

CITY OF DUNDAS, MINNESOTA
FINANCIAL STATEMENTS
DECEMBER 31, 2014

CITY OF DUNDAS, MINNESOTA

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CITY OF DUNDAS, MINNESOTA

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CITY OF DUNDAS, MINNEOSTA

CITY OFFICIALS

DECEMBER 31, 2014

Glenn Switzer	Mayor
Grant Modory	Council Member
John Cruz	Council Member
Chad Pribyl	Council Member
Larry Fowler	Council Member

INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor
Members of the City Council
City of Dundas, Minnesota**

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Dundas, Minnesota**, as of and for the year ended December 31, 2014, which collectively comprise the **City of Dundas, Minnesota's** basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Dundas, Minnesota** as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Honorable Mayor
Members of the City Council
City of Dundas, Minnesota**

Other Matters

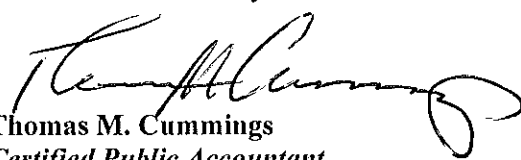
Required Supplementary Information

Accounting principle generally accepted in the United States of America require management's discussion and analysis and budgetary information on pages 3 to 10 and pages 44 to 49 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Dundas, Minnesota's** financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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


Thomas M. Cummings
Certified Public Accountant
June 1, 2015

City of Dundas

Management's Discussion and Analysis

As management of the City of Dundas, we offer readers of the City of Dundas's financial statements this narrative overview and analysis of the financial activities of the City of Dundas for the fiscal year ended December 31, 2014.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City of Dundas's basic financial statements. The City of Dundas's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) note to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The governments-wide financial statements are designed to provide readers with a broad overview of the City of Dundas's finances, in a manner similar to a private-sector business.

The statement of Net Position presents information on all of the City of Dundas's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City of Dundas 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 of Dundas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Dundas include general government, public safety, public works, economic development, and recreation. The business-type activities of the City of Dundas include water, sanitary sewer, and storm drainage.

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

City of Dundas

Management's Discussion and Analysis

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

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

The City of Dundas maintains five individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, two special revenue funds, one debt service funds, and a capital improvement fund, all of 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 non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Dundas adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

Proprietary Funds. The City of Dundas maintains one type of proprietary funds, that being enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Dundas uses enterprise funds to account for its sanitary sewer, water, refuse and storm drainage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitary sewer, water, refuse and storm drainage operations.

Notes to the Financial Statements. The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. The combining statements referred to earlier in connection with non-major governmental and enterprise funds and are presented immediately following the required supplementary information on pensions.

City of Dundas Management's Discussion and Analysis

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Dundas, assets exceed liabilities by \$11,825,597 as of December 31, 2014, with \$3,659,302 of net position from governmental activities and 8,166,295 from proprietary funds.

The largest portion of the City's net position is the investment in capital assets. The City uses these capital assets to provide services to citizens; therefore these assets are not available for future spending. The City's investment in its capital assets are reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot provide resources to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,625,363	\$ 2,720,086	\$ 2,148,947	\$ 2,003,690	\$ 4,774,310	\$ 4,723,776
Capital assets	<u>3,838,177</u>	<u>2,744,261</u>	<u>10,709,415</u>	<u>11,158,020</u>	<u>14,547,592</u>	<u>13,902,281</u>
Total Assets	<u>\$ 6,463,540</u>	<u>\$ 5,464,347</u>	<u>\$12,858,362</u>	<u>\$13,161,710</u>	<u>\$ 19,321,902</u>	<u>\$ 18,626,057</u>
Other liabilities	\$ 918,451	\$ 143,075	\$ (314,620)	\$ 329,022	\$ 603,831	\$ 472,097
Long-term liabilities	<u>1,885,787</u>	<u>2,056,409</u>	<u>5,006,687</u>	<u>4,485,789</u>	<u>6,892,474</u>	<u>6,542,198</u>
Total Liabilities	<u>\$ 2,804,238</u>	<u>\$ 2,199,484</u>	<u>\$ 4,692,067</u>	<u>\$ 4,163,448</u>	<u>\$ 7,496,305</u>	<u>\$ 7,014,295</u>
Net Position:						
Invested in capital assets	\$ 1,973,964	\$ 710,670	\$ 6,552,728	\$ 6,672,231	\$ 8,526,692	\$ 7,382,901
Restricted	191,739	195,337	51,855	48,800	243,594	244,137
Unrestricted	<u>1,493,599</u>	<u>2,358,856</u>	<u>1,561,712</u>	<u>1,625,868</u>	<u>3,055,311</u>	<u>3,984,724</u>
Total Net Position	<u>\$ 3,659,302</u>	<u>\$ 3,264,863</u>	<u>\$ 8,166,295</u>	<u>\$ 8,346,899</u>	<u>\$ 11,825,597</u>	<u>\$ 11,611,762</u>

Governmental Activities

Governmental activities had a increase in net position in the amount of \$394,439.

City of Dundas

Management's Discussion and Analysis

Summarized below are governmental activities revenues and expenses:

Revenues by sources – Governmental Activities

	2014		2013	
	Amount	%	Amount	%
Charges for services	\$ 50,041	3.11%	\$ 130,737	7.86%
Operating grants and contributions	50,768	3.16%	47,253	2.84%
Capital grants and contributions	-	%	14,072	.85%
Taxes:				
Property taxes	780,635	48.52%	783,393	47.10%
Tax increments	550,473	34.21%	576,319	34.65%
Non property taxes	18,628	1.16%	12,554	.75%
Intergovernmental	150,399	9.35%	88,115	5.30%
Unrestricted interest and investment earnings	7,939	.49%	10,922	.66%
Total Revenues	\$ 1,608,883	100%	\$ 1,663,365	100%

Expenses by Function/Program – Governmental Activities

General Government:

Mayor and council	\$ 18,302		\$ 18,167	
Financial Administration	114,000		112,749	
Elections	2,845		-	
Planning and Zoning	22,093		32,609	
Other Administrative	88,237		94,303	
Total General Government	\$ 245,477	20.29%	\$ 257,828	19.69%

Public Safety:

Fire protection	\$ 29,215		\$ 68,373	
Civil defense	3,368		4,705	
Animal control	115		40	
Police protection	258,449		228,660	
Building inspection	17,044		49,003	
Total Public Safety	\$ 308,191	25.47%	\$ 350,781	26.79%

Public Works:

Highway, Streets, and Roads	\$ 267,832	22.14%	\$ 319,018	24.37%
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Parks and Recreation:

Parks	\$ 117,837		\$ 106,112	
Dundas Baseball Association	24,630		21,448	
Total Parks and Recreation	\$ 142,467	11.77%	\$ 127,560	9.74%

Economic Development	181,797	15.03%	186,150	14.22%
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Bond issuance costs	-	%	20,468	1.56
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Interest on long-term debt	64,195	5.31%	47,368	3.62%
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Total Expenses	\$ 1,209,959	100%	\$ 1,309,173	100%
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City of Dundas Management's Discussion and Analysis

Business-type Activities

Business-type activities Net Position decreased by \$180,604 in 2014. Summarized below are business-type activities revenues and expenses:

Revenues by Sources – Business-type Activities

	2014		2013	
	Amount	%	Amount	%
Charges for Services:				
Water	\$ 311,749	33.28%	\$ 333,319	34.89%
Sewer	405,516	43.29%	383,800	43.83%
Refuse	95,300	10.17%	97,643	10.25%
Storm drainage	37,504	4.00%	3,000	1.16%
Capital grants and contributions	83,428	8.90%	91,035	9.17%
Unrestricted interest and investment earnings	3,093	.36%	6,697	.7%
Total Business-type Revenues	<u>\$ 936,590</u>	<u>100%</u>	<u>\$ 947,096</u>	<u>100%</u>

Expenses by Function/Program – Business-type Activities

	2014		2013	
	Amount	%	Amount	%
Expenses by Program:				
Water	\$ 479,347	42.73%	\$ 620,600	50.30%
Sewer	523,074	46.63%	504,295	40.87%
Refuse	76,937	6.85%	78,613	6.37%
Storm drainage	42,321	3.79%	30,254	2.46%
Total Business-type Expenses	<u>\$1,121,679</u>	<u>100%</u>	<u>\$1,233,762</u>	<u>100%</u>

City of Dundas
Management's Discussion and Analysis

Change in Net position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 50,041	\$ 130,737	\$ 850,069	\$ 853,638	\$ 900,110	\$ 984,375
Operating grants and contributions	50,768	47,253	-	-	50,768	47,253
Capital grants and contributions	-	14,072	83,428	86,845	83,428	100,917
General Revenues:						
Property taxes	780,635	783,393	-	-	780,635	783,393
Tax increments	550,473	576,319	-	-	550,473	576,319
Non property taxes	18,628	12,554	-	-	18,628	12,554
Intergovernmental	150,399	88,115	-	-	150,399	88,115
Unrestricted interest and investment earnings	7,939	10,922	3,093	6,613	11,032	17,535
Total Revenues	\$1,608,883	\$1,663,365	\$ 936,590	\$ 947,096	\$2,545,473	\$ 2,610,461
Expenses:						
General government	\$ 245,477	\$ 257,828	\$ -	\$ -	\$ 245,477	\$ 257,828
Public safety	308,191	350,781	-	-	308,191	350,781
Public works	267,832	319,018	-	-	267,832	319,018
Parks and recreation	142,467	127,560	-	-	142,467	127,560
Economic development	181,797	186,150	-	-	181,797	186,150
Bond issuance costs	-	20,468	-	-	-	20,468
Interest on long-term debt	64,195	47,368	-	-	61,195	47,368
Water	-	-	479,347	620,600	479,347	620,600
Sewer	-	-	523,074	504,295	523,074	504,295
Refuse	-	-	76,937	78,613	76,937	78,613
Storm drainage	-	-	42,321	30,254	42,321	30,254
Total Expenses	\$1,209,959	\$1,309,173	\$1,121,679	\$1,233,762	\$2,331,638	\$ 2,542,935
Change in Net Position Before Transfers	\$ 398,924	\$ 354,192	\$ (185,089)	\$ (286,666)	\$ 213,835	\$ 67,526
Transfers In (Out)	(4,485)	(261,058)	4,485	261,058	-	-
Change in Net Position	\$ 394,439	\$ 93,134	\$ (180,604)	\$ (25,608)	\$ 213,835	\$ 67,526
Net Position, beginning	3,264,863	3,171,729	8,346,899	8,372,507	11,611,762	11,544,236
Net Position, ending	\$3,659,302	\$3,264,863	\$8,166,295	\$8,346,899	\$11,825,597	\$ 11,611,762

City of Dundas Management's Discussion and Analysis

Government Funds. The focus of the City of Dundas' governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City of Dundas' financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending available at the end of the fiscal year.

Capital Assets and Debt Administration

The City of Dundas' investment in capital assets for its governmental and business type activities as of December 31, 2014, amounts to \$14,547,592 net of accumulated depreciation. This investment in capital assets includes, land, buildings, infrastructure, machinery and equipment.

Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land and land rights	\$ 269,087	\$ 193,007	\$ 223,396	\$ 223,396	\$ 492,483	\$ 416,403
Construction in process	1,219,043	103,118	-	-	1,219,043	103,118
Building and structures	310,263	340,394	-	-	310,263	340,394
Equipment	102,284	103,441	31,943	36,376	134,227	139,817
Vehicles	97,545	65,427	-	-	97,545	65,427
Land improvements	307,367	321,814	-	-	307,367	321,814
Infrastructure	1,532,588	1,617,060	-	-	1,532,588	1,617,060
Sewer collection system	-	-	5,292,775	5,499,376	5,292,775	5,499,376
Water distribution system	-	-	4,652,959	4,874,644	4,652,959	4,874,644
Storm water collection system	-	-	508,342	524,228	508,342	524,228
Total Capital Assets	<u>\$ 3,838,177</u>	<u>\$ 2,744,261</u>	<u>\$ 10,709,415</u>	<u>\$ 11,158,020</u>	<u>\$ 14,547,592</u>	<u>\$ 13,902,281</u>

- The City started the construction of a public works and a public safety facility and a street reconstruction project.
- The City purchased land for future development totaling \$76,080
- Police vehicle was purchased for approximately \$28,000
- A truck for snow plowing was acquired for \$15,185

City of Dundas Management's Discussion and Analysis

Debt Administration

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds:						
Tax increment	\$ 580,000	\$ 750,000	\$ -	\$ -	\$ 580,000	\$ 750,000
Improvement	1,295,000	1,295,000	-	-	1,295,000	1,295,000
Revenue bonds	-	-	4,495,000	3,835,000	4,495,000	3,835,000
Note payables-Revenue	-	-	492,249	618,938	492,249	618,938
	<u>\$1,875,000</u>	<u>\$2,045,000</u>	<u>\$4,987,249</u>	<u>\$4,453,938</u>	<u>\$6,862,249</u>	<u>\$6,498,938</u>

The City issued General Obligation Water & Sewer Revenue Refunding Bonds in the amount of \$850,000 to refund bonds originally issued in 2006.

State statute limits the amount of general obligation debt a governmental entity may issue to 2% of its total market value. The City's outstanding general obligation debt is below State of Minnesota limits.

Requests for information

Questions concerning any of the information provided in this report should be addressed to the City of Dundas, P.O. Box 70, Dundas, Minnesota 55019.

CITY OF DUNDAS, MINNESOTA

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements are required by the GASB.

The sets of statements include:

Government-wide Financial Statements

Statement of Net Position

Statement of Activities

Fund Financial Statements

Governmental Funds

Proprietary (Enterprise) Fund

CITY OF DUNDAS, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 2,296,201	\$ 1,864,392	\$ 4,160,593
Receivables:			
Accounts	275,583	122,420	398,003
Interest	3,118	1,575	4,693
Taxes	42,003	-	42,003
Special assessments	-	152,456	152,456
Internal balances	-	-	-
Prepaid expenses	-	3,291	3,291
Due from other governmental units	8,458	4,813	13,271
Capital assets, net	<u>3,838,177</u>	<u>10,709,415</u>	<u>14,547,592</u>
Total Assets	<u>\$ 6,463,540</u>	<u>\$ 12,858,362</u>	<u>\$ 19,321,902</u>
LIABILITIES AND NET POSITION			
Liabilities			
Accounts payable	\$ 163,447	\$ 229,949	\$ 393,396
Deferred revenue	-	34,916	34,916
Accrued Liabilities:			
Salaries and wages	9,456	2,989	12,445
Compensated absences	33,365	18,404	51,769
Interest	25,951	49,003	74,954
Other	16,537	1,482	18,019
Due to developers	18,332	-	18,332
Internal balances	651,363	(651,363)	-
Long-term liabilities:			
Bond discounts	(8,993)	(26,993)	(35,986)
Bond Premium	19,780	46,431	66,211
Due within one year	240,000	1,468,266	1,708,266
Due in more than one year	<u>1,635,000</u>	<u>3,518,983</u>	<u>5,153,983</u>
Total Liabilities	<u>\$ 2,804,238</u>	<u>\$ 4,692,067</u>	<u>\$ 7,496,305</u>
Net Position			
Invested in capital assets	\$ 1,973,964	\$ 6,552,728	\$ 8,526,692
Restricted	191,739	51,855	243,594
Unrestricted	<u>1,493,599</u>	<u>1,561,712</u>	<u>3,055,311</u>
Net Position	<u>\$ 3,659,302</u>	<u>\$ 8,166,295</u>	<u>\$ 11,825,597</u>

See accompanying notes to the basic financial statements

**CITY OF DUNDAS, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 245,477	\$ 14,597	\$ -	\$ -	\$ (230,880)
Public safety	308,191	32,679	21,280	-	(254,232)
Public works	267,832	-	-	-	(267,832)
Parks and recreation	142,467	2,765	29,488	-	(110,214)
Economic development	181,797	-	-	-	(181,797)
Interest on long-term debt	64,195	-	-	-	(64,195)
Total Governmental Activities	\$ 1,209,959	\$ 50,041	\$ 50,768	\$ -	\$ (1,109,150)
Business-type Activities:					
Water	\$ 479,347	\$ 311,749	\$ -	\$ -	\$ (167,598)
Sewer	523,074	405,516	-	83,428	(34,130)
Other	119,258	132,804	-	-	13,546
Total Business-type Activities	\$ 1,121,679	\$ 850,069	\$ -	\$ 83,428	\$ (188,182)
Totals	\$ 2,331,638	\$ 900,110	\$ 50,768	\$ 83,428	\$ (1,297,332)

	Governmental Activities	Business-type Activities	Total
Net (Expense)/Revenue	\$ (1,109,150)	\$ (188,182)	\$ (1,297,332)
General Revenues:			
Taxes:			
Property taxes	\$ 780,635	\$ -	\$ 780,635
Tax increments	550,473	-	550,473
Non property taxes	18,628	-	18,628
Intergovernmental	150,399	-	150,399
Unrestricted interest and investment earnings	7,939	3,093	11,032
Transfers In (Out)	(4,485)	4,485	-
Total General Revenues and Transfers	\$ 1,503,589	\$ 7,578	\$ 1,511,167
Change in Net Position	\$ 394,439	\$ (180,604)	\$ 213,835
Net Position, beginning of the year	3,264,863	8,346,899	11,611,762
Net Position, end of the year	\$ 3,659,302	\$ 8,166,295	\$ 11,825,597

See accompanying notes to the basic financial statements

**CITY OF DUNDAS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General Fund	Tax Increment Improvement Fund	Tax Increment Debt Service Fund	Capital Improvements Fund
ASSETS				
Cash and investments	\$ 651,638	\$ 491,129	\$ 191,739	\$ 561,499
Receivables:				
Interest	2,378	425	-	315
Delinquent property taxes	42,003	-	-	-
Accounts	4,224	-	-	266,295
Due from other funds	12,826	-	-	32,005
Due from other governmental units	8,458	-	-	-
Total Assets	<u><u>\$ 721,527</u></u>	<u><u>\$ 491,554</u></u>	<u><u>\$ 191,739</u></u>	<u><u>\$ 860,114</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 12,428	\$ 66,716	\$ -	\$ 82,454
Accrued Liabilities:				
Salaries and wages	9,456	-	-	-
Compensated absences	2,775	-	-	-
Other	16,537	-	-	-
Developer deposits	12,332	-	-	6,000
Due to other funds	32,005	3,590	-	651,363
Total Liabilities	<u><u>\$ 85,533</u></u>	<u><u>\$ 70,309</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 739,817</u></u>
Deferred Inflows of Resources				
Unavailable				
Property taxes	\$ 42,003	\$ -	\$ -	\$ -
Loans receivable	-	-	-	43,153
Total Deferred Inflows of Resources	<u><u>\$ 42,003</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 43,153</u></u>
FUND BALANCE				
Restricted	\$ -	\$ -	\$ 191,739	\$ 75,381
Unrestricted:				
Committed	-	421,245	-	-
Assigned	-	-	-	1,763
Unassigned	593,991	-	-	-
Total Fund Balance	<u><u>\$ 593,991</u></u>	<u><u>\$ 421,245</u></u>	<u><u>\$ 191,739</u></u>	<u><u>\$ 77,144</u></u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 721,527</u></u>	<u><u>\$ 491,554</u></u>	<u><u>\$ 191,739</u></u>	<u><u>\$ 860,114</u></u>

See accompanying notes to the basic financial statements

Annexation Tax Rebate Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 292,397	\$ 107,799	\$ 2,296,201
-	-	3,118
-	-	42,003
-	5,064	275,583
-	-	44,831
-	-	8,458
<u>\$ 292,397</u>	<u>\$ 112,863</u>	<u>\$ 2,670,194</u>

\$ -	\$ 1,846	\$ 163,447
-	-	9,456
-	-	2,775
-	-	16,537
-	-	18,332
-	9,236	696,194
<u>\$ -</u>	<u>\$ 11,082</u>	<u>\$ 906,741</u>

\$ -	\$ -	\$ 42,003
-	-	43,153
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,156</u>

\$ -	\$ -	\$ 267,120
-	83,834	505,079
292,397	17,947	312,107
-	-	593,991
<u>\$ 292,397</u>	<u>\$ 101,781</u>	<u>\$ 1,678,297</u>
<u>\$ 292,397</u>	<u>\$ 112,863</u>	<u>\$ 2,670,194</u>

**CITY OF DUNDAS, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS**

December 31, 2014

Fund balances, total governmental funds	\$ 1,678,297
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Amounts reported for governmental activities
in the statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds	3,838,177
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Deferred revenue in governmental funds is susceptible
to full accrual on the entity-wide statements

Property taxes	\$ 42,003
Developer fees	<u>43,153</u>
	<u>\$ 85,156</u>

Long-term liabilities are not due and payable within
the current period and therefore are not reported
in the current period

Bonds and notes payable	\$ (1,875,000)
Bond discounts	8,993
Bond premium	(19,780)
Accrued interest	(25,951)
Accrued compensated absences	<u>(30,590)</u>
	<u>\$ (1,942,328)</u>

Net Position of Governmental Activities	<u>\$ 3,659,302</u>
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See accompanying notes to the basic financial statements

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**CITY OF DUNDAS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014**

	General Fund	Tax Increment Improvement Fund	Tax Increment Debt Service Fund	Capital Improvements Fund
REVENUES				
Taxes	\$ 815,896	\$ -	\$ -	\$ -
Tax increments	-	353,959	196,514	-
Licenses and permits	23,106	-	-	-
Intergovernmental	171,679	-	-	-
Interest income	6,410	652	200	677
Charges for services	7,320	-	-	-
Fines and penalties	14,377	-	-	-
Miscellaneous	3,971	-	-	-
Total Revenues	\$ 1,042,759	\$ 354,611	\$ 196,714	\$ 677
EXPENDITURES				
Current:				
General government	\$ 247,296	\$ -	\$ -	\$ -
Public safety	333,729	-	-	-
Public works	189,740	-	-	-
Parks and recreation	70,481	-	-	-
Economic development	-	135,269	-	-
Capital outlay	76,080	-	-	1,115,927
Debt Service:				
Principal	-	-	170,000	-
Interest and other charges	-	-	30,312	-
Total Expenditures	\$ 917,326	\$ 135,269	\$ 200,312	\$ 1,115,927
Excess (Deficit) of Revenues Over Expenditures	\$ 125,433	\$ 219,342	\$ (3,598)	\$ (1,115,250)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 55,758	\$ -	\$ -	\$ -
Transfers out	(71,764)	(51,798)	-	-
Total Other Financing Sources (Uses)	\$ (16,006)	\$ (51,798)	\$ -	\$ -
Net Change in Fund Balances	\$ 109,427	\$ 167,544	\$ (3,598)	\$ (1,115,250)
Fund Balances, beginning of the year	484,564	253,701	195,337	1,192,394
Fund Balances, end of the year	\$ 593,991	\$ 421,245	\$ 191,739	\$ 77,144

See accompanying notes to the basic financial statements

<u>Annexation Tax Rebate Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 8,117	\$ 824,013
-	-	550,473
2,000	-	25,106
-	-	171,679
-	-	7,939
-	-	7,320
-	-	14,377
-	28,755	32,726
<u>\$ 2,000</u>	<u>\$ 36,872</u>	<u>1,633,633</u>
\$ -	\$ -	\$ 247,296
-	-	333,729
-	-	189,740
-	24,630	95,111
43,475	3,053	181,797
-	-	1,192,007
-	-	170,000
-	34,161	64,473
<u>\$ 43,475</u>	<u>\$ 61,844</u>	<u>\$ 2,474,153</u>
<u>\$ (41,475)</u>	<u>\$ (24,972)</u>	<u>\$ (840,520)</u>
\$ -	\$ 79,077	\$ 134,835
-	(15,758)	(139,320)
<u>\$ -</u>	<u>\$ 63,319</u>	<u>\$ (4,485)</u>
<u>\$ (41,475)</u>	<u>\$ 38,347</u>	<u>\$ (845,005)</u>
<u>333,872</u>	<u>63,434</u>	<u>2,523,302</u>
<u>\$ 292,397</u>	<u>\$ 101,781</u>	<u>\$ 1,678,297</u>

**CITY OF DUNDAS, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014**

Reconciliation of the change in fund balances – total governmental funds
To the change in Net Position of governmental activities:

Net change in fund balances – total governmental funds **\$ (845,005)**

Amounts reported for governmental activities in the Statement of Activities are
Different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities those assets are reported as depreciation to allocate those expenditures over the life of the assets:

Capital assets purchases capitalized	\$ 1,249,962
Depreciation Expense	<u>(156,046)</u>
	<u>\$ 1,093,916</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property taxes	<u>\$ (24,750)</u>
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Bond proceeds provide current financial resources to governmental funds but increase liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position

Capital debt principle payments	<u>\$ 170,000</u>
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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 governmental funds:

Change in bond accrued interest	\$ (344)
Amortization of bond premium	2,605
Amortization of bond discounts	<u>(1,983)</u>
	<u>\$ 278</u>

Change in Net Position of Governmental Activities **\$ 394,439**

See accompanying notes to the basic financial statements

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**CITY OF DUNDAS, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014**

	Enterprise Funds			Total
	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Funds	Proprietary Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 448,101	\$ 498,815	\$ 102,701	\$ 1,049,617
Cash and cash equivalents restricted for debt service	-	814,775	-	814,775
Receivables:				
Accounts	32,087	63,483	26,850	122,420
Delinquent special assessments	-	10,682	-	10,682
Interest	328	1,247	-	1,575
Prepaid expenses	1,677	1,614	-	3,291
Due from other governmental units	128	4,605	80	4,813
Due from other funds	93,501	814,783	34,630	942,914
Total Current Assets	\$ 575,822	\$ 2,210,004	\$ 164,261	\$ 2,950,087
Noncurrent Assets:				
Deferred special assessments	\$ -	\$ 141,774	\$ -	\$ 141,774
Capital assets, Net	4,821,387	5,379,686	508,342	10,709,415
Total Noncurrent Assets	\$ 4,821,387	\$ 5,521,460	\$ 508,342	\$ 10,851,189
Total Assets	\$ 5,397,209	\$ 7,731,464	\$ 672,603	\$ 13,801,276

See accompanying notes to the basic financial statements

	Enterprise Funds			Total
	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Funds	Proprietary Funds
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 4,170	\$ 27,818	\$ 5,924	\$ 37,912
Deferred revenue	34,916	-	-	34,916
Accrued Liabilities:				
Salaries and wages	1,897	1,005	87	2,989
Compensated absences	12,762	5,140	502	18,404
Interest	23,760	25,243	-	49,003
Other	526	-	956	1,482
Current portion of long-term debt	250,000	1,218,266	-	1,468,266
Due to other funds	291,551	-	-	291,551
Accounts payable construction related	192,037	-	-	192,037
Total Current Liabilities	\$ 811,619	\$ 1,277,472	\$ 7,469	\$ 2,096,560
Noncurrent Liabilities:				
Bonds payable	\$ 2,355,000	\$ 2,140,000	\$ -	\$ 4,495,000
Notes payable	-	492,249	-	492,249
Unamortized bond discount	(14,230)	(12,763)	-	(26,993)
Unamortized bond premium	46,431	-	-	46,431
Current portion of long-term debt	(250,000)	(1,218,266)	-	(1,468,266)
Total Noncurrent Liabilities	\$ 2,137,201	\$ 1,401,220	\$ -	\$ 3,538,421
Total Liabilities	\$ 2,948,820	\$ 2,678,692	\$ 7,469	\$ 5,634,981
NET POSITION				
Invested in capital assets	\$ 2,434,186	\$ 3,610,200	\$ 508,342	\$ 6,552,728
Restricted for capital asset replacement	-	51,855	-	51,855
Unrestricted	14,203	1,390,717	156,792	1,561,712
Total Net Position	\$ 2,448,389	\$ 5,052,772	\$ 665,134	\$ 8,166,295

CITY OF DUNDAS, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Enterprise Funds			Total
	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Funds	Proprietary Funds
OPERATING REVENUES:				
Charges for services	\$ 311,749	\$ 405,516	\$ 132,804	\$ 850,069
OPERATING EXPENSES:				
Administrative	\$ 21,012	\$ 19,773	\$ 8,374	\$ 49,159
Maintenance and operations	183,772	197,139	94,998	475,909
Depreciation	224,920	207,799	15,886	448,605
Total Operating Expenses	\$ 429,704	\$ 424,711	\$ 119,258	\$ 973,673
Operating (Loss)	\$ (117,955)	\$ (19,195)	\$ 13,546	\$ (123,604)
NONOPERATING REVENUES (EXPENSES)				
Interest income	\$ 789	\$ 1,679	\$ 625	\$ 3,093
Special assessment interest	-	11,051	-	11,051
Federal grant/debt forgiven	-	72,377	-	72,377
Interest expense	(49,375)	(67,824)	-	(117,199)
Bond issuance cost	-	(29,725)	-	(29,725)
Fiscal agent fees	(268)	(814)	-	(1,082)
Total Nonoperating Revenues and (Expenses)	\$ (48,854)	\$ (13,256)	\$ 625	\$ (61,485)
Income (Loss) before Transfers	\$ (166,809)	\$ (32,451)	\$ 14,171	\$ (185,089)
Transfer in	51,798	-	-	51,798
Transfer (out)	(2,370)	(2,370)	(42,573)	(47,313)
Change in Net Position	\$ (117,381)	\$ (34,821)	\$ (28,402)	\$ (181,604)
Total Net Position, beginning of the year	2,565,770	5,087,593	693,536	8,346,899
Total Net Position, end of the year	\$ 2,448,389	\$ 5,052,772	\$ 665,134	\$ 8,165,295

See accompanying notes to the basic financial statements

**CITY OF DUNDAS, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014**

	Enterprise Funds			Total Proprietary Funds
	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 311,540	\$ 404,243	\$ 123,350	\$ 839,133
Cash paid to suppliers	(153,920)	(181,062)	(94,856)	(429,838)
Cash paid to employees	(48,706)	(30,122)	(9,063)	(87,891)
Net Cash Provided By Operating Activities	\$ 108,914	\$ 193,059	\$ 19,431	\$ 321,404
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital debt	\$ -	\$ (244,313)	\$ -	\$ (244,313)
Interest paid on capital debt	(52,067)	(68,859)	-	(120,926)
Bond proceeds	-	843,200	-	843,200
Bond issuance cost	-	(29,725)	-	(29,725)
Transfers in	51,798	-	-	51,798
Transfers (out)	(2,370)	(2,370)	(2,573)	(7,313)
Interest received on special assessments	-	11,051	-	11,051
Principal received on special assessments	-	65,537	-	65,537
Net Cash Provided by (Used By) Capital and Related Financing Activities	\$ (2,639)	\$ 574,521	\$ (2,573)	\$ 569,309
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ -	\$ -	\$ (40,000)	\$ (40,000)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	\$ 812	\$ 1,767	\$ 625	\$ 3,204
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 107,087	\$ 769,347	\$ (22,517)	\$ 853,917
Cash and Cash Equivalents, beginning	341,014	544,243	125,218	1,010,475
Cash and Cash Equivalents, ending	\$ 448,101	\$ 1,313,590	\$ 102,701	\$ 1,864,392

See accompanying notes to the basic financial statements

**CITY OF DUNDAS, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014**

**Reconciliation of Operating Income To
Net Cash Provided By Operating Activities**

	Enterprise Funds			Total Proprietary Funds
	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Funds	
Operating Income (Loss)	\$ (117,955)	\$ (19,195)	\$ 13,546	\$ (123,604)
Adjustments to reconcile operating income To net cash provided by operating activities:				
Depreciation	224,920	207,799	15,886	448,605
Change in assets and liabilities:				
Receivables, net	2,291	1,407	(9,436)	(5,738)
Due from other governmental units	51	(2,680)	(18)	(2,647)
Prepaid expenses	247	(213)	-	34
Accounts payable	(1,262)	5,045	(773)	3,010
Deferred Revenue	(2,551)	-	-	(2,551)
Accrued liabilities	3,173	896	226	4,295
Net Cash Provided By Operating Activities	<u>\$ 108,914</u>	<u>\$ 193,059</u>	<u>\$ 19,431</u>	<u>\$ 321,404</u>

See accompanying notes to the basic financial statements

CITY OF DUNDAS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Dundas is a municipal corporation, incorporated under the laws of the State of Minnesota. The city is governed by an elected mayor and four council members. The Council exercises legislative authority and determines all matters of policy.

Component units are legally separate entities that are fiscally dependent on the primary government or for which the primary government is financially accountable. As of December 31, 2014, there were no entities that met the requirements to be considered a component unit of the City.

B. Government Wide and Fund Financial Statements

The government wide financial statements (statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, which are normally supported by taxes and intergovernmental activities, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer or applicants who purchase, use or directly benefit from goods, service 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 governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE 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 resource measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. With the economic resource measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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 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 are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditure related to compensated absences are recorded only when a payment is due.

Property 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.

The City reports the following major governmental funds:

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

Tax Increment Improvement Fund, This fund is a special revenue fund type and accounts for the development activities within tax increment districts.

Tax Increment Debt Service Fund, This fund is used to account for the tax increments used to pay bonds associated with various development projects.

Capital Improvements Fund, This fund is used to account for the resources dedicated by the City for various capital improvement projects.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies (continued)

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

Annexation Tax Rebate Fund, This fund is used to account for the resources used to repay townships for property annexed into the City.

The City reports the following major proprietary funds:

Water Utility Fund, This fund is an enterprise fund type and accounts for the activities related to the operation of a water distribution system.

Sewer Utility Fund, This fund is an enterprise fund type and accounts for the activities related to the operation of a sanitary sewer collection and treatment system.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating item. 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 revenue of the City's 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 DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for all funds used by the City. Annual budgets are adopted each fiscal year through the passage of an annual budget ordinance and may be amended by formal Council action. The budget for all funds are adopted on a basis of accounting consistent with generally accepted accounting principles. All budget appropriations lapse at year-end.

E. Cash and Investments

The City maintains a cash pool for all funds of the City. The City maintains all deposits and investments in accounts in the name of the City. The deposits are invested on a short-term basis with interest earnings allocated to each fund based upon their relative share of the pooled account balance.

For purposes of the statement of cash flows all pooled cash and investments are considered to be cash and cash equivalents.

F. Investments

Governmental Accounting Standards Board No. 31, "Accounting and Financial Reporting for Certain Investments" has been implemented. Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based upon quoted market prices at year end. All investments not required to be reported at fair value are stated at cost or amortized cost.

G. Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Rice County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

Rice County spreads all levies over taxable property. Such taxes become a lien on January 1 the following year, and are recorded as receivables by the City at that date. Revenue from property taxes are accrued and recognized in the year collectable, net of delinquencies.

Property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of January, June and December.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies (continued)

H. Special Assessments

Assessments are levied at various times by City resolution for property owner improvements made by the City. Assessment collections are deferred over a period ranging from five to twenty years with interest charged at rates ranging from 6% to 7%.

I. Bond Discounts and Premiums

In the government wide financial statements, and proprietary fund types in the fund financial statements bond discounts, premiums are deferred and amortized over the life of the bond using the interest method.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premium and discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

J. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets, 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 \$1,000 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as constructed.

Plant and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Sewer collection system	40
Water distribution system	7 to 25
Equipment	5 to 10
Building and structures	10 to 40
Vehicles	5
Land improvements	10
Infrastructure	25 to 40

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies (continued)

J. Capital Assets and Depreciation

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

K. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. A liability is recorded for sick pay benefits, to the received in accordance with City policy.

L. Long-Term Obligations

In the government wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type, and proprietary fund type statement of Net Position. Bonds payable are reported net of applicable bond premium or discounts.

Long-term debt is recorded as a liability of a governmental fund when due, or when resources have been accumulated in the debt services fund for payment early in the following year.

M. Fund Classifications

Government-wide and Proprietary Financial Statements

Equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any outstanding bonds, notes, and other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted— Consists of net position with constraints placed on the use either by external groups or by enabling legislation.

Unrestricted – All other net position not included in the captions “Invested in net position” or “Restricted net position” are included here.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. Summary of Significant Accounting Policies (continued)

M. Fund Classifications

Fund Financial Statements

In the fund financial statements, governmental funds report classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balance** - These are amounts that cannot be spend because they are not in spendable form.
- **Restricted Fund Balance** - These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balance** - These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (highest level of decision making authority).
- **Assigned Fund Balance** – These are amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments may be made by the City’s Finance Director based on the City Council’s delegation.
- **Unassigned Fund Balance** – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resourced of that fund.

N. Interfund Activity

During the course of normal operations, numerous transactions occur between individual funds that may result in amounts due between funds. Those related to goods and service type transactions are classified as “due to and due from other funds”. Short-term interfund loans are reports as “interfund receivables and payables”. Long-term interfund loans are reported as “advances from and to other funds” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Permanent allocations of resources between funds are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between governmental funds have been eliminated.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies (continued)

O. Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenses and expenditures. Actual results may differ from those estimates.

P. Concentration of Credit Risk

Substantially all of the City's revenues are generated from the citizens of Dundas. The ability of the City to repay long-term obligation and provide for services is dependent on the economic strength of the Dundas area.

Financial instruments, which may expose the City to a concentration of credit risk, are primarily cash and investments. The credit risks associated with cash and investments are discussed in Note 2.

NOTE 2: Deposits and Investments

The City pools substantially all individual fund cash balances. Each fund's portion of this pool is displayed on the statements of Net Position as "Cash and Cash Equivalents".

Selected investments are invested on a fund by fund basis. Those funds with separate investments are reported separately on the statements of Net Position.

Deposits:

In accordance with Minnesota Statutes, the City maintains its deposits with national banks; insured state banks and thrift institutions. Minnesota Statutes require that all City deposits be insured, secured by a surety bond or be collateralized, and the market value of collateral must be equal to 110% of the deposits not covered by insurance or surety bonds.

The City's deposits in banks at December 31, 2014 were entirely covered by Federal Deposit Insurance or collateralized by securities held by the financial institution's agent in the name of the City.

Investments:

The City has adopted an investment policy that conforms to all applicable laws of the State of Minnesota. The objective of the City's investment program is to preserve capital and protection of the investment principal. Investments are made under the assumption that, except under limited circumstances, all investments will be held to maturity.

Separate investment policies or agreements may exist to address proceeds from certain bond issues or debt service funds in accordance with various external agreements.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal policy limiting investments maturities that would help manage its exposure to fair value losses from increasing interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fully fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating service. All of the City's investments are rated AAA by the S & P rating service.

Concentration of Credit Risk

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer.

Custodial Risk

For investments, custodial risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. At December 31, 2014, all investments were insured or the securities were held by the City or its agent in the name of the City.

The following is a summary of the City's investments as of December 31, 2014
:

	Fair Value	Weighted Average Maturity
Certificates of Deposit	<u>\$ 1,682,058</u>	N/A, unrated

A reconciliation of cash and investments as shown in the Statement of Net Position:

Cash and investments	<u>\$ 4,160,593</u>
Deposits:	
Checking account	\$ 74,688
Money market account	2,403,747
Petty cash	100
Investments, certificates of deposit	<u>1,682,058</u>
Total	<u>\$ 4,160,593</u>

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: Capital Assets

Capital asset activity for the year ended December 31, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Assets not being depreciated:				
Land	\$ 193,007	\$ 76,080	\$ -	\$ 269,087
Construction in process	103,118	1,115,925	-	1,219,043
Total assets not being Depreciated	<u>\$ 296,125</u>	<u>\$ 1,192,005</u>	<u>\$ -</u>	<u>\$ 1,488,130</u>
Assets being depreciated:				
Buildings and structures	\$ 844,841	\$ -	\$ -	\$ 844,841
Equipment	221,306	14,749	-	236,055
Vehicles	92,722	43,208	-	135,930
Land improvements	415,820	-	-	415,820
Infrastructure	2,692,265	-	-	2,692,265
Total capital assets being depreciated	<u>\$ 4,266,954</u>	<u>\$ 57,957</u>	<u>\$ -</u>	<u>\$ 4,324,911</u>
Accumulated Depreciation:				
Buildings and structures	\$ 504,447	\$ 30,131	\$ -	\$ 534,578
Equipment	117,865	15,906	-	133,771
Vehicles	27,295	11,090	-	38,385
Land improvements	94,007	14,446	-	108,453
Infrastructure	1,075,204	84,473	-	1,159,677
Total accumulated depreciation	<u>\$ 1,818,818</u>	<u>\$ 156,046</u>	<u>\$ -</u>	<u>\$ 1,974,864</u>
Net Other Capital Assets	<u>\$ 2,448,136</u>			<u>\$ 2,350,047</u>
Governmental activities capital assets, net	<u>\$ 2,744,261</u>			<u>\$ 3,838,177</u>

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Assets not being depreciated:				
Land and land rights	\$ 223,396	\$ -	\$ -	\$ 223,396
Capital assets being depreciated:				
Sewer collection system	\$ 8,264,022	\$ -	\$ -	\$ 8,264,022
Water distribution system	7,271,339	-	-	7,271,339
Storm water collection system	635,430	-	-	635,430
Equipment	55,092	-	-	55,092
Software	20,460	-	-	20,460
Total capital assets being depreciated	\$ 16,246,343	\$ -	\$ -	\$ 16,246,343
Accumulated Depreciation:				
Sewer collection system	\$ 2,764,646	\$ 206,601	\$ -	\$ 2,971,247
Water distribution system	2,396,695	221,685	-	2,618,380
Storm water collection system	111,202	15,886	-	127,088
Equipment	18,716	4,433	-	23,149
Software	20,460	-	-	20,460
Total capital assets being depreciated	\$ 5,311,719	\$ 448,605	\$ -	\$ 5,760,324
Net Other Capital Assets	\$ 10,934,624			\$ 10,486,019
Business-type activities				
Capital assets, net	\$ 11,158,020			\$ 10,709,415

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

Governmental Activities:	
General government	\$ 2,535
Public safety	7,732
Public works	98,423
Parks and recreation	47,356
Total Governmental Activities	\$ 156,046
Business-type Activities:	
Water	\$ 224,920
Sewer	207,799
Storm water	15,886
Total Business-type Activities	\$ 448,605
Total Depreciation	\$ 604,651

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: Long-Term Debt

General Obligation Tax Increment Bonds

The general obligation tax increment bonds were issued to fund redevelopment projects. The additional property taxes resulting from the increased tax capacity of the redeveloped properties will be used to retire these bonds.

General Obligation Note

General obligation note proceeds were used to finance capital asset expenditures and will be repaid by future property taxes.

General Obligation Revenue Bonds and Notes

General obligation revenue bonds and notes were used to finance capital improvements in the City's enterprise funds. These bonds and notes will be repaid from water and sewer utility revenues.

A summary of long-term debt obligations outstanding as of December 31, 2014 balances is as follows:

	Interest Rates	Final Maturity	Balance 12/31/2014
Governmental Activities:			
General Obligation Tax Increment Debt:			
Series 2006A	3.80-4.35%	02/11/2017	\$ 580,000
General Obligation Improvement Bonds:			
Series 2013A	2.00-3.70%	02/01/2029	1,295,000
Compensated absences			30,590
			<u>\$ 1,905,590</u>
Business-type Activities:			
General Obligation Revenue Notes:			
Note 1997A	2.88%	02/20/2018	\$ 202,743
Note 1997B		08/20/2018	289,506
General Obligation Revenue Bonds:			
Refund Bonds 2013A	2.00-3.25%	02/01/2026	2,355,000
Refunding Bonds Series 2006B	3.75-4.65%	01/01/2025	870,000
Refunding Bonds Series 2006C	3.85-4.35%	05/01/2017	420,000
Refunding Bonds Series 2014A	.40-2.25%	12/01/2024	850,000
			<u>\$ 4,987,249</u>
Total Long-Term Debt, net			<u>\$ 6,892,839</u>

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: Long-Term Debt (continued)

The changes in the Bonds payable of the City during the year ended December 31, 2014 are as follows:

	Balance 01/01/2014	Additions	Reductions	Balance 12/31/2014	Amounts Due Within One Year
Governmental Activities:					
General Obligation Tax					
Increment Bonds:					
Series 2006A	\$ 750,000	\$ -	\$ 170,000	\$ 580,000	\$ 180,000
General Obligation					
Improvement Bonds					
Series 2013A	1,295,000	-	-	1,295,000	60,000
Other liabilities					
Compensated absences	30,590	-	-	30,590	-
Total Governmental					
Activities	<u>\$ 2,075,590</u>	<u>\$ -</u>	<u>\$ 170,000</u>	<u>\$ 1,905,590</u>	<u>\$ 240,000</u>
Business-type Activities:					
Enterprise Funds:					
General Obligation Revenue Notes:					
Note 1997A	\$ 257,056	\$ -	\$ 54,313	\$ 202,743	\$ 55,889
Note 1997B	361,882	-	72,376	289,506	72,377
General Obligation Revenue Bonds:					
Series 2014A	-	850,000	-	850,000	85,000
Series 2013A	2,355,000	-	-	2,355,000	250,000
Series 2006B	930,000	-	60,000	870,000	870,000
Series 2006C	550,000	-	130,000	420,000	135,000
Total Business-type					
Activities	<u>\$ 4,453,938</u>	<u>\$ 850,000</u>	<u>\$ 316,689</u>	<u>\$ 4,987,249</u>	<u>\$ 1,468,266</u>
Totals Long-term					
Debt	<u>\$ 6,529,528</u>	<u>\$ 850,000</u>	<u>\$ 486,689</u>	<u>\$ 6,892,839</u>	<u>\$ 1,708,266</u>

The GO Revenue Bonds, Series 2006B, were called and refunded during January 2015.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: Long-Term Debt (continued)

The annual requirements to amortize long-term debt as of December 31, 2014 are as follows:

Governmental Activities		
<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 240,000	\$ 57,948
2016	270,000	48,719
2017	280,000	38,617
2018	75,000	32,658
2019	80,000	31,108
2020-2024	430,000	120,038
2025-2029	500,000	46,376
Total	<u>\$ 1,875,000</u>	<u>\$ 375,464</u>

Business-type Activities		
<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,468,265	\$ 106,677
2016	684,887	73,796
2017	696,555	58,769
2018	532,542	46,279
2019	205,000	40,135
2020-2024	1,105,000	124,540
2025-2026	295,000	9,488
Total	<u>\$ 4,987,249</u>	<u>\$ 459,684</u>

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. Fund Equity

Fund Equity balances are classified, as detailed below, to reflect the limitations and restrictions of the respected funds.

Restricted:	
Debt service	\$ 191,739
Capital asset purchases	75,381
Total Restricted	<u>\$ 267,120</u>
Unrestricted:	
Committed:	
Tax Increment District activities	\$ 421,245
Public Safety capital asset acquisition	41,664
Public works activities	42,170
Total Committed	<u>\$ 505,079</u>
Assigned:	
Dundas Baseball operations	\$ 17,947
Annexation payments	292,397
Capital asset purchases	1,763
Total Assigned	<u>\$ 312,107</u>

NOTE 6: Receivables, Payables and Interfund Transfers

Summary of transfers for the year ended December 31, 2014 are as follows:

	Transfer In	Transfer Out
Major Governmental Funds:		
General Fund		
From Gambling Fund	\$ 15,758	\$ -
From Refuse Fund	40,000	-
To 2013A GO Bond Debt Service Fund	-	26,848
To KOR Property Development	-	44,916
Tax Increment Improvement Fund		
To Water Utility Fund	-	51,798
Non Major Governmental Funds:		
Gambling Fund	-	15,758
KOR Property Development	44,916	-
2013A GO Bond Debt Service Fund	34,161	-
Totals	<u>\$ 134,835</u>	<u>\$ 139,320</u>
Major Proprietary Funds:		
Enterprise Funds:		
Water Utility Fund		
From Tax Increment Improvement Fund	\$ 51,798	\$ 2,370
Sewer Utility Fund		
To 2013A GO Bond Debt Service Fund	-	2,370
Non Major Proprietary Funds		
Refuse Fund		
To General Fund	-	40,000
Storm Water Utility Fund		
To 2013A GO Bond Debt Service Fund	-	2,573
	<u>\$ 51,798</u>	<u>\$ 47,313</u>

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: Receivables, Payables and Interfund Transfers (continued)

Receivable Fund	Payable Fund	Amount
General Fund	Dundas Baseball Association Fund	\$ 4,172
	Gambling Fund	5,064
	Tax Increment Improving Fund	3,590
		<u>\$ 12,826</u>
Capital Improvements Fund	General Fund	\$ 32,005
Total Governmental Type Funds		<u>\$ 44,831</u>
Water Utility Fund	Capital Improvements Fund	\$ 9,354
Sewer Utility Fund	Water Utility Fund	\$ 291,551
Sewer Utility Fund	Capital Improvements Fund	523,232
		<u>\$ 814,783</u>
Storm Water Utility Fund	Capital Improvements Fund	34,630
Total Proprietary Type Funds		<u>\$ 942,914</u>

NOTE 7: Defined Benefit Pension Plans – Statewide

Plan Description

All full time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement 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.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: Defined Benefit Pension Plans – Statewide

Plan Description (continued)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each year of the first 10 years and 1.7 percent for each remaining year. Under method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. All PEPFF members and GEF members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERA and PEPFF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: Defined Benefit Pension Plans – Statewide (continued)

Funding Policy

Minnesota Statute chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.25%, respectively, of their annual covered salary for 2014. PEPFF members are required to contribute 10.2% of their annual covered salary for 2014.

In 2014, the City of Dundas was required to contribute the following percentages of annual covered payroll: 11.78 % for Basic Plan members, 7.25% for Coordinated Plan members and 15.3% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013, and 2012, were \$18,419, \$16,019, and \$13,471, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ended December 31, 2014, 2013, and 2012 were \$20,850, \$17,163, and \$15,807, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 8: Commitments and Contingencies

State of Minnesota Grants

The City participated in several State of Minnesota grant programs. These grants are subject to compliance audits by the grantors and their representatives. The ultimate determination of the amounts earned under these grants is therefore subject to change pending completion and acceptance of these audits, if any. Until these audits are completed and accepted there exists a contingent liability that some amounts received under these grants will be in excess of the allowable costs. The City is of the opinion that no material liability will result from such audits, if any.

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 or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: Commitments and Contingencies

Litigation

The City may be subject to potential litigation involving various personal injury and property loss claims. The City intends to contest vigorously any litigation, which may result from these claims. In addition, management believes no material uninsured loss will result from these claims.

Risk Management

The City is exposed to various risks of loss related to torts; thefts of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT) to provide its general liability and property coverage. The LMCIT is a public entity risk pool currently operated as a common risk management and insurance program for participating Minnesota cities. All cities in the LMCIT are jointly and severally liable for all claims and expenses of the pool. The amount of any liability in excess of assets of the pool may be assessed to the participating cities if a deficiency occurs. The City purchased worker's compensation insurance as required by *Minnesota Statute*.

NOTE 10. Subsequent Events

The City has evaluated subsequent events through June 1, 2015, the date which the financial statements were available to be issued.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. Accounting Standards Issued But Not Yet Adopted

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* will be effective for the City beginning with its year ending December 31, 2015. This Statement requires the reporting of unfunded pension liabilities in the government-wide and proprietary financial statements. Management has not determined the impact adoption of this new standard will have on the City's financial position.

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CITY OF DUNDAS, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

Such information includes:

Budgetary Comparison Schedules
General Fund

**CITY OF DUNDAS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
REVENUES				
Taxes:				
Property Taxes	\$ 787,373	\$ 787,373	\$ 802,332	\$ 14,959
Non Property Taxes				
Franchise fees	13,349	13,349	13,564	215
Total Taxes	\$ 800,722	\$ 800,722	\$ 815,896	\$ 15,174
Licenses and Permits				
Building and plan fees	\$ 27,000	\$ 27,000	\$ 16,302	\$ (10,698)
Alcoholic beverages	8,300	8,300	5,470	(2,830)
Other	2,200	2,200	1,334	(866)
	\$ 37,500	\$ 37,500	\$ 23,106	\$ (14,394)
Intergovernmental:				
Local governmental aids	\$ 149,684	\$ 149,684	\$ 149,684	\$ -
Market value credit	-	-	611	611
Police training reimbursement	1,500	1,500	965	(535)
Other police grants	14,790	14,790	20,315	5,525
PERA Aid	104	104	104	-
	\$ 166,078	\$ 166,078	\$ 171,679	\$ 5,601
Interest income	\$ 12,000	\$ 12,000	\$ 6,410	\$ (5,590)
Charges for Services:				
Park	\$ 2,000	\$ 2,000	\$ 2,765	\$ 765
Zoning and subdivision	1,000	1,000	1,584	584
Other	1,650	1,650	2,971	1,321
	\$ 4,650	\$ 4,650	\$ 7,320	\$ 2,670
Fines and Forfeits	\$ 18,450	\$ 18,450	\$ 14,377	\$ (4,073)
Miscellaneous Revenues:				
Contributions	\$ 1,840	\$ 1,840	\$ 733	\$ (1,107)
Other	-	-	3,238	3,238
	\$ 1,840	\$ 1,840	\$ 3,971	\$ 2,131
Total Revenues	\$ 1,041,240	\$ 1,041,240	\$ 1,042,759	\$ 1,519

**CITY OF DUNDAS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
EXPENDITURES				
General Government:				
Mayor and Council:				
Salaries and wages	\$ 16,200	\$ 16,200	\$ 16,240	\$ (40)
Payroll taxes	1,239	1,239	1,243	(4)
Workers compensation insurance	60	60	54	6
Training and instruction	1,050	1,050	315	735
Telephone	420	420	420	-
Travel and meeting reimbursements	574	574	-	574
Dues and subscriptions	20	20	30	(10)
Total Mayor and Council	<u>\$ 19,563</u>	<u>\$ 19,563</u>	<u>\$ 18,302</u>	<u>\$ 1,261</u>
Finance and Administration:				
City Administrator:				
Salaries and wages	\$ 50,731	\$ 50,731	\$ 48,887	\$ 1,844
Payroll taxes	3,881	3,881	3,741	140
PERA contributions	3,678	3,678	3,531	147
Insurance benefits	5,846	5,846	5,929	(83)
Training and instruction	908	908	1,344	(436)
Telephone	420	420	420	-
Travel and meeting reimbursements	1,500	1,500	1,539	(39)
Dues and subscriptions	100	100	135	(35)
Total City Administrator	<u>\$ 67,064</u>	<u>\$ 67,064</u>	<u>\$ 65,526</u>	<u>\$ 1,538</u>
Administrative Staff:				
Salaries and wages	\$ 36,320	\$ 36,320	\$ 34,482	\$ 1,838
Payroll taxes	2,778	2,778	2,594	184
PERA contributions	2,633	2,633	2,448	185
Insurance benefits	8,295	8,295	7,893	402
Workers compensation insurance	749	749	833	(84)
Training and instruction	517	517	30	487
Travel and meeting reimbursements	517	517	124	393
Dues and subscriptions	150	150	70	80
Total Administrative Staff	<u>\$ 51,959</u>	<u>\$ 51,959</u>	<u>\$ 48,474</u>	<u>\$ 3,485</u>
Total Financial Administration	<u>\$ 119,023</u>	<u>\$ 119,023</u>	<u>\$ 114,000</u>	<u>\$ 5,023</u>

**CITY OF DUNDAS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
EXPENDITURES				
General Government (continued)				
Planning and Zoning:				
Salaries and wages	\$ 10,195	\$ 10,195	\$ 9,975	\$ 220
Payroll taxes	780	780	742	38
PERA contributions	739	739	693	46
Insurance benefits	1,520	1,520	1,364	156
Professional services:				
Engineering fees	6,750	6,750	1,811	4,939
Planning fees	12,920	12,920	1,616	11,304
Legal fees	7,560	7,560	5,695	1,865
Legal notices published	500	500	197	303
Miscellaneous	375	375	-	375
Total Planning and Zoning	<u>\$ 41,339</u>	<u>\$ 41,339</u>	<u>\$ 22,093</u>	<u>\$ 19,246</u>
Administrative				
Supplies	\$ 3,000	\$ 3,000	\$ 8,129	\$ (5,129)
Auditing and accounting	7,200	7,200	6,060	1,140
Legal fees	20,064	20,064	19,528	536
Engineering fees	14,000	14,000	17,876	(3,876)
Other professional services	3,000	3,000	994	2,006
Telephone and communications	3,375	3,375	3,058	317
Postage	800	800	702	98
Newsletter expense	3,899	3,899	3,080	819
Legal notices published	750	750	927	(177)
Insurance	6,946	6,946	7,832	(886)
Utilities	3,173	3,173	2,141	1,032
Repairs and maintenance	2,406	2,406	6,985	(4,579)
Equipment rentals	3,449	3,449	3,850	(401)
Capital outlay	10,000	10,000	4,354	5,646
Travel and meeting reimbursement	300	300	638	(338)
Dues and subscriptions	1,363	1,363	1,690	(327)
Miscellaneous	-	-	2,212	(2,212)
Total Administrative	<u>\$ 83,725</u>	<u>\$ 83,725</u>	<u>\$ 90,056</u>	<u>\$ (6,331)</u>
Elections				
Salaries and wages	\$ 1,800	\$ 1,800	\$ 1,675	\$ 125
Transportation	150	150	115	35
Legal Notices	400	400	43	357
Other	500	500	1,012	(512)
Total Elections	<u>\$ 2,850</u>	<u>\$ 2,850</u>	<u>\$ 2,845</u>	<u>\$ 5</u>
Total General Government	<u>\$ 266,500</u>	<u>\$ 266,500</u>	<u>\$ 247,296</u>	<u>\$ 19,204</u>

**CITY OF DUNDAS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Public Safety:				
Civil Defense:				
Utilities	\$ 226	\$ 226	93	\$ 133
Insurance	100	100	-	100
Repairs and maintenance	825	825	844	(19)
Total Civil Defense	\$ 1,151	\$ 1,151	\$ 937	\$ 214
Animal Control:				
Subcontracted services	\$ 500	\$ 500	115	\$ 385
Fire Protection:				
Contractual services	\$ 51,233	\$ 51,233	29,215	\$ 22,018
Police Protection:				
Salaries and wages	\$ 132,251	\$ 132,251	\$ 136,673	\$ (4,422)
Payroll taxes	1,918	1,918	1,982	(64)
PERA contributions	20,234	20,234	20,943	(709)
Insurance benefits	14,900	14,900	17,069	(2,169)
Workers compensation insurance	2,971	2,971	3,962	(991)
Supplies	2,397	2,397	4,104	(1,707)
Training and instruction	1,138	1,138	5,302	(4,164)
Vehicle Operations	10,917	10,917	11,819	(902)
Uniforms	1,836	1,836	574	1,262
Legal fees	17,226	17,226	13,876	3,350
Other professional services	2,840	2,840	2,366	474
Telephone and communications	5,614	5,614	3,994	1,620
Insurance	6,534	6,534	6,691	(157)
Utilities	4,590	4,590	2,413	2,177
Leased space	9,217	9,217	16,500	(7,283)
Leased equipment	74	74	60	14
Dues and subscriptions	245	245	165	80
Capital outlay	16,509	16,509	33,428	(16,919)
Miscellaneous	5,000	5,000	4,497	503
Total Police Protection	\$ 256,411	\$ 256,411	\$ 286,418	\$ (30,007)

**CITY OF DUNDAS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Public Safety: (continued)				
Building Inspections				
Salaries and wages	\$ 3,853	\$ 3,853	\$ 3,657	\$ 196
Payroll taxes	295	295	258	37
PERA contributions	279	279	245	34
Insurance benefits	790	790	627	163
Supplies	403	403	11	392
Telephone	1,099	1,099	557	542
Professional fees	-	-	230	(230)
Permit review fees	17,250	17,250	3,886	13,364
Miscellaneous	200	200	501	(301)
Plan review fees	9,000	9,000	7,072	1,928
Total Building Inspections	<u>\$ 33,169</u>	<u>\$ 33,169</u>	<u>\$ 17,044</u>	<u>\$ 16,125</u>
Total Public Safety	<u>\$ 342,464</u>	<u>\$ 342,464</u>	<u>\$ 333,729</u>	<u>\$ 8,735</u>
Public Works:				
Highways, Streets, and Roads:				
Salaries and wages	\$ 33,087	\$ 33,087	\$ 48,225	\$ (15,138)
Payroll taxes	2,399	2,399	3,689	(1,290)
PERA contributions	2,531	2,531	3,030	(499)
Insurance benefits	4,955	4,955	4,853	102
Workers compensation insurance	-	-	3,892	(3,892)
Supplies	3,000	3,000	4,912	(1,912)
Signs	1,500	1,500	4,608	(3,108)
Building utilities	3,000	3,000	1,775	1,225
Engineering fees	1,220	1,220	1,830	(610)
Insurance	340	340	1,221	(881)
Travel and meeting reimbursements	200	200	607	(407)
Street lighting utilities	28,525	28,525	23,740	4,785
Mowing	7,763	7,763	2,386	5,377
Snow plowing	3,461	3,461	1,740	1,721
Sand/rock/dirt	8,254	8,254	9,385	(1,131)
Street sweeping	5,801	5,801	2,221	3,580
Road maintenance	53,996	53,996	40,347	13,649
Vehicle Operation	9,000	9,000	8,566	434
Miscellaneous	280	280	1,246	(966)
Capital outlay	24,292	24,292	21,467	2,825
Total Public Works	<u>\$ 193,604</u>	<u>\$ 193,604</u>	<u>\$ 189,740</u>	<u>\$ 3,864</u>

**CITY OF DUNDAS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Cultural and Recreation:				
Parks:				
Salaries and wages	\$ 9,290	\$ 9,290	\$ 8,370	\$ 920
Payroll taxes	711	711	630	81
PERA contributions	2,149	2,149	480	1,669
Insurance benefits	1,702	1,702	829	873
Workers compensation insurance	410	410	192	218
Engineering fees	-	-	799	(799)
Supplies	1,530	1,530	7,896	(6,366)
Repairs and maintenance	9,000	9,000	15,557	(6,557)
Insurance	16,224	16,224	17,285	(1,061)
Equipment rentals	1,200	1,200	1,575	(375)
Utilities	4,227	4,227	3,450	777
Grounds	5,472	5,472	6,478	(1,006)
Cleaning service	607	607	465	142
Programming	1,080	1,080	500	580
Miscellaneous	250	250	675	(425)
Capital outlay	10,098	10,098	5,300	4,798
Total Cultural and Recreation	<u>\$ 63,950</u>	<u>\$ 63,950</u>	<u>\$ 70,481</u>	<u>\$ (6,531)</u>
Capital outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,080</u>	<u>\$ (76,080)</u>
Total Expenditures	<u>\$ 866,518</u>	<u>\$ 866,518</u>	<u>\$ 917,326</u>	<u>\$ (50,808)</u>
Excess (Deficit) of Revenues Over Expenditures	\$ 174,722	\$ 174,722	\$ 125,433	\$ 49,289
OTHER FINANCING SOURCES				
Transfer in	\$ -	\$ -	\$ 55,758	55,758
Transfers (out)	-	-	(71,764)	(71,764)
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,006)</u>	<u>\$ (16,006)</u>
Net Change in Fund Balances	\$ 174,722	\$ 174,722	\$ 109,427	\$ (65,295)
Fund Balance, beginning	484,564	484,564	484,564	-
Fund Balance, ending	<u>\$ 659,286</u>	<u>\$ 659,286</u>	<u>\$ 593,991</u>	<u>\$ (65,295)</u>

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CITY OF DUNDAS, MINNESOTA

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, but are presented for purposes of additional analysis.

Such information includes:

- Combining Statements -- Nonmajor governmental funds

- Combining Statements -- Nonmajor enterprise funds

- Individual Fund Statements

 - Water Utility Fund

 - Sewer Utility Fund

 - Refuse Utility Fund

 - Storm Water Utility Fund

**CITY OF DUNDAS, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	Special Revenue Funds			
	Gambling Fund	Dundas Baseball Association Activity Fund	Industrial Park Tax Abatement Fund	KOR Property Development Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ 22,439	\$ 1,526	\$ -
Receivables:				
Accounts	<u>5,064</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 5,064</u>	<u>\$ 22,439</u>	<u>\$ 1,526</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ -	\$ 320	\$ 1,526	\$ -
Due to other funds	<u>5,064</u>	<u>4,172</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 5,064</u>	<u>\$ 4,492</u>	<u>\$ 1,526</u>	<u>\$ -</u>
FUND BALANCES				
Unrestricted:				
Committed	\$ -	\$ -	\$ -	\$ -
Assigned	<u>-</u>	<u>17,947</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ -</u>	<u>\$ 17,947</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities and Fund Balances	<u>\$ 5,064</u>	<u>\$ 22,439</u>	<u>\$ 1,526</u>	<u>\$ -</u>

<u>Capital Outlay</u>		<u>Debt Service</u>	
<u>Public Safety Capital Outlay Fund</u>	<u>Titan Site Improvement Fund</u>	<u>GO Improvement Bonds 2013A Fund</u>	<u>Total</u>
\$ 41,664	\$ 42,170	\$ -	\$ 107,799
-	-	-	5,064
<u>\$ 41,664</u>	<u>\$ 42,170</u>	<u>\$ -</u>	<u>\$ 112,863</u>
\$ -	\$ -	\$ -	\$ 1,846
-	-	-	9,236
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,082</u>
\$ 41,664	\$ 42,170	\$ -	\$ 83,834
-	-	-	17,947
<u>\$ 41,664</u>	<u>\$ 42,170</u>	<u>\$ -</u>	<u>\$ 101,781</u>
<u>\$ 41,664</u>	<u>\$ 42,170</u>	<u>\$ -</u>	<u>\$ 112,863</u>

**CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014**

	Special Revenue Funds			
	Gambling Fund	Dundas Baseball Association Activity Fund	Industrial Park Tax Abatement Fund	KOR Property Development Fund
REVENUES				
Property taxes	\$ -	\$ -	\$ 3,053	\$ -
Gambling tax	5,064	-	-	-
Miscellaneous	-	28,755	-	-
Total Revenues	\$ 5,064	\$ 28,755	\$ 3,053	\$ -
EXPENDITURES				
Current:				
Parks and recreation	\$ -	\$ 24,630	\$ -	\$ -
Economic development	-	-	3,053	-
Debt Service:				
Interest and other charges	-	-	-	-
Total Expenditures	\$ -	\$ 24,630	\$ 3,053	\$ -
Excess (Deficit) Revenues Over Expenditures	\$ 5,064	\$ 4,125	\$ -	\$ -
Other Financing Sources (Uses)				
Transfers in	-	-	-	44,916
Transfers out	(15,758)	-	-	-
Net Change in Fund Balances	\$ (10,694)	\$ 4,125	\$ -	\$ 44,916
Fund Balances, beginning of the year	(10,694)	13,822	-	(44,916)
Fund Balances, end of the year	\$ -	\$ 17,947	\$ -	\$ -

<u>Capital Outlay</u>		<u>Debt Service</u>	
<u>Public Safety Capital Outlay Fund</u>	<u>Titan Site Improvement Fund</u>	<u>GO Improvement Bond 2013A Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 3,053
-	-	-	5,064
-	-	-	28,755
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,872</u>
\$ -	\$ -	\$ -	\$ 24,630
-	-	-	3,053
-	-	34,161	34,161
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,161</u>	<u>\$ 61,844</u>
\$ -	\$ -	\$ (34,161)	\$ (24,972)
-	-	34,161	79,077
-	-	-	(15,758)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,347</u>
<u>41,664</u>	<u>42,170</u>	<u>-</u>	<u>63,434</u>
<u><u>\$ 41,664</u></u>	<u><u>\$ 42,170</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 101,781</u></u>

**CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2014**

	Refuse Utility Fund	Storm Water Utility Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 20,252	\$ 82,449	\$ 102,701
Receivables, accounts	18,066	8,784	26,850
Due from other governmental units	80	-	80
Due from other funds	-	34,630	34,630
Total Current Assets	<u>\$ 38,398</u>	<u>\$ 125,863</u>	<u>\$ 164,261</u>
Capital Assets:			
Collection system	\$ -	\$ 635,430	\$ 635,430
Accumulated depreciation	-	(127,088)	(127,088)
Capital Assets, Net	<u>\$ -</u>	<u>\$ 508,342</u>	<u>\$ 508,342</u>
Total Assets	<u>\$ 38,398</u>	<u>\$ 634,205</u>	<u>\$ 672,603</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 5,919	\$ 5	\$ 5,924
Accrued Liabilities:			
Salaries and wages	61	26	87
Compensated absences	502	-	502
Other	956	-	956
Total Current Liabilities	<u>\$ 7,438</u>	<u>\$ 31</u>	<u>\$ 7,469</u>
NET POSITION			
Invested in capital assets	\$ -	\$ 508,342	\$ 508,342
Unrestricted	30,960	125,832	156,792
Total Net Position	<u>\$ 30,960</u>	<u>\$ 634,174</u>	<u>\$ 665,134</u>

**CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2014**

	Refuse Utility Fund	Storm Water Utility Fund	Totals
OPERATING REVENUES:			
Charges for service	\$ 95,300	\$ 37,504	\$ 132,804
OPERATING EXPENSES:			
Administrative	\$ 3,190	\$ 5,184	\$ 8,374
Maintenance and operations	73,747	21,251	94,998
Depreciation	-	15,886	15,886
Total Operating Expenses	\$ 76,937	\$ 42,321	\$ 119,258
Operating Income (Loss)	\$ 18,363	\$ (4,817)	\$ 13,546
NONOPERATING REVENUES			
Interest income	171	454	625
Income (loss) before Transfers	\$ 18,534	\$ (4,363)	\$ 14,171
Transfer out	(40,000)	(2,573)	(42,573)
Change in Net Position	\$ (21,466)	\$ (6,936)	\$ (28,402)
Net Position, beginning of the year	52,426	641,110	693,536
Net Position, end of the year	\$ 30,960	\$ 634,174	\$ 665,134

**CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2014**

	Refuse Utility Fund	Storm Water Utility Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 94,630	\$ 28,720	\$ 123,350
Cash paid to suppliers	(74,294)	(20,562)	(94,856)
Cash paid to employees	(2,443)	(6,620)	(9,063)
Net Cash Provided By Operating Activities	<u>\$ 17,893</u>	<u>\$ 1,538</u>	<u>\$ 19,431</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers to other funds	<u>\$ -</u>	<u>\$ (2,573)</u>	<u>\$ (2,573)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>\$ (40,000)</u>	<u>\$ -</u>	<u>\$ (40,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>\$ 171</u>	<u>\$ 454</u>	<u>\$ 625</u>
Net (Decrease) in Cash and Cash Equivalents	<u>\$ (21,936)</u>	<u>\$ (581)</u>	<u>\$ (22,517)</u>
Cash and Cash Equivalents, beginning of the year	<u>42,188</u>	<u>83,030</u>	<u>125,218</u>
Cash and Cash Equivalents, end of the year	<u>\$ 20,252</u>	<u>\$ 82,449</u>	<u>\$ 102,701</u>

**Reconciliation of Operating Income to Net Cash
Provided By Operating Activities**

Operating Income (Loss)	\$ 18,363	\$ (4,817)	\$ 13,546
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	15,886	15,886
Change in assets and liabilities:			
Accounts receivable	(652)	(8,784)	(9,436)
Due from other governmental units	(18)	-	(18)
Accounts payable	-	(773)	(773)
Accrued liabilities	200	26	226
Net Cash Provided By Operating Activities	<u>\$ 17,893</u>	<u>\$ 1,538</u>	<u>\$ 19,431</u>

**CITY OF DUNDAS, MINNESOTA
WATER UTILITY FUND
STATEMENTS OF NET POSITION
DECEMBER 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 448,101	\$ 341,014
Accounts receivable	32,087	34,378
Accrued interest receivable	328	351
Due from other funds	93,501	93,501
Prepaid expenses	1,677	1,924
Due from other governmental units	128	179
Total Current Assets	<u>\$ 575,822</u>	<u>\$ 471,347</u>
Capital Assets:		
Land	\$ 147,273	\$ 147,273
Distribution system	7,271,339	7,271,339
Equipment	43,106	43,106
Software	10,230	10,230
	<u>\$ 7,471,948</u>	<u>\$ 7,471,948</u>
Accumulated depreciation	(2,650,561)	(2,425,641)
Capital Assets, net	<u>\$ 4,821,387</u>	<u>\$ 5,046,307</u>
Total Assets	<u>\$ 5,397,209</u>	<u>\$ 5,517,654</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 4,170	\$ 5,432
Deferred Revenues	34,916	37,467
Accrued Liabilities:		
Salaries and wages	1,897	1,532
Interest payable	23,760	18,836
Compensated absences	12,762	10,323
Other	526	157
Due to other funds	291,551	291,551
Current portion of long-term debt	250,000	-
Accounts payable, construction	192,037	192,037
Total Current Liabilities	<u>\$ 811,619</u>	<u>\$ 557,335</u>
Noncurrent Liabilities:		
Bonds Payable	\$ 2,355,000	\$ 2,355,000
Unamortized bond discount	(14,230)	(17,477)
Unamortized bond premium	46,431	57,026
Current portion of long-term debt	(250,000)	-
Total Noncurrent Liabilities	<u>\$ 2,137,201</u>	<u>\$ 2,394,549</u>
Total Liabilities	<u>\$ 2,948,820</u>	<u>\$ 2,951,884</u>
NET POSITION:		
Invested in capital assets	\$ 2,434,186	\$ 2,651,758
Unrestricted	14,203	(85,988)
Total Net Position	<u>\$ 2,448,389</u>	<u>\$ 2,565,770</u>

**CITY OF DUNDAS, MINNESOTA
WATER UTILITY FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUE		
Charges for Services:		
Water sales	\$ 262,708	\$ 275,046
Connection fees	2,000	20,075
Sales of water meters	2,099	5,149
Other	<u>44,942</u>	<u>30,157</u>
Total Charges for Services	<u>\$ 311,749</u>	<u>\$ 330,427</u>
OPERATING EXPENSES		
Administrative:		
Salaries and wages	\$ 15,261	\$ 15,769
Payroll taxes	1,313	1,206
PERA contributions	1,245	1,143
Employee benefits	<u>3,193</u>	<u>3,151</u>
Total Administrative	<u>\$ 21,012</u>	<u>\$ 21,269</u>
Maintenance and Operation:		
Salaries and wages	\$ 36,249	\$ 37,293
Payroll taxes	2,773	2,853
PERA contribution	2,484	2,643
Employee benefits	3,938	6,476
Workers compensation insurance	1,386	1,424
Supplies	24,893	11,743
Postage	1,203	1,192
Software	572	418
Professional service:		
Audit and accounting	1,730	1,650
Engineering fees	1,815	22,639
Other	1,836	1,027
Communications	2,364	2,696
Travel reimbursements	2,565	2,637
Insurance	4,288	4,554
Utilities	26,928	24,283
Repairs and maintenance	64,302	79,801
Vehicle operations	2,043	1,425
Dues and subscriptions	550	542
Miscellaneous	<u>1,853</u>	<u>980</u>
Total Maintenance and Operations	<u>\$ 183,772</u>	<u>\$ 206,276</u>
Depreciation	<u>\$ 224,920</u>	<u>\$ 225,495</u>
Total Operating Expenses	<u>\$ 429,704</u>	<u>\$ 453,040</u>

**CITY OF DUNDAS, MINNESOTA
WATER UTILITY FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating (Loss)	\$ (117,955)	\$ (122,613)
NONOPERATING REVENUES (EXPENSES)		
Interest expense	\$ (49,375)	\$ (140,546)
Bond issuance cost	-	(26,514)
Fiscal agent fee	(268)	(500)
Interest income	<u>789</u>	<u>4,105</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (48,854)</u>	<u>\$ (163,455)</u>
(Loss) before Transfers	\$ (166,809)	\$ (286,068)
Transfer in	51,798	261,058
Transfer (out)	<u>(2,370)</u>	<u>-</u>
Change in Net Position	\$ (117,381)	\$ (25,010)
Net Position, beginning of the year, as restated	<u>2,565,770</u>	<u>2,590,780</u>
Net Position, end of the year	<u>\$ 2,448,389</u>	<u>\$ 2,565,770</u>

**CITY OF DUNDAS, MINNESOTA
WATER UTILITY FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 311,540	\$ 367,437
Cash paid to employees	(48,706)	(51,790)
Cash paid to suppliers	(153,920)	(175,680)
Net Cash Provided By Operating Activities	<u>\$ 108,914</u>	<u>\$ 139,967</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfers in	\$ 51,798	\$ 261,058
Transfer (out)	(2,370)	-
Purchases of capital assets	-	(61,352)
Capital debt proceeds	-	2,396,729
Principal paid on capital debt	-	(2,515,000)
Capital debt issuance costs	-	(26,514)
Interest and fiscal charges paid on capital debt	(52,067)	(111,558)
Net Cash (Used By) Capital and Related Financing Activities	<u>\$ (2,639)</u>	<u>\$ (56,637)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned	\$ 812	\$ 611
Net Increase in Cash and Cash Equivalents	\$ 107,087	\$ 83,941
Cash and Cash Equivalent, beginning of year	341,014	257,073
Cash and Cash Equivalent, end of year	<u>\$ 448,101</u>	<u>\$ 341,014</u>

**Reconciliation of Operating Income to
Net Cash Provided By Operating Activities**

	<u>2014</u>	<u>2013</u>
Operating (Loss)	\$ (117,955)	\$ (122,613)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	224,920	225,495
Change in assets and liabilities:		
Receivables, net	2,291	(604)
Due from other governmental units	51	147
Prepaid expenses	247	362
Accounts payable, operations	(1,262)	(1,072)
Deferred Revenue	(2,551)	37,467
Accrued liabilities	3,173	785
Net Cash Provided By Operating Activities	<u>\$ 108,914</u>	<u>\$ 139,967</u>

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**CITY OF DUNDAS, MINNESOTA
SEWER UTILITY FUND
STATEMENTS OF NET POSITION
DECEMBER 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 498,815	\$ 544,243
Cash and cash equivalents restricted for debt service	814,775	-
Receivables:		
Accounts	63,483	64,890
Delinquent special assessments	10,682	9,340
Interest	1,247	1,335
Prepaid expenses	1,614	1,401
Due from other governmental units	4,605	1,925
Due from other funds	<u>814,783</u>	<u>814,783</u>
Total Current Assets	<u>\$ 2,210,004</u>	<u>\$ 1,437,917</u>
Noncurrent Assets:		
Deferred special assessments	<u>\$ 141,774</u>	<u>\$ 208,653</u>
Capital Assets:		
Land	\$ 76,123	\$ 76,123
Distribution system	8,264,022	8,264,022
Equipment	11,986	11,986
Software	<u>10,230</u>	<u>10,230</u>
	\$ 8,362,361	\$ 8,362,361
Accumulated depreciation	<u>(2,982,675)</u>	<u>(2,774,876)</u>
Capital Assets, net	<u>\$ 5,379,686</u>	<u>\$ 5,587,485</u>
Total Assets	<u>\$ 7,731,464</u>	<u>\$ 7,234,055</u>

	<u>2014</u>	<u>2013</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 27,818	\$ 22,773
Accrued Liabilities:		
Salaries and wages	1,005	954
Compensated absences	5,140	4,295
Interest payable	25,243	27,200
Current portion of long-term debt	<u>1,218,266</u>	<u>316,690</u>
Total Current Liabilities	<u>\$ 1,277,472</u>	<u>\$ 371,912</u>
Noncurrent Liabilities:		
Bonds payable	\$ 2,140,000	\$ 1,480,000
Notes payable	492,249	618,939
Unamortized bond discount	(12,763)	(7,699)
Current portion of long-term debt	<u>(1,218,266)</u>	<u>(316,690)</u>
Total Noncurrent Liabilities	<u>\$ 1,401,220</u>	<u>\$ 1,774,550</u>
Total Liabilities	<u>\$ 2,678,692</u>	<u>\$ 2,146,462</u>
NET POSITION		
Invested in capital assets	\$ 3,610,200	\$ 3,496,245
Restricted for:		
Capital assets replacement	51,855	48,800
Unrestricted	<u>1,390,717</u>	<u>1,542,548</u>
Total Net Position	<u>\$ 5,052,772</u>	<u>\$ 5,087,593</u>

**CITY OF DUNDAS, MINNESOTA
SEWER UTILITY FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUE		
Charges for Services:		
Sewer services	\$ 395,443	\$ 377,601
Connection fees	4,000	29,333
Other	<u>6,073</u>	<u>8,161</u>
Total Charges for Services	<u>\$ 405,516</u>	<u>\$ 415,095</u>
OPERATING EXPENSES		
Administrative:		
Salaries and wages	\$ 15,333	\$ 12,048
Payroll taxes	1,173	922
PERA contributions	1,093	874
Employee health benefits	<u>2,174</u>	<u>2,375</u>
Total Administrative	<u>\$ 19,773</u>	<u>\$ 16,219</u>
Maintenance and Operation:		
Salaries and wages	\$ 15,685	\$ 15,798
Payroll taxes	1,161	1,209
PERA contribution	1,078	1,113
Employee benefits	2,390	2,588
Supplies	479	1,447
Software	572	418
Training and instruction	655	-
Postage	1,183	1,173
Professional Services:		
Accounting and auditing	1,730	1,650
Engineering fees	1,747	1,520
Other	402	724
Telephone	857	922
Travel reimbursements	1,166	565
Insurance	4,630	3,152
Purchased sewer services	149,596	141,478
Repairs and maintenance	11,755	21,835
Miscellaneous	<u>2,053</u>	<u>1,188</u>
Total Maintenance and Operation	<u>\$ 197,139</u>	<u>\$ 196,780</u>
Depreciation	<u>\$ 207,799</u>	<u>\$ 207,799</u>
Total Operating Expenses	<u>\$ 424,711</u>	<u>\$ 420,798</u>

**CITY OF DUNDAS, MINNESOTA
SEWER UTILITY FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating Income (Loss)	\$ (19,195)	\$ (5,703)
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 1,679	\$ 2,014
Special assessment interest	11,051	14,468
Debt forgiven	72,377	72,377
Bond issuance costs	(29,725)	-
Interest expense	(67,824)	(82,697)
Fiscal agent fees	(814)	(800)
Total Nonoperating Revenues (Expenses)	<u>\$ (13,256)</u>	<u>\$ 5,362</u>
(Loss) Before transfer	\$ (32,451)	\$ (341)
Transfer (out)	<u>(2,370)</u>	<u>-</u>
Change in Net Position	\$ (34,821)	\$ (341)
Net Position, beginning of the year	<u>5,087,593</u>	<u>5,087,934</u>
Net Position, end of the year	<u>\$ 5,052,772</u>	<u>\$ 5,087,593</u>

**CITY OF DUNDAS, MINNESOTA
SEWER UTILITY FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 404,243	\$ 411,149
Cash paid to suppliers	(181,062)	(186,329)
Cash paid to employees	(30,122)	(27,098)
Net Cash Provided By Operating Activities	<u>\$ 193,059</u>	<u>\$ 197,722</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond issuance cost	\$ (29,725)	\$ -
Principal paid on capital debt	(244,313)	(242,781)
Interest fiscal fee paid on capital debt	(68,859)	(78,102)
Bond proceeds	843,200	-
Transfer (out)	(2,370)	-
Interest on special assessments	11,051	14,468
Principal payments received on special assessments	65,537	71,372
Net Cash Provided by (Used In) Capital and Related Financing Activities	<u>\$ 574,521</u>	<u>\$ (235,043)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	\$ 1,767	\$ 3,318
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 769,347	\$ (34,003)
Cash and Cash Equivalent, beginning of year	<u>544,243</u>	<u>578,246</u>
Cash and Cash Equivalent, end of year	<u>\$ 1,313,590</u>	<u>\$ 544,243</u>

**Reconciliation of Operating Income to
Net Cash Provided By Operating Activities**

	<u>2014</u>	<u>2013</u>
Operating Income (Loss)	\$ (19,195)	\$ (5,703)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	207,799	207,799
Change in assets and liabilities		
Receivables	1,407	(4,329)
Due from other governmental units	(2,680)	383
Prepaid expenses	(213)	(860)
Accounts payable	5,045	(316)
Accrued liabilities	896	748
Net Cash Provided By Operating Activities	<u>\$ 193,059</u>	<u>\$ 197,722</u>

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**CITY OF DUNDAS, MINNESOTA
REFUSE UTILITY FUND
STATEMENTS OF NET POSITION
DECEMBER 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 20,252	\$ 42,188
Accounts receivable	18,066	17,414
Due from other governmental units	<u>80</u>	<u>62</u>
Total Current Assets	<u>\$ 38,398</u>	<u>\$ 59,664</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 5,919	\$ 5,919
Accrued Liabilities:		
Salaries and wages	61	74
Compensated absences	502	495
Other	<u>956</u>	<u>750</u>
Total Current Liabilities	<u>\$ 7,438</u>	<u>\$ 7,238</u>
NET POSITION		
Unrestricted	<u>\$ 30,960</u>	<u>\$ 52,426</u>

**CITY OF DUNDAS, MINNESOTA
REFUSE UTILITY FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUE		
Charges for Services:		
Refuse charge	\$ 93,733	\$ 95,563
Other	<u>1,567</u>	<u>1,553</u>
Total Charges for Services	<u>\$ 95,300</u>	<u>\$ 97,116</u>
 OPERATING EXPENDITURES		
Administrative:		
Salaries and wages	\$ 2,437	\$ 3,420
Payroll taxes	176	247
PERA contribution	167	261
Insurance benefits	<u>410</u>	<u>718</u>
Total Administrative	<u>\$ 3,190</u>	<u>\$ 4,646</u>
 Maintenance and Operation:		
Supplies	\$ 167	\$ 397
Software	345	269
Postage	1,183	1,173
Professional services	971	942
Refuse/garbage disposal	<u>71,081</u>	<u>71,186</u>
Total Maintenance and Operation	<u>\$ 73,747</u>	<u>\$ 73,967</u>
Total Operating Expenditures	<u>\$ 76,937</u>	<u>\$ 78,613</u>
 Operating Income	\$ 18,363	\$ 18,503
 NONOPERATING REVENUES		
Interest earnings	<u>171</u>	<u>131</u>
Income before Transfers	\$ 18,534	\$ 18,634
 Transfer (out)	<u>(40,000)</u>	<u>-</u>
Change in Net Position	\$ (21,466)	\$ 18,634
 Net Position, beginning of the year	<u>52,426</u>	<u>33,792</u>
 Net Position, end of the year	<u>\$ 30,960</u>	<u>\$ 52,426</u>

**CITY OF DUNDAS, MINNESOTA
REFUSE UTILITY FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 94,630	\$ 96,990
Cash paid to suppliers	(74,294)	(76,976)
Cash paid to employees	(2,443)	(3,399)
Net Cash Provided By Operating Activities	<u>\$ 17,893</u>	<u>\$ 16,615</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	\$ (40,000)	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	\$ 171	\$ 131
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (21,936)	\$ 16,746
Cash and Cash Equivalents, beginning of year	<u>42,188</u>	<u>25,442</u>
Cash and Cash Equivalents, end of year	<u>\$ 20,252</u>	<u>\$ 42,188</u>

**Reconciliation of Operating Income to
Net Cash Provided By Operating Activities**

Operating Income	\$ 18,363	\$ 18,503
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Accounts receivable	(652)	(226)
Due from other governmental units	(18)	100
Accounts payable	-	(822)
Accrued liabilities	<u>200</u>	<u>(940)</u>
Net Cash Provided By Operating Activities	<u>\$ 17,893</u>	<u>\$ 16,615</u>

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**CITY OF DUNDAS, MINNESOTA
STORM WATER UTILITY FUND
STATEMENTS OF NET POSITION
DECEMBER 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 82,449	\$ 83,030
Accounts receivable	8,784	-
Due from other funds	<u>34,630</u>	<u>34,630</u>
Total Current Assets	<u>\$ 125,863</u>	<u>\$ 117,660</u>
Capital Assets:		
Collection System	\$ 635,430	\$ 635,430
Accumulated depreciation	<u>(127,088)</u>	<u>(111,202)</u>
Capital Assets, Net	<u>\$ 508,342</u>	<u>\$ 524,228</u>
Total Assets	<u>\$ 634,205</u>	<u>\$ 641,888</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 5	\$ 778
Accrued salaries and wages	<u>26</u>	<u>-</u>
Total Current Liabilities	<u>\$ 31</u>	<u>\$ 778</u>
NET POSITION		
Invested in capital assets	\$ 508,342	\$ 524,228
Unrestricted	<u>125,832</u>	<u>116,882</u>
Total Net Position	<u>\$ 634,174</u>	<u>\$ 641,110</u>

**CITY OF DUNDAS, MINNESOTA
STORM WATER UTILITY FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUE		
Charges for Services:		
Storm water management fees	\$ 37,504	\$ 11,000
OPERATING EXPENDITURES		
Administrative:		
Salaries and wages	\$ 4,275	\$ -
Payroll taxes	326	-
PERA contributions	309	-
Employee benefits	274	-
Total Administrative	<u>\$ 5,184</u>	<u>\$ -</u>
Maintenance and Operations:		
Salaries and wages	\$ 2,371	\$ 2,343
Payroll taxes	181	179
PERA contribution	144	170
Employee benefits	171	301
Repairs and Maintenance	4,330	2,759
Professional fees	13,324	8,431
Other	730	185
Total Maintenance and Operations	<u>\$ 21,251</u>	<u>\$ 14,368</u>
Depreciation	15,886	15,886
Total Operating Expenses	<u>\$ 42,321</u>	<u>\$ 30,254</u>
Operating (Loss)	\$ (4,817)	\$ (19,254)
NONOPERATING REVENUES		
Interest earned	454	363
(Loss) before transfers	\$ (4,363)	\$ (18,891)
Transfer (out)	(2,573)	-
Change in Net Position	\$ (6,936)	\$ (18,891)
Net Position, beginning of the year	641,110	660,001
Net Position, end of the year	<u>\$ 634,174</u>	<u>\$ 641,110</u>

**CITY OF DUNDAS, MINNESOTA
STORM WATER UTILITY FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 28,720	\$ 11,000
Cash paid to suppliers	(20,562)	(11,621)
Cash paid to employees	(6,620)	(2,343)
Net Cash Provided by (Used By) Operating Activities	<u>\$ 1,538</u>	<u>\$ (2,964)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers out to other funds	<u>\$ (2,573)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>\$ 454</u>	<u>\$ 363</u>
Net (Decrease) in Cash and Cash Equivalents	\$ (581)	\$ (2,601)
Cash and Cash Equivalents, beginning of year	<u>83,030</u>	<u>85,631</u>
Cash and Cash Equivalents, end of year	<u>\$ 82,449</u>	<u>\$ 83,030</u>

**Reconciliation of Operating Income to
Net Cash Provided By Operating Activities**

	<u>2014</u>	<u>2013</u>
Operating (Loss)	\$ (4,817)	\$ (19,254)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	15,886	15,886
Change in assets and liabilities:		
Accounts receivable	(8,784)	-
Accounts payable	(773)	404
Accrued liabilities	<u>26</u>	<u>-</u>
Net Cash (Used By) Operating Activities	<u>\$ 1,538</u>	<u>\$ (2,964)</u>

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

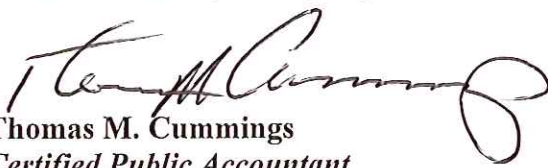
**Honorable Mayor
Members of the City Council
City of Dundas, Minnesota**

I have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Dundas, Minnesota** as of and for the year ended December 31, 2014 and the related notes to the financial statements and have issued my report thereon dated June 1, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. My audit included all of the listed categories.

In connection with my audit, nothing came to my attention that caused me to believe that the **City of Dundas**, failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, my audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had I performed additional procedures, other matters may have come to my attention regarding the **City of Dundas, Minnesota's** noncompliance with the above referenced provisions.

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


Thomas M. Cummings
Certified Public Accountant
June 1, 2015