

**City of Dundas
Rice County, Minnesota**

Basic Financial Statements

December 31, 2023

**City of Dundas
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**City of Dundas
Elected Officials and Administration
December 31, 2023**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Glenn Switzer	Mayor	December 31, 2026
Ashley Gallagher	Council Member	December 31, 2026
Luke Swartwood	Council Member	December 31, 2024
Luke La Croix	Council Member	December 31, 2024
Grant Modory	Council Member	December 31, 2026
 <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, 2023, and the related notes to basic 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, 2023, 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' 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 twelve months 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' 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 1, 2024, 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 1, 2024

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, 2023.

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 \$12,851,014 (net position). Of this amount, \$3,182,991 (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 \$26,473. The increase is attributable to governmental activities and business-type activities, increasing net position by \$100,300 and decreasing net position by \$73,827, respectively.
- ◆ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,633,803, an increase of \$27,795 in comparison with the prior year. Approximately 55.2% of this total amount, \$902,417, is unassigned and available for spending at the City's discretion. An additional 13.8% of this total amount, \$224,657, is restricted for specific purposes. An additional 29.4% of this amount, \$479,862, is assigned by management to show the intent of the funds but is also available for spending at the City's discretion. The remaining 1.6% of this amount, \$26,867, is nonspendable for prepaid items.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$913,706, which is 64.0% of total General Fund expenditures or 63.0% of next year's General Fund budget.
- ◆ The City's total debt decreased \$500,410 during the current fiscal year. The decrease is due to regular bond payments 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**

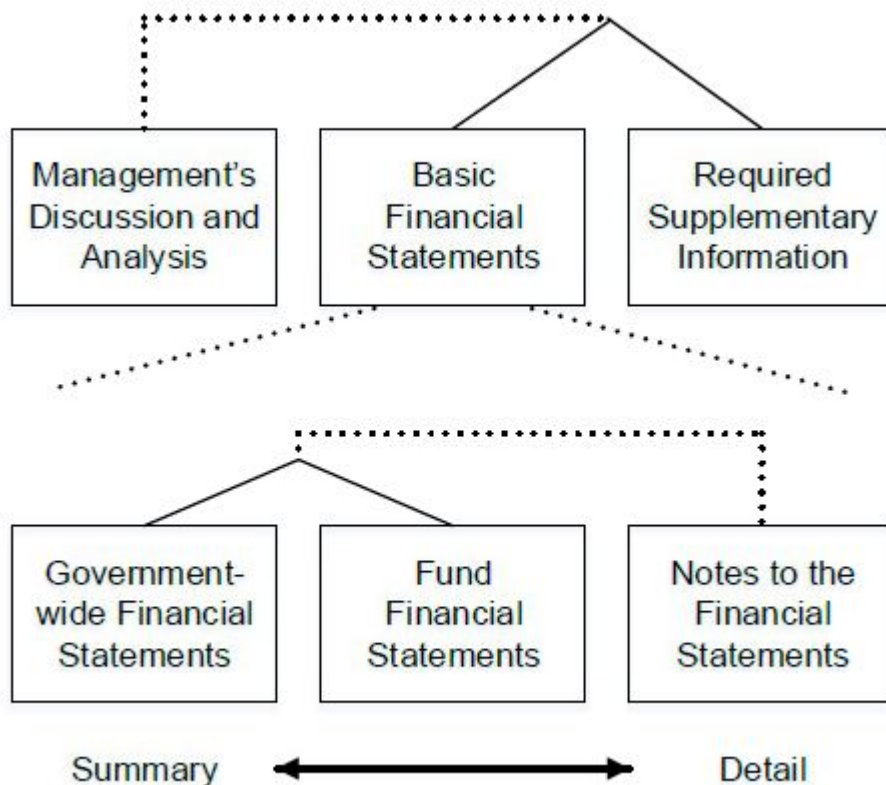


Figure 2 on the following page, summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and 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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Net Position • Statements of Cash Flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up 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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 two categories: governmental funds and proprietary 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.

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

Required Supplementary Information. Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 5 and the Schedules of City's Proportionate Share of Net Pension Liability, the Schedules of City Contributions and the notes to the Required Supplementary Information starting on page 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining fund financial statements and schedules start on page 74 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 \$12,851,014 at the close of the most recent fiscal year.

The largest part of the City's net position (73.8%) 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		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Assets						
Current and other assets	\$ 2,066,034	\$ 2,034,871	\$ 31,163	\$ 2,311,161	\$ 2,350,740	\$ (39,579)
Capital assets	6,204,835	6,331,255	(126,420)	8,120,073	8,521,437	(401,364)
Total assets	8,270,869	8,366,126	(95,257)	10,431,234	10,872,177	(440,943)
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	410,289	468,433	(58,144)	43,400	61,598	(18,198)
Liabilities						
Noncurrent liabilities outstanding	3,491,080	4,084,046	(592,966)	1,460,669	1,794,861	(334,192)
Other liabilities	376,637	391,221	(14,584)	543,040	625,642	(82,602)
Total liabilities	3,867,717	4,475,267	(607,550)	2,003,709	2,420,503	(416,794)
Deferred Inflows of Resources						
Deferred inflows of resources related to pensions	399,149	45,300	353,849	34,203	2,723	31,480
Net Position						
Net investment in capital assets	2,970,290	2,941,255	29,035	6,510,758	6,620,705	(109,947)
Restricted for debt service	108,679	89,264	19,415	-	-	-
Restricted for other purposes	78,296	49,000	29,296	-	-	-
Unrestricted	1,257,027	1,234,473	22,554	1,925,964	1,889,844	36,120
Total net position	\$ 4,414,292	\$ 4,313,992	\$ 100,300	\$ 8,436,722	\$ 8,510,549	\$ (73,827)

An additional portion of the City's net position (1.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$3,182,991) 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 \$100,300. Key elements of the changes are as follows:

City of Dundas' Changes in Net Position

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 132,524	\$ 227,519	\$ (94,995)	\$ 1,318,606	\$ 1,328,386	\$ (9,780)
Operating grants and contributions	102,166	27,312	74,854	6,338	-	6,338
Capital grants and contributions	253	174	79	-	-	-
General Revenues						
Taxes	1,536,499	1,405,047	131,452	-	-	-
Intergovernmental revenues not restricted to specific programs	161,951	181,087	(19,136)	-	-	-
Interest and investment income	68,606	7,186	61,420	77,847	13,199	64,648
Miscellaneous	5,303	4,594	709	-	-	-
Net Income (Loss) from joint ventures	21,326	-	21,326	-	-	-
Gain (loss) on sale of capital assets	30,000	-	30,000	-	-	-
Total revenues	2,058,628	1,852,919	205,709	1,402,791	1,341,585	61,206
Expenses						
General government	701,341	715,936	(14,595)	-	-	-
Public safety	649,392	865,879	(216,487)	-	-	-
Public works	341,366	112,166	229,200	-	-	-
Culture and recreation	150,018	98,984	51,034	-	-	-
Economic development	21,981	16,548	5,433	-	-	-
Interest and fiscal charges	94,230	95,870	(1,640)	-	-	-
Water	-	-	-	598,528	880,390	(281,862)
Sewer	-	-	-	713,748	728,947	(15,199)
Refuse	-	-	-	110,926	100,867	10,059
Storm sewer	-	-	-	53,416	61,592	(8,176)
Total expenses	1,958,328	1,905,383	52,945	1,476,618	1,771,796	(295,178)
Change in Net Position	100,300	(52,464)	152,764	(73,827)	(430,211)	356,384
Net Position, January 1	4,313,992	4,366,456	(52,464)	8,510,549	8,940,760	(430,211)
Net Position, December 31	\$ 4,414,292	\$ 4,313,992	\$ 100,300	\$ 8,436,722	\$ 8,510,549	\$ (73,827)

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

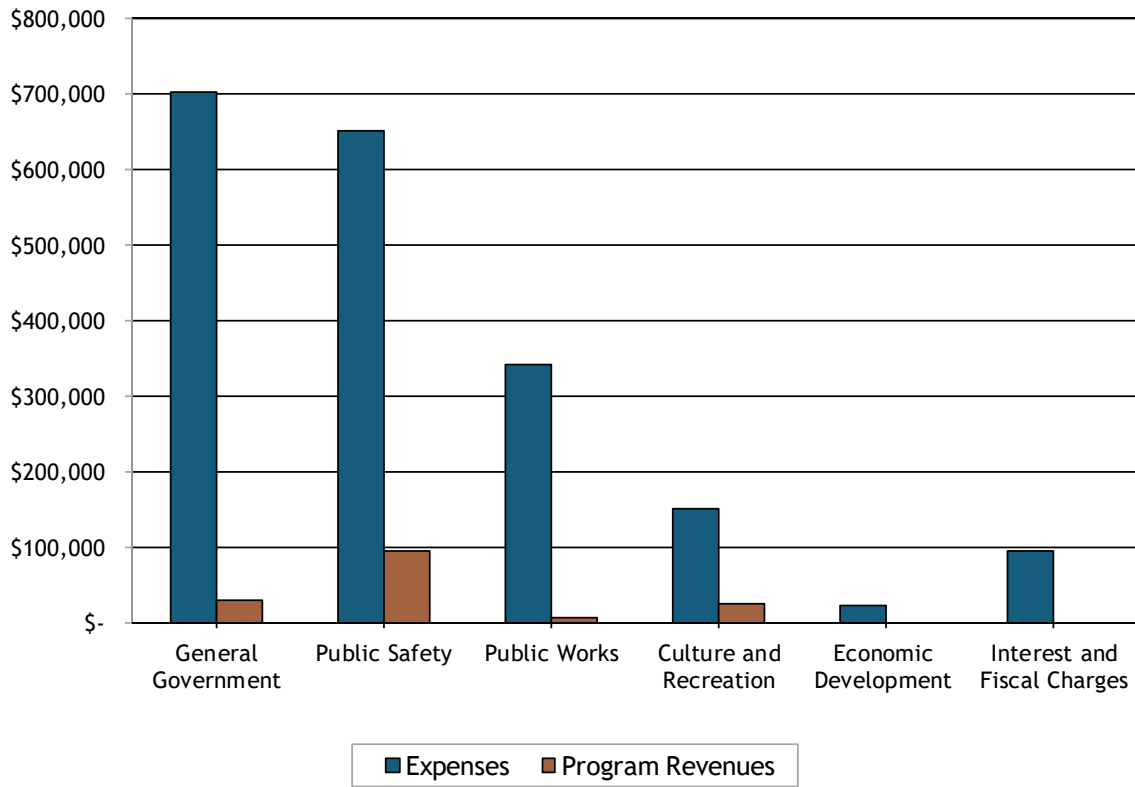
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued).

There were increases in interest and investment income and operating grants and contributions that outpaced the decreases in operating expenses in the governmental funds, resulting in an increase in the net position. Decreases in charges for service in the business-type activities were offset by decreases in operating expenses. Notably, there was an increase in tax revenue due to an increase in taxes levied by the City. Expenses increased in the governmental activities, except for general government and public safety and decreased in the business type activities.

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

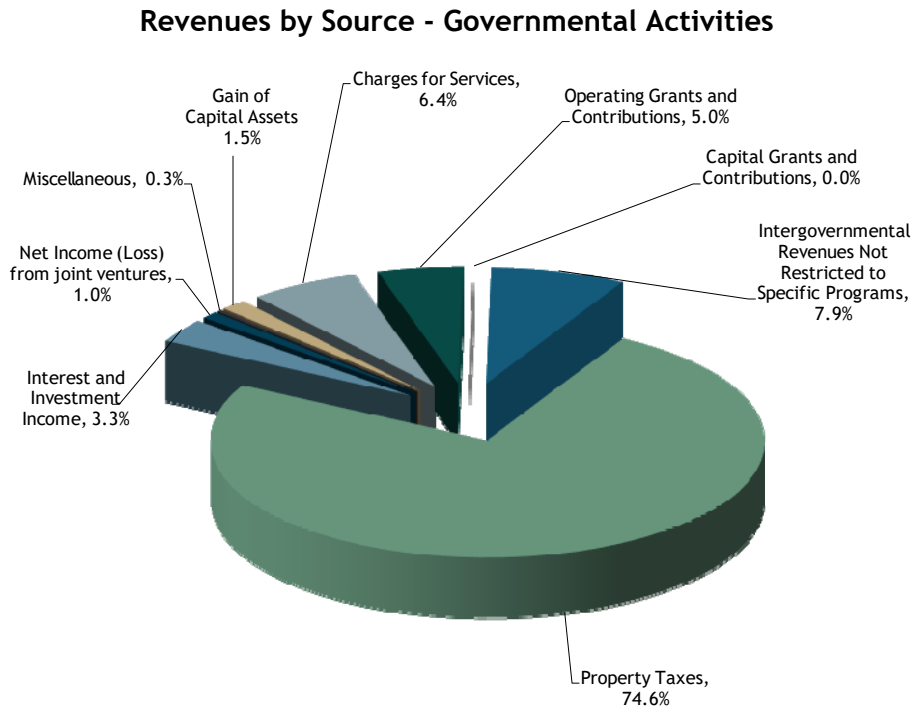
Expenses and Program Revenues - Governmental Activities



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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

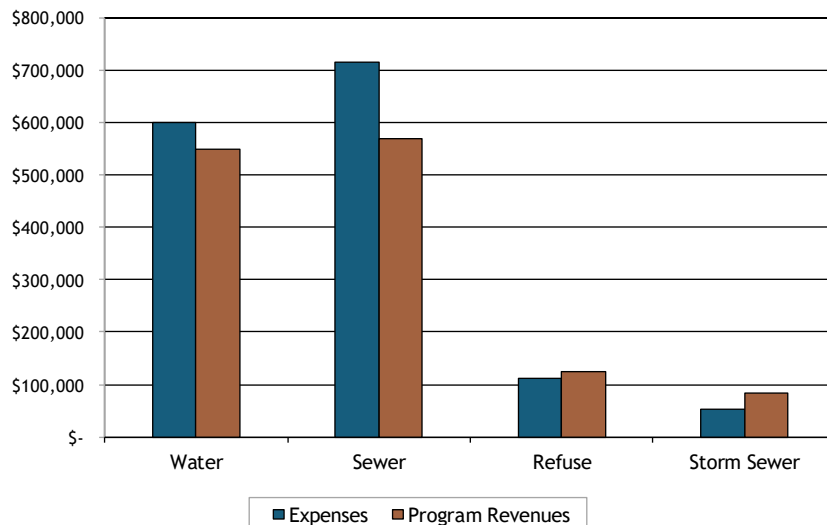
Governmental Activities (Continued).



Business-type Activities. Business-type activities decreased the City's net position by \$73,827.

- ◆ Decreases in net position in the Water Utility fund of \$26,230 and in the Sewer Fund of \$111,168 accounts for most of the decrease. The offsetting increase is due to Refuse of \$20,225 and Storm Sewer of \$43,346.

Expenses and Program Revenues - Business-type Activities

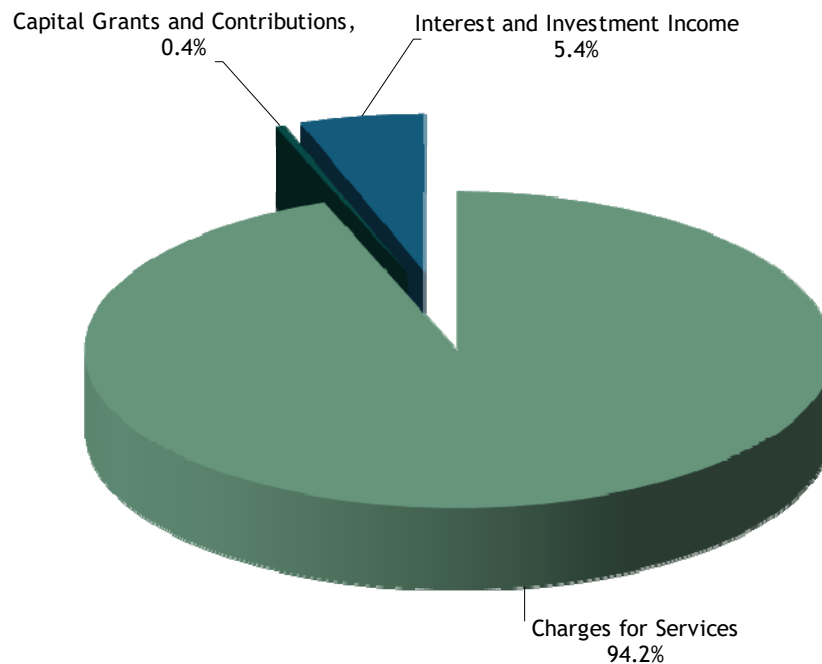


**City of Dundas
Management's Discussion and Analysis**

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 \$940,573. The City's General Fund balance increased \$89,435 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 64.0% of total 2023 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 2023. Fund balance increased \$89,435 from the prior year.

Overall revenues were over budget by \$65,367. The most significant positive revenue variance was from intergovernmental revenue, which was \$76,227 over budget. The most significant negative revenue variance was from licenses and permits, which were less than budget by \$39,554.

Overall expenditures were under budget by \$24,068. The most significant positive expenditure variance was from Public Works, which was \$58,457 under budget. The most significant negative expenditure variance was from the General Government, which was more than budget by \$69,654.

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, 2023, amounts to \$14,324,908 (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.

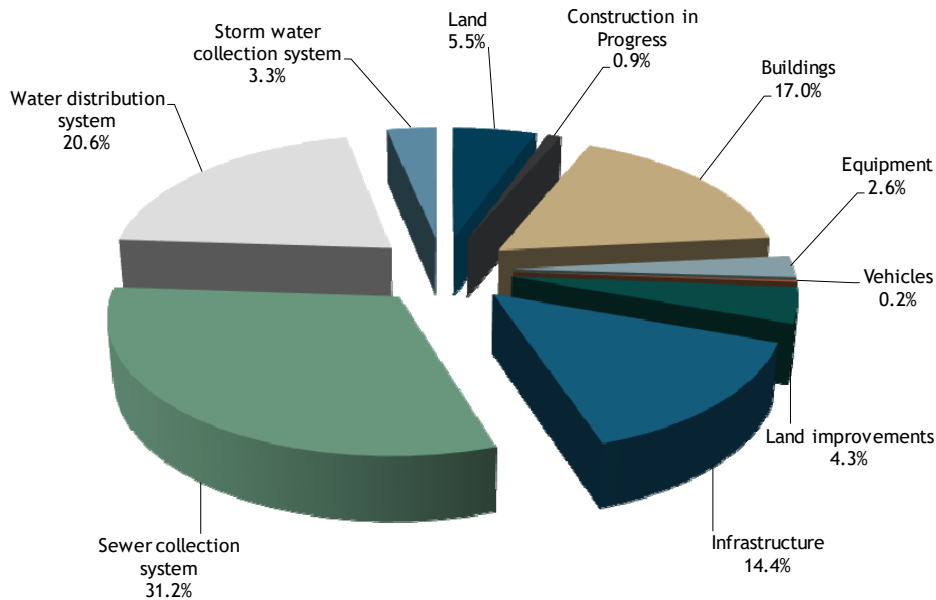
**City of Dundas' Capital Assets
(Net of Depreciation)**

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Land	\$ 569,853	\$ 558,674	\$ 11,179	\$ 223,396	\$ 223,396	\$ -
Construction in Progress	131,408	40,715	90,693	-	-	-
Buildings	2,435,856	2,525,427	(89,571)	-	-	-
Equipment	366,645	347,646	18,999	12,766	7,963	4,803
Vehicles	24,115	33,250	(9,135)	-	-	-
Land improvements	620,928	677,948	(57,020)	-	-	-
Infrastructure	2,056,030	2,147,595	(91,565)	-	-	-
Sewer collection system	-	-	-	4,454,886	4,703,324	(248,438)
Water distribution system	-	-	-	2,957,408	3,177,792	(220,384)
Storm water collection system	-	-	-	471,617	408,962	62,655
Total	\$ 6,204,835	\$ 6,331,255	\$ (126,420)	\$ 8,120,073	\$ 8,521,437	\$ (401,364)

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued).



Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$4,843,860. 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		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
General Obligation Improvement Bonds	\$3,185,000	\$3,390,000	\$ (205,000)	\$ -	\$ -	\$ -
General Obligation Revenue Bonds	-	-	-	1,615,000	1,905,000	(290,000)
Bond discounts	(13,213)	(14,598)	1,385	(5,685)	(6,929)	1,244
Bond premium	62,758	68,137	(5,379)	-	2,660	(2,660)
Total	\$3,234,545	\$3,443,539	\$ (208,994)	\$1,609,315	\$1,900,731	\$ (291,416)

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 5 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, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 1,633,270	\$ 2,165,907	\$ 3,799,177
Receivables			
Accounts	26,251	96,862	123,113
Interest	23,869	-	23,869
Delinquent property taxes	13,742	-	13,742
Delinquent special assessments	-	4,793	4,793
Deferred special assessments	23,121	33,861	56,982
Due from other governments	6,210	-	6,210
Prepaid items	26,867	9,738	36,605
Equity interest in joint venture	312,704	-	312,704
Capital assets (net of accumulated depreciation)			
Capital assets not being depreciated	701,261	223,396	924,657
Capital assets being depreciated	5,503,574	7,896,677	13,400,251
Total assets	<u>8,270,869</u>	<u>10,431,234</u>	<u>18,702,103</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	410,289	43,400	453,689
Total assets and deferred outflows of resources	<u>\$ 8,681,158</u>	<u>\$ 10,474,634</u>	<u>\$ 19,155,792</u>
Liabilities			
Accounts payable	\$ 24,395	\$ 15,684	\$ 40,079
Contracts payable	1,064	-	1,064
Due to other governments	793	20,240	21,033
Salaries and benefits payable	17,075	5,610	22,685
Deposits payable	39,312	-	39,312
Other accrued liabilities	25	1,166	1,191
Unearned revenue	-	173,541	173,541
Interest payable	37,682	12,956	50,638
Current portion of compensated absences	41,291	18,843	60,134
Noncurrent portion of compensated absences	61,936	28,264	90,200
Current portion of long-term debt	215,000	295,000	510,000
Noncurrent portion of long-term debt	3,019,545	1,314,315	4,333,860
Net pension liability	409,599	118,090	527,689
Total liabilities	<u>3,867,717</u>	<u>2,003,709</u>	<u>5,871,426</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	399,149	34,203	433,352
Net Position			
Net investment in capital assets	2,970,290	6,510,758	9,481,048
Restricted for debt service	108,679	-	108,679
Restricted for other purposes	78,296	-	78,296
Unrestricted	1,257,027	1,925,964	3,182,991
Total net position	<u>4,414,292</u>	<u>8,436,722</u>	<u>12,851,014</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,681,158</u>	<u>\$ 10,474,634</u>	<u>\$ 19,155,792</u>

See notes to basic financial statements.

City of Dundas
Statement of Activities
Year Ended December 31, 2023

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	\$ 701,341	\$ 28,174	\$ -	\$ -	\$ (673,167)	\$ -	\$ (673,167)
Public safety	649,392	93,890	102,166	-	(453,336)	-	(453,336)
Public works	341,366	5,752	-	-	(335,614)	-	(335,614)
Cultural and recreation	150,018	4,708	-	253	(145,057)	-	(145,057)
Economic development	21,981	-	-	-	(21,981)	-	(21,981)
Interest and fiscal charges	94,230	-	-	-	(94,230)	-	(94,230)
Total governmental activities	<u>1,958,328</u>	<u>132,524</u>	<u>102,166</u>	<u>253</u>	<u>(1,723,385)</u>	<u>-</u>	<u>(1,723,385)</u>
Business-type activities							
Water	598,528	547,647	-	-	-	(50,881)	(50,881)
Sewer	713,748	562,017	6,338	-	-	(145,393)	(145,393)
Refuse	110,926	125,811	-	-	-	14,885	14,885
Storm sewer	53,416	83,131	-	-	-	29,715	29,715
Total business-type activities	<u>1,476,618</u>	<u>1,318,606</u>	<u>6,338</u>	<u>-</u>	<u>-</u>	<u>(151,674)</u>	<u>(151,674)</u>
Total governmental and business-type activities	<u>\$ 3,434,946</u>	<u>\$ 1,451,130</u>	<u>\$ 108,504</u>	<u>\$ 253</u>	<u>(1,723,385)</u>	<u>(151,674)</u>	<u>(1,875,059)</u>
General revenues							
Property taxes					1,205,059	-	1,205,059
Property taxes levied for debt service					320,709	-	320,709
Franchise taxes					10,731	-	10,731
Intergovernmental revenues not restricted to specific programs					161,951	-	161,951
Interest and investment income					68,606	77,847	146,453
Miscellaneous					5,303	-	5,303
Net income (loss) from joint ventures					21,326	-	21,326
Gain on sale of capital assets					30,000	-	30,000
Total general revenues					<u>1,823,685</u>	<u>77,847</u>	<u>1,901,532</u>
Change in net position					100,300	(73,827)	26,473
Net position - beginning					<u>4,313,992</u>	<u>8,510,549</u>	<u>12,824,541</u>
Net position - ending					<u>\$ 4,414,292</u>	<u>\$ 8,436,722</u>	<u>\$ 12,851,014</u>

See notes to basic financial statements.

City of Dundas
Balance Sheet - Governmental Funds
December 31, 2023

	General Fund (101)	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 945,121	\$ 688,149	\$ 1,633,270
Receivables			
Accounts	6,323	19,928	26,251
Interest	23,869	-	23,869
Due from other funds	-	19,500	19,500
Delinquent property taxes	13,742	-	13,742
Deferred special assessments	23,121	-	23,121
Due from other governments	6,210	-	6,210
Prepaid items	26,867	-	26,867
Total assets	\$ 1,045,253	\$ 727,577	\$ 1,772,830
Liabilities			
Accounts payable	\$ 17,462	\$ 6,933	\$ 24,395
Contracts payable	-	1,064	1,064
Due to other governments	793	-	793
Salaries and benefits payable	16,762	313	17,075
Deposits payable	32,775	6,537	39,312
Other accrued liabilities	25	-	25
Due to other funds	-	19,500	19,500
Total liabilities	67,817	34,347	102,164
Deferred Inflows of Resources			
Unavailable revenue - property taxes	13,742	-	13,742
Unavailable revenue - special assessments	23,121	-	23,121
Total deferred inflows of resources	36,863	-	36,863
Fund Balances			
Nonspendable	26,867	-	26,867
Restricted	-	224,657	224,657
Assigned	-	479,862	479,862
Unassigned	913,706	(11,289)	902,417
Total fund balances	940,573	693,230	1,633,803
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,045,253	\$ 727,577	\$ 1,772,830

City of Dundas
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2023

Total fund balances - governmental funds	\$ 1,633,803
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	10,059,370
Less accumulated depreciation	(3,854,535)
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	(3,185,000)
Unamortized bond premiums and discounts	(49,545)
Compensated absences payable	(103,227)
Net pension liability	(409,599)
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	(399,149)
Deferred outflows of resources related to pensions	410,289
Governmental funds do not report an asset for equity interest in joint ventures.	312,704
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	13,742
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	23,121
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(37,682)</u>
Total net position - governmental activities	<u><u>\$ 4,414,292</u></u>

City of Dundas
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2023

	General Fund (101)	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 1,063,021	\$ 458,847	\$ 1,521,868
Licenses and permits	96,446	-	96,446
Intergovernmental	263,510	-	263,510
Charges for services	28,228	-	28,228
Fines and forfeitures	10,690	-	10,690
Miscellaneous			
Investment income	45,491	23,115	68,606
Other	10,294	8,182	18,476
Total revenues	<u>1,517,680</u>	<u>490,144</u>	<u>2,007,824</u>
Expenditures			
Current			
General government	471,757	-	471,757
Public safety	614,968	-	614,968
Public works	243,778	-	243,778
Cultural and recreation	94,808	-	94,808
Economic development	1,526	19,762	21,288
Debt service			
Principal	-	205,000	205,000
Interest	-	100,912	100,912
Capital outlay			
General government	88	11,179	11,267
Public safety	129	-	129
Public works	1,191	184,771	185,962
Cultural and recreation	-	60,160	60,160
Total expenditures	<u>1,428,245</u>	<u>581,784</u>	<u>2,010,029</u>
Excess of revenues over (under) expenditures	89,435	(91,640)	(2,205)
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	-	30,000	30,000
Transfers in	-	110,232	110,232
Transfers out	-	(110,232)	(110,232)
Total other financing sources (uses)	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Net change in fund balances	89,435	(61,640)	27,795
Fund Balances			
Beginning of year	<u>851,138</u>	<u>754,870</u>	<u>1,606,008</u>
End of year	<u>\$ 940,573</u>	<u>\$ 693,230</u>	<u>\$ 1,633,803</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, 2023

Net change in fund balances - total governmental funds:	\$	27,795
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>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.</p>		
Capital outlay		243,865
Depreciation expense		(368,499)
Loss on Disposal		(1,786)
<p>Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.</p>		
		12,669
<p>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.</p>		
Pension expense		(45,623)
<p>Governmental funds do not report income or loss in a joint venture.</p>		
		21,326
<p>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.</p>		
		205,000
<p>Interest on long-term debt in the Statement of Activities differs from the amount report in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		2,688
<p>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.</p>		
Amortization of bond premiums and discounts		3,994
<p>Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred special assessments		3,153
<p>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.</p>		
Delinquent property taxes		(4,282)
Change in net position of governmental activities	\$	100,300

City of Dundas
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2023

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 1,084,330	\$ 1,063,021	\$ (21,309)
Licenses and permits	136,000	96,446	(39,554)
Intergovernmental	187,283	263,510	76,227
Charges for services	33,700	28,228	(5,472)
Fines and forfeitures	10,000	10,690	690
Miscellaneous			
Investment income	1,000	45,491	44,491
Other	-	10,294	10,294
Total revenues	<u>1,452,313</u>	<u>1,517,680</u>	<u>65,367</u>
Expenditures			
Current			
General government	402,103	471,757	69,654
Public safety	625,500	614,968	(10,532)
Public works	302,235	243,778	(58,457)
Cultural and recreation	88,000	94,808	6,808
Economic development	-	1,526	1,526
Debt service			
Principal	23,995	-	(23,995)
Interest and other charges	480	-	(480)
Capital outlay			
General government	3,500	88	(3,412)
Public safety	4,000	129	(3,871)
Public works	2,500	1,191	(1,309)
Total expenditures	<u>1,452,313</u>	<u>1,428,245</u>	<u>(24,068)</u>
Net change in fund balance	<u>\$ -</u>	89,435	<u>\$ 89,435</u>
Fund Balance			
Beginning of year		<u>851,138</u>	
End of year		<u>\$ 940,573</u>	

City of Dundas
Statement of Net Position - Proprietary Funds
December 31, 2023

	Water Utility Fund (601)	Sewer Utility Fund (602)	Refuse Utility Fund (603)	Storm Water Utility Fund (225)	Total Proprietary Funds
Assets					
Current assets					
Cash and cash equivalents	\$ 751,348	\$ 876,417	\$ 153,237	\$ 384,905	\$ 2,165,907
Accounts receivable	32,458	48,603	12,870	2,931	96,862
Special assessment receivable					
Delinquent	719	696	276	3,102	4,793
Deferred	12,285	13,641	5,084	2,851	33,861
Prepaid items	5,856	3,869	-	13	9,738
Total current assets	<u>802,666</u>	<u>943,226</u>	<u>171,467</u>	<u>393,802</u>	<u>2,311,161</u>
Noncurrent assets					
Capital assets					
Land	147,273	76,123	-	-	223,396
Machinery and equipment	69,311	27,544	-	-	96,855
Infrastructure	7,542,344	9,542,531	-	750,594	17,835,469
Total capital assets	7,758,928	9,646,198	-	750,594	18,155,720
Less accumulated depreciation	(4,646,077)	(5,110,593)	-	(278,977)	(10,035,647)
Net capital assets	<u>3,112,851</u>	<u>4,535,605</u>	<u>-</u>	<u>471,617</u>	<u>8,120,073</u>
Deferred Outflows of Resources					
Deferred outflows of resources related to pension activity	23,953	16,719	-	2,728	43,400
Total assets and deferred outflows of resources	<u>\$ 3,939,470</u>	<u>\$ 5,495,550</u>	<u>\$ 171,467</u>	<u>\$ 868,147</u>	<u>\$ 10,474,634</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 2,172	\$ 4,671	\$ 8,841	\$ -	\$ 15,684
Due to other governments	-	20,240	-	-	20,240
Salaries and benefits payable	3,150	2,179	-	281	5,610
Interest payable	9,627	3,329	-	-	12,956
Unearned revenue	-	173,541	-	-	173,541
Other accrued liabilities	278	-	888	-	1,166
Current portion of compensated absences	10,905	7,409	-	529	18,843
Current portion of long-term debt	155,000	140,000	-	-	295,000
Total current liabilities	<u>181,132</u>	<u>351,369</u>	<u>9,729</u>	<u>810</u>	<u>543,040</u>
Noncurrent liabilities					
Noncurrent portion of compensated absences	16,358	11,113	-	793	28,264
Noncurrent portion of long-term debt	560,000	754,315	-	-	1,314,315
Net pension liability	65,174	45,493	-	7,423	118,090
Total noncurrent liabilities	<u>641,532</u>	<u>810,921</u>	<u>-</u>	<u>8,216</u>	<u>1,460,669</u>
Total liabilities	<u>822,664</u>	<u>1,162,290</u>	<u>9,729</u>	<u>9,026</u>	<u>2,003,709</u>
Deferred Inflows of Resources					
Deferred inflows of resources related to pension activity	18,877	13,176	-	2,150	34,203
Net Position					
Net investment in capital assets	2,397,851	3,641,290	-	471,617	6,510,758
Unrestricted	700,078	678,794	161,738	385,354	1,925,964
Total net position	<u>3,097,929</u>	<u>4,320,084</u>	<u>161,738</u>	<u>856,971</u>	<u>8,436,722</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,939,470</u>	<u>\$ 5,495,550</u>	<u>\$ 171,467</u>	<u>\$ 868,147</u>	<u>\$ 10,474,634</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, 2023

	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	\$ 469,334	\$ 538,729	\$ 125,811	\$ 83,131	\$ 1,217,005
Permits, hookup fees and penalties	-	4,183	-	-	4,183
Miscellaneous operating revenues	60,763	-	-	-	60,763
Total operating revenues	<u>530,097</u>	<u>542,912</u>	<u>125,811</u>	<u>83,131</u>	<u>1,281,951</u>
Operating Expenses					
Administrative	46,654	25,134	-	15,801	87,589
Maintenance and operations	301,072	412,938	110,926	19,736	844,672
Depreciation	228,333	250,644	-	17,879	496,856
Total operating expenses	<u>576,059</u>	<u>688,716</u>	<u>110,926</u>	<u>53,416</u>	<u>1,429,117</u>
Operating income (loss)	(45,962)	(145,804)	14,885	29,715	(147,166)
Nonoperating Revenues (Expenses)					
Investment income	24,651	34,225	5,340	13,631	77,847
Intergovernmental	-	6,338	-	-	6,338
Refunds and reimbursements	2,905	-	-	-	2,905
Connection charges	14,645	19,105	-	-	33,750
Interest expense	(22,469)	(25,032)	-	-	(47,501)
Total nonoperating revenues (expenses)	<u>19,732</u>	<u>34,636</u>	<u>5,340</u>	<u>13,631</u>	<u>73,339</u>
Change in net position	(26,230)	(111,168)	20,225	43,346	(73,827)
Net Position					
Beginning of year	<u>3,124,159</u>	<u>4,431,252</u>	<u>141,513</u>	<u>813,625</u>	<u>8,510,549</u>
End of year	<u>\$ 3,097,929</u>	<u>\$ 4,320,084</u>	<u>\$ 161,738</u>	<u>\$ 856,971</u>	<u>\$ 8,436,722</u>

City of Dundas
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2023

	Water Utility Fund (601)	Sewer Utility Fund (602)	Refuse Utility Fund (603)
Cash Flows - Operating Activities			
Receipts from customers and users	\$ 530,408	\$ 536,719	\$ 125,432
Payments to suppliers	(265,967)	(358,722)	(110,295)
Payments to employees	(127,882)	(90,190)	-
Net cash flows - operating activities	<u>136,559</u>	<u>87,807</u>	<u>15,137</u>
Cash Flows - Noncapital Financing Activities			
Refunds and reimbursements	<u>2,905</u>	<u>-</u>	<u>-</u>
Cash Flows - Capital and Related Financing Activities			
Principal paid on debt	(150,000)	(140,000)	-
Interest paid on debt	(25,980)	(25,195)	-
Special assessments	(4,764)	(3,046)	(753)
Connection charges	14,645	19,105	-
Acquisition of capital assets	(14,958)	-	-
Net cash flows - capital and related financing activities	<u>(181,057)</u>	<u>(149,136)</u>	<u>(753)</u>
Cash Flows - Investing Activities			
Interest and dividends received	<u>24,651</u>	<u>34,225</u>	<u>5,340</u>
Net change in cash and cash equivalents	(16,942)	(27,104)	19,724
Cash and Cash Equivalents			
January 1	<u>768,290</u>	<u>903,521</u>	<u>133,513</u>
December 31	<u>\$ 751,348</u>	<u>\$ 876,417</u>	<u>\$ 153,237</u>
Reconciliation of Operating Gain (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	\$ (45,962)	\$ (145,804)	\$ 14,885
Adjustments to reconcile operating gain (loss) to net cash flows			
Operating activities:			
Depreciation expense	228,333	250,644	-
Pension related activity	15,227	10,424	-
Accounts receivable	311	(6,193)	(379)
Prepaid items	(987)	(1,010)	-
Accounts payable	(51,650)	1,621	624
Due to other governmental units	(1,449)	(16,622)	(881)
Salaries payable	879	596	-
Compensated absences payable	(8,421)	(5,849)	-
Total adjustments	<u>182,521</u>	<u>233,611</u>	<u>252</u>
Net cash flows - operating activities	<u>\$ 136,559</u>	<u>\$ 87,807</u>	<u>\$ 15,137</u>

Storm Water Utility Fund (225)	Total Proprietary Funds
\$ 83,261	\$ 1,275,820
(16,916)	(751,900)
(31,370)	(249,442)
34,975	274,478

-	2,905
---	-------

-	(290,000)
13,631	(37,544)
(327)	(8,890)
-	33,750
(80,534)	(95,492)
(67,230)	(398,176)

-	64,216
---	--------

(32,255)	(56,577)
----------	----------

417,160	2,222,484
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\$ 384,905	\$ 2,165,907
------------	--------------

\$ 29,715	\$ (147,166)
-----------	--------------

17,879	496,856
(4,653)	20,998
130	(6,131)
20	(1,977)
(7,256)	(56,661)
-	(18,952)
28	1,503
(888)	(15,158)
5,260	421,644

\$ 34,975	\$ 274,478
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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 2023 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 Fund:

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.

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.

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.

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)

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.

Certain investments for the City are reported at fair value as disclosed in NOTE 4. 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.

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)**

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.

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.

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)

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.

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

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)

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 assets 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.

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 assets 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.

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)**

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.

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.

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)

a. Classification (Continued)

- ◆ Committed Fund Balances - These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by formal action of the City Council and that remain binding unless removed by the City Council by subsequent formal action.
- ◆ Assigned Fund Balances - These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted, or committed. The City Council has delegated authority to assign and remove fund balance assignments to the Finance Director.
- ◆ Unassigned Fund Balance - These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

b. Minimum Fund Balance

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

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.

**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

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:

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

A. Deficit Fund Balances

The following Funds had deficit fund balances at December 31, 2023:

Nonmmajor governmental funds

General Government Capital Outlay Fund	\$	11,179
Street Improvement Capital Outlay Fund		110

City of Dundas
Notes to Basic Financial Statements

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, 2023, the City's bank balances of \$1,014,836 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, 2023, was as follows:

Checking accounts	<u><u>\$ 981,088</u></u>
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B. Investments

Investment Type	Fair Value	Investment Maturities	
		Less than 1 Year	1-5 Years
Money market mutual funds	\$ 1,874,289	\$ 1,874,289	\$ -
Brokered certificates of deposit	943,700	712,800	230,900
Total	<u><u>\$ 2,817,989</u></u>	<u><u>\$ 2,587,089</u></u>	<u><u>\$ 230,900</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 - Financial Federal Bank, 4M - Global Bank, 4M - Eagle Bank, 4M - Modern Bank, National Association.

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.

City of Dundas
Notes to Basic Financial Statements

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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, 2023:

- ◆ Investments are presented at cost or net asset value.

C. Deposits and Investments

Summary of cash deposits and investments as of December 31, 2023, were as follows:

Deposits (Note 3.A.)	\$ 981,088
Investments (Note 3.B.)	2,817,989
Petty Cash	100
Total	\$ 3,799,177

Deposits and investments are presented in the December 31, 2023, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 3,799,177

NOTE 4 - INTERFUND ACTIVITY

A. Interfund Assets/Liabilities

At December 31, 2023, due from/to other funds for the City were as follows:

Fund Type and Fund	Due from Other Funds	Due to Other Funds
Other nonmajor governmental funds	\$ 19,500	\$ 19,500

City of Dundas
Notes to Basic Financial Statements

NOTE 4 - INTERFUND ACTIVITY (CONTINUED)

The amounts due to the Parks and Recreation Capital Outlay Fund represent amounts to cover deficit cash balances at year end.

B. Interfund Transfers

Transfers during the year ended December 31, 2023, were as follows:

Transfer In	Transfer Out	Amount
Other nonmajor governmental funds	Other nonmajor governmental funds	\$ 110,232

The transfers out were made from the Parks and Recreation Capital Outlay Fund for capital improvement purchases and to close the Capital Improvements Fund.

City of Dundas
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 558,674	\$ 11,179	\$ -	\$ 569,853
Construction in progress	40,715	153,894	63,201	131,408
Total capital assets not being depreciated	<u>599,389</u>	<u>165,073</u>	<u>63,201</u>	<u>701,261</u>
Capital assets being depreciated				
Buildings	3,304,699	-	-	3,304,699
Equipment	579,162	78,792	49,778	608,176
Vehicles	190,888	-	15,185	175,703
Land improvements	974,327	-	-	974,327
Infrastructure	4,232,003	63,201	-	4,295,204
Total capital assets being depreciated	<u>9,281,079</u>	<u>141,993</u>	<u>64,963</u>	<u>9,358,109</u>
Less accumulated depreciation for				
Buildings	779,272	89,571	-	868,843
Equipment	231,516	58,549	48,534	241,531
Vehicles	157,638	8,593	14,643	151,588
Land improvements	296,379	57,020	-	353,399
Infrastructure	2,084,408	154,766	-	2,239,174
Total accumulated depreciation	<u>3,549,213</u>	<u>368,499</u>	<u>63,177</u>	<u>3,854,535</u>
Total capital assets being depreciated, net	<u>5,731,866</u>	<u>(226,506)</u>	<u>1,786</u>	<u>5,503,574</u>
Governmental activities capital assets, net	<u>\$ 6,331,255</u>	<u>\$ (61,433)</u>	<u>\$ 64,987</u>	<u>\$ 6,204,835</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	7,542,344	-	-	7,542,344
Storm water collection system	670,060	80,534	-	750,594
Equipment	61,437	14,958	-	76,395
Software	20,460	-	-	20,460
Total capital assets being depreciated	<u>17,836,832</u>	<u>95,492</u>	<u>-</u>	<u>17,932,324</u>
Less accumulated depreciation for				
Sewer collection system	4,839,207	248,438	-	5,087,645
Water distribution system	4,364,552	220,384	-	4,584,936
Storm water collection system	261,098	17,879	-	278,977
Equipment	53,474	10,155	-	63,629
Software	20,460	-	-	20,460
Total accumulated depreciation	<u>9,538,791</u>	<u>496,856</u>	<u>-</u>	<u>10,035,647</u>
Total capital assets being depreciated, net	<u>8,298,041</u>	<u>(401,364)</u>	<u>-</u>	<u>7,896,677</u>
Business-type activities capital assets, net	<u>\$ 8,521,437</u>	<u>\$ (401,364)</u>	<u>\$ -</u>	<u>\$ 8,120,073</u>

City of Dundas
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	\$ 225,404
Public safety	8,593
Public works	72,286
Cultural and recreation	<u>62,216</u>
Total depreciation expense - governmental activities	<u>\$ 368,499</u>
Business-type activities	
Water	\$ 228,333
Sewer	250,644
Storm water	<u>17,879</u>
Total depreciation expense - business-type activities	<u>\$ 496,856</u>

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.

City of Dundas
Notes to Basic Financial Statements

NOTE 6 - LONG-TERM DEBT (CONTINUED)

B. Components of Long-Term Liabilities

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>12/31/23 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	\$ 340,000	\$ 50,000
2013A Street Reconstruction Bonds	9/4/2013	2.00-3.00%	545,000	2/1/2029	250,000	40,000
2018A Bonds	8/9/2018	3.00-4.00%	810,000	2/1/2039	700,000	35,000
2020A CIP Bonds	1/16/2020	2.00-3.00%	2,145,000	2/1/2040	1,895,000	90,000
Bond discounts					(13,213)	-
Bond premium					62,758	-
Compensated absences					103,227	41,291
Total governmental activities					<u>3,337,772</u>	<u>256,291</u>
Business-Type activities						
General obligation revenue bonds						
2013A Refunding Bonds	9/1/2013	2.00-3.25%	2,355,000	2/1/2026	435,000	140,000
2014A Refunding Bonds	12/11/2014	0.40-3.25%	845,000	12/1/2024	90,000	90,000
2016A Sewer Revenue Bonds	9/4/2013	0.90-2.85%	1,100,000	11/1/2037	810,000	50,000
2018A Bonds	8/9/2018	3.00-4.00%	810,000	2/1/2039	280,000	15,000
Bond discounts					(5,685)	-
Compensated absences					47,107	18,843
Total business-type activities					<u>1,656,422</u>	<u>313,843</u>
Total long-term liabilities					<u>\$4,994,194</u>	<u>\$ 570,134</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, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
General obligation improvement bonds				
2013A CIP Bonds	\$ 390,000	\$ -	\$ (50,000)	\$ 340,000
2013A Street Reconstruction Bonds	290,000	-	(40,000)	250,000
2018A Bonds	730,000	-	(30,000)	700,000
2020A CIP Bonds	1,980,000	-	(85,000)	1,895,000
Bond discounts	(14,598)	-	1,385	(13,213)
Bond premium	68,137	-	(5,379)	62,758
Compensated absences	115,896	17,983	(30,652)	103,227
Total governmental activities	<u>3,559,435</u>	<u>17,983</u>	<u>(239,646)</u>	<u>3,337,772</u>
Business-type activities				
General obligation revenue bonds				
2013A Refunding Bonds	570,000	-	(135,000)	435,000
2014A Refunding Bonds	180,000	-	(90,000)	90,000
2016A Sewer Revenue Bonds	860,000	-	(50,000)	810,000
2018A Bonds	295,000	-	(15,000)	280,000
Bond discounts	(6,929)	-	1,244	(5,685)
Bond premium	2,660	-	(2,660)	-
Compensated absences	62,266	537	(15,696)	47,107
Total business-type activities	<u>1,962,997</u>	<u>537</u>	<u>(307,112)</u>	<u>1,656,422</u>
Total long-term liabilities	<u>\$ 5,522,432</u>	<u>\$ 18,520</u>	<u>\$ (546,758)</u>	<u>\$ 4,994,194</u>

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

City of Dundas
Notes to Basic Financial Statements

NOTE 6 - LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>G.O. Bonds</u>		<u>G.O. Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	240,000	64,849	70,000	23,875
2028	245,000	56,456	70,000	22,230
2029-2033	860,000	196,591	375,000	85,423
2034-2038	855,000	95,994	360,000	30,613
2039-2040	315,000	7,203	20,000	340
Total	<u>\$ 3,185,000</u>	<u>\$ 660,983</u>	<u>\$ 1,615,000</u>	<u>\$ 266,019</u>

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.

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable			
Prepaid items	\$ 26,867	\$ -	\$ 26,867
Restricted			
Debt service	-	146,361	146,361
Capital asset purchases	-	37,268	37,268
Economic development	-	41,028	41,028
Assigned			
Developer escrow	-	4,029	4,029
Public safety capital asset acquisition	-	46,495	46,495
Public works capital asset acquisition	-	140,612	140,612
Parks and recreation capital asset acquisition	-	288,726	288,726
Unassigned	<u>913,706</u>	<u>(11,289)</u>	<u>902,417</u>
Total fund balance	<u>\$ 940,573</u>	<u>\$ 693,230</u>	<u>\$ 1,633,803</u>

City of Dundas
Notes to Basic Financial Statements

NOTE 7 - FUND BALANCES/NET POSITION (CONTINUED)

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.

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, 2023, 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, 2023, was \$133,623. 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.

City of Dundas
Notes to Basic Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

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.

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.

City of Dundas
Notes to Basic Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 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, 2023, were \$32,033. 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 2023 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, 2023, were \$34,347. 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, 2023, the City reported a liability of \$318,738 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 \$8,851.

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)

The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0057% at the end of the measurement period and 0.0054% for the beginning of the period.

City's proportionate share of net pension liability	\$	318,738
State of Minnesota's proportionate share of the net pension liability associated with the City		8,851
Total	\$	327,589

For the year ended December 31, 2023, the City recognized pension expense of \$69,865 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$40 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, 2023, 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	\$ 10,335	\$ 1,849
Net collective difference between projected and actual investment earnings	-	3,105
Changes in proportion	47,120	-
Changes in actuarial assumptions	43,669	87,363
Contributions paid to PERA subsequent to the measurement date	16,017	-
Total	\$ 117,141	\$ 92,317

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)

The \$16,017 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, 2024. 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
2024	\$ 33,103
2025	(28,615)
2026	11,233
2027	(6,914)
Total	\$ 8,807

Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$208,951 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0121% at the end of the measurement period and 0.0114% 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, 2023. The contribution consisted of \$9 million in direct state aid that meets 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, 2022. 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. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$8,425.

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)

City's proportionate share of the net pension liability	\$	208,951
State of Minnesota's proportionate share of the net pension liability associated with the City		8,425
Total		\$ 217,376

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, 2023, the City recognized pension expense of \$63,758 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$(507) 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 \$1,089 for the year ended December 31, 2023, 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, 2023, 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.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 57,349	\$ -
Net difference between projected and actual investment earnings	-	18,007
Changes in proportion	26,095	28,878
Changes in actuarial assumptions	235,930	294,150
Contributions paid to PERA subsequent to the measurement date	<u>17,174</u>	<u>-</u>
Total	<u>\$ 336,548</u>	<u>\$ 341,035</u>

The \$17,174 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2024	\$ (135)
2025	(8,850)
2026	46,923
2027	(12,832)
2028	<u>(46,767)</u>
Total	<u>\$ (21,661)</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>Expected Real</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
	<hr/>	
Total	100.0 %	
	<hr/> <hr/>	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, 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 7.0%. 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 7.0% 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 Plan and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. 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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, 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 2022:

General Employees Fund

Changes in Actuarial Assumptions

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- ◆ An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- ◆ The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- ◆ The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- ◆ A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.
- ◆ The single discount rate changed from 5.4% to 7.0%.

Changes in Plan Provisions

- ◆ Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- ◆ Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- ◆ A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- ◆ Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- ◆ The total and permanent duty disability benefit was increased, effective July 1, 2023.

City of Dundas
Notes to Basic Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0%. 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 and Police and Fire Plans 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 (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the General Employees Fund net pension liability	\$ 563,872	\$ 318,738	\$ 117,105
	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 414,584	\$ 208,951	\$ 39,893

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0040%	\$ 307,301	\$ -	\$ 307,301	\$ 235,811	130.32%	78.19%
2016	0.0038%	308,541	4,082	312,623	242,335	127.32%	68.91%
2017	0.0380%	242,589	3,052	245,641	244,996	99.02%	75.90%
2018	0.0037%	205,261	6,695	211,956	250,027	82.10%	79.53%
2019	0.0039%	215,622	6,666	222,288	273,080	78.96%	80.23%
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%
2022	0.0054%	427,682	12,407	440,089	403,787	105.92%	76.67%
2023	0.0057%	318,738	8,851	327,589	453,693	70.25%	83.10%

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	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	0.0150%	\$ 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%
2022	0.0114%	496,083	21,675	517,758	138,282	358.75%	70.53%
2023	0.0121%	208,951	8,425	217,376	159,503	131.00%	86.47%

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*

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
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%
2022	33,700	33,700	-	449,333	7.50%
2023	32,033	32,033	-	427,107	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*

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
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%
2022	24,897	24,897	-	140,661	17.70%
2023	34,347	34,347	-	194,051	17.70%

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

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City of Dundas
Notes to Required Supplementary Information

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- ◆ An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- ◆ The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- ◆ The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- ◆ A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

- ◆ The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

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.

City of Dundas
Notes to Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ 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.

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.

City of Dundas
Notes to Required Supplementary Information

General Employees Fund (Continued)

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.

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

2023 Changes

Changes in Actuarial Assumptions

- ◆ The investment return assumption was changed from 6.5% to 7.0%.
- ◆ The single discount rate changed from 5.4% to 7.0%.

Changes in Plan Provisions

- ◆ Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- ◆ Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- ◆ A one-time, non-compounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- ◆ Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- ◆ The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 Changes

Changes in Actuarial Assumptions

- ◆ The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- ◆ The single discount rate was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

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.

City of Dundas
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2021 Changes (Continued)

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.

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.

City of Dundas
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ 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.

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 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 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%.

SUPPLEMENTARY INFORMATION

City of Dundas
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2023

	Special Revenue			Debt Service
	Gambling Fund (201)	Economic Development (235)	Total Special Revenue Funds	G.O. Improvement Bonds 2013A Fund (300)
Assets				
Cash and investments	\$ 37,268	\$ 45,941	\$ 83,209	\$ 116,061
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
	\$ 37,268	\$ 45,941	\$ 83,209	\$ 116,061
Liabilities				
Accounts payable	\$ -	\$ 4,600	\$ 4,600	\$ -
Contracts payable	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Salaries and benefits payable	-	313	313	-
Total liabilities	-	4,913	4,913	-
Fund Balances				
Restricted	37,268	41,028	78,296	116,061
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	37,268	41,028	78,296	116,061
Total liabilities and fund balances	\$ 37,268	\$ 45,941	\$ 83,209	\$ 116,061

Debt Service			Capital Projects			
G.O. Improvement Bonds 2018A (304)	G.O. Improvement Bonds 2020A (305)	Total Debt Service Funds	Capital Improvements Fund (246,401)	Public Works Capital Outlay Fund (410)	General Government Capital Outlay Fund (413)	Street Improvement Capital Outlay Fund (415)
\$ 6,250	\$ 24,050	\$ 146,361	\$ -	\$ 141,871	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 6,250</u>	<u>\$ 24,050</u>	<u>\$ 146,361</u>	<u>\$ -</u>	<u>\$ 141,871</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 195	\$ -	\$ 110
-	-	-	-	1,064	-	-
-	-	-	-	-	-	-
-	-	-	-	-	11,179	-
-	-	-	-	-	-	-
-	-	-	-	<u>1,259</u>	<u>11,179</u>	<u>110</u>
6,250	24,050	146,361	-	-	-	-
-	-	-	-	140,612	-	-
-	-	-	-	-	(11,179)	(110)
<u>6,250</u>	<u>24,050</u>	<u>146,361</u>	<u>-</u>	<u>140,612</u>	<u>(11,179)</u>	<u>(110)</u>
<u>\$ 6,250</u>	<u>\$ 24,050</u>	<u>\$ 146,361</u>	<u>\$ -</u>	<u>\$ 141,871</u>	<u>\$ -</u>	<u>\$ -</u>

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City of Dundas
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2023

	Capital Projects				Total Nonmajor Governmental Funds
	Public Safety Capital Outlay Fund (425)	Parks and Recreation Capital Outlay Fund (426)	Escrow Deposits (430)	Total Capital Project Funds	
Assets					
Cash and investments	\$ 46,495	\$ 270,213	\$ -	\$ 458,579	\$ 688,149
Accounts receivable	-	-	19,928	19,928	19,928
Due from other funds	-	19,500	-	19,500	19,500
Total assets	<u>\$ 46,495</u>	<u>\$ 289,713</u>	<u>\$ 19,928</u>	<u>\$ 498,007</u>	<u>\$ 727,577</u>
Liabilities					
Accounts payable	\$ -	\$ 987	\$ 1,041	\$ 2,333	\$ 6,933
Contracts payable	-	-	-	1,064	1,064
Deposits payable	-	-	6,537	6,537	6,537
Due to other funds	-	-	8,321	19,500	19,500
Salaries and benefits payable	-	-	-	-	313
Total liabilities	<u>-</u>	<u>987</u>	<u>15,899</u>	<u>29,434</u>	<u>34,347</u>
Fund Balances					
Restricted	-	-	-	-	224,657
Assigned	46,495	288,726	4,029	479,862	479,862
Unassigned	-	-	-	(11,289)	(11,289)
Total fund balances	<u>46,495</u>	<u>288,726</u>	<u>4,029</u>	<u>468,573</u>	<u>693,230</u>
Total liabilities and fund balances	<u>\$ 46,495</u>	<u>\$ 289,713</u>	<u>\$ 19,928</u>	<u>\$ 498,007</u>	<u>\$ 727,577</u>

City of Dundas
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2023

	Special Revenue			Debt Service
	Gambling Fund (201)	Economic Development (235)	Total Special Revenue Funds	GO Improvement Bonds 2013A Fund (300)
Revenues				
Property taxes	\$ -	\$ 38,527	\$ 38,527	\$ 115,613
Miscellaneous				
Investment income	1,327	1,022	2,349	1,850
Other	8,182	-	8,182	-
Total revenues	9,509	39,549	49,058	117,463
Expenditures				
Current				
Economic development	-	19,762	19,762	-
Debt service				
Principal	-	-	-	90,000
Interest and other charges	-	-	-	24,558
Capital outlay				
General government	-	-	-	-
Public works	-	-	-	-
Cultural and recreation	-	-	-	-
Total expenditures	-	19,762	19,762	114,558
Excess of revenues over (under) expenditures	9,509	19,787	29,296	2,905
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	9,509	19,787	29,296	2,905
Fund Balances				
Beginning of year	27,759	21,241	49,000	113,156
End of year	\$ 37,268	\$ 41,028	\$ 78,296	\$ 116,061

Debt Service			Capital Projects			
GO Improvement Bonds 2018A (304)	GO Improvement Bonds 2020A (305)	Total Debt Service Funds	Capital Improvements Fund (246,401)	Public Works Capital Outlay Fund (410)	General Government Capital Outlay Fund (413)	Street Improvement Capital Outlay Fund (415)
\$ 62,171	\$ 142,925	\$ 320,709	\$ -	\$ 46,351	\$ -	\$ -
18	62	1,930	-	5,551	-	-
-	-	-	-	-	-	-
<u>62,189</u>	<u>142,987</u>	<u>322,639</u>	<u>-</u>	<u>51,902</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
30,000	85,000	205,000	-	-	-	-
28,460	47,894	100,912	-	-	-	-
-	-	-	-	-	11,179	-
-	-	-	-	184,661	-	110
-	-	-	-	-	-	-
<u>58,460</u>	<u>132,894</u>	<u>305,912</u>	<u>-</u>	<u>184,661</u>	<u>11,179</u>	<u>110</u>
3,729	10,093	16,727	-	(132,759)	(11,179)	(110)
-	-	-	-	30,000	-	-
-	-	-	-	109,615	-	-
-	-	-	(1,233)	-	-	-
-	-	-	<u>(1,233)</u>	<u>139,615</u>	<u>-</u>	<u>-</u>
3,729	10,093	16,727	(1,233)	6,856	(11,179)	(110)
2,521	13,957	129,634	1,233	133,756	-	-
<u>\$ 6,250</u>	<u>\$ 24,050</u>	<u>\$ 146,361</u>	<u>\$ -</u>	<u>\$ 140,612</u>	<u>\$ (11,179)</u>	<u>\$ (110)</u>

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City of Dundas
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2023

	Capital Projects			Total Capital Project Funds	Nonmajor Governmental Funds
	Public Safety Capital Outlay Fund (425)	Parks and Recreation Capital Outlay Fund (426)	Escrow Deposits (430)		
Revenues					
Property taxes	\$ 13,260	\$ 40,000	\$ -	\$ 99,611	\$ 458,847
Miscellaneous					
Investment income	1,379	11,906	-	18,836	23,115
Other	-	-	-	-	8,182
Total revenues	<u>14,639</u>	<u>51,906</u>	<u>-</u>	<u>118,447</u>	<u>490,144</u>
Expenditures					
Current					
Economic development	-	-	-	-	19,762
Debt service					
Principal	-	-	-	-	205,000
Interest and other charges	-	-	-	-	100,912
Capital outlay					
General government	-	-	-	11,179	11,179
Public works	-	-	-	184,771	184,771
Parks and recreation	-	60,160	-	60,160	60,160
Total expenditures	<u>-</u>	<u>60,160</u>	<u>-</u>	<u>256,110</u>	<u>581,784</u>
Excess of revenues over (under) expenditures	14,639	(8,254)	-	(137,663)	(91,640)
Other Financing Sources (Uses)					
Proceeds from sale of capital asset	-	-	-	30,000	30,000
Transfers in	-	617	-	110,232	110,232
Transfers out	-	(108,999)	-	(110,232)	(110,232)
Total other financing sources (uses)	<u>-</u>	<u>(108,382)</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Net change in fund balances	14,639	(116,636)	-	(107,663)	(61,640)
Fund Balances					
Beginning of year	<u>31,856</u>	<u>405,362</u>	<u>4,029</u>	<u>576,236</u>	<u>754,870</u>
End of year	<u>\$ 46,495</u>	<u>\$ 288,726</u>	<u>\$ 4,029</u>	<u>\$ 468,573</u>	<u>\$ 693,230</u>

City of Dundas
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2023

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final		
Revenues			
Taxes			
Property taxes	\$ 1,084,330	\$ 1,063,021	\$ (21,309)
Licenses and permits			
Building and plan fees	123,000	77,961	(45,039)
Alcoholic beverages	10,000	14,235	4,235
Other	3,000	4,250	1,250
Total licenses and permits	<u>136,000</u>	<u>96,446</u>	<u>(39,554)</u>
Intergovernmental revenue			
Local government aids	160,833	160,833	-
Market value credit	450	511	61
Public safety grants and aids	26,000	102,166	76,166
Total intergovernmental revenue	<u>187,283</u>	<u>263,510</u>	<u>76,227</u>
Charges for services			
Park	2,500	4,708	2,208
Zoning and subdivision	10,000	-	(10,000)
Rents	4,200	3,850	(350)
Other	17,000	19,670	2,670
Total charges for services	<u>33,700</u>	<u>28,228</u>	<u>(5,472)</u>
Fines and forfeitures	10,000	10,690	690
Miscellaneous revenues			
Investment income	1,000	45,491	44,491
Contributions and donations	-	253	253
Other	-	10,041	10,041
Total miscellaneous revenues	<u>1,000</u>	<u>55,785</u>	<u>54,785</u>
Total revenues	<u>1,452,313</u>	<u>1,517,680</u>	<u>65,367</u>
Expenditures			
General government			
Administration			
Current	282,133	341,484	59,351
Capital outlay	3,500	88	(3,412)
Total administrative	<u>285,633</u>	<u>341,572</u>	<u>55,939</u>
Council and elections			
Current	30,030	30,359	329
Planning and zoning			
Current	89,940	99,914	9,974
Total general government	<u>405,603</u>	<u>471,845</u>	<u>66,242</u>

City of Dundas
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2023

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
	Original and Final		
Expenditures (Continued)			
Public safety			
Police			
Current	\$ 442,105	\$ 447,792	\$ 5,687
Capital outlay	4,000	129	(3,871)
Total police	<u>446,105</u>	<u>447,921</u>	<u>1,816</u>
Fire			
Current	72,000	72,478	478
Animal control			
Current	500	-	(500)
Building and inspections			
Current	110,595	94,698	(15,897)
Civil defense			
Current	300	-	(300)
Total public safety	<u>629,500</u>	<u>615,097</u>	<u>(14,403)</u>
Public works			
Streets and highways			
Current	272,235	216,867	(55,368)
Capital outlay	2,500	1,191	(1,309)
Total streets and highways	<u>274,735</u>	<u>218,058</u>	<u>(56,677)</u>
Street lighting			
Current	30,000	26,911	(3,089)
Total public works	<u>304,735</u>	<u>244,969</u>	<u>(59,766)</u>
Cultural and recreation			
Current	88,000	94,808	6,808
Economic development			
Current	-	1,526	1,526
Debt service			
Principal	23,995	-	(23,995)
Interest and other charges	480	-	(480)
Total debt service	<u>24,475</u>	<u>-</u>	<u>(24,475)</u>
Total expenditures	<u>1,452,313</u>	<u>1,428,245</u>	<u>(24,068)</u>
Net change in fund balance	<u>\$ -</u>	<u>89,435</u>	<u>\$ (255,269)</u>
Fund Balance			
Beginning of year		<u>851,138</u>	
End of year		<u>\$ 940,573</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, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 1, 2024.

Report on 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.

Report on 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 1, 2024



Minnesota Legal Compliance

Independent Auditor's Report

Honorable Mayor and Members
of the City Council

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, 2023, and the related notes to financial statements, and have issued our report thereon dated April 1, 2024.

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 - bid laws, depositories of public funds and public 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, insofar as they relate to accounting matters.

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 1, 2024