

CITY OF DUNDAS, MINNESOTA

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

DECEMBER 31, 2018

CITY OF DUNDAS, MINNESOTA

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CITY OF DUNDAS, MINNESOTA

CITY OFFICIALS

DECEMBER 31, 2018

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, 2018, 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, 2018, 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

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 42 through 48 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
April 8, 2019

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' financial statements this narrative overview and analysis of the financial activities of the City of Dundas for the fiscal year ended December 31, 2018.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City of Dundas' basic financial statements. The City of Dundas' basic financial statements comprise three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all of the City of Dundas' 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 one capital improvements fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary Funds. The City of Dundas maintains one type of proprietary fund, 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 provide 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 \$12,811,477 as of December 31, 2018, with \$3,636,580 of net position from governmental activities and \$9,174,897 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	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 2,051,841	\$ 1,786,432	\$ 1,938,421	\$ 2,080,177	\$ 3,990,262	\$ 3,866,609
Capital assets	<u>4,401,528</u>	<u>3,747,213</u>	<u>10,426,009</u>	<u>10,595,471</u>	<u>14,827,537</u>	<u>14,342,684</u>
Total Assets	<u>6,453,369</u>	<u>5,533,645</u>	<u>12,364,430</u>	<u>12,675,648</u>	<u>18,817,799</u>	<u>18,209,293</u>
Deferred Outflows of Resources	<u>282,865</u>	<u>42,705</u>	<u>12,796</u>	<u>12,318</u>	<u>295,661</u>	<u>55,023</u>
Liabilities						
Other liabilities	540,864	309,995	368,183	777,544	909,047	1,087,539
Long-term liabilities	<u>2,188,583</u>	<u>1,415,058</u>	<u>2,811,419</u>	<u>2,767,786</u>	<u>5,000,002</u>	<u>4,182,844</u>
Total Liabilities	<u>2,729,447</u>	<u>1,725,053</u>	<u>3,179,602</u>	<u>3,545,330</u>	<u>5,909,049</u>	<u>5,270,383</u>
Deferred Inflows of Resources	<u>370,207</u>	<u>86,616</u>	<u>22,727</u>	<u>9,073</u>	<u>392,934</u>	<u>95,689</u>
Net Position:						
Invested in capital assets	2,565,823	2,654,619	7,433,919	7,354,113	9,999,742	10,008,732
Restricted	206,464	204,371	-	-	206,464	204,371
Unrestricted	<u>864,293</u>	<u>905,691</u>	<u>1,740,978</u>	<u>1,779,450</u>	<u>2,605,271</u>	<u>2,685,141</u>
Total Net Position	<u>\$ 3,636,580</u>	<u>\$ 3,764,681</u>	<u>\$ 9,174,897</u>	<u>\$ 9,133,563</u>	<u>\$ 12,811,477</u>	<u>\$ 12,898,244</u>

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

GOVERNMENTAL ACTIVITIES

Governmental activities had a decrease in net position in the amount of \$128,101. Summarized below are governmental activities revenue and expenses:

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenues by sources				
Charges for services	\$ 201,519	13.32%	\$ 190,032	11.28%
Operating grants and contributions	100,491	6.64	71,422	4.24
Capital grants and contributions	1,034	0.07	22,831	1.36
Taxes:				
Property taxes	963,727	63.70	1,208,388	71.76
Non-property taxes	14,597	0.96	14,328	0.85
Intergovernmental	175,620	11.61	156,582	9.30
Other	11,209	0.74	8,209	0.49
Unrestricted interest and investment earnings	21,399	1.41	12,211	0.72
Transfers	23,235	1.55	-	-
TOTAL GOVERNMENTAL REVENUE	<u>\$ 1,512,831</u>	<u>100.00%</u>	<u>\$ 1,684,003</u>	<u>100.00%</u>
Expenses by Function/Program				
General Government	\$ 320,854	19.55%	\$ 273,684	14.12%
Public Safety	436,888	26.62	414,857	21.40
Public Works	488,466	29.77	327,548	16.90
Parks and Recreation	348,927	21.26	214,350	11.05
Economic Development	-	-	9,100	0.47
Interest on long-term debt	45,797	2.80	34,068	1.76
Transfers	-	-	664,800	34.30
TOTAL GOVERNMENTAL EXPENSES	<u>\$ 1,640,932</u>	<u>100.00%</u>	<u>\$ 1,938,407</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 \$41,334 in 2018. Summarized below are business-type activities revenues and expenses:

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenues by Sources				
Charges for Services:				
Water	\$ 430,926	38.55%	\$ 380,446	22.33%
Sewer	435,778	38.98	399,162	23.43
Refuse	101,415	9.07	101,889	5.98
Storm drainage	79,844	7.14	69,381	4.07
Capital grants and contributions	72,377	6.47	72,377	4.25
Unrestricted interest and investment earnings	20,772	1.86	15,438	0.91
Transfers	<u>(23,235)</u>	<u>(2.07)</u>	<u>664,800</u>	<u>39.03</u>
TOTAL BUSINESS-TYPE REVENUE	<u>\$1,117,877</u>	<u>100.00%</u>	<u>\$ 1,703,493</u>	<u>100.00%</u>
Expenses by Function/Program				
Expenses by Program:				
Water	\$ 428,356	39.79%	\$ 472,845	40.28%
Sewer	530,383	49.27	574,708	48.96
Refuse	73,993	6.87	80,368	6.85
Storm drainage	<u>43,811</u>	<u>4.07</u>	<u>45,999</u>	<u>3.91</u>
TOTAL BUSINESS-TYPE EXPENSES	<u>\$1,076,543</u>	<u>100.00%</u>	<u>\$ 1,173,920</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	
	2018	2017	2018	2017	2018	2017
REVENUE						
Program Revenue:						
Charges for services	\$ 201,519	\$ 190,032	\$ 1,047,963	\$ 950,878	\$ 1,249,482	\$ 1,140,910
Operating grants and contributions	100,491	71,422	-	-	100,491	71,422
Capital grants and contributions	1,034	22,831	72,377	72,377	73,411	95,208
General Revenue:						
Property taxes	963,727	1,208,388	-	-	963,727	1,208,388
Non-property taxes	14,597	14,328	-	-	14,597	14,328
Intergovernmental	175,620	156,582	-	-	175,620	156,582
Other	11,209	8,209	-	-	11,209	8,209
Unrestricted interest and investment earnings	21,399	12,211	20,772	15,438	42,171	27,649
Total Revenue	<u>1,489,596</u>	<u>1,684,003</u>	<u>1,141,112</u>	<u>1,038,693</u>	<u>2,630,708</u>	<u>2,722,696</u>
Expenses:						
General government	320,854	273,684	-	-	320,854	273,684
Public safety	436,888	414,857	-	-	436,888	414,857
Public works	488,466	327,548	-	-	488,466	327,548
Parks and recreation	348,927	214,350	-	-	348,927	214,350
Economic development	-	9,100	-	-	-	9,100
Interest on long-term debt	45,797	34,068	-	-	45,797	34,068
Water	-	-	428,356	472,845	428,356	472,845
Sewer	-	-	530,383	574,708	530,383	574,708
Refuse	-	-	73,993	80,368	73,993	80,368
Storm drainage	-	-	43,811	45,999	43,811	45,999
Total Expenses	<u>1,640,932</u>	<u>1,273,607</u>	<u>1,076,543</u>	<u>1,173,920</u>	<u>2,717,475</u>	<u>2,447,527</u>
Change in Net Position Before Transfers	(151,336)	410,396	64,569	(135,227)	(86,767)	275,169
Transfers In (Out)	23,235	(664,800)	(23,235)	664,800	-	-
Change in Net Position	(128,101)	(254,404)	41,334	529,573	(86,767)	275,169
Net Position, beginning	3,764,681	4,019,085	9,133,563	8,603,990	12,898,244	12,623,075
Net Position, ending	<u>\$ 3,636,580</u>	<u>\$ 3,764,681</u>	<u>\$ 9,174,897</u>	<u>\$ 9,133,563</u>	<u>\$12,811,477</u>	<u>\$ 12,898,244</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 a 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, 2018, amounts to \$14,827,537 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	
	2018	2017	2018	2017	2018	2017
Land and land rights	\$ 559,674	\$ 559,674	\$ 223,396	\$ 223,396	\$ 783,070	\$ 783,070
Construction in process	846,247	40,386	320,092	-	1,166,339	40,386
Building and structures	897,882	937,289	-	-	897,882	937,289
Equipment	98,185	70,392	27,431	33,760	125,616	104,152
Vehicles	57,325	78,433	-	-	57,325	78,433
Land improvements	249,795	264,878	-	-	249,795	264,878
Infrastructure	1,692,420	1,796,161	-	-	1,692,420	1,796,161
Sewer collection system	-	-	5,697,075	5,945,513	5,697,075	5,945,513
Water distribution system	-	-	3,680,895	3,898,642	3,680,895	3,898,642
Storm water collection system	-	-	477,120	494,160	477,120	494,160
Total Capital Assets	<u>\$ 4,401,528</u>	<u>\$ 3,747,213</u>	<u>\$ 10,426,009</u>	<u>\$10,595,471</u>	<u>\$14,827,537</u>	<u>\$14,342,684</u>

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

DEBT ADMINISTRATION

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds:						
Improvement	\$ 1,820,000	\$ 1,085,000	\$ -	\$ -	\$1,820,000	\$1,085,000
Revenue bonds	-	-	2,990,000	3,135,000	2,990,000	3,135,000
Other long term debt	95,971	-	-	-	95,971	-
Notes payable-Revenue	-	-	-	102,543	-	102,543
	<u>\$ 1,915,971</u>	<u>\$ 1,085,000</u>	<u>\$ 2,990,000</u>	<u>\$ 3,237,543</u>	<u>\$ 4,905,971</u>	<u>\$ 4,322,543</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, 2018

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments	\$ 1,970,819	\$ 1,801,780	\$ 3,772,599
Receivables			
Taxes	8,203	-	8,203
Accounts and other	12,533	119,514	132,047
Interest	4,645	13,836	18,481
Special assessments	48,829	-	48,829
Due from other governments	6,812	-	6,812
Prepays	-	3,291	3,291
Capital assets (net of accumulated depreciation)			
Capital assets not being depreciated	1,405,921	543,488	1,949,409
Capital assets being depreciated	2,995,607	9,882,521	12,878,128
TOTAL ASSETS	6,453,369	12,364,430	18,817,799
DEFERRED OUTFLOWS OF RESOURCES			
Pension	282,865	12,796	295,661
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,736,234	\$ 12,377,226	\$ 19,113,460
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
LIABILITIES			
Accounts payable	\$ 222,121	\$ 50,808	\$ 272,929
Accrued liabilities			
Payroll	16,419	4,476	20,895
Interest	26,116	22,901	49,017
Other	43,298	307	43,605
Compensated absences	2,775	19,541	22,316
Unearned revenue - other	126,142	15,150	141,292
Current portion of long-term obligations	103,993	255,000	358,993
Noncurrent portion of long-term obligations	2,188,583	2,811,419	5,000,002
TOTAL LIABILITIES	2,729,447	3,179,602	5,909,049
DEFERRED INFLOWS OF RESOURCES			
Pension	370,207	22,727	392,934
NET POSITION			
Net investment in capital assets	2,565,823	7,433,919	9,999,742
Restricted for debt service	206,464	-	206,464
Unrestricted	864,293	1,740,978	2,605,271
TOTAL NET POSITION	3,636,580	9,174,897	12,811,477
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 6,736,234	\$ 12,377,226	\$ 19,113,460

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

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	\$ 320,854	\$ 29,654	\$ -	\$ -	\$ (291,200)		\$ (291,200)
Public safety	436,888	118,309	31,659	-	(286,920)		(286,920)
Public works	488,466	23,041	14,230	-	(451,195)		(451,195)
Culture, recreation and education	348,927	2,515	54,602	1,034	(290,776)		(290,776)
Conservation and development	-	28,000	-	-	28,000		28,000
Interest and fiscal charges	45,797	-	-	-	(45,797)		(45,797)
TOTAL GOVERNMENTAL ACTIVITIES	1,640,932	201,519	100,491	1,034	(1,337,888)		(1,337,888)
BUSINESS-TYPE ACTIVITIES							
Water	428,356	430,926	-	-		\$ 2,570	2,570
Sewer	530,383	435,778	-	72,377		(22,228)	(22,228)
Other	117,804	181,259	-	-		63,455	63,455
TOTAL BUSINESS-TYPE ACTIVITIES	1,076,543	1,047,963	-	72,377		43,797	43,797
TOTAL PRIMARY GOVERNMENT	\$ 2,717,475	\$ 1,249,482	\$ 100,491	\$ 73,411	(1,337,888)	43,797	(1,294,091)
GENERAL REVENUE							
Taxes							
Property taxes					963,727	-	963,727
Other taxes					14,597	-	14,597
Intergovernmental revenues not restricted to specific programs					175,620	-	175,620
Interest and investment income					21,399	20,772	42,171
Miscellaneous					11,209	-	11,209
Transfers					23,235	(23,235)	-
TOTAL GENERAL REVENUE					1,209,787	(2,463)	1,207,324
CHANGE IN NET POSITION					(128,101)	41,334	(86,767)
NET POSITION - BEGINNING OF YEAR					3,764,681	9,133,563	12,898,244
NET POSITION - END OF YEAR					\$ 3,636,580	\$ 9,174,897	\$ 12,811,477

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, 2018

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and investments	\$ 1,420,537	\$ 69,879	\$ 480,403	\$ 1,970,819
Receivables				
Accounts	5,550	-	8,539	14,089
Special assessments	48,829	-	-	48,829
Interest	3,089	-	-	3,089
Delinquent property taxes	8,203	-	-	8,203
Due from other governments	6,812	-	-	6,812
TOTAL ASSETS	1,493,020	69,879	488,942	2,051,841
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	10,525	208,459	3,137	222,121
Accrued expenses				
Payroll	16,419	-	-	16,419
Other	43,298	-	-	43,298
Compensated absences	2,775	-	-	2,775
Unearned revenue - developer deposits	126,142	-	-	126,142
TOTAL LIABILITIES	199,159	208,459	3,137	410,755
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - tax roll	8,203	-	-	8,203
FUND BALANCES				
Restricted	-	-	206,464	206,464
Assigned	-	-	286,783	286,783
Unassigned	1,285,658	(138,580)	(7,442)	1,139,636
TOTAL FUND BALANCES	1,285,658	(138,580)	485,805	1,632,883
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,493,020	\$ 69,879	\$ 488,942	

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

Governmental capital asset	\$ 7,092,092	
Governmental accumulated depreciation	(2,690,564)	4,401,528

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		8,203
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Deferred inflows of resources and deferred outflows of resources are not current financial resources and are not reported in fund statements.

(87,342)

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	\$ (1,820,000)	
Other long term debt	(95,971)	
Debt discount	20,140	
Debt premium	(35,845)	
Accrued interest	(26,116)	
Vested employee benefits	(47,700)	
Net pension liability	(313,200)	(2,318,692)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES

\$ 3,636,580

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, 2018

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE				
Taxes	\$ 969,210	\$ -	\$ 13,569	\$ 982,779
Intergovernmental	221,509	-	-	221,509
Licenses and permits	125,661	-	-	125,661
Fines, forfeits, and penalties	24,741	-	-	24,741
Public charges for services	16,935	-	-	16,935
Miscellaneous	26,907	9,000	87,132	123,039
TOTAL REVENUE	<u>1,384,963</u>	<u>9,000</u>	<u>100,701</u>	<u>1,494,664</u>
EXPENDITURES				
Current				
General government	303,388	-	-	303,388
Public safety	435,534	-	-	435,534
Public works	179,650	139,892	-	319,542
Parks and recreation	179,278	-	130,363	309,641
Debt service				
Principal	23,993	-	75,000	98,993
Interest	-	-	32,658	32,658
Other	-	21,102	500	21,602
Capital outlay	-	805,861	49,778	855,639
TOTAL EXPENDITURES	<u>1,121,843</u>	<u>966,855</u>	<u>288,299</u>	<u>2,376,997</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>263,120</u>	<u>(957,855)</u>	<u>(187,598)</u>	<u>(882,333)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,830	-	108,158	110,988
Operating transfers (out)	(80,344)	-	(7,409)	(87,753)
Issuance of long-term debt	119,964	810,000	-	929,964
Premium on long-term debt	-	25,095	-	25,095
Discount on long-term debt	-	(15,777)	-	(15,777)
TOTAL OTHER FINANCING (USES) SOURCES	<u>42,450</u>	<u>819,318</u>	<u>100,749</u>	<u>962,517</u>
NET CHANGE IN FUND BALANCE	305,570	(138,537)	(86,849)	80,184
FUND BALANCE - BEGINNING OF YEAR	<u>980,088</u>	<u>(43)</u>	<u>572,654</u>	<u>1,552,699</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,285,658</u>	<u>\$ (138,580)</u>	<u>\$ 485,805</u>	<u>\$ 1,632,883</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, 2018

Net change in fund balances - total governmental funds \$ 80,184

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	\$ 855,639	
Depreciation expense reported in the statement of activities	(200,711)	
Less cost of capital assets disposed	<u>(613)</u>	
Amount by which capital outlays are greater than depreciation in the current period:		654,315

Certain capital assets acquired during the year were financed with loans. The amount of the loans are reported in the governmental funds as a source of financing. In the statement of net position however, loans are not reported as a financing source, but rather constitute a long-term liability. The amount of loans reported in the governmental funds statement is: (929,964)

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 increased by: (9,874)

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		(4,455)
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PERA net pension liability, deferred inflows of resources, and deferred outflows of resources changes:		3,007
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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:		98,993
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Additions to bond premium and discount and amortization		(10,525)
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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	\$ 32,658	
The amount of interest and other debt costs accrued during the current period	<u>(42,440)</u>	
Interest paid is less than interest accrued by:		<u>(9,782)</u>

CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ (128,101)</u>
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The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

<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	\$ 1,027,881	\$ 487,937	\$ 285,962	\$ 1,801,780
Accounts receivable				
Customer	39,193	52,949	27,372	119,514
Accrued interest	5,340	8,496	-	13,836
Due from other funds	-	251,551	-	251,551
Prepays	1,677	1,614	-	3,291
TOTAL CURRENT ASSETS	<u>1,074,091</u>	<u>802,547</u>	<u>313,334</u>	<u>2,189,972</u>
NONCURRENT ASSETS				
Capital assets (net of accumulated depreciation)				
Capital assets not being depreciated	467,365	76,123	-	543,488
Capital assets being depreciated	3,695,178	5,710,223	477,120	9,882,521
NET CAPITAL ASSETS	<u>4,162,543</u>	<u>5,786,346</u>	<u>477,120</u>	<u>10,426,009</u>
TOTAL ASSETS	<u>5,236,634</u>	<u>6,588,893</u>	<u>790,454</u>	<u>12,615,981</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	6,671	5,122	1,003	12,796
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>5,243,305</u>	<u>6,594,015</u>	<u>791,457</u>	<u>12,628,777</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	7,457	30,812	12,539	50,808
Accrued liabilities				
Compensation and payroll taxes	2,345	1,723	408	4,476
Interest	18,281	4,620	-	22,901
Other	104	-	203	307
Due to other funds	251,551	-	-	251,551
Compensated absences	10,321	7,111	2,109	19,541
Unearned revenue	15,150	-	-	15,150
Current portion of long-term obligations	125,000	130,000	-	255,000
TOTAL CURRENT LIABILITIES	<u>430,209</u>	<u>174,266</u>	<u>15,259</u>	<u>619,734</u>
NONCURRENT LIABILITIES				
Long-term obligations	1,331,027	1,474,565	5,827	2,811,419
TOTAL LIABILITIES	<u>1,761,236</u>	<u>1,648,831</u>	<u>21,086</u>	<u>3,431,153</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	11,848	9,097	1,782	22,727
NET POSITION				
Net investment in capital assets	2,745,265	4,211,534	494,160	7,450,959
Unrestricted	724,956	724,553	274,429	1,723,938
TOTAL NET POSITION	<u>3,470,221</u>	<u>4,936,087</u>	<u>768,589</u>	<u>9,174,897</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 5,243,305</u>	<u>\$ 6,594,015</u>	<u>\$ 791,457</u>	<u>\$12,628,777</u>

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	WATER UTILITY FUND	SEWER UTILITY FUND	NONMAJOR PROPRIETARY FUNDS	TOTALS
OPERATING REVENUE				
Charges for services	\$ 383,280	\$ 435,778	\$ 181,259	\$ 1,000,317
Other revenue	47,398	-	-	47,398
TOTAL OPERATING REVENUE	<u>430,678</u>	<u>435,778</u>	<u>181,259</u>	<u>1,047,715</u>
OPERATING EXPENSES				
Administrative	21,692	15,238	12,144	49,074
Operations and maintenance	150,760	234,876	88,620	474,256
Depreciation	221,821	250,693	17,040	489,554
TOTAL OPERATING EXPENSES	<u>394,273</u>	<u>500,807</u>	<u>117,804</u>	<u>1,012,884</u>
OPERATING (LOSS) INCOME	<u>36,405</u>	<u>(65,029)</u>	<u>63,455</u>	<u>34,831</u>
NONOPERATING REVENUE (EXPENSES)				
Interest income	10,758	7,157	2,857	20,772
Miscellaneous revenue	248	-	-	248
Debt forgiven	-	72,377	-	72,377
Interest expense and other fiscal charges	(34,083)	(29,576)	-	(63,659)
TOTAL NONOPERATING (EXPENSES) REVENUE	<u>(23,077)</u>	<u>49,958</u>	<u>2,857</u>	<u>29,738</u>
INCOME (LOSS) BEFORE TRANSFERS	13,328	(15,071)	66,312	64,569
OPERATING TRANSFER (OUT)	<u>(7,654)</u>	<u>(7,654)</u>	<u>(7,927)</u>	<u>(23,235)</u>
CHANGE IN NET POSITION	5,674	(22,725)	58,385	41,334
NET POSITION - BEGINNING OF YEAR	<u>3,464,547</u>	<u>4,958,812</u>	<u>710,204</u>	<u>9,133,563</u>
NET POSITION - END OF YEAR	<u>\$ 3,470,221</u>	<u>\$ 4,936,087</u>	<u>\$ 768,589</u>	<u>\$ 9,174,897</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, 2018

	WATER UTILITY FUND	SEWER UTILITY FUND	NONMAJOR PROPRIETARY FUNDS	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 388,772	\$ 439,316	\$ 181,098	\$ 1,009,186
Payments to suppliers for goods and services	(110,904)	(253,843)	(82,577)	(447,324)
Payments for employees wages and benefits	(66,873)	(51,463)	(13,262)	(131,598)
NET CASH PROVIDED BY OPERATING ACTIVITIES	210,995	134,010	85,259	430,264
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property, plant and equipment	(320,092)	-	-	(320,092)
Retirement of long-term debt	(353,370)	(148,521)	-	(501,891)
Issuance of long-term debt	325,000	-	-	325,000
Interest paid	(31,855)	(39,709)	-	(71,564)
Transfers from (to) other funds	(7,654)	(7,654)	(7,927)	(23,235)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(387,971)	(195,884)	(7,927)	(591,782)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	10,390	6,573	2,857	19,820
NET CHANGE IN CASH AND CASH EQUIVALENTS	(166,586)	(55,301)	80,189	(141,698)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,194,467	543,238	205,773	1,943,478
CASH AND CASH EQUIVALENTS - END OF YEAR	1,027,881	487,937	285,962	1,801,780
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	36,405	(65,029)	63,455	34,831
Adjustments to reconcile operating income (loss) to cash flows from operating activities				
Depreciation	221,821	250,693	17,040	489,554
Changes in assets and liabilities				
(Increase) decrease in receivables - customers	(2,119)	3,538	(161)	1,258
(Increase) decrease in deferred outflows	(369)	7	(116)	(478)
(Decrease) increase in accounts payable	(34)	(49,068)	5,580	(43,522)
(Decrease) in other accrued expenses	(241)	-	(364)	(605)
(Decrease) in unearned revenue	(39,787)	-	-	(39,787)
(Decrease) in net pension liability	(11,887)	(11,451)	(1,303)	(24,641)
Increase in deferred inflows	7,206	5,320	1,128	13,654
Total adjustments	174,590	199,039	21,804	395,433
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 210,995	\$ 134,010	\$ 85,259	\$ 430,264

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
DECEMBER 31, 2018

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.

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, 2018, 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, 2018

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.

Capital Improvements Fund - A capital project fund type and accounts for capital improvements using proceeds of long term debt.

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, 2018

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 fund 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, 2018

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 measurement 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, 2018

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 5% 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, 2018

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, 2018

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 are 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, 2018, 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	\$ 250,000
Certificates of Deposit	More than one year	2,810,312
		<u>\$ 3,060,312</u>

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 2 - Cash and Investments - Continued

Determining Fair Value - The City categorizes its fair value measurements within 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, 2018, \$621,121 of the City's bank balance of \$3,780,225 was exposed to custodial credit risk as follows:

Uninsured, collateral pledged by bank	<u><u>\$ 621,121</u></u>
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A reconciliation of cash and investments as shown in the Statement of Net Position:

Cash and investments	<u><u>\$ 3,772,599</u></u>
Deposits:	
Checking account	\$ 443
Money market account	711,744
Petty cash	100
Investments, certificates of deposit	<u>3,060,312</u>
Total	<u><u>\$ 3,772,599</u></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, 2018

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, 2018, are as follows:

	BALANCES 1/1/18	ADDITIONS	RETIREMENTS	ADJUSTMENTS	BALANCES 12/31/18
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 559,674	\$ -	\$ -	\$ -	\$ 559,674
Construction in progress	40,386	805,861	-	-	846,247
Total capital assets not being depreciated	<u>600,060</u>	<u>805,861</u>	<u>-</u>	<u>-</u>	<u>1,405,921</u>
<i>Capital assets being depreciated</i>					
Buildings	1,555,443	-	-	-	1,555,443
Equipment	252,144	49,778	(5,248)	-	296,674
Vehicles	147,924	-	-	-	147,924
Land improvements	419,070	-	-	-	419,070
Infrastructure	3,267,060	-	-	-	3,267,060
Total capital assets being depreciated	<u>5,641,641</u>	<u>49,778</u>	<u>(5,248)</u>	<u>-</u>	<u>5,686,171</u>
Less accumulated depreciation for:					
Buildings	618,154	39,407	-	-	657,561
Equipment	181,751	21,373	(4,635)	-	198,489
Vehicles	69,492	21,107	-	-	90,599
Land improvements	154,192	15,083	-	-	169,275
Infrastructure	1,470,899	103,741	-	-	1,574,640
Total accumulated depreciation	<u>2,494,488</u>	<u>200,711</u>	<u>(4,635)</u>	<u>-</u>	<u>2,690,564</u>
Total capital assets being depreciated, net	<u>3,147,153</u>	<u>(150,933)</u>	<u>(613)</u>	<u>-</u>	<u>2,995,607</u>
GOVERNMENTAL ACTIVITIES - CAPITAL ASSETS, NET	<u>\$ 3,747,213</u>	<u>\$ 654,928</u>	<u>\$ (613)</u>	<u>\$ -</u>	<u>\$ 4,401,528</u>

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

Governmental Activities:

General government	\$ 1,595
Public safety	13,900
Public works	145,850
Parks and recreation	39,366
Total Governmental Activities	<u>\$ 200,711</u>

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 4 - Capital Assets - Continued

	BALANCES 1/1/18	ADDITIONS	RETIREMENTS	ADJUSTMENTS	BALANCES 12/31/18
<u>BUSINESS-TYPE ACTIVITIES</u>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 223,396	\$ -	\$ -	-	\$ 223,396
Construction in progress	-	320,092	-	-	320,092
Total capital assets not being depreciated	<u>223,396</u>	<u>320,092</u>	<u>-</u>	<u>-</u>	<u>543,488</u>
<i>Capital assets being depreciated</i>					
Sewer collection system	9,542,531	-	-	-	9,542,531
Water distribution system	7,178,960	-	-	-	7,178,960
Storm water collection system	670,060	-	-	-	670,060
Equipment	76,227	-	-	-	76,227
Software	20,460	-	-	-	20,460
Total capital assets being depreciated	<u>17,488,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,488,238</u>
Less accumulated depreciation for:					
Sewer collection system	3,597,017	248,439	-	-	3,845,456
Water distribution system	3,280,319	217,746	-	-	3,498,065
Storm water collection system	175,900	17,040	-	-	192,940
Equipment	42,467	6,329	-	-	48,796
Software	20,460	-	-	-	20,460
Total accumulated depreciation	<u>7,116,163</u>	<u>489,554</u>	<u>-</u>	<u>-</u>	<u>7,605,717</u>
Total capital assets being depreciated, net	<u>10,372,075</u>	<u>(489,554)</u>	<u>-</u>	<u>-</u>	<u>9,882,521</u>
BUSINESS-TYPE ACTIVITIES - CAPITAL ASSETS, NET	<u>\$ 10,595,471</u>	<u>\$ (169,462)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,426,009</u>

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

Business-type Activities:

Water	\$ 221,821
Sewer	250,693
Storm water	17,040
Total Business-type Activities	<u>\$ 489,554</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, 2018

NOTE 5 - Long-Term Obligations - Continued

A summary of long-term debt obligations outstanding as of December 31, 2018 balances is as follows:

	<u>INTEREST RATES</u>	<u>FINAL MATURITY</u>	<u>BALANCE 12/31/18</u>
Governmental Activities:			
General Obligation Improvement Bonds:			
Series 2013A	2.00-3.70%	02/01/2029	\$ 1,010,000
Series 2018A	3.00-4.00%	02/01/2039	810,000
Other long term debt	2.00%	12/01/2022	95,971
Bond Discounts			(20,140)
Bond Premium			35,845
			<u>1,931,676</u>
Business-Type Activities:			
General Obligation Revenue Bonds:			
Refunding Bonds 2013A	2.00-3.25%	02/01/2026	1,080,000
Refunding Bonds Series 2014A	.40-2.25%	12/01/2024	525,000
Series 2016A	.90-2.85%	11/01/2037	1,060,000
Series 2018A	3.00-4.00%	02/01/2039	325,000
Bond Discounts			(15,614)
Bond Premium			17,704
			<u>2,992,090</u>
TOTAL LONG-TERM DEBT, net			<u>\$ 4,923,766</u>

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

Summary of Long-Term Obligations

	<u>BALANCES 1/1/18</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCES 12/31/18</u>	<u>DUE WITHIN ONE YEAR</u>
Governmental Activities:					
General Obligation Improvement Bonds					
Series 2013A	\$ 1,085,000	\$ -	\$ (75,000)	\$ 1,010,000	\$ 80,000
Series 2018A	-	810,000	-	810,000	-
Other long term debt	-	119,964	(23,993)	95,971	23,993
Bond discount	(5,187)	(15,777)	824	(20,140)	-
Bond premium	12,781	25,095	(2,031)	35,845	-
Other liabilities					
Pension liability	359,638	-	(46,438)	313,200	-
Compensated absences	37,826	9,874	-	47,700	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,490,058</u>	<u>\$ 949,156</u>	<u>\$ (146,638)</u>	<u>\$ 2,292,576</u>	<u>\$ 103,993</u>
Business-Type Activities:					
Enterprise Funds					
General Obligation Revenue Notes					
Note 1997A	\$ 30,166	\$ -	\$ (30,166)	\$ -	\$ -
Note 1997B	72,376	-	(72,376)	-	-
General Obligation Revenue Bonds					
Series 2014A	605,000	-	(80,000)	525,000	80,000
Series 2013A	1,430,000	-	(350,000)	1,080,000	125,000
Series 2016A	1,100,000	-	(40,000)	1,060,000	50,000
Series 2018A	-	325,000	-	325,000	-
Bond discount	(18,748)	-	3,134	(15,614)	-
Bond premium	22,563	-	(4,859)	17,704	-
Other liabilities					
Pension liability	98,970	-	(24,641)	74,329	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 3,340,327</u>	<u>\$ 325,000</u>	<u>\$ (598,908)</u>	<u>\$ 3,066,419</u>	<u>\$ 255,000</u>

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 5 - Long-Term Obligations - Continued

The annual requirements to amortize long-term debt as of December 31, 2018 are as follows:

G.O. Bonds and Other Long Term Debt Governmental Activities

	<u>Principal</u>	<u>Interest</u>
2019	\$ 103,993	\$ 61,001
2020	123,993	58,758
2021	138,993	54,803
2022	138,992	50,573
2023	120,000	46,268
2024-2028	675,000	165,841
2029-2033	315,000	69,473
2034-2038	250,000	29,525
2039	50,000	850
Total	<u>\$ 1,915,971</u>	<u>\$ 537,092</u>

G.O. Revenue Bonds Business-Type Activities

	<u>Principal</u>	<u>Interest</u>
2019	\$ 255,000	\$ 74,893
2020	265,000	70,073
2021	280,000	63,810
2022	285,000	56,780
2023	290,000	49,575
2024-2028	860,000	149,643
2029-2033	375,000	85,423
2034-2038	360,000	30,613
2039	20,000	340
Total	<u>\$ 2,990,000</u>	<u>\$ 581,150</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>\$ 206,464</u>
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Unrestricted:

Assigned:

Annexation payments	\$ 184,028
Public Safety capital asset acquisition	81,124
Public Works capital asset acquisition	6,703
Capital asset purchases	14,928
Total Assigned	<u>\$ 286,783</u>

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 6 - Fund Equity - Continued

Deficits:

The following funds had fund equity deficits at December 31, 2018:

Capital improvement fund	\$ (138,580)
Dundas Baseball operations	<u>(7,442)</u>
Total	<u>\$ (146,822)</u>

The above deficits will be eliminated through transfers from other funds or by future revenue.

NOTE 7 - Interfund Balance and Activity

Interfund receivable and payable balances on December 31, 2018, 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, 2018 are as follows:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
Public Safety Capital Outlay	General	\$ 2,830
Water	GO Improvement Bonds 2013A	7,654
Sewer	GO Improvement Bonds 2013A	7,654
Storm Sewer	GO Improvement Bonds 2013A	7,927
General	GO Improvement Bonds 2013A	<u>80,344</u>
		<u>\$ 106,409</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, 2018

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

All full-time and certain part-time employees of the City are covered by the General Employees Plan which is accounted for in the General Employees Fund. General Employees Plan members belong to either the Coordinated Plan. Coordinated Plan members are covered by Social Security,

Public Employees Police and Fire Fund

The Public Employees Police and Fire Fund, 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 Public Employees Police and Fire Fund 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. 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 Retirement Fund Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

Public Employees Police and Fire Fund Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010 but before July 1, 2014 vest on a prorated basis from 50% 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.

Beginning in 2019, the COLA will be fixed at 1%. Under funding measurements from 2017, the 2.5% COLA trigger was never expected to occur and was subsequently removed from law. Post-retirement increases are given each year except for annuitants who have been receiving a benefit for only 31 to 41 months. These annuitants will receive a prorated amount of the increase on a sliding scale.

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 Retirement Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2018; the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018 were \$18,752. The City's contributions were equal to the required contributions as set by state statute.

Public Employees Police and Fire Fund Contributions

Legislation increased both employee and employer contribution rates in the Police and Fire Plan. Employee rates increased from 10.80% of pay to 11.30% and employer rates increase from 16.20% to 16.95% on January 1, 2018. On January 1, 2020, employee rates increase to 11.80% and employer rates increase to 17.70%. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018 were \$29,242. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Retirement Fund Pension Cost

As of December 31, 2018, the City reported a liability of \$205,261 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City's totaled \$6,695. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. As of June 30, 2018, the City's proportionate share was .0037% which is a decrease of .001% from its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of a 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For the year ended December 31, 2018, the City recognized pension expense of \$10,308, for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,561 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund. As of December 31, 2018, the City of Dundas reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,573	\$ 6,149
Changes in actuarial assumptions	20,138	23,492
Difference between projected and actual investment earnings	-	25,739
Changed in proportion	-	7,380
Contributions paid to PERA subsequent to the measurement date	9,625	-
Total	\$ 35,336	\$ 62,760

\$9,625 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

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
2019	\$418
2020	(10,977)
2021	(16,679)
2022	(6,384)
Thereafter	(3,427)

Public Employees Police and Fire Fund Pension Costs

At December 31, 2018, the City of Dundas reported a liability of \$182,268 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was .017% which was

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

an increase of .001% from its proportion measured as of June 30, 2017. The City also recognized \$1,539 for the year ended December 31, 2018 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

Beginning in January 1, 2019, the COLA will be fixed at 1 percent. Under funding measurements from 2017, the 2.5 percent COLA trigger was never expected to occur and was subsequently removed from law.

For the year ended December 31, 2018, the City of Dundas recognized pension expense of \$18,985 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

At December 31, 2018, the City of Dundas reported its proportionate share of Public Employees Police and Fire Fund'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	\$ 7,107	\$ 35,574
Changes in actuarial assumptions	218,327	251,454
Difference between projected and actual investment earnings	-	43,146
Changes in proportion	19,858	-
Contributions paid to PERA subsequent to the measurement date	15,033	-
Total	\$ 260,325	\$ 330,174

\$15,033 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, 2019. 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
2019	\$11,675
2020	3,129
2021	(15,429)
2022	(77,985)
Thereafter	(6,272)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

	General Employees Plan	Police & Fire Plan
Inflation	2.5% per year	2.5% per year
Salary Growth	3.25% after 26 years of service	3.25% after 25 years of service
Investment Rate of Return	7.5%	7.5%

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50% for the General Employees and Police and Fire Plans. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25% after one year of service, to 3.25% after 26 years of service. In the Police and Fire Plan, salary growth assumptions decrease from 12.25% after one year of service to 3.25% after 25 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions for the General Employees Fund occurred in 2018:

General Employees Fund

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

Police and Fire Fund

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

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2018 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

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

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.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City of Dundas' proportionate share of the GERF net pension liability:	\$333,575	\$205,261	\$99,341
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City of Dundas' proportionate share of the PEPF net pension liability:	\$390,795	\$182,268	\$9,826

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, 2018

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 April 8, 2019, the date which the financial statements were available to be issued.

CITY OF DUNDAS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DUNDAS, MINNESOTA
RETIREMENT SYSTEM SCHEDULES - GENERAL EMPLOYEES RETIREMENT FUND (GERF)
DECEMBER 31, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years *

	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.00370000%	0.00380000%	0.00380000%	0.00400000%
Employer's proportionate share of the net pension liability	\$ 205,261	\$ 242,589	\$ 308,541	\$ 307,301
Covered payroll	\$ 250,027	\$ 244,996	\$ 242,335	\$ 235,811
Proportionate share of the net pension liability as a percentage of its covered payroll	82.10%	99.02%	127.32%	130.32%
Plan fiduciary net position as a percentage of the total pension liability	79.53%	75.90%	68.90%	78.20%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years *

	2018	2017	2016	2015
Contractually required contributions	\$ 18,752	\$ 18,372	\$ 18,175	\$ 17,689
Contributions in relation to the contractually required contributions	(18,752)	(18,372)	(18,175)	(17,689)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 250,027	\$ 244,996	\$ 242,335	\$ 235,811
Contributions as a percentage of covered payroll	7.50%	7.50%	7.50%	7.50%

* The amounts presented for each fiscal year were determined as of the calendar year end which occurred within the fiscal year.

The City implemented the Government Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 6 proceeding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2018

Changes of benefit terms - there were no changes of benefit terms for any participating employer in the Minnesota Retirement System (PERA).

Changes of assumptions - there were no changes in the assumptions.

CITY OF DUNDAS, MINNESOTA
RETIREMENT SYSTEM SCHEDULES - PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years *

	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.01710000%	0.01600000%	0.01600000%	0.01500000%
Employer's proportionate share of the net pension liability	\$ 182,268	\$ 216,019	\$ 642,108	\$ 170,435
State's proportionate share of the net pension liability	-	-	-	-
Total proportionate share of the net pension liability	182,268	216,019	642,108	170,435
Covered payroll	\$ 180,506	\$ 164,639	\$ 162,187	\$ 137,542
Proportionate share of the net pension liability as a percentage of its covered payroll	100.98%	131.21%	395.91%	123.91%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	85.40%	63.90%	86.60%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years *

	2018	2017	2016	2015
Contractually required contributions	\$ 29,242	\$ 26,723	\$ 26,365	\$ 22,282
Contributions in relation to the contractually required contributions	(29,242)	(26,723)	(26,365)	(22,282)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 180,506	\$ 164,639	\$ 162,187	\$ 137,542
Contributions as a percentage of covered payroll	16.20%	16.23%	16.26%	16.20%

* The amounts presented for each fiscal year were determined as of the calendar year end which occurred within the fiscal year.

The City implemented the Government Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 6 preceding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2018

Changes of benefit terms - there were no changes of benefit terms for any participating employer in the Minnesota Retirement System (PERA).

Changes of assumptions - there were no changes in the assumptions.

CITY OF DUNDAS, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUE				
TAXES				
Property taxes	\$ 949,434	\$ 949,434	\$ 954,613	\$ 5,179
Franchise fees	13,349	13,349	14,597	1,248
TOTAL TAXES	<u>962,783</u>	<u>962,783</u>	<u>969,210</u>	<u>6,427</u>
LICENSES AND PERMITS				
Building and plan fees	33,210	33,210	116,485	83,275
Alcoholic beverages	8,300	8,300	7,540	(760)
Other	2,200	2,200	1,636	(564)
TOTAL LICENSES AND PERMITS	<u>43,710</u>	<u>43,710</u>	<u>125,661</u>	<u>81,951</u>
INTERGOVERNMENTAL				
Local government aids	175,039	175,039	175,039	-
Market value credit	-	-	477	477
State aid for street maintenance	14,497	14,497	14,230	(267)
Police grants	23,558	23,558	31,659	8,101
PERA aid	104	104	104	-
TOTAL INTERGOVERNMENTAL	<u>213,198</u>	<u>213,198</u>	<u>221,509</u>	<u>8,311</u>
INTEREST INCOME	<u>6,000</u>	<u>6,000</u>	<u>16,869</u>	<u>10,869</u>
CHARGES FOR SERVICES				
Park	2,000	2,000	2,515	515
Zoning and subdivision	1,000	1,000	6,725	5,725
Rents	-	-	3,850	3,850
Other	1,650	1,650	3,845	2,195
TOTAL CHARGES FOR SERVICES	<u>4,650</u>	<u>4,650</u>	<u>16,935</u>	<u>12,285</u>
FINES, FORFEITS, AND PENALTIES	<u>18,450</u>	<u>18,450</u>	<u>24,741</u>	<u>6,291</u>
MISCELLANEOUS				
Contributions	-	-	1,034	1,034
Other	1,840	1,840	9,004	7,164
TOTAL MISCELLANEOUS	<u>1,840</u>	<u>1,840</u>	<u>10,038</u>	<u>8,198</u>
TOTAL REVENUE	<u>\$ 1,250,631</u>	<u>\$ 1,250,631</u>	<u>\$ 1,384,963</u>	<u>\$ 134,332</u>

(Continued on page 45)

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, 2018

EXPENDITURES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
GENERAL GOVERNMENT				
Mayor and council				
Salaries and wages	\$ 27,100	\$ 27,100	\$ 27,549	\$ (449)
Payroll taxes	1,928	1,928	1,928	-
Workers compensation insurance	63	63	-	63
Training and instruction	1,050	1,050	-	1,050
Telephone	420	420	385	35
Travel and meeting reimbursements	802	802	333	469
Dues and subscriptions	20	20	30	(10)
Supplies	-	-	24	(24)
Capital outlay	500	500	-	500
TOTAL MAYOR AND COUNCIL	<u>31,883</u>	<u>31,883</u>	<u>30,249</u>	<u>1,634</u>
Administrative				
Salaries and wages	82,738	82,738	87,049	(4,311)
Payroll taxes	6,269	6,269	6,659	(390)
PERA contributions	6,266	6,266	6,103	163
Insurance benefits	13,943	13,943	6,156	7,787
Workers compensation insurance	-	-	1,086	(1,086)
Training and instruction	1,496	1,496	400	1,096
Travel and meeting reimbursements	2,750	2,750	1,725	1,025
Dues and subscriptions	2,113	2,113	2,524	(411)
TOTAL ADMINISTRATIVE	<u>115,575</u>	<u>115,575</u>	<u>111,702</u>	<u>3,873</u>
Planning and zoning				
Salaries and wages	15,042	15,042	17,143	(2,101)
Payroll taxes	1,151	1,151	1,312	(161)
PERA contributions	1,128	1,128	1,102	26
Insurance benefits	2,113	2,113	56	2,057
Professional services				
Engineering fees	5,738	5,738	14,128	(8,390)
Planning fees	14,041	14,041	20,125	(6,084)
Legal fees	7,560	7,560	2,807	4,753
Training and instruction	150	150	-	150
Office supplies	225	225	-	225
Legal notices published	500	500	813	(313)
TOTAL PLANNING AND ZONING	<u>47,648</u>	<u>47,648</u>	<u>57,486</u>	<u>(9,838)</u>
Other general government				
Supplies	4,750	4,750	7,196	(2,446)
Auditing and accounting	6,840	6,840	10,068	(3,228)
Legal fees	22,843	22,843	22,088	755
Engineering fees	23,800	23,800	15,349	8,451
Other professional services	3,000	3,000	5,593	(2,593)
Telephone and communications	4,050	4,050	3,276	774
Postage	880	880	974	(94)
Legal notices published	563	563	724	(161)
Insurance	7,154	7,154	6,801	353
Utilities	2,029	2,029	1,478	551
Repairs and maintenance	3,750	3,750	2,247	1,503
Equipment rentals	3,440	3,440	1,010	2,430
Capital outlay	5,490	5,490	6,834	(1,344)
Miscellaneous	8,656	8,656	20,313	(11,657)
TOTAL OTHER GENERAL GOVERNMENT	<u>97,245</u>	<u>97,245</u>	<u>103,951</u>	<u>(6,706)</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 292,351</u>	<u>\$ 292,351</u>	<u>\$ 303,388</u>	<u>\$ (11,037)</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, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
EXPENDITURES - Continued				
PUBLIC SAFETY				
Civil defense				
Utilities	\$ 158	\$ 158	\$ 69	\$ 89
Insurance	300	300	374	(74)
Repairs and maintenance	413	413	-	413
TOTAL CIVIL DEFENSE	<u>871</u>	<u>871</u>	<u>443</u>	<u>428</u>
Animal control				
Subcontracted services	<u>500</u>	<u>500</u>	<u>877</u>	<u>(377)</u>
Fire protection				
Contractual services	<u>50,090</u>	<u>50,090</u>	<u>52,921</u>	<u>(2,831)</u>
Police protection				
Salaries and wages	198,428	198,428	212,671	(14,243)
Payroll taxes	2,877	2,877	3,084	(207)
PERA contributions	32,145	32,145	30,691	1,454
Insurance benefits	25,350	25,350	8,498	16,852
Workers compensation insurance	5,130	5,130	8,561	(3,431)
Supplies	2,585	2,585	1,126	1,459
Training and instruction	3,847	3,847	2,180	1,667
Vehicle operations	9,368	9,368	9,595	(227)
Uniforms	2,024	2,024	340	1,684
Legal fees	20,294	20,294	6,004	14,290
Other professional services	2,840	2,840	-	2,840
Telephone and communications	3,695	3,695	3,452	243
Insurance	9,169	9,169	9,427	(258)
Utilities	1,444	1,444	819	625
Repairs and maintenance	-	-	1,143	(1,143)
Dues and subscriptions	6,125	6,125	2,366	3,759
Capital outlay	10,924	10,924	9,593	1,331
Miscellaneous	74	74	464	(390)
TOTAL POLICE PROTECTION	<u>336,319</u>	<u>336,319</u>	<u>310,014</u>	<u>26,305</u>
Building inspections				
Salaries and wages	4,445	4,445	5,072	(627)
Payroll taxes	340	340	388	(48)
PERA contributions	333	333	331	2
Insurance benefits	845	845	23	822
Supplies	403	403	697	(294)
Telephone	659	659	451	208
Permit review fees	16,388	16,388	46,536	(30,148)
Miscellaneous	200	200	-	200
Plan review fees	10,350	10,350	17,781	(7,431)
TOTAL BUILDINGS INSPECTIONS	<u>33,963</u>	<u>33,963</u>	<u>71,279</u>	<u>(37,316)</u>
TOTAL PUBLIC SAFETY	<u>\$ 421,743</u>	<u>\$ 421,743</u>	<u>\$ 435,534</u>	<u>\$ (13,791)</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, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
EXPENDITURES - Continued				
PUBLIC WORKS				
Highway, streets, and roads				
Salaries and wages	\$ 49,647	\$ 49,647	\$ 58,024	\$ (8,377)
Payroll taxes	3,724	3,724	4,439	(715)
PERA contributions	3,798	3,798	3,732	66
Insurance benefits	6,422	6,422	210	6,212
Workers compensation insurance	4,996	4,996	2,301	2,695
Supplies	3,399	3,399	1,225	2,174
Signs	1,500	1,500	305	1,195
Building utilities	2,250	2,250	302	1,948
Engineering fees	1,500	1,500	18	1,482
Insurance	1,615	1,615	898	717
Travel and meeting reimbursements	-	-	268	(268)
Street lighting utilities	25,878	25,878	21,980	3,898
Mowing	8,539	8,539	2,805	5,734
Sand/rock/dirt	10,486	10,486	4,296	6,190
Road maintenance	64,554	64,554	33,166	31,388
Vehicle operations	10,730	10,730	5,895	4,835
Capital outlay	13,390	13,390	37,743	(24,353)
Miscellaneous	450	450	2,043	(1,593)
TOTAL PUBLIC WORKS	<u>212,878</u>	<u>212,878</u>	<u>179,650</u>	<u>33,228</u>
CULTURE, RECREATION, AND EDUCATION				
Parks				
Salaries and wages	12,238	12,238	13,382	(1,144)
Payroll taxes	936	936	1,024	(88)
PERA contributions	918	918	836	82
Insurance benefits	2,052	2,052	43	2,009
Workers compensation insurance	283	283	915	(632)
Supplies	2,525	2,525	2,189	336
Repair and maintenance	14,189	14,189	392	13,797
Insurance	19,139	19,139	17,216	1,923
Equipment rentals	1,848	1,848	1,750	98
Utilities	3,880	3,880	2,487	1,393
Grounds	10,725	10,725	11,859	(1,134)
Cleaning service	516	516	491	25
Programming	810	810	-	810
Capital outlay	13,521	13,521	124,685	(111,164)
Miscellaneous	250	250	2,009	(1,759)
TOTAL CULTURE, RECREATION, AND EDUCATION	<u>83,830</u>	<u>83,830</u>	<u>179,278</u>	<u>(95,448)</u>
DEBT SERVICE				
Principal	-	-	23,993	(23,993)
TOTAL EXPENDITURES	<u>1,010,802</u>	<u>1,010,802</u>	<u>1,121,843</u>	<u>(111,041)</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>239,829</u>	<u>239,829</u>	<u>263,120</u>	<u>23,291</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	2,830	2,830
Operating transfers (out)	(88,644)	(88,644)	(80,344)	8,300
Issuance of long-term debt	-	-	119,964	119,964
TOTAL OTHER FINANCING SOURCES	<u>(88,644)</u>	<u>(88,644)</u>	<u>42,450</u>	<u>131,094</u>
NET CHANGE IN FUND BALANCE	151,185	151,185	305,570	154,385
FUND BALANCE - BEGINNING OF YEAR	<u>980,088</u>	<u>980,088</u>	<u>980,088</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,131,273</u>	<u>\$ 1,131,273</u>	<u>\$ 1,285,658</u>	<u>\$ 154,385</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, 2018

Note 1 - 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	
General government	\$ 11,037
Public safety	13,791
Culture, recreation and education	95,448
Debt service	23,993

CITY OF DUNDAS, MINNESOTA
OTHER SUPPLEMENTARY INFORMATION

CITY OF DUNDAS, MINNESOTA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUND	CAPITAL PROJECT FUNDS		TOTAL NONMAJOR
	GAMBLING FUND	DUNDAS BASEBALL ASSOCIATION ACTIVITY FUND	ANNEXATION TAX REBATE FUND	INDUSTRIAL PARK TAX ABATEMENT FUND	GO IMPROVEMENT BONDS 2013A FUND	PUBLIC SAFETY CAPITAL OUTLAY FUND	PUBLIC WORKS CAPITAL OUTLAY FUND	GOVERNMENTAL FUNDS
ASSETS								
Cash and investments	\$ 7,945	\$ (5,831)	\$ 182,472	\$ 1,526	\$ 206,464	\$ 81,124	\$ 6,703	\$ 480,403
Receivable								
Accounts and other	<u>6,983</u>	<u>-</u>	<u>1,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,539</u>
TOTAL ASSETS	<u>14,928</u>	<u>(5,831)</u>	<u>184,028</u>	<u>1,526</u>	<u>206,464</u>	<u>81,124</u>	<u>6,703</u>	<u>488,942</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	<u>-</u>	<u>1,611</u>	<u>-</u>	<u>1,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,137</u>
FUND BALANCES								
Restricted	-	-	-	-	206,464	-	-	206,464
Assigned	14,928	-	184,028	-	-	81,124	6,703	286,783
Unassigned	<u>-</u>	<u>(7,442)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,442)</u>
TOTAL FUND BALANCES	<u>14,928</u>	<u>(7,442)</u>	<u>184,028</u>	<u>-</u>	<u>206,464</u>	<u>81,124</u>	<u>6,703</u>	<u>485,805</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,928</u>	<u>\$ (5,831)</u>	<u>\$ 184,028</u>	<u>\$ 1,526</u>	<u>\$ 206,464</u>	<u>\$ 81,124</u>	<u>\$ 6,703</u>	<u>\$ 488,942</u>

CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUND	CAPITAL PROJECT FUNDS		TOTAL NONMAJOR
	GAMBLING FUND	DUNDAS BASEBALL ASSOCIATION ACTIVITY FUND	ANNEXATION TAX REBATE FUND	INDUSTRIAL PARK TAX ABATEMENT FUND	GO IMPROVEMENT BONDS 2013A FUND	PUBLIC SAFETY CAPITAL OUTLAY FUND	PUBLIC WORKS CAPITAL OUTLAY FUND	GOVERNMENTAL FUNDS
REVENUE								
Taxes	\$ 8,990	\$ -	\$ -	\$ 4,579	\$ -	\$ -	\$ -	\$ 13,569
Miscellaneous	-	54,602	29,556	-	2,093	817	64	87,132
TOTAL REVENUE	<u>8,990</u>	<u>54,602</u>	<u>29,556</u>	<u>4,579</u>	<u>2,093</u>	<u>817</u>	<u>64</u>	<u>100,701</u>
EXPENDITURES								
Current								
Culture, recreation, and education	-	73,429	56,934	-	-	-	-	130,363
Debt service								
Principal	-	-	-	-	75,000	-	-	75,000
Interest	-	-	-	-	32,658	-	-	32,658
Other	-	-	-	-	500	-	-	500
Capital outlay	-	-	-	-	-	-	49,778	49,778
TOTAL EXPENDITURES	<u>-</u>	<u>73,429</u>	<u>56,934</u>	<u>-</u>	<u>108,158</u>	<u>-</u>	<u>49,778</u>	<u>288,299</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>8,990</u>	<u>(18,827)</u>	<u>(27,378)</u>	<u>4,579</u>	<u>(106,065)</u>	<u>817</u>	<u>(49,714)</u>	<u>(187,598)</u>
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	-	108,158	-	-	108,158
Operating transfers (out)	-	-	-	(4,579)	-	(2,830)	-	(7,409)
TOTAL OTHER FINANCING (USES) SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,579)</u>	<u>108,158</u>	<u>(2,830)</u>	<u>-</u>	<u>100,749</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>8,990</u>	<u>(18,827)</u>	<u>(27,378)</u>	<u>-</u>	<u>2,093</u>	<u>(2,013)</u>	<u>(49,714)</u>	<u>(86,849)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>5,938</u>	<u>11,385</u>	<u>211,406</u>	<u>-</u>	<u>204,371</u>	<u>83,137</u>	<u>56,417</u>	<u>572,654</u>
FUND BALANCE - END OF YEAR	<u>\$ 14,928</u>	<u>\$ (7,442)</u>	<u>\$ 184,028</u>	<u>\$ -</u>	<u>\$ 206,464</u>	<u>\$ 81,124</u>	<u>\$ 6,703</u>	<u>\$ 485,805</u>

CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2018

	REFUSE UTILITY FUND	STORM WATER UTILITY FUND	TOTALS
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
ASSETS			
CURRENT ASSETS			
Cash	\$ 43,266	\$ 242,696	\$ 285,962
Accounts receivable			
Customer	16,474	10,898	27,372
TOTAL CURRENT ASSETS	59,740	253,594	313,334
NONCURRENT ASSETS			
Capital assets (net of accumulated depreciation)			
Capital assets being depreciated	-	477,120	477,120
TOTAL ASSETS	59,740	730,714	790,454
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	-	1,003	1,003
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	59,740	731,717	791,457
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	5,799	6,740	12,539
Accrued liabilities			
Compensation and payroll taxes	108	300	408
Other	203	-	203
Compensated absences	208	1,901	2,109
TOTAL CURRENT LIABILITIES	6,318	8,941	15,259
NONCURRENT LIABILITIES			
Long-term obligations	-	5,827	5,827
TOTAL LIABILITIES	6,318	14,768	21,086
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	-	1,782	1,782
NET POSITION			
Net investment in capital assets	-	494,160	494,160
Unrestricted	53,422	221,007	274,429
TOTAL NET POSITION	53,422	715,167	768,589
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 59,740	\$ 731,717	\$ 791,457

CITY OF DUNDAS, MINNESOTA
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	REFUSE UTILITY FUND	STORM WATER UTILITY FUND	TOTALS
OPERATING REVENUE			
Charges for services	\$ 101,415	\$ 79,844	\$ 181,259
OPERATING EXPENSES			
Administrative	2,906	9,238	12,144
Maintenance and operations	71,087	17,533	88,620
Depreciation	-	17,040	17,040
TOTAL OPERATING EXPENSES	73,993	43,811	117,804
OPERATING INCOME	27,422	36,033	63,455
NONOPERATING REVENUE			
Interest income	439	2,418	2,857
INCOME BEFORE TRANSFERS	27,861	38,451	66,312
OPERATING TRANSFER (OUT)	-	(7,927)	(7,927)
CHANGE IN NET POSITION	27,861	30,524	58,385
NET POSITION - BEGINNING OF YEAR	25,561	684,643	710,204
NET POSITION - END OF YEAR	\$ 53,422	\$ 715,167	\$ 768,589

CITY OF DUNDAS, MINNESOTA
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	REFUSE UTILITY FUND	STORM WATER UTILITY FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 102,311	\$ 78,787	\$ 181,098
Payments to suppliers for goods and services	(72,332)	(10,245)	(82,577)
Payments for employees wages and benefits	(2,801)	(10,461)	(13,262)
NET CASH PROVIDED BY OPERATING ACTIVITIES	27,178	58,081	85,259
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers (to) other funds	-	(7,927)	(7,927)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	439	2,418	2,857
NET CHANGE IN CASH AND CASH EQUIVALENTS	27,617	52,572	80,189
CASH AND INVESTMENTS - BEGINNING OF YEAR	15,649	190,124	205,773
CASH AND INVESTMENTS - END OF YEAR	43,266	242,696	285,962
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	27,422	36,033	63,455
Adjustments to reconcile operating income to net cash flows from operating activities			
Depreciation	-	17,040	17,040
Changes in assets and liabilities			
Decrease (increase) in receivables - customers	896	(1,057)	(161)
(Increase) in deferred outflows	-	(116)	(116)
(Decrease) increase in accounts payable	(776)	6,356	5,580
(Decrease) in other accrued expenses	(364)	-	(364)
(Decrease) in net pension liability	-	(1,303)	(1,303)
Increase in deferred inflows	-	1,128	1,128
Total adjustments	(244)	22,048	21,804
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 27,178	\$ 58,081	\$ 85,259

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

	DECEMBER 31,	
	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,027,881	\$ 1,194,467
Accounts receivable		
Customer	39,193	36,826
Accrued interest	5,340	4,972
Prepays	1,677	1,677
TOTAL CURRENT ASSETS	1,074,091	1,237,942
NONCURRENT ASSETS		
Capital assets (net of accumulated depreciation)		
Capital assets not being depreciated	467,365	147,273
Capital assets being depreciated	3,695,178	3,916,999
NET CAPITAL ASSETS	4,162,543	4,064,272
TOTAL ASSETS	5,236,634	5,302,214
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension resources	6,671	6,302
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,243,305	5,308,516
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	7,457	7,491
Accrued liabilities		
Payroll	2,345	2,345
Interest	18,281	16,053
Other	104	345
Due to other funds	251,551	251,551
Due to other governments	-	-
Compensated absences	10,321	10,321
Unearned revenue	15,150	54,937
Current portion of long-term obligations	125,000	350,000
TOTAL CURRENT LIABILITIES	430,209	693,043
NONCURRENT LIABILITIES		
Long-term obligations	1,331,027	1,146,284
TOTAL LIABILITIES	1,761,236	1,839,327
DEFERRED INFLOWS OF RESOURCES		
Deferred pension resources	11,848	4,642
NET POSITION		
Net investment in capital assets	2,745,265	2,618,624
Unrestricted	724,956	845,923
TOTAL NET POSITION	3,470,221	3,464,547
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 5,243,305	\$ 5,308,516

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

	YEAR ENDED DECEMBER 31,	
	2018	2017
OPERATING REVENUE		
Charges for Services		
Water sales	\$ 306,079	\$ 284,709
Connection fees	60,430	33,050
Sales of water meters	10,529	11,655
Other revenue	53,888	51,032
TOTAL CHARGES FOR SERVICES	<u>430,926</u>	<u>380,446</u>
OPERATING EXPENSES		
Administrative		
Salaries and benefits	<u>21,692</u>	<u>26,489</u>
Maintenance and Operation		
Salaries and benefits	38,953	41,296
Supplies and repairs	63,385	91,030
Insurance	4,823	4,444
Utilities	25,051	27,077
Other charges	17,715	26,182
TOTAL MAINTENANCE AND OPERATIONS	<u>149,927</u>	<u>190,029</u>
Depreciation	<u>221,821</u>	<u>221,697</u>
TOTAL OPERATING EXPENSES	<u>393,440</u>	<u>438,215</u>
OPERATING INCOME (LOSS)	<u>37,486</u>	<u>(57,769)</u>
NONOPERATING REVENUE (EXPENSES)		
Interest expense	(33,883)	(34,630)
Fiscal agent fee	(1,033)	-
Interest income	10,758	8,200
TOTAL NONOPERATING (EXPENSES)	<u>(24,158)</u>	<u>(26,430)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>13,328</u>	<u>(84,199)</u>
Transfer in	-	742,754
Transfer (out)	<u>(7,654)</u>	<u>(15,797)</u>
TOTAL TRANSFERS	<u>(7,654)</u>	<u>726,957</u>
CHANGE IN NET POSITION	5,674	642,758
NET POSITION, BEGINNING OF YEAR	<u>3,464,547</u>	<u>2,821,789</u>
NET POSITION, END OF YEAR	<u>\$ 3,470,221</u>	<u>\$ 3,464,547</u>

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

	YEAR ENDED DECEMBER 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 388,772	\$ 382,614
Payments to suppliers for goods and services	(110,904)	(147,571)
Payments for employees wages and benefits	(66,873)	(65,974)
NET CASH PROVIDED BY OPERATING ACTIVITIES	210,995	169,069
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers in	-	742,754
Transfers (out)	(7,654)	(15,797)
Repayment of amounts due to other funds	-	-
Retirement of long-term debt	(353,370)	(344,462)
Interest paid	(31,855)	(37,462)
FINANCING ACTIVITIES	(387,971)	345,033
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	10,390	5,011
NET CHANGE IN CASH AND CASH EQUIVALENTS	(166,586)	519,113
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,194,467	675,354
CASH AND CASH EQUIVALENTS - END OF YEAR	1,027,881	1,194,467
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating income (loss)	36,405	(57,769)
Adjustments to reconcile operating (loss) to net cash flows from operating activities		
Depreciation	221,821	221,697
Changes in assets and liabilities		
(Increase) decrease in receivables - customers	(2,119)	238
(Increase) decrease in deferred outflows	(369)	20,637
(Decrease) increase in accounts payable	(34)	2,434
(Decrease) in payroll payable	-	(96)
(Decrease) in other accrued expenses	(241)	(151)
(Decrease) in other pension liability	(11,887)	(13,413)
(Decrease) increase in unearned revenue	(39,787)	1,930
Increase (decrease) in deferred inflows	7,206	(6,438)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 210,995	\$ 169,069

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

	DECEMBER 31,	
	2018	2017
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
ASSETS		
CURRENT ASSETS		
Cash	\$ 487,937	\$ 543,238
Accounts receivable		
Customer	52,949	56,487
Special assessments	-	-
Accrued interest	8,496	7,912
Due from other funds	251,551	251,551
Prepays	1,614	1,614
Restricted cash		
Cash	-	-
TOTAL CURRENT ASSETS	<u>802,547</u>	<u>860,802</u>
NONCURRENT ASSETS		
Capital assets (net of accumulated depreciation)		
Capital assets not being depreciated	76,123	76,123
Capital assets being depreciated	<u>5,710,223</u>	<u>5,960,916</u>
NET CAPITAL ASSETS	<u>5,786,346</u>	<u>6,037,039</u>
TOTAL ASSETS	6,588,893	6,897,841
DEFERRED OUTFLOWS OF RESOURCES		
Minnesota Retirement System pension	<u>5,122</u>	<u>5,129</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>6,594,015</u>	<u>6,902,970</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	30,812	79,880
Accrued liabilities		
Payroll	1,723	1,723
Interest	4,620	14,753
Compensated absences	7,111	7,111
Current portion of long-term obligations	<u>130,000</u>	<u>222,542</u>
TOTAL CURRENT LIABILITIES	174,266	326,009
NONCURRENT LIABILITIES		
Long-term obligations	<u>1,474,565</u>	<u>1,614,372</u>
TOTAL LIABILITIES	<u>1,648,831</u>	<u>1,940,381</u>
DEFERRED INFLOWS OF RESOURCES		
Minnesota Retirement System pension	<u>9,097</u>	<u>3,777</u>
NET POSITION		
Net investment in capital assets	4,211,534	4,241,329
Unrestricted	<u>724,553</u>	<u>717,483</u>
TOTAL NET POSITION	<u>4,936,087</u>	<u>4,958,812</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 6,594,015</u>	<u>\$ 6,902,970</u>

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

	YEAR ENDED DECEMBER 31,	
	2018	2017
OPERATING REVENUE		
Charges for Services		
Sewer services	\$ 363,250	\$ 355,169
Connection fees	67,930	39,000
Other revenue	4,598	4,993
TOTAL CHARGES FOR SERVICES	<u>435,778</u>	<u>399,162</u>
OPERATING EXPENSES		
Administrative		
Salaries and benefits	<u>15,238</u>	<u>28,631</u>
Maintenance and Operation		
Salaries and benefits	29,461	34,600
Supplies and repairs	16,301	39,773
Insurance	3,942	4,358
Utilities	174,585	197,409
Other charges	10,587	8,581
TOTAL MAINTENANCE AND OPERATION	<u>234,876</u>	<u>284,721</u>
Depreciation	<u>250,693</u>	<u>216,125</u>
TOTAL OPERATING EXPENSES	<u>500,807</u>	<u>529,477</u>
OPERATING (LOSS)	<u>(65,029)</u>	<u>(130,315)</u>
NONOPERATING REVENUE (EXPENSES)		
Interest expense	(25,014)	(44,331)
Fiscal agent fee	(2,917)	(900)
Debt forgiven	72,377	72,377
Amortization of discount and premium	(1,645)	-
Interest income	7,157	5,828
TOTAL NONOPERATING REVENUE	<u>49,958</u>	<u>32,974</u>
(LOSS) BEFORE TRANSFERS	(15,071)	(97,341)
Transfer (out)	<u>(7,654)</u>	<u>(15,798)</u>
CHANGE IN NET POSITION	(22,725)	(113,139)
NET POSITION, BEGINNING OF YEAR	<u>4,958,812</u>	<u>5,071,951</u>
NET POSITION, END OF YEAR	<u>\$ 4,936,087</u>	<u>\$ 4,958,812</u>

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

	YEAR ENDED DECEMBER 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 439,316	\$ 407,934
Payments to suppliers for goods and services	(253,843)	(290,683)
Payments for employees wages and benefits	(51,463)	(56,583)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>134,010</u>	<u>60,668</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers (out)	(7,654)	(15,798)
Repayment of amounts due to other funds	-	-
Interest on special assessments	-	-
Principal payments received on special assessments	-	3,619
Acquisition of property, plant, and equipment	-	(882,891)
Retirement of long-term debt	(148,521)	(137,380)
Issuance of long-term debt	-	-
Bond issuance cost	-	-
Interest paid	(39,709)	(47,241)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(195,884)</u>	<u>(1,079,691)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>6,573</u>	<u>3,119</u>
NET CASH IN CASH AND CASH EQUIVALENTS	<u>(55,301)</u>	<u>(1,015,904)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>543,238</u>	<u>1,559,142</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>487,937</u>	<u>543,238</u>
<u>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating (loss) income	(65,029)	23,429
Adjustments to reconcile operating (loss) income to net cash flows from operating activities		
Depreciation	250,693	207,799
Changes in assets and liabilities		
Decrease (increase) in receivables - customers	3,538	(5,640)
Decrease in due from other governments	-	431
Decrease (increase) in deferred outflows	7	(12,379)
(Decrease) in accounts payable	(49,068)	(9,444)
Increase in other accrued expenses	-	1,172
(Decrease) increase in other pension liability	(11,451)	11,321
Increase in deferred inflows	5,320	817
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 134,010</u>	<u>\$ 217,506</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash	\$ 487,937	\$ 543,238
Restricted cash	-	-
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 487,937</u>	<u>\$ 543,238</u>

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, 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, 2018, and the related notes to the financial statements, and have issued our report thereon dated April 8, 2019.

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' 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
April 8, 2019