

**City of Dundas
Rice County, Minnesota**

Communications Letter

December 31, 2019

**City of Dundas
Table of Contents**

Report on Matters Identified as a Result of the Audit of the Financial Statements	1
Material Weakness	3
Other Deficiency	4
Recommendation for Management	5
Required Communication	6
Financial Analysis	10
Emerging Issue	20

**Report on Matters Identified as a Result of
the Audit of the Financial Statements**

Honorable Mayor, Members of the
City Council and Management
City of Dundas
Dundas, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dundas, Minnesota, as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

The material weakness identified is stated within this letter.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we also became aware of deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency. They are described in the accompanying letter under Other Deficiency and Recommendation for Management.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated April 6, 2020, on such statements.

This communication is intended solely for the information and use of management, the members of the City Council, others within the City and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Bergan KDV Ltd.

Minneapolis, Minnesota
April 6, 2020

City of Dundas Material Weakness

Prior Period Adjustments

Prior period adjustments were required to adjust beginning net position for governmental activities to reflect changes in deferred inflows of resources for special assessments, to reflect an equity interest in the Northfield Area Fire and Rescue Service that was not accounted for in the prior year, and to record infrastructure related to a trail project that was not accounted for in the prior year. This indicates that internal controls did not detect or correct material misstatements to the financial statements in a timely manner.

We recommend the City continue monitoring the reconciling and reporting process to ensure internal controls can detect and correct material misstatements to the financial statements in a timely manner.

City of Dundas Other Deficiency

Lack of Segregation of Accounting Duties

The City had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Management and Members of the City Council are aware of this condition and have taken certain steps to compensate for the lack of segregation, but due to the number of staff needed to properly segregate all accounting duties, the costs of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. However, management and the Members of the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

We recommend management, along with the Members of the City Council, evaluate the risks related to the deficiency and respond with improvements to processes to mitigate these risks. In doing this, management and the Members of the City Council must weigh the costs associated with adding more staff or procedures to its operations.

City of Dundas
Recommendation for Management

Dundas Baseball Association Activity Fund

During our audit, we noted that the Dundas Baseball Association Fund activity and operations were being reported under the City's governmental funds and the Association was using the same tax identification number as the City.

The Dundas Baseball Association Fund was moved from a governmental fund to a custodial fund classification for 2019. Since the Association is a separate entity from the City, we recommend that a separate tax identification number be used and the activity of the fund be reported separately from other funds of the City.

City of Dundas Required Communication

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2019. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

City of Dundas Required Communication

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the financial statements were:

Depreciation – The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Expense Allocation – Certain expenses are allocated to programs based on an estimate of the benefit to that particular program. Examples are salaries, benefits, and supplies.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

City of Dundas Required Communication

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the City, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

Other Information in Documents Containing Audited Financial Statements

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**City of Dundas
Required Communication**

Other Information in Documents Containing Audited Financial Statements (Continued)

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

City of Dundas Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. A subsequent discussion of this information should be useful for planning purposes.

GENERAL FUND – REVENUES

The graphs below and on the following page represent the General Fund revenues by source. Overall revenue in 2019 increased to \$1,430,186 from \$1,384,963 in 2018, an increase of 3.3%. The largest increase of \$41,615 was realized in charges and services, which increased due to zoning and other fees. Taxes and special assessments increased \$36,758 due to an increase in the tax levy allocation to the General Fund. Miscellaneous revenue increased \$29,194 due to increased investment earnings based on the market performance in 2019. Licenses and permits decreased \$51,291 in 2019 as building permit and plan check revenue was down compared to 2018.

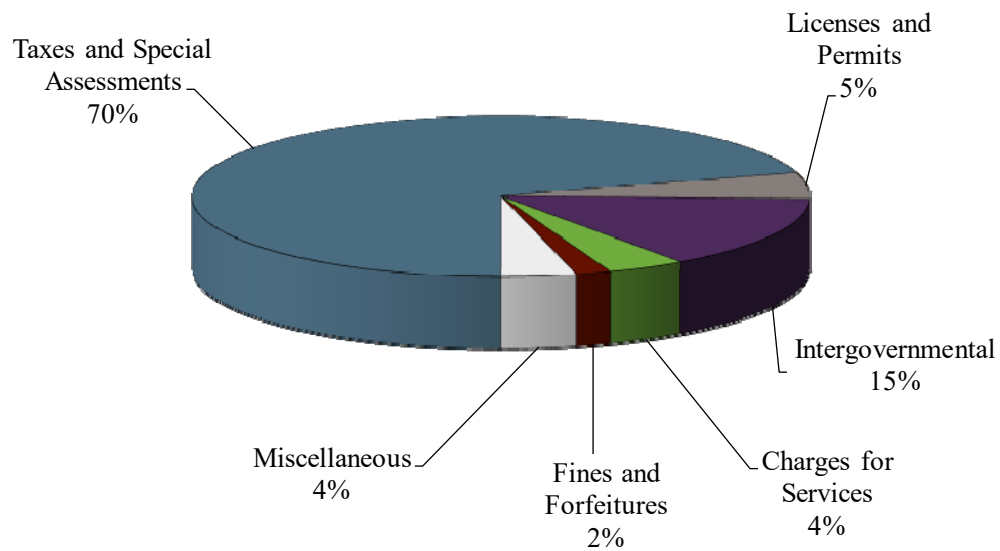
	2015	2016	2017	2018	2019
Taxes and special assessments	\$ 813,813	\$ 816,678	\$ 868,266	\$ 969,210	\$ 1,005,968
Licenses and permits	27,634	125,344	109,138	125,661	74,370
Intergovernmental	195,709	444,755	187,501	221,509	209,085
Charges for services	10,824	24,419	29,724	16,935	58,550
Fines and forfeitures	10,415	14,242	16,937	24,741	26,112
Miscellaneous	22,548	34,396	41,126	26,907	56,101
Total Revenues	\$ 1,080,943	\$ 1,459,834	\$ 1,252,692	\$ 1,384,963	\$ 1,430,186

The overall allocation of revenues among the various sources changed from 2018 to 2019 as shown on the following page. The allocation remained relatively consistent from 2018 but did change relative to the changes in revenue explained above.

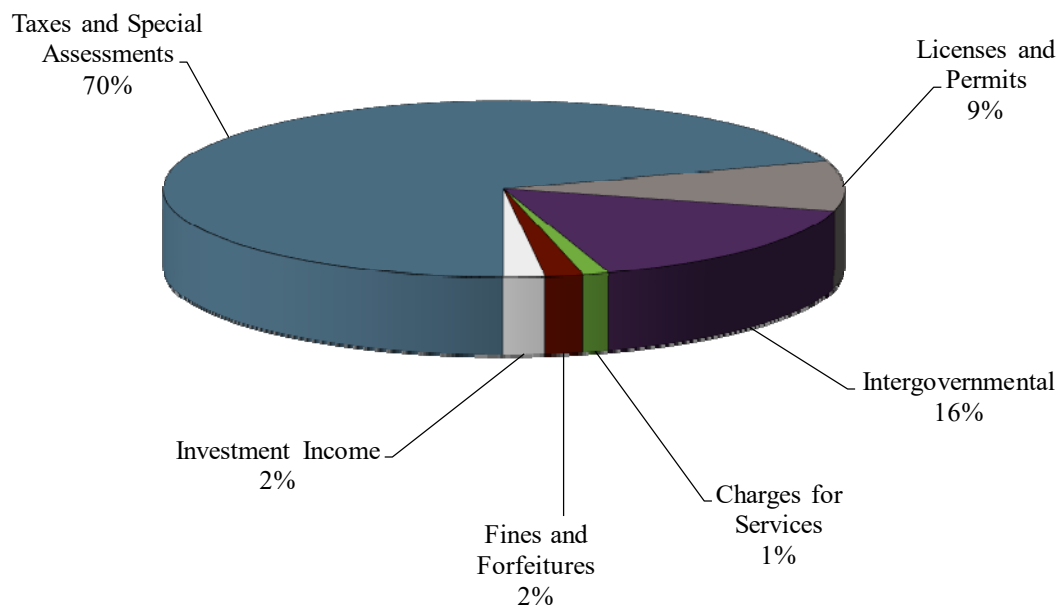
**City of Dundas
Financial Analysis**

GENERAL FUND – REVENUES (CONTINUED)

2019 General Fund Revenues



2018 General Fund Revenues

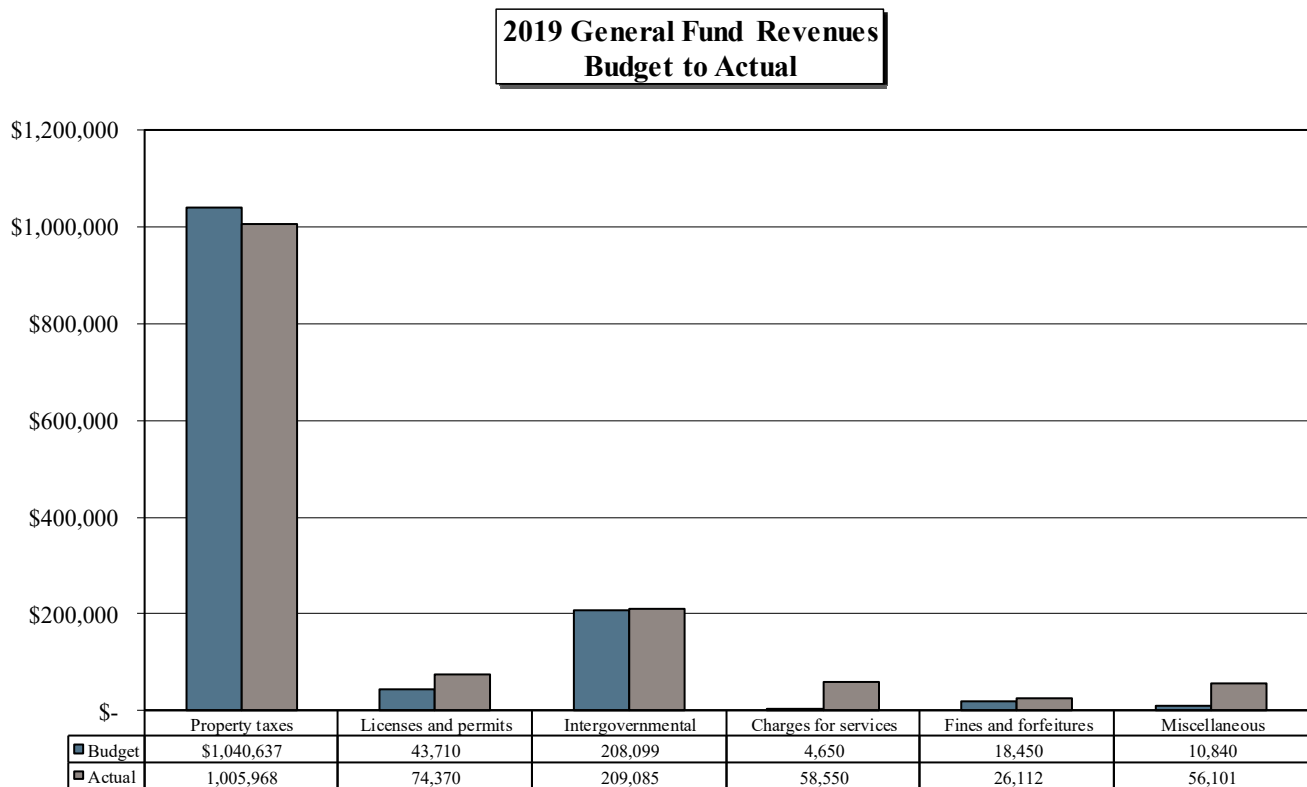


City of Dundas Financial Analysis

GENERAL FUND – REVENUES BUDGET TO ACTUAL

The graph below outlines the budgeted revenues compared to actual revenues for the General Fund.

For 2019, actual revenues of \$1,430,186 came in \$103,800, or 7.8%, over budgeted revenue of \$1,326,386. The largest variance of \$53,900 was in charges for services, relating to increase in zoning and other fees which was higher than budgeted. Miscellaneous revenue was over budget by \$45,261, as a result of budgeting for less investment earnings than what occurred in 2019. Licenses and permits was over budget by \$30,660 due to conservative budgeting for building and plan check fees. Property tax revenue was under budget by \$34,669 due to the structuring of the budgeted allocation of the tax levy. All other budgeted revenue types were in line with actual revenue received.

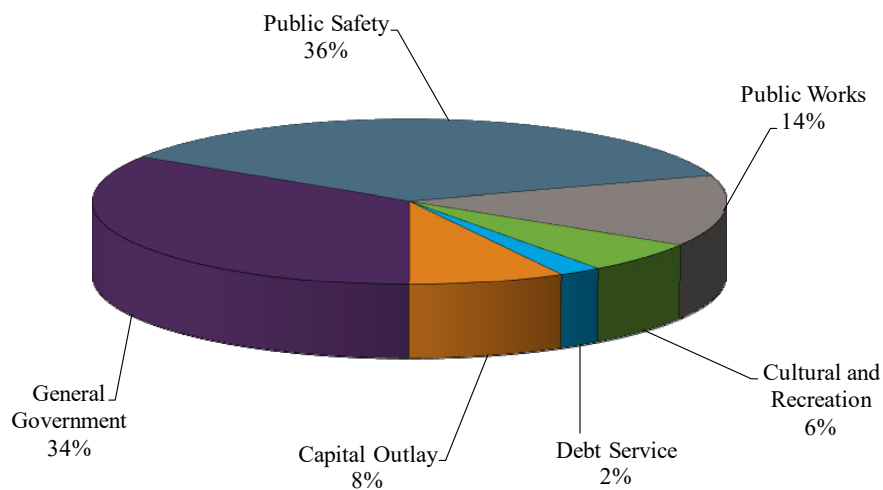


City of Dundas Financial Analysis

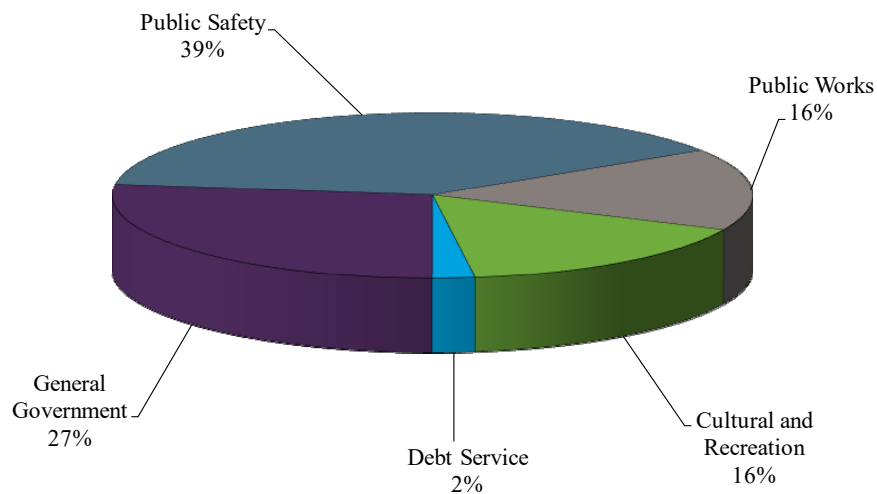
GENERAL FUND – EXPENDITURES

General Fund expenditures increased \$98,354, or 8.8% from 2018 to 2019. The largest increase was in general government expenditures which increased due to an increase professional services. This was offset by a decrease in culture and recreation capital and maintenance expenditures. The following graphs represent the General Fund expenditures by function, with Public Safety making up the largest expenditure category. The percentage of expenditures by function stayed relatively consistent from 2018 to 2019 other than the variances discussed above.

2019 General Fund Expenditures



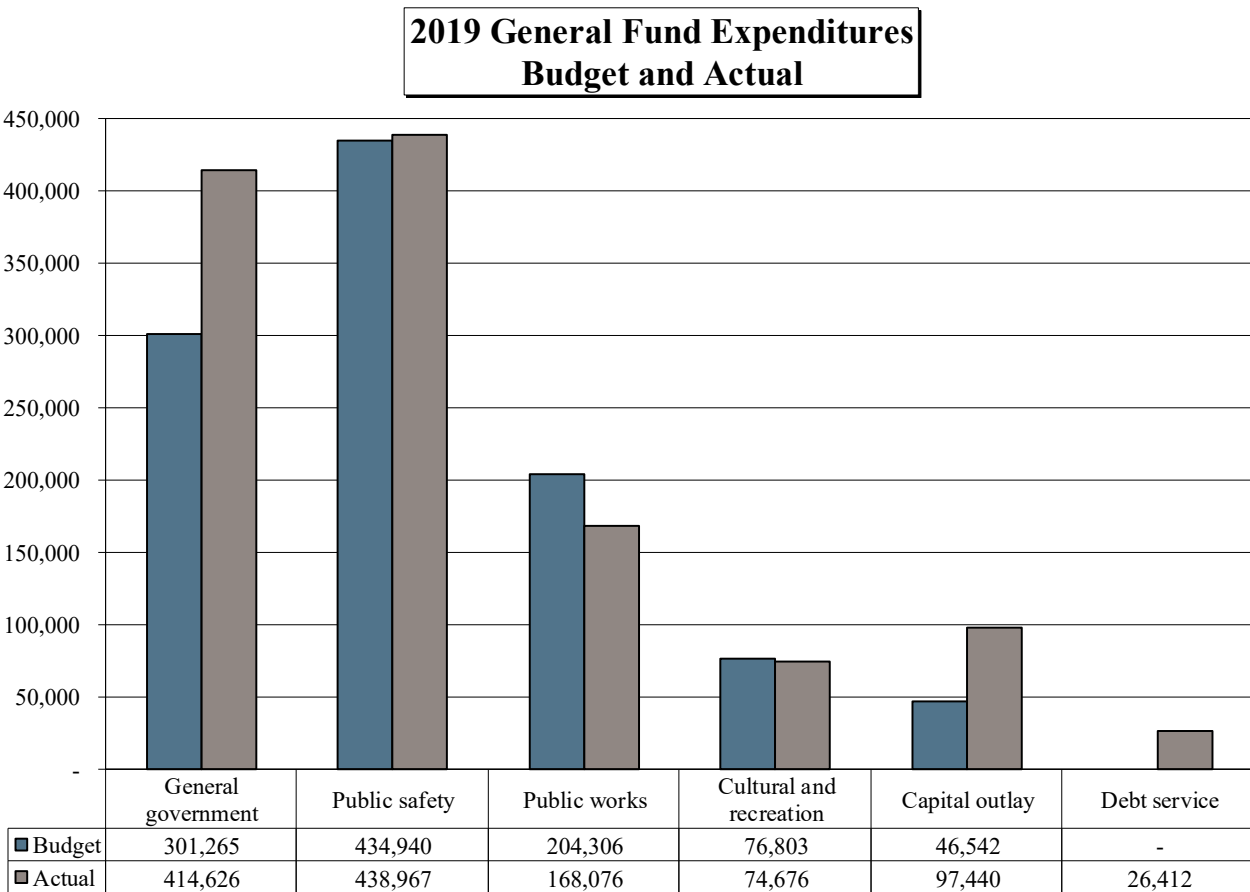
2018 General Fund Expenditures



City of Dundas Financial Analysis

GENERAL FUND – EXPENDITURES BUDGET TO ACTUAL

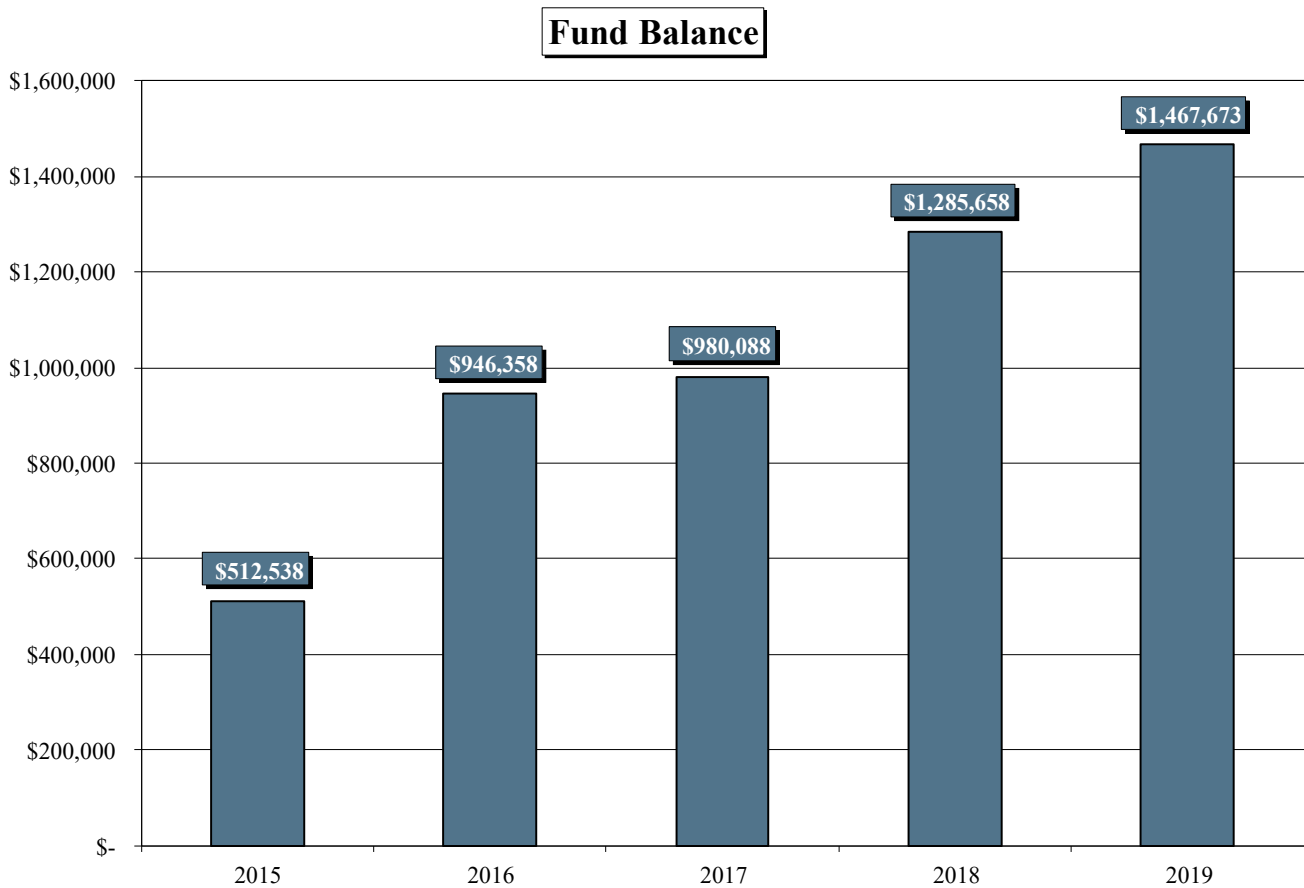
The budget of \$1,063,856 had a variance of \$156,341, or 14.7%, when compared to actual expenditures of \$1,220,197. The graph below shows expenditures were over budget in most categories. The largest variance was in General Government expenditures, which were \$113,361 over budget, due in part to budgeting for less expenditures in accounting services, plan fees, and other professional services than what were incurred during the year. Capital outlay came in \$50,898 over budget due to engineering fees for the completion of the road improvement projects coming in over budgeted amounts. Also contributing to the budget variance were the debt service expenditures of \$26,412 that were not part of the General Fund budget. Public Works expenditures came in \$36,230 under budget, due to budgeted road maintenance expenditures exceeding actual expenditures in 2019. Other budgeted expenditure types were in line with actual expenditures.



City of Dundas Financial Analysis

GENERAL FUND – FUND BALANCE

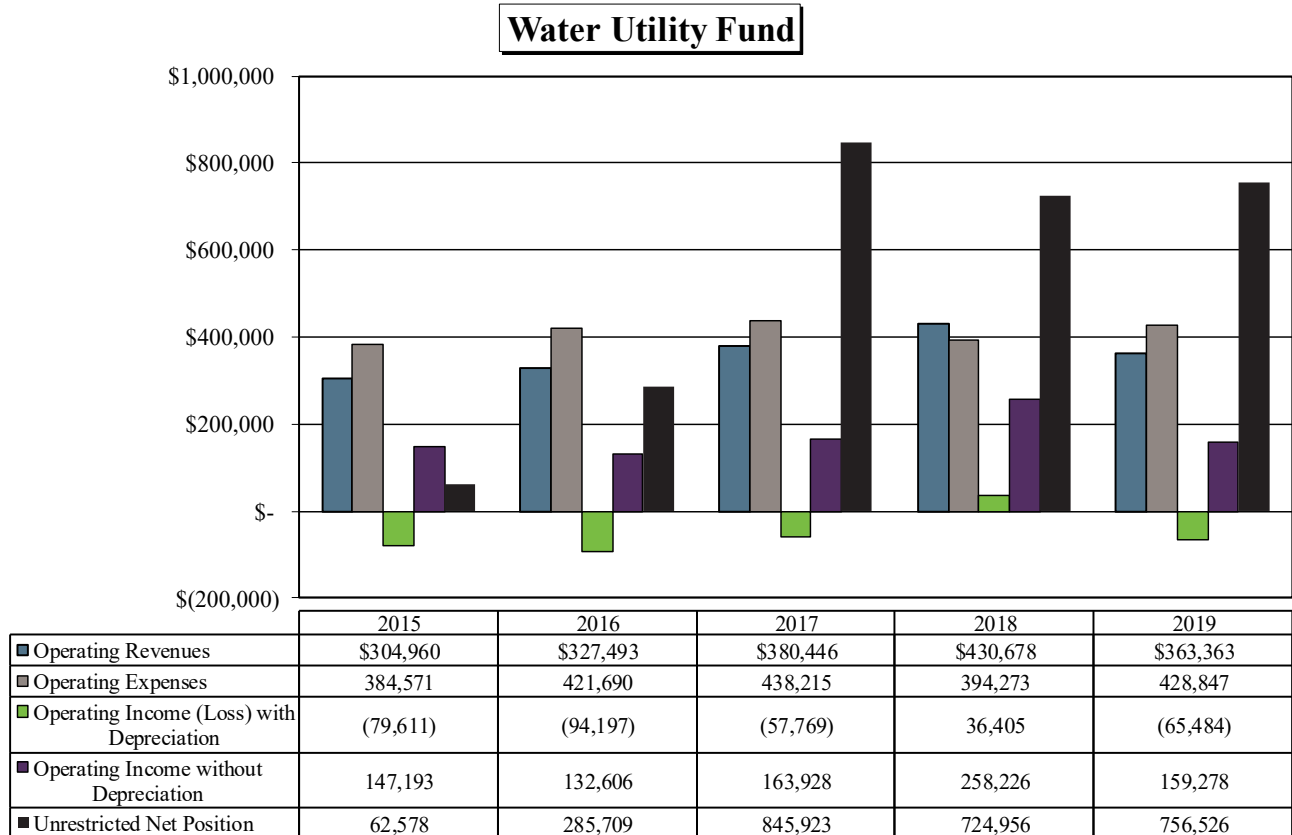
The graph below shows the General Fund balances for the past five years. The unrestricted fund balance of \$1,467,673 at the end of 2019 represents approximately sixteen months of budgeted 2020 expenditures of \$1,101,098. The City's target General Fund balance is to maintain an unassigned fund balance of an amount not less than 55% of the next year's budgeted expenditures of the General Fund. At December 31, 2019, the unassigned fund balance in the General Fund represented 119% of 2020 budgeted expenditures.



City of Dundas Financial Analysis

WATER UTILITY FUND

Enterprise funds may be used to account for any activity in which a fee is charged. It is not required to have the fee support the entire activity; however, the basic premise in establishing an enterprise fund is the activity will be operated similar to a business. Therefore, it is expected an enterprise fund would at least be able to meet its obligations currently and into the future.

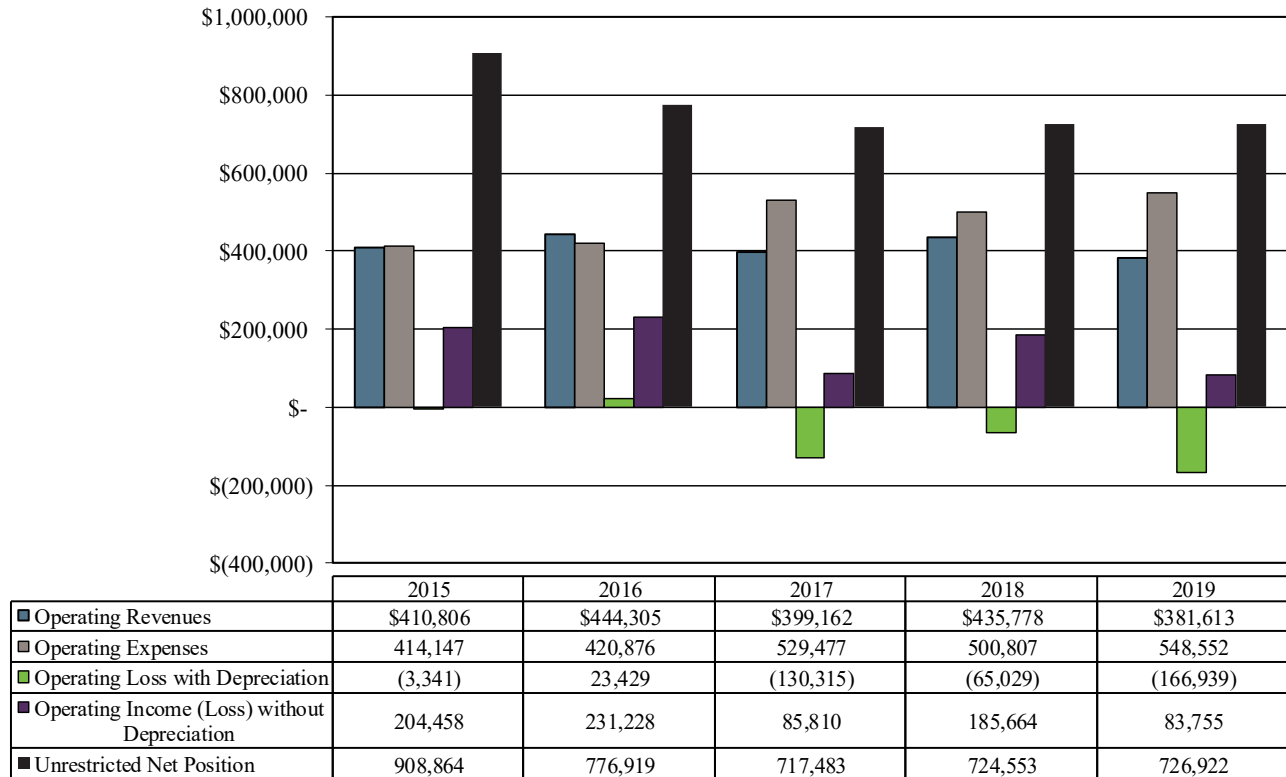


In 2019, operating revenues decreased \$67,315 due primarily to classifying connection fees as operating income in the prior year. Connection fees are recording as nonoperating revenue in 2019. Expenses increased \$34,574 from 2018 to 2019, due in part to increased engineering fees along with repairs and maintenance expenses. The result of 2019 activity was operating income, without depreciation, of \$159,278. Unrestricted net position increased \$31,570 from 2018 to 2019.

City of Dundas Financial Analysis

SEWER UTILITY FUND

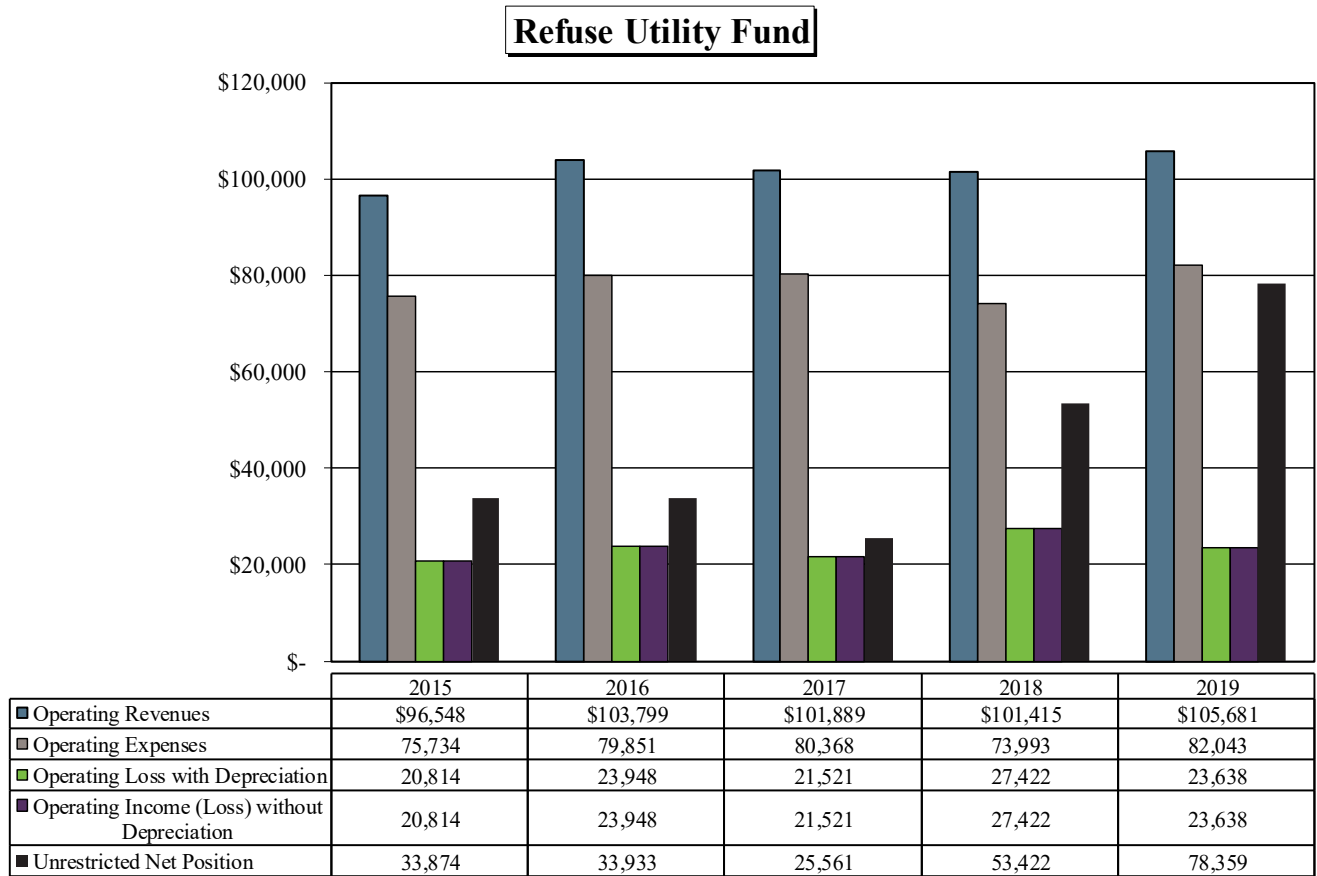
Sewer Utility Fund



In 2019, operating revenues decreased \$54,165 due primarily to classifying connection fees as operating income in the prior year. Connection fees are recording as nonoperating revenue in 2019. Expenses increased \$47,745 from 2018 to 2019. This is the result of an increase in utility expenses along with increased repairs and maintenance. The result of 2019 activity was operating income, without depreciation, of \$83,755. Unrestricted net position increased \$2,369 from 2018 to 2019.

**City of Dundas
Financial Analysis**

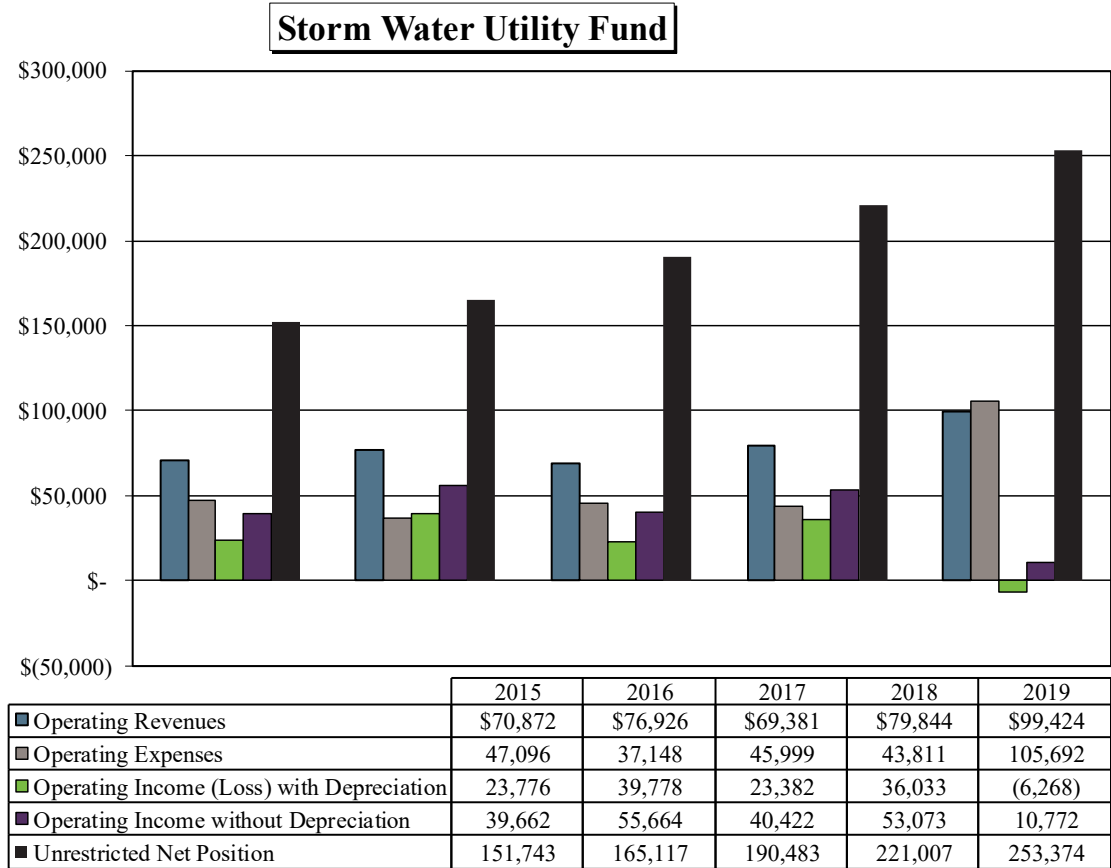
REFUSE UTILITY FUND



In 2019, operating revenues increased \$4,266 based on an increase in usage. Expenses increased \$8,050 from 2018 to 2019. This is the result of increased garbage disposal costs. The result of 2019 activity was operating income of \$23,638. Unrestricted net position increased \$24,937 from 2018 to 2019.

**City of Dundas
Financial Analysis**

STORM WATER UTILITY FUND



In 2019, operating revenues increased \$19,580 based on usage and rates. Expenses increased \$61,881 from 2018 to 2019. This is due to a significant increase in repairs and maintenance during the year along with an increase in engineering fees. The result of 2019 activity was operating income, without depreciation, of \$10,772. Unrestricted net position increased \$32,369 from 2018 to 2019.

City of Dundas Emerging Issue

Executive Summary

The following is an executive summary of financial and business related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant update includes:

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your City.

ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – *LEASES*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

**City of Dundas
Emerging Issue**

**ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – *LEASES*
(CONTINUED)**

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

**City of Dundas
Rice County, Minnesota**

Financial Statements

December 31, 2019

City of Dundas Table of Contents

Elected Officials and Administration	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements	
Balance Sheet – Governmental Funds	22
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	25
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	26
Statement of Net Position – Proprietary Funds	27
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	29
Statement of Cash Flows – Proprietary Funds	30
Statement of Fiduciary Net Position	32
Statement of Changes in Fiduciary Net Position	32
Notes to Financial Statements	33
Required Supplementary Information	
Schedule of City's Proportionate Share of Net Pension Liability – General Employees Retirement Fund	62
Schedule of City's Proportionate Share of Net Pension Liability – Public Employees Police and Fire Retirement Fund	62
Schedule of City Contributions – General Employees Retirement Fund	63
Schedule of City Contributions – Public Employees Police and Fire Retirement Fund	63
Notes to Required Supplementary Information	64
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	72
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	74

**City of Dundas
Table of Contents**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77
Minnesota Legal Compliance	79
Schedule of Findings and Responses on Legal Compliance and Internal Control	80

**City of Dundas
Elected Officials and Administration
December 31, 2019**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Glenn Switzer	Mayor	December 31, 2022
Larry Fowler	Council Member	December 31, 2022
John Cruz	Council Member	December 31, 2020
Chad Pribyl	Council Member	December 31, 2020
Grant Modory	Council Member	December 31, 2022
<u>Administration</u>		
Jenelle Teppen	City Administrator	
AEM Financial Solutions, LLC	Consulting Finance Manager	

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Dundas
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, as of and for the year ended December 31, 2019, and the related notes to 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

Opinions

In our opinion, the financial statements referred to in the first paragraph 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 84

As discussed in Note 12 to the financial statements, the City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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's basic financial statements. The Supplementary Information as identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2020, on our consideration of the City of Dundas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dundas's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Bergan KDV Ltd." with a period at the end. The signature is written in a cursive, slightly slanted style.

Minneapolis, Minnesota
April 6, 2020

City of Dundas Management's Discussion and Analysis

As management of the City of Dundas, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,098,217 (net position). Of this amount, \$2,186,168 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- There was a decrease in the City's total net position of \$108,520. The decrease is attributable to the governmental activities and business-type activities, decreasing net position by \$4,313 and \$104,207, respectively. The main contributor to the decrease was an increase in Water Utility Fund operating expenses. There were also prior period adjustments and a change in accounting principle that totaled \$395,260 which offset the change in net position of \$108,520 for a net increase in net position of \$286,740.
- Governmental Activities beginning net position was restated by \$387,818. The adjustment was needed to reflect changes in deferred inflows of resources for special assessments and to reflect an equity interest in the Northfield Area Fire and Rescue Service and to record infrastructure for a trail project that should have been recorded in the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$788,505, a decrease of \$851,820 in comparison with the prior year. Approximately 54.3% of this total amount, \$427,776, is unassigned and available for spending at the City's discretion. An additional 32 percent of this total amount, \$252,243 is restricted for specific purposes. An additional 11.4 percent of this amount, \$89,730, is assigned by management to show the intent of the funds but is also available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,448,917, which is 118.7% of total General Fund expenditures or 131.6% of next year's General Fund budget.
- The City's total debt decreased \$362,013, during the current fiscal year. The decrease can be attributed to scheduled debt payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

City of Dundas
Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

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

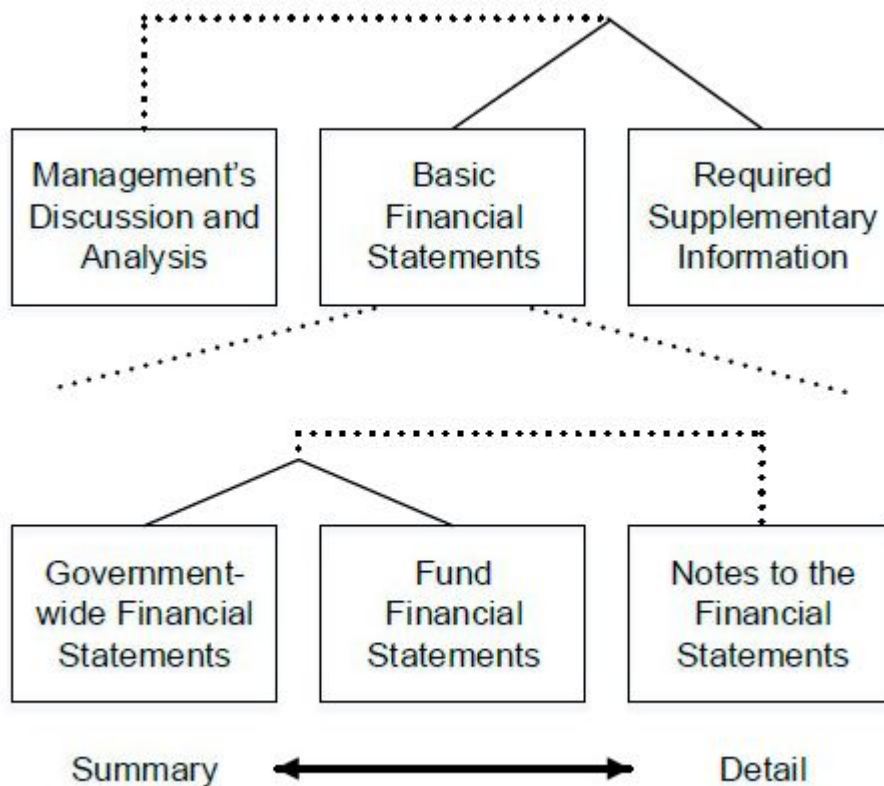


Figure 2 on the following page, summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and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

City of Dundas
Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

City of Dundas Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements (Continued). The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, housing and economic development and interest on long-term debt. The business-type activities of the City include water, sewer, refuse, and storm water.

The government-wide financial statements start on page 20 of this report.

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

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 financing requirements.

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

The City maintains numerous individual 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 and City Hall Project funds, both of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

City of Dundas Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued). The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 22 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, refuse utility and storm water 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 each of the enterprise funds. The Water Utility, Sewer Utility, Refuse Utility and Storm Water Utility funds are considered to be major enterprise funds.

The basic proprietary fund financial statements start on page 27 of this report.

Fiduciary Funds. Fiduciary funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The City's Custodial fund is used to account for assets that the City holds for others in an agency capacity.

The basic fiduciary fund financial statement can be found on page 32 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 33 of this report.

Required Supplementary Information. Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 5 and the Schedules of City's Proportionate Share of Net Pension Liability, the Schedules of City Contributions and the notes to the Required Supplementary Information starting on page 62 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.

City of Dundas Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining fund financial statements and schedules start on page 70 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,098,217 at the close of the most recent fiscal year.

The largest part of the City's net position (81.6%) is the investment in capital assets. The investment in capital assets (e.g., land, buildings, machinery and equipment) is reduced by any related debt used to acquire those assets that is still outstanding to arrive at capital assets net of related debt. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Dundas' Summary of Net Position

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Assets						
Current and other assets	\$ 1,715,443	\$ 2,051,841	\$ (336,398)	\$ 2,002,987	\$ 1,938,421	\$ 64,566
Capital assets	5,240,824	4,401,528	839,296	9,991,010	10,426,009	(434,999)
Total assets	<u>6,956,267</u>	<u>6,453,369</u>	<u>502,898</u>	<u>11,993,997</u>	<u>12,364,430</u>	<u>(370,433)</u>
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	<u>196,980</u>	<u>282,865</u>	<u>(85,885)</u>	<u>9,312</u>	<u>12,796</u>	<u>(3,484)</u>
Liabilities						
Noncurrent liabilities outstanding	2,043,384	2,188,583	(145,199)	2,565,789	2,811,419	(245,630)
Other liabilities	803,201	540,864	262,337	351,253	368,183	(16,930)
Total liabilities	<u>2,846,585</u>	<u>2,729,447</u>	<u>117,138</u>	<u>2,917,042</u>	<u>3,179,602</u>	<u>(262,560)</u>
Deferred Inflows of Resources						
Deferred inflows of resources related to pensions	<u>279,135</u>	<u>370,207</u>	<u>(91,072)</u>	<u>15,577</u>	<u>22,727</u>	<u>(7,150)</u>
Net Position						
Net investment in capital assets	3,428,846	2,565,823	863,023	7,255,509	7,433,919	(178,410)
Restricted for debt service	75,764	206,464	(130,700)	-	-	-
Unrestricted	<u>522,917</u>	<u>864,293</u>	<u>(341,376)</u>	<u>1,815,181</u>	<u>1,740,978</u>	<u>74,203</u>
Total net position	<u>\$ 4,027,527</u>	<u>\$ 3,636,580</u>	<u>\$ 390,947</u>	<u>\$ 9,070,690</u>	<u>\$ 9,174,897</u>	<u>\$ (104,207)</u>

City of Dundas Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the City's net position (10.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$2,186,168) may be used to meet the City's ongoing obligations to citizens and creditors.

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

Governmental Activities. Governmental activities decreased the City's net position by \$4,313. Key elements of the changes are as follows:

City of Dundas' Changes in Net Position

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 135,827	\$ 201,519	\$ (65,692)	\$ 1,117,863	\$ 1,047,963	\$ 69,900
Operating grants and contributions	27,019	100,491	(73,472)	-	-	-
Capital grants and contributions	2,244	1,034	1,210	-	72,377	(72,377)
General Revenues						
Taxes	1,075,649	978,324	97,325	-	-	-
Intergovernmental revenues not restricted to specific programs	184,736	175,620	9,116	-	-	-
Interest and investment income	52,126	21,399	30,727	21,438	20,772	666
Miscellaneous	36,570	11,209	-	-	-	-
Total revenues	1,514,171	1,489,596	(786)	1,139,301	1,141,112	(1,811)
Expenses						
General government	488,761	320,854	167,907	-	-	-
Public safety	472,095	436,888	35,207	-	-	-
Public works	301,751	488,466	(186,715)	-	-	-
Culture and recreation	197,374	348,927	(151,553)	-	-	-
Conservation and development	-	-	-	-	-	-
Interest and fiscal charges	58,503	45,797	12,706	-	-	-
Water	-	-	-	469,334	428,356	40,978
Sewer	-	-	-	586,439	530,383	56,056
Refuse	-	-	-	82,043	73,993	8,050
Storm sewer	-	-	-	105,692	43,811	61,881
Total expenses	1,518,484	1,640,932	(122,448)	1,243,508	1,076,543	166,965
Increase in Net Assets Before Transfers	(4,313)	(151,336)	121,662	(104,207)	64,569	(168,776)
Transfers						
Internal activities	-	23,235	(23,235)	-	(23,235)	23,235
Change in Net Position	(4,313)	(128,101)	123,788	(104,207)	41,334	(145,541)
Net Position, January 1, as restated*	4,031,840	3,764,681	267,159	9,174,897	9,133,563	41,334
Net Position, December 31	\$ 4,027,527	\$ 3,636,580	\$ 390,947	\$ 9,070,690	\$ 9,174,897	\$ (104,207)

**City of Dundas
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued).

*GASB Statement No. 84 was implemented for the year ended December 31, 2018 and a required \$7,442

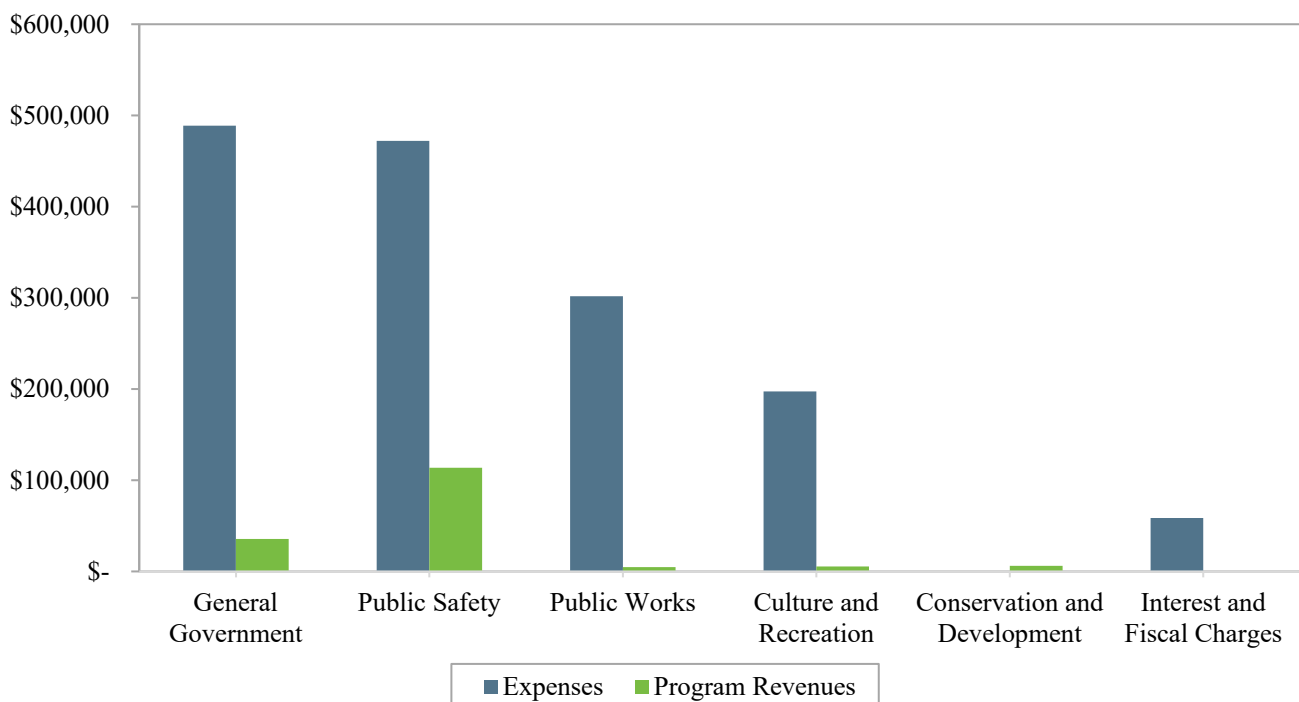
restatement of beginning net position was recorded. Prior year amounts were not restated causing a variance in ending

net position at December 31, 2018 and beginning net position on January 1, 2019. See Note 12. Also, prior period adjustments of \$387,818 were required to adjust beginning net position for governmental activities to reflect changes in deferred inflows of resources for special assessments and to reflect an equity interest in the Northfield Area Fire and Rescue Service and to record infrastructure related to a trail project that was not accounted for in the prior year. See Note 13.

Increases in property tax revenue and interest income were offset by decreases in charges for service and operating grants in the governmental funds. Likewise, increases in charges for service and in the business-type activities were offset by decreases in capital grants and contributions. Notably, there was an increase in tax revenue due to an increase in taxes levied by the City. Expenses decreased in the governmental activities and increased in the business type activities. Notably, there was an increase in general government expenses and a decrease in public works expenses. Also, there was a large increase in storm sewer expenses mainly due to maintenance and operation costs.

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

Expenses and Program Revenues - Governmental Activities

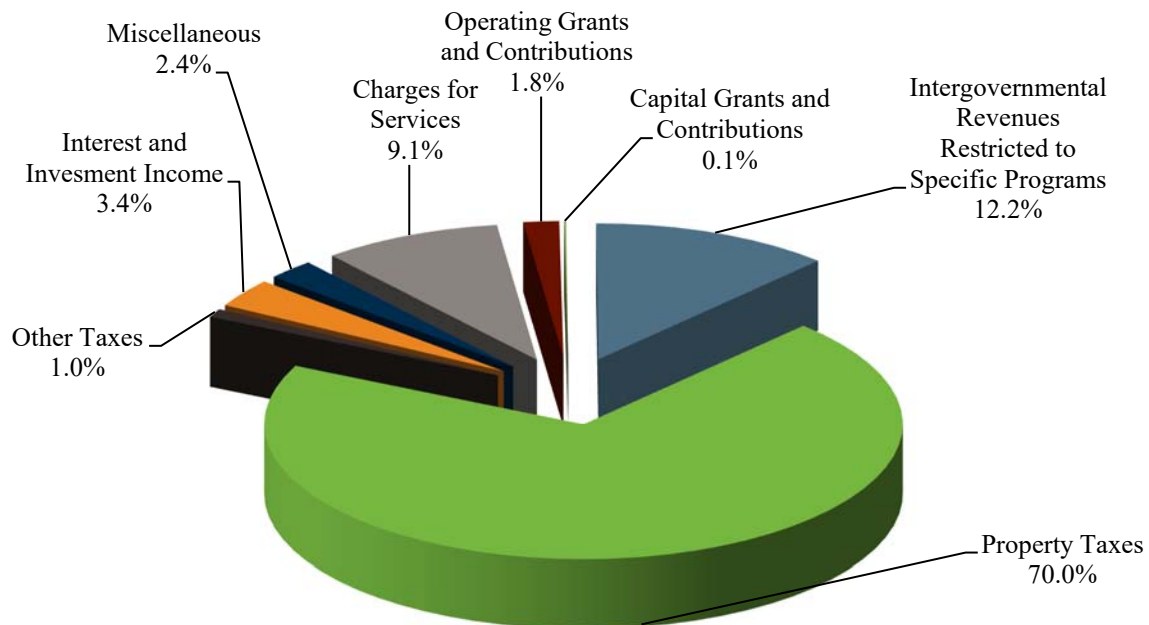


**City of Dundas
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued).

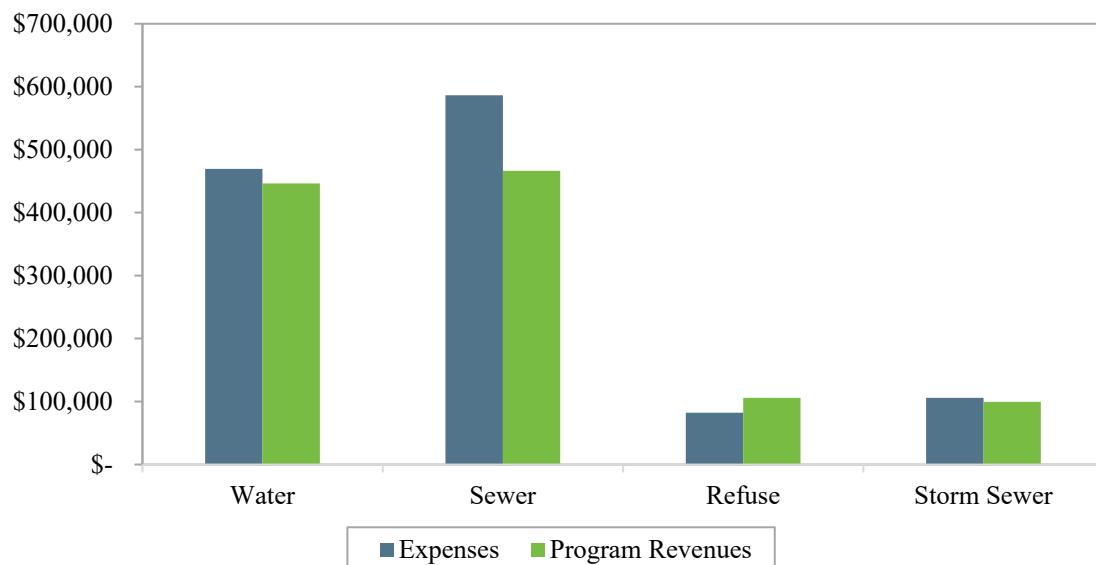
Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities decreased the City's net position by \$104,207.

- Operating loss in the Sewer Utility funds of \$166,939 accounts for the majority of the decrease.

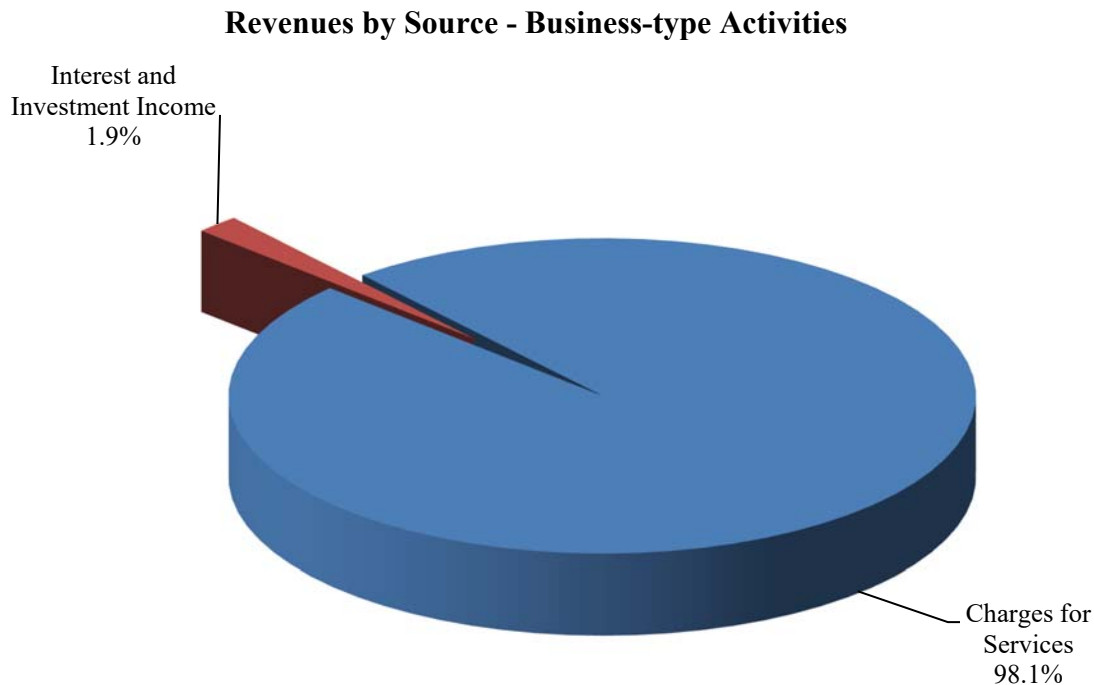
Expenses and Program Revenues - Business-type Activities



**City of Dundas
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-type Activities (Continued).



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

The *General Fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$1,467,673. The City's General Fund balance increased \$182,015 during the current fiscal year. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total budgeted expenditures. Total unassigned fund balance represents 118.7% of total 2019 expenditures.

The *City Hall Project Fund* had a deficit balance of \$884,961 at year end. The decrease in fund balance during the current year was \$884,961 and was solely due to City Hall project costs.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

City of Dundas Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget called for a \$437,284 increase. Fund balance actually increased \$182,015, from the prior year.

Overall revenues were over budget by \$103,800. The most significant positive revenue variance was from charges for services which was \$53,900 over budget. The most significant negative revenue variance was from property taxes which were less than budget by \$34,669.

Overall expenditures were over budget by \$156,341. The most significant positive expenditure variance was from public works which was \$36,230 under budget. The most significant negative expenditure variance was from the general government program which was more than budget by \$113,361.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2019, amounts to \$5,120,860 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, vehicles, land improvements, and infrastructure.

Major capital asset events during the current fiscal year included work on the PRV Station, 2017 Sidewalk Project, Cannon and Stafford Road Projects and the purchase of a bobcat.

Additional information on the City's capital assets can be found in Note 5 starts on page 46 of this report.

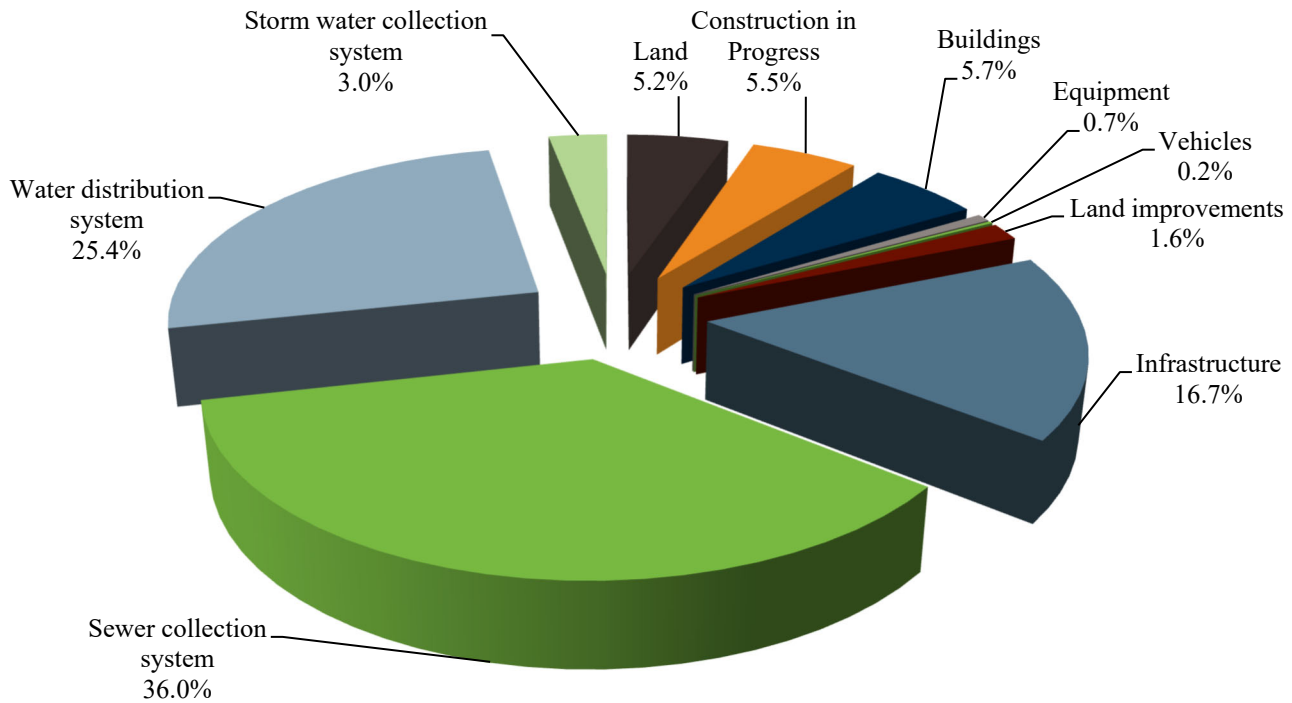
City of Dundas' Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 559,674	\$ 559,674	\$ -	\$ 223,396	\$ 223,396	\$ -
Construction in Progress	827,478	846,247	(18,769)	-	320,092	(320,092)
Buildings	862,707	897,882	(35,175)	-	-	-
Equipment	73,660	98,185	(24,525)	27,431	27,431	-
Vehicles	33,014	57,325	(24,311)	-	-	-
Land improvements	234,711	249,795	(15,084)	-	-	-
Infrastructure	2,529,616	1,692,420	837,196	-	-	-
Sewer collection system	-	-	-	5,446,381	5,697,075	(250,694)
Water distribution system	-	-	-	3,833,722	3,680,895	152,827
Storm water collection system	-	-	-	460,080	477,120	(17,040)
Total	\$ 5,120,860	\$ 4,401,528	\$ 719,332	\$ 9,991,010	\$ 10,426,009	\$ (434,999)

City of Dundas
Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued).



Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$4,546,978. While all of the City's bonds have revenue streams, they are also backed by the full faith and credit of the City.

City of Dundas' Outstanding Debt

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
General Obligation Improvement Bonds	\$ 1,740,000	\$ 1,820,000	\$ (80,000)	\$ -	\$ -	\$ -
General Obligation Revenue Bonds	-	-	-	2,735,000	2,990,000	(255,000)
Other long term debt	71,978	95,971	(23,993)	-	-	-
Bond discounts	(18,754)	(20,140)	1,386	(13,442)	(15,614)	2,172
Bond premium	33,028	35,845	(2,817)	13,943	17,704	(3,761)
Total	\$ 1,826,252	\$ 1,931,676	\$ (105,424)	\$ 2,735,501	\$ 2,992,090	\$ (256,589)

The City's total debt decreased during the current fiscal year.

Additional information on the City's long-term debt can be found in Note 6 starting on page 48 of this report.

**City of Dundas
Management's Discussion and Analysis**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Dundas has a comprehensive budgeting process which includes review by department heads and the City Council. The City considers factors such as state aid, county aid, and fees when reviewing revenues. Expenses are monitored based on any potential staffing or equipment needs and changes in resources such as fuel. The City Council also strives to increase and diversify the tax base.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Dundas, 216 Railway Street North, Post Office Box 70, Dundas, Minnesota, 55019.

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BASIC FINANCIAL STATEMENTS

City of Dundas
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 1,358,676	\$ 1,867,419	\$ 3,226,095
Receivables			
Accounts	38,516	76,602	115,118
Interest	9,054	-	9,054
Delinquent property taxes	44,141	-	44,141
Delinquent special assessments	-	6,515	6,515
Deferred special assessments	43,687	47,530	91,217
Due from other governments	1,944	-	1,944
Prepaid items	18,756	4,921	23,677
Equity interest in joint venture	200,669	-	200,669
Capital assets (net of accumulated depreciation)			
Capital assets not being depreciated	1,387,152	223,396	1,610,548
Capital assets being depreciated	3,853,672	9,767,614	13,621,286
Total assets	<u>6,956,267</u>	<u>11,993,997</u>	<u>18,950,264</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	196,980	9,312	206,292
Total assets and deferred outflows of resources	<u>\$ 7,153,247</u>	<u>\$ 12,003,309</u>	<u>\$ 19,156,556</u>
Liabilities			
Accounts payable	\$ 420,065	\$ 15,097	\$ 435,162
Contracts payable	33,942	-	33,942
Due to other governments	28,235	32,935	61,170
Salaries and benefits payable	30,130	4,970	35,100
Interest payable	24,549	24,904	49,453
Other accrued liabilities	19,950	-	19,950
Unearned revenue	106,119	-	106,119
Current portion of compensated absences	16,218	8,347	24,565
Noncurrent portion of compensated absences	24,328	12,520	36,848
Current portion of long-term debt	123,993	265,000	388,993
Noncurrent portion of long-term debt	1,702,259	2,470,501	4,172,760
Net pension liability	316,797	82,768	399,565
Total liabilities	<u>2,846,585</u>	<u>2,917,042</u>	<u>5,763,627</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	279,135	15,577	294,712
Net Position			
Net investment in capital assets	3,428,846	7,255,509	10,684,355
Restricted for debt service	75,764	-	75,764
Restricted for other purposes	151,930	-	151,930
Unrestricted	370,987	1,815,181	2,186,168
Total net position	<u>4,027,527</u>	<u>9,070,690</u>	<u>13,098,217</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,153,247</u>	<u>\$ 12,003,309</u>	<u>\$ 19,156,556</u>

City of Dundas
Statement of Activities
Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities							
General government	\$ 488,761	\$ 35,447	\$ -	\$ -	\$ (453,314)	\$ -	\$ (453,314)
Public safety	472,095	86,575	27,019	-	(358,501)	-	(358,501)
Public works	301,751	4,706	-	-	(297,045)	-	(297,045)
Cultural and recreation	197,374	3,099	-	2,244	(192,031)	-	(192,031)
Conservation and development	-	6,000	-	-	6,000	-	6,000
Interest and fiscal charges	58,503	-	-	-	(58,503)	-	(58,503)
Total governmental activities	1,518,484	135,827	27,019	2,244	(1,353,394)	-	(1,353,394)
Business-type activities							
Water	469,334	446,231	-	-	-	(23,103)	(23,103)
Sewer	586,439	466,436	-	-	-	(120,003)	(120,003)
Refuse	82,043	105,772	-	-	-	23,729	23,729
Storm sewer	105,692	99,424	-	-	-	(6,268)	(6,268)
Total business-type activities	1,243,508	1,117,863	-	-	-	(125,645)	(125,645)
Total governmental and business-type activities	<u>\$ 2,761,992</u>	<u>\$ 1,253,690</u>	<u>\$ 27,019</u>	<u>\$ 2,244</u>	<u>(1,353,394)</u>	<u>(125,645)</u>	<u>(1,479,039)</u>
General revenues							
Property taxes					1,060,278	-	1,060,278
Franchise taxes					15,371	-	15,371
Intergovernmental revenues not restricted to specific programs					184,736	-	184,736
Interest and investment income					52,126	21,438	73,564
Miscellaneous					36,570	-	36,570
Total general revenues					<u>1,349,081</u>	<u>21,438</u>	<u>1,370,519</u>
Change in net position					(4,313)	(104,207)	(108,520)
Net position - beginning					3,636,580	9,174,897	12,811,477
Change in accounting principle (See Note 12)					7,442	-	7,442
Prior period adjustments (see Note 13)					387,818	-	387,818
Net position - beginning, as restated					<u>4,031,840</u>	<u>9,174,897</u>	<u>13,206,737</u>
Net position - ending					<u>\$ 4,027,527</u>	<u>\$ 9,070,690</u>	<u>\$ 13,098,217</u>

City of Dundas
Balance Sheet - Governmental Funds
December 31, 2019

		<u>Capital Projects</u>		
	General Fund (101)	City Hall Project (408)	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 1,048,054	\$ -	\$ 310,622	\$ 1,358,676
Receivables				
Accounts	7,165	-	31,351	38,516
Interest	9,054	-	-	9,054
Due from other funds	582,259	-	-	582,259
Delinquent property taxes	44,141	-	-	44,141
Deferred special assessments	43,687	-	-	43,687
Due from other governments	1,944	-	-	1,944
Prepaid items	18,756	-	-	18,756
Total assets	<u>\$ 1,755,060</u>	<u>\$ -</u>	<u>\$ 341,973</u>	<u>\$ 2,097,033</u>
Liabilities				
Accounts payable	\$ 37,125	\$ 379,628	\$ 3,312	\$ 420,065
Contracts payable	-	33,942	-	33,942
Due to other funds	-	449,391	132,868	582,259
Due to other governments	28,235	-	-	28,235
Salaries and benefits payable	30,130	-	-	30,130
Other accrued liabilities	19,950	-	-	19,950
Unearned revenue	84,119	22,000	-	106,119
Total liabilities	<u>199,559</u>	<u>884,961</u>	<u>136,180</u>	<u>1,220,700</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	44,141	-	-	44,141
Unavailable revenue - special assessments	43,687	-	-	43,687
Total deferred inflows of resources	<u>87,828</u>	<u>-</u>	<u>-</u>	<u>87,828</u>
Fund Balances				
Nonspendable	18,756	-	-	18,756
Restricted	-	-	252,243	252,243
Assigned	-	-	89,730	89,730
Unassigned	1,448,917	(884,961)	(136,180)	427,776
Total fund balances	<u>1,467,673</u>	<u>(884,961)</u>	<u>205,793</u>	<u>788,505</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 1,755,060</u>	 <u>\$ -</u>	 <u>\$ 341,973</u>	 <u>\$ 2,097,033</u>

City of Dundas
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2019

Total fund balances - governmental funds	\$ 788,505
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Capital assets	8,155,151
Less accumulated depreciation	(2,914,327)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(1,811,978)
Unamortized bond premiums and discounts	(14,274)
Compensated absences payable	(40,546)
Net pension liability	(316,797)
Deferred outflows of resources and deferred Inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(279,135)
Deferred outflows of resources related to pensions	196,980
Governmental funds do not report an asset for equity interest in joint ventures.	200,669
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Property taxes	44,141
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	43,687
Governmental funds do not report a liability for accrued interest until due and payable.	(24,549)
Total net position - governmental activities	<u>\$ 4,027,527</u>

City of Dundas
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2019

		<u>Capital Projects</u>		
	General Fund (101)	City Hall Project (408)	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,005,968	\$ -	\$ -	\$ 1,005,968
Licenses and permits	74,370	-	-	74,370
Intergovernmental	209,085	-	-	209,085
Charges for services	58,550	-	-	58,550
Fines and forfeitures	26,112	-	-	26,112
Miscellaneous				
Investment income	43,750	-	8,376	52,126
Other	12,351	-	42,143	54,494
Total revenues	<u>1,430,186</u>	<u>-</u>	<u>50,519</u>	<u>1,480,705</u>
Expenditures				
Current				
General government	414,626	-	-	414,626
Public safety	439,443	-	-	439,443
Public works	168,076	-	-	168,076
Cultural and recreation	74,676	-	88,285	162,961
Debt service				
Principal	23,993	-	80,000	103,993
Interest	1,919	-	59,082	61,001
Other	500	-	-	500
Capital outlay				
General government	12,433	884,961	-	897,394
Public safety	3,777	-	-	3,777
Public works	80,754	-	-	80,754
Total expenditures	<u>1,220,197</u>	<u>884,961</u>	<u>227,367</u>	<u>2,332,525</u>
Excess of revenues over (under) expenditures	209,989	(884,961)	(176,848)	(851,820)
Other Financing Sources (Uses)				
Transfers in	-	-	27,974	27,974
Transfers out	(27,974)	-	-	(27,974)
Total other financing sources (uses)	<u>(27,974)</u>	<u>-</u>	<u>27,974</u>	<u>-</u>
Net change in fund balances	182,015	(884,961)	(148,874)	(851,820)
Fund Balances				
Beginning of year	1,285,658	-	347,225	1,632,883
Change in accounting principle (See Note 12)	-	-	7,442	7,442
Beginning of year, as restated	<u>1,285,658</u>	<u>-</u>	<u>354,667</u>	<u>1,640,325</u>
End of year	<u>\$ 1,467,673</u>	<u>\$ (884,961)</u>	<u>\$ 205,793</u>	<u>\$ 788,505</u>

City of Dundas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2019

Net change in fund balances - total governmental funds: \$ (851,820)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	943,095
Depreciation expense	(223,763)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

7,154

Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

Pension expense	1,590
-----------------	-------

Governmental funds do not report income or loss in a joint venture.

(18,356)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on net position in the Statement of Activities.

103,993

Interest on long-term debt in the Statement of Activities differs from the amount report in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

1,567

Proceeds from long-term debt are recognized as an other financing source in the governmental funds but as a decrease in net assets in the Statement of Activities.

Amortization of bond premiums and discounts	1,431
---------------------------------------------	-------

Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred special assessments	(5,142)
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Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are not revenues in the funds.

Delinquent property taxes	35,938
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Change in net position of governmental activities	\$ (4,313)
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City of Dundas
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2019

	Budgeted Amounts Original and Final	Actual	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 1,040,637	\$ 1,005,968	\$ (34,669)
Licenses and permits	43,710	74,370	30,660
Intergovernmental	208,099	209,085	986
Charges for services	4,650	58,550	53,900
Fines and forfeitures	18,450	26,112	7,662
Miscellaneous			
Investment income	9,000	43,750	34,750
Other	1,840	12,351	10,511
Total revenues	<u>1,326,386</u>	<u>1,430,186</u>	<u>103,800</u>
Expenditures			
Current			
General government	301,265	414,626	113,361
Public safety	435,811	439,443	3,632
Public works	204,306	168,076	(36,230)
Cultural and recreation	76,803	74,676	(2,127)
Debt service			
Principal	-	23,993	23,993
Interest and other charges	-	2,419	2,419
Capital outlay			
General government	7,188	12,433	5,245
Public safety	14,426	3,777	(10,649)
Public works	9,860	80,754	70,894
Culture and recreation	14,197	-	(14,197)
Total expenditures	<u>1,063,856</u>	<u>1,220,197</u>	<u>156,341</u>
Excess of revenues over expenditures	262,530	209,989	(52,541)
Other financing sources (uses)			
Transfers in	174,754	-	(174,754)
Transfers out	-	(27,974)	(27,974)
Total other financing sources (uses)	<u>174,754</u>	<u>(27,974)</u>	<u>(202,728)</u>
Net change in fund balance	<u>\$ 437,284</u>	182,015	<u>\$ (255,269)</u>
Fund Balance			
Beginning of year		<u>1,285,658</u>	
End of year		<u>\$ 1,467,673</u>	

City of Dundas
Statement of Net Position - Proprietary Funds
December 31, 2019

	Water Utility Fund (601)	Sewer Utility Fund (602)	Refuse Utility Fund (603)	Storm Water Utility Fund (225)	Total Proprietary Funds
Assets					
Current assets					
Cash and cash equivalents	\$ 793,682	\$ 749,992	\$ 68,747	\$ 254,998	\$ 1,867,419
Accounts receivable	26,847	36,751	10,804	2,200	76,602
Special assessment receivable					
Delinquent	1,957	2,681	982	895	6,515
Deferred	15,263	20,157	6,504	5,606	47,530
Prepaid items	3,273	1,648	-	-	4,921
Total current assets	<u>841,022</u>	<u>811,229</u>	<u>87,037</u>	<u>263,699</u>	<u>2,002,987</u>
Noncurrent assets					
Capital assets					
Land	147,273	76,123	-	-	223,396
Machinery and equipment	63,904	32,783	-	-	96,687
Infrastructure	<u>7,556,549</u>	<u>9,542,531</u>	<u>-</u>	<u>670,060</u>	<u>17,769,140</u>
Total capital assets	<u>7,767,726</u>	<u>9,651,437</u>	<u>-</u>	<u>670,060</u>	<u>18,089,223</u>
Less accumulated depreciation	<u>(3,772,448)</u>	<u>(4,115,785)</u>	<u>-</u>	<u>(209,980)</u>	<u>(8,098,213)</u>
Net capital assets	<u>3,995,278</u>	<u>5,535,652</u>	<u>-</u>	<u>460,080</u>	<u>9,991,010</u>
Deferred Outflows of Resources					
Deferred outflows of resources related to pension activity	<u>4,720</u>	<u>3,474</u>	<u>204</u>	<u>914</u>	<u>9,312</u>
Total assets and deferred outflows of resources	<u>\$ 4,841,020</u>	<u>\$ 6,350,355</u>	<u>\$ 87,241</u>	<u>\$ 724,693</u>	<u>\$ 12,003,309</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 8,129	\$ 429	\$ 6,392	\$ 147	\$ 15,097
Salaries and benefits payable	2,667	1,856	140	307	4,970
Interest payable	16,877	8,027	-	-	24,904
Due to other governments	272	32,663	-	-	32,935
Current portion of compensated absences	4,571	3,247	78	451	8,347
Current portion of long-term debt	<u>130,000</u>	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>265,000</u>
Total current liabilities	<u>162,516</u>	<u>181,222</u>	<u>6,610</u>	<u>905</u>	<u>351,253</u>
Noncurrent liabilities					
Noncurrent portion of compensated absences	6,857	4,870	117	676	12,520
Noncurrent portion of long-term debt	1,159,602	1,310,899	-	-	2,470,501
Net pension liability	<u>41,948</u>	<u>30,878</u>	<u>1,814</u>	<u>8,128</u>	<u>82,768</u>
Total noncurrent liabilities	<u>1,208,407</u>	<u>1,346,647</u>	<u>1,931</u>	<u>8,804</u>	<u>2,565,789</u>
Total liabilities	<u>1,370,923</u>	<u>1,527,869</u>	<u>8,541</u>	<u>9,709</u>	<u>2,917,042</u>
Deferred Inflows of Resources					
Deferred inflows of resources related to pension activity	<u>7,895</u>	<u>5,811</u>	<u>341</u>	<u>1,530</u>	<u>15,577</u>
Net Position					
Net investment in capital assets	2,705,676	4,089,753	-	460,080	7,255,509
Unrestricted	<u>756,526</u>	<u>726,922</u>	<u>78,359</u>	<u>253,374</u>	<u>1,815,181</u>
Total net position	<u>3,462,202</u>	<u>4,816,675</u>	<u>78,359</u>	<u>713,454</u>	<u>9,070,690</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,841,020</u>	<u>\$ 6,350,355</u>	<u>\$ 87,241</u>	<u>\$ 724,693</u>	<u>\$ 12,003,309</u>

See notes to financial statements.

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City of Dundas
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2019

	Water Utility Fund (601)	Sewer Utility Fund (602)	Refuse Utility Fund (603)	Storm Water Utility Fund (225)	Total Proprietary Funds
Operating revenues					
Charges for services	\$ 302,140	\$ 376,824	\$ 105,681	\$ 73,193	\$ 857,838
Miscellaneous operating revenues	61,223	400	-	-	61,623
Total operating revenues	<u>363,363</u>	<u>381,613</u>	<u>105,681</u>	<u>73,193</u>	<u>923,850</u>
Operating expenses					
Administrative	29,730	18,114	4,947	5,781	58,572
Maintenance and operations	173,734	279,744	77,096	82,871	613,445
Materials and supplies	621	-	-	-	621
Depreciation	224,762	250,694	-	17,040	492,496
Total operating expenses	<u>428,847</u>	<u>548,552</u>	<u>82,043</u>	<u>105,692</u>	<u>1,165,134</u>
Operating income (loss)	(65,484)	(166,939)	23,638	(32,499)	(241,284)
Nonoperating revenues (expenses)					
Investment income	15,084	591	1,208	4,555	21,438
Refunds and reimbursements	400	-	91	-	491
Connection charges	82,468	84,823	-	26,231	193,522
Interest expense	<u>(40,487)</u>	<u>(37,887)</u>	<u>-</u>	<u>-</u>	<u>(78,374)</u>
Total nonoperating revenues (expenses)	<u>57,465</u>	<u>47,527</u>	<u>1,299</u>	<u>30,786</u>	<u>137,077</u>
Change in net position	(8,019)	(119,412)	24,937	(1,713)	(104,207)
Net position					
Beginning of year	<u>3,470,221</u>	<u>4,936,087</u>	<u>53,422</u>	<u>715,167</u>	<u>9,174,897</u>
End of year	<u>\$ 3,462,202</u>	<u>\$ 4,816,675</u>	<u>\$ 78,359</u>	<u>\$ 713,454</u>	<u>\$ 9,070,690</u>

City of Dundas
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2019

	Water Utility Fund (601)	Sewer Utility Fund (602)	Refuse Utility Fund (603)
Cash Flows - Operating Activities			
Receipts from customers and users	\$ 347,648	\$ 380,143	\$ 105,747
Payments to suppliers	(128,640)	(239,655)	(76,706)
Payments to employees	(73,575)	(55,331)	(2,977)
Net cash flows - operating activities	<u>145,433</u>	<u>85,157</u>	<u>26,064</u>
Cash Flows - Noncapital Financing Activities			
Refunds and reimbursements	400	-	91
Payment of due from/to other funds	(251,551)	251,551	-
Net cash flows - noncapital financing activities	<u>(251,151)</u>	<u>251,551</u>	<u>91</u>
Cash Flows - Capital and Related Financing Activities			
Principal paid on debt	(125,000)	(130,000)	-
Interest paid on debt	(44,567)	(33,393)	-
Special assessments	(4,309)	(5,170)	(1,882)
Acquisition of capital assets	(57,497)	-	-
Net cash flows - capital and related financing activities	<u>(148,905)</u>	<u>(83,740)</u>	<u>(1,882)</u>
Cash Flows - Investing Activities			
Interest and dividends received	<u>20,424</u>	<u>9,087</u>	<u>1,208</u>
Net change in cash and cash equivalents	(234,199)	262,055	25,481
Cash and Cash Equivalents			
January 1	<u>1,027,881</u>	<u>487,937</u>	<u>43,266</u>
December 31	<u><u>\$ 793,682</u></u>	<u><u>\$ 749,992</u></u>	<u><u>\$ 68,747</u></u>
Reconciliation of Operating Gain (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	\$ (65,484)	\$ (166,939)	\$ 23,638
Adjustments to reconcile operating gain (loss) to net cash flows			
Depreciation expense	224,762	250,694	-
Pension related activity	1,197	(513)	1,951
Accounts receivable	(565)	(1,470)	66
Unearned revenue	(15,150)	-	-
Prepaid items	(1,596)	(34)	-
Accounts payable	672	(30,383)	593
Accounts payable	(104)	-	(203)
Due to other governmental units	272	32,663	-
Salaries payable	322	133	32
Total adjustments	<u>210,917</u>	<u>252,096</u>	<u>2,426</u>
Net cash flows - operating activities	<u><u>\$ 145,433</u></u>	<u><u>\$ 85,157</u></u>	<u><u>\$ 26,064</u></u>

Storm Water Utility Fund	Total Proprietary Funds
\$ 74,416	\$ 907,954
(79,408)	(524,409)
(14,466)	(146,349)
(19,458)	237,196
-	491
-	-
-	491
-	(255,000)
4,555	(73,405)
974	(10,387)
-	(57,497)
31,760	(202,767)
-	30,719
12,302	65,639
242,696	1,801,780
<u>\$ 254,998</u>	<u>\$ 1,867,419</u>
\$ (32,499)	\$ (241,284)
17,040	492,496
2,138	4,773
1,223	(746)
-	(15,150)
-	(1,630)
(6,593)	(35,711)
-	(307)
-	32,935
7	494
13,041	478,480
<u>\$ (19,458)</u>	<u>\$ 237,196</u>

City of Dundas
Statement of Fiduciary Net Position
December 31, 2019

	Custodial Fund Dundas Baseball Association Activity Fund (801)
Assets	
Cash and investments	\$ 3,765
Accounts receivable	7,440
Total assets	<u>\$ 11,205</u>
Net Position	
Restricted net position	<u>\$ 11,205</u>

Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2019

	Dundas Baseball Association Activity Fund (801)
Additions	
Contributions and donations	\$ 25,146
Refunds and reimbursements	13,440
Total additions	<u>38,586</u>
Deductions	
Program expenditures	<u>19,939</u>
Change in net position	18,647
Net Position	
Beginning of year	<u>(7,442)</u>
End of year	<u>\$ 11,205</u>

City of Dundas
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Dundas (the "City") is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

Joint Ventures and Jointly Governed Organizations – The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

Joint Ventures and Jointly Governed Organizations

The Northfield Area Fire and Rescue Service

The City has a joint powers agreement with the City of Northfield and the Northfield Rural Fire Protection District for fire protection, suppression, prevention, technical rescue and non-transport emergency medical services. The Northfield Area Fire and Rescue Service Joint Powers Board is a legal entity separate from the City. A funding percentage of 5.53% is provided by the City of Dundas for the Northfield Area Fire and Rescue Service for the 2019 year, and an equity interest in the same percentage is reported on the City's financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. The fiduciary funds are only reported in the statement of fiduciary net position and the statement of changes in fiduciary net position at the fund financial statement level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

City of Dundas
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Custodial Funds are presented in the fiduciary fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these Funds are not incorporated into the government-wide statements.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current 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
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as deferred inflow of resources.

Description of Funds:

Major Governmental Funds:

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

City Hall Project Fund – This fund is a capital project fund type and accounts for capital improvements to the new City Hall using proceeds of long term debt.

Proprietary Funds:

Water Utility Fund – This fund is used to account for the activities related to the operation of the water distribution system.

Sewer Utility Fund – This fund is used to account for the activities related to the operation of the sanitary sewer collection and treatment system.

Refuse Utility Fund – This fund is used to account for the activities related to the operation of the refuse utility system.

Storm Water Utility Fund – This fund is used to account for the activities related to the operation of the storm water utility system.

**City of Dundas
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds: (Continued)

Fiduciary Fund:

Dundas Baseball Association Activity Fund – This fund accounts for the amounts related to this program held by the City in a strictly custodial capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures, or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City as well as charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

City of Dundas
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

1. Deposits and Investments (Continued)

Certain investments for the City are reported at fair value as disclosed in Note 3. 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 for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

2. Property Taxes

The City Council annually adopts a tax levy and certifies it to Rice County (the "County") in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local school district, and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Rice County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

The City recognizes property tax revenue in the period for which the taxes were levied. The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and state credits received by the City in July, December, and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

3. Special Assessments

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with *Minnesota Statutes*. These assessments are collectible by the City over a term usually consistent with the terms of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

City of Dundas
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

3. Special Assessments (Continued)

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with *Minnesota Statutes*. These assessments are collectible by the City over a term usually consistent with the terms of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City.

If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are remitted to the City in payment of delinquent special assessments. Pursuant to *Minnesota Statutes*, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land in which event the property is subject to such sale after five years.

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council.

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. All remaining delinquent and deferred assessments receivable in governmental funds are offset by deferred inflows of resources. In the proprietary funds all special assessment receivables are shown as revenue in the year they are recorded.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

5. Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, easements, works of art and historical treasures acquired by the City for use in providing services to its citizens, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost as noted on the table below and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

City of Dundas
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

5. Capital Assets (Continued)

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

<u>Assets</u>	<u>Threshold</u>
Land and land improvements	\$1 - 25,000
Buildings and improvements	25,000
Other improvements	25,000
Machinery and equipment	5,000
Vehicles	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	10-40
Other improvements	10-40
Machinery and equipment	5-15
Vehicles	10-15
Infrastructure	20-50

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statement(s) of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

City of Dundas
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

6. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

7. 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 the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association 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.

8. 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.

9. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as an expense in the year the bond is issued. Bonds payable are reported net of the applicable bond premium or discount.

City of Dundas
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

9. Long-Term Obligations (Continued)

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

10. Fund Balance

a. Classification

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

- **Nonspendable Fund Balances** – These are amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted Fund Balances** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balances** – These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by formal action of the City Council and that remain binding unless removed by the City Council by subsequent formal action.
- **Assigned Fund Balances** – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted, or committed. The City Council has delegated authority to assign and remove fund balance assignments to the Finance Director.
- **Unassigned Fund Balance** – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

b. Minimum Fund Balance

The City's target General Fund balance is to maintain an unassigned fund balance of an amount not less than 55% of the next year's budgeted expenditures of the General Fund.

City of Dundas
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

11. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

12. 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. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

13. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. Budgeted expenditure appropriations lapse at year-end. Financial controls for debt service funds are achieved through bond indenture provisions.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City's Administrator submits to the City Council a proposed operating budget, which includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The preliminary property tax levy is legally enacted through passage of a resolution and certified to the County by September 15 of each year.
4. The final budget is legally adopted through the passage of a resolution by December 20 of each year.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The City Council may authorize the transfer of budgeted amounts between funds.

City of Dundas
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

13. Budgetary Information (Continued)

7. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the fund level. For management purposes, budgetary control is maintained within the department level. Also, inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean it will be spent. The budget process is flexible in that, where the need has been properly demonstrated, the City Administrator can make an adjustment within the department budget. Therefore, there is a constant review process, and expenditures are not approved until it has been determined that 1) adequate funds were appropriated, 2) the expenditure is still necessary, and 3) funds are available.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balance

The City Hall Project major fund had a deficit fund balance of \$884,961 at December 31, 2019. The Capital Improvements nonmajor fund had a deficit fund balance of \$136,180 at December 31, 2019.

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized on the following page.

A. Deposits

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2019, the City's bank balances of \$1,487,512 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. The book balance as of December 31, 2019, was as follows:

Checking accounts	\$ 580,350
Certificates of deposit	892,335
Total	<u><u>\$ 1,472,685</u></u>

City of Dundas
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

Investment Type	Fair Value	Investment Maturities		
		Less than 1 Year	1-5 Years	6-10 Years
Money Market Mutual Fund	\$ 638,888	\$ 638,888	\$ -	\$ -
Brokered certificates of deposit	1,118,287	1,118,287	-	-
Total	<u>\$ 1,757,175</u>	<u>\$ 1,757,175</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk: The City's investment policy states the City will diversify its investment to avoid incurring unreasonable risks inherent in over investing in specific maturities, issuers, institutions, or class of securities.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market value interest rates. The City's objective relating to interest rate risk is to mitigate declines in market value of investments due to changes in interest rates. The policy states that the City will provide for liquidity by reviewing cash flow requirements and make investments to meet the shorter cash flow needs, thereby avoiding the need to sell securities in the open market prior to maturity. The City will also manage the average maturity of the overall portfolio to be consistent with the risk profile of the City not to exceed five years.

Custodial Credit Risk – Investments: For an investment, this is the risk in the event of the failure of the counterparty the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy states the City will limit investments to investment types allowed by statutes and policy and only use per-qualifying financial institutions, brokers/dealers, intermediaries, and advisors. The City will also diversify the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. Insurance or collateral may be required to ensure return of principal.

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. The City's investment policy limits investments to those with a credit rating allowed by state statutes.

The City has the following recurring fair value measurements as of December 31, 2019:

- \$1,757,175 are valued using a quoted market prices (Level 1 inputs)

Remaining investments are presented at Net Asset Value.

City of Dundas
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments

Summary of cash deposits and investments as of December 31, 2019, were as follows:

Deposits (Note 3.A.)	\$ 1,472,685
Investments (Note 3.B.)	<u>1,757,175</u>
Total	<u><u>\$ 3,229,860</u></u>

Deposits and investments are presented in the December 31, 2019 basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 3,226,095
Statement of Fiduciary Net Position	
Cash and investments	<u>3,765</u>
Total deposits and investments	<u><u>\$ 3,229,860</u></u>

NOTE 4 – INTERFUND ACTIVITY

A. Interfund Receivables and Payables

At December 31, 2019, the composition of interfund balances was as follows:

Fund Type and Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 582,259	\$ -
City Hall Project	-	449,391
Other nonmajor governmental funds	<u>-</u>	<u>132,868</u>
Total	<u><u>\$ 582,259</u></u>	<u><u>\$ 582,259</u></u>

The due to/due from balances payable are short-term borrowings to cover negative cash balances at the end of the year.

City of Dundas
Notes to Financial Statements

NOTE 4 – INTERFUND ACTIVITY

B. Interfund Transfers

Transfers during the year ended December 31, 2019, were as follows:

Transfer In	Transfer Out	Amount
Other nonmajor governmental fund	General Fund	<u><u>\$ 27,974</u></u>

The transfer was made from the General Fund to help cover debt service interest expenditures.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 559,674	\$ -	\$ -	\$ -	\$ 559,674
Construction in progress	846,247	-	971,735	(990,504)	827,478
Total capital assets not being depreciated	<u>1,405,921</u>	<u>-</u>	<u>971,735</u>	<u>(990,504)</u>	<u>1,387,152</u>
Capital assets being depreciated					
Buildings	1,555,443	-	-	-	1,555,443
Equipment	296,674	-	5,702	-	302,376
Vehicles	147,924	-	-	-	147,924
Land improvements	419,070	-	-	-	419,070
Infrastructure	3,267,060	119,964	956,162	-	4,343,186
Total capital assets being depreciated	<u>5,686,171</u>	<u>119,964</u>	<u>961,864</u>	<u>-</u>	<u>6,767,999</u>
Less accumulated depreciation for					
Buildings	657,561	-	35,175	-	692,736
Equipment	198,489	-	30,227	-	228,716
Vehicles	90,599	-	24,311	-	114,910
Land improvements	169,275	-	15,084	-	184,359
Infrastructure	1,574,640	-	118,966	-	1,693,606
Total accumulated depreciation	<u>2,690,564</u>	<u>-</u>	<u>223,763</u>	<u>-</u>	<u>2,914,327</u>
Total capital assets being depreciated, net	<u>2,995,607</u>	<u>119,964</u>	<u>738,101</u>	<u>-</u>	<u>3,853,672</u>
Governmental activities capital assets, net	<u><u>\$ 4,401,528</u></u>	<u><u>\$ 119,964</u></u>	<u><u>\$ 1,709,836</u></u>	<u><u>\$ (990,504)</u></u>	<u><u>\$ 5,240,824</u></u>

City of Dundas
Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 223,396	\$ -	\$ -	\$ 223,396
Construction in progress	320,092	57,497	(377,589)	-
Total capital assets Not being depreciated	543,488	57,497	-	223,396
Capital assets being depreciated				
Sewer collection system	9,542,531	-	-	9,542,531
Water distribution system	7,178,960	377,589	-	7,556,549
Storm water collection system	670,060	-	-	670,060
Equipment	76,227	-	-	76,227
Software	20,460	-	-	20,460
Total capital assets being depreciated	17,488,238	377,589	-	17,865,827
Less accumulated depreciation for				
Sewer collection system	3,845,456	250,694	-	4,096,150
Water distribution system	3,498,065	224,762	-	3,722,827
Storm water collection system	192,940	17,040	-	209,980
Equipment	48,796	-	-	48,796
Software	20,460	-	-	20,460
Total accumulated depreciation	7,605,717	492,496	-	8,098,213
Total capital assets being depreciated, net	9,882,521	(114,907)	-	9,767,614
Business-type activities capital assets, net	<u>\$ 10,426,009</u>	<u>\$ (57,410)</u>	<u>\$ -</u>	<u>\$ 9,991,010</u>

City of Dundas
Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	\$ 119,729
Public safety	18,616
Public works	50,303
Cultural and recreation	35,115
	<u>\$ 223,763</u>
Total depreciation expense - governmental activities	
Business-type activities	
Water	\$ 224,762
Sewer	250,694
Storm water	17,040
	<u>\$ 492,496</u>
Total depreciation expense - governmental activities	

NOTE 6 – LONG-TERM DEBT

A. General Obligation Bonds

The City issues General Obligation (G.O.) bonds to provide for financing tax increment projects and street improvements. Debt service is covered respectively by tax increments and special assessments against benefited properties with any shortfalls being paid from general taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City.

NOTE 6 – LONG-TERM DEBT

B. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	12/31/19 Balance	Due Within One Year
Governmental activities						
General obligation improvement bonds						
2013A CIP Bonds	9/4/2013	2.00-3.70%	\$ 750,000	2/1/2029	\$ 535,000	\$ 45,000
2013A Street Reconstruction Bonds	9/4/2013	2.00-3.00%	545,000	2/1/2029	395,000	35,000
2018A Bonds	8/9/2018	3.00-4.00%	810,000	2/1/2039	810,000	20,000
Other long term debt	4/5/2016	2.00%	119,964	12/1/2022	71,978	23,993
Bond discounts					(18,754)	-
Bond premium					33,028	-
Compensated absences					40,546	16,218
Total governmental activities					<u>\$1,866,798</u>	<u>\$ 140,211</u>
Business-Type Activities						
General obligation revenue bonds						
2013A Refunding Bonds	9/1/2013	2.00-3.25%	\$2,355,000	2/1/2026	\$ 955,000	\$ 125,000
2014A Refunding Bonds	12/11/2014	0.40-3.25%	845,000	12/1/2024	445,000	85,000
2016A Sewer Revenue Bonds	9/4/2013	0.90-2.85%	1,100,000	11/1/2037	1,010,000	50,000
2018A Bonds	8/9/2018	3.00-4.00%	810,000	2/1/2039	325,000	5,000
Bond discounts					(13,442)	-
Bond premium					13,943	-
Compensated absences					20,867	8,347
Total business-type activities					<u>\$2,756,368</u>	<u>\$ 273,347</u>
Total long-term liabilities					<u>\$4,623,166</u>	<u>\$ 413,558</u>

City of Dundas
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
General obligation improvement bonds				
2013A CIP Bonds	\$ 580,000	\$ -	\$ (45,000)	\$ 535,000
2013A Street Reconstruction Bonds	430,000	-	(35,000)	395,000
2018A Bonds	810,000	-	-	810,000
Other long term debt	95,971	-	(23,993)	71,978
Bond discounts	(20,140)	-	1,386	(18,754)
Bond premium	35,845	-	(2,817)	33,028
Compensated absences	47,700	20,171	(27,325)	40,546
Total governmental activities	<u>1,979,376</u>	<u>20,171</u>	<u>(132,749)</u>	<u>1,866,798</u>
General obligation revenue bonds				
2013A Refunding Bonds	1,080,000	-	(125,000)	955,000
2014A Refunding Bonds	525,000	-	(80,000)	445,000
2016A Sewer Revenue Bonds	1,060,000	-	(50,000)	1,010,000
2018A Bonds	325,000	-	-	325,000
Bond discounts	(15,614)	-	2,172	(13,442)
Bond premium	17,704	-	(3,761)	13,943
Compensated absences	19,541	8,771	(7,445)	20,867
Total business-type activities	<u>3,011,631</u>	<u>8,771</u>	<u>(264,034)</u>	<u>2,756,368</u>
Total long-term liabilities	<u>\$ 4,991,007</u>	<u>\$ 28,942</u>	<u>\$ (396,783)</u>	<u>\$ 4,623,166</u>

The General Fund and Proprietary Funds typically liquidate the liability related to compensated absences.

D. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term liabilities:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	G.O. Bonds and Other Long-Term Debt		G.O. Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 123,993	\$ 58,757	\$ 265,000	\$ 70,073
2021	138,993	54,802	280,000	63,810
2022	138,992	50,572	285,000	56,780
2023	120,000	46,268	290,000	49,575
2024	125,000	42,268	295,000	41,800
2025-2029	695,000	141,536	635,000	128,503
2030-2034	220,000	60,745	385,000	75,713
2035-2039	250,000	21,150	300,000	20,003
Total	<u>\$ 1,811,978</u>	<u>\$ 476,098</u>	<u>\$ 2,735,000</u>	<u>\$ 506,257</u>

City of Dundas
Notes to Financial Statements

NOTE 7 – FUND BALANCES/NET POSITION

A. Fund Balances

Fund balances are classified as listed below to reflect the limitations and restrictions of the respective funds.

	General Fund	City Hall Project Fund	Nonmajor Governmental Funds	Total
Nonspendable				
Prepaid items	\$ 18,756	\$ -	\$ -	\$ 18,756
Restricted				
Debt service	-	-	100,313	100,313
Annexation payments	-	-	102,884	102,884
Capital asset purchases	-	-	49,046	49,046
Assigned				
Public safety capital asset acquisition	-	-	82,882	82,882
Public works capital asset acquisition	-	-	6,848	6,848
Unassigned	1,448,917	(884,961)	(136,180)	427,776
	<u>1,448,917</u>	<u>(884,961)</u>	<u>(136,180)</u>	<u>427,776</u>
Total fund balance	<u>\$ 1,467,673</u>	<u>\$ (884,961)</u>	<u>\$ 205,793</u>	<u>\$ 788,505</u>

B. Net Position

Restricted net position is comprised of the total restricted fund balances in the governmental funds plus the effect of the conversion to the government-wide net position.

NOTE 8 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

City of Dundas
Notes to Financial Statements

NOTE 8 – RISK MANAGEMENT (CONTINUED)

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

At December 31, 2019, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2019 was \$59,391. The components of pension expense are noted in the following plan summaries.

The General Fund and Proprietary Funds typically liquidates the liability related to the pensions.

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

City of Dundas
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July, 1 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

Police and Fire Plan Benefits

Benefits for the 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 10 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 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

City of Dundas
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in calendar year 2019 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$20,083. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$31,725. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$215,622 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 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$6,666. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0039%, which was an increase of 0.0002% from its proportionate share measured as of June 30, 2018.

City's proportionate share of net pension liability	\$ 215,622
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>6,666</u>
Total	<u><u>\$ 222,288</u></u>

City of Dundas
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2019, the City recognized pension expense of \$19,839 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$499 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.

At December 31, 2019, the City 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	\$ 5,896	\$ -
Difference between projected and actual investment earnings	-	20,913
Changes in proportion	8,322	3,192
Changes in actuarial assumptions	-	16,475
Contributions paid to PERA subsequent to the measurement date	10,042	-
	<u>\$ 24,260</u>	<u>\$ 40,580</u>
Total		

\$10,042 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 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
2020	\$ (9,847)
2021	(15,550)
2022	(1,312)
2023	347
Total	<u>\$ (26,362)</u>

City of Dundas
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$ 183,943 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0175%, which was an increase of 0.0004% from its proportionate share measured as of June 30, 2018. The City also recognized \$2,362 for the year ended December 31, 2019 as revenue and an offsetting reduction of the 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 until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$ 39,552 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire 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	\$ 7,574	\$ 25,559
Difference between projected and actual investment earnings	-	36,777
Changes in proportion	17,243	-
Changes in actuarial assumptions	141,352	191,796
Contributions paid to PERA subsequent to the measurement date	15,863	-
Total	<u>\$ 182,032</u>	<u>\$ 254,132</u>

City of Dundas
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

The \$15,863 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Pension Expense</u> <u>Amount</u>
2020	\$ (6,694)
2021	(19,724)
2022	(65,142)
2023	3,043
2024	554
Total	<u>\$ (87,963)</u>

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, and 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

City of Dundas
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
Private markets	25.0	5.90
Fixed income	20.0	0.75
International equity	17.5	5.90
Cash equivalents	2.0	0.00
Total	100 %	

City of Dundas
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 354,471	\$ 215,622	\$ 100,975
City's proportionate share of the Police and Fire Fund net pension liability (asset)	\$ 404,867	\$ 183,943	\$ (2,358)

H. Pension Plan Fiduciary Net Position

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

NOTE 10 – COMMITMENTS

The City has in process a construction project for a new City Hall building, which was not completed in the current fiscal year. As of December 31, 2019, outstanding commitments for this project total approximately \$1,221,782.

City of Dundas
Notes to Financial Statements

NOTE 11 – SUBSEQUENT EVENTS

In January of 2020, the City issued General Obligation Capital Improvement Plan Bonds, Series 2020A, in the Original Aggregate Principal Amount of \$2,145,000. Pursuant to a resolution adopted by the City Council on October 28, 2019, the City authorized the sale of its General Obligation Capital Improvement Plan Bonds, Series 2020A, to finance the construction of capital improvements authorized by the City under the 2019 through 2023 Capital Improvement Plan, adopted by the City Council after a duly noticed public hearing on October 28, 2019, including but not limited to the acquisition, construction, and equipping of a new City Hall building.

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the City may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the City's financial statements at December 31, 2019 cannot be determined at this time.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2019, the City implemented GASB Statement No. 84, *Fiduciary Activities*. The Dundas Baseball Association Activity Fund was changed from a nonmajor governmental fund to a fiduciary fund in 2019. An adjustment to the beginning net position on the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance of \$7,442 to remove the December 31, 2018 negative fund balance for the Dundas Baseball Association Activity Fund.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

For the year ended December 31, 2019, prior period adjustments were required to adjust beginning net position for governmental activities to reflect changes in deferred inflows of resources for special assessments, to reflect an equity interest in the Northfield Area Fire and Rescue Service that was not accounted for in the prior year, and to record infrastructure related to a trail project that was not accounted for in the prior year. These adjustments affected beginning net position for governmental activities in the amount of \$387,818.

NOTE 14 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Dundas
Schedule of City's Proportionate Share
of Net Pension Liability - General Employees Retirement Fund
Last Ten Years*

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0040%	\$ 307,301	\$ -	\$ 307,301	\$ 235,811	130.32%	78.19%
2016	0.0038%	308,541	4,082	312,623	242,335	127.32%	68.91%
2017	0.0380%	242,589	3,052	245,641	244,996	99.02%	75.90%
2018	0.0037%	205,261	6,695	211,956	250,027	82.10%	79.53%
2019	0.0039%	215,622	6,666	222,288	273,080	78.96%	80.23%

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

Schedule of City's Proportionate Share
of Net Pension Liability - Public Employees Police and Fire Retirement Fund
Last Ten Years*

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0150%	\$ 170,435	\$ 137,542	123.91%	86.61%
2016	0.0160%	642,108	162,187	395.91%	63.88%
2017	0.0160%	216,019	164,639	131.21%	85.43%
2018	0.0171%	182,268	180,506	100.98%	88.84%
2019	0.0175%	183,943	184,505	99.70%	89.26%

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

City of Dundas
Schedule of City Contributions -
General Employees Retirement Fund
Last Ten Years*

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2015	\$ 17,689	\$ 17,689	\$ -	\$ 235,853	7.50%
2016	18,175	18,175	-	242,333	7.50%
2017	18,372	18,372	-	244,960	7.50%
2018	18,752	18,752	-	250,027	7.50%
2019	20,083	20,083	-	267,773	7.50%

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

Schedule of City Contributions -
Public Employees Police and Fire Retirement Fund
Last Ten Years*

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>in Relation to the Statutorily Required</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>as a Percentage of Covered Payroll</u>
2015	\$ 22,282	\$ 22,282	\$ -	\$ 137,543	16.20%
2016	26,365	26,365	-	162,747	16.20%
2017	26,723	26,723	-	164,957	16.20%
2018	29,242	29,242	-	180,506	16.20%
2019	31,725	31,725	-	187,168	16.95%

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

City of Dundas
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

City of Dundas
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2017 Changes (Continued)

Changes in Plan Provisions (Continued)

- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

City of Dundas
Notes to Required Supplementary Information

POLICE AND FIRE FUND

2019 Changes

Changes in Actuarial Assumptions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

City of Dundas
Notes to Required Supplementary Information

POLICE AND FIRE FUND (CONTINUED)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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SUPPLEMENTARY INFORMATION

City of Dundas
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2019

	Special Revenue			Debt Service
	Annexation Tax Rebate Fund (260)	Gambling Fund (201)	Total Special Revenue Funds	GO Improvement Bonds 2013A Fund (300)
Assets				
Cash and investments	\$ 102,884	\$ 17,695	\$ 120,579	\$ 100,313
Accounts receivable	-	31,351	31,351	-
Total assets	<u>\$ 102,884</u>	<u>\$ 49,046</u>	<u>\$ 151,930</u>	<u>\$ 100,313</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	102,884	49,046	151,930	100,313
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>102,884</u>	<u>49,046</u>	<u>151,930</u>	<u>100,313</u>
Total liabilities and fund balances	<u>\$ 102,884</u>	<u>\$ 49,046</u>	<u>\$ 151,930</u>	<u>\$ 100,313</u>

Capital Projects

Public Safety Capital Outlay Fund (425)	Capital Improvements Fund (246,401)	Public Works Capital Outlay Fund (410)	Total Capital Project Funds	Total Nonmajor Governmental Funds
\$ 82,882	\$ -	\$ 6,848	\$ 89,730	\$ 310,622
-	-	-	-	31,351
<u>\$ 82,882</u>	<u>\$ -</u>	<u>\$ 6,848</u>	<u>\$ 89,730</u>	<u>\$ 341,973</u>
\$ -	\$ 3,312	\$ -	\$ 3,312	\$ 3,312
-	132,868	-	132,868	132,868
<u>-</u>	<u>136,180</u>	<u>-</u>	<u>136,180</u>	<u>136,180</u>
-	-	-	-	252,243
82,882	-	6,848	89,730	89,730
-	(136,180)	-	(136,180)	(136,180)
<u>82,882</u>	<u>(136,180)</u>	<u>6,848</u>	<u>(46,450)</u>	<u>205,793</u>
<u>\$ 82,882</u>	<u>\$ -</u>	<u>\$ 6,848</u>	<u>\$ 89,730</u>	<u>\$ 341,973</u>

City of Dundas
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2019

	Special Revenue			Debt Service
	Annexation Tax Rebate Fund (260)	Gambling Fund (201)	Total Special Revenue Funds	GO Improvement Bonds 2013A Fund (300)
Revenues				
Miscellaneous				
Investment income	\$ 1,141	\$ 375	\$ 1,516	\$ 4,957
Other	6,000	33,743	39,743	-
Total revenues	<u>7,141</u>	<u>34,118</u>	<u>41,259</u>	<u>4,957</u>
Expenditures				
Current				
Cultural and recreation	88,285	-	88,285	-
Debt service				
Principal	-	-	-	80,000
Interest and other charges	-	-	-	31,108
Total expenditures	<u>88,285</u>	<u>-</u>	<u>88,285</u>	<u>111,108</u>
Excess of revenues over (under) expenditures	(81,144)	34,118	(47,026)	(106,151)
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(81,144)	34,118	(47,026)	(106,151)
Fund Balances				
Beginning of year	<u>184,028</u>	<u>14,928</u>	<u>198,956</u>	<u>206,464</u>
End of year	<u>\$ 102,884</u>	<u>\$ 49,046</u>	<u>\$ 151,930</u>	<u>\$ 100,313</u>

Debt Service		Capital Projects				
GO Improvement Bonds 2018A (304)	Total Debt Service Funds	Public Safety Capital Outlay Fund (425)	Public Works Capital Outlay Fund (410)	Capital Improvements Fund (246,401)	Total Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ 4,957	\$ 1,758	\$ 145	\$ -	\$ 1,903	\$ 8,376
-	-	-	-	2,400	2,400	42,143
-	4,957	1,758	145	2,400	4,303	50,519
-	-	-	-	-	-	88,285
-	80,000	-	-	-	-	80,000
27,974	59,082	-	-	-	-	59,082
27,974	139,082	-	-	-	-	227,367
(27,974)	(134,125)	1,758	145	2,400	4,303	(176,848)
27,974	27,974	-	-	-	-	27,974
-	(106,151)	1,758	145	2,400	4,303	(148,874)
-	206,464	81,124	6,703	(138,580)	(50,753)	354,667
\$ -	\$ 100,313	\$ 82,882	\$ 6,848	\$ (136,180)	\$ (46,450)	\$ 205,793

City of Dundas
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2019

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Revenues			
Taxes			
Property taxes	\$ 1,027,288	\$ 990,597	\$ (36,691)
Franchise fees	13,349	15,371	2,022
Total taxes	<u>1,040,637</u>	<u>1,005,968</u>	<u>(34,669)</u>
Licenses and permits			
Building and plan fees	33,210	63,217	30,007
Alcoholic beverages	8,300	8,065	(235)
Other	2,200	3,088	888
Total licenses and permits	<u>43,710</u>	<u>74,370</u>	<u>30,660</u>
Intergovernmental revenue			
Local government aids	175,039	181,520	6,481
Market value credit	-	442	442
Police grants	32,956	27,019	(5,937)
PERA aid	104	104	-
Total intergovernmental revenue	<u>208,099</u>	<u>209,085</u>	<u>986</u>
Charges for services			
Park	2,000	3,099	1,099
Zoning and subdivision	1,000	13,029	12,029
Rents	-	4,200	4,200
Other	1,650	38,222	36,572
Total charges for services	<u>4,650</u>	<u>58,550</u>	<u>53,900</u>
Fines and forfeitures	18,450	26,112	7,662
Miscellaneous revenues			
Investment income	9,000	43,750	34,750
Contributions and donations	1,840	2,244	404
Other	-	10,107	10,107
Total miscellaneous revenues	<u>10,840</u>	<u>56,101</u>	<u>45,261</u>
Total revenues	<u>1,326,386</u>	<u>1,430,186</u>	<u>154,677</u>
Expenditures			
General government			
Administration			
Current	217,713	314,053	96,340
Capital outlay	6,588	12,433	5,845
Total administrative	<u>224,301</u>	<u>326,486</u>	<u>102,185</u>
Council and elections			
Current	29,411	29,277	(134)
Capital outlay	600	-	(600)
Total council and elections	<u>30,011</u>	<u>29,277</u>	<u>(734)</u>
Planning and zoning			
Current	54,141	71,296	17,155
Total general government	<u>308,453</u>	<u>427,059</u>	<u>118,606</u>

City of Dundas
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2019

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Expenditures (Continued)			
Public safety			
Police			
Current	\$ 350,811	\$ 319,603	\$ (31,208)
Capital outlay	14,226	3,777	(10,449)
Total police	365,037	323,380	(41,657)
Fire			
Current	50,090	56,943	6,853
Animal control			
Current	500	743	243
Building and inspections			
Current	33,539	61,678	28,139
Capital outlay	200	-	(200)
Total building and inspections	33,739	61,678	27,939
Civil defense			
Current	871	476	(395)
Total public safety	450,237	443,220	(7,017)
Public works			
Streets and highways			
Current	204,306	168,076	(36,230)
Capital outlay	9,860	80,754	70,894
Total public works	214,166	248,830	34,664
Cultural and recreation			
Current	76,803	74,676	(2,127)
Capital outlay	14,197	-	(14,197)
Total cultural and recreation	91,000	74,676	(16,324)
Debt service			
Principal	-	23,993	23,993
Interest and other charges	-	2,419	2,419
Total debt service	-	26,412	26,412
Total expenditures	1,063,856	1,220,197	156,341
Excess of revenues over expenditures	262,530	209,989	(1,664)
Other financing sources (uses)			
Transfers in	\$ 174,754	\$ -	\$ (174,754)
Transfers out	-	(27,974)	(27,974)
Total other financing sources (uses)	174,754	(27,974)	(202,728)
Net change in fund balance	\$ 437,284	182,015	\$ (255,269)
Fund Balance			
Beginning of year		1,285,658	
End of year		\$ 1,467,673	

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**Report on Internal Control over Financial
Reporting and on Compliance and other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dundas, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses on Legal Compliance and Internal Control as audit finding 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses on Legal Compliance and Internal Control. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Bergan KDV Ltd." followed by a period.

Minneapolis, Minnesota
April 6, 2020

Minnesota Legal Compliance

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Dundas

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dundas, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, and have issued our report thereon dated April 6, 2020.

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

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

Bergan KDV Ltd.

Minneapolis, Minnesota
April 6, 2020

City of Dundas
Schedule of Findings and Responses on
Legal Compliance and Internal Control

CURRENT YEAR INTERNAL CONTROL FINDING:

Material Weakness:

Audit Finding 2019-001 – Prior Period Adjustments

Prior period adjustments were required to adjust beginning net position for governmental activities to reflect changes in deferred inflows of resources for special assessments, to reflect an equity interest in the Northfield Area Fire and Rescue Service that was not accounted for in the prior year, and to record infrastructure related to a trail project that was not accounted for in the prior year. This indicates that internal controls did not detect or correct material misstatements to the financial statements in a timely manner.

City's Response:

The City will review year-end closing procedures to ensure all material adjustments are recorded.

CURRENT YEAR LEGAL COMPLIANCE FINDING:

Audit Finding 2019-002 – Sufficient Collateral and Collateral Assignment

Minnesota Statutes 118A.03 requires all deposits with financial institutions to be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance. If irrevocable standby letters of credit from federal home loan banks are used, the collateral amount must be equal to the amount of the excess deposit plus interest at the close of the banking day. *Minnesota Statutes* 118A.03, subd. 4, requires the City's written collateral assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.

During our legal compliance testing, it was noted the City's deposits were not sufficiently collateralized and the collateral assignment agreement did not require the release of collateral upon default.

City's Response:

The City will review collateral and collateral assignment agreements to ensure compliance with *Minnesota Statutes*.