

CITY OF DUNDAS, MINNESOTA
FINANCIAL STATEMENTS
DECEMBER 31, 2016

CITY OF DUNDAS, MINNESOTA

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CITY OF DUNDAS, MINNESOTA

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CITY OF DUNDAS, MINNEOSTA

CITY OFFICIALS

DECEMBER 31, 2016

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

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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, 2016, 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, 2016, 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 on pages 3 to 10, the schedules of employer's share of the net pension liability and the schedules of employer's pension contribution on pages 47 and 48, and budgetary information on pages 49 to 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 12, 2017

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, 2016.

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 three 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 and two special revenue funds, 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 \$12,623,075 as of December 31, 2016, with \$4,019,085 of net position from governmental activities and \$8,603,990 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	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 2,117,199	\$ 1,665,129	\$ 5,565,761	\$ 1,645,768	\$ 4,682,960	\$ 3,310,897
Capital assets	<u>3,869,165</u>	<u>4,068,319</u>	<u>10,167,443</u>	<u>10,294,719</u>	<u>14,036,608</u>	<u>14,363,038</u>
Total Assets	<u>\$ 5,986,364</u>	<u>\$ 5,733,448</u>	<u>\$12,733,204</u>	<u>\$11,940,487</u>	<u>\$ 18,719,568</u>	<u>\$ 17,673,935</u>
Deferred Outflows of Resources						
	<u>\$ 544,902</u>	<u>\$ 90,117</u>	<u>\$ 47,859</u>	<u>\$ 12,910</u>	<u>\$ 592,761</u>	<u>\$ 103,027</u>
Liabilities						
Other liabilities	\$ 158,484	\$ 110,875	\$ 248,025	\$ 318,012	\$ 406,509	\$ 428,887
Long-term liabilities	<u>2,253,348</u>	<u>1,984,717</u>	<u>3,909,364</u>	<u>3,330,823</u>	<u>6,162,712</u>	<u>5,315,540</u>
Total Liabilities	<u>\$ 2,411,832</u>	<u>\$ 2,095,592</u>	<u>\$ 4,157,389</u>	<u>\$ 3,648,835</u>	<u>\$ 6,569,221</u>	<u>\$ 5,744,427</u>
Deferred Inflows of Resources						
	<u>\$ 100,349</u>	<u>\$ 94,530</u>	<u>\$ 19,684</u>	<u>\$ 15,995</u>	<u>\$ 120,033</u>	<u>\$ 110,525</u>
Net Position:						
Invested in capital assets	\$ 2,495,274	\$ 2,423,369	\$ 7,283,864	\$ 7,076,824	\$ 9,779,138	\$ 9,500,193
Restricted	262,788	185,509	58,448	54,684	321,236	240,193
Unrestricted	<u>1,261,023</u>	<u>1,024,565</u>	<u>1,261,678</u>	<u>1,157,059</u>	<u>2,522,701</u>	<u>2,181,624</u>
Total Net Position	<u>\$ 4,019,085</u>	<u>\$ 3,633,443</u>	<u>\$ 8,603,990</u>	<u>\$ 8,288,567</u>	<u>\$ 12,623,075</u>	<u>\$ 11,922,010</u>

Governmental Activities

Governmental activities had an increase in net position in the amount of \$385,642.

City of Dundas Management's Discussion and Analysis

Summarized below are governmental activities revenues and expenses:

Revenues by sources – Governmental Activities

	2016		2015	
	Amount	%	Amount	%
Charges for services	\$ 188,286	9.14%	\$ 52,873	3.24%
Operating grants and contributions	39,192	1.90%	64,918	3.97%
Capital grants and contributions	277,489	13.48%	-	0.00%
Taxes:				
Property taxes	819,929	39.83%	782,736	47.92%
Tax increments	546,286	26.53%	543,152	33.25%
Non property taxes	13,454	.65%	12,977	.80%
Intergovernmental	155,541	7.55%	153,012	9.37%
Other	5,834	.28%	16,118	.99%
Unrestricted interest and investment earnings	13,151	.64%	7,591	.46%
Total Revenues	\$ 2,059,162	100%	\$ 1,633,377	100%

Expenses by Function/Program – Governmental Activities

General Government:

Mayor and council	\$ 28,601		\$ 30,520	
Financial Administration	122,424		182,293	
Elections	-		-	
Other Administration	62,819			
Planning and Zoning	36,088		20,023	
Total General Government	\$ 249,932	18.68%	\$ 232,836	21.11%

Public Safety:

Fire protection	\$ 75,659		\$ 39,717	
Civil defense	3,208		3,098	
Animal control	143		501	
Police protection	347,235		221,198	
Building inspection	63,057		20,634	
Total Public Safety	\$ 489,302	36.58%	\$ 285,148	25.86%

Public Works:

Highway, Streets, and Roads	\$ 347,622	25.99%	\$ 338,586	30.70%
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Parks and Recreation:

Parks	\$ 134,077		\$ 116,409	
Dundas Baseball Association	19,220		28,801	
Total Parks and Recreation	\$ 153,297	11.46%	\$ 145,210	13.17%

Economic Development	51,908	3.88%	43,490	3.94%
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Interest on long-term debt	45,667	3.41%	57,512	5.52%
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Total Expenses	\$1,337,728	100%	\$1,102,782	100%
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City of Dundas Management's Discussion and Analysis

Business-type Activities

Business-type activities Net Position increased by \$315,423 in 2016. Summarized below are business-type activities revenues and expenses:

Revenues by Sources – Business-type Activities

	2016		2015	
	Amount	%	Amount	%
Charges for Services:				
Water	\$ 327,493	31.63%	\$ 304,960	31.28%
Sewer	444,305	42.92%	410,806	42.13%
Refuse	103,799	10.03%	96,548	9.90%
Storm drainage	76,926	7.43%	70,872	7.27%
Capital grants and contributions	72,377	6.99%	88,133	9.04%
Unrestricted interest and investment earnings	10,371	1.0%	3,669	.34%
Total Business-type Revenues	<u>\$1,035,271</u>	<u>100%</u>	<u>\$ 974,988</u>	<u>100%</u>

Expenses by Function/Program – Business-type Activities

	2016		2015	
	Amount	%	Amount	%
Expenses by Program:				
Water	\$ 462,851	43.85%	\$ 431,638	42.85%
Sewer	475,790	45.07%	452,819	44.95%
Refuse	79,851	7.56%	75,734	7.52%
Storm drainage	37,148	3.52%	47,096	4.68%
Total Business-type Expenses	<u>\$1,055,640</u>	<u>100%</u>	<u>\$1,007,287</u>	<u>100%</u>

City of Dundas Management's Discussion and Analysis

Change in Net position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 188,286	\$ 52,873	\$ 952,523	\$ 883,186	\$1,140,809	\$ 936,059
Operating grants and contributions	39,192	64,918	-	-	39,192	64,918
Capital grants and contributions	277,489	-	72,377	88,133	349,866	88,133
General Revenues:						
Property taxes	819,929	782,736	-	-	819,929	782,736
Tax increments	546,286	543,152	-	-	546,286	543,152
Non property taxes	13,454	12,977	-	-	13,454	12,977
Intergovernmental	155,541	153,012	-	-	155,541	153,012
Other	13,151	16,118	-	-	13,151	16,118
Unrestricted interest and investment earnings	5,834	7,591	10,371	3,669	16,205	11,260
Total Revenues	\$2,059,162	\$1,633,378	\$1,035,271	\$ 974,988	\$3,094,433	\$ 2,608,365
Expenses:						
General government	\$ 249,932	\$ 232,836	\$ -	\$ -	\$ 249,932	\$ 232,836
Public safety	489,302	285,148	-	-	489,302	285,148
Public works	347,622	338,586	-	-	347,622	338,586
Parks and recreation	153,297	145,210	-	-	153,297	145,210
Economic development	51,908	43,490	-	-	51,908	43,490
Interest on long-term debt	45,667	57,512	-	-	45,667	57,512
Water	-	-	462,851	431,638	462,851	431,638
Sewer	-	-	475,790	452,819	475,790	452,819
Refuse	-	-	79,851	75,734	79,851	75,734
Storm drainage	-	-	37,148	47,096	37,148	47,096
Total Expenses	\$1,337,728	\$1,102,782	\$1,055,640	\$1,007,287	\$2,393,368	\$ 2,110,069
Change in Net Position Before Transfers	\$ 721,434	\$ 530,595	\$ (20,369)	\$ (32,299)	\$ 701,065	\$ 498,296
Transfers In (Out)	(335,792)	(232,917)	335,792	232,917	-	-
Change in Net Position	\$ 385,642	\$ 297,678	\$ 315,423	\$ (200,618)	\$ 701,065	\$ 498,296
Net Position, beginning	3,633,443	3,335,765	8,288,567	8,087,949	11,922,010	11,423,714
Net Position, ending	\$4,019,085	\$3,633,443	\$8,603,990	\$8,288,567	\$12,623,075	\$ 11,922,010

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, 2016, amounts to \$14,036,608 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	
	2016	2015	2016	2015	2016	2015
Land and land rights	\$ 559,674	\$ 559,674	\$ 223,396	\$ 223,396	\$ 783,070	\$ 783,070
Construction in process	-	-	302,117	8,500	302,117	8,500
Building and structures	977,271	1,020,614	-	-	977,271	1,020,614
Equipment	89,438	109,112	39,966	45,873	129,404	154,985
Vehicles	62,919	80,232	-	-	62,919	80,232
Land improvements	276,711	291,794	-	-	276,711	291,794
Infrastructure	1,903,152	2,006,893	-	-	1,903,152	2,006,893
Sewer collection system	-	-	4,974,374	5,087,473	4,974,374	5,087,473
Water distribution system	-	-	4,116,390	4,437,021	4,116,390	4,437,021
Storm water collection system	-	-	511,200	492,456	511,200	492,456
Total Capital Assets	<u>\$ 3,869,165</u>	<u>\$ 4,068,319</u>	<u>\$ 10,167,443</u>	<u>\$10,294,719</u>	<u>\$14,036,608</u>	<u>\$14,363,038</u>

- The City started construction of a new lift station and force main. This project will b completed in 2017.

City of Dundas Management's Discussion and Analysis

Debt Administration

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds:						
Tax increment	\$ 205,000	\$ 400,000	\$ -	\$ -	\$ 205,000	\$ 400,000
Improvement	1,160,000	1,235,000	-	-	1,160,000	1,235,000
Revenue bonds	-	-	3,555,000	2,870,000	3,555,000	2,870,000
Note payables-Revenue	-	-	234,097	363,948	234,097	363,984
	<u>\$1,365,000</u>	<u>\$1,635,000</u>	<u>\$3,789,097</u>	<u>\$3,233,984</u>	<u>\$5,154,097</u>	<u>\$4,868,984</u>

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, 2016**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 2,058,828	\$ 1,542,689	\$ 3,601,517
Cash and investments restricted or capital			
Asset construction	-	876,814	876,814
Receivables:			
Accounts	-	132,363	132,363
Interest	6,289	6,985	13,274
Taxes	23,855	-	23,855
Special assessments	10,208	3,619	13,827
Prepaid expenses	-	3,291	3,291
Due from other governmental units	18,019	-	18,019
Capital assets, net	3,869,165	10,167,443	14,036,608
Total Assets	<u>\$ 5,986,364</u>	<u>\$ 12,733,204</u>	<u>\$ 18,719,568</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	\$ 544,902	\$ 47,859	\$ 592,761
LIABILITIES AND NET POSITION			
Liabilities			
Accounts payable	\$ 53,393	\$ 133,677	\$ 187,070
Deferred revenue	-	53,007	53,007
Accrued Liabilities:			
Salaries and wages	15,360	4,860	20,220
Compensated absences	2,775	19,541	22,316
Interest	18,260	35,648	53,908
Other	25,829	1,292	27,121
Due to developers	42,867	-	42,867
Long-term liabilities:			
Due within one year	280,000	551,555	831,555
Due in more than one year	1,973,348	3,357,809	5,331,157
Total Liabilities	<u>\$ 2,411,832</u>	<u>\$ 4,157,389</u>	<u>\$ 6,569,221</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	\$ 100,349	\$ 19,684	\$ 120,033
NET POSITION			
Invested in capital assets	\$ 2,495,274	\$ 7,283,864	\$ 9,779,138
Restricted	262,788	58,448	321,236
Unrestricted	1,261,023	1,261,678	2,522,701
Net Position	<u>\$ 4,019,085</u>	<u>\$ 8,603,990</u>	<u>\$ 12,623,075</u>

See accompanying notes to the basic financial statements

**CITY OF DUNDAS, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 249,932	\$ 21,498	\$ -	\$ -	\$ (228,434)
Public safety	489,302	137,799	26,175	-	(325,328)
Public works	347,622	5,123	-	-	(342,499)
Parks and recreation	153,297	3,466	13,017	277,489	140,675
Economic development	51,908	20,400	-	-	(31,508)
Interest on long-term debt	45,667	-	-	-	(45,667)
Total Governmental Activities	\$ 1,337,728	\$ 188,286	\$ 39,192	\$ 277,489	\$ (832,761)
Business-type Activities:					
Water	\$ 462,851	\$ 327,493	\$ -	\$ -	\$ (135,358)
Sewer	475,790	444,305	-	-	(31,485)
Other	116,999	180,725	-	72,377	136,106
Total Business-type Activities	\$ 1,055,640	\$ 952,523	\$ -	\$ 72,377	\$ (30,740)
Totals	\$ 2,393,368	\$ 1,140,809	\$ 39,192	\$ 349,866	\$ (863,501)

	Governmental Activities	Business-type Activities	Total
Net (Expense)/Revenue	\$ (832,761)	\$ (30,740)	\$ (863,501)
General Revenues:			
Taxes:			
Property taxes	\$ 819,929	\$ -	\$ 819,929
Tax increments	546,286	-	546,286
Non property taxes	13,454	-	13,454
Intergovernmental	155,541	-	155,541
Unrestricted interest and investment earnings	5,834	10,371	16,205
Other	13,151	-	13,151
Transfers In (Out)	(335,792)	335,792	-
Total General Revenues and Transfers	\$ 1,218,403	\$ 346,163	\$ 1,564,566
Change in Net Position	\$ 385,642	\$ 315,423	\$ 701,065
Net Position, beginning of the year	3,633,443	8,288,567	11,922,010
Net Position, end of the year	\$ 4,019,085	\$ 8,603,990	\$ 12,623,075

See accompanying notes to the basic financial statements

**CITY OF DUNDAS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General Fund	Tax Increment Improvement Fund	Annexation Tax Rebate Fund
ASSETS			
Cash and investments	\$ 1,035,208	\$ 444,174	\$ 230,154
Receivables:			
Interest	4,801	1,488	-
Delinquent property taxes	23,855	-	-
Accounts	3,958	-	-
Due from other governmental units	18,019	-	-
Total Assets	<u>\$ 1,085,841</u>	<u>\$ 445,662</u>	<u>\$ 230,154</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 28,797	\$ 15,377	\$ -
Accrued Liabilities:			
Salaries and wages	15,360	-	-
Compensated absences	2,775	-	-
Other	25,829	-	-
Developer deposits	42,867	-	-
Total Liabilities	<u>\$ 115,628</u>	<u>\$ 15,377</u>	<u>\$ -</u>
Deferred Inflows of Resources			
Unavailable			
Property taxes	\$ 23,855	\$ -	\$ -
FUND BALANCE			
Restricted	\$ -	\$ -	\$ -
Unrestricted:			
Committed	-	430,285	
Assigned	-	-	230,154
Unassigned	946,358	-	-
Total Fund Balance	<u>\$ 946,358</u>	<u>\$ 430,285</u>	<u>\$ 230,154</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,085,841</u>	<u>\$ 445,662</u>	<u>\$ 230,154</u>

See accompanying notes to the basic financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 349,292	\$ 2,058,828
-	6,289
-	23,855
6,250	10,208
-	18,019
<u>\$ 355,542</u>	<u>\$ 2,117,199</u>

\$ 9,219	\$ 53,393
-	15,360
-	2,775
-	25,829
-	42,867
<u>\$ 9,219</u>	<u>\$ 140,224</u>

\$ -	\$ 23,855
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\$ 262,788	\$ 262,788
-	430,285
83,535	313,689
-	946,358
<u>\$ 346,323</u>	<u>\$ 1,953,120</u>
<u>\$ 355,542</u>	<u>\$ 2,117,199</u>

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

December 31, 2016

Fund Balances, total governmental funds	\$ 1,953,120
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	3,869,165
Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements Property taxes	23,855
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	(1,365,000)
Bond discounts	6,072
Bond premium	(14,963)
Accrued interest	(18,260)
Accrued compensated absences	42,595)
Pension liability	(836,862)
Governmental funds do not report long-term amounts related to pensions	
Deferred outflows of pension resources	544,902
Deferred inflows of pension resources	(100,349)
Net Position of Governmental Activities	<u>\$ 4,019,085</u>

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, 2016**

	General Fund	Tax Increment Improvement Fund	Annexation Tax Rebate Fund
REVENUES			
Taxes	\$ 816,678	\$ -	\$ -
Tax increments	-	349,240	-
Licenses and permits	125,344	-	-
Intergovernmental	444,755	-	-
Interest income	2,914	2,405	-
Charges for services	24,419	-	-
Fines and penalties	14,242	-	-
Miscellaneous	26,482	-	20,400
Total Revenues	<u>\$ 1,459,834</u>	<u>\$ 351,645</u>	<u>\$ 20,400</u>
EXPENDITURES			
Current:			
General government	\$ 241,514	\$ -	\$ -
Public safety	394,944	-	-
Public works	145,989	-	-
Parks and recreation	88,947	-	-
Economic development	-	932	47,923
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Total Expenditures	<u>\$ 871,394</u>	<u>\$ 932</u>	<u>\$ 47,923</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ 588,440</u>	<u>\$ 350,713</u>	<u>\$ (27,523)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 10,303	\$ -	\$ -
Transfers out	(164,923)	(383,675)	-
Total Other Financing Sources (Uses)	<u>\$ (154,620)</u>	<u>\$ (383,675)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 433,820</u>	<u>\$ (32,962)</u>	<u>\$ (27,523)</u>
 Fund Balances, beginning of the year	 <u>512,538</u>	 <u>463,247</u>	 <u>257,677</u>
 Fund Balances, end of the year	 <u>\$ 946,358</u>	 <u>\$ 430,285</u>	 <u>\$ 230,154</u>

See accompanying notes to the basic financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 11,664	\$ 828,342
197,046	546,286
-	125,344
-	444,755
515	5,834
-	29,419
-	14,242
13,017	59,899
<u>\$ 222,242</u>	<u>\$ 2,054,121</u>

\$ -	\$ 241,514
-	394,944
16,508	162,497
19,220	108,167
3,053	51,908
270,000	270,000
50,805	50,805
<u>\$ 359,586</u>	<u>\$ 1,279,835</u>
<u>\$ (137,344)</u>	<u>\$ 774,286</u>

\$ 212,806	\$ 223,109
(10,303)	(558,901)
<u>\$ 202,503</u>	<u>\$ (335,792)</u>
\$ 65,159	\$ 438,494
281,164	1,514,626
<u>\$ 346,323</u>	<u>\$ 1,953,120</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, 2016**

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 **\$ 438,494**

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	-
Depreciation Expense	(199,154)

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

Property taxes	5,041
Developer fees	43,153

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	270,000
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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	4,079
Amortization of bond premium	2,333
Amortization of bond discounts	(1,274)
Compensated absences	(4,595)

Long-term pension activity is not reported in governmental funds financial resources and are not reported as expenditures

Pension (expense) revenues	(86,129)
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Change in Net Position of Governmental Activities	\$ 385,642
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See accompanying notes to the basic financial statements

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**CITY OF DUNDAS, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016**

	Enterprise Funds			Total
	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Funds	Proprietary Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 675,354	\$ 682,328	\$ 185,007	\$ 1,542,689
Cash and cash equivalents restricted for capital asset construction	-	876,814	-	876,814
Receivables:				
Accounts	37,064	65,259	30,040	132,363
Delinquent special assessments	-	3,459	-	3,459
Interest	1,782	5,203	-	6,985
Prepaid expenses	1,677	1,614	-	3,291
Due from other funds	-	251,551	-	251,551
Total Current Assets	\$ 715,877	\$ 1,886,228	\$ 215,047	\$ 2,817,152
Noncurrent Assets:				
Deferred special assessments	\$ -	\$ 160	\$ -	\$ 160
Capital assets, Net	4,285,970	5,370,273	511,200	10,167,443
Total Noncurrent Assets	\$ 4,285,970	\$ 5,370,433	\$ 511,200	\$ 10,167,603
Total Assets	\$ 5,001,847	\$ 7,256,661	\$ 726,247	\$ 12,984,755
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	\$ 26,939	\$ 17,543	\$ 3,377	\$ 47,859

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	\$ 5,057	\$ 15,762	\$ 6,643	\$ 27,462
Accounts payable construction related	-	106,215	-	106,215
Deferred revenue	53,007	-	-	53,007
Accrued Liabilities:				
Salaries and wages	2,441	2,011	408	4,860
Compensated absences	10,321	7,111	2,109	19,541
Interest	18,885	16,763	-	35,648
Other	496	-	796	1,292
Current portion of bonds and notes	340,000	211,555	-	551,555
Due to other funds	251,551	-	-	251,551
Total Current Liabilities	\$ 681,758	\$ 359,417	\$ 9,956	\$ 1,051,131
Noncurrent Liabilities:				
Bonds payable	\$ 1,770,000	\$ 1,785,000	\$ -	\$ 3,555,000
Notes payable	-	234,097	-	234,097
Unamortized bond discount	(8,887)	(13,630)	-	(22,517)
Unamortized bond premium	28,997	-	-	28,997
Current portion of bonds and notes	(340,000)	(211,555)	-	(551,555)
Pension liability	64,049	41,709	8,029	113,787
Total Noncurrent Liabilities	\$ 1,514,159	\$ 1,835,621	\$ 8,029	\$ 3,357,809
Total Liabilities	\$ 2,195,917	\$ 2,195,038	\$ 17,985	\$ 4,408,940
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	\$ 11,080	\$ 7,215	\$ 1,389	\$ 19,684
NET POSITION				
Invested in capital assets	\$ 2,536,080	\$ 4,236,584	\$ 511,200	\$ 7,283,864
Restricted for capital asset replacement	-	58,448	-	58,448
Unrestricted	285,709	776,919	199,050	1,261,678
Total Net Position	\$ 2,821,789	\$ 5,071,951	\$ 710,250	\$ 8,603,990

CITY OF DUNDAS, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	Enterprise Funds			Total
	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Funds	Proprietary Funds
OPERATING REVENUES				
Charges for services	\$ 327,493	\$ 444,305	\$ 180,725	\$ 952,523
OPERATING EXPENSES				
Administrative	\$ 27,528	\$ 19,484	\$ 9,754	\$ 56,766
Maintenance and operations	167,359	193,593	91,359	452,311
Depreciation	226,803	207,799	15,886	450,488
Total Operating Expenses	\$ 421,690	\$ 420,876	\$ 116,999	\$ 959,565
Operating Income (Loss)	\$ (94,197)	\$ 23,429	\$ 63,726	\$ (7,042)
NONOPERATING REVENUES (EXPENSES)				
Interest income	\$ 1,127	\$ 3,244	\$ 596	\$ 4,967
Special assessment interest	-	5,404	-	5,404
Federal grant/debt forgiven	-	72,377	-	72,377
Bond issuance costs	-	(23,291)	-	(23,291)
Interest expense	(40,361)	(29,063)	-	(69,424)
Fiscal agent fees	(800)	(2,560)	-	(3,360)
Total Nonoperating Revenues and (Expenses)	\$ (40,034)	\$ 26,111	\$ 596	\$ (13,327)
Income (Loss) before Transfers	\$ (134,231)	\$ 49,540	\$ 64,322	\$ (20,369)
Transfer in	383,675	-	-	383,675
Transfer (out)	(7,869)	(7,869)	(32,145)	(47,883)
Change in Net Position	\$ 241,575	\$ 41,671	\$ 32,177	\$ 315,423
Net Position, beginning of the year	2,580,214	5,030,280	678,073	8,288,567
Net Position, end of the year	\$ 2,821,789	\$ 5,071,951	\$ 710,250	\$ 8,603,990

See accompanying notes to the basic financial statements

**CITY OF DUNDAS, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016**

	Enterprise Funds			Total
	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Funds	Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 337,827	\$ 439,096	\$ 174,309	\$ 951,232
Cash paid to suppliers	(55,968)	(185,106)	(90,846)	(331,920)
Cash paid to employees	(127,878)	(36,484)	(10,438)	(174,800)
Net Cash Provided By Operating Activities	\$ 153,981	\$ 217,506	\$ 73,025	\$ 444,512
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital debt	\$ (335,000)	\$ (137,510)	-	\$ (472,510)
Interest paid on capital debt	(49,475)	(20,246)	-	(69,721)
Bond issuance costs	-	(23,291)	-	(23,291)
Bond proceeds	-	1,090,100	-	1,090,100
Transfers in	383,675	-	-	383,675
Transfers (out)	(7,869)	(7,869)	(8,145)	(23,883)
Repayment of interfund loans	(40,000)	40,000	-	-
Purchase capital assets	-	(187,402)	-	(187,402)
Interest received on special assessments	-	5,404	-	5,404
Principal received on special assessments	-	70,160	-	70,166
Net Cash Provided By (Used By) Capital and Related Financing Activities	\$ (48,669)	\$ 829,352	\$ (8,145)	\$ 772,538
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ -	\$ -	\$ (24,000)	\$ (24,000)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	\$ -	\$ 1,158	\$ 596	\$ 1,754
Net Increase in Cash and Cash Equivalents	\$ 105,312	\$ 1,048,016	\$ 41,476	\$ 1,194,804
Cash and Cash Equivalents, beginning	570,042	511,126	143,531	1,224,699
Cash and Cash Equivalents, ending	\$ 675,354	\$ 1,559,142	\$ 185,007	\$ 2,419,503

See accompanying notes to the basic financial statements

**CITY OF DUNDAS, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016**

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

	Enterprise Funds			Total
	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Funds	Proprietary Funds
Operating Income (Loss)	\$ (94,197)	\$ 23,429	\$ 63,726	\$ (7,042)
Adjustments to reconcile operating income To net cash provided by operating activities:				
Depreciation	226,803	207,799	15,886	450,488
(Increase) Decrease in Assets:				
Receivables	(2,191)	(5,640)	(6,440)	(14,271)
Due from other governmental units	42	431	24	497
(Increase) in Deferred Outflows of Resources				
Deferred pension resources	(20,318)	(12,379)	(2,252)	(34,949)
Increase (Decrease) in Liabilities				
Accounts payable	808	(9,444)	367	(8,269)
Deferred revenue	12,483	-	-	12,483
Accrued liabilities	2,590	1,172	306	4,068
Pension liability	25,085	11,321	1,412	37,818
Increase in Deferred Outflows of Resources				
Deferred pension resources	2,876	817	(4)	3,689
Net Cash Provided By Operating Activities	<u>\$ 153,981</u>	<u>\$ 217,506</u>	<u>\$ 73,025</u>	<u>\$ 444,512</u>

See accompanying notes to the basic financial statements

CITY OF DUNDAS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, 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.

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

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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:

Assets	Years
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 (continued)

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 (continued)

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.

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.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies (continued)

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.

Q. Pensions

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

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, 2016 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, 2016, 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, 2016:

	Fair Value	Weighted Average Maturity
Certificates of Deposit	<u>\$ 3,589,463</u>	N/A, unrated

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

Cash and investments	<u>\$ 4,478,331</u>
Deposits:	
Checking account	\$ 2,163
Money market account	886,605
Petty cash	100
Investments, certificates of deposit	<u>3,589,463</u>
Total	<u>\$ 4,478,331</u>

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: Capital Assets

Capital asset activity for the year ended December 31, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Assets not being depreciated:				
Land	\$ 559,674	\$ -	\$ -	\$ 559,674
Construction in process	-	-	-	-
Total assets not being Depreciated	\$ 559,674	\$ -	\$ -	\$ 559,674
Assets being depreciated:				
Buildings and structures	\$ 1,555,443	\$ -	\$ -	\$ 1,555,443
Equipment	252,144	-	-	252,144
Vehicles	135,930	-	-	135,930
Land improvements	415,820	-	-	415,820
Infrastructure	3,270,310	-	-	3,270,310
Total capital assets being depreciated	\$ 5,629,647	\$ -	\$ -	\$ 5,629,647
Accumulated Depreciation:				
Buildings and structures	\$ 534,829	\$ 43,343	\$ -	\$ 578,172
Equipment	143,032	19,674	-	162,706
Vehicles	55,698	17,313	-	73,011
Land improvements	124,026	15,083	-	139,109
Infrastructure	1,263,417	103,741	-	1,367,158
Total accumulated depreciation	\$ 2,121,002	\$ 199,154	\$ -	\$ 2,320,156
Net Other Capital Assets	\$ 3,508,645			\$ 3,309,491
Governmental activities capital assets, net	\$ 4,068,319			\$ 3,869,165

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Assets not being depreciated:				
Land and land rights	\$ 223,396	\$ -	\$ -	\$ 223,396
Construction in process	8,500	293,617	-	302,117
Total assets not being Depreciated	\$ 231,896	\$ 293,617	\$ -	\$ 525,513
Capital assets being depreciated:				
Sewer collection system	\$ 8,264,022	\$ 93,501	\$ -	\$ 8,357,523
Water distribution system	7,277,497	-	98,536	7,178,961
Storm water collection system	635,430	34,630	-	670,060
Equipment	76,227	-	-	76,227
Software	20,460	-	-	20,460
Total capital assets being depreciated	\$ 16,273,636	\$ 128,131	\$ 98,536	\$ 16,303,231
Accumulated Depreciation:				
Sewer collection system	\$ 3,176,549	\$ 206,600	\$ -	\$ 3,383,149
Water distribution system	2,840,476	222,095	-	3,062,571
Storm water collection system	142,974	15,886	-	158,860
Equipment	30,354	5,907	-	36,261
Software	20,460	-	-	20,460
Total capital assets being depreciated	\$ 6,210,813	\$ 450,488	\$ -	\$ 6,661,301
Net Other Capital Assets	\$ 10,062,823			\$ 9,641,930
Business-type activities				
Capital assets, net	\$ 10,294,719			\$ 10,167,443

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

Governmental Activities:	
General government	\$ 2,514
Public safety	15,177
Public works	138,630
Parks and recreation	42,833
Total Governmental Activities	\$ 199,154
Business-type Activities:	
Water	\$ 226,803
Sewer	207,799
Storm water	15,886
Total Business-type Activities	\$ 450,488
Total Depreciation	\$ 649,642

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, 2016 balances is as follows:

	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance 12/31/2016</u>
Governmental Activities:			
General Obligation Tax Increment Debt:			
Series 2006A	3.80-4.35%	02/11/2017	\$ 205,000
General Obligation Improvement Bonds:			
Series 2013A	2.00-3.70%	02/01/2029	1,160,000
Bond discounts			(6,072)
Bond Premium			14,963
Compensated absences			42,595
Pension liability			836,862
			<u>\$ 2,253,348</u>
Business-type Activities:			
General Obligation Revenue Notes:			
Note 1997A	2.88%	02/20/2018	\$ 89,344
Note 1997B		08/20/2018	144,753
General Obligation Revenue Bonds:			
Refunding Bonds 2013A	2.00-3.25%	02/01/2026	685,000
Refunding Bonds Series 2014A	.40-2.25%	12/01/2024	1,770,000
Series 2016A	.90-2.85%	11/01/2037	1,100,000
Bond discounts			(22,517)
Bond Premium			28,977
Pension liability			113,787
			<u>\$ 3,909,364</u>
Total Long-Term Debt, net			<u>\$ 6,162,712</u>

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: Long-Term Debt (continued)

The changes in the long-term liabilities of the City during the year ended December 31, 2016 are as follows:

	Balance 01/01/2016	Additions	Reductions	Balance 12/31/2016	Amounts Due Within One Year
Governmental Activities:					
General Obligation Tax					
Increment Bonds:					
Series 2006A	\$ 400,000	\$ -	\$ 195,000	\$ 205,000	\$ 205,000
General Obligation					
Improvement Bonds					
Series 2013A	1,235,000	-	75,000	1,160,000	75,000
Bond discount	(7,346)	-	(1,274)	(6,072)	-
Bond premium	17,296	-	2,333	14,963	-
Other liabilities					
Pension liability	301,767	535,095	-	836,862	-
Compensated absences	38,000	4,595	-	42,595	-
Total Governmental					
Activities	<u>\$ 1,984,717</u>	<u>\$ 539,690</u>	<u>\$ 271,059</u>	<u>\$ 2,253,348</u>	<u>\$ 280,000</u>
Business-type Activities:					
Enterprise Funds:					
General Obligation					
Revenue Notes:					
Note 1997A	\$ 146,854	\$ -	\$ 57,510	\$ 89,344	\$ 59,178
Note 1997B	217,130	-	72,377	144,753	72,377
General Obligation					
Revenue Bonds:					
Series 2014A	765,000	-	80,000	685,000	80,000
Series 2013A	2,105,000	-	335,000	1,770,000	340,000
Series 2016A	-	1,100,000	-	1,100,000	-
Bond discount	(16,090)	(9,900)	(3,473)	(22,517)	-
Bond premium	36,960	-	7,963	28,997	-
Other liabilities					
Pension liability	75,969	37,818	-	113,787	-
Total Business-type					
Activities	<u>\$ 3,330,823</u>	<u>\$ 1,127,918</u>	<u>\$ 569,177</u>	<u>\$ 3,909,364</u>	<u>\$ 551,555</u>
Totals Long-term					
Debt	<u>\$ 5,315,540</u>	<u>\$ 1,667,608</u>	<u>\$ 840,236</u>	<u>\$ 6,162,712</u>	<u>\$ 831,555</u>

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, 2016 are as follows:

G.O. Bonds		
Governmental Activities		
Year Ending December 31	Principal	Interest
2017	\$ 280,000	\$ 38,617
2018	75,000	32,658
2019	80,000	31,108
2020	80,000	29,108
2021	85,000	26,063
2022-2026	455,000	93,294
2027-2029	310,000	17,380
Total	<u>\$ 1,365,000</u>	<u>\$ 268,228</u>

G.O. Revenue Bonds		
Business-type Activities		
Year Ending December 31	Principal	Interest
2017	\$ 420,000	\$ 84,364
2018	470,000	69,738
2019	255,000	63,668
2020	260,000	58,693
2021	270,000	52,730
2022-2026	1,220,000	162,993
2027-2031	280,000	70,448
2032-2036	310,000	36,008
2037	70,000	1,995
Total	<u>\$ 3,555,000</u>	<u>\$ 600,637</u>

G.O. Revenue Notes		
Business-type Activities		
Year Ending December 31	Principal	Interest
2017	\$ 131,555	\$ 2,105
2018	102,542	434
Total	<u>\$ 234,097</u>	<u>\$ 2,539</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	\$ <u>262,788</u>
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Unrestricted:

Committed:

Tax Increment District activities	\$ <u>430,285</u>
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Assigned:

Dundas Baseball operations	\$ 3,734
Annexation payments	230,154
Public Safety capital asset acquisition	61,564
Public Works capital asset acquisition	12,030
Capital asset purchases	<u>6,207</u>
Total Assigned	\$ <u>313,689</u>

NOTE 6: Interfund Transfers

Summary of transfers for the year ended December 31, 2016 are as follows:

	Transfer In	Transfer Out
Major Governmental Funds:		
General Fund		
From Public Safety Capital Outlay Fund	\$ 5,906	\$ -
To 2013A GO Bond Debt Service Fund	-	152,893
To Public Works Capital Outlay Fund	-	12,030
From Gambling Fund	4,397	-
Tax Increment Improvement Fund		
To Water Utility Fund	-	383,675
Non Major Governmental Funds:		
Public Safety Capital Outlay Fund	-	5,906
Public Works Capital Outlay Fund	12,030	-
2013A GO Bond Debt Service Fund	200,776	-
Gambling Fund	-	4,397
Totals	\$ <u>223,109</u>	\$ <u>558,901</u>
Major Proprietary Funds:		
Water Utility Fund		
From Tax Increment Improvement Fund	\$ 383,675	\$ -
To 2013A GO Bond Debt Service Fund	-	7,869
Sewer Utility Fund		
To 2013A GO Bond Debt Service Fund	-	7,869
Non Major Proprietary Funds		
Refuse Fund		
To 2013A GO Bond Debt Service Fund	-	24,000
Storm Water Utility Fund		
To 2013A GO Bond Debt Service Fund	-	8,145
	\$ <u>383,675</u>	\$ <u>47,883</u>

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: Defined Benefit Pension Plans – Statewide

Plan Description

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

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City of Dundas and covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

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

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

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

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by the state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 % funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following 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.

1. General Employees Plan Benefits

General Employee Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 % of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

2. Police and Fire Plan Benefits

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

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

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

Contributions

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

1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2016. The City of Dundas was required to contribute 11.78% of pay for Basic Plan members and 7.50% in calendar year 2016. The City's contributions to the General Employees Fund for the year ended December 31, 2016 were \$18,175. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2016. The City of Dundas was required to contribute 16.20% of pay in calendar year 2016. The City of Dundas' contributions to the Police and Fire Fund for the year ended December 31, 2016 were \$26,365. The City of Dundas contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employee Fund Pension Cost

At December 31, 2016, the City of Dundas reported a liability of \$308,541 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City of Dundas' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion share was .0038% which was a decrease of .0002% for its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City of Dundas recognized pension expense of \$40,174 for its proportionate share of the GERF's pension expense.

At December 31, 2016, the City of Dundas reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 757	\$ 21,928
Changes in actuarial assumptions	\$ 65,497	-
Difference between projected and actual investment earnings	\$ 54,392	\$ 21,323
Change in proportion	-	-
Contributions paid to PERA subsequent to the measurement date	\$ 9,127	-
Total	\$ 129,773	\$ 53,373

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

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

Pension Costs (continued)

1. General Employee Fund Pension Cost (continued)

\$9,127 reported as deferred outflows of resources related to pensions resulting from the City of Dundas contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources relate to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2017	\$(16,798)
2018	\$(16,788)
2019	\$(22,542)
2020	\$(11,145)
2021	0
Thereafter	0

2. Police and Fire Fund Pension Costs

At December 31, 2016, the City of Dundas reported a liability of \$642,108 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that dated. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates for July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .016% which was an increase of .001% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City of Dundas recognized pension expense of \$111,077 for its proportionate share of the PEPFF's pension expense.

At December 31, 2016, the City of Dundas reported its proportionate share of PPFF's deferred outflows of resources and deferred inflows of resource related to pensions form the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 66,660
Changes in actuarial assumptions	\$ 372,277	-
Difference between projected and actual investment earnings	\$ 62,315	-
Changed in proportion	\$ 14,869	-
Contributions paid to PERA subsequent to the measurement date	\$ 13,527	-
Total	\$ 462,988	\$ 66,660

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

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

Pension Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

\$13,527 reported as deferred outflows of resources related to pensions resulting from the City of Dundas contributions subsequent to the measurement dates will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2016	\$(90,278)
2017	\$(90,280)
2018	\$(105,204)
2019	\$(91,129)
2020	\$(10,016)
Thereafter	-

Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for members, retirees, survivors and disableds were based on RP-2014 tables for the General Employees Plan and the RP-2000 Tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1% for all future years for the General Employees Plan and Police and Fire Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year study in the General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period July 1, 2004, through June 30, 2009.

The following changes in actuarial assumptions for the General Employees Fund occurred in 2016:

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1% per year through 2035 and 2.5% per year thereafter to 1.0% for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

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

Actuarial Assumptions (continued)

Police and Fire Fund

- The assumed post-retirement benefit increase rate was changed from 1% per year through 2037 and 2.5% per year thereafter to 1.0% for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic stocks	45.00%	5.50%
International stocks	15.00%	6.00%
Bonds	18.00%	1.45%
Alternative assets	20.00%	6.40%
Cash	2.00%	.50%

Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employers Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

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

Discount Rate

In the Police and Fire Fund the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056 and June 30, 2058 respectively. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

Pension Liability Sensitivity

The following presents the City of Dundas's proportionate share of the net pension liability for all plans it participated in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City of Dundas's proportionate share of the GERF net pension liability:	\$438,220	\$308,541	\$201,721
	1% Decrease in Discount Rate (4.6%)	Discount Rate (5.6%)	1% Increase in Discount Rate (6.6%)
City of Dundas's proportionate share of the PEPFF net pension liability:	\$898,866	\$642,108	\$432,317

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org

CITY OF DUNDAS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

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

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 9. Subsequent Events

The City has evaluated subsequent events through June 12, 2017, the date which the financial statements were available to be issued.

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:

Schedule of Employer's Share of PERA Net Pension Liability –

General Employees Retirement Fund

Schedule of Employer's PERA Contributions –

General Employees Retirement Fund

Schedule of Employee's Share of PERA Net Pension Liability –

Public Employees Police and Fire Fund

Schedule of Employer's PERA Contributions –

Public Employees Police and Fire Fund

Budgetary Comparison Schedules - General Fund

CITY OF DUNDAS, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of Employers Share of PERA Net Pension Liability – General Employees Retirement Fund (GERF)

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
06/30/2016	.0038%	\$ 308,541	\$ -	\$ 308,541	\$ 238,339	77.25%	68.90%
06/30/2015	.0040%	\$ 307,301	\$ -	\$ 207,301	\$ 237,223	82.40%	78.20%

Schedule of Employer's PERA Contributions – General Employees Retirement Fund (GERF)

Year Ending	Contributions in Relation to the		Contributions as a % of	
	Statutorily Required Contribution	Statutorily Required Contribution	City's Covered Payroll	City's Covered Payroll
12/31/2016	\$ 18,175	\$ 18,175	\$ 242,335	7.50%
12/31/2015	\$ 17,689	\$ 17,689	\$ 235,811	7.50%

CITY OF DUNDAS, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule of Employers Share of PERA Net Pension Liability – Public Employees Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total		City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
06/30/2016	.0160%	\$ 642,108	\$ -	\$ 642,108	\$ 150,260		127.0%	63.90%
06/30/2015	.0150%	170,435	-	170,435	134,153			78.20%

Schedule of Employer's PERA Contributions – Public Employees Police and Fire Fund

Year Ending	Statutorily Required Contribution		Relation to the Contributions in		Contributions as a % of	
			Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Covered Payroll
12/31/2016	\$ 26,365	\$ 26,365	\$ 26,365	\$ -	\$ 162,187	16.20%
12/31/2015	22,282	22,282	22,282	-	137,542	16.20%

**CITY OF DUNDAS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
REVENUES				
Taxes:				
Property Taxes	\$ 784,670	\$ 784,670	\$ 803,224	\$ 18,554
Non Property Taxes				
Franchise fees	13,349	13,349	13,454	105
Total Taxes	<u>\$ 798,019</u>	<u>\$ 798,019</u>	<u>\$ 816,678</u>	<u>\$ 18,659</u>
Licenses and Permits				
Building and plan fees	\$ 27,000	\$ 27,000	\$ 117,787	\$ 90,787
Alcoholic beverages	8,3000	8,300	5,670	(2,630)
Other	2,200	2,200	1,887	(413)
	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ 125,344</u>	<u>\$ 87,844</u>
Intergovernmental:				
Local governmental aids	\$ 154,802	\$ 154,802	\$ 154,802	\$ -
Market value credit	-	-	635	635
City of Northfield	-	-	263,039	263,039
Police grants	21,814	21,814	26,175	4,361
PERA Aid	104	104	104	-
	<u>\$ 176,720</u>	<u>\$ 176,720</u>	<u>\$ 444,755</u>	<u>\$ 268,035</u>
Interest income	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 2,914</u>	<u>\$ (3,086)</u>
Charges for Services:				
Park	\$ 2,000	\$ 2,000	\$ 3,466	\$ 1,466
Zoning and subdivision	1,000	1,000	17,941	16,941
Rents	-	-	4,550	4,550
Other	1,650	1,650	3,462	1,812
	<u>\$ 4,650</u>	<u>\$ 4,650</u>	<u>\$ 29,419</u>	<u>\$ 24,769</u>
Fines and Forfeits	<u>\$ 18,450</u>	<u>\$ 18,450</u>	<u>\$ 14,242</u>	<u>\$ (4,208)</u>
Miscellaneous Revenues:				
Contributions	\$ 1,840	\$ 1,840	\$ 14,450	\$ 12,810
Other	-	-	12,032	12,032
	<u>\$ 1,840</u>	<u>\$ 1,840</u>	<u>\$ 26,482</u>	<u>\$ 24,642</u>
Total Revenues	<u>\$ 1,043,179</u>	<u>\$ 1,043,179</u>	<u>\$ 1,459,834</u>	<u>\$ 416,655</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, 2016**

	<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	\$ 27,000	\$ 27,000	\$ 25,490	\$ 1,510
Payroll taxes	1,928	1,928	1,783	145
Workers compensation insurance	60	60	64	(4)
Training and instruction	1,050	1,050	-	1,050
Telephone	420	420	420	-
Travel and meeting reimbursements	724	724	79	645
Legal Notices	400	400	-	400
Dues and subscriptions	20	20	30	(10)
Supplies	-	-	195	(195)
Repairs and maintenance	-	-	540	(540)
Capital outlay	500	500	-	500
Total Mayor and Council	<u>\$ 32,102</u>	<u>\$ 32,102</u>	<u>\$ 28,601</u>	<u>\$ 3,501</u>
Administrative:				
Salaries and wages	\$ 79,247	\$ 79,247	\$ 88,629	\$ (9,382)
Payroll taxes	6,062	6,062	6,785	(841)
PERA contributions	5,944	5,944	5,952	110
Insurance benefits	14,456	14,456	9,696	4,760
Workers compensation insurance	824	824	1,021	(197)
Training and instruction	1,425	1,425	950	475
Travel and meeting reimbursements	2,527	2,527	2,084	443
Dues and subscriptions	1,613	1,613	2,290	(677)
Total Administrative	<u>\$ 112,098</u>	<u>\$ 112,098</u>	<u>\$ 117,407</u>	<u>\$ (5,309)</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, 2016**

	<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	\$ 14,273	\$ 14,273	\$ 15,537	\$ (1,264)
Payroll taxes	1,092	1,092	1,191	(99)
PERA contributions	1,070	1,070	1,072	(2)
Insurance benefits	2,050	2,050	48	2,002
Professional services:				
Engineering fees	6,750	6,750	1,635	5,115
Planning fees	14,858	14,858	7,701	7,157
Legal fees	7,560	7,560	7,080	480
Legal notices published	500	500	937	(437)
Miscellaneous	375	375	-	375
Total Planning and Zoning	<u>\$ 48,528</u>	<u>\$ 48,528</u>	<u>\$ 35,201</u>	<u>\$ 13,327</u>
Other General Government:				
Supplies	\$ 4,000	\$ 4,000	\$ 7,982	\$ (3,982)
Auditing and accounting	7,200	7,200	8,193	(993)
Legal fees	25,381	25,381	19,548	5,833
Engineering fees	14,000	14,000	3,633	10,367
Other professional services	3,000	3,000	1,318	1,682
Telephone and communications	3,795	3,795	3,785	10
Postage	800	800	769	31
Newsletter expense	3,899	3,899	-	3,899
Legal notices published	750	750	870	(120)
Insurance	6,946	6,946	3,807	3,139
Utilities	3,173	3,173	1,945	1,228
Repairs and maintenance	2,906	2,906	3,667	(761)
Equipment rentals	3,621	3,621	1,202	2,419
Capital outlay	10,980	10,980	-	10,980
Miscellaneous	-	-	3,586	(3,586)
Total Other General Government	<u>\$ 90,451</u>	<u>\$ 90,451</u>	<u>\$ 60,305</u>	<u>\$ 30,146</u>
Total General Government	<u>\$ 283,179</u>	<u>\$ 283,179</u>	<u>\$ 241,514</u>	<u>\$ 41,665</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, 2016

	<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	\$ 97	\$ 129
Insurance	100	100	380	(280)
Repairs and maintenance	825	825	300	525
Total Civil Defense	<u>\$ 1,151</u>	<u>\$ 1,151</u>	<u>\$ 777</u>	<u>\$ 374</u>
Animal Control:				
Subcontracted services	\$ 500	\$ 500	\$ 143	\$ 357
Fire Protection:				
Contractual services	\$ 45,085	\$ 45,085	\$ 75,659	\$ (30,574)
Police Protection:				
Salaries and wages	\$ 164,518	\$ 164,518	\$ 165,152	\$ (634)
Payroll taxes	2,386	2,386	2,395	(9)
PERA contributions	26,652	26,652	26,664	(12)
Insurance benefits	24,600	24,600	16,959	7,641
Workers compensation insurance	4,653	4,653	5,354	(701)
Supplies	4,694	4,694	2,910	1,784
Training and instruction	2,276	2,276	1,163	1,113
Vehicle Operations	12,853	12,853	7,168	5,685
Uniforms	1,836	1,836	395	1,441
Legal fees	13,178	13,178	6,781	6,397
Other professional services	2,840	2,840	793	2,047
Telephone and communications	4,772	4,772	3,749	1,023
Insurance	6,861	6,861	8,222	(1,361)
Utilities	3,521	3,521	1,011	2,510
Repairs and maintenance	-	-	4,926	(4,926)
Dues and subscriptions	245	245	915	(670)
Capital outlay	9,604	9,604	-	9,604
Miscellaneous	74	74	1,009	(935)
Total Police Protection	<u>\$ 285,563</u>	<u>\$ 285,563</u>	<u>\$ 255,566</u>	<u>\$ 29,997</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, 2016**

	<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	\$ 4,241	\$ 4,241	\$ 4,528	\$ (287)
Payroll taxes	324	324	349	(25)
PERA contributions	318	318	319	(1)
Insurance benefits	820	820	19	801
Supplies	403	403	552	(149)
Telephone	1,099	1,099	434	665
Permit review fees	17,250	17,250	30,476	(13,226)
Miscellaneous	200	200	-	200
Plan review fees	9,000	9,000	26,122	(17,122)
Total Building Inspections	<u>\$ 33,655</u>	<u>\$ 33,655</u>	<u>\$ 62,799</u>	<u>\$ (29,144)</u>
Total Public Safety	<u>\$ 365,954</u>	<u>\$ 365,954</u>	<u>\$ 394,944</u>	<u>\$ (28,990)</u>
Public Works:				
Highways, Streets, and Roads:				
Salaries and wages	\$ 46,405	\$ 46,405	\$ 42,080	\$ 4,325
Payroll taxes	3,480	3,480	3,215	265
PERA contributions	3,550	3,550	2,660	890
Insurance benefits	6,068	6,068	149	5,919
Workers compensation insurance	3,103	3,103	6,372	(3,269)
Supplies	3,000	3,000	2,067	(933)
Signs	1,500	1,500	1,193	307
Building utilities	-	-	641	(641)
Engineering fees	1,500	1,500	3,425	(1,925)
Insurance	1,224	1,224	1,628	(404)
Travel and meeting reimbursements	450	450	133	317
Street lighting utilities	27,384	27,384	24,670	2,714
Mowing	7,763	7,763	4,537	(3,226)
Snow plowing	649	649	-	649
Sand/rock/dirt	9,987	9,987	8,927	1,060
Street sweeping	5,221	5,221	-	5,221
Road maintenance	59,040	59,040	23,715	35,325
Vehicle Operation	10,680	10,680	2,694	7,986
Miscellaneous	3,000	3,000	5,798	(2,786)
Capital outlay	14,611	14,611	12,085	2,526
Total Public Works	<u>\$ 208,615</u>	<u>\$ 208,615</u>	<u>\$ 145,989</u>	<u>\$ 62,626</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, 2016**

	<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	\$ 10,769	\$ 10,769	\$ 18,708	\$ (7,939)
Payroll taxes	824	824	1,419	(595)
PERA contributions	808	808	1,307	(499)
Insurance benefits	1,830	1,830	59	1,771
Workers compensation insurance	275	275	675	(400)
Supplies	1,530	1,530	5,827	(4,297)
Repairs and maintenance	10,948	10,948	10,004	944
Insurance	17,360	17,360	18,710	(1,350)
Equipment rentals	1,200	1,200	1,615	(415)
Utilities	4,227	4,227	3,560	667
Grounds	5,422	5,422	14,364	(8,892)
Cleaning service	607	607	247	360
Programming	1,080	1,080	803	277
Miscellaneous	250	250	7,069	(6,819)
Capital outlay	13,127	13,127	4,580	8,547
Total Cultural and Recreation	<u>\$ 70,307</u>	<u>\$ 70,307</u>	<u>\$ 88,947</u>	<u>\$ (18,640)</u>
Total Expenditures	<u>\$ 928,055</u>	<u>\$ 928,055</u>	<u>\$ 871,394</u>	<u>\$ 56,661</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ 115,124</u>	<u>\$ 115,124</u>	<u>\$ 588,440</u>	<u>\$ 473,316</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	\$ -	\$ -	\$ 10,303	\$ 10,303
Transfers (out)	-	-	(164,923)	(164,923)
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (154,620)</u>	<u>\$ (154,620)</u>
Net Change in Fund Balances	<u>\$ 115,124</u>	<u>\$ 115,124</u>	<u>\$ 433,820</u>	<u>\$ 318,696</u>
Fund Balance, beginning	<u>512,538</u>	<u>512,538</u>	<u>512,538</u>	<u>-</u>
Fund Balance, ending	<u>\$ 627,662</u>	<u>\$ 627,662</u>	<u>\$ 946,358</u>	<u>\$ 318,696</u>

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**CITY OF DUNDAS, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	<u>Special Revenue Funds</u>			<u>Debt</u>
	<u>Gambling Fund</u>	<u>Dundas Baseball Association Activity Fund</u>	<u>Industrial Park Tax Abatement Fund</u>	<u>GO Improvement Bonds 2013A Fund</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 3,734	\$ 1,526	\$ 89,931
Receivables:				
Accounts	<u>6,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 6,250</u>	<u>\$ 3,734</u>	<u>\$ 1,526</u>	<u>\$ 89,931</u>
LIABILITIES				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,526</u>	<u>\$ -</u>
FUND BALANCES				
Restricted	\$ -	\$ -	\$ -	\$ 89,931
Unrestricted:				
Assigned	<u>6,250</u>	<u>3,734</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 6,250</u>	<u>\$ 3,734</u>	<u>\$ -</u>	<u>\$ 89,931</u>
Total Liabilities and Fund Balances	<u>\$ 6,250</u>	<u>\$ 3,734</u>	<u>\$ 1,526</u>	<u>\$ 89,931</u>

<u>Service</u>					
<u>Tax Increment Debt Service Fund</u>	<u>Capital Outlay</u>				<u>Total</u>
	<u>Public Safety Capital Outlay Fund</u>	<u>Titan Site Improvement Fund</u>	<u>Capital Improvements Fund</u>	<u>Public Works Capital Outlay Fund</u>	
\$ 173,550	\$ 61,564	\$ -	\$ 6,957	\$ 12,030	\$ 349,292
-	-	-	-	-	6,250
<u>\$ 173,550</u>	<u>\$ 61,564</u>	<u>\$ -</u>	<u>\$ 6,957</u>	<u>\$ 12,030</u>	<u>\$ 355,542</u>
\$ 693	\$ -	\$ -	\$ 7,000	\$ -	\$ 9,219
\$ 172,857	\$ -	\$ -	\$ -	\$ -	\$ 262,788
-	61,564	-	(43)	12,030	83,535
<u>\$ 172,857</u>	<u>\$ 61,564</u>	<u>\$ -</u>	<u>\$ (43)</u>	<u>\$ 12,030</u>	<u>\$ 346,323</u>
<u>\$ 173,550</u>	<u>\$ 61,564</u>	<u>\$ -</u>	<u>\$ 6,957</u>	<u>\$ 12,030</u>	<u>\$ 355,542</u>

CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds			Debt
	Gambling Fund	Dundas Baseball Association Activity Fund	Industrial Park Tax Abatement Fund	GO Improvement Bonds 2013A Fund
REVENUES				
Property taxes	\$ -	\$ -	\$ 3,053	\$ -
Tax Increments	-	-	-	-
Gambling tax	8,611	-	-	-
Interest income	-	-	-	52
Miscellaneous	-	13,017	-	-
Total Revenues	\$ 8,611	\$ 13,017	\$ 3,053	\$ 52
EXPENDITURES				
Current:				
Public Works	\$ -	\$ -	\$ -	\$ -
Parks and recreation	-	19,220	-	-
Economic development	-	-	3,053	-
Debt Service:				
Principal	-	-	-	75,000
Interest and other charges	-	-	-	35,897
Total Expenditures	\$ -	\$ 19,220	\$ 3,053	\$ (110,897)
Excess (Deficit) Revenues Over Expenditures	\$ 8,611	\$ (6,203)	\$ -	\$ (110,845)
Other Financing Sources				
Transfers in	-	-	-	200,776
Transfers out	(4,397)	-	-	-
Net Change in Fund Balances	\$ 4,214	\$ (6,203)	\$ -	\$ 89,931
Fund Balances, beginning of the year	2,036	9,937	-	-
Fund Balances, end of the year	\$ 6,250	\$ 3,734	\$ -	\$ 89,931

Service

Tax Increment Debt Service Fund	Capital Outlay				Total
	Public Safety Capital Outlay Fund	Titan Site Improvement Fund	Capital Improvements Fund	Public Works Capital Outlay Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	3,053
197,046	-	-	-	-	197,046
-	-	-	-	-	8,611
210	229	-	24	-	515
-	-	-	-	-	13,017
<u>\$ 197,256</u>	<u>\$ 229</u>	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 222,242</u>
\$ -	\$ -	\$ 42,170	\$ (25,662)	\$ -	\$ 164,508
-	-	-	-	-	19,220
-	-	-	-	-	3,053
195,000	-	-	-	-	270,000
14,908	-	-	-	-	50,805
<u>\$ 209,908</u>	<u>\$ -</u>	<u>\$ 42,170</u>	<u>\$ (25,662)</u>	<u>\$ -</u>	<u>\$ 359,586</u>
\$ (12,652)	\$ 229	\$ (42,170)	25,686	\$ -	\$ (137,344)
-	-	-	-	12,030	212,806
-	(5,906)	-	-	-	(10,303)
<u>\$ (12,652)</u>	<u>\$ (5,677)</u>	<u>\$ (42,170)</u>	<u>\$ 25,686</u>	<u>\$ 12,030</u>	<u>\$ 65,159</u>
185,509	67,241	42,170	(25,729)	-	281,164
<u>\$ 172,857</u>	<u>\$ 61,564</u>	<u>\$ -</u>	<u>\$ (43)</u>	<u>\$ 12,030</u>	<u>\$ 346,323</u>

**CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2016**

	Refuse Utility Fund	Storm Water Utility Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 23,142	\$ 161,865	\$ 185,007
Receivables, accounts	18,144	11,896	30,040
Total Current Assets	<u>\$ 41,286</u>	<u>\$ 173,761</u>	<u>\$ 215,047</u>
Capital Assets:			
Collection system	\$ -	\$ 670,060	\$ 670,060
Accumulated depreciation	-	(158,860)	(158,860)
Capital Assets, Net	<u>\$ -</u>	<u>\$ 511,200</u>	<u>\$ 511,200</u>
Total Assets	<u>\$ 41,286</u>	<u>\$ 684,961</u>	<u>\$ 726,247</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	\$ -	\$ 3,377	\$ 3,377
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 6,241	\$ 402	\$ 6,643
Accrued Liabilities:			
Salaries and wages	108	300	408
Compensated absences	208	1,901	2,109
Other	796	-	796
Total Current Liabilities	<u>\$ 7,353</u>	<u>\$ 2,603</u>	<u>\$ 9,956</u>
Noncurrent Liabilities:			
Pension liability	-	8,029	8,029
Total Liabilities	<u>\$ 7,353</u>	<u>\$ 10,632</u>	<u>\$ 17,985</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	\$ -	\$ 1,389	\$ 1,389
NET POSITION			
Invested in capital assets	\$ -	\$ 511,200	\$ 511,200
Unrestricted	33,933	165,117	199,050
Total Net Position	<u>\$ 33,933</u>	<u>\$ 676,317</u>	<u>\$ 710,250</u>

**CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2016**

	Refuse Utility Fund	Storm Water Utility Fund	Totals
OPERATING REVENUES:			
Charges for service	\$ 103,799	\$ 76,926	\$ 180,725
OPERATING EXPENSES:			
Administrative	\$ 3,739	\$ 6,015	\$ 9,754
Maintenance and operations	76,112	15,247	91,359
Depreciation	-	15,886	15,886
Total Operating Expenses	\$ 79,851	\$ 37,148	\$ 116,999
Operating Income	\$ 23,948	\$ 39,778	\$ 63,726
NONOPERATING REVENUES			
Interest income	111	485	596
Income before Transfers	\$ 24,059	\$ 40,263	\$ 64,322
Transfer out	(24,000)	(8,145)	(32,145)
Change in Net Position	\$ 59	\$ 32,118	\$ 32,177
Net Position, beginning of the year	33,874	644,199	678,073
Net Position, end of the year	\$ 33,933	\$ 676,317	\$ 710,250

**CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2016**

	Refuse Utility Fund	Storm Water Utility Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 102,059	\$ 72,250	\$ 174,309
Cash paid to suppliers	(76,248)	(14,598)	(90,846)
Cash paid to employees	(3,420)	(7,018)	(10,438)
Net Cash Provided By Operating Activities	<u>\$ 22,391</u>	<u>\$ 50,634</u>	<u>\$ 73,025</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers to other funds	\$ -	\$ (8,145)	\$ (8,145)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (24,000)	\$ -	\$ (24,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 111	\$ 485	\$ 596
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (1,498)</u>	<u>\$ 42,974</u>	<u>\$ 41,476</u>
Cash and Cash Equivalents, beginning of the year	24,640	118,891	143,531
Cash and Cash Equivalents, end of the year	<u>\$ 23,142</u>	<u>\$ 161,865</u>	<u>\$ 185,007</u>

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

Operating Income	\$ 23,948	\$ 39,778	\$ 63,726
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	15,886	15,886
(Increase) Decrease in Assets:			
Accounts receivable	(1,764)	(4,676)	(6,440)
Due from other governmental units	24	-	24
(Increase) Decrease in Deferred Outflows of Resources			
Deferred pension resources	-	(2,252)	(2,252)
Increase (Decrease) in Liabilities			
Accounts payable	144	223	367
Accrued liabilities	39	267	306
Pension liability	-	1,412	1,412
(Decrease) in Deferred Inflows of Resources			
Deferred pension resources	-	(4)	(4)
Net Cash Provided By Operating Activities	<u>\$ 22,391</u>	<u>\$ 50,634</u>	<u>\$ 73,025</u>

**CITY OF DUNDAS, MINNESOTA
WATER UTILITY FUND
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 675,354	\$ 570,042
Accounts receivable	37,064	34,873
Accrued interest receivable	1,782	655
Due from other funds	-	93,501
Prepaid expenses	1,677	1,677
Due from other governmental units	-	42
Total Current Assets	<u>\$ 715,877</u>	<u>\$ 700,790</u>
Capital Assets:		
Land	\$ 147,273	\$ 147,273
Distribution system	7,178,961	7,277,497
Equipment	53,674	53,674
Software	10,230	10,230
	<u>\$ 7,390,138</u>	<u>\$ 7,488,674</u>
Accumulated depreciation	(3,104,168)	(2,877,365)
Capital Assets, net	<u>\$ 4,285,970</u>	<u>\$ 4,611,309</u>
Total Assets	<u>\$ 5,001,847</u>	<u>\$ 5,312,099</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension resources	<u>\$ 26,939</u>	<u>\$ 6,621</u>
 LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 5,057	\$ 4,249
Deferred Revenues	53,007	40,524
Accrued Liabilities:		
Salaries and wages	2,441	1,651
Interest payable	18,885	21,677
Compensated absences	10,321	8,878
Other	496	139
Due to other funds	251,551	291,551
Current portion of bonds payable	340,000	335,000
Accounts payable, construction	-	192,037
Total Current Liabilities	<u>\$ 681,758</u>	<u>\$ 895,706</u>
Noncurrent Liabilities:		
Bonds Payable	\$ 1,770,000	\$ 2,105,000
Unamortized bond discount	(8,887)	(11,328)
Unamortized bond premium	28,997	36,960
Current portion of bonds payable	(340,000)	(335,000)
Pension liability	64,049	38,964
Total Noncurrent Liabilities	<u>\$ 1,514,159</u>	<u>\$ 1,834,596</u>
Total Liabilities	<u>\$ 2,195,917</u>	<u>\$ 2,730,302</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred pension resources	<u>\$ 11,080</u>	<u>\$ 8,204</u>
 NET POSITION:		
Invested in capital assets	\$ 2,536,080	\$ 2,517,636
Unrestricted	285,709	62,578
Total Net Position	<u>\$ 2,821,789</u>	<u>\$ 2,580,214</u>

**CITY OF DUNDAS, MINNESOTA
WATER UTILITY FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE		
Charges for Services:		
Water sales	\$ 249,165	\$ 248,747
Connection fees	21,200	6,000
Sales of water meters	6,412	2,803
Other	50,716	47,410
Total Charges for Services	<u>\$ 327,493</u>	<u>\$ 304,960</u>
OPERATING EXPENSES		
Administrative:		
Salaries and wages	\$ 20,491	\$ 16,513
Payroll taxes	1,573	1,179
Pension expense	4,212	1,059
Employee benefits	1,252	837
Total Administrative	<u>\$ 27,528</u>	<u>\$ 19,588</u>
Maintenance and Operation:		
Salaries and wages	\$ 37,710	\$ 33,810
Payroll taxes	2,885	2,670
Pension expense	7,359	2,685
Employee benefits	138	116
Workers compensation insurance	805	812
Supplies	15,678	11,600
Postage	768	990
Software	912	664
Professional service:		
Audit and accounting	1,852	1,852
Engineering fees	248	-
Other	1,457	2,026
Telephone	2,027	2,268
Travel reimbursements	1,937	2,090
Insurance	4,096	4,154
Utilities	23,949	23,285
Repairs and maintenance	63,418	47,202
Vehicle operations	884	632
Dues and subscriptions	633	603
Miscellaneous	603	720
Total Maintenance and Operations	<u>\$ 167,359</u>	<u>\$ 138,179</u>
Depreciation	<u>\$ 226,803</u>	<u>\$ 226,804</u>
Total Operating Expenses	<u>\$ 421,690</u>	<u>\$ 384,571</u>

**CITY OF DUNDAS, MINNESOTA
WATER UTILITY FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Operating (Loss)	\$ (94,197)	\$ (79,611)
NONOPERATING REVENUES (EXPENSES)		
Interest expense	\$ (40,361)	\$ (45,873)
Fiscal agent fee	(800)	(1,194)
Interest income	<u>1,127</u>	<u>927</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (40,034)</u>	<u>\$ (46,140)</u>
(Loss) before Transfers	\$ (134,231)	\$ (125,751)
Transfer in	383,675	304,525
Transfer (out)	<u>(7,869)</u>	<u>(6,766)</u>
Change in Net Position	\$ 241,575	\$ 172,008
Net Position, beginning of the year	<u>2,580,214</u>	<u>2,408,206</u>
Net Position, end of the year	<u><u>\$ 2,821,789</u></u>	<u><u>\$ 2,580,214</u></u>

**CITY OF DUNDAS, MINNESOTA
WATER UTILITY FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 337,827	\$ 307,868
Cash paid to employees	(55,968)	(54,453)
Cash paid to suppliers	(127,878)	(107,388)
Net Cash Provided By Operating Activities	<u>\$ 153,981</u>	<u>\$ 146,027</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfers in	\$ 383,675	\$ 304,525
Transfer (out)	(7,869)	(6,766)
Repayment of amounts due to other funds	(40,000)	-
Purchases of capital assets	-	(16,726)
Principal paid on capital debt	(335,000)	(250,000)
Interest and fiscal charges paid on capital debt	(49,475)	(55,719)
Net Cash (Used By) Capital and Related Financing Activities	<u>\$ (48,669)</u>	<u>\$ (24,686)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned	\$ -	\$ 600
Net Increase in Cash and Cash Equivalents	<u>\$ 105,312</u>	<u>\$ 121,941</u>
Cash and Cash Equivalent, beginning of year	570,042	448,101
Cash and Cash Equivalent, end of year	<u>\$ 675,354</u>	<u>\$ 570,042</u>

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

	<u>2016</u>	<u>2015</u>
Operating (Loss)	<u>\$ (94,197)</u>	<u>\$ (79,611)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	226,803	226,804
(Increase) Decrease in Assets:		
Receivables, net	(2,191)	(2,786)
Due from other governmental units	42	86
(Increase) in Deferred Outflows of Resources		
Deferred pension resources	(20,318)	(1,705)
Increase (Decrease) in Liabilities		
Accounts payable	808	79
Deferred revenue	12,483	5,608
Accrued liabilities	2,590	(4,517)
Pension liability	25,085	1,881
Increase in Deferred Inflows of Resources		
Deferred pension resources	2,876	188
Net Cash Provided By Operating Activities	<u>\$ 153,981</u>	<u>\$ 146,027</u>

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**CITY OF DUNDAS, MINNESOTA
SEWER UTILITY FUND
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 682,328	\$ 511,126
Cash and cash equivalents restricted for capital asset construction	876,814	-
Receivables:		
Accounts	65,259	59,619
Delinquent special assessments	3,459	2,176
Interest	5,203	3,117
Prepaid expenses	1,614	1,614
Due from other governmental units	-	431
Due from other funds	<u>251,551</u>	<u>385,052</u>
Total Current Assets	<u>\$ 1,886,228</u>	<u>\$ 963,135</u>
Noncurrent Assets:		
Deferred special assessments	<u>\$ 160</u>	<u>\$ 71,609</u>
Capital Assets:		
Land	\$ 76,123	\$ 76,123
Distribution system	8,357,523	8,264,022
Equipment	22,553	22,553
Software	10,230	10,230
Construction in process	<u>302,117</u>	<u>8,500</u>
	\$ 8,768,546	\$ 8,381,428
Accumulated depreciation	<u>(3,398,273)</u>	<u>(3,190,474)</u>
Capital Assets, net	<u>\$ 5,370,273</u>	<u>\$ 5,190,954</u>
Total Assets	<u>\$ 7,256,661</u>	<u>\$ 6,225,698</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension resources	<u>\$ 17,543</u>	<u>\$ 5,164</u>

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 15,762	\$ 25,206
Accounts payable, construction	106,215	-
Accrued Liabilities:		
Salaries and wages	2,011	1,490
Compensated absences	7,111	6,460
Interest payable	16,763	6,418
Current portion of bonds and notes	<u>211,555</u>	<u>209,887</u>
Total Current Liabilities	<u>\$ 359,417</u>	<u>\$ 249,461</u>
Noncurrent Liabilities:		
Bonds payable	\$ 1,785,000	\$ 765,000
Notes payable	234,097	363,984
Unamortized bond discount	(13,630)	(4,762)
Current portion of bonds and notes	(211,555)	(209,887)
Pension liability	<u>41,709</u>	<u>30,388</u>
Total Noncurrent Liabilities	<u>\$ 1,835,621</u>	<u>\$ 944,723</u>
Total Liabilities	<u>\$ 2,195,038</u>	<u>\$ 1,194,184</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension resources	<u>\$ 7,215</u>	<u>\$ 6,398</u>
NET POSITION		
Invested in capital assets	\$ 4,236,584	\$ 4,066,732
Restricted for:		
Capital assets replacement	58,448	54,684
Unrestricted	<u>776,919</u>	<u>908,864</u>
Total Net Position	<u>\$ 5,071,951</u>	<u>\$ 5,030,280</u>

**CITY OF DUNDAS, MINNESOTA
SEWER UTILITY FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE		
Charges for Services:		
Sewer services	\$ 402,262	\$ 390,213
Connection fees	36,600	15,000
Other	5,443	5,593
Total Charges for Services	<u>\$ 444,305</u>	<u>\$ 410,806</u>
OPERATING EXPENSES		
Administrative:		
Salaries and wages	\$ 15,905	\$ 15,571
Payroll taxes	1,220	1,292
Pension expense	1,127	1,084
Employee health benefits	1,232	829
Total Administrative	<u>\$ 19,484</u>	<u>\$ 18,776</u>
Maintenance and Operation:		
Salaries and wages	\$ 21,751	\$ 23,676
Payroll taxes	1,662	1,701
Pension expense	1,139	1,320
Employee benefits	73	74
Workers compensation insurance	80	654
Supplies	798	220
Software	912	683
Training and instruction	-	650
Postage	739	932
Professional Services:		
Accounting and auditing	1,852	1,852
Engineering fees	428	-
Other	989	520
Telephone	401	510
Travel reimbursements	754	684
Insurance	4,478	4,707
Purchased sewer services	149,332	142,042
Repairs and maintenance	7,237	6,453
Miscellaneous	968	884
Total Maintenance and Operation	<u>\$ 193,593</u>	<u>\$ 187,572</u>
Depreciation	<u>\$ 207,799</u>	<u>\$ 207,799</u>
Total Operating Expenses	<u>\$ 420,876</u>	<u>\$ 414,147</u>

**CITY OF DUNDAS, MINNESOTA
SEWER UTILITY FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Operating Income (Loss)	\$ 23,429	\$ (3,341)
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 3,244	\$ 2,274
Special assessment interest	5,404	10,756
Debt forgiven	72,377	72,377
Bond issuance costs	(23,291)	5,000
Interest expense	(29,063)	(37,896)
Fiscal agent fees	(2,560)	(776)
Total Nonoperating Revenues (Expenses)	<u>\$ 26,111</u>	<u>\$ 51,735</u>
Income Before transfer	\$ 49,540	\$ 48,394
Transfer (out)	(7,869)	(39,547)
Change in Net Position	\$ 41,671	\$ 8,847
Net Position, beginning of the year	<u>5,030,280</u>	<u>5,021,433</u>
Net Position, end of the year	<u>\$ 5,071,951</u>	<u>\$ 5,030,280</u>

**CITY OF DUNDAS, MINNESOTA
SEWER UTILITY FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 439,096	\$ 418,844
Cash paid to suppliers	(185,106)	(169,430)
Cash paid to employees	(36,484)	(37,442)
Net Cash Provided By Operating Activities	<u>\$ 217,506</u>	<u>\$ 211,972</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond issuance cost	\$ (23,291)	\$ -
Principal paid on capital debt	(137,510)	(1,425,888)
Interest fiscal fee paid on capital debt	(20,246)	(49,496)
Bond proceeds	1,090,100	-
Purchase of capital assets	(187,402)	(19,067)
Transfer (out)	(7,869)	(7,888)
Repayment of interfund loans	40,000	398,072
Interest on special assessments	5,404	10,756
Principal payments received on special assessments	70,166	78,671
Net Cash Provided by (Used In) Capital and Related Financing Activities	<u>\$ 829,352</u>	<u>\$ (1,014,840)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	\$ 1,158	\$ 404
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,048,016	\$ (802,464)
Cash and Cash Equivalent, beginning of year	<u>511,126</u>	<u>1,313,590</u>
Cash and Cash Equivalent, end of year	<u>\$ 1,559,142</u>	<u>\$ 511,126</u>

**CITY OF DUNDAS, MINNESOTA
SEWER UTILITY FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015**

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

	<u>2016</u>	<u>2015</u>
Operating Income (Loss)	\$ 23,429	\$ (3,341)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	207,799	207,799
(Increase) Decrease in Assets:		
Receivables	(5,640)	3,864
Due from other governmental units	431	4,174
(Increase) in Deferred Outflows of Resources		
Deferred pension resources	(12,379)	(1,330)
Increase (Decrease) in Liabilities		
Accounts payable	(9,444)	(2,612)
Accrued liabilities	1,172	1,805
Pension liability	11,321	1,467
Increase in Deferred Inflows of Resources		
Deferred pension resources	817	146
Net Cash Provided By Operating Activities	<u>\$ 217,506</u>	<u>\$ 211,972</u>

**CITY OF DUNDAS, MINNESOTA
REFUSE UTILITY FUND
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 23,142	\$ 24,640
Accounts receivable	18,144	16,380
Due from other governmental units	-	24
Total Current Assets	<u>\$ 41,286</u>	<u>\$ 41,044</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 6,241	\$ 6,097
Accrued Liabilities:		
Salaries and wages	108	94
Compensated absences	208	202
Other	796	777
Total Current Liabilities	<u>\$ 7,353</u>	<u>\$ 7,170</u>
NET POSITION		
Unrestricted	<u>\$ 33,933</u>	<u>\$ 33,874</u>

**CITY OF DUNDAS, MINNESOTA
REFUSE UTILITY FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE		
Charges for Services:		
Refuse charge	\$ 102,297	\$ 94,939
Other	<u>1,502</u>	<u>1,609</u>
Total Charges for Services	<u>\$ 103,799</u>	<u>\$ 96,548</u>
 OPERATING EXPENDITURES		
Administrative:		
Salaries and wages	\$ 3,400	\$ 1,724
Payroll taxes	172	132
Pension expense	158	130
Insurance benefits	<u>9</u>	<u>8</u>
Total Administrative	<u>\$ 3,739</u>	<u>\$ 1,994</u>
 Maintenance and Operation:		
Supplies	\$ 210	\$ 155
Software	517	517
Postage	739	932
Professional services	1,133	1,033
Refuse/garbage disposal	<u>73,513</u>	<u>71,103</u>
Total Maintenance and Operation	<u>\$ 76,112</u>	<u>\$ 73,740</u>
Total Operating Expenditures	<u>\$ 79,851</u>	<u>\$ 75,734</u>
 Operating Income	\$ 23,948	\$ 20,814
 NONOPERATING REVENUES		
Interest earnings	<u>111</u>	<u>100</u>
Income before Transfers	\$ 24,059	\$ 20,914
 Transfer (out)	<u>(24,000)</u>	<u>(18,000)</u>
Change in Net Position	\$ 59	\$ 2,914
 Net Position, beginning of the year	<u>33,874</u>	<u>30,960</u>
 Net Position, end of the year	<u>\$ 33,933</u>	<u>\$ 33,874</u>

**CITY OF DUNDAS, MINNESOTA
REFUSE UTILITY FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 102,059	\$ 98,290
Cash paid to suppliers	(76,248)	(74,011)
Cash paid to employees	(3,420)	(1,991)
Net Cash Provided By Operating Activities	<u>\$ 22,391</u>	<u>\$ 22,288</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	\$ (24,000)	\$ (18,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	\$ 111	\$ 100
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,498)	\$ 4,388
Cash and Cash Equivalents, beginning of year	<u>24,640</u>	<u>20,252</u>
Cash and Cash Equivalents, end of year	<u>\$ 23,142</u>	<u>\$ 24,640</u>

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

	<u>2016</u>	<u>2015</u>
Operating Income	\$ 23,948	\$ 20,814
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Accounts receivable	(1,764)	1,686
Due from other governmental units	24	56
Accounts payable	144	178
Accrued liabilities	39	(446)
Net Cash Provided By Operating Activities	<u>\$ 22,391</u>	<u>\$ 22,288</u>

**CITY OF DUNDAS, MINNESOTA
STORM WATER UTILITY FUND
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 161,865	\$ 118,891
Accounts receivable	11,896	7,220
Due from other funds	-	34,630
Total Current Assets	<u>\$ 173,761</u>	<u>\$ 160,741</u>
Capital Assets:		
Collection System	\$ 670,060	\$ 635,430
Accumulated depreciation	(158,860)	(142,974)
Capital Assets, Net	<u>\$ 511,200</u>	<u>\$ 492,456</u>
Total Assets	<u>\$ 684,961</u>	<u>\$ 653,197</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension resources	<u>\$ 3,377</u>	<u>\$ 1,125</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 402	\$ 179
Accrued liabilities:		
Salaries and wages	300	206
Compensated absences	1,901	1,728
Total Current Liabilities	<u>\$ 2,603</u>	<u>\$ 2,113</u>
Noncurrent Liabilities		
Pension liability	8,029	6,617
Total Liabilities	<u>\$ 10,632</u>	<u>\$ 8,730</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension resources	<u>\$ 1,389</u>	<u>\$ 1,393</u>
NET POSITION		
Invested in capital assets	\$ 511,200	\$ 492,456
Unrestricted	165,117	151,743
Total Net Position	<u>\$ 676,317</u>	<u>\$ 644,199</u>

**CITY OF DUNDAS, MINNESOTA
STORM WATER UTILITY FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE		
Charges for Services:		
Storm water management fees	\$ 76,926	\$ 70,872
OPERATING EXPENDITURES		
Administrative:		
Salaries and wages	\$ 5,776	\$ 3,313
Payroll taxes	442	253
Pension expense	(222)	248
Employee benefits	19	11
Total Administrative	<u>\$ 6,015</u>	<u>\$ 3,825</u>
Maintenance and Operations:		
Salaries and wages	\$ 1,509	\$ 5,234
Payroll taxes	115	400
Pension expense	(98)	516
Employee benefits	6	13
Repairs and Maintenance	8,840	17,993
Professional fees	2,441	1,086
Other	2,434	2,205
Total Maintenance and Operations	<u>\$ 15,247</u>	<u>\$ 27,385</u>
Depreciation	15,886	15,886
Total Operating Expenses	<u>\$ 37,148</u>	<u>\$ 47,096</u>
Operating Income	\$ 39,778	\$ 23,776
NONOPERATING REVENUES		
Interest earned	485	368
Income before transfers	\$ 40,263	\$ 24,144
Transfer (out)	(8,145)	(7,295)
Change in Net Position	\$ 32,118	\$ 16,849
Net Position, beginning of the year	644,199	627,350
Net Position, end of the year	<u>\$ 676,317</u>	<u>\$ 644,199</u>

**CITY OF DUNDAS, MINNESOTA
STORM WATER UTILITY FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 72,250	\$ 72,436
Cash paid to suppliers	(14,598)	(22,428)
Cash paid to employees	(7,018)	(6,639)
Net Cash Provided by Operating Activities	<u>\$ 50,634</u>	<u>\$ 43,369</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers out to other funds	<u>\$ (8,145)</u>	<u>\$ (7,295)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>\$ 485</u>	<u>\$ 368</u>
 Net Increase in Cash and Cash Equivalents	\$ 42,974	\$ 36,442
 Cash and Cash Equivalents, beginning of year	<u>118,891</u>	<u>82,449</u>
Cash and Cash Equivalents, end of year	<u>\$ 161,865</u>	<u>\$ 118,891</u>

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

	<u>2016</u>	<u>2015</u>
Operating Income (Loss)	\$ 39,778	\$ 23,776
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	15,886	15,886
(Increase) Decrease in Assets:		
Accounts receivable	(4,676)	1,564
(Increase) in Deferred Outflows of Resources		
Deferred pension resources	(2,252)	(290)
Increase (Decrease) in Liabilities		
Accounts payable	223	174
Accrued liabilities	267	1,908
Pension liability	1,412	319
Increase (Decrease) in Deferred Inflows of Resources		
Deferred pension resources	(4)	32
Net Cash Provided By Operating Activities	<u>\$ 50,634</u>	<u>\$ 43,369</u>

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

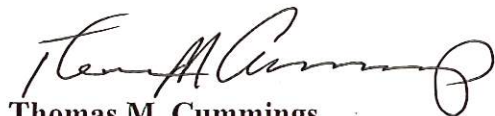
**Honorable Mayor
Members of the City Council
City of Dundas, Minnesota**

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, 2016 and the related notes to the financial statements and have issued my report thereon dated June 12, 2017.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven 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 Cities*. 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 12, 2017