u>	<u>38,116</u>	<u>397,240</u>
Accounting and consulting					
Other services and charges	<u>32,000</u>	<u>32,000</u>	<u>32,220</u>	<u>(220)</u>	<u>36,156</u>
Legal					
Other services and charges	<u>38,700</u>	<u>38,700</u>	<u>63,970</u>	<u>(25,270)</u>	<u>35,352</u>
City hall					
Supplies	3,700	3,700	3,805	(105)	5,164
Other services and charges	63,400	63,400	70,240	(6,840)	61,320
Total city hall	<u>67,100</u>	<u>67,100</u>	<u>74,045</u>	<u>(6,945)</u>	<u>66,484</u>
Total general government	<u>583,328</u>	<u>583,328</u>	<u>575,731</u>	<u>7,597</u>	<u>568,788</u>
Public safety					
Police					
Personal services	816,015	816,015	854,904	(38,889)	789,062
Supplies	22,500	22,500	27,910	(5,410)	22,998
Other services and charges	40,050	40,050	51,462	(11,412)	34,875
Total police	<u>878,565</u>	<u>878,565</u>	<u>934,276</u>	<u>(55,711)</u>	<u>846,935</u>

City of Wabasha, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety (continued)					
Fire					
Personal services	\$ 50,560	\$ 50,560	\$ 48,525	\$ 2,035	\$ 50,917
Supplies	24,250	24,250	18,977	5,273	31,262
Other services and charges	29,300	29,300	33,262	(3,962)	20,054
Pension payment to fire relief	39,849	39,849	41,452	(1,603)	43,720
Total fire	<u>143,959</u>	<u>143,959</u>	<u>142,216</u>	<u>1,743</u>	<u>145,953</u>
Building inspection/zoning					
Personal services	27,919	27,919	27,629	290	29,193
Other services and charges	61,050	61,050	26,972	34,078	48,067
Total building inspection/zoning	<u>88,969</u>	<u>88,969</u>	<u>54,601</u>	<u>34,368</u>	<u>77,260</u>
Emergency management					
Personal services	5,129	5,129	2,124	3,005	2,124
Supplies	300	300	-	300	309
Other services and charges	2,500	2,500	4,620	(2,120)	8,046
Total emergency management	<u>7,929</u>	<u>7,929</u>	<u>6,744</u>	<u>1,185</u>	<u>10,479</u>
Ambulance service					
Personal services	302,897	302,897	317,158	(14,261)	292,976
Supplies	30,700	30,700	20,971	9,729	26,443
Other services and charges	38,600	38,600	36,982	1,618	47,046
Total ambulance service	<u>372,197</u>	<u>372,197</u>	<u>375,111</u>	<u>(2,914)</u>	<u>366,465</u>
Total public safety	<u>1,491,619</u>	<u>1,491,619</u>	<u>1,512,948</u>	<u>(21,329)</u>	<u>1,447,092</u>
Public works					
Streets					
Personal services	426,411	426,411	420,616	5,795	417,366
Supplies	74,000	74,000	64,221	9,779	81,368
Other services and charges	208,150	208,150	242,887	(34,737)	213,141
Total streets	<u>708,561</u>	<u>708,561</u>	<u>727,724</u>	<u>(19,163)</u>	<u>711,875</u>
Engineering					
Other services and charges	29,000	29,000	59,390	(30,390)	71,726
Total public works	<u>737,561</u>	<u>737,561</u>	<u>787,114</u>	<u>(49,553)</u>	<u>783,601</u>

City of Wabasha, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation					
Parks					
Recreation					
Other services and charges	\$ 8,000	\$ 8,000	\$ 8,000	\$ -	\$ 8,000
Pool					
Personal services	44,484	44,484	44,043	441	2,874
Supplies	12,300	12,300	18,521	(6,221)	3,064
Other services and charges	21,000	21,000	11,069	9,931	13,625
Total pool	<u>77,784</u>	<u>77,784</u>	<u>73,633</u>	<u>4,151</u>	<u>19,563</u>
Total culture and recreation	<u>85,784</u>	<u>85,784</u>	<u>81,633</u>	<u>4,151</u>	<u>27,563</u>
Miscellaneous					
Other services and charges	17,000	17,000	56,054	(39,054)	21,980
Total current	<u>2,915,292</u>	<u>2,915,292</u>	<u>3,013,480</u>	<u>(98,188)</u>	<u>2,849,024</u>
Capital outlay					
General government	3,500	3,500	2,859	641	10,726
Public safety	55,500	55,500	77,622	(22,122)	44,540
Public works	44,000	44,000	32,607	11,393	32,040
Culture and recreation	1,200	1,200	3,399	(2,199)	-
Total capital outlay	<u>104,200</u>	<u>104,200</u>	<u>116,487</u>	<u>(12,287)</u>	<u>87,306</u>
Total Expenditures	<u>3,019,492</u>	<u>3,019,492</u>	<u>3,129,967</u>	<u>(110,475)</u>	<u>2,936,330</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(55,000)</u>	<u>(55,000)</u>	<u>(27,649)</u>	<u>27,351</u>	<u>(39,467)</u>
Other Financing Sources (Uses)					
Transfers in	55,000	55,000	55,000	-	55,000
Transfers out	-	-	(20,500)	(20,500)	-
Total Other Financing Sources (Uses)	<u>55,000</u>	<u>55,000</u>	<u>34,500</u>	<u>(20,500)</u>	<u>55,000</u>
Net Change in Fund Balances	-	-	6,851	6,851	15,533
Fund Balances, January 1	<u>1,820,462</u>	<u>1,820,462</u>	<u>1,820,462</u>	<u>-</u>	<u>1,804,929</u>
Fund Balances, December 31	<u>\$ 1,820,462</u>	<u>\$ 1,820,462</u>	<u>\$ 1,827,313</u>	<u>\$ 6,851</u>	<u>\$ 1,820,462</u>

City of Wabasha, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2021

	395	399	
	2013	2019	
	G.O. Street Improvement Bonds	G.O. Street Improvement Bonds	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and temporary investments	\$ 596,883	\$ 134,620	\$ 731,503
Special assessments receivable	69,425	61,766	131,191
Due from other governments	<u>1,912</u>	<u>1,355</u>	<u>3,267</u>
Total Assets	<u><u>\$ 668,220</u></u>	<u><u>\$ 197,741</u></u>	<u><u>\$ 865,961</u></u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	\$ 69,425	\$ 61,766	\$ 131,191
Fund Balances			
Restricted for debt service	<u>598,795</u>	<u>135,975</u>	<u>734,770</u>
Total Deferred Inflows of Resources and Fund Balances	<u><u>\$ 668,220</u></u>	<u><u>\$ 197,741</u></u>	<u><u>\$ 865,961</u></u>

City of Wabasha, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2021

	395 2013 G.O. Street Improvement Bonds	399 2019 G.O. Street Improvement Bonds	Total
Revenues			
Property taxes	\$ 362,622	\$ 40,000	\$ 402,622
Special assessments	38,571	14,364	52,935
Interest on investments	3,584	841	4,425
Total Revenues	<u>404,777</u>	<u>55,205</u>	<u>459,982</u>
Expenditures			
Debt service			
Principal	415,000	38,000	453,000
Interest and other	27,464	14,430	41,894
Total Expenditures	<u>442,464</u>	<u>52,430</u>	<u>494,894</u>
Net Change in Fund Balances	(37,687)	2,775	(34,912)
Fund Balances, January 1	<u>636,482</u>	<u>133,200</u>	<u>769,682</u>
Fund Balances, December 31	<u>\$ 598,795</u>	<u>\$ 135,975</u>	<u>\$ 734,770</u>

City of Wabasha, Minnesota
 Port Authority
 (Discretely Presented Component Unit)
 Balance Sheet
 December 31, 2021

	<u>200 Port Authority</u>
Assets	
Cash and temporary investments	\$ 434,740
Loans receivable	<u>46,720</u>
Total Assets	<u><u>\$ 481,460</u></u>
Liabilities	
Accounts and other payables	<u>\$ 42,222</u>
Fund Balances	
Restricted for	
Loans	230,182
Economic development	<u>209,056</u>
Total Fund Balances	<u>439,238</u>
Total Liabilities and Fund Balances	<u><u>\$ 481,460</u></u>

City of Wabasha, Minnesota
 Port Authority
 (Discretely Presented Component Unit)
 Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2021

	200 Port Authority <hr style="border: 0.5px solid black;"/>
Revenues	
Taxes	\$ 46,711
Interest on investments and loans	21,740
Total Revenues	<hr style="border: 0.5px solid black;"/> 68,451
Expenditures	
Current	
Economic development	<hr style="border: 0.5px solid black;"/> 131,895
Net Change in Fund Balances	(63,444)
Fund Balances, January 1	<hr style="border: 0.5px solid black;"/> 502,682
Fund Balances, December 31	<hr style="border: 1.5px solid black;"/> \$ 439,238

City of Wabasha, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations -
 Governmental Funds
 For the Years Ended December 31, 2021 and 2020

	Total		Percent Increase (Decrease)
	2021	2020	
Revenues			
Taxes	\$ 2,113,118	\$ 1,954,516	8.11 %
Licenses and permits	71,372	30,637	132.96
Intergovernmental	860,865	1,021,557	(15.73)
Charges for services	666,392	669,866	(0.52)
Fines and forfeits	20,249	10,975	84.50
Special assessments	76,974	83,504	(7.82)
Investment earnings	18,244	10,194	78.97
Miscellaneous	141,131	130,443	8.19
	<u>\$ 3,968,345</u>	<u>\$ 3,911,692</u>	1.45 %
Total Revenues	<u>\$ 3,968,345</u>	<u>\$ 3,911,692</u>	1.45 %
Per Capita	\$ 1,551	\$ 1,548	0.18 %
Expenditures			
Current			
General government	\$ 576,061	\$ 568,788	1.28 %
Public safety	1,518,035	1,447,092	4.90
Public works	787,114	783,601	0.45
Culture and recreation	251,405	196,907	27.68
Miscellaneous	56,054	21,980	155.02
Capital outlay			
General government	10,840	57,572	(81.17)
Public safety	150,042	145,651	3.01
Public works	82,015	141,128	(41.89)
Culture and recreation	46,731	43,526	7.36
Economic development	35,409	35,668	(0.73)
Debt service			
Principal	453,000	410,000	10.49
Interest and other	41,894	47,243	(11.32)
	<u>\$ 4,008,600</u>	<u>\$ 3,899,156</u>	2.81 %
Total Expenditures	<u>\$ 4,008,600</u>	<u>\$ 3,899,156</u>	2.81 %
Per Capita	\$ 1,566	\$ 1,543	1.52 %
Total Long-term Indebtedness	\$ 1,767,000	\$ 2,220,000	(20.41) %
Per Capita	691	879	(21.40)
General Fund Balance - December 31	\$ 1,827,313	\$ 1,820,462	0.38 %
Per Capita	714	720	(0.88)

The purpose of this report is to provide a summary of financial information concerning the City of Wabasha to interested citizens. The complete financial statements may be examined at City Hall, 900 Hiawatha Drive East, Wabasha, MN 55981. Questions about this report should be directed to Finance Director at (651) 565-4568.

OTHER REQUIRED REPORTS

CITY OF WABASHA
WABASHA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2021

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**INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council
City of Wabasha, 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 the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Wabasha, Minnesota (the City), 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 March 17, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as item 2021-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance, management, and the State Auditor and is not intended to be and should not be used by anyone other than these specific parties.



Abdo
Minneapolis, Minnesota
March 17, 2022

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

Honorable Mayor and City Council
City of Wabasha, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Wabasha, Minnesota (the City), 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 March 17, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Finding and Response, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatements of the City'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. As described below, we identified a deficiency in internal control that we consider to be a significant deficiency as finding 2021-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as finding 2021-002.

The City's Response to Finding

The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were 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.



Abdo
Minneapolis, Minnesota
March 17, 2022



City of Wabasha, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-001	Financial Report Preparation
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is the City's responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

City of Wabasha, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
2021-002	Collateral Coverage
<i>Condition:</i>	Auditing of legal compliance requires a review of the City's deposits and investments. Our testing indicated an instance of non-compliance that we believe is required to be remedied.
<i>Criteria:</i>	In accordance with Minnesota Statute, section 118A.03, the City is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.
<i>Cause:</i>	The City had \$211,289 of deposits uncollateralized on December 31, 2021 due to an insufficient amount of collateral pledged to the City.
<i>Effect:</i>	At year end, the City did not have sufficient collateral pledged and therefore was not in compliance with state statute.
<i>Recommendation:</i>	We recommend that the City reviews collateral coverage each month when completing the bank reconciliation and when planning for cash flow. This will not result in any additional cost and will ensure that the City complies with the applicable statute.
<i>Management Response:</i>	
	The Finance Director has taken the appropriate action to ensure that City's deposits are sufficiently covered by collateral throughout the entire month.