

CITY OF DUNDAS, MINNESOTA

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

DECEMBER 31, 2017

CITY OF DUNDAS, MINNESOTA

TABLE OF CONTENTS

DECEMBER 31, 2017

Page

3	Introduction Section – Council Officials
4-5	Independent Auditors' Report
6-13	Management's Discussion and Analysis
	<u>BASIC FINANCIAL STATEMENTS</u>
	<u>Government-Wide Financial Statements</u>
14	Statement of Net Position
15	Statement of Activities
	<u>Fund Financial Statements</u>
16	Balance Sheet - Governmental Funds
17	Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds
18	Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
19	Statement of Net Position - Proprietary Funds
20	Statement of Revenue, Expenses, and Changes in Net Position - Proprietary Funds
21	Statement of Cash Flows - Proprietary Funds
22-42	Notes to the Basic Financial Statements
	<u>REQUIRED SUPPLEMENTARY INFORMATION</u>
43	Schedules of Employer's Share of PERA Net Pension Liability and Contributions - General Employees Retirement Fund
44	Schedules of Employer's Share of PERA Net Pension Liability and Contributions - Public Employees Police and Fire Fund
45-48	Schedule of Revenue, Expenditures, and Changes in Fund Balances Budget and Actual General Fund
49	Notes to Required Supplementary Information on Budgetary Accounting and Control

CITY OF DUNDAS, MINNESOTA

TABLE OF CONTENTS - Continued

DECEMBER 31, 2017

Page

OTHER SUPPLEMENTARY INFORMATION

50	Combining Balance Sheet - Nonmajor Governmental Funds
51	Combining Statement of Revenue, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds
52	Combining Statement of Net Position - Nonmajor Proprietary Funds
53	Combining Statement of Revenue, Expenses, and Changes in Fund Net Position - Nonmajor Proprietary Funds
54	Combining Statement of Cash Flows - Nonmajor Proprietary Funds

Individual Fund Statements

	Water Utility Fund
55	Statements of Net Position
56	Statements of Revenue, Expenses, and Changes in Net Position
57	Statements of Cash Flows
	Sewer Utility Fund
58	Statements of Net Position
59	Statements of Revenue, Expenses, and Changes in Net Position
60	Statements of Cash Flows

OTHER REPORT

61	Independent Auditors' Report on Minnesota Legal Compliance
----	--

CITY OF DUNDAS, MINNESOTA

CITY OFFICIALS

DECEMBER 31, 2017

Glenn Switzer

Mayor

Grant Modory

Council Member

John Cruz

Council Member

Chad Pribyl

Council Member

Larry Fowler

Council Member

INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Dundas, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dundas, Minnesota (the "City"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from 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 City'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 City's internal control. Accordingly, we 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dundas, Minnesota, as of December 31, 2017, 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.

Other Matters

The financial statements as of December 31, 2016 were audited by Thomas Cummings, CPA, who was acquired by Hawkins Ash CPAs, LLP on December 1, 2017, and whose report dated June 12, 2017 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of proportionate share of pension liability and contributions on pages 6 through 13 and 43 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dundas, Minnesota's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
June 25, 2018

CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF DUNDAS, MINNESOTA 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, 2017.

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, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

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, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

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 \$12,898,244 as of December 31, 2017, with \$3,764,681 of net position from governmental activities and \$9,133,563 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	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 1,786,432	\$ 2,117,199	\$ 2,080,177	\$ 2,565,761	\$ 3,866,609	\$ 4,682,960
Capital assets	<u>3,747,213</u>	<u>3,869,165</u>	<u>10,595,471</u>	<u>10,167,443</u>	<u>14,342,684</u>	<u>14,036,608</u>
Total Assets	<u>5,533,645</u>	<u>5,986,364</u>	<u>12,675,648</u>	<u>12,733,204</u>	<u>18,209,293</u>	<u>18,719,568</u>
Deferred Outflows of Resources	<u>42,705</u>	<u>544,902</u>	<u>12,318</u>	<u>47,859</u>	<u>55,023</u>	<u>592,761</u>
Liabilities						
Other liabilities	309,995	158,484	777,544	248,025	1,087,539	406,509
Long-term liabilities	<u>1,415,058</u>	<u>2,253,348</u>	<u>2,767,786</u>	<u>3,909,364</u>	<u>4,182,844</u>	<u>6,162,712</u>
Total Liabilities	<u>1,725,053</u>	<u>2,411,832</u>	<u>3,545,330</u>	<u>4,157,389</u>	<u>5,270,383</u>	<u>6,569,221</u>
Deferred Inflows of Resources	<u>86,616</u>	<u>100,349</u>	<u>9,073</u>	<u>19,684</u>	<u>95,689</u>	<u>120,033</u>
Net Position:						
Invested in capital assets	2,654,619	2,495,274	7,354,113	7,283,864	10,008,732	9,779,138
Restricted	204,371	262,788	-	58,448	204,371	321,236
Unrestricted	<u>905,691</u>	<u>1,261,023</u>	<u>1,779,450</u>	<u>1,261,678</u>	<u>2,685,141</u>	<u>2,522,701</u>
Total Net Position	<u>\$ 3,764,681</u>	<u>\$ 4,019,085</u>	<u>\$ 9,133,563</u>	<u>\$ 8,603,990</u>	<u>\$ 12,898,244</u>	<u>\$ 12,623,075</u>

Governmental Activities

Governmental activities had a decrease in net position in the amount of \$254,404.

CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

GOVERNMENTAL ACTIVITIES

Governmental activities had a decrease in net position in the amount of \$254,404. Summarized below are governmental activities revenue and expenses:

	2017		2016	
	Amount	%	Amount	%
Revenues by sources				
Charges for services	\$ 190,032	11.28%	\$ 188,286	9.14%
Operating grants and contributions	71,422	4.24	39,192	1.90
Capital grants and contributions	22,831	1.36	277,489	13.48
Taxes:				
Property taxes	1,208,388	71.76	819,929	39.83
Tax increments	-	-	546,286	26.53
Non-property taxes	14,328	0.85	13,454	0.65
Intergovernmental	156,582	9.30	155,541	7.55
Other	8,209	0.49	5,834	0.28
Unrestricted interest and investment earnings	12,211	0.72	13,151	0.64
TOTAL GOVERNMENTAL REVENUE	<u>\$ 1,684,003</u>	<u>100.00%</u>	<u>\$ 2,059,162</u>	<u>100.00%</u>
Expenses by Function/Program				
General Government	\$ 273,684	14.12%	\$ 249,932	14.93%
Public Safety	414,857	21.40	489,302	29.24
Public Works	327,548	16.90	347,622	20.77
Parks and Recreation	214,350	11.05	153,297	9.16
Economic Development	9,100	0.47	51,908	3.10
Interest on long-term debt	34,068	1.76	45,667	32.73
Transfers	664,800	34.30	335,792	20.07
TOTAL GOVERNMENTAL EXPENSES	<u>\$ 1,938,407</u>	<u>100.00%</u>	<u>\$ 1,673,520</u>	<u>100.00%</u>

CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

BUSINESS-TYPE ACTIVITIES

Business-type activities Net Position increased by \$529,573 in 2017. Summarized below are business-type activities revenues and expenses:

	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenues by Sources				
Charges for Services:				
Water	\$ 380,446	22.33%	\$ 327,493	23.89%
Sewer	399,162	23.43	444,305	32.41
Refuse	101,889	5.98	103,799	7.57
Storm drainage	69,381	4.07	76,926	5.61
Capital grants and contributions	72,377	4.25	72,377	5.28
Unrestricted interest and investment earnings	15,438	0.91	10,371	0.76
Transfers	<u>664,800</u>	<u>39.03</u>	<u>335,792</u>	<u>24.49</u>
TOTAL BUSINESS-TYPE REVENUE	<u>\$ 1,703,493</u>	<u>100.00%</u>	<u>\$ 1,371,063</u>	<u>100.00%</u>
Expenses by Function/Program				
Expenses by Program:				
Water	\$ 472,845	40.28%	\$ 462,851	43.85%
Sewer	574,708	48.96	475,790	45.07
Refuse	80,368	6.85	79,851	7.56
Storm drainage	<u>45,999</u>	<u>3.91</u>	<u>37,148</u>	<u>3.52</u>
TOTAL BUSINESS-TYPE EXPENSES	<u>\$ 1,173,920</u>	<u>100.00%</u>	<u>\$ 1,055,640</u>	<u>100.00%</u>

CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
REVENUE						
Program Revenue:						
Charges for services	\$ 190,032	\$ 188,286	\$ 950,878	\$ 952,523	\$ 1,140,910	\$ 1,140,809
Operating grants and contributions	71,422	39,192	-	-	71,422	39,192
Capital grants and Contributions	22,831	277,489	72,377	72,377	95,208	349,866
General Revenue:						
Property taxes	1,208,388	1,366,215	-	-	1,208,388	1,366,215
Non-property taxes	14,328	13,454	-	-	14,328	13,454
Intergovernmental	156,582	155,541	-	-	156,582	155,541
Other	8,209	13,151	-	-	8,209	13,151
Unrestricted interest and investment earnings	12,211	5,834	15,438	10,371	27,649	16,205
Total Revenue	<u>1,684,003</u>	<u>2,059,162</u>	<u>1,038,693</u>	<u>1,035,271</u>	<u>2,722,696</u>	<u>3,094,433</u>
Expenses:						
General government	273,684	249,932	-	-	273,684	294,932
Public safety	414,857	489,302	-	-	414,857	489,302
Public works	327,548	347,622	-	-	327,548	347,622
Parks and recreation	214,350	153,297	-	-	214,350	153,297
Economic development	9,100	51,908	-	-	9,100	51,908
Interest on long-term debt	34,068	45,667	-	-	34,068	45,667
Water	-	-	472,845	462,851	472,845	462,851
Sewer	-	-	574,708	475,790	574,708	475,790
Refuse	-	-	80,368	79,851	80,368	79,851
Storm drainage	-	-	45,999	37,148	45,999	37,148
Total Expenses	<u>1,273,607</u>	<u>1,337,728</u>	<u>1,173,920</u>	<u>1,055,640</u>	<u>2,447,527</u>	<u>2,393,368</u>
Change in Net Position Before Transfers	410,396	721,434	(135,227)	(20,369)	275,169	701,065
Transfers In (Out)	(664,800)	(335,792)	664,800	335,792	-	-
Change in Net Position	(254,404)	385,642	529,573	315,423	275,169	701,065
Net Position, beginning	<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>
Net Position, ending	<u>\$ 3,764,681</u>	<u>\$ 4,019,085</u>	<u>\$ 9,133,563</u>	<u>\$ 8,603,990</u>	<u>\$12,898,244</u>	<u>\$ 12,623,075</u>

CITY OF DUNDAS, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

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, 2017, amounts to \$14,342,684 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	
	2017	2016	2017	2016	2017	2016
Land and land rights	\$ 559,674	\$ 559,674	\$ 223,396	\$ 223,396	\$ 783,070	\$ 783,070
Construction in process	40,386	-	-	302,117	40,386	302,117
Building and structures	937,289	977,271	-	-	937,289	977,271
Equipment	70,392	89,438	33,760	39,966	104,152	129,404
Vehicles	78,433	62,919	-	-	78,433	62,919
Land improvements	264,878	276,711	-	-	264,878	276,711
Infrastructure	1,796,161	1,903,152	-	-	1,796,161	1,903,152
Sewer collection system	-	-	5,945,513	4,974,374	5,945,513	4,974,374
Water distribution system	-	-	3,898,642	4,116,390	3,898,642	4,116,390
Storm water collection system	-	-	494,160	511,200	494,160	511,200
Total Capital Assets	\$ 3,747,213	\$ 3,869,165	\$ 10,595,471	\$ 10,167,443	\$ 14,342,684	\$ 14,036,608

CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

DEBT ADMINISTRATION

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds:						
Tax increment	\$ -	\$ 205,000	\$ -	\$ -	\$ -	\$ 205,000
Improvement	1,085,000	1,160,000	-	-	1,085,000	1,160,000
Revenue bonds	-	-	3,135,000	3,555,000	3,135,000	3,555,000
Note payables-Revenue	-	-	102,543	234,097	102,543	234,097
	<u>\$ 1,085,000</u>	<u>\$ 1,365,000</u>	<u>\$ 3,237,543</u>	<u>\$ 3,789,097</u>	<u>\$ 4,322,543</u>	<u>\$ 5,154,097</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

CITY OF DUNDAS, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF DUNDAS, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2017

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments	\$ 1,760,028	\$ 1,943,478	\$ 3,703,506
Receivables			
Taxes	12,658	-	12,658
Accounts and other	9,968	120,524	130,492
Interest	3,778	12,884	16,662
Prepays	-	3,291	3,291
Capital assets (net of accumulated depreciation)			
Capital assets not being depreciated	600,060	223,396	823,456
Capital assets being depreciated	<u>3,147,153</u>	<u>10,372,075</u>	<u>13,519,228</u>
TOTAL ASSETS	5,533,645	12,675,648	18,209,293
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>42,705</u>	<u>12,318</u>	<u>55,023</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,576,350</u>	<u>\$ 12,687,966</u>	<u>\$ 18,264,316</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
LIABILITIES			
Accounts payable	\$ 91,778	\$ 94,330	\$ 186,108
Accrued liabilities			
Payroll	13,466	4,476	17,942
Interest	13,920	30,806	44,726
Other	51,647	912	52,559
Compensated absences	2,775	19,541	22,316
Unearned revenue - other	61,409	54,937	116,346
Current portion of long-term obligations	75,000	572,542	647,542
Noncurrent portion of long-term obligations	<u>1,415,058</u>	<u>2,767,786</u>	<u>4,182,844</u>
TOTAL LIABILITIES	<u>1,725,053</u>	<u>3,545,330</u>	<u>5,270,383</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	<u>86,616</u>	<u>9,073</u>	<u>95,689</u>
NET POSITION			
Net investment in capital assets	2,654,619	7,354,113	10,008,732
Restricted for debt service	204,371	-	204,371
Unrestricted	<u>905,691</u>	<u>1,779,450</u>	<u>2,685,141</u>
TOTAL NET POSITION	<u>3,764,681</u>	<u>9,133,563</u>	<u>12,898,244</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 5,576,350</u>	<u>\$ 12,687,966</u>	<u>\$ 18,264,316</u>

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 273,684	\$ 25,656	\$ -	\$ -	\$ (248,028)		\$ (248,028)
Public safety	414,857	104,535	30,919	-	(279,403)		(279,403)
Public works	327,548	23,626	-	-	(303,922)		(303,922)
Culture, recreation and education	214,350	2,215	40,503	22,831	(148,801)		(148,801)
Conservation and development	9,100	34,000	-	-	24,900		24,900
Interest and fiscal charges	34,068	-	-	-	(34,068)		(34,068)
TOTAL GOVERNMENTAL ACTIVITIES	1,273,607	190,032	71,422	22,831	(989,322)		(989,322)
BUSINESS-TYPE ACTIVITIES							
Water	472,845	380,446	-	-		\$ (92,399)	(92,399)
Sewer	574,708	399,162	-	72,377		(103,169)	(103,169)
Other	126,367	171,270	-	-		44,903	44,903
TOTAL BUSINESS-TYPE ACTIVITIES	1,173,920	950,878	-	72,377		(150,665)	(150,665)
TOTAL PRIMARY GOVERNMENT	\$ 2,447,527	\$ 1,140,910	\$ 71,422	\$ 95,208	(989,322)	(150,665)	(1,139,987)
GENERAL REVENUE							
Taxes							
Property taxes					1,208,388	-	1,208,388
Other taxes					14,328	-	14,328
Intergovernmental revenues not restricted to specific programs					156,582	-	156,582
Interest and investment income					12,211	15,438	27,649
Miscellaneous					8,209	-	8,209
Transfers					(664,800)	664,800	-
TOTAL GENERAL REVENUE					734,918	680,238	1,415,156
CHANGE IN NET POSITION					(254,404)	529,573	275,169
NET POSITION - BEGINNING OF YEAR					4,019,085	8,603,990	12,623,075
NET POSITION - END OF YEAR					\$ 3,764,681	\$ 9,133,563	\$ 12,898,244

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
FUND FINANCIAL STATEMENTS

CITY OF DUNDAS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	GENERAL FUND	TAX INCREMENT IMPROVEMENT FUND	ANNEXATION TAX REBATE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and investments	\$ 1,161,929	\$ 3,858	\$ 209,957	\$ 384,284	\$ 1,760,028
Receivables					
Accounts	4,030	-	1,449	5,938	11,417
Interest	2,329	-	-	-	2,329
Delinquent property taxes	12,658	-	-	-	12,658
TOTAL ASSETS	\$ 1,180,946	\$ 3,858	\$ 211,406	\$ 390,222	\$ 1,786,432
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 58,903	\$ 3,858	\$ -	\$ 29,017	\$ 91,778
Accrued expenses					
Payroll	13,466	-	-	-	13,466
Other	51,647	-	-	-	51,647
Compensated absences	2,775	-	-	-	2,775
Unearned revenue - developer deposits	61,409	-	-	-	61,409
TOTAL LIABILITIES	188,200	3,858	-	29,017	221,075
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - tax roll	12,658	-	-	-	12,658
FUND BALANCES					
Restricted	-	-	-	204,371	204,371
Assigned	-	-	211,406	156,877	368,283
Unassigned	980,088	-	-	(43)	980,045
TOTAL FUND BALANCES	980,088	-	211,406	361,205	1,552,699
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,180,946	\$ 3,858	\$ 211,406	\$ 390,222	
Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:					
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:					
Governmental capital asset				\$ 6,241,701	
Governmental accumulated depreciation				(2,494,488)	3,747,213
Some revenue is unearned in the funds because it is not available to pay current period's expenditures:					
Other unearned revenue to be collected after year end					12,658
Deferred inflows of resources and deferred outflows of resources are not current financial resources and are not reported in fund statements.					
					(43,911)
Long-term liabilities, including bonds and notes payable, are not due in the current period, and therefore, are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:					
General obligation debt				\$ (1,085,000)	
Debt discount				5,187	
Debt premium				(12,781)	
Accrued interest				(13,920)	
Vested employee benefits				(37,826)	
Net pension liability				(359,638)	(1,503,978)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES					\$ 3,764,681

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	GENERAL FUND	TAX INCREMENT IMPROVEMENT FUND	ANNEXATION TAX REBATE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE					
Taxes	\$ 868,266	\$ 354,254	\$ -	\$ 11,392	\$ 1,233,912
Intergovernmental	187,501	-	-	-	187,501
Licenses and permits	109,138	-	-	-	109,138
Fines, forfeits, and penalties	16,937	-	-	-	16,937
Public charges for services	29,724	-	-	-	29,724
Miscellaneous	41,126	-	34,000	42,861	117,987
TOTAL REVENUE	<u>1,252,692</u>	<u>354,254</u>	<u>34,000</u>	<u>54,253</u>	<u>1,695,199</u>
EXPENDITURES					
Current					
General government	282,725	-	-	-	282,725
Public safety	378,907	-	-	-	378,907
Public works	188,813	-	-	-	188,813
Parks and recreation	89,112	4,521	52,748	32,852	179,233
Conservation and development	-	-	-	4,579	4,579
Debt service					
Principal	-	-	-	280,000	280,000
Interest	-	-	-	38,617	38,617
Other	-	-	-	1,088	1,088
Capital outlay	36,473	-	-	40,386	76,859
TOTAL EXPENDITURES	<u>976,030</u>	<u>4,521</u>	<u>52,748</u>	<u>397,522</u>	<u>1,430,821</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>276,662</u>	<u>349,733</u>	<u>(18,748)</u>	<u>(343,269)</u>	<u>264,378</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	7,520	-	-	365,671	373,191
Operating transfers (out)	(250,452)	(780,019)	-	(7,520)	(1,037,991)
TOTAL OTHER FINANCING (USES) SOURCES	<u>(242,932)</u>	<u>(780,019)</u>	<u>-</u>	<u>358,151</u>	<u>(664,800)</u>
NET CHANGE IN FUND BALANCE	33,730	(430,286)	(18,748)	14,882	(400,422)
FUND BALANCE - BEGINNING OF YEAR	<u>946,358</u>	<u>430,286</u>	<u>230,154</u>	<u>346,323</u>	<u>1,953,121</u>
FUND BALANCE - END OF YEAR	<u>\$ 980,088</u>	<u>\$ -</u>	<u>\$ 211,406</u>	<u>\$ 361,205</u>	<u>\$ 1,552,699</u>

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds \$ (400,422)

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital outlay reported in governmental fund statements	\$ 76,859	
Depreciation expense reported in the statement of activities	(198,811)	
Amount by which capital outlays are less than depreciation in the current period:		(121,952)

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

This year the accrual of these benefits decreased by:	4,769
---	-------

Certain revenue is unavailable in the governmental funds because it is not available to pay current period expenditures. In the statement of activities, these are recorded as revenue in the current year:

Other unearned revenue recognized in the governmental funds	(11,196)
---	----------

PERA net pension liability, deferred inflows of resources, and deferred outflows of resources	(11,240)
---	----------

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year is:	280,000
---	---------

Amortization of bond premium and discount	(1,297)
---	---------

In governmental funds interest payments and other debt costs on outstanding debt are reported as an expenditure when paid. In the statement of activities it is reported as it accrues.

The amount of interest and other debt costs paid during the current period	\$ 38,617	
The amount of interest and other debt costs accrued during the current period	(31,683)	
Interest paid is greater than interest accrued by:		6,934

CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ (254,404)</u>
--	----------------------------

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2017

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>WATER UTILITY FUND</u>	<u>SEWER UTILITY FUND</u>	<u>NONMAJOR PROPRIETARY FUNDS</u>	<u>TOTALS</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,194,467	\$ 543,238	\$ 205,773	\$ 1,943,478
Accounts receivable				
Customer	36,826	56,487	27,211	120,524
Accrued interest	4,972	7,912	-	12,884
Due from other funds	-	251,551	-	251,551
Prepays	1,677	1,614	-	3,291
TOTAL CURRENT ASSETS	<u>1,237,942</u>	<u>860,802</u>	<u>232,984</u>	<u>2,331,728</u>
NONCURRENT ASSETS				
Capital assets (net of accumulated depreciation)				
Capital assets not being depreciated	147,273	76,123	-	223,396
Capital assets being depreciated	3,916,999	5,960,916	494,160	10,372,075
NET CAPITAL ASSETS	<u>4,064,272</u>	<u>6,037,039</u>	<u>494,160</u>	<u>10,595,471</u>
TOTAL ASSETS	<u>5,302,214</u>	<u>6,897,841</u>	<u>727,144</u>	<u>12,927,199</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	6,302	5,129	887	12,318
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,308,516</u>	<u>\$ 6,902,970</u>	<u>\$ 728,031</u>	<u>\$12,939,517</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 7,491	\$ 79,880	\$ 6,959	\$ 94,330
Accrued liabilities				
Compensation and payroll taxes	2,345	1,723	408	4,476
Interest	16,053	14,753	-	30,806
Other	345	-	567	912
Due to other funds	251,551	-	-	251,551
Compensated absences	10,321	7,111	2,109	19,541
Unearned revenue	54,937	-	-	54,937
Current portion of long-term obligations	350,000	222,542	-	572,542
TOTAL CURRENT LIABILITIES	<u>693,043</u>	<u>326,009</u>	<u>10,043</u>	<u>1,029,095</u>
NONCURRENT LIABILITIES				
Long-term obligations	1,146,284	1,614,372	7,130	2,767,786
TOTAL LIABILITIES	<u>1,839,327</u>	<u>1,940,381</u>	<u>17,173</u>	<u>3,796,881</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	4,642	3,777	654	9,073
NET POSITION				
Net investment in capital assets	2,618,624	4,241,329	494,160	7,354,113
Unrestricted	845,923	717,483	216,044	1,779,450
TOTAL NET POSITION	<u>3,464,547</u>	<u>4,958,812</u>	<u>710,204</u>	<u>9,133,563</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 5,308,516</u>	<u>\$ 6,902,970</u>	<u>\$ 728,031</u>	<u>\$12,939,517</u>

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017

	WATER	SEWER	NONMAJOR PROPRIETARY FUNDS	TOTALS
OPERATING REVENUE				
Charges for services	\$ 335,512	\$ 399,162	\$ 171,270	\$ 905,944
Other revenue	44,934	-	-	44,934
TOTAL OPERATING REVENUE	<u>380,446</u>	<u>399,162</u>	<u>171,270</u>	<u>950,878</u>
OPERATING EXPENSES				
Administrative	26,489	28,631	10,584	65,704
Operations and maintenance	190,029	284,721	98,743	573,493
Depreciation	221,697	216,125	17,040	454,862
TOTAL OPERATING EXPENSES	<u>438,215</u>	<u>529,477</u>	<u>126,367</u>	<u>1,094,059</u>
OPERATING (LOSS) INCOME	<u>(57,769)</u>	<u>(130,315)</u>	<u>44,903</u>	<u>(143,181)</u>
NONOPERATING REVENUE (EXPENSES)				
Interest income	8,200	5,828	1,410	15,438
Debt forgiven	-	72,377	-	72,377
Interest expense and other fiscal charges	(34,630)	(45,231)	-	(79,861)
TOTAL NONOPERATING (EXPENSES) REVENUE	<u>(26,430)</u>	<u>32,974</u>	<u>1,410</u>	<u>7,954</u>
(LOSS) INCOME BEFORE TRANSFERS	(84,199)	(97,341)	46,313	(135,227)
OPERATING TRANSFER IN	742,754	-	-	742,754
OPERATING TRANSFER (OUT)	<u>(15,797)</u>	<u>(15,798)</u>	<u>(46,359)</u>	<u>(77,954)</u>
CHANGE IN NET POSITION	642,758	(113,139)	(46)	529,573
NET POSITION - BEGINNING OF YEAR	<u>2,821,789</u>	<u>5,071,951</u>	<u>710,250</u>	<u>8,603,990</u>
NET POSITION - END OF YEAR	<u>\$ 3,464,547</u>	<u>\$ 4,958,812</u>	<u>\$ 710,204</u>	<u>\$ 9,133,563</u>

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	WATER	SEWER	NONMAJOR PROPRIETARY FUNDS	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 382,614	\$ 407,934	\$ 174,098	\$ 964,646
Payments to suppliers for goods and services	(147,571)	(290,683)	(96,269)	(534,523)
Payments for employees wages and benefits	(65,974)	(56,583)	(12,115)	(134,672)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>169,069</u>	<u>60,668</u>	<u>65,714</u>	<u>295,451</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property, plant and equipment	-	(882,891)	-	(882,891)
Retirement of long-term debt	(344,462)	(137,380)	-	(481,842)
Interest paid	(37,462)	(47,241)	-	(84,703)
Principal paid on special assessments	-	3,619	-	3,619
Transfers from (to) other funds	726,957	(15,798)	(46,359)	664,800
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>345,033</u>	<u>(1,079,691)</u>	<u>(46,359)</u>	<u>(781,017)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	5,011	3,119	1,410	9,540
NET CHANGE IN CASH AND CASH EQUIVALENTS	519,113	(1,015,904)	20,765	(476,026)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>675,354</u>	<u>1,559,142</u>	<u>185,008</u>	<u>2,419,504</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,194,467</u>	<u>\$ 543,238</u>	<u>\$ 205,773</u>	<u>\$ 1,943,478</u>
<u>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>				
Operating (loss) income	\$ (57,769)	\$ (130,315)	\$ 44,903	\$ (143,181)
Adjustments to reconcile operating (loss) income to cash flows from operating activities				
Depreciation	221,697	216,125	17,040	454,862
Changes in assets and liabilities				
Decrease in receivables - customers	238	8,772	2,828	11,838
Decrease in deferred outflows	20,637	12,414	2,490	35,541
Increase (decrease) in accounts payable	2,434	(42,097)	316	(39,347)
(Decrease) in payroll payable	(96)	(288)	-	(384)
(Decrease) in other accrued expenses	(151)	-	(229)	(380)
Increase in unearned revenue	1,930	-	-	1,930
(Decrease) in net pension liability	(13,413)	(505)	(899)	(14,817)
(Decrease) in deferred inflows	(6,438)	(3,438)	(735)	(10,611)
Total adjustments	<u>226,838</u>	<u>190,983</u>	<u>20,811</u>	<u>438,632</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 169,069</u>	<u>\$ 60,668</u>	<u>\$ 65,714</u>	<u>\$ 295,451</u>

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of the City of Dundas (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below.

The significant accounting policies of the City are described below:

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 organizations for which the elected officials of the City of Dundas are financially accountable or for which the nature or significance of their relationship with the City of Dundas would cause the general purpose financial statements to be misleading or incomplete. As of December 31, 2017, there were no entities that met the requirements to be considered a component unit of the City.

The following circumstances set forth the City's financial accountability for a legally separate organization: the City is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has (1) a separately-elected governing body, (2) a governing body appointed by a higher level of government, or (3) a jointly-appointed governing body. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

Basis of Presentation

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenue, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

General Fund - Accounts for the City's primary operating activities. It is used to account for all financial resources, except those required to be accounted for in another fund.

Tax Increment Improvement Fund - A special revenue fund type and accounts for the development activities within tax increment districts.

Annexation Tax Rebate Fund - Accounts for the resources used to repay townships for property annexed into the City.

The City reports the following major enterprise funds:

Water Utility Fund - Accounts for the activities related to the operation of a water distribution system.

Sewer Utility Fund - Accounts for the activities related to the operation of a sanitary sewer collection and treatment system.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in und financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resource management focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

The proprietary funds distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue 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 water and sewer utilities is a charge to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Cash and Cash Equivalents - Cash and cash equivalents, as classified in the statement of cash flows, consist of all highly liquid investments with an initial maturity of three months or less.

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.

Accounts Receivable - Accounts receivable are recorded at gross amounts less an allowance for doubtful accounts. No provision for uncollectible accounts receivable has been made in the accompanying proprietary fund financial statements because the water and sewer has the right to place delinquent bills on the tax roll.

Due To/From Advance To/From Other Funds - During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as due to and from other funds. Long-term interfund loans (noncurrent portion) are reported as advances from and to other funds. In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation. Eliminations have been made for amounts due to/from and advance to/from within the same fund type on the government-wide statements.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

Interfund Transactions - Non-exchange transactions which are not borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenues and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Prepaid Items - Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in nonspendable fund balance, because prepaids are not expendable available financial resources.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks and drainage and lighting systems, acquired prior to January 1, 2003, are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. .

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction were not capitalized as part of the additions to capital assets.

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

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

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%.

Debt Premiums and Discounts - In the government-wide and proprietary fund financial statements, debt premiums and discounts are deferred and amortized over the life of the debt. Long-term debt is reported net of the applicable debt premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay accumulates and vests and sick pay accumulates and vests with certain limitations. Upon retirement or death, one-half of an employee's sick leave, up to a maximum of 120 days, is paid to the retiree or the employee's spouse or estate, and one-half is used to pay for health and dental insurance.

Accumulated unpaid vacation and sick leave for employees is recorded as an expense and liability in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category: the deferred changes from PERA result from the changes in actuarial studies.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City has two items that qualify for reporting in this category: unavailable revenue and PERA pension system. The unavailable revenue is from property taxes and special assessments. This amount is deferred and recognized as an inflow in the period the amount becomes available. The deferred changes from PERA result from the changes in actuarial studies.

Claims and Judgments - Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

Net Position Classifications - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Balance Classifications - The City classifies its fund equity as follows:

1. Nonspendable fund balance consists of equity not in a spendable form or is legally or contractually required to be maintained intact.
2. Restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation.
3. Committed fund balance consists of equity constrained to specific purposes by the City itself, using its highest level of decision making authority - Common Council policies.
4. Assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body. The Common Council has authorized the Finance Director to assign fund balances through its financial management policy.
5. Unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the City's policy to record the net loss against committed fund balance, then assigned fund balance, and lastly to unassigned fund balance. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position area available.

State and Federal Aids - State general and categorical aids are recognized as revenue in the entitlement year. Federal aids and certain state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenue.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Cash and 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.

As of December 31, 2017, the City had the following investments:

<u>INVESTMENT</u>	<u>WEIGHTED AVERAGE MATURITIES</u>	<u>FAIR VALUE</u>
Certificates of Deposit	Less than one year	\$ 1,608,239
Certificates of Deposit	More than one year	1,354,760
		<u>\$ 2,962,999</u>

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 2 - Cash and Investments - Continued

Determining Fair Value - The City categorizes its fair value measurements with in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The City has no investments measured at fair value.

Income Allocation - Interest income is generally allocated to the fund which owns the checking account, savings account, money market, certificate of deposit, and investment.

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. As of December 31, 2017, \$1,075,583 of the City's bank balance of \$3,793,702 was exposed to custodial credit risk as follows:

Uninsured, collateral pledged by bank	<u>\$ 1,075,583</u>
---------------------------------------	----------------------------

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

Cash and investments	<u>\$ 3,703,506</u>
Deposits:	
Checking account	\$ 12,417
Money market account	727,990
Petty cash	100
Investments, certificates of deposit	<u>2,962,999</u>
Total	<u>\$ 3,703,506</u>

NOTE 3 - 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.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 3 - Property Taxes - Continued

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.

NOTE 4 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2017, are as follows:

	BALANCES 1/1/17	ADDITIONS	RETIREMENTS	ADJUSTMENTS	BALANCES 12/31/17
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 559,674	\$ -	\$ -	\$ -	\$ 559,674
Construction in progress	-	40,386	-	-	40,386
Total capital assets not being depreciated	<u>559,674</u>	<u>40,386</u>	<u>-</u>	<u>-</u>	<u>600,060</u>
<i>Capital assets being depreciated</i>					
Buildings	1,555,443	-	-		1,555,443
Equipment	252,144	-	-		252,144
Vehicles	135,930	36,473	(24,479)	-	147,924
Land improvements	415,820	-	-	3,250	419,070
Infrastructure	<u>3,270,310</u>	<u>-</u>	<u>-</u>	<u>(3,250)</u>	<u>3,267,060</u>
Total capital assets being depreciated	<u>5,629,647</u>	<u>36,472</u>	<u>(24,479)</u>	<u>-</u>	<u>5,641,641</u>
Less accumulated depreciation for:					
Buildings	578,172	39,983	-	-	618,154
Equipment	162,706	19,044	-	-	181,751
Vehicles	73,011	20,960	(24,479)	-	69,492
Land improvements	139,109	15,083	-	-	154,192
Infrastructure	<u>1,367,158</u>	<u>103,741</u>	<u>-</u>	<u>-</u>	<u>1,470,899</u>
Total accumulated depreciation	<u>2,320,156</u>	<u>198,811</u>	<u>(24,479)</u>	<u>-</u>	<u>2,494,487</u>
Total capital assets being depreciated, net	<u>3,309,491</u>	<u>(162,338)</u>	<u>-</u>	<u>-</u>	<u>3,147,153</u>
GOVERNMENTAL ACTIVITIES - CAPITAL ASSETS, NET	<u>\$ 3,869,165</u>	<u>\$ (121,952)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,747,213</u>

Depreciation expense for governmental activities was charged to functions as follows:

Governmental Activities:

General government	\$ 2,171
Public safety	17,583
Public works	139,585
Parks and recreation	<u>39,472</u>
Total Governmental Activities	<u>\$ 198,811</u>

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 4 - Capital Assets - Continued

	BALANCES 1/1/17	ADDITIONS	RETIREMENTS	ADJUSTMENTS	BALANCES 12/31/17
<u>BUSINESS-TYPE ACTIVITIES</u>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 223,396	\$ -	\$ -	-	\$ 223,396
Construction in progress	302,117	-	-	(302,117)	-
Total capital assets not being depreciated	525,513	-	-	(302,117)	223,396
<i>Capital assets being depreciated</i>					
Sewer collection system	8,357,523	882,890	-	302,117	9,542,530
Water distribution system	7,178,961	-	-	-	7,178,961
Storm water collection system	670,060	-	-	-	670,060
Equipment	76,227	-	-	-	76,227
Software	20,460	-	-	-	20,460
Total capital assets being depreciated	16,303,231	882,890	-	302,117	17,488,238
Less accumulated depreciation for:					
Sewer collection system	3,383,148	213,869	-	-	3,597,017
Water distribution system	3,062,571	217,748	-	-	3,280,319
Storm water collection system	158,860	17,040	-	-	175,900
Equipment	36,261	6,205	-	-	42,467
Software	20,460	-	-	-	20,460
Total accumulated depreciation	6,661,301	454,862	-	-	7,116,163
Total capital assets being depreciated, net	9,641,930	428,028	-	302,117	10,372,075
BUSINESS-TYPE ACTIVITIES - CAPITAL ASSETS, NET	<u>\$ 10,167,443</u>	<u>\$ 428,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,595,471</u>

Depreciation expense for business-type activities was charged to functions as follows:

Business-type Activities:

Water	\$ 221,697
Sewer	216,125
Storm water	17,040
Total Business-type Activities	<u>\$ 454,862</u>

NOTE 5 - Long-Term Obligations

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 revenue.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 5 - Long-Term Obligations - Continued

A summary of long-term debt obligations outstanding as of December 31, 2017 balances is as follows:

	<u>INTEREST RATES</u>	<u>FINAL MATURITY</u>	<u>BALANCE 12/31/17</u>
Governmental Activities:			
General Obligation Improvement Bonds:			
Series 2013A	2.00-3.70%	02/01/2029	\$ 1,085,000
Bond Discounts			(5,187)
Bond Premium			12,781
			<u>1,092,594</u>
Business-Type Activities:			
General Obligation Revenue Notes:			
Note 1997A	2.88%	02/20/2018	30,166
Note 1997B		08/20/2018	72,376
General Obligation Revenue Bonds:			
Refunding Bonds 2013A	2.00-3.25%	02/01/2026	1,430,000
Refunding Bonds Series 2014A	.40-2.25%	12/01/2024	605,000
Series 2016A	.90-2.85%	11/01/2037	1,100,000
Bond Discounts			(18,747)
Bond Premium			22,563
			<u>3,241,358</u>
TOTAL LONG-TERM DEBT, net			<u>\$ 4,333,952</u>

Details of the City's long-term obligations are as follows:

Summary of Long-Term Obligations

	<u>BALANCES 1/1/17</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCES 12/31/17</u>	<u>DUE WITHIN ONE YEAR</u>
Governmental Activities:					
General Obligation Tax Increment Bonds					
Series 2006A	\$ 205,000	\$ -	\$ (205,000)	\$ -	\$ -
General Obligation Improvement Bonds					
Series 2013A	1,160,000	-	(75,000)	1,085,000	75,000
Bond discount	(6,072)	-	885	(5,187)	-
Bond premium	14,963	-	(2,182)	12,781	-
Other liabilities					
Pension liability	836,862	-	(477,224)	359,638	-
Compensated absences	42,595	-	(4,769)	37,826	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 2,253,348</u>	<u>\$ -</u>	<u>\$ (763,290)</u>	<u>\$ 1,490,058</u>	<u>\$ 75,000</u>
Business-Type Activities:					
Enterprise Funds					
General Obligation Revenue Notes					
Note 1997A	\$ 89,344	\$ -	\$ (59,178)	\$ 30,166	\$ 30,166
Note 1997B	144,753	-	(72,377)	72,376	72,376
General Obligation Revenue Bonds					
Series 2014A	685,000	-	(80,000)	605,000	80,000
Series 2013A	1,770,000	-	(340,000)	1,430,000	350,000
Series 2016A	1,100,000	-	-	1,100,000	40,000
Bond discount	(22,517)	-	3,769	(18,748)	-
Bond premium	28,997	-	(6,434)	22,563	-
Other liabilities					
Pension liability	113,787	-	(14,817)	98,970	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 3,909,364</u>	<u>\$ -</u>	<u>\$ (569,037)</u>	<u>\$ 3,340,327</u>	<u>\$ 572,542</u>

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 5 - Long-Term Obligations - Continued

The annual requirements to amortize long-term debt as of December 31, 2016 are as follows:

G.O. Bonds Governmental Activities

	<u>Principal</u>	<u>Interest</u>
2018	\$ 75,000	\$ 32,658
2019	80,000	31,108
2020	80,000	29,108
2021	85,000	26,633
2022	85,000	24,083
2023-2027	470,000	78,831
2028-2029	210,000	7,760
Total	<u>\$ 1,085,000</u>	<u>\$ 230,181</u>

G.O. Revenue Bonds Business-Type Activities

	<u>Principal</u>	<u>Interest</u>
2018	\$ 470,000	\$ 69,738
2019	255,000	63,668
2020	260,000	58,693
2021	270,000	52,730
2022	270,000	46,200
2023-2027	1,005,000	133,088
2028-2032	285,000	64,533
2033-2037	320,000	27,623
Total	<u>\$ 3,135,000</u>	<u>\$ 516,273</u>

G.O. Revenue Notes Business-Type Activities

	<u>Principal</u>	<u>Interest</u>
2018	<u>\$ 102,542</u>	<u>\$ 434</u>

NOTE 6 - Fund Equity

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

Restricted:

Debt service	<u>\$ 204,371</u>
--------------	--------------------------

Unrestricted:

Assigned:

Dundas Baseball operations	\$ 11,385
Annexation payments	211,406
Public Safety capital asset acquisition	83,137
Public Works capital asset acquisition	56,417
Capital asset purchases	5,938
Total Assigned	<u>\$ 368,283</u>

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 6 - Fund Equity - Continued

The following funds had fund equity deficits at December 31, 2017:

<u>FUND</u>	<u>AMOUNT</u>
Capital Projects	
Capital improvement fund	<u>\$ (43)</u>

The above deficit will be eliminated through transfers from other funds.

NOTE 7 - Interfund Balance and Activity

Interfund receivable and payable balances on December 31, 2017, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer	Water	<u>\$ 251,551</u>

The above balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental and business activities are netted and eliminated.

Summary of transfers for the year ended December 31, 2017 are as follows:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
Gambling	General	\$ 7,125
Public Safety Capital Outlay	General	395
Tax Increment Improvement	Water	742,754
Tax Increment Improvement	Tax Increment Debt Service	37,265
Refuse	GO Improvement Bonds 2013A	30,000
Water	GO Improvement Bonds 2013A	15,797
Sewer	GO Improvement Bonds 2013A	15,798
Storm Sewer	GO Improvement Bonds 2013A	16,359
General	Capital Improvements	40,386
General	GO Improvement Bonds 2013A	144,668
General	Public Works Capital Outlay	44,000
General	Public Works Capital Outlay	21,398
		<u>\$ 1,115,945</u>

Generally, transfers are used to move revenue from the fund that collects them to the fund that the budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 8 - 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.

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.

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.

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.

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.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

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.

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.

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

General Employees Fund Contributions

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 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017 were \$18,384. The City's contributions were equal to the required contributions as set by state statute.

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 2017. The City of Dundas' contributions to the Police and Fire Fund for the year ended December 31, 2017 were \$26,717. The City of Dundas contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employee Fund Pension Cost

At December 31, 2017, the City of Dundas reported a liability of \$242,589 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion share was .0038% which was the same as its proportion measured as of June 30, 2016.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

For the year ended December 31, 2017, the City of Dundas recognized pension expense of \$9,951 for its proportionate share of the GERS's pension expense.

At December 31, 2017, the City of Dundas reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 3,545
Changes in actuarial assumptions	21,039	-
Difference between projected and actual investment earnings	-	13,510
Changed in proportion	-	5,183
Contributions paid to PERA subsequent to the measurement date	9,155	-
Total	\$ 30,194	\$ 22,238

\$9,155 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, 2018. 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
2018	\$ 6,891
2019	6,801
2020	(4,594)
2021	(10,297)
2022	-
Thereafter	-

Police and Fire Fund Pension Costs

At December 31, 2017, the City of Dundas reported a liability of \$216,019 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates for July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was .016% which was the same as its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City of Dundas recognized pension expense of (\$27,769) for its proportionate share of the PEPFF's pension expense.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

At December 31, 2017, 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	\$ 71	\$ 46,145
Changes in actuarial assumptions	-	11,391
Difference between projected and actual investment earnings	11,175	15,915
Changed in proportion	-	-
Contributions paid to PERA subsequent to the measurement date	13,583	-
Total	\$ 24,829	\$ 73,451

\$13,583 reported as deferred outflows of resources related to pensions resulting from the City of Dundas contributions subsequent to the measurement dates will be recognizes as a reduction of the net pension liability in the year ended December 31,2018. 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
2018	\$ 681
2019	15,605
2020	7,060
2021	(11,498)
2022	(74,053)
Thereafter	-

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determines 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 disabilitants 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, 2015, 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.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

The following changes in actuarial assumptions for the General Employees Fund occurred in 2017:

General Employees Fund

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

Police and Fire Fund

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

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

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	39%	5.10%
International stocks	19%	5.30%
Bonds	20%	0.75%
Alternative assets	20%	6.40%
Cash	2%	0.00%

Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. 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.

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.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

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 GERP net pension liability:	\$376,274	\$242,589	\$133,144
	1% Decrease in Discount Rate (4.5%)	Discount Rate (5.5%)	1% Increase in Discount Rate (6.5%)
City of Dundas's proportionate share of the PEPFF net pension liability:	\$406,827	\$216,019	\$58,497

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.

NOTE 9 - Commitments and Contingencies

State of Minnesota Grants

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

Tax Increment Districts

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

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2017

NOTE 9 - Commitments and Contingencies - Continued

Litigation

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

Risk Management

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

NOTE 10 - Subsequent Events

The City has evaluated subsequent events through June 25, 2018, the date which the financial statements were available to be issued.

CITY OF DUNDAS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DUNDAS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund (GERF)

<u>Fiscal Year Ending</u>	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>Total</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
6/30/2017	0.0038%	\$ 242,589	\$ -	\$ 242,589	\$ 244,761	100.90%	75.90%
6/30/2016	0.0038%	308,541	-	308,541	238,339	77.25%	68.90%
6/30/2015	0.0040%	307,301	-	307,301	237,223	77.20%	78.20%

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

<u>Year Ending</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
12/31/2017	\$ 18,372	\$ 18,372	\$ -	\$ 244,996	7.50%
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, 2017

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

<u>Fiscal Year Ending</u>	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>Total</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
6/30/2017	0.0160%	\$ 216,019	\$ -	\$ 216,019	\$ 163,738	75.80%	85.43%
6/30/2016	0.0160%	642,108	-	642,108	150,260	23.40%	63.90%
6/30/2015	0.0150%	170,435	-	170,435	134,153	78.71%	78.20%

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

<u>Year Ending</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
12/31/2017	\$ 26,723	\$ 26,723	\$ -	\$ 164,639	16.23%
12/31/2016	26,365	26,365	-	162,187	16.26%
12/31/2015	22,282	22,282	-	137,542	16.20%

CITY OF DUNDAS, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUE				
TAXES				
Property taxes	\$ 841,272	\$ 841,272	\$ 853,938	\$ 12,666
Franchise fees	13,349	13,349	14,328	979
TOTAL TAXES	<u>854,621</u>	<u>854,621</u>	<u>868,266</u>	<u>13,645</u>
LICENSES AND PERMITS				
Building and plan fees	27,000	27,000	100,547	73,547
Alcoholic beverages	8,300	8,300	6,295	(2,005)
Other	2,200	2,200	2,296	96
TOTAL LICENSES AND PERMITS	<u>37,500</u>	<u>37,500</u>	<u>109,138</u>	<u>71,638</u>
INTERGOVERNMENTAL				
Local government aids	155,931	155,931	155,931	-
Market value credit	-	-	547	547
Police grants	22,292	22,292	30,919	8,627
PERA aid	104	104	104	-
TOTAL INTERGOVERNMENTAL	<u>178,327</u>	<u>178,327</u>	<u>187,501</u>	<u>9,174</u>
INTEREST INCOME	<u>6,000</u>	<u>6,000</u>	<u>9,853</u>	<u>3,853</u>
CHARGES FOR SERVICES				
Park	2,000	2,000	2,215	215
Zoning and subdivision	1,000	1,000	4,887	3,887
Rents	-	-	4,200	4,200
Other	1,650	1,650	18,422	16,772
TOTAL CHARGES FOR SERVICES	<u>4,650</u>	<u>4,650</u>	<u>29,724</u>	<u>25,074</u>
FINES, FORFEITS, AND PENALTIES	<u>18,450</u>	<u>18,450</u>	<u>16,937</u>	<u>(1,513)</u>
MISCELLANEOUS				
Contributions	-	-	22,831	22,831
Other	1,840	1,840	8,442	6,602
TOTAL MISCELLANEOUS	<u>1,840</u>	<u>1,840</u>	<u>31,273</u>	<u>29,433</u>
TOTAL REVENUE	<u>1,101,388</u>	<u>1,101,388</u>	<u>1,252,692</u>	<u>151,304</u>

(Continued on page 46)

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL - Continued
YEAR ENDED DECEMBER 31, 2017

EXPENDITURES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
GENERAL GOVERNMENT				
Mayor and council				
Salaries and wages	\$ 25,200	\$ 25,200	\$ 25,200	\$ -
Payroll taxes	1,928	1,928	1,928	-
Workers compensation insurance	60	60	68	(8)
Training and instruction	1,050	1,050	-	1,050
Telephone	420	420	455	(35)
Travel and meeting reimbursements	724	724	-	724
Dues and subscriptions	20	20	30	(10)
Supplies	-	-	128	(128)
Capital outlay	5,600	5,600	-	5,600
TOTAL MAYOR AND COUNCIL	<u>35,002</u>	<u>35,002</u>	<u>27,809</u>	<u>7,193</u>
Administrative				
Salaries and wages	81,458	81,458	85,830	(4,372)
Payroll taxes	6,171	6,171	6,565	(394)
PERA contributions	6,169	6,169	6,012	157
Insurance benefits	13,943	13,943	5,011	8,932
Workers compensation insurance	-	-	1,182	(1,182)
Training and instruction	1,496	1,496	1,220	276
Travel and meeting reimbursements	2,750	2,750	2,131	619
Dues and subscriptions	2,113	2,113	2,773	(660)
TOTAL ADMINISTRATIVE	<u>114,100</u>	<u>114,100</u>	<u>110,724</u>	<u>3,376</u>
Planning and zoning				
Salaries and wages	14,685	14,685	16,615	(1,930)
Payroll taxes	1,123	1,123	1,273	(150)
PERA contributions	1,101	1,101	1,090	11
Insurance benefits	2,113	2,113	48	2,065
Professional services				
Engineering fees	5,738	5,738	10,571	(4,833)
Planning fees	13,372	13,372	12,760	612
Legal fees	7,560	7,560	3,185	4,375
Training and instruction	150	150	-	150
Office supplies	225	225	-	225
Legal notices published	500	500	671	(171)
Miscellaneous	2,000	2,000	-	2,000
TOTAL PLANNING AND ZONING	<u>48,567</u>	<u>48,567</u>	<u>46,213</u>	<u>2,354</u>
Other general government				
Supplies	4,750	4,750	7,633	(2,883)
Auditing and accounting	6,840	6,840	8,193	(1,353)
Legal fees	22,843	22,843	24,862	(2,019)
Engineering fees	15,400	15,400	32,634	(17,234)
Other professional services	3,000	3,000	713	2,287
Telephone and communications	4,470	4,470	4,151	319
Postage	880	880	882	(2)
Legal notices published	563	563	1,205	(642)
Insurance	7,154	7,154	6,067	1,087
Utilities	2,029	2,029	2,257	(228)
Repairs and maintenance	3,750	3,750	5,138	(1,388)
Equipment rentals	3,440	3,440	2,210	1,230
Capital outlay	5,490	5,490	-	5,490
Miscellaneous	8,656	8,656	2,034	6,622
TOTAL OTHER GENERAL GOVERNMENT	<u>89,265</u>	<u>89,265</u>	<u>97,979</u>	<u>(8,714)</u>
TOTAL GENERAL GOVERNMENT	<u>286,934</u>	<u>286,934</u>	<u>282,725</u>	<u>4,209</u>

(Continued on page 47)

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL - Continued
YEAR ENDED DECEMBER 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
EXPENDITURES - Continued				
PUBLIC SAFETY				
Civil defense				
Utilities	\$ 226	\$ 226	\$ 104	\$ 122
Insurance	100	100	362	(262)
Repairs and maintenance	825	825	-	825
TOTAL CIVIL DEFENSE	<u>1,151</u>	<u>1,151</u>	<u>466</u>	<u>685</u>
Animal control				
Subcontracted services	500	500	182	318
Fire protection				
Contractual services	49,594	49,594	28,193	21,401
Police protection				
Salaries and wages	173,380	173,380	180,653	(7,273)
Payroll taxes	2,514	2,514	2,610	(96)
PERA contributions	28,088	28,088	26,913	1,175
Insurance benefits	25,350	25,350	8,232	17,118
Workers compensation insurance	4,886	4,886	7,362	(2,476)
Supplies	3,446	3,446	2,012	1,434
Training and instruction	2,959	2,959	431	2,528
Vehicle operations	10,917	10,917	7,758	3,159
Uniforms	1,928	1,928	2,031	(103)
Legal fees	13,178	13,178	9,199	3,979
Other professional services	2,840	2,840	585	2,255
Telephone and communications	4,199	4,199	3,990	209
Insurance	7,931	7,931	8,239	(308)
Utilities	2,248	2,248	1,182	1,066
Repairs and maintenance	-	-	1,096	(1,096)
Dues and subscriptions	1,225	1,225	2,116	(891)
Capital outlay	3,600	3,600	-	3,600
Miscellaneous	74	74	4,213	(4,139)
TOTAL POLICE PROTECTION	<u>288,763</u>	<u>288,763</u>	<u>268,622</u>	<u>20,141</u>
Building inspections				
Salaries and wages	4,347	4,347	4,896	(549)
Payroll taxes	333	333	374	(41)
PERA contributions	326	326	317	9
Insurance benefits	845	845	20	825
Supplies	403	403	558	(155)
Telephone	659	659	595	64
Permit review fees	17,250	17,250	48,053	(30,803)
Miscellaneous	200	200	1,046	(846)
Plan review fees	9,000	9,000	25,585	(16,585)
TOTAL BUILDINGS INSPECTIONS	<u>33,363</u>	<u>33,363</u>	<u>81,444</u>	<u>(48,081)</u>
TOTAL PUBLIC SAFETY	<u>373,371</u>	<u>373,371</u>	<u>378,907</u>	<u>(5,536)</u>

(Continued on page 48)

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL - Continued
YEAR ENDED DECEMBER 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
EXPENDITURES - Continued				
PUBLIC WORKS				
Highway, streets, and roads				
Salaries and wages	\$ 47,677	\$ 47,677	\$ 39,555	\$ 8,122
Payroll taxes	3,576	3,576	3,025	551
PERA contributions	3,647	3,647	2,419	1,228
Insurance benefits	6,253	6,253	139	6,114
Workers compensation insurance	4,344	4,344	6,058	(1,714)
Supplies	3,300	3,300	1,943	1,357
Signs	1,500	1,500	2,026	(526)
Building utilities	2,250	2,250	577	1,673
Engineering fees	1,500	1,500	15,274	(13,774)
Insurance	1,346	1,346	2,343	(997)
Travel and meeting reimbursements	-	-	437	(437)
Street lighting utilities	24,646	24,646	26,448	(1,802)
Mowing	8,539	8,539	4,530	4,009
Sand/rock/dirt	9,987	9,987	5,801	4,186
Street sweeping	4,177	4,177	-	4,177
Road maintenance	59,906	59,906	66,252	(6,346)
Vehicle operations	10,680	10,680	7,012	3,668
Capital outlay	11,958	11,958	-	11,958
Miscellaneous	450	450	4,974	(4,524)
TOTAL PUBLIC WORKS	<u>205,736</u>	<u>205,736</u>	<u>188,813</u>	<u>16,923</u>
CULTURE, RECREATION, AND EDUCATION				
Parks				
Salaries and wages	11,117	11,117	14,777	(3,660)
Payroll taxes	850	850	1,131	(281)
PERA contributions	834	834	999	(165)
Insurance benefits	1,883	1,883	51	1,832
Workers compensation insurance	275	275	1,098	(823)
Supplies	1,683	1,683	2,834	(1,151)
Repair and maintenance	11,824	11,824	5,945	5,879
Insurance	18,228	18,228	17,358	870
Equipment rentals	1,320	1,320	1,670	(350)
Utilities	3,804	3,804	3,687	117
Grounds	7,661	7,661	12,369	(4,708)
Cleaning service	607	607	458	149
Programming	1,080	1,080	-	1,080
Capital outlay	13,127	13,127	19,257	(6,130)
Miscellaneous	250	250	7,478	(7,228)
TOTAL CULTURE, RECREATION, AND EDUCATION	<u>74,543</u>	<u>74,543</u>	<u>89,112</u>	<u>(14,569)</u>
CAPITAL OUTLAY	<u>6,604</u>	<u>6,604</u>	<u>36,473</u>	<u>(29,869)</u>
TOTAL EXPENDITURES	<u>947,188</u>	<u>947,188</u>	<u>976,030</u>	<u>(28,842)</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>154,200</u>	<u>154,200</u>	<u>276,662</u>	<u>180,146</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	7,520	7,520
Operating transfers (out)	-	-	(250,452)	(250,452)
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>(242,932)</u>	<u>(242,932)</u>
NET CHANGE IN FUND BALANCE	154,200	154,200	33,730	(62,786)
FUND BALANCE - BEGINNING OF YEAR	<u>946,358</u>	<u>946,358</u>	<u>946,358</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,100,558</u>	<u>\$ 1,100,558</u>	<u>\$ 980,088</u>	<u>\$ (62,786)</u>

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
DECEMBER 31, 2017

Note 2 - Excess of Actual Expenditures over Budget - The following expenditure classifications had an excess of actual expenditure over budget.

<u>Expenditure Classification</u>	<u>Excess Expenditures</u>
GENERAL FUND	
Public safety	\$ 5,536
Culture, recreation and education	14,569
Capital outlay	29,869
Other financing uses	
Transfer to other funds	250,452

CITY OF DUNDAS, MINNESOTA
OTHER SUPPLEMENTARY INFORMATION

CITY OF DUNDAS, MINNESOTA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		CAPITAL PROJECT FUNDS			TOTAL NONMAJOR
	GAMBLING FUND	DUNDAS BASEBALL ASSOCIATION ACTIVITY FUND	INDUSTRIAL PARK TAX ABATEMENT FUND	GO IMPROVEMENT BONDS 2013A FUND	TAX INCREMENT DEBT SERVICE FUND	PUBLIC SAFETY CAPITAL OUTLAY FUND	CAPITAL IMPROVEMENTS FUND	PUBLIC WORKS CAPITAL OUTLAY FUND	GOVERNMENTAL FUNDS
<u>ASSETS</u>									
Cash and investments	\$ -	\$ 11,428	\$ 3,052	\$ 204,371	\$ -	\$ 83,137	\$ 25,879	\$ 56,417	\$ 384,284
Receivable									
Accounts and other	<u>5,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,938</u>
TOTAL ASSETS	<u>\$ 5,938</u>	<u>\$ 11,428</u>	<u>\$ 3,052</u>	<u>\$ 204,371</u>	<u>\$ -</u>	<u>\$ 83,137</u>	<u>\$ 25,879</u>	<u>\$ 56,417</u>	<u>\$ 390,222</u>
<u>LIABILITIES AND FUND BALANCES</u>									
LIABILITIES									
Accounts payable	\$ -	\$ 43	\$ 3,052	\$ -	\$ -	\$ -	\$ 25,922	\$ -	\$ 29,017
FUND BALANCES									
Restricted	-	-	-	204,371	-	-	-	-	204,371
Assigned	5,938	11,385	-	-	-	83,137	-	56,417	156,877
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43)</u>	<u>-</u>	<u>(43)</u>
TOTAL FUND BALANCES	<u>5,938</u>	<u>11,385</u>	<u>-</u>	<u>204,371</u>	<u>-</u>	<u>83,137</u>	<u>(43)</u>	<u>56,417</u>	<u>361,205</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,938</u>	<u>\$ 11,428</u>	<u>\$ 3,052</u>	<u>\$ 204,371</u>	<u>\$ -</u>	<u>\$ 83,137</u>	<u>\$ 25,879</u>	<u>\$ 56,417</u>	<u>\$ 390,222</u>

CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		CAPITAL PROJECT FUNDS			TOTAL NONMAJOR
	GAMBLING FUND	DUNDAS BASEBALL ASSOCIATION ACTIVITY FUND	INDUSTRIAL PARK TAX ABATEMENT FUND	GO IMPROVEMENT BONDS 2013A FUND	TAX INCREMENT DEBT SERVICE FUND	PUBLIC SAFETY CAPITAL OUTLAY FUND	CAPITAL IMPROVEMENTS FUND	PUBLIC WORKS CAPITAL OUTLAY FUND	GOVERNMENTAL FUNDS
REVENUE									
Taxes	\$ 6,813	\$ -	\$ 4,579	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,392
Miscellaneous	-	40,503	-	1,401	-	570	-	387	42,861
TOTAL REVENUE	<u>6,813</u>	<u>40,503</u>	<u>4,579</u>	<u>1,401</u>	<u>-</u>	<u>570</u>	<u>-</u>	<u>387</u>	<u>54,253</u>
EXPENDITURES									
Current									
Culture, recreation, and education	-	32,852	-	-	-	-	-	-	32,852
Conservation and development	-	-	4,579	-	-	-	-	-	4,579
Debt service									
Principal	-	-	-	75,000	205,000	-	-	-	280,000
Interest	-	-	-	34,158	4,459	-	-	-	38,617
Other	-	-	-	425	663	-	-	-	1,088
Capital outlay	-	-	-	-	-	-	40,386	-	40,386
TOTAL EXPENDITURES	<u>-</u>	<u>32,852</u>	<u>4,579</u>	<u>109,583</u>	<u>210,122</u>	<u>-</u>	<u>40,386</u>	<u>-</u>	<u>397,522</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>6,813</u>	<u>7,651</u>	<u>-</u>	<u>(108,182)</u>	<u>(210,122)</u>	<u>570</u>	<u>(40,386)</u>	<u>387</u>	<u>(343,269)</u>
OTHER FINANCING SOURCES (USES)									
Operating transfers in	-	-	-	222,622	37,265	21,398	40,386	44,000	365,671
Operating transfers (out)	(7,125)	-	-	-	-	(395)	-	-	(7,520)
TOTAL OTHER FINANCING (USES) SOURCES	<u>(7,125)</u>	<u>-</u>	<u>-</u>	<u>222,622</u>	<u>37,265</u>	<u>21,003</u>	<u>40,386</u>	<u>44,000</u>	<u>358,151</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(312)	7,651	-	114,440	(172,857)	21,573	-	44,387	14,882
FUND BALANCE - BEGINNING OF YEAR	<u>6,250</u>	<u>3,734</u>	<u>-</u>	<u>89,931</u>	<u>172,857</u>	<u>61,564</u>	<u>(43)</u>	<u>12,030</u>	<u>346,323</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,938</u>	<u>\$ 11,385</u>	<u>\$ -</u>	<u>\$ 204,371</u>	<u>\$ -</u>	<u>\$ 83,137</u>	<u>\$ (43)</u>	<u>\$ 56,417</u>	<u>\$ 361,205</u>

CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2017

	REFUSE UTILITY FUND	STORM WATER UTILITY FUND	TOTALS
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
ASSETS			
CURRENT ASSETS			
Cash	\$ 15,649	\$ 190,124	\$ 205,773
Accounts receivable			
Customer	17,370	9,841	27,211
TOTAL CURRENT ASSETS	33,019	199,965	232,984
NONCURRENT ASSETS			
Capital assets (net of accumulated depreciation)			
Capital assets being depreciated	-	494,160	494,160
TOTAL ASSETS	33,019	694,125	727,144
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	-	887	887
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 33,019</u>	<u>\$ 695,012</u>	<u>\$ 728,031</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 6,575	\$ 384	\$ 6,959
Accrued liabilities			
Compensation and payroll taxes	108	300	408
Other	567	-	567
Compensated absences	208	1,901	2,109
TOTAL CURRENT LIABILITIES	7,458	2,585	10,043
NONCURRENT LIABILITIES			
Long-term obligations	-	7,130	7,130
TOTAL LIABILITIES	7,458	9,715	17,173
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	-	654	654
NET POSITION			
Net investment in capital assets	-	494,160	494,160
Unrestricted	25,561	190,483	216,044
TOTAL NET POSITION	25,561	684,643	710,204
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 33,019</u>	<u>\$ 695,012</u>	<u>\$ 728,031</u>

CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	REFUSE UTILITY FUND	STORM WATER UTILITY FUND	TOTALS
OPERATING REVENUE			
Charges for services	\$ 101,889	\$ 69,381	\$ 171,270
OPERATING EXPENSES			
Administrative	2,801	7,783	10,584
Maintenance and operations	77,567	21,176	98,743
Depreciation	-	17,040	17,040
TOTAL OPERATING EXPENSES	80,368	45,999	126,367
OPERATING INCOME	21,521	23,382	44,903
NONOPERATING REVENUE			
Interest income	107	1,303	1,410
INCOME BEFORE TRANSFERS	21,628	24,685	46,313
OPERATING TRANSFER (OUT)	(30,000)	(16,359)	(46,359)
CHANGE IN NET POSITION	(8,372)	8,326	(46)
NET POSITION - BEGINNING OF YEAR	33,933	676,317	710,250
NET POSITION - END OF YEAR	\$ 25,561	\$ 684,643	\$ 710,204

CITY OF DUNDAS, MINNESOTA
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	REFUSE UTILITY FUND	STORM WATER UTILITY FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 102,662	\$ 71,436	\$ 174,098
Payments to suppliers for goods and services	(77,462)	(18,807)	(96,269)
Payments for employees wages and benefits	(2,801)	(9,314)	(12,115)
NET CASH PROVIDED BY OPERATING ACTIVITIES	22,399	43,315	65,714
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers (to) other funds	(30,000)	(16,359)	(46,359)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	107	1,303	1,410
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,494)	28,259	20,765
CASH AND INVESTMENTS - BEGINNING OF YEAR	23,143	161,865	185,008
CASH AND INVESTMENTS - END OF YEAR	\$ 15,649	\$ 190,124	\$ 205,773
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 21,521	\$ 23,382	\$ 44,903
Adjustments to reconcile operating income to net cash flows from operating activities			
Depreciation	-	17,040	17,040
Changes in assets and liabilities			
Decrease in receivables - customers	773	2,055	2,828
Decrease in deferred outflows	-	2,490	2,490
Increase (decrease) in accounts payable	334	(18)	316
(Decrease) in other accrued expenses	(229)	-	(229)
(Decrease) in net pension liability	-	(899)	(899)
(Decrease) in deferred inflows	-	(735)	(735)
Total adjustments	878	19,933	20,811
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 22,399	\$ 43,315	\$ 65,714

**CITY OF DUNDAS, MINNESOTA
WATER UTILITY FUND
STATEMENTS OF NET POSITION**

	DECEMBER 31,	
	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,194,467	\$ 675,354
Accounts receivable		
Customer	36,826	37,064
Accrued interest	4,972	1,782
Prepays	1,677	1,677
TOTAL CURRENT ASSETS	1,237,942	715,877
NONCURRENT ASSETS		
Capital assets (net of accumulated depreciation)		
Capital assets not being depreciated	147,273	147,273
Capital assets being depreciated	3,916,999	4,138,697
NET CAPITAL ASSETS	4,064,272	4,285,970
TOTAL ASSETS	5,302,214	5,001,847
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension resources	6,302	26,939
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,308,516	\$ 5,028,786
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 7,491	\$ 5,057
Accrued liabilities		
Payroll	2,345	2,441
Interest	16,053	18,885
Other	345	496
Due to other funds	251,551	251,551
Compensated absences	10,321	10,321
Unearned revenue	54,937	53,007
Current portion of long-term obligations	350,000	340,000
TOTAL CURRENT LIABILITIES	693,043	681,758
NONCURRENT LIABILITIES		
Long-term obligations	1,146,284	1,514,159
TOTAL LIABILITIES	1,839,327	2,195,917
DEFERRED INFLOWS OF RESOURCES		
Deferred pension resources	4,642	11,080
NET POSITION		
Net investment in capital assets	2,618,624	2,536,080
Unrestricted	845,923	285,709
TOTAL NET POSITION	3,464,547	2,821,789
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 5,308,516	\$ 5,028,786

CITY OF DUNDAS, MINNESOTA
WATER UTILITY FUND
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	YEAR ENDED DECEMBER 31,	
	2017	2016
OPERATING REVENUE		
Charges for Services		
Water sales	\$ 284,709	\$ 249,165
Connection fees	33,050	21,200
Sales of water meters	11,655	6,412
Other revenue	51,032	50,715
TOTAL CHARGES FOR SERVICES	<u>380,446</u>	<u>327,492</u>
OPERATING EXPENSES		
Administrative		
Salaries and benefits	<u>26,489</u>	<u>27,528</u>
Maintenance and Operation		
Salaries and benefits	41,296	48,092
Supplies and repairs	91,030	79,096
Insurance	4,444	4,096
Utilities	27,077	23,949
Other charges	26,182	12,128
TOTAL MAINTENANCE AND OPERATIONS	<u>190,029</u>	<u>167,361</u>
Depreciation	<u>221,697</u>	<u>226,803</u>
TOTAL OPERATING EXPENSES	<u>438,215</u>	<u>421,692</u>
OPERATING (LOSS)	<u>(57,769)</u>	<u>(94,200)</u>
NONOPERATING REVENUE (EXPENSES)		
Interest expense	(34,630)	(40,361)
Fiscal agent fee	-	(800)
Interest income	8,200	1,127
TOTAL NONOPERATING (EXPENSES)	<u>(26,430)</u>	<u>(40,034)</u>
(LOSS) BEFORE TRANSFERS	<u>(84,199)</u>	<u>(134,234)</u>
Transfer in	742,754	383,675
Transfer (out)	<u>(15,797)</u>	<u>(7,869)</u>
TOTAL TRANSFERS	<u>726,957</u>	<u>375,806</u>
CHANGE IN NET POSITION	642,758	241,572
NET POSITION, BEGINNING OF YEAR	<u>2,821,789</u>	<u>2,580,217</u>
NET POSITION, END OF YEAR	<u>\$ 3,464,547</u>	<u>\$ 2,821,789</u>

**CITY OF DUNDAS, MINNESOTA
WATER UTILITY FUND
STATEMENTS OF CASH FLOWS**

	YEAR ENDED DECEMBER 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 382,614	\$ 337,827
Payments to suppliers for goods and services	(147,571)	(127,878)
Payments for employees wages and benefits	(65,974)	(55,968)
NET CASH PROVIDED BY OPERATING ACTIVITIES	169,069	153,981
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers in	742,754	383,675
Transfers (out)	(15,797)	(7,869)
Repayment of amounts due to other funds	-	(40,000)
Retirement of long-term debt	(344,462)	(335,000)
Interest paid	(37,462)	(49,475)
FINANCING ACTIVITIES	345,033	(48,669)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5,011	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	519,113	105,312
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	675,354	570,042
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,194,467	\$ 675,354
<u>RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating (loss)	\$ (57,769)	\$ (94,197)
Adjustments to reconcile operating (loss) to net cash flows from operating activities		
Depreciation	221,697	226,803
Changes in assets and liabilities		
Decrease (Increase) in receivables - customers	238	(2,191)
Decrease in due from other governments	-	42
Decrease (increase) in deferred outflows	20,637	(20,318)
Increase in accounts payable	2,434	808
(Decrease) in payroll payable	(96)	-
(Decrease) increase in other accrued expenses	(151)	2,590
(Decrease) increase in other pension liability	(13,413)	25,085
Increase in unearned revenue	1,930	12,483
(Decrease) increase in deferred inflows	(6,438)	2,876
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 169,069	\$ 153,981

**CITY OF DUNDAS, MINNESOTA
SEWER UTILITY FUND
STATEMENTS OF NET POSITION**

	DECEMBER 31,	
	2017	2016
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
ASSETS		
CURRENT ASSETS		
Cash	\$ 543,238	\$ 1,529,378
Accounts receivable		
Customer	56,487	65,259
Special assessments	-	3,459
Accrued interest	7,912	5,203
Due from other funds	251,551	251,551
Prepays	1,614	1,614
Restricted cash		
Cash	-	29,764
TOTAL CURRENT ASSETS	860,802	1,886,228
NONCURRENT ASSETS		
Capital assets (net of accumulated depreciation)		
Capital assets not being depreciated	76,123	378,240
Capital assets being depreciated	5,960,916	4,992,033
NET CAPITAL ASSETS	6,037,039	5,370,273
OTHER ASSETS		
Deferred special assessments	-	160
TOTAL NONCURRENT ASSETS	6,037,039	5,370,433
TOTAL ASSETS	6,897,841	7,256,661
DEFERRED OUTFLOWS OF RESOURCES		
Minnesota Retirement System pension	5,129	17,543
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,902,970	\$ 7,274,204
<u>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</u>		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 79,880	\$ 121,977
Accrued liabilities		
Payroll	1,723	2,011
Interest	14,753	16,763
Compensated absences	7,111	7,111
Current portion of long-term obligations	222,542	211,555
TOTAL CURRENT LIABILITIES	326,009	359,417
NONCURRENT LIABILITIES		
Long-term obligations	1,614,372	1,835,621
TOTAL LIABILITIES	1,940,381	2,195,038
DEFERRED INFLOWS OF RESOURCES		
Minnesota Retirement System pension	3,777	7,215
NET POSITION		
Net investment in capital assets	4,241,329	4,236,584
Restricted for other	-	58,448
Unrestricted	717,483	776,919
TOTAL NET POSITION	4,958,812	5,071,951
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 6,902,970	\$ 7,274,204

CITY OF DUNDAS, MINNESOTA
SEWER UTILITY FUND
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	YEAR ENDED DECEMBER 31,	
	2017	2016
OPERATING REVENUE		
Charges for Services		
Sewer services	\$ 355,169	\$ 402,262
Connection fees	39,000	36,600
Other revenue	4,993	5,443
TOTAL CHARGES FOR SERVICES	<u>399,162</u>	<u>444,305</u>
OPERATING EXPENSES		
Administrative		
Salaries and benefits	<u>28,631</u>	<u>19,485</u>
Maintenance and Operation		
Salaries and benefits	34,600	24,625
Supplies and repairs	39,773	8,035
Insurance	4,358	4,477
Utilities	197,409	149,332
Other charges	8,581	7,124
TOTAL MAINTENANCE AND OPERATION	<u>284,721</u>	<u>193,593</u>
Depreciation	<u>216,125</u>	<u>207,799</u>
TOTAL OPERATING EXPENSES	<u>529,477</u>	<u>420,877</u>
OPERATING (LOSS) INCOME	<u>(130,315)</u>	<u>23,428</u>
NONOPERATING REVENUE (EXPENSES)		
Interest expense	(44,331)	(29,063)
Fiscal agent fee	(900)	(2,560)
Debt forgiven	72,377	72,377
Bond issuance costs	-	(23,291)
Interest income	5,828	8,648
TOTAL NONOPERATING REVENUE	<u>32,974</u>	<u>26,111</u>
(LOSS) INCOME BEFORE TRANSFERS	<u>(97,341)</u>	<u>49,539</u>
Transfer (out)	<u>(15,798)</u>	<u>(7,869)</u>
CHANGE IN NET POSITION	<u>(113,139)</u>	<u>41,670</u>
NET POSITION, BEGINNING OF YEAR	<u>5,071,951</u>	<u>5,030,281</u>
NET POSITION, END OF YEAR	<u>\$ 4,958,812</u>	<u>\$ 5,071,951</u>

**CITY OF DUNDAS, MINNESOTA
SEWER UTILITY FUND
STATEMENTS OF CASH FLOWS**

	YEAR ENDED DECEMBER 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 407,934	\$ 439,096
Payments to suppliers for goods and services	(290,683)	(185,106)
Payments for employees wages and benefits	(56,583)	(36,484)
NET CASH PROVIDED BY OPERATING ACTIVITIES	60,668	217,506
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers (out)	(15,798)	(7,869)
Repayment of amounts due to other funds	-	40,000
Interest on special assessments	-	5,404
Principal payments received on special assessments	3,619	70,166
Acquisition of property, plant, and equipment	(882,891)	(187,402)
Retirement of long-term debt	(137,380)	(137,510)
Issuance of long-term debt	-	1,090,100
Bond issuance cost	-	(23,291)
Interest paid	(47,241)	(20,246)
NET CASH (USED IN) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,079,691)	829,352
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,119	1,158
NET CASH IN CASH AND CASH EQUIVALENTS	(1,015,904)	1,048,016
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,559,142	511,126
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 543,238	\$ 1,559,142
<u>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating (loss) income	\$ (130,315)	\$ 23,429
Adjustments to reconcile operating (loss) income to net cash flows from operating activities		
Depreciation	216,125	207,799
Changes in assets and liabilities		
Decrease (increase) decrease in receivables - customers	8,772	(5,640)
Decrease in due from other governments	-	431
Decrease (increase) in deferred outflows	12,414	(12,379)
(Decrease) in accounts payable	(42,097)	(9,444)
(Decrease) in payroll payable	(288)	-
Increase in other accrued expenses	-	1,172
(Decrease) increase in other pension liability	(505)	11,321
(Decrease) increase in deferred inflows	(3,438)	817
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 60,668	\$ 217,506
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash	\$ 543,238	\$ 1,529,378
Restricted cash	-	29,764
TOTAL CASH AND CASH EQUIVALENTS	\$ 543,238	\$ 1,559,142

CITY OF DUNDAS, MINNESOTA

OTHER REPORT

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Common Council
City of Dundas, Minnesota

We 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dundas, Minnesota (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2018.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. Our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Dundas'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 and the State Auditor, and is not intended to be and should not be used by anyone other than those specified parties.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
June 25, 2018