

**City of Dundas  
Rice County, Minnesota**

**Financial Statements**

**December 31, 2021**

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**City of Dundas  
Elected Officials and Administration  
December 31, 2021**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Glenn Switzer	Mayor	December 31, 2022
Larry Fowler	Council Member	December 31, 2022
Luke Swartwood	Council Member	December 31, 2024
Luke La Croix	Council Member	December 31, 2024
Grant Modory	Council Member	December 31, 2022
<u>Administration</u>		
Jenelle Teppen	City Administrator	
Abdo 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 Audit of the Financial Statements**

#### **Opinions**

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 of Dundas, as of and for the year ended December 31, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements 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, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Dundas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

The City of Dundas's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dundas's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Dundas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dundas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### **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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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.

### **Supplementary 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 combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic 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, 2022, on our consideration of the City'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's internal control over financial reporting and compliance.

**BerganKDV, Ltd.**

Minneapolis, Minnesota  
April 6, 2022

## **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, 2021.

### **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 \$13,307,216 (net position). Of this amount, \$3,754,478 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- There was an increase in the City's total net position of \$88,918. The increase is attributable to the governmental activities and business-type activities, increasing net position by \$210,300 and decreasing net position by \$121,382, respectively. The main contributor to the increase was an increase in General Fund charges for services and an increase in intergovernmental revenues.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,913,814, an increase of \$89,264 in comparison with the prior year. Approximately 39.2% of this total amount, \$749,573, is unassigned and available for spending at the City's discretion. An additional 6.4% of this total amount, \$122,600, is restricted for specific purposes. An additional 53.3% of this amount, \$1,020,152, is assigned by management to show the intent of the funds but is also available for spending at the City's discretion. The remaining 1.1% of this amount, \$21,489, is nonspendable for prepaid items.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$749,751, which is 60.0% of total General Fund expenditures or 55.0% of next year's General Fund budget.
- The City's total debt decreased \$504,576 during the current fiscal year. The decrease is due to regular bond payment made throughout the year.

### **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**

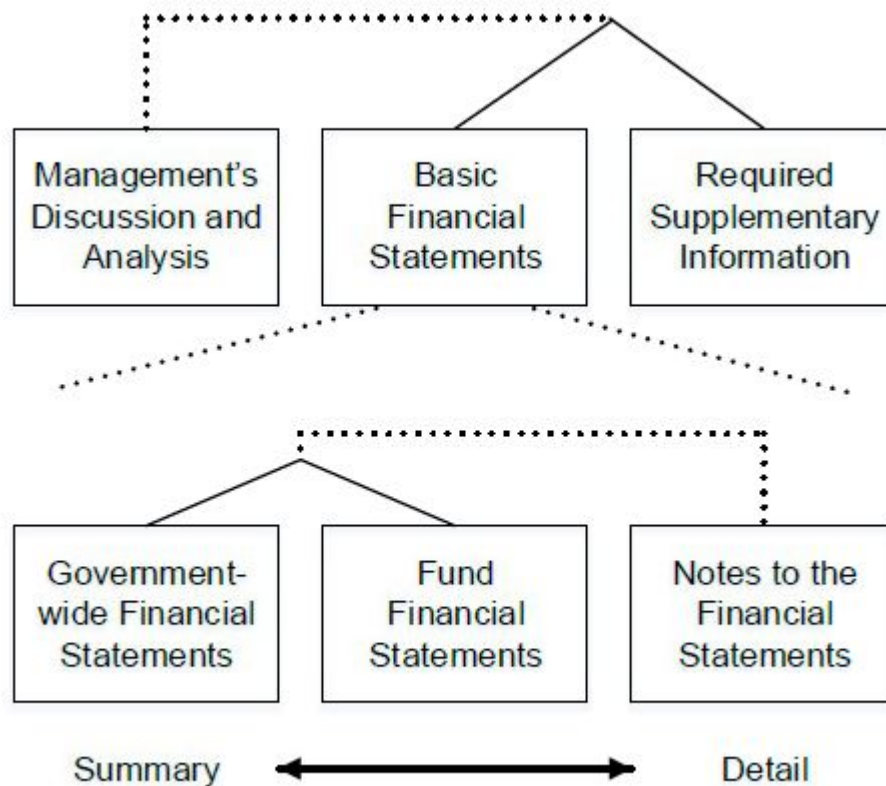


Figure 2 on the following page, summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and 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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Net Position</li> <li>• Statements of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> </ul>
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 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; funds 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*.

## City of Dundas Management's Discussion and Analysis

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

**Governmental Funds (Continued).** 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 Capital Improvements funds, both of which are considered to be major funds. Data from the other ten 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.

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.

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

### **OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**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.

**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 72 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 \$13,307,216 at the close of the most recent fiscal year.

The largest part of the City's net position (71.2%) 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**  
**Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**City of Dundas' Summary of Net Position**

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Assets						
Current and other assets	\$ 2,343,022	\$ 2,290,743	\$ 52,279	\$ 2,379,806	\$ 2,214,880	\$ 164,926
Capital assets	6,254,887	6,436,158	(181,271)	9,019,599	9,491,654	(472,055)
Total assets	<u>8,597,909</u>	<u>8,726,901</u>	<u>(128,992)</u>	<u>11,399,405</u>	<u>11,706,534</u>	<u>(307,129)</u>
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	<u>310,862</u>	<u>122,369</u>	<u>188,493</u>	<u>61,575</u>	<u>7,941</u>	<u>53,634</u>
Liabilities						
Noncurrent liabilities outstanding	3,723,909	4,045,034	(321,125)	1,991,068	2,284,301	(293,233)
Other liabilities	<u>391,705</u>	<u>465,393</u>	<u>(73,688)</u>	<u>466,070</u>	<u>361,627</u>	<u>104,443</u>
Total liabilities	<u>4,115,614</u>	<u>4,510,427</u>	<u>(394,813)</u>	<u>2,457,138</u>	<u>2,645,928</u>	<u>(188,790)</u>
Deferred Inflows of Resources						
Deferred inflows of resources related to pensions	<u>426,701</u>	<u>182,687</u>	<u>244,014</u>	<u>63,082</u>	<u>6,405</u>	<u>56,677</u>
Net Position						
Net investment in capital assets	2,640,895	2,603,173	37,722	6,832,277	7,022,743	(190,466)
Restricted for other purposes	8,401	-	8,401	-	-	-
Restricted for debt service	71,165	54,345	16,820	-	-	-
Unrestricted	<u>1,645,995</u>	<u>1,498,638</u>	<u>147,357</u>	<u>2,108,483</u>	<u>2,039,399</u>	<u>69,084</u>
Total net position	<u>\$ 4,366,456</u>	<u>\$ 4,156,156</u>	<u>\$ 210,300</u>	<u>\$ 8,940,760</u>	<u>\$ 9,062,142</u>	<u>\$ (121,382)</u>

An additional portion of the City's net position (0.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$3,754,478) 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.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities.** Governmental activities increased the City's net position by \$210,300. Key elements of the changes are as follows:

**City of Dundas' Changes in Net Position**

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 170,602	\$ 313,749	\$ (143,147)	\$ 1,298,223	\$ 1,205,391	\$ 92,832
Operating grants and contributions	60,286	21,760	38,526	79	-	79
Capital grants and contributions	2,000	1,616	384	-	-	-
General Revenues						
Taxes	1,255,198	1,120,766	134,432	-	-	-
Intergovernmental revenues not restricted to specific programs	179,017	311,714	(132,697)	-	-	-
Interest and investment income	302	14,377	(14,075)	5,542	17,693	(12,151)
Miscellaneous	73,751	15,807	-	-	-	-
Gain (loss) on sale of capital assets	69,723	-	-	(10,054)	(3,084)	(6,970)
Total revenues	<u>1,810,879</u>	<u>1,799,789</u>	<u>(116,577)</u>	<u>1,293,790</u>	<u>1,220,000</u>	<u>73,790</u>
Expenses						
General government	645,154	643,510	1,644	-	-	-
Public safety	463,334	417,881	45,453	-	-	-
Public works	279,143	329,085	(49,942)	-	-	-
Culture and recreation	100,001	147,066	(47,065)	-	-	-
Economic development	9,153	-	9,153	-	-	-
Interest and fiscal charges	103,794	133,618	(29,824)	-	-	-
Water	-	-	-	555,501	516,934	38,567
Sewer	-	-	-	716,477	577,238	139,239
Refuse	-	-	-	94,224	82,713	11,511
Storm sewer	-	-	-	48,970	51,663	(2,693)
Total expenses	<u>1,600,579</u>	<u>1,671,160</u>	<u>(70,581)</u>	<u>1,415,172</u>	<u>1,228,548</u>	<u>186,624</u>
Change in Net Position	210,300	128,629	81,671	(121,382)	(8,548)	(112,834)
Net Position, January 1	<u>4,156,156</u>	<u>4,027,527</u>	<u>128,629</u>	<u>9,062,142</u>	<u>9,070,690</u>	<u>(8,548)</u>
Net Position, December 31	<u>\$ 4,366,456</u>	<u>\$ 4,156,156</u>	<u>\$ 210,300</u>	<u>\$ 8,940,760</u>	<u>\$ 9,062,142</u>	<u>\$ (121,382)</u>

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

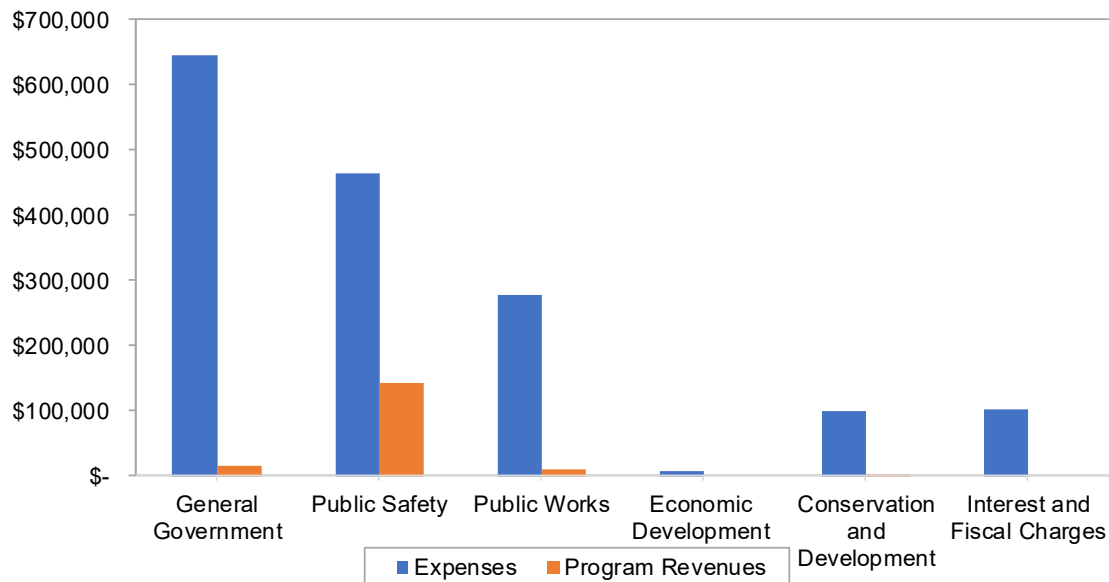
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities (Continued).**

There were increases in property tax revenue, charges for services and intergovernmental revenues that outpaced the increases in operating expenses in the governmental funds, resulting in an increase in the net position. Increases in charges for service in the business-type activities were offset by increases in operating expenses. Notably, there was an increase in tax revenue due to an increase in taxes levied by the City and an increase in operating grants and contributions. Expenses increased in the governmental activities, except for public works and increased in the business type activities. Notably, there was an increase in public safety expenses and a decrease in public works.

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**



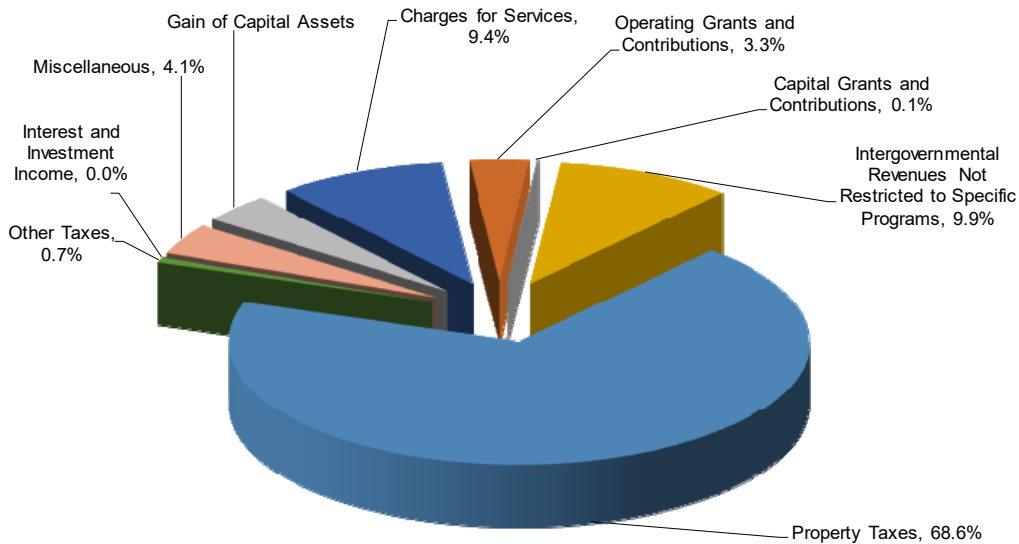


# City of Dundas Management's Discussion and Analysis

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

### Governmental Activities (Continued).

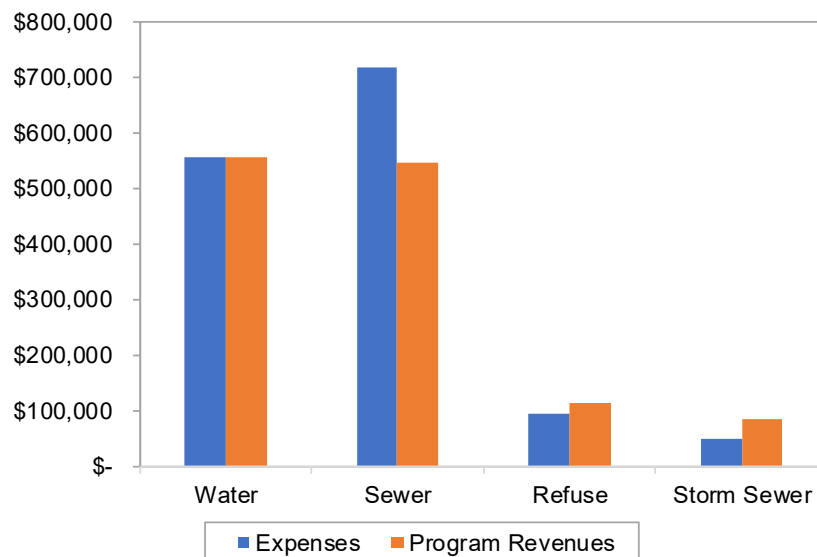
#### Revenues by Source - Governmental Activities



**Business-type Activities.** Business-type activities decreased the City's net position by \$121,382.

- Operating loss in the Sewer Utility fund of \$172,258 accounts for most of the decrease. The offsetting increase is due to Refuse of \$19,655 and Storm Sewer of \$35,964.

#### Expenses and Program Revenues - Business-type Activities

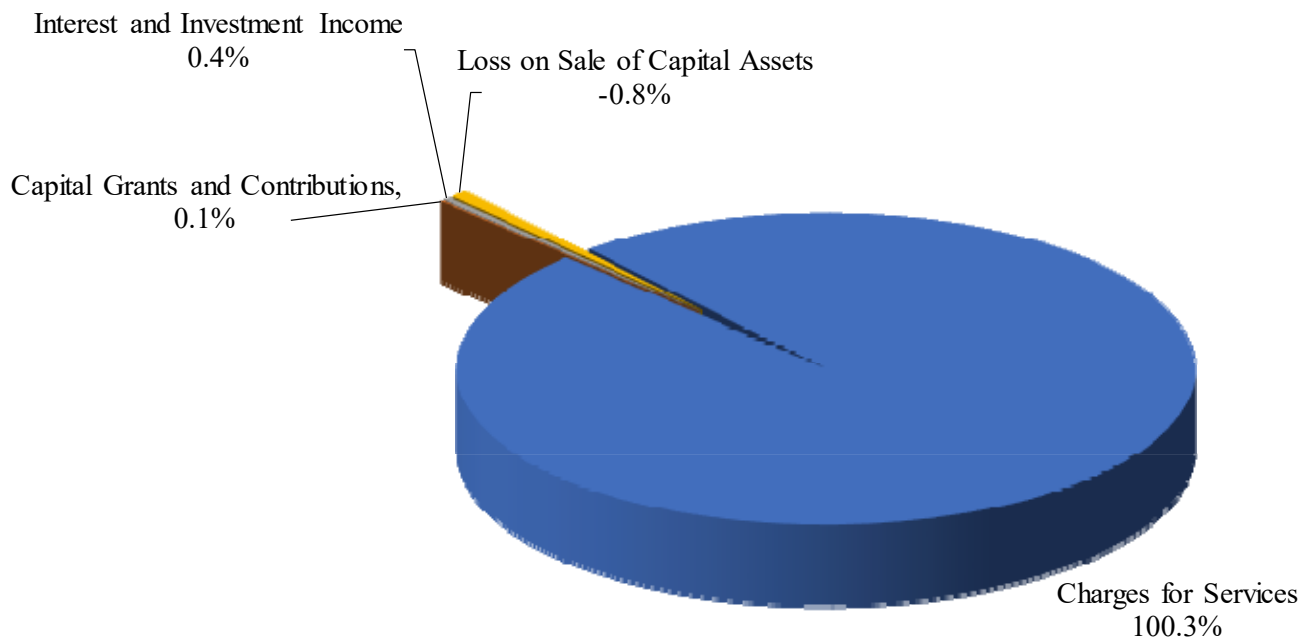


## City of Dundas Management's Discussion and Analysis

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

#### Business-type Activities (Continued).

##### Revenues by Source - Business-type Activities



### 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 \$771,240. The City's General Fund balance decreased \$989,385 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 60.0% of total 2021 expenditures.

**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 was balanced for 2021. Fund balance decreased \$989,385 from the prior year due to planned transfers for capital projects.

Overall revenues were over budget by \$102,487. The most significant positive revenue variance was from licenses and permits which was \$55,090 over budget. The most significant negative revenue variance was from investment income which were less than budget by \$17,073.

Overall expenditures were over budget by \$29,162. The most significant positive expenditure variance was from Public Safety which was \$20,771 under budget. The most significant negative expenditure variance was from the general government program which was more than budget by \$30,994.

### 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, 2021, amounts to \$15,274,486 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, vehicles, land improvements, and infrastructure.

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

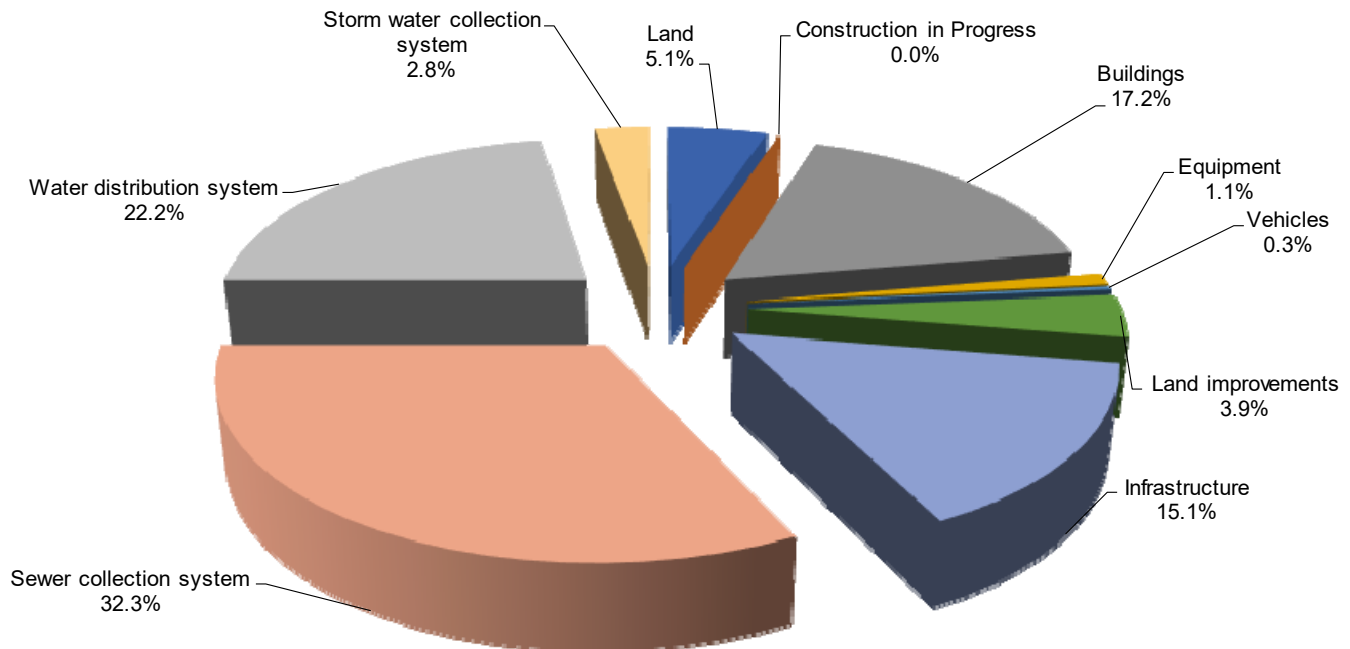
#### City of Dundas' Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 558,674	\$ 559,674	\$ (1,000)	\$ 223,396	\$ 223,396	\$ -
Construction in Progress	-	-	-	-	-	-
Buildings	2,619,856	2,664,605	(44,749)	-	-	-
Equipment	141,447	70,586	70,861	20,263	20,434	(171)
Vehicles	45,637	55,334	(9,697)	-	-	-
Land improvements	588,492	631,992	(43,500)	-	-	-
Infrastructure	2,300,781	2,453,967	(153,186)	-	-	-
Sewer collection system	-	-	-	4,951,762	5,197,942	(246,180)
Water distribution system	-	-	-	3,398,176	3,606,842	(208,666)
Storm water collection system	-	-	-	426,002	443,040	(17,038)
Total	<u>\$ 6,254,887</u>	<u>\$ 6,436,158</u>	<u>\$ (181,271)</u>	<u>\$ 9,019,599</u>	<u>\$ 9,491,654</u>	<u>\$ (472,055)</u>

# 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 \$5,780,000. 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
General Obligation Improvement Bonds	\$ 3,590,000	\$ 3,785,000	\$ (195,000)	\$ -	\$ -	\$ -
General Obligation Revenue Bonds	-	-	-	2,190,000	2,470,000	(280,000)
Other long term debt	23,992	47,985	(23,993)	-	-	-
Bond discounts	(15,984)	(17,369)	1,385	(9,099)	(11,271)	2,172
Bond premium	73,516	78,895	(5,379)	6,421	10,182	(3,761)
<b>Total</b>	<b>\$ 3,671,524</b>	<b>\$ 3,894,511</b>	<b>\$ (222,987)</b>	<b>\$ 2,187,322</b>	<b>\$ 2,468,911</b>	<b>\$ (281,589)</b>

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, 100 Railway Street North, Post Office Box 70, Dundas, Minnesota, 55019.

## **BASIC FINANCIAL STATEMENTS**

**City of Dundas**  
**Statement of Net Position**  
**December 31, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments (including cash equivalents)	\$ 1,958,188	\$ 2,261,791	\$ 4,219,979
Receivables			
Accounts	26,185	85,747	111,932
Interest	578	-	578
Delinquent property taxes	8,042	-	8,042
Delinquent special assessments	4	420	424
Deferred special assessments	31,609	26,226	57,835
Due from other governments	4,134	-	4,134
Prepaid items	21,489	5,622	27,111
Equity interest in joint venture	292,793	-	292,793
Capital assets (net of accumulated depreciation)			
Capital assets not being depreciated	558,674	223,396	782,070
Capital assets being depreciated	5,696,213	8,796,203	14,492,416
Total assets	<u>8,597,909</u>	<u>11,399,405</u>	<u>19,997,314</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources related to pensions	310,862	61,575	372,437
Total assets and deferred outflows of resources	<u>\$ 8,908,771</u>	<u>\$ 11,460,980</u>	<u>\$ 20,369,751</u>
<b>Liabilities</b>			
Accounts payable	\$ 35,400	\$ 13,278	\$ 48,678
Contracts payable	2,281	-	2,281
Due to other governments	2,827	42,783	45,610
Salaries and benefits payable	16,172	2,441	18,613
Deposits payable	40,080	-	40,080
Unearned revenue	-	89,939	89,939
Interest payable	43,034	17,362	60,396
Current portion of compensated absences	27,919	15,267	43,186
Noncurrent portion of compensated absences	41,878	22,900	64,778
Current portion of long-term debt	223,992	285,000	508,992
Noncurrent portion of long-term debt	3,447,532	1,902,322	5,349,854
Net pension liability	234,499	65,846	300,345
Total liabilities	<u>4,115,614</u>	<u>2,457,138</u>	<u>6,572,752</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to pensions	426,701	63,082	489,783
<b>Net Position</b>			
Net investment in capital assets	2,640,895	6,832,277	9,473,172
Restricted for debt service	71,165	-	71,165
Restricted for other purposes	8,401	-	8,401
Unrestricted	1,645,995	2,108,483	3,754,478
Total net position	<u>4,366,456</u>	<u>8,940,760</u>	<u>13,307,216</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,908,771</u>	<u>\$ 11,460,980</u>	<u>\$ 20,369,751</u>

**City of Dundas**  
**Statement of Activities**  
**Year Ended December 31, 2021**

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	\$ 645,154	\$ 15,749	\$ -	\$ -	\$ (629,405)	\$ -	\$ (629,405)
Public safety	463,334	143,391	60,286	-	(259,657)	-	(259,657)
Public works	279,143	9,397	-	-	(269,746)	-	(269,746)
Cultural and recreation	100,001	2,065	-	2,000	(95,936)	-	(95,936)
Economic development	9,153	-	-	-	(9,153)	-	(9,153)
Interest and fiscal charges	103,794	-	-	-	(103,794)	-	(103,794)
Total governmental activities	<u>1,600,579</u>	<u>170,602</u>	<u>60,286</u>	<u>2,000</u>	<u>(1,367,691)</u>	<u>-</u>	<u>(1,367,691)</u>
Business-type activities							
Water	555,501	555,270	-	-	-	(231)	(231)
Sewer	716,477	544,140	-	79	-	(172,258)	(172,258)
Refuse	94,224	113,879	-	-	-	19,655	19,655
Storm sewer	48,970	84,934	-	-	-	35,964	35,964
Total business-type activities	<u>1,415,172</u>	<u>1,298,223</u>	<u>-</u>	<u>79</u>	<u>-</u>	<u>(116,870)</u>	<u>(116,870)</u>
Total governmental and business-type activities	<u>\$ 3,015,751</u>	<u>\$ 1,468,825</u>	<u>\$ 60,286</u>	<u>\$ 2,079</u>	<u>(1,367,691)</u>	<u>(116,870)</u>	<u>(1,484,561)</u>
General revenues							
Property taxes					924,455	-	924,455
Property taxes levied for debt service					318,345	-	318,345
Franchise taxes					12,398	-	12,398
Intergovernmental revenues not restricted to specific programs					179,017	-	179,017
Interest and investment income					302	5,542	5,844
Miscellaneous					16,388	-	16,388
Net income from joint ventures					57,363	-	57,363
Gain (loss) on sale of capital assets					69,723	(10,054)	59,669
Total general revenues					<u>1,577,991</u>	<u>(4,512)</u>	<u>1,573,479</u>
Change in net position					210,300	(121,382)	88,918
Net position - beginning					<u>4,156,156</u>	<u>9,062,142</u>	<u>13,218,298</u>
Net position - ending					<u>\$ 4,366,456</u>	<u>\$ 8,940,760</u>	<u>\$ 13,307,216</u>

See notes to basic financial statements.



**City of Dundas**  
**Balance Sheet - Governmental Funds**  
**December 31, 2021**

		<u>Capital Projects</u>		
	General Fund	Capital	Nonmajor	Total
	(101)	Improvements	Governmental	Governmental
		Fund (246,401)	Funds	Funds
<b>Assets</b>				
Cash and investments	\$ 820,046	\$ 679,594	\$ 458,548	\$ 1,958,188
Receivables				
Accounts	260	-	25,925	26,185
Interest	578	-	-	578
Due from other funds	3,639	-	-	3,639
Delinquent property taxes	8,042	-	-	8,042
Delinquent special assessments	4	-	-	4
Deferred special assessments	31,609	-	-	31,609
Due from other governments	4,134	-	-	4,134
Prepaid items	21,489	-	-	21,489
Total assets	<u>\$ 889,801</u>	<u>\$ 679,594</u>	<u>\$ 484,473</u>	<u>\$ 2,053,868</u>
<b>Liabilities</b>				
Accounts payable	\$ 33,626	\$ -	\$ 1,774	\$ 35,400
Contracts payable	2,281	-	-	2,281
Due to other governments	2,827	-	-	2,827
Salaries and benefits payable	16,172	-	-	16,172
Deposits payable	24,000	-	16,080	40,080
Due to other funds	-	-	3,639	3,639
Total liabilities	<u>78,906</u>	<u>-</u>	<u>21,493</u>	<u>100,399</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	8,042	-	-	8,042
Unavailable revenue - special assessments	31,613	-	-	31,613
Total deferred inflows of resources	<u>39,655</u>	<u>-</u>	<u>-</u>	<u>39,655</u>
<b>Fund Balances</b>				
Nonspendable	21,489	-	-	21,489
Restricted	-	-	122,600	122,600
Assigned	-	679,594	340,558	1,020,152
Unassigned	749,751	-	(178)	749,573
Total fund balances	<u>771,240</u>	<u>679,594</u>	<u>462,980</u>	<u>1,913,814</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 889,801</u>	 <u>\$ 679,594</u>	 <u>\$ 484,473</u>	 <u>\$ 2,053,868</u>

**City of Dundas**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2021**

Total fund balances - governmental funds	\$ 1,913,814
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	9,457,968
Less accumulated depreciation	(3,203,081)
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:	
Principal payable on bonds and note from direct borrowing	(3,613,992)
Unamortized bond premiums and discounts	(57,532)
Compensated absences payable	(69,797)
Net pension liability	(234,499)
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	(426,701)
Deferred outflows of resources related to pensions	310,862
Governmental funds do not report an asset for equity interest in joint ventures.	292,793
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	8,042
Special assessments	4
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	31,609
Governmental funds do not report a liability for accrued interest until due and payable.	(43,034)
Total net position - governmental activities	<u>\$ 4,366,456</u>

**City of Dundas**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2021**

		<u>Capital Projects</u>		
	General Fund	Capital	Nonmajor	Total
	(101)	Improvements	Governmental	Governmental
		Fund (246,401)	Funds	Funds
<b>Revenues</b>				
Taxes	\$ 879,928	\$ -	\$ 358,345	\$ 1,238,273
Licenses and permits	133,590	-	-	133,590
Intergovernmental	237,047	-	-	237,047
Charges for services	47,881	-	-	47,881
Fines and forfeitures	9,206	-	-	9,206
Miscellaneous				
Investment income	(2,073)	1,656	719	302
Other	18,058	-	11,555	29,613
Total revenues	<u>1,323,637</u>	<u>1,656</u>	<u>370,619</u>	<u>1,695,912</u>
<b>Expenditures</b>				
Current				
General government	417,499	-	-	417,499
Public safety	484,684	-	-	484,684
Public works	236,970	-	-	236,970
Cultural and recreation	74,487	-	-	74,487
Economic development	6,106	-	3,047	9,153
Debt service				
Principal	23,993	-	195,000	218,993
Interest	960	594	109,557	111,111
Capital outlay				
General government	5,200	-	775	5,975
Public safety	413	-	42,964	43,377
Parks and recreation	-	-	74,122	74,122
Total expenditures	<u>1,250,312</u>	<u>594</u>	<u>425,465</u>	<u>1,676,371</u>
Excess of revenues over (under) expenditures	73,325	1,062	(54,846)	19,541
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital asset	69,723	-	-	69,723
Transfers in	-	731,908	400,525	1,132,433
Transfers out	(1,132,433)	-	-	(1,132,433)
Total other financing sources (uses)	<u>(1,062,710)</u>	<u>731,908</u>	<u>400,525</u>	<u>69,723</u>
Net change in fund balances	(989,385)	732,970	345,679	89,264
<b>Fund Balances</b>				
Beginning of year	<u>1,760,625</u>	<u>(53,376)</u>	<u>117,301</u>	<u>1,824,550</u>
End of year	<u>\$ 771,240</u>	<u>\$ 679,594</u>	<u>\$ 462,980</u>	<u>\$ 1,913,814</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, 2021**

Net change in fund balances - total governmental funds:	\$ 89,264
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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	145,914
Depreciation expense	(325,352)
Loss on Disposal	(1,833)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(11,523)
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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	44,532
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Governmental funds do not report income or loss in a joint venture.	57,363
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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.	218,993
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Interest on long-term debt in the Statement of Activities differs from the amount reported 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.	3,323
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The governmental funds report the effect of bond premiums, discounts, and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Amortization of bond premiums and discounts	3,994
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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	(7,347)
------------------------------	---------

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	(7,028)
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Change in net position of governmental activities	\$ 210,300
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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, 2021**

	Budgeted Amounts Original and Final	Actual	Variance with Final Budget - Over (Under)
<b>Revenues</b>			
Property taxes	\$ 872,261	\$ 879,928	\$ 7,667
Licenses and permits	78,500	133,590	55,090
Intergovernmental	201,689	237,047	35,358
Charges for services	28,700	47,881	19,181
Fines and forfeitures	25,000	9,206	(15,794)
Miscellaneous			
Investment income	15,000	(2,073)	(17,073)
Other	-	18,058	18,058
Total revenues	<u>1,221,150</u>	<u>1,323,637</u>	<u>102,487</u>
<b>Expenditures</b>			
Current			
General government	386,505	417,499	30,994
Public safety	505,455	484,684	(20,771)
Public works	215,070	236,970	21,900
Cultural and recreation	77,760	74,487	(3,273)
Economic development	3,055	6,106	3,051
Debt service			
Principal	23,995	23,993	(2)
Interest and other charges	960	960	-
Capital outlay			
General government	3,500	5,200	1,700
Public safety	4,850	413	(4,437)
Total expenditures	<u>1,221,150</u>	<u>1,250,312</u>	<u>29,162</u>
Excess of revenues over expenditures	-	73,325	73,325
<b>Other financing sources (uses)</b>			
Proceeds from sale of capital asset	-	69,723	69,723
Transfers out	-	(1,132,433)	(1,132,433)
Total other financing sources (uses)	<u>-</u>	<u>(1,062,710)</u>	<u>(1,062,710)</u>
Net change in fund balance	<u>\$ -</u>	<u>(989,385)</u>	<u>\$ (989,385)</u>
<b>Fund Balance</b>			
Beginning of year		<u>1,760,625</u>	
End of year		<u>\$ 771,240</u>	

**City of Dundas**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2021**

	Water Utility Fund (601)	Sewer Utility Fund (602)	Refuse Utility Fund (603)	Storm Water Utility Fund (225)	Total Proprietary Funds
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 944,774	\$ 841,220	\$ 115,070	\$ 360,727	\$ 2,261,791
Accounts receivable	31,531	40,823	10,809	2,584	85,747
Special assessment receivable					
Delinquent	150	99	1	170	420
Deferred	7,947	10,414	4,456	3,409	26,226
Prepaid items	3,649	1,973	-	-	5,622
Total current assets	<u>988,051</u>	<u>894,529</u>	<u>130,336</u>	<u>366,890</u>	<u>2,379,806</u>
Noncurrent assets					
Capital assets					
Land	147,273	76,123	-	-	223,396
Machinery and equipment	54,353	27,544	-	-	81,897
Infrastructure	<u>7,542,344</u>	<u>9,542,531</u>	<u>-</u>	<u>670,060</u>	<u>17,754,935</u>
Total capital assets	<u>7,743,970</u>	<u>9,646,198</u>	<u>-</u>	<u>670,060</u>	<u>18,060,228</u>
Less accumulated depreciation	<u>(4,187,842)</u>	<u>(4,608,729)</u>	<u>-</u>	<u>(244,058)</u>	<u>(9,040,629)</u>
Net capital assets	<u>3,556,128</u>	<u>5,037,469</u>	<u>-</u>	<u>426,002</u>	<u>9,019,599</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows of resources related to pension activity	<u>33,377</u>	<u>23,518</u>	<u>-</u>	<u>4,680</u>	<u>61,575</u>
Total assets and deferred outflows of resources	<u>\$ 4,577,556</u>	<u>\$ 5,955,516</u>	<u>\$ 130,336</u>	<u>\$ 797,572</u>	<u>\$ 11,460,980</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	\$ 3,899	\$ 1,649	\$ 7,574	\$ 156	\$ 13,278
Due to other governments	1,027	40,912	844	-	42,783
Salaries and benefits payable	1,315	930	-	196	2,441
Interest payable	13,439	3,923	-	-	17,362
Unearned revenue	-	89,939	-	-	89,939
Current portion of compensated absences	8,698	5,964	-	605	15,267
Current portion of long-term debt	<u>145,000</u>	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>285,000</u>
Total current liabilities	<u>173,378</u>	<u>283,317</u>	<u>8,418</u>	<u>957</u>	<u>466,070</u>
Noncurrent liabilities					
Noncurrent portion of compensated absences	13,047	8,946	-	907	22,900
Noncurrent portion of long-term debt	869,250	1,033,072	-	-	1,902,322
Net pension liability	<u>35,692</u>	<u>25,149</u>	<u>-</u>	<u>5,005</u>	<u>65,846</u>
Total noncurrent liabilities	<u>917,989</u>	<u>1,067,167</u>	<u>-</u>	<u>5,912</u>	<u>1,991,068</u>
Total liabilities	<u>1,091,367</u>	<u>1,350,484</u>	<u>8,418</u>	<u>6,869</u>	<u>2,457,138</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows of resources related to pension activity	<u>34,194</u>	<u>24,093</u>	<u>-</u>	<u>4,795</u>	<u>63,082</u>
<b>Net Position</b>					
Net investment in capital assets	2,541,878	3,864,397	-	426,002	6,832,277
Unrestricted	<u>910,117</u>	<u>716,542</u>	<u>121,918</u>	<u>359,906</u>	<u>2,108,483</u>
Total net position	<u>3,451,995</u>	<u>4,580,939</u>	<u>121,918</u>	<u>785,908</u>	<u>8,940,760</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,577,556</u>	<u>\$ 5,955,516</u>	<u>\$ 130,336</u>	<u>\$ 797,572</u>	<u>\$ 11,460,980</u>

See notes to basic financial statements.

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**City of Dundas**  
**Statement of Revenues, Expenses, and Changes**  
**in Net Position - Proprietary Funds**  
**Year Ended December 31, 2021**

	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	\$ 449,375	\$ 480,253	\$ 113,876	\$ 84,934	\$ 1,128,438
Permits, hookup fees and penalties	-	3,887	-	-	3,887
Miscellaneous operating revenues	57,247	-	-	-	57,247
Total operating revenues	<u>506,622</u>	<u>484,140</u>	<u>113,876</u>	<u>84,934</u>	<u>1,189,572</u>
Operating expenses					
Administrative	27,654	22,103	-	12,769	62,526
Maintenance and operations	267,643	412,528	94,224	19,163	793,558
Depreciation	229,642	251,177	-	17,038	497,857
Total operating expenses	<u>524,939</u>	<u>685,808</u>	<u>94,224</u>	<u>48,970</u>	<u>1,353,941</u>
Operating income (loss)	(18,317)	(201,668)	19,652	35,964	(164,369)
Nonoperating revenues (expenses)					
Investment income	2,184	2,229	269	860	5,542
Gain (loss) on sale of asset	(3,803)	(6,251)	-	-	(10,054)
Refunds and reimbursements	648	-	3	-	651
Connection charges	48,000	60,000	-	-	108,000
Debt forgiven	-	79	-	-	79
Interest expense	(30,562)	(30,669)	-	-	(61,231)
Total nonoperating revenues (expenses)	<u>16,467</u>	<u>25,388</u>	<u>272</u>	<u>860</u>	<u>42,987</u>
Change in net position	(1,850)	(176,280)	19,924	36,824	(121,382)
Net position					
Beginning of year	<u>3,453,845</u>	<u>4,757,219</u>	<u>101,994</u>	<u>749,084</u>	<u>9,062,142</u>
End of year	<u>\$ 3,451,995</u>	<u>\$ 4,580,939</u>	<u>\$ 121,918</u>	<u>\$ 785,908</u>	<u>\$ 8,940,760</u>



**City of Dundas**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2021**

	Water Utility Fund (601)	Sewer Utility Fund (602)
<b>Cash Flows - Operating Activities</b>		
Receipts from customers and users	\$ 502,438	\$ 483,221
Payments to suppliers	(233,238)	(350,203)
Payments to employees	(75,535)	(61,027)
Net cash flows - operating activities	<u>193,665</u>	<u>71,991</u>
<b>Cash Flows - Noncapital Financing Activities</b>		
Refunds and reimbursements	648	-
Miscellaneous revenue	-	79
Net cash flows - noncapital financing activities	<u>648</u>	<u>79</u>
<b>Cash Flows - Capital and Related Financing Activities</b>		
Principal paid on debt	(140,000)	(140,000)
Interest paid on debt	(35,030)	(29,855)
Special assessments	8,562	10,677
Connection charges	48,000	60,000
Intergovernmental revenue	-	89,939
Acquisition of capital assets	(24,825)	(11,031)
Net cash flows - capital and related financing activities	<u>(143,293)</u>	<u>(20,270)</u>
<b>Cash Flows - Investing Activities</b>		
Interest and dividends received	<u>2,184</u>	<u>2,229</u>
Net change in cash and cash equivalents	53,204	54,029
<b>Cash and Cash Equivalents</b>		
January 1	<u>891,570</u>	<u>787,191</u>
December 31	<u><u>\$ 944,774</u></u>	<u><u>\$ 841,220</u></u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Flows - Operating Activities</b>		
Operating income (loss)	\$ (18,317)	\$ (201,668)
Adjustments to reconcile operating gain (loss) to net cash flows		
Operating activities:		
Depreciation expense	229,642	251,177
Pension related activity	(3,000)	(2,247)
Accounts receivable	(4,184)	(919)
Prepaid items	(1,295)	(118)
Accounts payable	(11,452)	1,082
Due to other governmental units	681	23,518
Salaries payable	235	171
Compensated absences payable	1,355	995
Total adjustments	<u>211,982</u>	<u>273,659</u>
Net cash flows - operating activities	<u><u>\$ 193,665</u></u>	<u><u>\$ 71,991</u></u>

See notes to financial statements.

Refuse Utility Fund (603)	Storm Water Utility Fund	Total Proprietary Funds
\$ 113,807	\$ 84,948	\$ 1,184,414
(93,452)	(13,927)	(690,820)
-	(22,147)	(158,709)
<u>20,355</u>	<u>48,874</u>	<u>334,885</u>
3	-	651
-	-	79
<u>3</u>	<u>-</u>	<u>730</u>
-	-	(280,000)
-	860	(64,025)
2,465	2,507	24,211
-	-	108,000
-	-	89,939
-	-	(35,856)
<u>2,465</u>	<u>3,367</u>	<u>(157,731)</u>
269	-	4,682
23,092	52,241	182,566
<u>91,978</u>	<u>308,486</u>	<u>2,079,225</u>
<u>\$ 115,070</u>	<u>\$ 360,727</u>	<u>\$ 2,261,791</u>
\$ 19,652	\$ 35,964	\$ (164,369)
-	17,038	497,857
-	(346)	(5,593)
(69)	14	(5,158)
-	-	(1,413)
703	(4,820)	(14,487)
69	-	24,268
-	54	460
-	970	3,320
<u>703</u>	<u>12,910</u>	<u>499,254</u>
<u>\$ 20,355</u>	<u>\$ 48,874</u>	<u>\$ 334,885</u>

**City of Dundas**  
**Statement of Fiduciary Net Position**  
**December 31, 2021**

	<u>Custodial Fund</u> <u>Dundas Baseball</u> <u>Association</u> <u>Activity Fund (801)</u>
<b>Assets</b>	
Accounts receivable	\$ 8,017
<b>Net Position</b>	
Restricted net position	\$ 8,017

**Statement of Changes in Fiduciary Net Position**  
**Year Ended December 31, 2021**

	<u>Dundas Baseball</u> <u>Association</u> <u>Activity Fund (801)</u>
<b>Additions</b>	
Refunds and reimbursements	\$ 53,968
<b>Deductions</b>	
Program expenditures	55,771
Change in net position	(1,803)
<b>Net Position</b>	
Beginning of year	9,820
End of year	\$ 8,017

**City of Dundas**  
**Notes to Basic 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 5.85% is provided by the City of Dundas for the Northfield Area Fire and Rescue Service for the 2021 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 Basic 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 Basic 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.

Capital Improvements Fund – This fund is a capital project fund type and accounts for capital improvements to the City.

**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 Basic 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 Basic 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 Basic 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 Basic 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 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 Basic 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 Basic 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.

**City of Dundas**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**10. Fund Balance (Continued)**

**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.

**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 Basic 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 Economic Development nonmajor fund had a deficit fund balance of \$178 at December 31, 2021.

**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, 2021, the City's bank balances of \$1,549,507 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, 2021, was as follows:

Checking accounts	<u>\$ 1,540,286</u>
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**City of Dundas**  
**Notes to Basic 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 funds	\$ 2,179,219	\$ 2,179,219	\$ -	\$ -
Brokered certificates of deposit	300,174	300,174	-	-
Municipal securities	200,200	200,200	-	-
Total	<u>\$ 2,679,593</u>	<u>\$ 2,679,593</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. The City was exposed to this risk as the following brokered certificate of deposit and brokered security exceeded 5% of total investments; 4M-Western Alliance Bank CD and 4M- Richmond Dev. security.

**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, 2021:

- \$200,200 of \$2,679,593 are valued using various market and industry inputs (Level 2 inputs)

Remaining investments are presented at Net Asset Value.

**City of Dundas**  
**Notes to Basic Financial Statements**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Deposits and Investments**

Summary of cash deposits and investments as of December 31, 2021, were as follows:

Deposits (Note 3.A.)	\$ 1,540,286
Investments (Note 3.B.)	2,679,593
Petty Cash	<u>100</u>
Total	<u><u>\$ 4,219,979</u></u>

Deposits and investments are presented in the December 31, 2021 basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u><u>\$ 4,219,979</u></u>

**NOTE 4 – INTERFUND ACTIVITY**

**A. Interfund Receivables and Payables**

At December 31, 2021, the composition of interfund balances was as follows:

Fund Type and Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 3,639	\$ -
Other nonmajor governmental funds	<u>-</u>	<u>3,639</u>
Total	<u><u>\$ 3,639</u></u>	<u><u>\$ 3,639</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 Basic Financial Statements**

**NOTE 4 – INTERFUND ACTIVITY**

**B. Interfund Transfers**

Transfers during the year ended December 31, 2021, were as follows:

Transfer In	Transfer Out	Amount
Capital Improvements Fund	General Fund	\$ 731,908
Other nonmajor governmental fund	General Fund	400,525
		<u>\$ 1,132,433</u>

The transfers out made from the General Fund were made to move excess cash reserves to capital outlay funds and cover cash deficits.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 559,674	\$ -	\$ (1,000)	\$ 558,674
Capital assets being depreciated				
Buildings	3,295,749	44,950	(36,000)	3,304,699
Equipment	320,485	58,000	(45,899)	332,586
Vehicles	147,924	42,964	-	190,888
Land improvements	839,118	-	-	839,118
Infrastructure	4,232,003	-	-	4,232,003
Total capital assets				
being depreciated	8,835,279	145,914	(81,899)	8,899,294
Less accumulated depreciation for				
Buildings	631,144	89,699	(36,000)	684,843
Equipment	211,098	25,107	(45,066)	191,139
Vehicles	131,391	13,860	-	145,251
Land improvements	207,126	43,500	-	250,626
Infrastructure	1,778,036	153,186	-	1,931,222
Total accumulated depreciation	2,958,795	325,352	(81,066)	3,203,081
Total capital assets being depreciated, net	5,876,484	(179,438)	(833)	5,696,213
Governmental activities capital assets, net	<u>\$ 6,436,158</u>	<u>\$ (179,438)</u>	<u>\$ (1,833)</u>	<u>\$ 6,254,887</u>

**City of Dundas**  
**Notes to Basic 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
Capital assets being depreciated				
Sewer collection system	9,542,531	-	-	9,542,531
Water distribution system	7,544,461	13,793	(15,910)	7,542,344
Storm water collection system	670,060	-	-	670,060
Equipment	61,981	22,063	(22,607)	61,437
Software	20,460	-	-	20,460
Total capital assets being depreciated	17,839,493	35,856	(38,517)	17,836,832
Less accumulated depreciation for				
Sewer collection system	4,344,589	246,180	-	4,590,769
Water distribution system	3,937,619	222,459	(15,910)	4,144,168
Storm water collection system	227,020	17,038	-	244,058
Equipment	41,547	12,180	(12,553)	41,174
Software	20,460	-	-	20,460
Total accumulated depreciation	8,571,235	497,857	(28,463)	9,040,629
Total capital assets being depreciated, net	9,268,258	(462,001)	(10,054)	8,796,203
Business-type activities capital assets, net	\$ 9,491,654	\$ (462,001)	\$ (10,054)	\$ 9,019,599

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

Governmental activities	
General government	\$ 225,229
Public safety	14,735
Public works	38,772
Cultural and recreation	46,616
Total depreciation expense - governmental activities	\$ 325,352
Business-type activities	
Water	\$ 229,642
Sewer	251,177
Storm water	17,038
Total depreciation expense - governmental activities	\$ 497,857

**City of Dundas**  
**Notes to Basic Financial Statements**

**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.

**B. Components of Long-Term Liabilities**

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>12/31/21 Balance</u>	<u>Due Within One Year</u>
Governmental activities						
General obligation improvement bonds						
2013A CIP Bonds	9/4/2013	2.00-3.70%	\$ 750,000	2/1/2029	\$ 440,000	\$ 50,000
2013A Street Reconstruction Bonds	9/4/2013	2.00-3.00%	545,000	2/1/2029	325,000	35,000
2018A Bonds	8/9/2018	3.00-4.00%	810,000	2/1/2039	760,000	30,000
2020A CIP Bonds	1/16/2020	2.00-3.00%	2,145,000	2/1/2040	2,065,000	85,000
Note from Direct borrowing						
East Cannon River Trail Note	4/5/2016	2.00%	119,964	12/1/2022	23,992	23,992
Bond discounts					(15,984)	-
Bond premium					73,516	-
Compensated absences					69,797	27,919
Total governmental activities					<u>\$3,741,321</u>	<u>\$ 251,911</u>
Business-Type Activities						
General obligation revenue bonds						
2013A Refunding Bonds	9/1/2013	2.00-3.25%	\$2,355,000	2/1/2026	\$ 700,000	\$ 130,000
2014A Refunding Bonds	12/11/2014	0.40-3.25%	845,000	12/1/2024	270,000	90,000
2016A Sewer Revenue Bonds	9/4/2013	0.90-2.85%	1,100,000	11/1/2037	910,000	50,000
2018A Bonds	8/9/2018	3.00-4.00%	810,000	2/1/2039	310,000	15,000
Bond discounts					(9,099)	-
Bond premium					6,421	-
Compensated absences					38,167	15,267
Total business-type activities					<u>\$2,225,489</u>	<u>\$ 300,267</u>
Total long-term liabilities					<u><u>\$5,966,810</u></u>	<u><u>\$ 552,178</u></u>

**City of Dundas**  
**Notes to Basic Financial Statements**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

**C. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
General obligation improvement bonds				
2013A CIP Bonds	\$ 490,000	\$ -	\$ (50,000)	\$ 440,000
2013A Street Reconstruction Bonds	360,000	-	(35,000)	325,000
2018A Bonds	790,000	-	(30,000)	760,000
2020A CIP Bonds	2,145,000	-	(80,000)	2,065,000
Note from direct borrowing				
East Cannon River Trail Note	47,985	-	(23,993)	23,992
Bond discounts	(17,369)	-	1,385	(15,984)
Bond premium	78,895	-	(5,379)	73,516
Compensated absences	58,274	36,636	(25,113)	69,797
Total governmental activities	3,952,785	36,636	(248,100)	3,741,321
General obligation revenue bonds				
2013A Refunding Bonds	830,000	-	(130,000)	700,000
2014A Refunding Bonds	360,000	-	(90,000)	270,000
2016A Sewer Revenue Bonds	960,000	-	(50,000)	910,000
2018A Bonds	320,000	-	(10,000)	310,000
Bond discounts	(11,271)	-	2,172	(9,099)
Bond premium	10,182	-	(3,761)	6,421
Compensated absences	34,847	11,794	(8,474)	38,167
Total business-type activities	2,503,758	11,794	(290,063)	2,225,489
Total long-term liabilities	\$ 6,456,543	\$ 48,430	\$ (538,163)	\$ 5,966,810

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		G.O. Revenue Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 223,992	\$ 100,516	\$ 285,000	\$ 56,780
2023	205,000	93,661	290,000	49,575
2024	215,000	87,036	295,000	41,800
2025	225,000	80,086	210,000	33,875
2026	230,000	72,768	215,000	27,863
2027-2031	1,030,000	250,669	355,000	103,008
2032-2036	820,000	137,975	410,000	54,417
2036-2040	665,000	32,450	130,000	5,055
Total	\$ 3,613,992	\$ 855,161	\$ 2,190,000	\$ 372,373

**City of Dundas**  
**Notes to Basic 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	Capital Improvements Fund	Nonmajor Governmental Funds	Total
Nonspendable				
Prepaid items	\$ 21,489	\$ -	\$ -	\$ 21,489
Restricted				
Debt service	-	-	114,199	114,199
Capital asset purchases	-	-	8,401	8,401
Assigned				
Capital improvements	-	724,498	31,060	755,558
Developer escrow	-	-	4,029	4,029
Public safety capital asset acquisition	-	-	40,892	40,892
Public works capital asset acquisition	-	-	74,024	74,024
Parks and recreation capital asset acquisition	-	-	221,613	221,613
Unassigned	673,787	-	(178)	673,609
	<u>673,787</u>	<u>-</u>	<u>(178)</u>	<u>673,609</u>
Total fund balance	<u>\$ 695,276</u>	<u>\$ 724,498</u>	<u>\$ 494,040</u>	<u>\$ 1,913,814</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 Basic 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, 2021, 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, 2021 was \$2,927. 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 local relief associations 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 Basic 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% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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.

**C. Contributions**

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

**City of Dundas**  
**Notes to Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**C. Contributions (Continued)**

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 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, 2021, were \$26,539. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$24,094. 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, 2021, the City reported a liability of \$204,982 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. 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 \$6,201. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0048% at the end of the measurement period and 0.0037% for the beginning of the period.

City's proportionate share of net pension liability	\$ 204,982
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>6,201</u>
Total	<u><u>\$ 211,183</u></u>



**City of Dundas**  
**Notes to Basic 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, 2021, the City recognized pension expense of \$19,461 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$500 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, 2021, 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	\$ 1,023	\$ 6,107
Net collective difference between projected and actual investment earnings	-	181,190
Changes in proportion	52,238	5,528
Changes in actuarial assumptions	125,157	3,556
Contributions paid to PERA subsequent to the measurement date	13,270	-
	<u>13,270</u>	<u>-</u>
Total	<u>\$ 191,688</u>	<u>\$ 196,381</u>

The \$13,270 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, 2022. 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
2022	\$ 7,750
2023	9,409
2024	13,298
2025	(48,420)
Total	<u>\$ (17,963)</u>

**City of Dundas**  
**Notes to Basic 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, 2021, the City reported a liability of \$95,362 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0125% at the end of the measurement period and 0.0143% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2020. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although it is not anticipated that they will be phased out during the fiscal year ended 2022.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized pension expense of \$(16,534) for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$792 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$1,125 for the year ended December 31, 2021, 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.

**City of Dundas**  
**Notes to Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs (Continued)

At December 31, 2021, 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	\$ 19,809	\$ -
Net collective difference between projected and actual investment earnings	-	183,038
Changes in proportion	7,083	42,482
Changes in actuarial assumptions	141,810	67,883
Contributions paid to PERA subsequent to the measurement date	<u>12,047</u>	<u>-</u>
Total	<u><u>\$ 180,749</u></u>	<u><u>\$ 293,403</u></u>

The \$12,047 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, 2022. 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
2022	\$ (85,663)
2023	(17,479)
2024	(19,968)
2025	(28,682)
2026	<u>27,091</u>
Total	<u><u>\$ (124,701)</u></u>

**City of Dundas**  
**Notes to Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**E. Long-Term Expected Return on Investment**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	<u>25.0</u>	5.90
Total	<u><u>100.0 %</u></u>	

**F. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation. Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

**City of Dundas**  
**Notes to Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

**General Employees Fund**

**Changes in Actuarial Assumptions**

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

**Changes in Plan Provisions**

- There have been no changes since the previous valuation.

**Police and Fire Fund**

**Changes in Actuarial Assumptions**

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.

**City of Dundas**  
**Notes to Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

Police and Fire Fund (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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.

**H. 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 (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 418,058	\$ 204,982	\$ 30,140
	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the Police and Fire Fund net pension liability (asset)	\$ 305,204	\$ 95,362	\$ (76,657)

**City of Dundas**  
**Notes to Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**I. 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](http://www.mnpera.org)

**NOTE 11 – 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, 2022.

## **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%
2020	0.0037%	221,832	6,815	228,647	264,760	83.79%	79.06%
2021	0.0048%	204,982	6,201	211,183	343,147	59.74%	87.00%

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)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated	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	\$ -	\$ 170,435	\$ 137,542	123.91%	86.61%
2016	0.0160%	642,108	-	642,108	162,187	395.91%	63.88%
2017	0.0160%	216,019	-	216,019	164,639	131.21%	85.43%
2018	0.0171%	182,268	-	182,268	180,506	100.98%	88.84%
2019	0.0175%	183,943	-	183,943	184,505	99.70%	89.26%
2020	0.0143%	188,489	4,429	192,918	160,814	117.21%	87.19%
2021	0.0125%	95,362	4,350	99,712	151,396	62.99%	93.66%

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%
2020	24,723	24,723	-	329,640	7.50%
2021	26,539	26,539	-	353,853	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%
2020	25,983	25,983	-	146,797	17.70%
2021	24,094	24,094	-	136,124	17.70%

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**

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2019 Changes**

Changes in Actuarial Assumptions

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

**City of Dundas**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2019 Changes (Continued)**

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.
- 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.

**City of Dundas**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**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 was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**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**

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2019 Changes**

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.

**2018 Changes**

Changes in Actuarial Assumptions

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

**City of Dundas**  
**Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

**2018 Changes (Continued)**

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.
- 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**City of Dundas**  
**Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

**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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**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, 2021**

	Special Revenue			Debt Service
		Economic		GO
	Gambling Fund	Development	Total Special	Improvement
	(201)	(235)	Revenue Funds	Bonds 2013A
				Fund (300)
<b>Assets</b>				
Cash and investments	\$ 6,669	\$ -	\$ 6,669	\$ 103,956
Accounts receivable	1,732	-	1,732	-
Total assets	<u>\$ 8,401</u>	<u>\$ -</u>	<u>\$ 8,401</u>	<u>\$ 103,956</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 178	\$ 178	\$ 320
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>178</u>	<u>178</u>	<u>320</u>
<b>Fund Balances</b>				
Restricted	8,401	-	8,401	103,636
Assigned	-	-	-	-
Unassigned	-	(178)	(178)	-
Total fund balances	<u>8,401</u>	<u>(178)</u>	<u>8,223</u>	<u>103,636</u>
Total liabilities and fund balances	<u>\$ 8,401</u>	<u>\$ -</u>	<u>\$ 8,401</u>	<u>\$ 103,956</u>

Debt Service			Capital Projects		
GO Improvement Bonds 2018A (304)	GO Improvement Bonds 2020A (305)	Total Debt Service Funds	Public Safety Capital Outlay Fund (425)	Public Works Capital Outlay Fund (410)	City Hall Project (408)
\$ 1,535	\$ 9,668	\$ 115,159	\$ 40,892	\$ 74,024	\$ -
-	-	-	-	-	-
<u>\$ 1,535</u>	<u>\$ 9,668</u>	<u>\$ 115,159</u>	<u>\$ 40,892</u>	<u>\$ 74,024</u>	<u>\$ -</u>
\$ 320	\$ 320	\$ 960	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>320</u>	<u>320</u>	<u>960</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,215	9,348	114,199	-	-	-
-	-	-	40,892	74,024	-
-	-	-	-	-	-
<u>1,215</u>	<u>9,348</u>	<u>114,199</u>	<u>40,892</u>	<u>74,024</u>	<u>-</u>
<u>\$ 1,535</u>	<u>\$ 9,668</u>	<u>\$ 115,159</u>	<u>\$ 40,892</u>	<u>\$ 74,024</u>	<u>\$ -</u>

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**City of Dundas**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
**December 31, 2021**

	Capital Projects			
	Parks and Recreation Capital Outlay Fund (426)	Escrow Deposits (430)	Total Capital Project Funds	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 221,804	\$ -	\$ 336,720	\$ 458,548
Accounts receivable	-	24,193	24,193	25,925
Total assets	<u>\$ 221,804</u>	<u>\$ 24,193</u>	<u>\$ 360,913</u>	<u>\$ 484,473</u>
<b>Liabilities</b>				
Accounts payable	\$ 191	\$ 445	\$ 636	\$ 1,774
Deposits payable	-	16,080	16,080	16,080
Due to other funds	-	3,639	3,639	3,639
Total liabilities	<u>191</u>	<u>20,164</u>	<u>20,355</u>	<u>21,493</u>
<b>Fund Balances</b>				
Restricted	-	-	-	122,600
Assigned	221,613	4,029	340,558	340,558
Unassigned	-	-	-	(178)
Total fund balances	<u>221,613</u>	<u>4,029</u>	<u>340,558</u>	<u>462,980</u>
Total liabilities and fund balances	<u>\$ 221,804</u>	<u>\$ 24,193</u>	<u>\$ 360,913</u>	<u>\$ 484,473</u>

**City of Dundas**  
**Combining Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2021**

	Special Revenue			Debt Service
		Economic		GO
	Gambling Fund	Development	Total Special	Improvement
	(201)	(235)	Revenue Funds	Bonds 2013A
				Fund (300)
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 115,875
Miscellaneous				
Investment income	166	-	166	40
Other	11,555	-	11,555	-
Total revenues	<u>11,721</u>	<u>-</u>	<u>11,721</u>	<u>115,915</u>
<b>Expenditures</b>				
Current				
Economic development	-	3,047	3,047	-
Debt service				
Principal	-	-	-	85,000
Interest and other charges	-	-	-	27,648
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	58,000	-	58,000	-
Total expenditures	<u>58,000</u>	<u>3,047</u>	<u>61,047</u>	<u>112,648</u>
Excess of revenues over (under) expenditures	(46,279)	(3,047)	(49,326)	3,267
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	2,869	2,869	-
Net change in fund balances	(46,279)	(178)	(46,457)	3,267
<b>Fund Balances</b>				
Beginning of year	<u>54,680</u>	<u>-</u>	<u>54,680</u>	<u>100,369</u>
End of year	<u>\$ 8,401</u>	<u>\$ (178)</u>	<u>\$ 8,223</u>	<u>\$ 103,636</u>

Debt Service			Capital Projects			
GO Improvement Bonds 2018A (304)	GO Improvement Bonds 2020A (305)	Total Debt Service Funds	Public Safety Capital Outlay Fund (425)	Public Works Capital Outlay Fund (410)	City Hall Project (408)	Parks and Recreation Capital Outlay Fund (426)
\$ 59,440	\$ 143,030	\$ 318,345	\$ -	\$ 40,000	\$ -	\$ -
-	2	42	215	87	-	209
-	-	-	-	-	-	-
59,440	143,032	318,387	215	40,087	-	209
-	-	\$ -	-	-	- -	-
30,000	80,000	195,000	-	-	- -	-
28,225	53,684	109,557	-	-	-	-
-	-	-	-	-	775	-
-	-	-	42,964	-	-	-
-	-	-	-	-	-	16,122
58,225	133,684	304,557	42,964	-	775	16,122
1,215	9,348	13,830	(42,749)	40,087	(775)	(15,913)
-	-	-	-	3,626	152,475	237,526
1,215	9,348	13,830	(42,749)	43,713	151,700	221,613
-	-	100,369	83,641	30,311	(151,700)	-
\$ 1,215	\$ 9,348	\$ 114,199	\$ 40,892	\$ 74,024	\$ -	\$ 221,613



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**City of Dundas**  
**Combining Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2021**

	Capital Projects		Total Nonmajor Governmental Funds
	Escrow Deposits (430)	Total Capital Project Funds	
<b>Revenues</b>			
Property taxes	\$ -	\$ 40,000	\$ 358,345
Miscellaneous			
Investment income	-	511	719
Other	-	-	11,555
Total revenues	-	40,511	370,619
<b>Expenditures</b>			
Current			
Economic development	-	-	\$ 3,047
Debt service			
Principal	-	-	195,000
Interest and other charges	-	-	109,557
Capital outlay			
General government	-	775	775
Public safety	-	42,964	42,964
Parks and recreation	-	16,122	74,122
Total expenditures	-	59,861	425,465
Excess of revenues over (under) expenditures	-	(19,350)	(54,846)
<b>Other Financing Sources (Uses)</b>			
Transfers in	4,029	397,656	400,525
Net change in fund balances	4,029	378,306	345,679
<b>Fund Balances</b>			
Beginning of year	-	(37,748)	117,301
End of year	\$ 4,029	\$ 340,558	\$ 462,980

**City of Dundas**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2021**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Revenues</b>			
Taxes			
Property taxes	\$ 872,261	\$ 879,928	\$ 7,667
Licenses and permits			
Building and plan fees	68,000	128,140	60,140
Alcoholic beverages	8,000	875	(7,125)
Other	2,500	4,575	2,075
Total licenses and permits	<u>78,500</u>	<u>133,590</u>	<u>55,090</u>
Intergovernmental revenue			
Local government aids	174,159	174,159	-
Market value credit	425	444	19
State aid for street maintenance	-	-	-
Police grants	27,000	62,444	35,444
PERA aid	105	-	(105)
Total intergovernmental revenue	<u>201,689</u>	<u>237,047</u>	<u>35,358</u>
Charges for services			
Park	2,500	2,065	(435)
Zoning and subdivision	5,000	17,705	12,705
Rents	4,200	4,200	-
Other	17,000	23,911	6,911
Total charges for services	<u>28,700</u>	<u>47,881</u>	<u>19,181</u>
Fines and forfeitures	25,000	9,206	(15,794)
Miscellaneous revenues			
Investment income	15,000	(2,073)	(17,073)
Contributions and donations	-	2,000	2,000
Other	-	16,058	16,058
Total miscellaneous revenues	<u>15,000</u>	<u>15,985</u>	<u>985</u>
Total revenues	<u>1,221,150</u>	<u>1,323,637</u>	<u>219,783</u>
<b>Expenditures</b>			
General government			
Administration			
Current	267,460	296,714	29,254
Capital outlay	3,500	849	(2,651)
Total administrative	<u>270,960</u>	<u>297,563</u>	<u>26,603</u>
Council and elections			
Current	29,790	27,676	(2,114)
Capital outlay	-	2,289	2,289
Total council and elections	<u>29,790</u>	<u>29,965</u>	<u>175</u>
Planning and zoning			
Current	89,255	93,109	3,854
Other general government			
Capital outlay	-	2,062	2,062
Total general government	<u>390,005</u>	<u>422,699</u>	<u>32,694</u>

**City of Dundas**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2021**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Expenditures (Continued)</b>			
Public safety			
Police			
Current	\$ 368,300	\$ 336,573	\$ (31,727)
Capital outlay	4,350	413	(3,937)
Total police	<u>372,650</u>	<u>336,986</u>	<u>(35,664)</u>
Fire			
Current	<u>58,150</u>	<u>38,282</u>	<u>(19,868)</u>
Animal control			
Current	<u>500</u>	<u>-</u>	<u>(500)</u>
Building and inspections			
Current	78,205	109,829	31,624
Capital outlay	<u>500</u>	<u>-</u>	<u>(500)</u>
Total building and inspections	<u>78,705</u>	<u>109,829</u>	<u>31,124</u>
Civil defense			
Current	<u>300</u>	<u>-</u>	<u>(300)</u>
Total public safety	<u>510,305</u>	<u>485,097</u>	<u>(25,208)</u>
Public works			
Streets and highways			
Current	185,070	212,141	27,071
Street lighting			
Current	<u>30,000</u>	<u>24,829</u>	<u>(5,171)</u>
Total public works	<u>215,070</u>	<u>236,970</u>	<u>21,900</u>
Cultural and recreation			
Current	77,760	74,487	(3,273)
Economic development:			
Current	3,055	6,106	3,051
Debt service			
Principal	23,995	23,993	(2)
Interest and other charges	<u>960</u>	<u>960</u>	<u>-</u>
Total debt service	<u>24,955</u>	<u>24,953</u>	<u>(2)</u>
Total expenditures	<u>1,221,150</u>	<u>1,250,312</u>	<u>29,162</u>
Excess of revenues over expenditures	-	73,325	190,621
Other financing sources (uses)			
Proceeds from sale of capital asset	-	69,723	69,723
Transfers out	<u>-</u>	<u>(1,132,433)</u>	<u>(1,132,433)</u>
Total other financing sources (uses)	<u>-</u>	<u>(1,062,710)</u>	<u>(1,062,710)</u>
Net change in fund balance	<u>\$ -</u>	<u>(989,385)</u>	<u>\$ (255,269)</u>
<b>Fund Balance</b>			
Beginning of year		<u>1,760,625</u>	
End of year		<u>\$ 771,240</u>	

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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, 2021, 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, 2022.

**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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 financial statements. 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*.

### **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.

**BerganKDV, Ltd.**

Minneapolis, Minnesota  
April 6, 2022

**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, 2021, and the related notes to financial statements, and have issued our report thereon dated April 6, 2022.

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. 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.

*BergankDV, Ltd.*

Minneapolis, Minnesota  
April 6, 2022