

**City of Dayton
Hennepin County and
Wright County, Minnesota**

Basic Financial Statements

December 31, 2022

CITY OF DAYTON
Table of Contents

Elected Officials and Administration	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet to the Statement of Net Position	
– Governmental Funds	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	
– Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances to the Statement of Activities – Governmental Funds	23
Statement of Revenues, Expenditures, and Changes in Fund Balance	
– Budget and Actual – General Fund	24
Statement of Net Position – Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Net Position	
– Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27
Notes to Basic Financial Statements	29
Required Supplementary Information	
Schedule of City's Proportionate Share of Net Pension Liability General	
Employees Retirement Fund	64
Schedule of City's Proportionate Share of Net Pension Liability Public	
Employees Police and Fire Retirement Fund	64
Schedule of City Contributions General Employees Retirement Fund	65
Schedule of City Contributions Public Employees Police and Fire Retirement Fund	65
Schedule of City Contributions and Non Employer Contributing Entities	
– Fire Relief Association	66
Schedule of Changes in the Net Pension Liability and Related Ratios	
– Fire Relief Association	68
Notes to Required Supplementary Information	70
Supplementary Information	
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance	
– Budget and Actual – General Fund	78
Combining Balance Sheet – Nonmajor Governmental Funds	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
– Nonmajor Governmental Funds	86

CITY OF DAYTON
Table of Contents

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	93
Minnesota Legal Compliance	95
Schedule of Findings on Internal Control	96

CITY OF DAYTON
Elected Officials and Administration
December 31, 2022

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Dennis Fisher	Mayor	December 31, 2024
Travis Henderson	Council Member	December 31, 2024
Julie Gustafson	Council Member	December 31, 2022
Scott Salonek	Council Member	December 31, 2026
David Fashant	Council Member	December 31, 2026
<u>Administration</u>		
Zachary Doud	Finance Director/Interim City Administrator	
Amy Benting	Assistant City Administrator/City Clerk	
Brandi Szenay	Utility Billing Coordinator	

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Dayton
Dayton, 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 Dayton, Minnesota, as of and for the year ended December 31, 2022, and the related notes to basic financial statements, which collectively comprise the City of Dayton'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 Dayton, Minnesota, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Dayton 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.

Emphasis of Matter – Implementation of GASB 87

The City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Dayton's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (Continued)

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 Dayton's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Dayton'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 Dayton'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 Dayton's basic financial statements. The individual fund schedule and combining nonmajor fund financial statements 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, individual fund schedule and combining nonmajor fund financial statements are 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 June 20, 2023, on our consideration of the City of Dayton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dayton's internal control over financial reporting and compliance.



Minneapolis, Minnesota
June 20, 2023

City of Dayton Management's Discussion and Analysis

As management of the City of Dayton (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, 2022.

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 \$142,308,208 (net position).
- The City's total net position increased by \$28,899,640. There was a prior period adjustment related to capital assets of \$28,170,390 as well.
- As of the close of the current year, all the City's governmental funds reported combined ending fund balances of \$14,829,754, a decrease of \$755,954 in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the General fund was \$2,474,692, or 42.04%, of total General fund expenditures.
- The City's total bonded debt decreased \$2,240,000 during the current fiscal year due to scheduled principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to financial statements, and 4) schedule of expenditures of federal awards. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position provides information on all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with a difference between the four 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, parks and recreation, economic development, and interest on long-term debt. The business-type activities of the City include the water and sewer utilities.

City of Dayton Management's Discussion and Analysis

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 more limited in scope than that of the more expansive government-wide financial statement, a better understanding of the long-term impact of a City's near-term financing decisions can be achieved by comparing the information presented for governmental funds with governmental activities, as the two are more closely related. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and other major funds. Data from the other 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 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.

Proprietary Funds - The City maintains two proprietary funds. 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 and sewer utility services.

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, all of which are considered to be major funds of the City.

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.

City of Dayton Management's Discussion and Analysis

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pensions and other postemployment benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

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 \$142,308,208 at the close of the most recent fiscal year.

A portion of the City's net position (\$115,541,265 or 81.2%) reflects its investment in capital assets of (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. 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 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.

An additional portion of the City's net position (\$8,758,677 or 6.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position 18,008,266 or 12.7%) may be used to meet the City's ongoing obligations to citizens and creditors.

City of Dayton Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 26,650,714	\$ 25,709,414	\$ 11,847,901	\$ 6,093,906	\$ 38,498,615	\$ 31,803,320
Capital assets (net of Accumulated depreciation)	94,333,933	59,262,052	38,048,553	21,119,628	132,382,486	80,381,680
Total assets	<u>120,984,647</u>	<u>84,971,466</u>	<u>49,896,454</u>	<u>27,213,534</u>	<u>170,881,101</u>	<u>112,185,000</u>
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	2,754,941	1,591,476	85,464	93,236	2,840,405	1,684,712
Total deferred inflows of resources	<u>2,754,941</u>	<u>1,591,476</u>	<u>85,464</u>	<u>93,236</u>	<u>2,840,405</u>	<u>1,684,712</u>
Total assets and deferred outflows of resources	<u>\$ 123,739,588</u>	<u>\$ 86,562,942</u>	<u>\$ 49,981,918</u>	<u>\$ 27,306,770</u>	<u>\$ 173,721,506</u>	<u>\$ 113,869,712</u>
Liabilities						
Current liabilities	\$ 9,694,479	\$ 6,968,996	\$ 1,270,817	\$ 492,905	\$ 10,965,296	\$ 7,461,901
Noncurrent liabilities	18,906,752	17,936,762	243,519	135,553	19,150,271	18,072,315
Total liabilities	<u>28,601,231</u>	<u>24,905,758</u>	<u>1,514,336</u>	<u>628,458</u>	<u>30,115,567</u>	<u>25,534,216</u>
Deferred Inflows of Resources						
Advanced appropriations - State Shared Taxes	778,404	1,091,809	-	-	778,404	1,091,809
Deferred inflows of resources related to pensions	216,325	1,909,392	2,670	96,117	218,995	2,005,509
Deferred inflows of resources related to lease receivable	300,332	-	-	-	300,332	-
Total deferred inflows of resources	<u>1,295,061</u>	<u>3,001,201</u>	<u>2,670</u>	<u>96,117</u>	<u>1,297,731</u>	<u>3,097,318</u>
Net Position						
Net investment in capital assets	83,594,337	46,381,500	38,048,553	21,119,628	115,538,337	60,583,778
Restricted	8,743,966	9,446,614	14,711	11,783	8,758,677	9,458,397
Unrestricted	1,504,993	2,827,869	10,401,648	5,450,784	18,011,194	15,196,003
Total net position	<u>93,843,296</u>	<u>58,655,983</u>	<u>48,464,912</u>	<u>26,582,195</u>	<u>142,308,208</u>	<u>85,238,178</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 123,739,588</u>	<u>\$ 86,562,942</u>	<u>\$ 49,981,918</u>	<u>\$ 27,306,770</u>	<u>\$ 173,721,506</u>	<u>\$ 113,869,712</u>

City of Dayton Management's Discussion And Analysis

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$20,558,035.

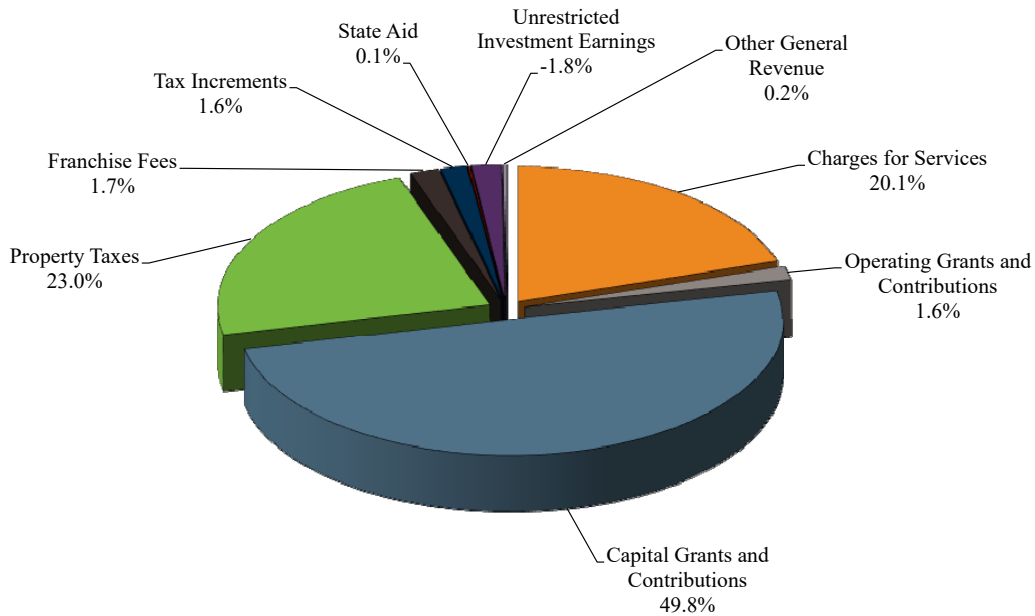
Changes in Net Position

	Governmental Activities 2022	Governmental Activities 2021	Business-Type Activities 2022	Business-Type Activities 2021	Total 2022	Total 2021
Revenues						
Program revenues						
Charges for services	\$ 5,644,182	\$ 6,487,571	\$ 7,770,473	\$ 6,130,015	\$ 13,414,655	\$ 12,617,586
Operating grants and contributions	447,931	257,591	-	29,900	447,931	287,491
Capital grants and contributions	13,980,288	13,962,576	7,116,478	353,746	21,096,766	14,316,322
General revenues						
Property taxes	6,454,829	5,963,396	-	-	6,454,829	5,963,396
Franchise fees	478,464	421,845	-	-	478,464	421,845
Tax increments	447,701	379,395	-	-	447,701	379,395
State aid	35,928	33,211	-	-	35,928	33,211
Unrestricted investment earnings	(505,818)	(34,188)	(211,287)	(8,924)	(717,105)	(43,112)
Other general revenue	51,148	33,844	-	-	51,148	33,844
Gain on sale of capital assets	4,940	-	-	-	4,940	-
Total revenues	<u>27,039,593</u>	<u>27,505,241</u>	<u>14,675,664</u>	<u>6,504,737</u>	<u>41,715,257</u>	<u>34,009,978</u>
Expenses						
General government	1,399,587	1,194,392	-	-	1,399,587	1,194,392
Public safety	3,565,623	2,536,283	-	-	3,565,623	2,536,283
Public works	3,867,695	2,657,582	-	-	3,867,695	2,657,582
Parks and recreation	542,891	517,023	-	-	542,891	517,023
Economic development	525,838	372,879	-	-	525,838	372,879
Interest on long-term debt	342,795	471,983	-	-	342,795	471,983
Water	-	-	1,397,102	1,531,408	1,397,102	1,531,408
Sewer	-	-	1,174,086	925,403	1,174,086	925,403
Total expenses	<u>10,244,429</u>	<u>7,750,142</u>	<u>2,571,188</u>	<u>2,456,811</u>	<u>12,815,617</u>	<u>10,206,953</u>
Change in net position before transfers	16,795,164	19,755,099	12,104,476	4,047,926	28,899,640	23,803,025
Transfers	867,107	802,936	(867,107)	(802,936)	-	-
Change in net position	<u>17,662,271</u>	<u>20,558,035</u>	<u>11,237,369</u>	<u>3,244,990</u>	<u>28,899,640</u>	<u>23,803,025</u>
Net position - beginning of year	58,655,983	38,097,948	26,582,195	23,337,205	85,238,178	61,435,153
Prior period adjustment	17,525,042	-	10,645,348	-	28,170,390	-
Net position - beginning as restated	<u>76,181,025</u>	<u>38,097,948</u>	<u>37,227,543</u>	<u>23,337,205</u>	<u>113,408,568</u>	<u>61,435,153</u>
Net position - ending	<u>\$ 93,843,296</u>	<u>\$ 58,655,983</u>	<u>\$ 48,464,912</u>	<u>\$ 26,582,195</u>	<u>\$ 142,308,208</u>	<u>\$ 85,238,178</u>

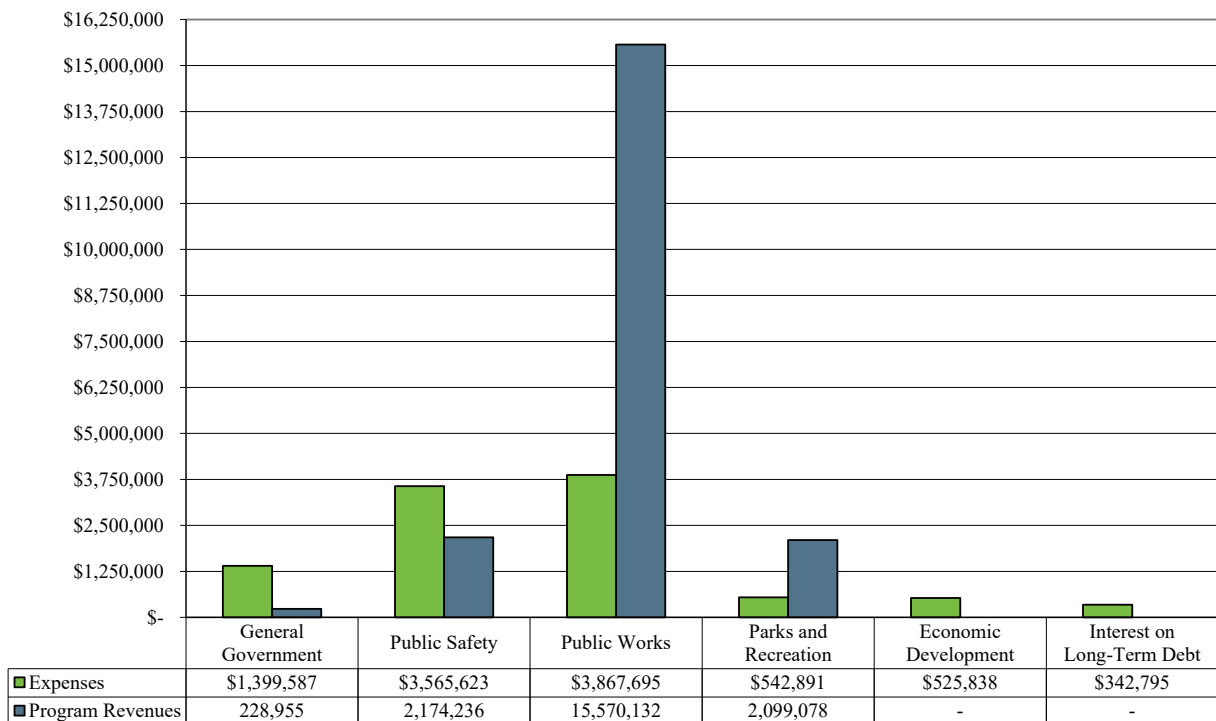
City of Dayton Management's Discussion And Analysis

GOVERNMENTAL ACTIVITIES (CONTINUED)

Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities

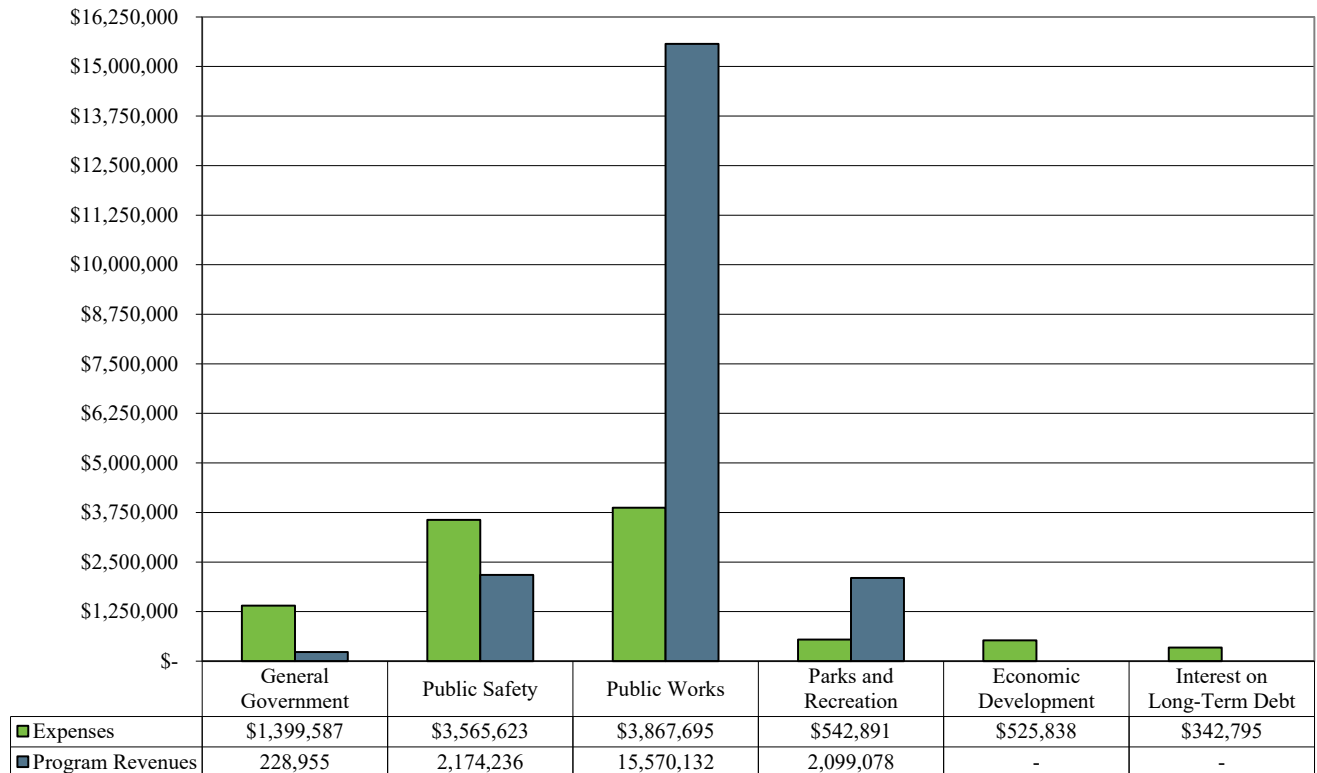


City of Dayton Management's Discussion and Analysis

BUSINESS-TYPE ACTIVITIES

Business-Type Activities - Business-type activities increased the City's net position \$11,237,369.

Expenses and Program Revenues - Governmental Activities



FINANCIAL ANALYSIS OF THE CITY'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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,829,754 a decrease of \$755,954 in comparison with the prior year. Of this total amount, (\$4,470,156) constitutes unassigned fund balance which is available for spending at the City's discretion. The remaining fund balance is made up of the following: 1) Nonspendable \$180,719, 2) Restricted \$5,940,335, 3) Committed \$1,644,059, and 4) Assigned \$11,534,797.

City of Dayton Management's Discussion and Analysis

Governmental Funds (Continued)

The General fund is the primary operating fund of the City. At the end of the current fiscal year, the fund balance of the General fund was \$2,655,411. As a measure of the General fund's liquidity, it may be useful to compare both total fund balance to total fund expenditures. Total fund balance represents 39.7% of total General Fund budgeted expenditures for the following year.

The fund balance of the City's General fund increased \$411,193 in 2022.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the City's government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$10,401,648. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General fund budget was not amended during the year and was approved as a balanced budget. Total revenues were over budget by \$903,573. Total expenditures and transfers out were over budget by \$302,320. Some of the significant variances can be briefly summarized as follows:

- Licenses and permits and intergovernmental revenue were over budget by \$847,381 and \$102,464 respectively, due to more than anticipated residential and commercial/industrial development in the City.
- General government expenditures were over budget by \$140,649 due to general operations and use of consultants being more prevalent with the increased demand created by new development.
- Public safety expenditures were over budget by \$166,639 primarily due to inspection services related to new development and the use of professional services for this workload.
- Transfers out of General fund surplus (\$195,000) were not included in the budget but were approved by Council Resolution.

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, 2022, amounted to \$132,382,486 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, collection and distribution system, machinery and equipment, and construction in progress.

City of Dayton Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

The City's most significant capital activity during the year was the addition of the developer added assets that had previously been omitted from the financial statements due to various reasons. This was a significant change to the financial position of the City for 2022 and beyond.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 3,366,641	\$ 2,925,462	\$ 113,767	\$ 113,767	\$ 3,480,408	\$ 3,039,229
Buildings and improvements	5,958,302	5,779,721	-	-	5,958,302	5,779,721
Infrastructure	90,102,883	31,863,529	-	-	90,102,883	31,863,529
Collection and distribution system	-	-	48,707,486	30,089,077	48,707,486	30,089,077
Machinery and equipment	7,430,080	7,273,719	172,784	164,898	7,602,864	7,438,617
Construction in progress	6,853,513	27,228,418	430,234	43,908	7,283,747	27,272,326
Total capital assets	113,711,419	75,070,849	49,424,271	30,411,650	163,135,690	105,482,499
Less accumulated depreciation	(19,377,486)	(15,808,797)	(11,375,718)	(9,292,022)	(30,753,204)	(25,100,819)
Net capital assets	<u>\$ 94,333,933</u>	<u>\$ 59,262,052</u>	<u>\$ 38,048,553</u>	<u>\$ 21,119,628</u>	<u>\$ 132,382,486</u>	<u>\$ 80,381,680</u>

Long-term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of \$15,900,000. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
G.O. Bonds, net	\$ 16,039,162	\$ 18,349,385	\$ -	\$ -	\$ 16,039,162	\$ 18,349,385
PFA notes	303,000	343,000	-	-	303,000	343,000
Compensated absences	301,352	250,997	33,422	34,011	334,774	285,008
Total	<u>\$ 16,643,514</u>	<u>\$ 18,943,382</u>	<u>\$ 33,422</u>	<u>\$ 34,011</u>	<u>\$ 16,676,936</u>	<u>\$ 18,977,393</u>

The City's total bonded debt decreased \$2,240,000 due to scheduled principal payments.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City has adopted a balanced budget for 2023. The General fund revenue and expenditure budgets both total \$6,693,830. The general portion of the property tax levy for 2023 increased by 9.19% to \$4,590,235 while the debt service portion of the levy decreased by 5.08% to \$210,000.

The City continues to emphasize the accumulation of resources for the acquisition, construction, or upgrade of the city's infrastructure, facilities, and equipment in the near future. The 2023 property tax levy includes \$1,750,000 of property tax revenue for the capital funds. The City continues to review and update the long-term capital improvement planning process to improve infrastructure, facilities, and equipment.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

The City has experienced increases in tax capacity in recent years. The City attributes this improvement in the tax capacity to changes in market conditions along with increased development activity. The City anticipates continued growth in the tax capacity for the next few years.

The City's tax rate has decreased from 47.73% in 2022 to 35.59% in 2023.

The City has experienced the same elevated level of growth in residential development in 2022 that it did in 2021. The City has put the final touches together to complete the Dayton Parkway Interchange in the southwest area of City which has led to a few million sq ft of industrial growth in the City. The City is continuing to develop transportation and essential services for this growing community with this increased level of development activity.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Zach Doud, City Administrator at City of Dayton, 12260 South Diamond Lake Road, Dayton, Minnesota 55327.

BASIC FINANCIAL STATEMENTS

Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 27,510,118	\$ 6,234,435	\$ 33,744,553
Taxes receivable - delinquent	75,976	-	75,976
Accounts receivable	293,950	382,741	676,691
Lease receivable	300,332	-	300,332
Interest receivable	150,738	-	150,738
Due from other governments	57,103	24,234	81,337
Due from other funds (internal balances)	(5,054,237)	5,054,237	-
Special assessments receivable			
Current	1,208	-	1,208
Delinquent	8,546	1,431	9,977
Deferred charges	3,015,433	113,504	3,128,937
Inventories	17,894	-	17,894
Prepaid items	152,036	37,319	189,355
Net pension asset - fire relief association	121,617	-	121,617
Capital assets not being depreciated			
Land	3,366,641	113,767	3,480,408
Construction in progress	6,853,513	430,234	7,283,747
Capital assets (net of accumulated depreciation)			
Buildings and improvements	4,185,696	-	4,185,696
Infrastructure	75,699,251	-	75,699,251
Collection and distribution system	-	37,426,426	37,426,426
Machinery and equipment	4,228,832	78,126	4,306,958
Total assets	<u>120,984,647</u>	<u>49,896,454</u>	<u>170,881,101</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>2,754,941</u>	<u>85,464</u>	<u>2,840,405</u>
Total assets and deferred outflows of resources	<u>\$ 123,739,588</u>	<u>\$ 49,981,918</u>	<u>\$ 173,721,506</u>
Liabilities			
Accounts and contracts payable	\$ 6,964,423	\$ 89,368	\$ 7,053,791
Due to other governments	46,218	1,126,945	1,173,163
Salaries and benefits payable	144,680	11,771	156,451
Interest payable	182,692	-	182,692
Unearned revenue	365,331	39,390	404,721
Bonds payable, net			
Payable within one year	1,920,000	-	1,920,000
Payable after one year	14,119,162	-	14,119,162
Notes from direct borrowing			
Payable within one year	41,000	-	41,000
Payable after one year	262,000	-	262,000
Compensated absences payable			
Payable within one year	30,135	3,343	33,478
Payable after one year	271,217	30,079	301,296
Net pension liability	<u>4,254,373</u>	<u>213,440</u>	<u>4,467,813</u>
Total liabilities	<u>28,601,231</u>	<u>1,514,336</u>	<u>30,115,567</u>
Deferred Inflows of Resources			
Advanced appropriations - State Shared Taxes	778,404	-	778,404
Deferred inflows of resources related to pensions	216,325	2,670	218,995
Deferred inflows of resources related to lease receivable	<u>300,332</u>	<u>-</u>	<u>300,332</u>
Total deferred inflows of resources	<u>1,295,061</u>	<u>2,670</u>	<u>1,297,731</u>
Net Position			
Net investment in capital assets	83,594,337	38,048,553	115,541,265
Restricted for			
Debt service	6,841,539	-	6,841,539
Police forfeitures	10,220	-	10,220
Park dedication	1,813,252	-	1,813,252
Tax increment	78,955	-	78,955
Infrastructure replacement	-	14,711	14,711
Unrestricted	<u>1,504,993</u>	<u>10,401,648</u>	<u>18,008,266</u>
Total net position	<u>93,843,296</u>	<u>48,464,912</u>	<u>142,308,208</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 123,739,588</u>	<u>\$ 49,981,918</u>	<u>\$ 173,721,506</u>

See notes to basic financial statements.

City of Dayton
Statement of Activities
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 1,399,587	\$ 159,470	\$ 69,485	\$ -	\$ (1,170,632)	\$ -	\$ (1,170,632)
Public safety	3,565,623	1,981,383	192,853	-	(1,391,387)	-	(1,391,387)
Public works	3,867,695	1,448,534	141,310	13,980,288	11,702,437	-	11,702,437
Parks and recreation	542,891	2,054,795	44,283	-	1,556,187	-	1,556,187
Economic development	525,838	-	-	-	(525,838)	-	(525,838)
Interest on long-term debt	342,795	-	-	-	(342,795)	-	(342,795)
Total governmental activities	<u>10,244,429</u>	<u>5,644,182</u>	<u>447,931</u>	<u>13,980,288</u>	<u>9,827,972</u>	<u>-</u>	<u>9,827,972</u>
Business-type activities							
Water	1,397,102	5,679,570	-	3,311,074	-	7,593,542	7,593,542
Sewer	1,174,086	2,090,903	-	3,805,404	-	4,722,221	4,722,221
Total business-type activities	<u>2,571,188</u>	<u>7,770,473</u>	<u>-</u>	<u>7,116,478</u>	<u>-</u>	<u>12,315,763</u>	<u>12,315,763</u>
Total governmental and business-type activities	<u>\$ 12,815,617</u>	<u>\$ 13,414,655</u>	<u>\$ 447,931</u>	<u>\$ 21,096,766</u>	9,827,972	12,315,763	22,143,735
General revenues							
Property taxes					6,454,829	-	6,454,829
Franchise fees					478,464	-	478,464
Tax increments					447,701	-	447,701
State aids					35,928	-	35,928
Unrestricted investment earnings					(505,818)	(211,287)	(717,105)
Other general revenue					51,148	-	51,148
Gain on sale of capital assets					4,940	-	4,940
Transfers					867,107	(867,107)	-
Total general revenues and transfers					<u>7,834,299</u>	<u>(1,078,394)</u>	<u>6,755,905</u>
Change in net position					17,662,271	11,237,369	28,899,640
Net position - beginning of year					<u>58,655,983</u>	<u>26,582,195</u>	<u>85,238,178</u>
Prior period adjustment					<u>17,525,042</u>	<u>10,645,348</u>	<u>28,170,390</u>
Net position, beginning as restated					<u>76,181,025</u>	<u>37,227,543</u>	<u>113,408,568</u>
Net position - end of year					<u>\$ 93,843,296</u>	<u>\$ 48,464,912</u>	<u>\$ 142,308,208</u>

See notes to basic financial statements.

City of Dayton
Balance Sheet - Governmental Funds
December 31, 2022

		Debt Service	Capital Projects
		2014A and	
		2015A G.O.	Developer
	General Fund	Improvement	Escrow
	(101)	Bonds (342)	Fund(411)
Assets			
Cash and investments	\$ 2,934,872	\$ 2,955,942	\$ 2,925,825
Receivables			
Taxes receivable - delinquent	75,976	-	-
Accounts receivable	30,496	-	131,948
Lease receivable	300,332	-	-
Interest receivable	150,738	-	-
Due from other governments	52,319	-	-
Special assessments receivable			
Current	-	2,053	-
Delinquent	-	4,834	-
Deferred	1,435	1,305,453	-
Due from other funds	-	-	-
Advances to other funds	10,789	-	-
Inventories	17,894	-	-
Prepaid items	152,036	-	-
Total assets	<u>\$ 3,726,887</u>	<u>\$ 4,268,282</u>	<u>\$ 3,057,773</u>
Liabilities			
Accounts and contracts payable	\$ 137,504	\$ -	\$ 3,057,773
Due to other funds	-	-	-
Advance from other funds	-	-	-
Due to other governments	46,218	-	-
Salaries and benefits payable	144,680	-	-
Unearned revenue	365,331	-	-
Total liabilities	<u>693,733</u>	<u>-</u>	<u>3,057,773</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	75,976	-	-
Advanced appropriations - State Shared Taxes	-	-	-
Deferred inflow related to lease receivable	300,332	-	-
Unavailable revenue - special assessments	1,435	1,310,287	-
Total deferred inflows of resources	<u>377,743</u>	<u>1,310,287</u>	<u>-</u>
Fund Balances			
Nonspendable	180,719	-	-
Restricted	-	2,957,995	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	2,474,692	-	-
Total fund balances	<u>2,655,411</u>	<u>2,957,995</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,726,887</u>	<u>\$ 4,268,282</u>	<u>\$ 3,057,773</u>

Capital Projects			
2022 TIF Street Improvement s (459)	Landscaping Escrow Fund (420)	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,360,000	\$ 16,333,479	\$ 27,510,118
-	-	-	75,976
-	-	131,506	293,950
-	-	-	300,332
-	-	-	150,738
-	-	4,784	57,103
-	-	(845)	1,208
-	-	3,712	8,546
-	-	1,708,545	3,015,433
-	-	77,544	77,544
-	-	-	10,789
-	-	-	17,894
-	-	-	152,036
<u>\$ -</u>	<u>\$ 2,360,000</u>	<u>\$ 18,258,725</u>	<u>\$ 31,671,667</u>
\$ 810,000	\$ 2,360,000	\$ 599,146	\$ 6,964,423
4,431,684	-	700,097	5,131,781
-	-	10,789	10,789
-	-	-	46,218
-	-	-	144,680
-	-	-	365,331
<u>5,241,684</u>	<u>2,360,000</u>	<u>1,310,032</u>	<u>12,663,222</u>
-	-	1,269,752	1,345,728
-	-	778,404	778,404
-	-	-	300,332
-	-	442,505	1,754,227
<u>-</u>	<u>-</u>	<u>2,490,661</u>	<u>4,178,691</u>
-	-	-	180,719
-	-	2,982,340	5,940,335
-	-	1,644,059	1,644,059
-	-	11,534,797	11,534,797
<u>(5,241,684)</u>	<u>-</u>	<u>(1,703,164)</u>	<u>(4,470,156)</u>
<u>(5,241,684)</u>	<u>-</u>	<u>14,458,032</u>	<u>14,829,754</u>
<u>\$ -</u>	<u>\$ 2,360,000</u>	<u>\$ 18,258,725</u>	<u>\$ 31,671,667</u>

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City of Dayton
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2022

Total fund balances - governmental funds	\$ 14,829,754
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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.

Cost of capital assets	113,711,420
Less accumulated depreciation	(19,377,487)

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:

Bonds payable	(15,600,000)
Unamortized bond premium	(439,162)
Notes payable	(303,000)
Compensated absences payable	(301,352)
Net pension liability	(4,254,373)

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	(216,325)
Deferred outflows of resources related to pensions	2,754,941

Fire Relief Association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.

121,617

Delinquent receivables will be collected in subsequent years, but are not available soon enough pay for the current period's expenditures and, therefore, are deferred in the funds.

Delinquent taxes receivable	75,976
Delinquent special assessments receivable	8,546

Deferred receivables are not available to pay for current expenditures and, therefore, are deferred in the funds.

Deferred special assessments receivable	3,015,433
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Governmental funds do not report a liability for accrued interest due and payable.

(182,692)

Total net position - governmental activities	<u>\$ 93,843,296</u>
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City of Dayton
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2022

		Debt Service	Capital Projects		
	General Fund	2014A and	2022 TIF Street	Other	Total
	(101)	2015A G.O.	Improvements	Governmental	Governmental
		Improvement	(459)	Funds	Funds
		Bonds (342)			
Revenues					
Property taxes	\$ 4,032,638	\$ -	\$ -	\$ 2,400,000	\$ 6,432,638
Tax increments	-	-	-	447,701	447,701
Franchise fees	-	-	-	478,464	478,464
Special assessments	-	1,446,450	-	433,350	1,879,800
Licenses and permits	1,691,881	-	-	-	1,691,881
Intergovernmental	349,379	-	-	2,003,800	2,353,179
Charges for services	375,563	-	-	3,503,487	3,879,050
Fines and forfeitures	42,346	-	-	1,300	43,646
Miscellaneous					
Investment income	(57,087)	(35,306)	-	(413,425)	(505,818)
Contributions and donations	9,449	-	-	17,339	26,788
Other	43,604	-	-	5,712	49,316
Total revenues	<u>6,487,773</u>	<u>1,411,144</u>	<u>-</u>	<u>8,877,728</u>	<u>16,776,645</u>
Expenditures					
Current					
General government	1,225,644	-	-	31,005	1,256,649
Public safety	3,021,539	-	-	76,484	3,098,023
Public works	1,224,912	-	411,279	-	1,636,191
Parks and recreation	354,752	-	-	79,017	433,769
Economic development	-	-	-	456,355	456,355
Debt service					
Principal	-	1,205,000	-	1,035,000	2,240,000
Interest and other charges	-	347,538	-	133,737	481,275
Capital outlay					
General government	8,902	-	-	25,605	34,507
Public safety	18,045	-	-	52,610	70,655
Public works	12,512	-	4,830,405	2,103,805	6,946,722
Parks and recreation	20,214	-	-	1,699,208	1,719,422
Economic development	-	-	-	31,078	31,078
Total expenditures	<u>5,886,520</u>	<u>1,552,538</u>	<u>5,241,684</u>	<u>5,723,904</u>	<u>18,404,646</u>
Excess of revenues over (under) expenditures	601,253	(141,394)	(5,241,684)	3,153,824	(1,628,001)
Other Financing Sources (Uses)					
Proceeds from sale of capital asset	4,940	-	-	-	4,940
Transfers in	-	949,275	-	1,023,923	1,973,198
Transfers out	(195,000)	-	-	(911,091)	(1,106,091)
Total other financing sources (uses)	<u>(190,060)</u>	<u>949,275</u>	<u>-</u>	<u>112,832</u>	<u>872,047</u>
Net change in fund balances	411,193	807,881	(5,241,684)	3,266,656	(755,954)
Fund Balances					
Beginning of year	<u>2,244,218</u>	<u>2,150,114</u>	<u>-</u>	<u>11,191,376</u>	<u>15,585,708</u>
End of year	<u>\$ 2,655,411</u>	<u>\$ 2,957,995</u>	<u>\$ (5,241,684)</u>	<u>\$ 14,458,032</u>	<u>\$ 14,829,754</u>

See notes to basic financial statements.

City of Dayton
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2022

Net change in fund balances - governmental funds	\$ (755,954)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	8,419,818
Depreciation expense	(2,309,688)
Contributed asset	11,436,709

Compensated absences are recognized as paid in the governmental funds, but recognized as the expense is incurred in the Statement of Activities.	(50,355)
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Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

Pension expense	(278,038)
State aid related to pension expense	37,149

Principal payments on long-term debt are recognized as expenditures in the governmental funds, but have no effect on net position in the Statement of Activities.	2,240,000
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Governmental funds report the effects of bond discounts and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	110,223
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus, requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	28,257
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds until measurable and available.	
Deferred special assessments	(1,242,859)
Delinquent special assessments	4,818

Delinquent property taxes receivable will be collected in subsequent years, and, therefore, are deferred in the funds.	22,191
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Change in net position - governmental activities	<u><u>\$ 17,662,271</u></u>
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City of Dayton
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 4,002,160	\$ 4,032,638	\$ 30,478
Licenses and permits	844,500	1,691,881	847,381
Intergovernmental revenue	246,915	349,379	102,464
Charges for services	399,625	375,563	(24,062)
Fines and forfeitures	40,000	42,346	2,346
Miscellaneous			
Investment income	15,000	(57,087)	(72,087)
Contributions and donations	1,000	9,449	8,449
Other	35,000	43,604	8,604
Total revenues	<u>5,584,200</u>	<u>6,487,773</u>	<u>903,573</u>
Expenditures			
Current			
General government	1,084,995	1,225,644	140,649
Public safety	2,854,900	3,021,539	166,639
Public works	1,202,830	1,224,912	22,082
Parks and recreation	341,475	354,752	13,277
Capital outlay			
General government	15,000	8,902	(6,098)
Public safety	18,000	18,045	45
Public works	35,000	12,512	(22,488)
Parks and recreation	32,000	20,214	(11,786)
Total expenditures	<u>5,584,200</u>	<u>5,886,520</u>	<u>302,320</u>
Excess of revenues over (under) expenditures	-	601,253	601,253
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	-	4,940	4,940
Transfers out	-	(195,000)	(195,000)
Total other financing sources (uses)	<u>-</u>	<u>(190,060)</u>	<u>(190,060)</u>
Net change in fund balance	<u>\$ -</u>	<u>411,193</u>	<u>\$ 411,193</u>
Fund Balance			
Beginning of year		<u>2,244,218</u>	
End of year		<u>\$ 2,655,411</u>	

City of Dayton
Statement of Net Position - Proprietary Funds
December 31, 2022

	Water (601)	Sewer (602)	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 3,638,847	\$ 2,595,588	\$ 6,234,435
Accounts receivable	205,623	177,118	382,741
Special assessments receivable	23,518	91,417	114,935
Due from other funds	5,054,237	-	5,054,237
Due from other governments	4,294	19,940	24,234
Prepaid expenses	2,733	34,586	37,319
Total current assets	<u>8,929,252</u>	<u>2,918,649</u>	<u>11,847,901</u>
Noncurrent assets			
Capital assets			
Land	113,767	-	113,767
Collection and distribution system	23,648,586	25,058,900	48,707,486
Machinery and equipment	61,282	111,502	172,784
Construction in progress	430,234	-	430,234
Total capital assets	<u>24,253,869</u>	<u>25,170,402</u>	<u>49,424,271</u>
Less accumulated depreciation	<u>(5,207,330)</u>	<u>(6,168,388)</u>	<u>(11,375,718)</u>
Net capital assets	<u>19,046,539</u>	<u>19,002,014</u>	<u>38,048,553</u>
Total assets	<u>27,975,791</u>	<u>21,920,663</u>	<u>49,896,454</u>
Deferred outflows of resources related to pensions			
Deferred outflows of resources related to pensions	<u>44,595</u>	<u>40,869</u>	<u>85,464</u>
Total assets and deferred outflows of resources	<u>\$ 28,020,386</u>	<u>\$ 21,961,532</u>	<u>\$ 49,981,918</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 86,156	\$ 3,212	\$ 89,368
Salaries and benefits payable	5,886	5,885	11,771
Due to other governments	1,095,188	31,757	1,126,945
Current compensated absences	1,672	1,671	3,343
Unearned revenue	39,390	-	39,390
Total current liabilities	<u>1,228,292</u>	<u>42,525</u>	<u>1,270,817</u>
Noncurrent liabilities			
Compensated absences	15,044	15,035	30,079
Net pension liability	111,373	102,067	213,440
Total noncurrent liabilities	<u>126,417</u>	<u>117,102</u>	<u>243,519</u>
Total liabilities	<u>1,354,709</u>	<u>159,627</u>	<u>1,514,336</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	<u>1,393</u>	<u>1,277</u>	<u>2,670</u>
Net Position			
Net investment in capital assets	19,046,539	19,002,014	38,048,553
Restricted for infrastructure replacement	-	14,711	14,711
Unrestricted	7,617,745	2,783,903	10,401,648
Total net position	<u>26,664,284</u>	<u>21,800,628</u>	<u>48,464,912</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 28,020,386</u>	<u>\$ 21,961,532</u>	<u>\$ 49,981,918</u>

See notes to basic financial statements.

City of Dayton
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2022

	Water (601)	Sewer (602)	Total
Operating Revenues			
Charges for services	\$ 1,363,418	\$ 808,158	\$ 2,171,576
Permits, hookup fees, and penalties	144,686	10,297	154,983
Other charges	15,746	9,300	25,046
Total operating revenues	<u>1,523,850</u>	<u>827,755</u>	<u>2,351,605</u>
Operating Expenses			
Wages and salaries	108,188	99,802	207,990
Employee benefits	49,228	46,444	95,672
Materials and supplies	217,872	6,690	224,562
Repairs and maintenance	58,275	7,997	66,272
Contracted services	51,440	345,156	396,596
Utilities	269,503	28,236	297,739
Depreciation	601,001	626,111	1,227,112
Equipment	15,533	-	15,533
Miscellaneous	26,062	13,650	39,712
Total operating expenses	<u>1,397,102</u>	<u>1,174,086</u>	<u>2,571,188</u>
Operating loss	126,748	(346,331)	(219,583)
Nonoperating Revenues			
Investment income	(150,697)	(60,590)	(211,287)
Connection charges	4,155,720	1,263,148	5,418,868
Capital grants and contributions	3,311,074	3,805,404	7,116,478
Total nonoperating revenue	<u>7,316,097</u>	<u>5,007,962</u>	<u>12,324,059</u>
Income before transfers	7,442,845	4,661,631	12,104,476
Transfers out	<u>(524,025)</u>	<u>(343,082)</u>	<u>(867,107)</u>
Change in net position	6,918,820	4,318,549	11,237,369
Net Position			
Beginning of year, as previously stated	15,236,537	11,345,658	26,582,195
Prior Period Adjustment	4,508,927	6,136,421	10,645,348
Beginning of year	<u>19,745,464</u>	<u>17,482,079</u>	<u>37,227,543</u>
End of year	<u>\$ 26,664,284</u>	<u>\$ 21,800,628</u>	<u>\$ 48,464,912</u>

City of Dayton
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2022

	Water (601)	Sewer (602)	Total
Cash Flows - Operating Activities			
Receipts from customers and users	\$ 1,507,025	\$ 838,854	\$ 2,345,879
Payments to suppliers	(858,205)	(508,969)	(1,367,174)
Payments to employees	(147,960)	(134,368)	(282,328)
Net cash flows - operating activities	<u>500,860</u>	<u>195,517</u>	<u>696,377</u>
Cash Flows - Noncapital			
Financing Activities			
Loan to/from other funds	(5,011,380)	42,857	(4,968,523)
Transfer to other funds	(524,025)	(343,082)	(867,107)
Net cash flows - noncapital financing activities	<u>(5,535,405)</u>	<u>(300,225)</u>	<u>(5,835,630)</u>
Cash Flows - Capital and Related			
Financing Activities			
Connection charges	5,218,720	1,263,148	6,481,868
Acquisition of capital assets	(386,325)	(7,886)	(394,211)
Net cash flows - capital and related financing activities	<u>4,832,395</u>	<u>1,255,262</u>	<u>6,087,657</u>
Cash Flows - Investing Activities			
Investment Income	(150,697)	(60,590)	(211,287)
Net Change in Cash and Cash Equivalents	(352,847)	1,089,964	737,117
Cash and Cash Equivalents			
January 1	<u>3,991,694</u>	<u>1,505,624</u>	<u>5,497,318</u>
December 31	<u><u>\$ 3,638,847</u></u>	<u><u>\$ 2,595,588</u></u>	<u><u>\$ 6,234,435</u></u>
Reconciliation of Operating Loss to			
Net Cash Flows - Operating Activities			
Operating loss	\$ 126,748	\$ (346,331)	\$ (219,583)
Adjustments to reconcile operating loss to net cash flows - operating activities			
Unearned revenue	34,471	-	34,471
Depreciation expense	601,001	626,111	1,227,112
Net pension expense	10,725	12,097	22,822
Accounts receivable	(47,918)	(22,574)	(70,492)
Special assessments receivable	(6,328)	34,020	27,692
Due from other governments	2,950	(347)	2,603
Prepaid items	(1,256)	(6,902)	(8,158)
Accounts payable	13,723	(2,893)	10,830
Contracts payable	(15,263)	-	(15,263)
Due to other governments	(216,724)	(97,445)	(314,169)
Salaries payable	(816)	(83)	(899)
Compensated absences payable	(453)	(136)	(589)
Total adjustments	<u>374,112</u>	<u>541,848</u>	<u>915,960</u>
Net cash flows - operating activities	<u><u>\$ 500,860</u></u>	<u><u>\$ 195,517</u></u>	<u><u>\$ 696,377</u></u>

See notes to basic financial statements.

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City of Dayton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Dayton 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, account groups, 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, a certain organization has been defined and is presented in this report as follows:

Blended Component Unit – Reported as if they were part of the City.

For the category above the specific entity is defined as follows:

1. Blended Component Unit

The Dayton Economic Development Authority (EDA) is a legal entity separate from the City; however, the EDA is reported as if it were part of the primary government because the EDA Board is the same as the City Council and the City can impose its will on the EDA.

The activity of the EDA is shown in the EDA Special Revenue Fund. No separate financial statements are issued for the EDA.

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. 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.

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.

City of Dayton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial 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 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. However, revenues related to grants are considered to be available within 12 months 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.

Description of Funds:

Major Governmental Funds:

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

2014A and 2015A General Obligation (G.O.) Improvement Bonds – This fund accounts for costs and revenues associated with the 2014A and 2015A bond issuances and bond repayment.

Developer Escrow Fund – This fund accounts for the resources accumulated related to developer escrows.

2022 TIF Street Improvement Project – This fund accounts for the resources accumulated and expenditures incurred for construction projects related to the 2022 TIF Street Improvement project.

City of Dayton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds: (Continued)

Major Governmental Funds: (Continued)

Landscaping Escrow Fund – This fund accounts for the resources accumulated related to landscaping escrows.

Major Proprietary Funds:

Water Fund – This fund accounts for the operations of the City's water utility.

Sewer Fund – This fund accounts for the operations of the City's sewer utility.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary 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.

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 month end cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, certificates of deposit, municipal bonds, government securities, brokered money market, and 4M Fund.

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

City of Dayton
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

1. Deposits and Investments (Continued)

Certain investments for the City are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn.

2. Receivables and Payables

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditors for collection the following year. 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. Hennepin County and Wright County are the collecting agencies for the levy and remit 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 County Auditors prepare the tax lists for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditors also collect all special assessments, except for certain prepayments paid directly to the City.

The County Auditors submit the lists of taxes and special assessments to be collected on each parcel of property to the County Treasurers in January of each year.

3. Inventory and 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 recorded as an expenditure at the time of consumption.

Inventory is valued at cost using the first in, first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

City of Dayton
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)**

4. Capital Assets

Capital assets, which include property, plant, equipment, intangible, and infrastructure assets (e.g., roads, sidewalks, and similar items), 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 of more than \$5,000 and an estimated useful life in excess of three years. 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.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20-35
Improvements	10-35
Infrastructure	20-35
Utilities	25
Machinery and equipment	4-20
Vehicles	4-20

5. 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 and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

City of Dayton
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. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has three 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 three sources: property taxes, special assessments, and grants. 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 grant revenue that are not yet available and pensions for various estimate differences that will be amortized and recognized over future years.

6. Compensated Absences

The City compensates employees who resign or retire in good standing for all unused vacation.

Sick leave may be accumulated and banked to a maximum of 960 hours for full-time employees. Employees are allowed to put a portion of their monthly accrual toward their short and long-term disability insurance, which is required by the City. An employee leaving employment voluntarily, with five or more years of continuous service with the City and leaving on good standing, will be paid at the base rate of pay, a half or one-third of the accumulated sick leave hours into a post retirement health care savings fund, depending on the employee's contract.

Vacation and sick pay are considered expenditures in the year paid in the governmental fund statements, while in the proprietary and government-wide statements, vacation and sick pay are charged to expense when earned.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the 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 bond.

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.

City of Dayton
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. 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.

9. Fund Equity

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 Balance** – These are amounts that cannot be spent because they are not in spendable form.
- **Restricted Fund Balance** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balance** – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution. Committed balances can only be removed or changed through council resolution.
- **Assigned Fund Balance** – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Administrator based on the City Council's direction.
- **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.

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

City of Dayton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Equity (Continued)

a. Classification (Continued)

When committed, assigned, or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

b. Minimum Fund Balance

The City's target General Fund balance is to maintain 40% of the subsequent year's budgeted expenditures.

10. 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. A reclassification of \$6,101,625 was made between this net position class and unrestricted net position in the total column of the Statement of Net Position to recognize the portion of debt attributable to capital assets donated from governmental activities to business-type activities. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

11. 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 revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

E. Budgetary Information

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.

City of Dayton
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information (Continued)

6. The annual appropriated budget is adopted during the year for the General Fund. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance

The following Funds had a deficit fund balance at December 31, 2022:

2022 TIF Street Improvements	\$ 5,241,684
Dayton Parkway Interchange	847,216
City Wide Transportation Project	778,404
TIF No. 20 Graco 2	21,921
TIF No. 17 Graco	10,090
TIF No. 19 CRG	22,789
TIF No. 18 Scannell	22,744

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 as follows.

A. Deposits

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of bank failure, the City's deposits, and investments may not be returned to it. The City has a policy in place to address custodial credit risk for deposits, stating all deposits will be insured or collateralized in accordance with *Minnesota Statutes* § 118A. As of December 31, 2022, the City's bank balance was not exposed to custodial credit risk as the amount was insured through FDIC insurance and secured with pledged collateral.

As of December 31, 2022, the City's book balance for deposits was as follows:

Deposits	<u>\$ 3,444,742</u>
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City of Dayton
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of December 31, 2022, the City had the following investments:

Investment Type	Investment Maturities				Greater than Five Years
	Fair Value	Less than One Year	1-3 Years	3-5 Years	
Municipal bonds	\$ 6,764,128	\$ 147,820	\$ 4,696,928	\$ 1,919,380	\$ -
Government Securities	18,230,116	10,480,150	5,553,317	1,799,006	397,643
Corporate Securities	672,292	103,287	474,151	94,854	-
Brokered money market account	4,631,228	4,631,228	-	-	-
4M fund	2,047	2,047	-	-	-
Total	<u>\$ 30,299,811</u>	<u>\$ 15,364,532</u>	<u>\$ 10,724,396</u>	<u>\$ 3,813,240</u>	<u>\$ 397,643</u>

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* § 118A.04 and 118A.05 limit investments in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy limits investments to the following: government securities, certificates of deposit fully covered by FDIC insurance, repurchase agreements, reverse repurchase agreements, prime commercial paper, and general obligations of the State of Minnesota or any of its municipalities and bankers' acceptances. The City's investments in Fannie Mae and Freddie Mac were rated AA+ by Standard & Poor's (S&P). The City's municipal investments were rated AA-AAA by S&P. The remaining investments were unrated.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy states the City will attempt to diversify its investments according to type and maturity. As of December 31, 2022, no investments exceeded 5% of the City's total investments.

Custodial Credit Risk – Investments: For an investment, this is the risk that 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 investment policy states all financial institutions and broker/dealers qualified for investment transactions with the City must comply with *Minnesota Statutes* § 118A. The policy further states all investment securities will be held by brokers only to the extent SIPC and excess SIPC coverage is available. The City's investments held by the broker-dealer were insured by Securities Investor Protection Corporation (SIPC) or other supplemental insurance as of December 31, 2022. However, each investment brokerage firm may have a limit to their supplemental insurance and because of the size of the City's portfolio in relation to the brokerage firm's excess SIPC coverage limits, the portion of the supplemental policy applicable to the City's portfolio is unknown. The City accepts the risk due to the controls in place at the broker-dealer.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City will minimize interest rate risk by diversifying their portfolio according to type and maturity and as much as possible, contain both short-term and long-term investments.

City of Dayton
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The City has the following recurring fair value measurements as of December 31, 2022:

- \$18,902,408 of investments are valued using a quoted market prices (Level 1 inputs)
- \$6,764,128 of investments are valued using a matrix pricing model (Level 2 inputs)

The following is a summary of total deposits and investments:

Deposits	\$ 3,444,742
Investments	<u>30,299,811</u>
Total deposits and investments	<u><u>\$ 33,744,553</u></u>

Deposits and investments are presented in the December 31, 2022, basic financial statements as follows:

Statement of Net Position	
Cash and investments (including cash equivalents)	<u><u>\$ 33,744,553</u></u>

NOTE 4 – INTERFUND ACTIVITY

A. Transfers

The transfers were done to fund revolving capital project funds, and to subsidize operations.

	Transfers In		Total
	2014A and 2015A G.O. Improvement Bonds	Other Governmental Funds	
Transfers out			
General Fund	\$ -	\$ 195,000	\$ 195,000
Other governmental funds	206,025	705,066	911,091
Water Fund	524,025	-	524,025
Sewer Fund	<u>219,225</u>	<u>123,857</u>	<u>343,082</u>
Total	<u><u>\$ 949,275</u></u>	<u><u>\$ 1,023,923</u></u>	<u><u>\$ 1,973,198</u></u>

City of Dayton
Notes to Basic Financial Statements

NOTE 4 – INTERFUND ACTIVITY (CONTINUED)

B. Interfund Balances

The following amounts are due from other funds to cover temporary deficit cash balances and internal financing of projects:

	Due to Other Funds		
	2022 TIF Street Improvement Fund	Other Governmental Funds	Total
Due from other funds			
Water	\$ 4,431,684	\$ 622,553	\$ 5,054,237
Other Governmental Funds	-	77,544	77,544
Total	<u>\$ 4,431,684</u>	<u>\$ 700,097</u>	<u>\$ 5,131,781</u>

The following amounts are advances to other funds for interfund loans to finance various projects:

	Advances from Other Funds
	Other Governmental Funds
Advances to other funds	
General Fund	\$ 10,789
Total	<u>\$ 10,789</u>

City of Dayton
Notes to Basic Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 2,925,462	\$ -	\$ 441,179	\$ -	\$ 3,366,641
Construction in progress	27,228,418	-	7,875,134	28,250,039	6,853,513
Total capital assets not being depreciated	<u>30,153,880</u>	<u>-</u>	<u>8,316,313</u>	<u>28,250,039</u>	<u>10,220,154</u>
Capital assets being depreciated					
Buildings and improvements	5,779,721	-	178,581	-	5,958,302
Infrastructure	31,863,529	18,814,012	39,425,342	-	90,102,883
Machinery and equipment	<u>7,273,719</u>	<u>-</u>	<u>186,329</u>	<u>29,968</u>	<u>7,430,080</u>
Total capital assets being depreciated	<u>44,916,969</u>	<u>18,814,012</u>	<u>39,790,252</u>	<u>29,968</u>	<u>103,491,265</u>
Less accumulated depreciation for					
Buildings and improvements	1,593,574	-	179,032	-	1,772,606
Infrastructure	11,448,210	1,288,970	1,666,452	-	14,403,632
Machinery and equipment	<u>2,767,013</u>	<u>-</u>	<u>464,203</u>	<u>29,968</u>	<u>3,201,248</u>
Total accumulated depreciation	<u>15,808,797</u>	<u>1,288,970</u>	<u>2,309,687</u>	<u>29,968</u>	<u>19,377,486</u>
Total capital assets being depreciated, net	<u>29,108,172</u>	<u>17,525,042</u>	<u>37,480,565</u>	<u>-</u>	<u>84,113,779</u>
Governmental activities capital assets, net	<u>\$ 59,262,052</u>	<u>\$ 17,525,042</u>	<u>\$ 45,796,878</u>	<u>\$ 28,250,039</u>	<u>\$ 94,333,933</u>

City of Dayton
Notes to Basic Financial Statements

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 113,767	\$ -	\$ -	\$ -	\$ 113,767
Construction in progress	<u>43,909</u>	<u>-</u>	<u>386,325</u>	<u>-</u>	<u>430,234</u>
Total capital assets not being depreciated	<u>157,676</u>	<u>-</u>	<u>386,325</u>	<u>-</u>	<u>544,001</u>
Capital assets being depreciated					
Collection and distribution system	30,089,076	11,501,932	7,116,478	-	48,707,486
Machinery and equipment	<u>164,898</u>	<u>-</u>	<u>7,886</u>	<u>-</u>	<u>172,784</u>
Total capital assets being depreciated	<u>30,253,974</u>	<u>11,501,932</u>	<u>7,124,364</u>	<u>-</u>	<u>48,880,270</u>
Less accumulated depreciation for					
Collection and distribution system	9,217,446	856,584	1,207,030	-	11,281,060
Machinery and equipment	<u>74,576</u>	<u>-</u>	<u>20,082</u>	<u>-</u>	<u>94,658</u>
Total accumulated depreciation	<u>9,292,022</u>	<u>856,584</u>	<u>1,227,112</u>	<u>-</u>	<u>11,375,718</u>
Total capital assets being depreciated, net	<u>20,961,952</u>	<u>10,645,348</u>	<u>5,897,252</u>	<u>-</u>	<u>37,504,552</u>
Business-type activities, capital assets, net	<u>\$ 21,119,628</u>	<u>\$ 10,645,348</u>	<u>\$ 6,283,577</u>	<u>\$ -</u>	<u>\$ 38,048,553</u>

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

Governmental activities	
General government	\$ 65,558
Public safety	249,962
Public works	1,863,494
Parks and recreation	<u>130,673</u>
Total depreciation expense - governmental activities	<u>\$ 2,309,687</u>
Business-type activities	
Water	\$ 601,001
Sewer	<u>626,111</u>
Total depreciation expense - business-type activities	<u>\$ 1,227,112</u>

City of Dayton
Notes to Basic Financial Statements

NOTE 6 – LEASE RECEIVABLE

The City entered into a cell tower lease with New Cingular Wireless PCS, LLC. This lease was entered into in 2013 and will commence 2033. The lease payment was \$29,605 for 2022 and will increase by 4% yearly. The deferred inflow and receivable balance related to this lease is \$331,351 as of December 31, 2022.

NOTE 7 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
Governmental activities						
Bonds payable						
2014A G.O. Refunding	09/09/14	2.0%-3.0%	\$ 9,685,000	02/01/30	\$ 6,780,000	\$ 480,000
2015A G.O. Refunding	01/08/15	2.25%-3.0%	7,430,000	02/01/27	4,265,000	760,000
2016A G.O. CIP	09/01/16	2.00%-2.75%	3,610,000	02/01/37	2,625,000	150,000
2020A G.O. Improvement						
Street reconstruction	06/04/20	2.0%-3.0%	1,935,000	02/01/30	1,580,000	180,000
2015B G.O. Street Reconstruction	05/13/15	2.000%	2,325,000	02/01/23	350,000	350,000
PFA notes from direct borrowing						
2010A Improvement Notes	05/06/10	1.65%	750,449	08/20/29	303,000	41,000
Unamortized premium					439,162	-
Compensated absences					301,352	30,135
Total governmental activities					16,643,514	1,991,135
Business-type activities						
Compensated absences					33,422	3,343
Total long-term liabilities					\$16,676,936	\$ 1,994,478

Long-term bonded indebtedness listed above were issued to finance acquisition and construction of capital infrastructure or facilities or to refinance (refund) previous bond issues.

City of Dayton
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Bonds payable				
G.O. Improvement Bonds	\$ 4,590,000	\$ -	\$ 385,000	\$ 4,205,000
G.O. Refunding Bonds	12,250,000	-	1,205,000	11,045,000
G.O. Utility Revenue	265,000	-	265,000	-
G.O. Street Construction	695,000	-	345,000	350,000
Notes from direct borrowing	343,000	-	40,000	303,000
Unamortized premium	549,385	-	110,223	439,162
Compensated absences	250,997	356,115	305,760	301,352
	<u>18,943,382</u>	<u>356,115</u>	<u>2,655,983</u>	<u>16,643,514</u>
Total governmental activities				
Business-type activities				
Compensated absences	34,011	32,746	33,335	33,422
	<u>34,011</u>	<u>32,746</u>	<u>33,335</u>	<u>33,422</u>
Total long-term liabilities	<u>\$ 18,977,393</u>	<u>\$ 388,861</u>	<u>\$ 2,689,318</u>	<u>\$ 16,676,936</u>

The General Fund typically liquidates the liability related to compensated absences.

City of Dayton
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

C. Long-Term Debt

Minimum principal and interest payments required to amortize all bonded debt outstanding follows:

Year Ended December 31,	Governmental Activities			
	G.O. Improvement Bonds		PFA - Notes from Direct Borrowing	
	Principal	Interest	Principal	Interest
2023	\$ 330,000	\$ 96,663	\$ 41,000	\$ 5,012
2024	340,000	88,137	42,000	4,333
2025	345,000	79,413	43,000	3,639
2026	355,000	70,487	43,000	2,928
2027	365,000	61,313	44,000	2,216
2028-2032	1,495,000	195,981	90,000	2,233
2033-2037	975,000	67,462	-	-
Total	<u>\$ 4,205,000</u>	<u>\$ 659,456</u>	<u>\$ 303,000</u>	<u>\$ 20,361</u>

Year Ended December 31,	Governmental Activities			
	G.O. Street Reconstruction		G.O. Refunding Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 350,000	\$ 3,500	\$ 1,240,000	\$ 305,088
2024	-	-	1,270,000	265,731
2025	-	-	1,315,000	228,556
2026	-	-	1,360,000	191,587
2027	-	-	1,390,000	153,769
2028-2032	-	-	4,470,000	201,750
Total	<u>\$ 350,000</u>	<u>\$ 3,500</u>	<u>\$ 11,045,000</u>	<u>\$ 1,346,481</u>

Year Ended December 31,	Governmental Activities	
	Total Governmental Activities	
	Principal	Interest
2023	\$ 1,961,000	\$ 410,263
2024	1,652,000	358,201
2025	1,703,000	311,608
2026	1,758,000	265,002
2027	1,799,000	217,298
2028-2032	6,055,000	399,964
203-2036	975,000	67,462
Total	<u>\$ 15,903,000</u>	<u>\$ 2,029,798</u>

City of Dayton
Notes to Basic Financial Statements

NOTE 8 – FUND BALANCE DETAIL

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds:

	General Fund	2014 A and 2015A G.O. Improvement Bonds	Developer Escrow Fund	2022 TIF Street Improvement	Landscaping Escrow Fund	Other Governmental Funds	Total
Nonspendable							
Advances to other funds	\$ 10,789	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,789
Inventory	17,894	-	-	-	-	-	17,894
Prepaid items	152,036	-	-	-	-	-	152,036
Total nonspendable	<u>180,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,719</u>
Restricted							
Debt service	-	2,957,995	-	-	-	1,043,782	4,001,777
Police forfeitures	-	-	-	-	-	10,220	10,220
TIF districts	-	-	-	-	-	115,086	115,086
Park dedication	-	-	-	-	-	1,813,252	1,813,252
Total restricted	<u>-</u>	<u>2,957,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,982,340</u>	<u>5,940,335</u>
Committed							
Cable fund	-	-	-	-	-	199,292	199,292
EDA	-	-	-	-	-	523,318	523,318
Gambling	-	-	-	-	-	2,265	2,265
Equipment purchases	-	-	-	-	-	729,111	729,111
Park development	-	-	-	-	-	190,073	190,073
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,644,059</u>	<u>1,644,059</u>
Assigned							
Park trails	-	-	-	-	-	2,410,946	2,410,946
Capital projects	-	-	-	-	-	9,123,851	9,123,851
Total unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,534,797</u>	<u>11,534,797</u>
Unassigned	<u>2,474,692</u>	<u>-</u>	<u>-</u>	<u>(5,241,684)</u>	<u>-</u>	<u>(1,703,164)</u>	<u>(4,470,156)</u>
Total fund balance	<u>\$ 2,655,411</u>	<u>\$ 2,957,995</u>	<u>\$ -</u>	<u>\$ (5,241,684)</u>	<u>\$ -</u>	<u>\$ 14,458,032</u>	<u>\$ 14,829,754</u>

NOTE 9 – RISK MANAGEMENT

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 the 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 for 2022 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

City of Dayton
Notes to Basic Financial Statements

NOTE 9 – RISK MANAGEMENT (CONTINUED)

At December 31, 2022, 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 10 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2022, was \$662,848. The components of pension expense are noted in the following plan summaries.

The General Fund and Water and Sewer Funds typically liquidate the liability related to pensions.

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided

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

City of Dayton
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase.

Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

City of Dayton
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 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, 2022, were \$102,944. 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 2022 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, 2022, were \$167,983. 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, 2022, the City reported a liability of \$1,465,206 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 \$43,085.

The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0185% at the end of the measurement period and 0.0161% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 1,465,206
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>43,085</u>
Total	<u><u>\$ 1,508,291</u></u>

City of Dayton
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2022, the City recognized pension expense of \$299,810 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$6,438 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, 2022, 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	\$ 12,239	\$ 13,531
Changes in actuarial assumptions	289,883	4,800
Net collective difference between projected and actual investment earnings	87,080	-
Changes in proportion	146,013	-
Contributions paid to PERA subsequent to the measurement date	51,472	-
Total	<u>\$ 586,687</u>	<u>\$ 18,331</u>

The \$51,472 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 204,800
2024	176,440
2025	3,138
2026	132,506
Total	<u>\$ 516,884</u>

City of Dayton
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$3,002,607 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0690% at the end of the measurement period and 0.0650% 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, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2021. 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 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, 2022, the City recognized pension expense of \$363,660 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$25,439 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 \$6,210 for the year ended December 31, 2022, 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 Dayton
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

At December 31, 2022, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 178,629	\$ -
Changes in actuarial assumptions	1,731,192	16,170
Net collective difference between projected and actual investment earnings	84,867	-
Changes in proportion	83,160	9,668
Contributions paid to PERA subsequent to the measurement date	<u>83,992</u>	<u>-</u>
Total	<u><u>\$ 2,161,840</u></u>	<u><u>\$ 25,838</u></u>

The \$83,992 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
	<u> </u>
2023	\$ 417,345
2024	407,478
2025	360,526
2026	611,693
2027	<u>254,968</u>
Total	<u><u>\$ 2,052,010</u></u>

City of Dayton
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

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

City of Dayton
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

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 previous valuation.

Police and Fire Fund

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 previous valuation.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Dayton
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Discount Rate (Continued)

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in the fiscal year ended June 30, 2061, projected benefit payments exceed the fund's projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.4% for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 2,314,370	\$ 1,465,206	\$ 768,761
	1% Decrease in Discount Rate (4.4%)	Current Discount Rate (5.4%)	1% Increase in Discount Rate (6.4%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 4,544,061	\$ 3,002,607	\$ 1,756,434

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.

City of Dayton
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association

A. Plan Description

The Dayton Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Dayton Fire Department per *Minnesota State Statutes*.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Dayton Firefighter's Association, 12260 South Diamond Lake Road, Dayton, MN 55327 or by calling 612-251-5935 or 763-242-7001.

B. Benefits Provided

Volunteer firefighters of the City are members of the Dayton Fire Fighter's Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service for lump sum service pension. Partial benefits are payable to members who have reached 50 and have completed 5 years of service. Disability benefits and widow and children's survivor benefits are also payable to members, or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

C. Employees Covered by Benefit Terms

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefits	7
Active employees	21
	<hr/>
Total	28
	<hr/> <hr/>

D. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$64,643 made by the State of Minnesota for the Relief Association.

City of Dayton
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021.

Actuarial Assumptions:

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 %
Investment rate of return	5.75 % net of pensions plan investment expense: including inflation

The value of death benefits is similar to the value of the retirement pension. Mortality rates for active members, retirees, and disabilitants were based on RP 2014 tables, projected with mortality improvements scale MP-2019, from a base year of 2006.

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	25 %	0.09 %
Fixed income	12	1.40
International equity	3	5.32
Domestic equity	60	4.90
Total	100 %	

City of Dayton
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

E. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.75%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

F. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2021	\$ 380,708	\$ 423,853	\$ (43,145)
Changes for the year			
Service cost	33,064	-	33,064
Interest	23,105	-	23,105
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
State and municipal contributions	-	74,889	(74,889)
Net investment income	-	69,181	(69,181)
Benefit payments, including refunds of employee contributions	(23,880)	(23,880)	-
Administrative expense	-	(9,429)	9,429
Net changes	32,289	110,761	(78,472)
Balances at December 31, 2022	\$ 412,997	\$ 534,614	\$ (121,617)

City of Dayton
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

F. Changes in the Net Pension Liability (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 5.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75%) or 1-percentage-point higher (6.75%) than the current rate:

	1% Decrease in Discount Rate (4.75%)	Current Discount Rate Rate (5.75%)	1% Increase in Discount Rate (6.75%)
	<u> </u>	<u> </u>	<u> </u>
City's net pension liability (asset)	<u>\$ (102,752)</u>	<u>\$ (121,617)</u>	<u>\$ (139,677)</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued relief association financial report.

G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the City recognized pension expense of \$(623). At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
	<u> </u>	<u> </u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 73,428
Change of assumptions	7,751	7,769
Difference between expected and actual liability	19,484	93,629
Contributions paid to Relief subsequent to the measurement date	<u>64,643</u>	<u>-</u>
Total	<u>\$ 91,878</u>	<u>\$ 174,826</u>

City of Dayton
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

**G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

\$64,643 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as shown in the following table:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2023	\$ (35,031)
2024	(38,510)
2025	(23,782)
2026	(16,107)
2027	(7,259)
Thereafter	<u>(26,902)</u>
Total	<u>\$ (147,591)</u>

NOTE 11 TAX INCREMENT FINANCING

The City has entered into three Tax Increment Financing agreements which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from *Minnesota Statute § 469*. The City entered into these agreements for the purpose of economic development.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2022, the City generated \$447,701 in tax increment revenue and made \$374,377 in payments to developers.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

At December 31, 2022, the City had outstanding construction contract commitments totaling \$2,164,820.

City of Dayton
Notes to Basic Financial Statements

NOTE 13 – SUBSEQUENT EVENT

On April 11, 2023, the City issued \$6,215,000 in General Obligation Tax Increment Bonds, Series 2023A. The proceeds shall be used to finance public improvements within Tax Increment Financing District No. 19 and Development District No. 1 in the City.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

The City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. This resulted in the City recognizing lease receivable and related deferred inflows of resources.

NOTE 15 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. This statement will be effective for the year ending December 31, 2023.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Dayton
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	0.0090%	\$ 466,427	\$ -	\$ 466,427	\$ 518,613	89.9%	78.19%
2016	0.0097%	787,592	10,258	797,850	599,760	131.3%	68.91%
2017	0.0099%	632,009	7,914	639,923	635,107	99.5%	75.90%
2018	0.0111%	615,782	20,262	636,044	746,387	82.5%	79.53%
2019	0.0125%	691,097	21,499	712,596	887,280	77.9%	80.23%
2020	0.0149%	893,323	27,620	920,943	1,063,773	84.0%	79.06%
2021	0.0161%	687,542	21,007	708,549	1,159,987	59.3%	87.00%
2022	0.0185%	1,465,206	43,085	1,508,291	1,387,253	105.6%	76.67%

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 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	0.0500%	\$ 568,117	\$ -	\$ 568,117	\$ 442,198	128.5%	86.61%
2016	0.0530%	2,126,982	-	2,126,982	512,105	415.3%	63.88%
2017	0.0510%	683,971	-	683,971	527,062	129.8%	85.43%
2018	0.0553%	584,464	-	584,464	583,309	100.2%	88.84%
2019	0.0608%	639,069	-	639,069	627,475	101.8%	89.26%
2020	0.0661%	865,320	20,539	885,859	730,339	118.5%	87.19%
2021	0.0650%	495,881	22,549	518,430	768,011	64.6%	93.66%
2022	0.0690%	3,002,607	131,144	3,133,751	837,746	358.4%	70.53%

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

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

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2015	\$ 37,484	\$ 37,484	\$ -	\$ 499,787	7.5%
2016	39,581	39,581	-	527,747	7.5%
2017	42,931	42,931	-	572,413	7.5%
2018	64,295	64,295	-	857,267	7.5%
2019	68,749	68,749	-	916,653	7.5%
2020	74,222	74,222	-	989,627	7.5%
2021	96,084	96,084	-	1,281,120	7.5%
2022	102,944	102,944	-	1,372,587	7.5%

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

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

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2015	\$ 79,181	\$ 79,181	\$ -	\$ 488,772	16.20%
2016	87,135	87,135	-	537,870	16.20%
2017	96,777	96,777	-	597,389	16.20%
2018	94,135	94,135	-	581,080	16.20%
2019	122,829	122,829	-	724,655	16.95%
2020	133,288	133,288	-	753,040	17.70%
2021	146,769	146,769	-	829,203	17.70%
2022	167,983	167,983	-	949,056	17.70%

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

City of Dayton
Schedule of Employer Contributions
and Non-Employer Contributing
Entities - Fire Relief Association

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Employer				
Statutorily determined contribution (SDC)	\$ 6,762	\$ -	\$ -	\$ -
Contribution in relation to the SDC	<u>6,762</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Non-employer				
2% aid	<u>\$ 34,832</u>	<u>\$ 33,529</u>	<u>\$ 31,212</u>	<u>\$ 38,803</u>
Covered employee payroll	n/a	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	n/a	n/a	n/a	n/a

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten-year presentation, but does not required retroactive reporting. Information prior to 2014 is not available. Additional years will be reported as they become available.

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 39,363</u>	<u>\$ 41,288</u>	<u>\$ 45,076</u>	<u>\$ 49,410</u>	<u>\$ 53,787</u>
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a

City of Dayton
Schedule of Changes in Net Pension Liability
and Related Ratios - Fire Relief Association

	Measurement Date			
	2014	2015	2016	2017
Total Pension Liability (TPL)				
Service cost	\$ 18,149	\$ 18,648	\$ 20,406	\$ 17,214
Interest	38,117	37,818	38,745	33,453
Differenced between expected and actual experience	-	-	(28,111)	-
Changes of assumptions	-	-	(42,311)	3,224
Changes of benefit terms	-	-	-	-
Benefit payments, including refunds or member contributions	(122,750)	-	(87,913)	(46,000)
Net change in total pension liability	(66,484)	56,466	(99,184)	7,891
Beginning of year	629,645	563,161	619,627	520,443
End of year	\$ 563,161	\$ 619,627	\$ 520,443	\$ 528,334
Plan Fiduciary Net Pension (FNP)				
Contributions - employer	\$ 6,762	\$ -	\$ -	\$ -
Contributions - non-employer	31,242	30,529	33,212	48,403
Net investment income	37,200	1,754	36,637	71,389
Other additions	-	-	-	-
Benefit payments, including refunds of member contributions	(122,750)	-	(87,913)	(46,000)
Administrative expense	(7,285)	(6,035)	(8,365)	(10,986)
Net change in plan fiduciary net position	(54,831)	26,248	(26,429)	62,806
Beginning of year	592,578	537,747	563,995	537,566
End of year	\$ 537,747	\$ 563,995	\$ 537,566	\$ 600,372
Net Pension Liability (NPL)	\$ 25,414	\$ 55,632	\$ (17,123)	\$ (72,038)
Plan fiduciary net position as a percentage of the total	95.49%	91.02%	103.29%	113.63%
Net pension liability as a percentage of covered payroll	n/a	n/a	n/a	n/a

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten-year presentation, but does not required retroactive reporting. Information prior to 2014 is not available. Additional years will be reported as they become available.

Measurement Date			
2018	2019	2020	2021
\$ 18,045	\$ 27,258	\$ 35,374	\$ 33,064
29,994	28,109	29,874	23,105
35,292	-	(112,314)	-
1,750	-	7,593	-
86,955	134,449	-	-
<u>(132,958)</u>	<u>(252,359)</u>	<u>(84,688)</u>	<u>(23,880)</u>
<u>39,078</u>	<u>(62,543)</u>	<u>(124,161)</u>	<u>32,289</u>
<u>528,334</u>	<u>567,412</u>	<u>504,869</u>	<u>380,708</u>
<u>\$ 567,412</u>	<u>\$ 504,869</u>	<u>\$ 380,708</u>	<u>\$ 412,997</u>
\$ -	\$ -	\$ -	\$ -
56,363	60,288	78,897	74,889
(14,020)	81,278	58,746	69,181
-	200	-	-
(132,958)	(252,359)	(84,688)	(23,880)
<u>(10,118)</u>	<u>(8,234)</u>	<u>(9,914)</u>	<u>(9,429)</u>
<u>(100,733)</u>	<u>(118,827)</u>	<u>43,041</u>	<u>110,761</u>
<u>600,372</u>	<u>499,639</u>	<u>380,812</u>	<u>423,853</u>
<u>\$ 499,639</u>	<u>\$ 380,812</u>	<u>\$ 423,853</u>	<u>\$ 534,614</u>
<u>\$ 67,773</u>	<u>\$ 124,057</u>	<u>\$ (43,145)</u>	<u>\$ (121,617)</u>
88.06%	75.43%	111.33%	129.45%
n/a	n/a	n/a	n/a

City of Dayton
Notes to Required Supplementary Information

General Employees Fund

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.
- 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.

City of Dayton
Notes to Required Supplementary Information

General Employees Fund (Continued)

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

City of Dayton
Notes to Required Supplementary Information

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Dayton
Notes to Required Supplementary Information

Police and Fire Fund

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.

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.

City of Dayton
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2019 Changes (Continued)

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.
- 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.

City of Dayton
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- 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 were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Dayton
Notes to Required Supplementary Information

Dayton Fire Relief Association

2022 Changes

Changes in Actuarial Assumptions

- None

2021 Changes

Changes in Actuarial Assumptions

- The expected investment return and discount rate decreased from 6.00% to 5.75%.
- The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2018, Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020, Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.50% to 2.25%

2020 Changes

Changes in Actuarial Assumptions

- None

2019 Changes

Changes in Actuarial Assumptions

- The expected investment return and discount rate decreased from 6.25% to 6.00%.
- The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016, Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018, Minnesota PERA Police & Fire Plan actuarial valuation.

Changes in Plan Provisions

- The lump sum benefit amount increased from \$2,000 to \$2,500.

SUPPLEMENTARY INFORMATION

City of Dayton
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 4,002,160	\$ 4,032,638	\$ 30,478
Licenses and permits	844,500	1,691,881	847,381
Intergovernmental			
Market value homestead credit	-	12,159	12,159
PERA aid	1,415	-	(1,415)
Fire aid	50,000	65,643	15,643
Police aid	65,000	89,920	24,920
Federal grants	25,000	37,290	12,290
Other grants and aids	105,500	144,367	38,867
Total intergovernmental	<u>246,915</u>	<u>349,379</u>	<u>102,464</u>
Charges for services			
General government	378,925	349,668	(29,257)
Public safety	12,700	12,975	275
Public works	7,500	12,712	5,212
Parks and recreation	500	208	(292)
Total charges for services	<u>399,625</u>	<u>375,563</u>	<u>(24,062)</u>
Fines and forfeitures	40,000	42,346	2,346
Miscellaneous			
Investment income	15,000	(57,087)	(72,087)
Contributions and Donations	1,000	9,449	8,449
Other	35,000	43,604	8,604
Total miscellaneous	<u>51,000</u>	<u>(4,034)</u>	<u>(55,034)</u>
Total revenues	<u>5,584,200</u>	<u>6,487,773</u>	<u>903,573</u>
Expenditures			
General government			
Mayor and council	65,230	80,580	15,350
Administrative and finance	504,360	554,873	50,513
Other general government	515,405	590,191	74,786
Capital outlay	15,000	8,902	(6,098)
Total general government	<u>1,099,995</u>	<u>1,234,546</u>	<u>134,551</u>

City of Dayton
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures			
Public safety			
Police			
Current	\$ 1,940,050	\$ 1,840,707	\$ (99,343)
Capital outlay	18,000	15,745	(2,255)
Total police	1,958,050	1,856,452	(101,598)
Fire			
Current	375,420	461,059	85,639
Capital outlay	-	2,300	2,300
Total fire	375,420	463,359	87,939
Other public safety:			
Current	539,430	719,773	180,343
Total public safety	2,872,900	3,039,584	166,684
Public works			
Streets and highways			
Street maintenance and storm sewers	995,930	988,039	(7,891)
Street lighting	58,500	73,832	15,332
Street construction capital outlay	35,000	-	(35,000)
Capital outlay	-	12,512	12,512
Total streets and highways	1,089,430	1,074,383	(15,047)
Sanitation			
Recycling	148,400	163,041	14,641
Total public works	1,237,830	1,237,424	(406)
Parks and recreation			
Current	341,475	354,752	13,277
Capital outlay	32,000	20,214	(11,786)
Total parks and recreation	373,475	374,966	1,491
Total expenditures	5,584,200	5,886,520	302,320
Excess of revenues over (under) expenditures	-	601,253	601,253
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	-	4,940	4,940
Transfers out	-	(195,000)	(195,000)
Total other financing sources (uses)	-	(190,060)	(190,060)
Net change in fund balance	\$ -	411,193	\$ 411,193
Fund Balance			
Beginning of year		2,244,218	
End of year		\$ 2,655,411	

City of Dayton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022

	Special Revenue			
	Cable Fund (226)	EDA (225)	Police Forfeiture (235)	Gambling (227)
Assets				
Cash and investments	\$ 180,951	\$ 523,318	\$ 10,220	\$ 2,265
Accounts receivable	18,652	-	-	-
Due from other governments	-	-	-	-
Special assessments receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Due from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 199,603</u>	<u>\$ 523,318</u>	<u>\$ 10,220</u>	<u>\$ 2,265</u>
Liabilities				
Accounts and contracts payable	\$ 311	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Total liabilities	<u>311</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Advanced appropriations - State Shared Taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	-	-	10,220	-
Committed	199,292	523,318	-	2,265
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>199,292</u>	<u>523,318</u>	<u>10,220</u>	<u>2,265</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 199,603</u>	<u>\$ 523,318</u>	<u>\$ 10,220</u>	<u>\$ 2,265</u>

Debt Service				Capital Projects	
2016A G.O. Bonds (355)	2020A G.O. Improvement Bond (378)	2015B G.O. Street Reconstruction Bonds (376)	2009A G.O. Improvement Bond and 2010A Improvement Notes (348)	Capital Equipment Fund (401)	Park Development Fund (404)
\$ 163,719	\$ 280,131	\$ 415,116	\$ 185,661	\$ 759,662	\$ 190,073
-	-	-	-	-	-
-	-	-	-	-	-
-	(845)	-	-	-	-
-	842	-	2,870	-	-
-	1,268,910	-	439,635	-	-
-	-	-	-	-	-
<u>\$ 163,719</u>	<u>\$ 1,549,038</u>	<u>\$ 415,116</u>	<u>\$ 628,166</u>	<u>\$ 759,662</u>	<u>\$ 190,073</u>
\$ -	\$ -	\$ -	\$ -	\$ 30,551	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	30,551	-
-	1,269,752	-	-	-	-
-	-	-	-	-	-
-	-	-	442,505	-	-
-	1,269,752	-	442,505	-	-
163,719	279,286	415,116	185,661	-	-
-	-	-	-	729,111	190,073
-	-	-	-	-	-
-	-	-	-	-	-
<u>163,719</u>	<u>279,286</u>	<u>415,116</u>	<u>185,661</u>	<u>729,111</u>	<u>190,073</u>
<u>\$ 163,719</u>	<u>\$ 1,549,038</u>	<u>\$ 415,116</u>	<u>\$ 628,166</u>	<u>\$ 759,662</u>	<u>\$ 190,073</u>

City of Dayton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022

	Capital Projects			
	Park Dedication Fund (405)	Pavement Management and Improvements Fund (414)	Stormwater (415)	Capital Facilities Fund (410)
Assets				
Cash and investments	\$ 1,872,424	\$ 2,604,472	\$ 2,662,323	\$ 933,750
Accounts receivable	-	112,854	-	-
Due from other governments	42	4,742	-	-
Special assessments receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 1,872,466</u>	<u>\$ 2,722,068</u>	<u>\$ 2,662,323</u>	<u>\$ 933,750</u>
Liabilities				
Accounts and contracts payable	\$ 59,214	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Total liabilities	<u>59,214</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Advanced appropriations - State Shared Taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	1,813,252	-	-	-
Committed	-	-	-	-
Assigned	-	2,722,068	2,662,323	933,750
Unassigned	-	-	-	-
Total fund balances	<u>1,813,252</u>	<u>2,722,068</u>	<u>2,662,323</u>	<u>933,750</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,872,466</u>	<u>\$ 2,722,068</u>	<u>\$ 2,662,323</u>	<u>\$ 933,750</u>

Capital Projects

Temporary Financing Fund (409)	Park Capital Equipment (406)	TIF No. 14 - Liberty Fund (438)	TIF No. 16 Sand Companies (435)	TIF No. 15 French Lake Industrial Park (477)	TIF No. 17 - Graco (436)
\$ 2,776,168	\$ 29,542	\$ 96,785	\$ 28,131	\$ 110,604	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	77,544	-	-	-
<u>\$ 2,776,168</u>	<u>\$ 29,542</u>	<u>\$ 174,329</u>	<u>\$ 28,131</u>	<u>\$ 110,604</u>	<u>\$ -</u>
\$ -	\$ -	\$ 95,374	\$ 23,253	\$ 68,562	\$ -
-	-	-	-	-	10,090
-	-	-	-	10,789	-
-	-	95,374	23,253	79,351	10,090
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	78,955	4,878	31,253	-
-	-	-	-	-	-
2,776,168	29,542	-	-	-	-
-	-	-	-	-	(10,090)
<u>2,776,168</u>	<u>29,542</u>	<u>78,955</u>	<u>4,878</u>	<u>31,253</u>	<u>(10,090)</u>
<u>\$ 2,776,168</u>	<u>\$ 29,542</u>	<u>\$ 174,329</u>	<u>\$ 28,131</u>	<u>\$ 110,604</u>	<u>\$ -</u>

City of Dayton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022

	Capital Projects			
	Park Trail Development (408)	City Wide Transportation Project (485)	TIF No. 19 - CRG (428)	TIF 18 - Scannell (429)
Assets				
Cash and investments	\$ 2,426,164	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
Special assessments receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 2,426,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Accounts and contracts payable	\$ 15,218	\$ -	\$ -	\$ -
Due to other funds	-	-	22,789	22,744
Advance from other funds	-	-	-	-
Total liabilities	<u>15,218</u>	<u>-</u>	<u>22,789</u>	<u>22,744</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Advanced appropriations - State Shared Taxes	-	778,404	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>778,404</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	2,410,946	-	-	-
Unassigned	-	(778,404)	(22,789)	(22,744)
Total fund balances	<u>2,410,946</u>	<u>(778,404)</u>	<u>(22,789)</u>	<u>(22,744)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,426,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Projects

ROW Escrow Fund(421)	TIF 20 Graco 2 Fund (430)	Dayton Parkway Interchange (480)	Total Other Governmental Funds
\$ 82,000	\$ -	\$ -	\$ 16,333,479
-	-	-	131,506
-	-	-	4,784
-	-	-	(845)
-	-	-	3,712
-	-	-	1,708,545
-	-	-	77,544
<u>\$ 82,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,258,725</u>
\$ 82,000	\$ -	\$ 224,663	\$ 599,146
-	21,921	622,553	700,097
-	-	-	10,789
<u>82,000</u>	<u>21,921</u>	<u>847,216</u>	<u>1,310,032</u>
-	-	-	1,269,752
-	-	-	778,404
-	-	-	442,505
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,490,661</u>
-	-	-	2,982,340
-	-	-	1,644,059
-	-	-	11,534,797
-	(21,921)	(847,216)	(1,703,164)
<u>-</u>	<u>(21,921)</u>	<u>(847,216)</u>	<u>14,458,032</u>
<u>\$ 82,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,258,725</u>

City of Dayton
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	Special Revenue			
	Cable Fund (226)	EDA (225)	Police Forfeiture (235)	Gambling (227)
Revenues				
Property taxes	\$ -	\$ 100,000	\$ -	\$ -
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	60,037	-	-	-
Fines and forfeitures	-	-	1,300	-
Miscellaneous				
Investment income	(5,914)	(14,928)	-	-
Contributions and donations	-	-	-	1,839
Other	-	-	-	-
Total revenues	<u>54,123</u>	<u>85,072</u>	<u>1,300</u>	<u>1,839</u>
Expenditures				
Current				
General government	27,340	-	-	-
Public safety	-	-	-	-
Park and recreation	-	-	-	-
Economic development	-	17,950	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	25,605	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Economic development	-	31,078	-	-
Total expenditures	<u>52,945</u>	<u>49,028</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>1,178</u>	<u>36,044</u>	<u>1,300</u>	<u>1,839</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,178	36,044	1,300	1,839
Fund Balances				
Beginning of year	<u>198,114</u>	<u>487,274</u>	<u>8,920</u>	<u>426</u>
End of year	<u>\$ 199,292</u>	<u>\$ 523,318</u>	<u>\$ 10,220</u>	<u>\$ 2,265</u>

Debt Service

2000A G.O. Improvement- H.V., PFA Sewer and Water (332)	2016A G.O. Bonds (355)	2020A G.O. Improvement Bond (378)	2013A Territorial Road Revenue Bond (360)	2015B G.O. Street Reconstruction Bonds (376)	2009A G.O. Improvement Bond and 2010A Improvement Notes (348)
\$ -	\$ 210,000	\$ -	\$ -	\$ 325,000	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
740	-	248,709	-	-	183,901
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(316)	651	(1,370)	(16,649)	3,892	(1,162)
-	-	-	-	-	-
-	-	-	-	-	-
424	210,651	247,339	(16,649)	328,892	182,739
-	-	-	500	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	215,000	170,000	265,000	345,000	40,000
-	62,388	45,349	6,975	10,924	5,673
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	277,388	215,349	272,475	355,924	45,673
424	(66,737)	31,990	(289,124)	(27,032)	137,066
-	-	-	-	386,394	-
(424)	-	-	(385,970)	-	-
(424)	-	-	(385,970)	386,394	-
-	(66,737)	31,990	(675,094)	359,362	137,066
-	230,456	247,296	675,094	55,754	48,595
\$ -	\$ 163,719	\$ 279,286	\$ -	\$ 415,116	\$ 185,661

City of Dayton
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	Capital Projects			
	Capital Equipment Fund (401)	Park Development Fund (404)	Park Dedication Fund (405)	Pavement Management and Improvements Fund (414)
Revenues				
Property taxes	\$ 780,000	\$ -	\$ -	\$ 600,000
Tax increments	-	-	-	-
Franchise fees	-	-	-	478,464
Special assessments	-	-	-	-
Intergovernmental	-	-	43,783	-
Charges for services	-	12,000	1,378,385	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment income	(3,039)	(5,350)	(71,230)	(52,124)
Contributions and donations	-	15,000	500	-
Other	5,712	-	-	-
Total revenues	<u>782,673</u>	<u>21,650</u>	<u>1,351,438</u>	<u>1,026,340</u>
Expenditures				
Current				
General government	3,165	-	-	-
Public safety	-	-	-	-
Park and recreation	-	-	79,017	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	52,610	-	-	-
Public works	59,996	-	-	58,655
Parks and recreation	101,450	-	1,376,558	-
Economic development	-	-	-	-
Total expenditures	<u>217,221</u>	<u>-</u>	<u>1,455,575</u>	<u>58,655</u>
Excess of revenues over (under) expenditures	<u>565,452</u>	<u>21,650</u>	<u>(104,137)</u>	<u>967,685</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(318,672)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(318,672)</u>
Net change in fund balances	565,452	21,650	(104,137)	649,013
Fund Balances				
Beginning of year	<u>163,659</u>	<u>168,423</u>	<u>1,917,389</u>	<u>2,073,055</u>
End of year	<u>\$ 729,111</u>	<u>\$ 190,073</u>	<u>\$ 1,813,252</u>	<u>\$ 2,722,068</u>

Capital Projects

Stormwater (415)	Capital Facilities Fund (410)	Temporary Financing Fund (409)	Park Capital Equipment (406)	TIF No. 14 - Liberty Fund (438)	TIF No. 16 Sand Companies (435)
\$ -	\$ 370,000	\$ -	\$ 15,000	\$ -	\$ -
-	-	-	-	211,941	51,673
-	-	-	-	-	-
-	-	-	-	-	-
-	-	65,697	-	-	-
1,396,073	-	-	-	-	-
-	-	-	-	-	-
(73,043)	(25,107)	(77,061)	(434)	(1,555)	47
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,323,030</u>	<u>344,893</u>	<u>(11,364)</u>	<u>14,566</u>	<u>210,386</u>	<u>51,720</u>
-	-	-	-	-	-
-	-	76,484	-	-	-
-	-	-	-	-	-
-	-	-	-	194,791	46,506
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
641,515	185,360	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>641,515</u>	<u>185,360</u>	<u>76,484</u>	<u>-</u>	<u>194,791</u>	<u>46,506</u>
<u>681,515</u>	<u>159,533</u>	<u>(87,848)</u>	<u>14,566</u>	<u>15,595</u>	<u>5,214</u>
-	-	195,000	-	-	-
<u>(206,025)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(206,025)</u>	<u>-</u>	<u>195,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
475,490	159,533	107,152	14,566	15,595	5,214
<u>2,186,833</u>	<u>774,217</u>	<u>2,669,016</u>	<u>14,976</u>	<u>63,360</u>	<u>(336)</u>
<u>\$ 2,662,323</u>	<u>\$ 933,750</u>	<u>\$ 2,776,168</u>	<u>\$ 29,542</u>	<u>\$ 78,955</u>	<u>\$ 4,878</u>

City of Dayton
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	Capital Projects			
	TIF No. 15 French Lake Industrial Park (477)	TIF No. 17 - Graco (436)	Sundance Sewer Trunk (479)	Park Trail Development (408)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	184,087	-	-	-
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	2,054
Charges for services	-	-	-	656,992
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment income	208	-	-	(67,040)
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>184,295</u>	<u>-</u>	<u>-</u>	<u>592,006</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Park and recreation	-	-	-	-
Economic development	139,144	1	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	2,428	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	221,200
Economic development	-	-	-	-
Total expenditures	<u>139,144</u>	<u>1</u>	<u>2,428</u>	<u>221,200</u>
Excess of revenues over (under) expenditures	<u>45,151</u>	<u>(1)</u>	<u>(2,428)</u>	<u>370,806</u>
Other Financing				
Sources (Uses)				
Transfers in	-	-	123,857	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>123,857</u>	<u>-</u>
Net change in fund balances	45,151	(1)	121,429	370,806
Fund Balances				
Beginning of year	<u>(13,898)</u>	<u>(10,089)</u>	<u>(121,429)</u>	<u>2,040,140</u>
End of year	<u>\$ 31,253</u>	<u>\$ (10,090)</u>	<u>\$ -</u>	<u>\$ 2,410,946</u>

Capital Projects

City Wide Transportation Project (485)	TIF No. 19 - CRG (428)	TIF 18 - Scannell (429)	TIF 20 Graco 2 Fund (430)	Dayton Parkway Interchange (480)	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,400,000
-	-	-	-	-	447,701
-	-	-	-	-	478,464
-	-	-	-	-	433,350
624,404	-	-	-	1,267,862	2,003,800
-	-	-	-	-	3,503,487
-	-	-	-	-	1,300
-	-	(21)	-	(1,880)	(413,425)
-	-	-	-	-	17,339
-	-	-	-	-	5,712
<u>624,404</u>	<u>-</u>	<u>(21)</u>	<u>-</u>	<u>1,265,982</u>	<u>8,877,728</u>
-	-	-	-	-	31,005
-	-	-	-	-	76,484
-	-	-	-	-	79,017
-	16,984	19,058	21,921	-	456,355
-	-	-	-	-	1,035,000
-	-	-	-	-	133,737
-	-	-	-	-	25,605
-	-	-	-	-	52,610
-	-	-	-	1,158,279	2,103,805
-	-	-	-	-	1,699,208
-	-	-	-	-	31,078
<u>-</u>	<u>16,984</u>	<u>19,058</u>	<u>21,921</u>	<u>1,158,279</u>	<u>5,723,904</u>
<u>624,404</u>	<u>(16,984)</u>	<u>(19,079)</u>	<u>(21,921)</u>	<u>107,703</u>	<u>3,153,824</u>
318,672	-	-	-	-	1,023,923
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(911,091)</u>
<u>318,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,832</u>
943,076	(16,984)	(19,079)	(21,921)	107,703	3,266,656
<u>(1,721,480)</u>	<u>(5,805)</u>	<u>(3,665)</u>	<u>-</u>	<u>(954,919)</u>	<u>11,191,376</u>
<u>\$ (778,404)</u>	<u>\$ (22,789)</u>	<u>\$ (22,744)</u>	<u>\$ (21,921)</u>	<u>\$ (847,216)</u>	<u>\$ 14,458,032</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 Dayton
Dayton, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dayton, Minnesota as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2023.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings on Internal Control, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings on Internal Control as Audit Finding 2022-02 to be a material weakness.

Report on Internal Control over Financial Reporting (Continued)

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. We consider the deficiencies described in the accompanying Schedule of Findings on Internal Control as Audit Finding 2022-01 to be a significant deficiency.

Report on Compliance and Other Matters

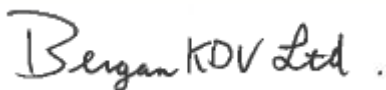
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit as described in the accompanying Schedule of Findings on Internal Control. We identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Minneapolis, Minnesota

June 20, 2023

Minnesota Legal Compliance

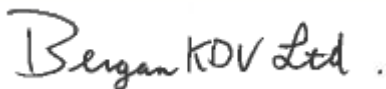
Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Dayton
Dayton, 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 Dayton, Minnesota as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters. 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.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "BergankDV Ltd." followed by a period. The signature is written in a cursive, flowing style.

Minneapolis, Minnesota
June 20, 2023

City of Dayton
Schedule of Findings on Internal Control

CURRENT YEAR INTERNAL CONTROL FINDING:

Audit Finding 2022-001

Significant Deficiency

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

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

City Response

City staff are aware of the lack of segregation of accounting duties and make every effort to ensure that transactions are separated and monitored to the greatest extent possible. Staff will continue to examine and implement methods and processes that will address this issue.

Audit Finding 2022-02

Material Weakness

During the 2022 fiscal year, it was noted that developer contributed infrastructure was not fully recognized in the financial statements. As a result, a prior period adjustment was made to the 2022 financial statements to record these capital assets. We recommend the City establish a system to track and record infrastructure contributed by developers.

City Response

The City has implemented a tracking procedure to ensure future contributed infrastructure is appropriately booked in the City's financial statements