



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

Basic Financial Statements

December 31, 2023

**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	24
Statement of Revenues, Expenditures, and Changes in Fund Balance	
- Budget and Actual - General Fund	25
Statement of Net Positions - Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Fund Net Position	
- Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
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, 2023**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Dennis Fisher	Mayor	December 31, 2024
Travis Henderson	Council Member	December 31, 2024
Matt Trost	Council Member	December 31, 2024
Scott Salonek	Council Member	December 31, 2026
David Fashant	Council Member	December 31, 2026

<u>Administration</u>	
Zachary Doud	Finance Director/ City Administrator
Amy Benting	Assistant City Administrator/City Clerk
Dena Brunette	Accountant



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, 2023, 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, 2023, 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.

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.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of 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 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 accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2024, 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.

Bergan KDV Ltd.

St. Cloud, Minnesota
May 3, 2024

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, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$149,283,427 (net position).
- The City's total net position increased by \$6,975,219. This was primarily due to the capital asset additions received during the year from development.
- As of the close of the current year, all the City's governmental funds reported combined ending fund balances of \$21,206,502, an increase of \$6,376,748 in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the General fund was \$2,567,271, or 35.71%, of total General fund expenditures.
- The City's total bonded debt increased \$3,989,000 during the current fiscal year due to scheduled principal payments along with one new TIF Bond issuance for \$5,950,000.

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 \$149,283,427 at the close of the most recent fiscal year.

A portion of the City's net position (\$116,132,094 or 77.8%) 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 (\$8,656,011 or 5.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position 24,495,322 or 16.4%) 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	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 30,457,710	\$ 26,650,714	\$ 12,585,936	\$ 11,847,901	\$ 43,043,646	\$ 38,498,615
Capital assets (net of Accumulated depreciation)	97,713,644	94,333,933	39,703,541	38,048,553	137,417,185	132,382,486
Total assets	<u>128,171,354</u>	<u>120,984,647</u>	<u>52,289,477</u>	<u>49,896,454</u>	<u>180,460,831</u>	<u>170,881,101</u>
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	2,801,229	2,754,941	57,011	85,464	2,858,240	2,840,405
Total deferred inflows of resources	<u>2,801,229</u>	<u>2,754,941</u>	<u>57,011</u>	<u>85,464</u>	<u>2,858,240</u>	<u>2,840,405</u>
Total assets and deferred outflows of resources	<u>\$ 130,972,583</u>	<u>\$ 123,739,588</u>	<u>\$ 52,346,488</u>	<u>\$ 49,981,918</u>	<u>\$ 183,319,071</u>	<u>\$ 173,721,506</u>
Liabilities						
Current liabilities	\$ 7,764,847	\$ 9,694,479	\$ 1,096,899	\$ 1,270,817	\$ 8,861,746	\$ 10,965,296
Noncurrent liabilities	21,684,957	18,906,752	243,417	243,519	21,928,374	19,150,271
Total liabilities	<u>29,449,804</u>	<u>28,601,231</u>	<u>1,340,316</u>	<u>1,514,336</u>	<u>30,790,120</u>	<u>30,115,567</u>
Deferred Inflows of Resources						
Advanced appropriations - State Shared Taxes	427,409	778,404	-	-	427,409	778,404
Deferred inflows of resources related to pensions	2,484,653	216,325	52,257	2,670	2,536,910	218,995
Deferred inflows of resources related to lease receivable	281,205	300,332	-	-	281,205	300,332
Total deferred inflows of resources	<u>3,193,267</u>	<u>1,295,061</u>	<u>52,257</u>	<u>2,670</u>	<u>3,245,524</u>	<u>1,297,731</u>
Net Position						
Net investment in capital assets	81,838,178	83,594,337	39,703,541	38,048,553	116,132,094	115,538,337
Restricted	8,752,761	8,743,966	18,017	14,711	8,770,778	8,758,677
Unrestricted	7,738,573	1,504,993	11,232,357	10,401,648	24,380,555	18,011,194
Total net position	<u>98,329,512</u>	<u>93,843,296</u>	<u>50,953,915</u>	<u>48,464,912</u>	<u>149,283,427</u>	<u>142,308,208</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 130,972,583</u>	<u>\$ 123,739,588</u>	<u>\$ 52,346,488</u>	<u>\$ 49,981,918</u>	<u>\$ 183,319,071</u>	<u>\$ 173,721,506</u>

City of Dayton Management's Discussion And Analysis

GOVERNMENTAL ACTIVITIES

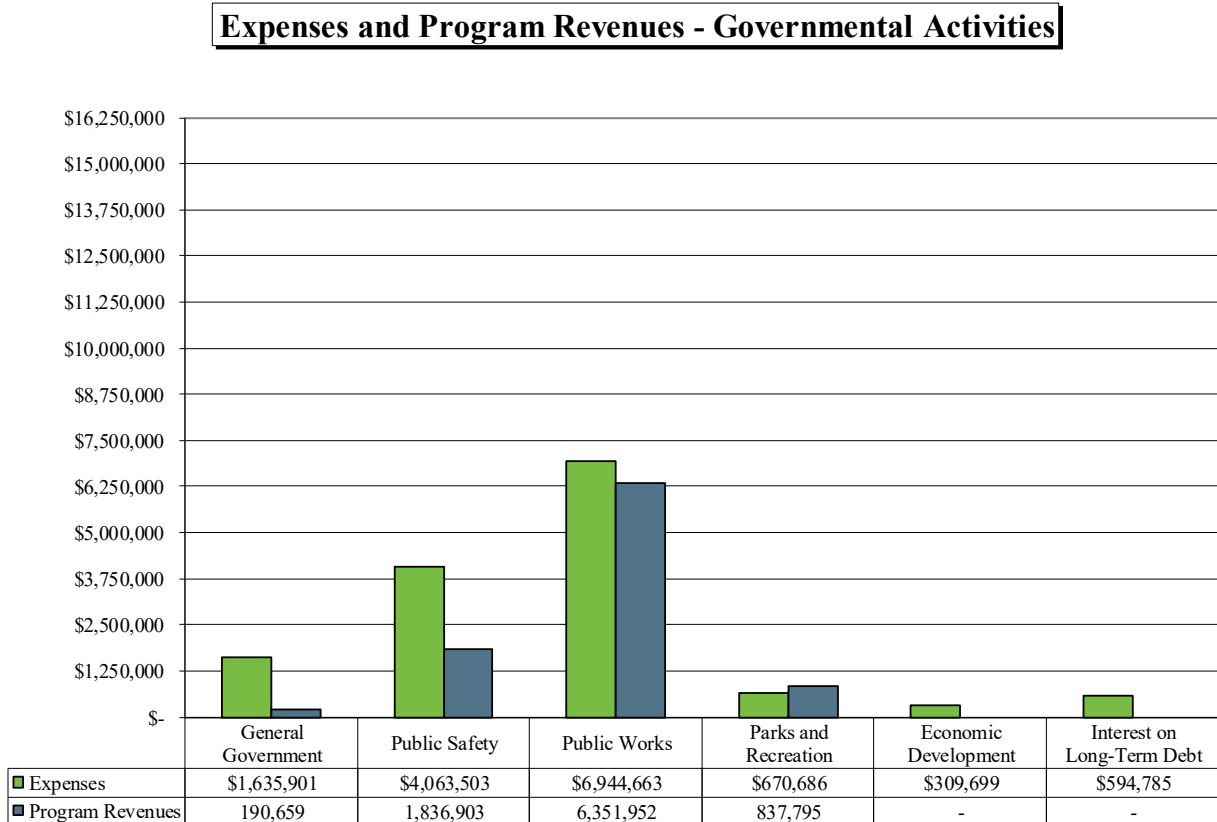
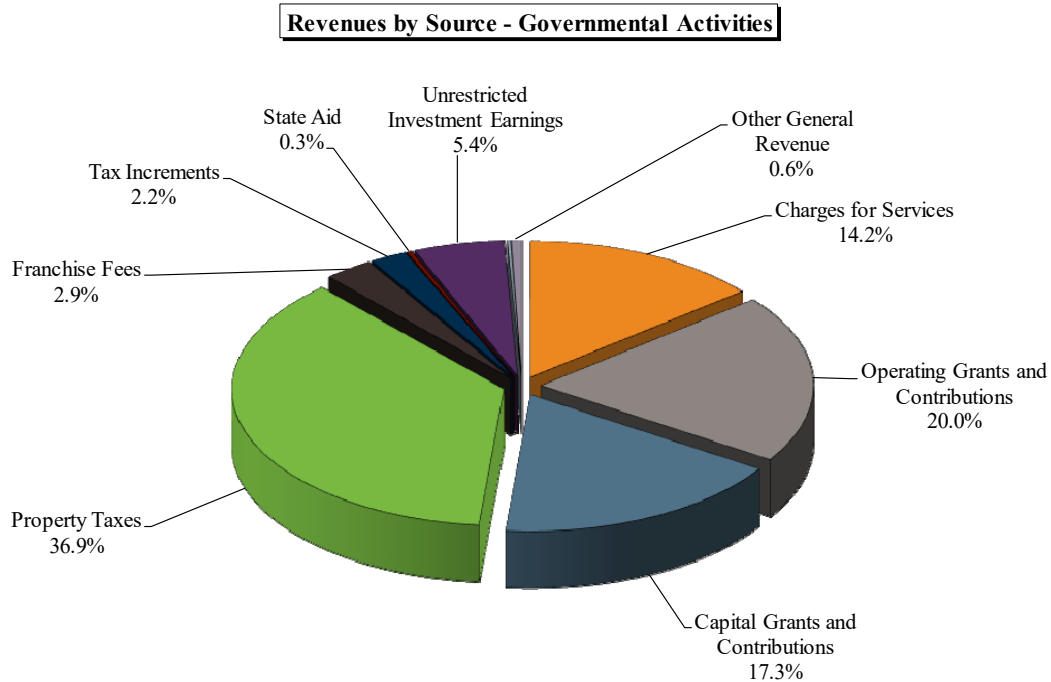
Governmental activities increased the City's net position by \$4,486,216.

Changes in Net Position

	Governmental Activities 2023	Governmental Activities 2022	Business-Type Activities 2023	Business-Type Activities 2022	Total 2023	Total 2022
Revenues						
Program revenues						
Charges for services	\$ 2,537,954	\$ 5,644,182	\$ 5,238,208	\$ 7,770,473	\$ 7,776,162	\$ 13,414,655
Operating grants and contributions	3,575,727	447,931	-	-	3,575,727	447,931
Capital grants and contributions	3,103,628	13,980,288	1,130,908	7,116,478	4,234,536	21,096,766
General revenues						
Property taxes	6,605,833	6,454,829	-	-	6,605,833	6,454,829
Franchise fees	527,299	478,464	-	-	527,299	478,464
Tax increments	394,907	447,701	-	-	394,907	447,701
State aid	54,542	35,928	-	-	54,542	35,928
Unrestricted investment earnings	963,296	(505,818)	583,934	(211,287)	1,547,230	(717,105)
Other general revenue	111,092	51,148	-	-	111,092	51,148
Gain on sale of capital assets	35,950	4,940	-	-	35,950	4,940
Total revenues	<u>17,910,228</u>	<u>27,039,593</u>	<u>6,953,050</u>	<u>14,675,664</u>	<u>24,863,278</u>	<u>41,715,257</u>
Expenses						
General government	1,635,901	1,399,587	-	-	1,635,901	1,399,587
Public safety	4,063,503	3,565,623	-	-	4,063,503	3,565,623
Public works	6,944,663	3,867,695	-	-	6,944,663	3,867,695
Parks and recreation	670,686	542,891	-	-	670,686	542,891
Economic development	309,699	525,838	-	-	309,699	525,838
Interest on long-term debt	594,785	342,795	-	-	594,785	342,795
Water	-	-	2,011,936	1,397,102	2,011,936	1,397,102
Sewer	-	-	1,656,886	1,174,086	1,656,886	1,174,086
Total expenses	<u>14,219,237</u>	<u>10,244,429</u>	<u>3,668,822</u>	<u>2,571,188</u>	<u>17,888,059</u>	<u>12,815,617</u>
Change in net position before transfers	3,690,991	16,795,164	3,284,228	12,104,476	6,975,219	28,899,640
Transfers	<u>795,225</u>	<u>867,107</u>	<u>(795,225)</u>	<u>(867,107)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>4,486,216</u>	<u>17,662,271</u>	<u>2,489,003</u>	<u>11,237,369</u>	<u>6,975,219</u>	<u>28,899,640</u>
Net position - beginning of year	93,843,296	58,655,983	48,464,912	26,582,195	142,308,208	85,238,178
Prior period adjustment	-	17,525,042	-	10,645,348	-	28,170,390
Net position - beginning as restated	<u>93,843,296</u>	<u>76,181,025</u>	<u>48,464,912</u>	<u>37,227,543</u>	<u>142,308,208</u>	<u>113,408,568</u>
Net position - ending	<u>\$ 98,329,512</u>	<u>\$ 93,843,296</u>	<u>\$ 50,953,915</u>	<u>\$ 48,464,912</u>	<u>\$ 149,283,427</u>	<u>\$ 142,308,208</u>

City of Dayton Management's Discussion And Analysis

GOVERNMENTAL ACTIVITIES (CONTINUED)

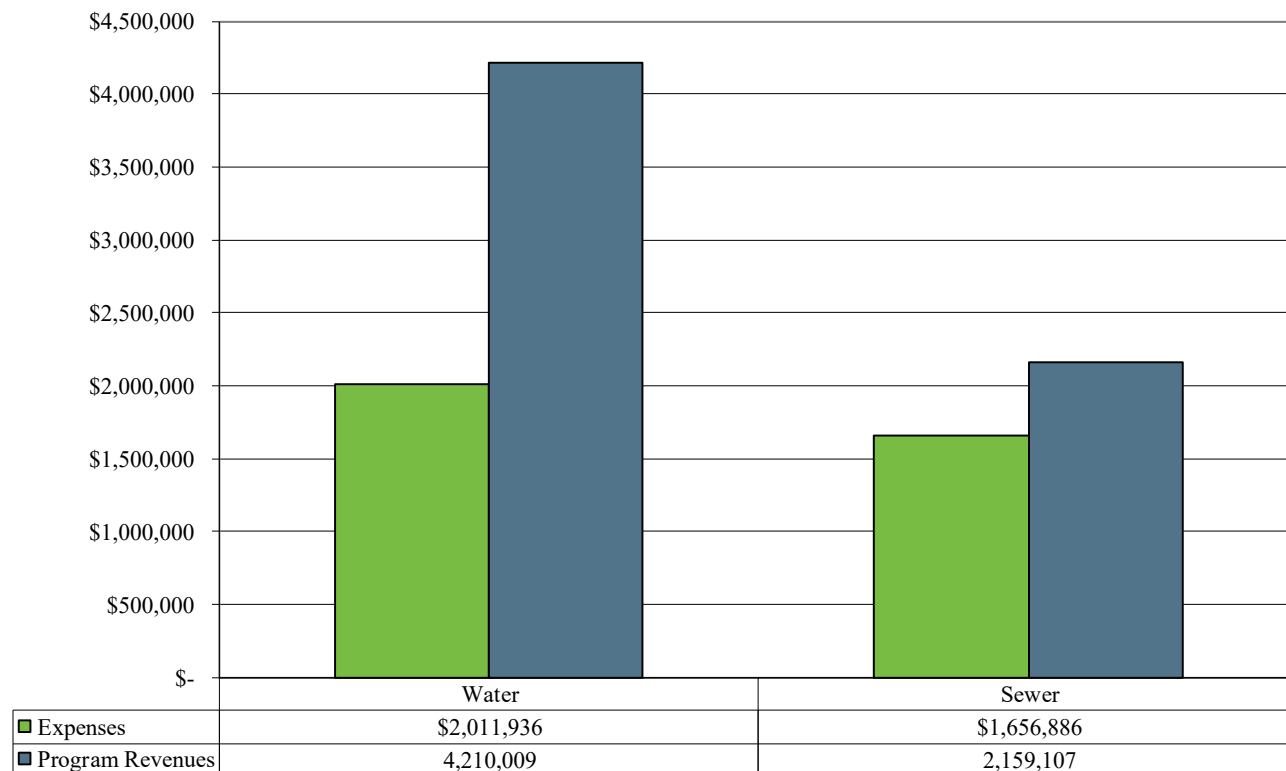


City of Dayton Management's Discussion and Analysis

BUSINESS-TYPE ACTIVITIES

Business-Type Activities - Business-type activities increased the City's net position \$2,489,003.

Expenses and Program Revenues - Business-Type 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 \$21,206,502 an increase of \$6,376,748 in comparison with the prior year. Of this total amount, \$1,276,511 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 \$205,480, 2) Restricted \$6,408,910, 3) Committed \$1,358,045, and 4) Assigned \$11,957,556.

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 \$2,772,751. 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 35.00% of total General Fund budgeted expenditures for the following year.

The fund balance of the City's General fund increased \$117,340 in 2023.

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 \$11,232,357. 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 under budget by \$241,592. Total expenditures were over budget by \$494,436. Total transfers in for the General Fund was \$853,368 for 2023. Some of the significant variances can be briefly summarized as follows:

- Licenses and permits and taxes were under budget by \$258,954 and \$127,278 respectively, due to less than anticipated residential and commercial/industrial development in the City along with more homes being late on their tax payments for 2023.
- General government expenditures were over budget by \$257,052 due to use of consultants being more prevalent with lack of staffing expertise for most of the year along with a litigation settlement occurring during 2023.
- Public works expenditures were over budget by \$185,492 primarily due to increased cost of repairs and maintenance along with a harsh winter at the beginning of 2023 which caused more road repair and fuel to be used.
- Transfers in due to the General Fund deficit of \$853,363 was not included in the budget but was approved by Council Resolution in 2024.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of December 31, 2023, amounted to \$137,417,185 (net of accumulated depreciation/ amortization). This investment in capital assets includes land, buildings and improvements, infrastructure, collection and distribution system, machinery and equipment, construction in progress and leased vehicles.

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 2023 and beyond.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 3,366,641	\$ 3,366,641	\$ 113,767	\$ 113,767	\$ 3,480,408	\$ 3,480,408
Buildings and improvements	6,006,546	5,958,302	-	-	6,006,546	5,958,302
Infrastructure	93,938,820	90,102,883	-	-	93,938,820	90,102,883
Collection and distribution system	-	-	50,466,757	48,707,486	50,466,757	48,707,486
Machinery and equipment	8,733,474	7,430,080	395,396	172,784	9,128,870	7,602,864
Construction in progress	8,028,645	6,853,513	1,559,430	430,234	9,588,075	7,283,747
Lease vehicles	167,613	-	-	-	167,613	-
Total capital assets	120,241,739	113,711,419	52,535,350	49,424,271	172,777,089	163,135,690
Less accumulated depreciation/ amortization	(22,528,095)	(19,377,486)	(12,831,809)	(11,375,718)	(35,359,904)	(30,753,204)
Net capital assets	<u>\$ 97,713,644</u>	<u>\$ 94,333,933</u>	<u>\$ 39,703,541</u>	<u>\$ 38,048,553</u>	<u>\$ 137,417,185</u>	<u>\$ 132,382,486</u>

Long-term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of \$19,630,000. 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	
	2023	2022	2023	2022	2023	2022
G.O. Bonds, net	\$ 20,319,510	\$ 16,039,162	\$ -	\$ -	\$ 20,319,510	\$ 16,039,162
PFA notes	262,000	303,000	-	-	262,000	303,000
Lease liabilities	157,402	-	-	-	157,402	-
Compensated absences	375,743	301,352	67,369	33,422	443,112	334,774
Total	<u>\$ 21,114,655</u>	<u>\$ 16,643,514</u>	<u>\$ 67,369</u>	<u>\$ 33,422</u>	<u>\$ 21,182,024</u>	<u>\$ 16,676,936</u>

The City's total bonded debt increased \$3,989,000 due to the issuance of new debt however offset by scheduled debt payments.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City has adopted a balanced budget for 2024. The General fund revenue and expenditure budgets both total \$7,922,150. The general portion of the property tax levy for 2024 increased by 20.13% to \$5,929,085 while the debt service portion of the levy remained steady at \$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 2024 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 remained the same for both 2023 and 2024 at 35.64%.

The City has experienced a much slower level of growth in residential development in 2023 that it did in 2022 and 2021. The City has put the final touches together on road projects in the southwest area of City which has opened additional road connections for the businesses and residents in this area. All road projects for the City will be completed in 2024. The City is continuing to develop transportation and essential services for this growing community with better planning and focus on the future of Dayton.

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

**City of Dayton
Statement of Net Position
December 31, 2023**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 26,231,713	\$ 11,924,976	\$ 38,156,689
Taxes receivable - delinquent	158,852	-	158,852
Accounts receivable	650,638	484,817	1,135,455
Lease receivable	281,205	-	281,205
Interest receivable	229,554	-	229,554
Due from other governments	57,218	27,018	84,236
Special assessments receivable			
Current	1,106	-	1,106
Delinquent	2,977	1,868	4,845
Deferred charges	2,524,200	101,997	2,626,197
Inventories	28,785	-	28,785
Prepaid items	176,695	45,260	221,955
Net pension asset - fire relief association	114,767	-	114,767
Capital assets not being depreciated			
Land	3,366,641	113,767	3,480,408
Construction in progress	8,028,645	1,559,430	9,588,075
Capital assets (net of accumulated depreciation/amortization)			
Buildings and improvements	4,045,978	-	4,045,978
Infrastructure	76,564,778	-	76,564,778
Collection and distribution system	-	37,741,452	37,741,452
Machinery and equipment	5,551,206	288,892	5,840,098
Lease vehicles	156,396	-	156,396
Total assets	<u>128,171,354</u>	<u>52,289,477</u>	<u>180,460,831</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	2,801,229	57,011	2,858,240
Total assets and deferred outflows of resources	<u>\$ 130,972,583</u>	<u>\$ 52,346,488</u>	<u>\$ 183,319,071</u>
Liabilities			
Accounts and contracts payable	\$ 5,346,664	\$ 462,424	\$ 5,809,088
Due to other governments	33,247	607,234	640,481
Salaries and benefits payable	179,221	14,648	193,869
Interest payable	296,658	-	296,658
Unearned revenue	182,666	5,856	188,522
Bonds payable, net			
Payable within one year	1,610,000	-	1,610,000
Payable after one year	18,709,510	-	18,709,510
Notes from direct borrowing			
Payable within one year	42,000	-	42,000
Payable after one year	220,000	-	220,000
Compensated absences payable			
Payable within one year	37,574	6,737	44,311
Payable after one year	338,169	60,632	398,801
Lease liability			
Payable within one year	36,817	-	36,817
Payable after one year	120,585	-	120,585
Net pension liability	2,296,693	182,785	2,479,478
Total liabilities	<u>29,449,804</u>	<u>1,340,316</u>	<u>30,790,120</u>
Deferred Inflows of Resources			
Advanced appropriations - State Shared Taxes	427,409	-	427,409
Deferred inflows of resources related to pensions	2,484,653	52,257	2,536,910
Deferred inflows of resources related to lease receivable	281,205	-	281,205
Total deferred inflows of resources	<u>3,193,267</u>	<u>52,257</u>	<u>3,245,524</u>
Net Position			
Net investment in capital assets	81,838,178	39,703,541	116,132,094
Restricted for			
Debt service	5,848,431	-	5,848,431
Net pension asset - fire relief association	114,767	-	114,767
Police forfeitures	12,745	-	12,745
Park dedication	2,536,890	-	2,536,890
Tax increment	239,928	-	239,928
Infrastructure replacement	-	18,017	18,017
Unrestricted	7,738,573	11,232,357	24,380,555
Total net position	<u>98,329,512</u>	<u>50,953,915</u>	<u>149,283,427</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 130,972,583</u>	<u>\$ 52,346,488</u>	<u>\$ 183,319,071</u>

See notes to basic financial statements.

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

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	\$ 1,635,901	\$ 190,489	\$ 170	\$ -	\$ (1,445,242)	\$ -	\$ (1,445,242)
Public safety	4,063,503	1,112,453	724,450	-	(2,226,600)	-	(2,226,600)
Public works	6,944,663	447,217	2,801,107	3,103,628	(592,711)	-	(592,711)
Parks and recreation	670,686	787,795	50,000	-	167,109	-	167,109
Economic development	309,699	-	-	-	(309,699)	-	(309,699)
Interest on long-term debt	594,785	-	-	-	(594,785)	-	(594,785)
Total governmental activities	<u>14,219,237</u>	<u>2,537,954</u>	<u>3,575,727</u>	<u>3,103,628</u>	<u>(5,001,928)</u>	<u>-</u>	<u>(5,001,928)</u>
Business-type activities							
Water	2,011,936	3,760,157	-	449,852	-	2,198,073	2,198,073
Sewer	1,656,886	1,478,051	-	681,056	-	502,221	502,221
Total business-type activities	<u>3,668,822</u>	<u>5,238,208</u>	<u>-</u>	<u>1,130,908</u>	<u>-</u>	<u>2,700,294</u>	<u>2,700,294</u>
Total governmental and business-type activities	<u>\$ 17,888,059</u>	<u>\$ 7,776,162</u>	<u>\$ 3,575,727</u>	<u>\$ 4,234,536</u>	<u>(5,001,928)</u>	<u>2,700,294</u>	<u>(2,301,634)</u>
General revenues							
Property taxes					6,605,833	-	6,605,833
Franchise fees					527,299	-	527,299
Tax increments					394,907	-	394,907
State aids					54,542	-	54,542
Unrestricted investment earnings					963,296	583,934	1,547,230
Other general revenue					111,092	-	111,092
Gain on sale of capital assets					35,950	-	35,950
Transfers					795,225	(795,225)	-
Total general revenues and transfers					<u>9,488,144</u>	<u>(211,291)</u>	<u>9,276,853</u>
Change in net position					4,486,216	2,489,003	6,975,219
Net position - beginning of year					93,843,296	48,464,912	142,308,208
Net position - end of year					<u>\$ 98,329,512</u>	<u>\$ 50,953,915</u>	<u>\$ 149,283,427</u>

See notes to basic financial statements.

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

		Debt Service		Capital Projects
	General Fund (101)	2014A and 2015A G.O. Improvement Bonds (342)	2020A G.O. Improvement Bond (378)	Capital Equipment Fund (401)
Assets				
Cash and investments	\$ 2,718,458	\$ 2,952,442	\$ 256,626	\$ -
Receivables				
Taxes receivable - delinquent	158,852	-	-	-
Accounts receivable	87,036	-	-	-
Lease receivable	281,205	-	-	-
Interest receivable	229,554	-	-	-
Due from other governments	46,234	-	-	-
Special assessments receivable				
Current	-	1,039	67	-
Delinquent	-	2,659	318	-
Deferred	1,435	1,040,014	1,106,183	-
Due from other funds	29,981	-	-	-
Inventories	28,785	-	-	-
Prepaid items	176,695	-	-	-
Total assets	<u>\$ 3,758,235</u>	<u>\$ 3,996,154</u>	<u>\$ 1,363,194</u>	<u>\$ -</u>
Liabilities				
Accounts and contracts payable	\$ 152,126	\$ -	\$ -	\$ 13,024
Due to other funds	-	-	-	249,203
Due to other governments	29,979	-	-	268
Salaries and benefits payable	179,221	-	-	-
Unearned revenue	182,666	-	-	-
Total liabilities	<u>543,992</u>	<u>-</u>	<u>-</u>	<u>262,495</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	158,852	-	-	-
Advanced appropriations - State Shared Taxes	-	-	-	-
Deferred inflow related to lease receivable	281,205	-	-	-
Unavailable revenue - special assessments	1,435	1,042,673	1,106,501	-
Total deferred inflows of resources	<u>441,492</u>	<u>1,042,673</u>	<u>1,106,501</u>	<u>-</u>
Fund Balances				
Nonspendable	205,480	-	-	-
Restricted	-	2,953,481	256,693	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	2,567,271	-	-	(262,495)
Total fund balances	<u>2,772,751</u>	<u>2,953,481</u>	<u>256,693</u>	<u>(262,495)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,758,235</u>	<u>\$ 3,996,154</u>	<u>\$ 1,363,194</u>	<u>\$ -</u>

Capital Projects

Pavement Management and Improvements Fund (414)	2022 TIF Street Improvements (459)	Developer Escrow Fund(411)	Landscaping Escrow Fund (420)	Other Governmental Funds	Total Governmental Funds
\$ 2,985,846	\$ 243,820	\$ 2,646,239	\$ 1,466,000	\$ 12,962,282	\$ 26,231,713
-	-	-	-	-	158,852
126,844	127,599	296,363	-	12,796	650,638
-	-	-	-	-	281,205
-	-	-	-	-	229,554
2,481	-	-	-	8,503	57,218
-	-	-	-	-	1,106
-	-	-	-	-	2,977
-	-	-	-	376,568	2,524,200
-	-	-	-	598,755	628,736
-	-	-	-	-	28,785
-	-	-	-	-	176,695
<u>\$ 3,115,171</u>	<u>\$ 371,419</u>	<u>\$ 2,942,602</u>	<u>\$ 1,466,000</u>	<u>\$ 13,958,904</u>	<u>\$ 30,971,679</u>
\$ 39,335	\$ 291,216	\$ 2,942,602	\$ 1,466,000	\$ 442,361	\$ 5,346,664
-	-	-	-	379,533	628,736
-	-	-	-	3,000	33,247
-	-	-	-	-	179,221
-	-	-	-	-	182,666
<u>39,335</u>	<u>291,216</u>	<u>2,942,602</u>	<u>1,466,000</u>	<u>824,894</u>	<u>6,370,534</u>
-	-	-	-	-	158,852
-	-	-	-	427,409	427,409
-	-	-	-	-	281,205
-	-	-	-	376,568	2,527,177
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>803,977</u>	<u>3,394,643</u>
-	-	-	-	-	205,480
-	-	-	-	3,198,736	6,408,910
-	-	-	-	1,358,045	1,358,045
3,075,836	80,203	-	-	8,801,517	11,957,556
-	-	-	-	(1,028,265)	1,276,511
<u>3,075,836</u>	<u>80,203</u>	<u>-</u>	<u>-</u>	<u>12,330,033</u>	<u>21,206,502</u>
<u>\$ 3,115,171</u>	<u>\$ 371,419</u>	<u>\$ 2,942,602</u>	<u>\$ 1,466,000</u>	<u>\$ 13,958,904</u>	<u>\$ 30,971,679</u>

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

Total fund balances - governmental funds	\$ 21,206,502
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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	120,074,126
Less accumulated depreciation	(22,516,878)
Cost of lease assets	167,613
Less accumulated amortization	(11,217)

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	(19,630,000)
Unamortized bond premium	(689,510)
Notes payable	(262,000)
Lease liability	(157,402)
Compensated absences payable	(375,743)
Net pension liability	(2,296,693)

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	(2,484,653)
Deferred outflows of resources related to pensions	2,801,229

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

114,767

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	158,852
Delinquent special assessments receivable	2,977

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

Deferred special assessments receivable	2,524,200
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Governmental funds do not report a liability for accrued interest due and payable.

(296,658)

Total net position - governmental activities

\$ 98,329,512

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

		Debt Service		Capital Projects
	General Fund (101)	2014A and 2015A G.O. Improvement Bonds (342)	2020A G.O. Improvement Bond (378)	Capital Equipment Fund (401)
Revenues				
Property taxes	\$ 4,462,957	\$ -	\$ -	\$ 750,000
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	-	396,271	189,201	-
Licenses and permits	946,146	-	-	-
Intergovernmental	562,990	-	-	-
Charges for services	227,322	-	-	-
Fines and forfeitures	28,376	-	-	-
Miscellaneous				
Investment income	86,111	75,177	7,081	17,436
Contributions and donations	1,799	-	-	-
Other	136,537	-	-	-
Total revenues	<u>6,452,238</u>	<u>471,448</u>	<u>196,282</u>	<u>767,436</u>
Expenditures				
Current				
General government	1,436,992	-	-	-
Public safety	3,545,401	-	-	-
Public works	1,617,082	-	-	-
Parks and recreation	475,991	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	1,240,000	180,000	10,211
Interest and other charges	-	309,038	38,875	3,431
Capital outlay				
General government	33,547	-	-	-
Public safety	18,412	-	-	1,684,070
Public works	34,919	-	-	220,887
Parks and recreation	25,922	-	-	8,056
Total expenditures	<u>7,188,266</u>	<u>1,549,038</u>	<u>218,875</u>	<u>1,926,655</u>
Excess of revenues over (under) expenditures	(736,028)	(1,077,590)	(22,593)	(1,159,219)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Bond issuance	-	-	-	-
Bond premium	-	-	-	-
Lease Issuance	-	-	-	167,613
Transfers in	853,368	1,073,076	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>853,368</u>	<u>1,073,076</u>	<u>-</u>	<u>167,613</u>
Net change in fund balances	117,340	(4,514)	(22,593)	(991,606)
Fund Balances				
Beginning of year	<u>2,655,411</u>	<u>2,957,995</u>	<u>279,286</u>	<u>729,111</u>
End of year	<u>\$ 2,772,751</u>	<u>\$ 2,953,481</u>	<u>\$ 256,693</u>	<u>\$ (262,495)</u>

See notes to basic financial statements.

Capital Projects			
Pavement Management and Improvements Fund (414)	2022 TIF Street Improvements (459)	Other Governmental Funds	Total Governmental Funds
\$ 600,000	\$ -	\$ 710,000	\$ 6,522,957
-	-	394,907	394,907
527,299	-	-	527,299
-	-	91,157	676,629
-	-	-	946,146
1,855,185	793,915	1,261,995	4,474,085
-	-	1,300,541	1,527,863
-	-	4,780	33,156
131,427	11,469	634,595	963,296
-	-	17,009	18,808
-	-	1,200	137,737
3,113,911	805,384	4,416,184	16,222,883
-	-	20,635	1,457,627
-	-	39,407	3,584,808
1,636,790	-	-	3,253,872
-	-	14,803	490,794
-	-	296,744	296,744
-	-	541,000	1,971,211
-	154,046	70,248	575,638
-	-	44,950	78,497
-	-	30,940	1,733,422
1,123,353	1,624,618	309,299	3,313,076
-	-	350,423	384,401
2,760,143	1,778,664	1,718,449	17,140,090
353,768	(973,280)	2,697,735	(917,207)
-	-	35,950	35,950
-	5,950,000	-	5,950,000
-	345,167	-	345,167
-	-	-	167,613
-	-	22,789	1,949,233
-	-	(1,154,008)	(1,154,008)
-	6,295,167	(1,095,269)	7,293,955
353,768	5,321,887	1,602,466	6,376,748
2,722,068	(5,241,684)	10,727,567	14,829,754
\$ 3,075,836	\$ 80,203	\$ 12,330,033	\$ 21,206,502

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, 2023

Net change in fund balances - governmental funds \$ 6,376,748

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	4,791,969
Depreciation expense	(3,629,831)
Contributed asset	2,061,177
Lease asset outlays	167,613
Amortization expense	(11,217)

Compensated absences are recognized as paid in the governmental funds, but recognized as the expense is incurred in the Statement of Activities. (74,391)

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	(275,354)
State aid related to pension expense	4,144

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. 1,971,211

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. 94,819

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. (113,966)

Proceeds from long-term debt are recognized as an other financing source in the governmental funds, but have no effect on net position in the Statement of Activities.

Bonds payable	(5,950,000)
Premium on bonds issued	(345,167)
Lease liability issued	(167,613)

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	(491,233)
Delinquent special assessments	(5,569)

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

82,876

Change in net position - governmental activities \$ 4,486,216

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 4,590,235	\$ 4,462,957	\$ (127,278)
Licenses and permits	1,205,100	946,146	(258,954)
Intergovernmental revenue	468,045	562,990	94,945
Charges for services	342,700	227,322	(115,378)
Fines and forfeitures	40,000	28,376	(11,624)
Miscellaneous			
Investment income	10,000	86,111	76,111
Contributions and donations	2,750	1,799	(951)
Other	35,000	136,537	101,537
Total revenues	<u>6,693,830</u>	<u>6,452,238</u>	<u>(241,592)</u>
Expenditures			
Current			
General government	1,179,940	1,436,992	257,052
Public safety	3,476,220	3,545,401	69,181
Public works	1,431,590	1,617,082	185,492
Parks and recreation	491,080	475,991	(15,089)
Capital outlay			
General government	25,000	33,547	8,547
Public safety	23,000	18,412	(4,588)
Public works	35,000	34,919	(81)
Parks and recreation	32,000	25,922	(6,078)
Total expenditures	<u>6,693,830</u>	<u>7,188,266</u>	<u>494,436</u>
Excess of revenues over (under) expenditures	-	(736,028)	(736,028)
Other Financing Sources (Uses)			
Transfers in	-	853,368	853,368
Total other financing sources (uses)	<u>-</u>	<u>853,368</u>	<u>853,368</u>
Net change in fund balance	<u>\$ -</u>	<u>117,340</u>	<u>\$ 117,340</u>
Fund Balance			
Beginning of year		<u>2,655,411</u>	
End of year		<u>\$ 2,772,751</u>	

City of Dayton
Statement of Net Positions - Proprietary Funds
December 31, 2023

	Water (601)	Sewer (602)	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 9,026,518	\$ 2,898,458	\$ 11,924,976
Accounts receivable	217,473	267,344	484,817
Special assessments receivable	30,348	73,517	103,865
Due from other governments	4,341	22,677	27,018
Prepaid expenses	2,860	42,400	45,260
Total current assets	<u>9,281,540</u>	<u>3,304,396</u>	<u>12,585,936</u>
Noncurrent assets			
Capital assets			
Land	113,767	-	113,767
Collection and distribution system	24,726,801	25,739,956	50,466,757
Machinery and equipment	61,282	334,114	395,396
Construction in progress	1,559,430	-	1,559,430
Total capital assets	<u>26,461,280</u>	<u>26,074,070</u>	<u>52,535,350</u>
Less accumulated depreciation	<u>(5,918,701)</u>	<u>(6,913,108)</u>	<u>(12,831,809)</u>
Net capital assets	<u>20,542,579</u>	<u>19,160,962</u>	<u>39,703,541</u>
Total assets	<u>29,824,119</u>	<u>22,465,358</u>	<u>52,289,477</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>29,524</u>	<u>27,487</u>	<u>57,011</u>
Total assets and deferred outflows of resources	<u>\$ 29,853,643</u>	<u>\$ 22,492,845</u>	<u>\$ 52,346,488</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 435,634	\$ 26,790	\$ 462,424
Salaries and benefits payable	7,324	7,324	14,648
Due to other governments	509,547	97,687	607,234
Current compensated absences	3,374	3,363	6,737
Unearned revenue	5,856	-	5,856
Total current liabilities	<u>961,735</u>	<u>135,164</u>	<u>1,096,899</u>
Noncurrent liabilities			
Compensated absences	30,367	30,265	60,632
Net pension liability	94,658	88,127	182,785
Total noncurrent liabilities	<u>125,025</u>	<u>118,392</u>	<u>243,417</u>
Total liabilities	<u>1,086,760</u>	<u>253,556</u>	<u>1,340,316</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	<u>27,062</u>	<u>25,195</u>	<u>52,257</u>
Net Position			
Net investment in capital assets	20,542,579	19,160,962	39,703,541
Restricted for infrastructure replacement	-	18,017	18,017
Unrestricted	8,197,242	3,035,115	11,232,357
Total net position	<u>28,739,821</u>	<u>22,214,094</u>	<u>50,953,915</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 29,853,643</u>	<u>\$ 22,492,845</u>	<u>\$ 52,346,488</u>

City of Dayton
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2023

	Water (601)	Sewer (602)	Total
Operating Revenues			
Charges for services	\$ 1,979,682	\$ 1,119,375	\$ 3,099,057
Permits, hookup fees, and penalties	152,135	7,473	159,608
Other charges	10,396	10,396	20,792
Total operating revenues	<u>2,142,213</u>	<u>1,137,244</u>	<u>3,279,457</u>
Operating Expenses			
Wages and salaries	181,131	169,819	350,950
Employee benefits	88,812	82,913	171,725
Materials and supplies	341,506	5,367	346,873
Repairs and maintenance	82,903	15,021	97,924
Contracted services	77,892	521,380	599,272
Utilities	475,606	18,847	494,453
Depreciation	711,371	761,733	1,473,104
Equipment	41,738	64,545	106,283
Miscellaneous	10,977	17,261	28,238
Total operating expenses	<u>2,011,936</u>	<u>1,656,886</u>	<u>3,668,822</u>
Operating loss	130,277	(519,642)	(389,365)
Nonoperating Revenues			
Investment income	438,164	145,770	583,934
Connection charges	1,617,944	340,807	1,958,751
Total nonoperating revenue	<u>2,056,108</u>	<u>486,577</u>	<u>2,542,685</u>
Income before capital contributions and transfers	2,186,385	(33,065)	2,153,320
Capital contributions	449,852	681,056	1,130,908
Transfers out	(560,700)	(234,525)	(795,225)
Total capital contributions and transfers	<u>(110,848)</u>	<u>446,531</u>	<u>335,683</u>
Change in net position	2,075,537	413,466	2,489,003
Net Position			
Beginning of year, as previously stated	<u>26,664,284</u>	<u>21,800,628</u>	<u>48,464,912</u>
End of year	<u>\$ 28,739,821</u>	<u>\$ 22,214,094</u>	<u>\$ 50,953,915</u>

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

	Water (601)	Sewer (602)	Total
Cash Flows - Operating Activities			
Receipts from customers and users	\$ 2,089,952	\$ 1,062,181	\$ 3,152,133
Payments to suppliers	(1,266,912)	(560,727)	(1,827,639)
Payments to employees	(227,455)	(211,011)	(438,466)
Net cash flows - operating activities	<u>595,585</u>	<u>290,443</u>	<u>886,028</u>
Cash Flows - Noncapital			
Financing Activities			
Loan to/from other funds	5,054,237	-	5,054,237
Transfer to other funds	(560,700)	(234,525)	(795,225)
Net cash flows - noncapital financing activities	<u>4,493,537</u>	<u>(234,525)</u>	<u>4,259,012</u>
Cash Flows - Capital and Related			
Financing Activities			
Connection charges	1,617,944	340,807	1,958,751
Acquisition of capital assets	(1,757,559)	(239,625)	(1,997,184)
Net cash flows - capital and related financing activities	<u>(139,615)</u>	<u>101,182</u>	<u>(38,433)</u>
Cash Flows - Investing Activities			
Investment Income	<u>438,164</u>	<u>145,770</u>	<u>583,934</u>
Net Change in Cash and Cash Equivalents	5,387,671	302,870	5,690,541
Cash and Cash Equivalents			
January 1	<u>3,638,847</u>	<u>2,595,588</u>	<u>6,234,435</u>
December 31	<u><u>\$ 9,026,518</u></u>	<u><u>\$ 2,898,458</u></u>	<u><u>\$ 11,924,976</u></u>
Reconciliation of Operating Loss to			
Net Cash Flows - Operating Activities			
Operating loss	\$ 130,277	\$ (519,642)	\$ (389,365)
Adjustments to reconcile operating loss to net cash flows - operating activities			
Unearned revenue	(33,534)	-	(33,534)
Depreciation expense	711,371	761,733	1,473,104
Net pension expense	24,025	23,360	47,385
Accounts receivable	(11,850)	(90,226)	(102,076)
Special assessments receivable	(6,830)	17,900	11,070
Due from other governments	(47)	(2,737)	(2,784)
Prepaid items	(127)	(7,814)	(7,941)
Accounts payable	314,387	23,578	337,965
Contracts payable	35,091	-	35,091
Due to other governments	(585,641)	65,930	(519,711)
Salaries payable	1,438	1,439	2,877
Compensated absences payable	17,025	16,922	33,947
Total adjustments	<u>465,308</u>	<u>810,085</u>	<u>1,275,393</u>
Net cash flows - operating activities	<u><u>\$ 595,585</u></u>	<u><u>\$ 290,443</u></u>	<u><u>\$ 886,028</u></u>
Noncash capital activities			
Contributions of Capital Assets	\$ 449,852	\$ 681,056	\$ 1,130,908

See notes to basic financial statements.

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.

2020A G.O. Improvement Bond - This fund accounts for costs and revenues associated with the 2020A debt issuance and bond repayment.

Capital Equipment Fund - This fund accounts for the resources accumulated and expenditures incurred for capital equipment.

Pavement Management and Improvements Fund - This fund accounts for the resources accumulated and expenditures incurred for pavement management and improvement projects.

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)

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.

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

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.

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

1. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average 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, and brokered money markets.

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)**

1. Deposits and Investments (Continued)

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

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

2. 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.

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)**

3. Inventory and Prepaid Items (Continued)

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.

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:

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

5. Lease Receivable

The City is a lessor for a noncancellable lease. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgments include how the City determines (1) the discount rate, (2) lease term, (3) lease receipts, and (4) amortization.

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. Lease Receivable (Continued)

The City determines the discount rate for leases based on the applicable State and Local Government Securities (SLGS) rate. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

6. Right-to-Use Lease Assets/Lease Liabilities

The City recorded right-to-use lease assets as a result of implementing GASB Statement No. 87, Leases. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, (3) lease payments, and (4) amortization.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City determines its estimated borrowing rate based on the applicable State and Local Government Securities rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a re-measurement of the leases and will remeasure the right-to-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

7. 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)**

7. 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. Deferred inflows of resources related to lease receivable is reported in both the government wide Statement of Net Position and the Governmental Funds Balance Sheet.

8. 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.

9. 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)**

10. 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.

11. 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 Balances** - These are amounts that cannot be spent because they are not in spendable form.
- ◆ **Restricted Fund Balances** - These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- ◆ **Committed Fund Balances** - These are amounts 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 Balances** - 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 Balances** - 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.

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.

**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)**

11. Fund Equity (Continued)

b. Minimum Fund Balance

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

12. 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 \$5,409,625 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.

13. 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.
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.

City of Dayton
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information (Continued)

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, 2023:

Capital Equipment Fund	\$ 262,495
2023A CRG TIF Bond Fund	22,789
Park Capital Equipment	134,350
TIF No. 17 Graco	10,441
City Wide Transportation Project	427,409
ROW Escrow Fund	3,000
Dayton Parkway Interchange	430,276

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: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy 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, 2023, 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, 2023, the City's book balance for deposits was as follows:

Deposits	<u><u>\$ 3,917,079</u></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, 2023, the City had the following investments:

Investment Type	Fair Value	Investment Maturities			
		Less than One Year	1-3 Years	3-5 Years	Greater than Five Years
Municipal Bonds	\$ 12,934,610	\$ 2,425,605	\$ 7,974,996	\$ 2,534,009	\$ -
Government Securities	13,029,988	7,332,483	3,312,023	2,081,229	304,253
Corporate Securities	3,497,906	-	2,769,537	728,369	-
Brokered Money Market Account	4,777,106	4,777,106	-	-	-
Total	<u>\$ 34,239,610</u>	<u>\$ 14,535,194</u>	<u>\$ 14,056,556</u>	<u>\$ 5,343,607</u>	<u>\$ 304,253</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, 2023, the U.S. Treasury Bill (7.35%) exceeded 5% of the City's total investments.

Custodial Credit Risk - Investments: 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, 2023. 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, 2023:

- ◆ \$16,527,894 of investments are valued using a quoted market prices (Level 1 inputs).
- ◆ \$12,934,610 of investments are valued using a matrix pricing model (Level 2 inputs).

The following is a summary of total deposits and investments:

Deposits	\$ 3,917,079
Investments	<u>34,239,610</u>
Total deposits and investments	<u><u>\$ 38,156,689</u></u>

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

Statement of Net Position

Cash and investments (including cash equivalents)	<u><u>\$ 38,156,689</u></u>
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NOTE 4 - INTERFUND ACTIVITY

A. Transfers

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

	Transfers In			Total
	General Fund	2014A and 2015A G.O. Improvement Bonds	Other Governmental Funds	
Transfers Out				
Other governmental funds	\$ 853,368	\$ 277,851	\$ 22,789	\$ 1,154,008
Water Fund	-	560,700	-	560,700
Sewer Fund	-	234,525	-	234,525
Total	<u><u>\$ 853,368</u></u>	<u><u>\$ 1,073,076</u></u>	<u><u>\$ 22,789</u></u>	<u><u>\$ 1,949,233</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		
	Capital Equipment Fund	Other Governmental Funds	Total
Due from Other Funds			
General	\$ -	\$ 29,981	29,981
Other Governmental Funds	249,203	349,552	598,755
Total	<u>\$ 249,203</u>	<u>\$ 379,533</u>	<u>\$ 628,736</u>

City of Dayton
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,366,641	\$ -	\$ -	\$ 3,366,641
Construction in progress	6,853,513	2,901,532	1,726,400	8,028,645
Total capital assets not being depreciated	<u>10,220,154</u>	<u>2,901,532</u>	<u>1,726,400</u>	<u>11,395,286</u>
Other capital assets				
Buildings and improvements	5,958,302	48,244	-	6,006,546
Infrastructure	90,102,883	3,835,937	-	93,938,820
Machinery and equipment	7,430,080	1,793,834	490,440	8,733,474
Lease vehicles	-	167,613	-	167,613
Total other capital assets	<u>103,491,265</u>	<u>5,845,628</u>	<u>490,440</u>	<u>108,846,453</u>
Less accumulated depreciation for				
Buildings and improvements	1,772,606	187,962	-	1,960,568
Infrastructure	14,403,632	2,970,410	-	17,374,042
Machinery and equipment	3,201,248	471,460	490,440	3,182,268
Less accumulated amortization for				
Lease vehicles	-	11,217	-	11,217
Total accumulated depreciation and amortization	<u>19,377,486</u>	<u>3,641,049</u>	<u>490,440</u>	<u>22,528,095</u>
 Total other capital assets, net	 <u>84,113,779</u>	 <u>2,204,579</u>	 <u>-</u>	 <u>86,318,358</u>
 Governmental activities capital assets, net	 <u>\$ 94,333,933</u>	 <u>\$ 5,106,111</u>	 <u>\$ 1,726,400</u>	 <u>\$ 97,713,644</u>

City of Dayton
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 113,767	\$ -	\$ -	\$ 113,767
Construction in progress	430,234	1,757,559	628,363	1,559,430
Total capital assets not being depreciated	<u>544,001</u>	<u>1,757,559</u>	<u>628,363</u>	<u>1,673,197</u>
Other capital assets				
Collection and distribution system	48,707,486	1,759,271	-	50,466,757
Machinery and equipment	172,784	239,625	17,013	395,396
Total other capital assets	<u>48,880,270</u>	<u>1,998,896</u>	<u>17,013</u>	<u>50,862,153</u>
Less accumulated depreciation for				
Collection and distribution system	11,281,060	1,444,245	-	12,725,305
Machinery and equipment	94,658	28,859	17,013	106,504
Total accumulated depreciation	<u>11,375,718</u>	<u>1,473,104</u>	<u>17,013</u>	<u>12,831,809</u>
Total other capital assets, net	<u>37,504,552</u>	<u>525,792</u>	<u>-</u>	<u>38,030,344</u>
Business-type activities capital assets, net	<u>\$ 38,048,553</u>	<u>\$ 2,283,351</u>	<u>\$ 628,363</u>	<u>\$ 39,703,541</u>

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

Governmental activities	
General government	\$ 60,445
Public safety	257,807
Public works	3,180,527
Parks and recreation	<u>142,270</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 3,641,049</u>
Business-type activities	
Water	\$ 711,371
Sewer	<u>761,733</u>
Total depreciation expense - business-type activities	<u>\$ 1,473,104</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 \$30,792 for 2023 and will increase by 4% yearly. The deferred inflow and receivable balance related to this lease is \$281,205 as of December 31, 2023.

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	\$ 6,300,000	\$ 465,000
2015A G.O. Refunding	01/08/15	2.25%-3.0%	7,430,000	02/01/27	3,505,000	805,000
2016A G.O. CIP	09/01/16	2.00%-2.75%	3,610,000	02/01/37	2,475,000	155,000
2020A G.O. Improvement						
Street reconstruction	06/04/20	2.0%-3.0%	1,935,000	02/01/30	1,400,000	185,000
2023A G.O. TIF Improvement	06/15/23	4.0%-5.0%	5,950,000	02/01/33	5,950,000	-
PFA notes from direct borrowing						
2010A Improvement Notes	05/06/10	1.65%	750,449	08/20/29	262,000	42,000
Unamortized premium					689,510	-
Lease liabilities					157,402	36,817
Compensated absences					375,743	37,574
Total government activities					<u>21,114,655</u>	<u>1,726,391</u>
Business-type activities						
Compensated absences					<u>67,369</u>	<u>6,737</u>
Total long-term liabilities					<u>\$ 21,182,024</u>	<u>\$ 1,733,128</u>

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.

B. Lease Liabilities

On February 27, 2023, the City entered into four lease agreements with Enterprise Fleet management for Dodge Durangos. The lease agreements include monthly principal and interest payments of \$1,005-\$1,105. The lease agreements are for four years and expire July 18, 2027 through December 19, 2027.

City of Dayton
Notes to Basic Financial Statements

NOTE 7 - LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Bonds payable				
G.O. Improvement Bonds	\$ 4,205,000	\$ -	\$ 330,000	\$ 3,875,000
G.O. Refunding Bonds	11,045,000	-	1,240,000	9,805,000
G.O. Tax Increment	-	5,950,000	-	5,950,000
G.O. Street Construction	350,000	-	350,000	-
Notes from direct borrowing	303,000	-	41,000	262,000
Unamortized premium	439,162	345,167	94,819	689,510
Lease liabilities	-	167,613	10,211	157,402
Compensated absences	301,352	310,699	236,308	375,743
	<u>16,643,514</u>	<u>6,773,479</u>	<u>2,302,338</u>	<u>21,114,655</u>
Business-type activities				
Compensated absences	33,422	61,149	27,202	67,369
	<u>33,422</u>	<u>61,149</u>	<u>27,202</u>	<u>67,369</u>
Total long-term liabilities	<u>\$ 16,676,936</u>	<u>\$ 6,834,628</u>	<u>\$ 2,329,540</u>	<u>\$ 21,182,024</u>

The General Fund typically liquidates the liability related to compensated absences and the Capital Equipment Fund liquidates the liability related to the lease liabilities.

D. Long-Term Debt

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

Year Ended December 31,	Governmental Activities			
	G.O. Improvement Bonds		PFA - Notes from Direct Borrowing	
	Principal	Interest	Principal	Interest
2024	\$ 340,000	\$ 88,138	\$ 42,000	\$ 4,333
2025	345,000	79,413	43,000	3,639
2026	355,000	70,488	43,000	2,928
2027	365,000	61,313	44,000	2,216
2028	370,000	52,963	90,000	2,233
2029-2033	1,310,000	166,581	-	-
2034-2037	790,000	43,900	-	-
	<u>3,875,000</u>	<u>562,796</u>	<u>262,000</u>	<u>15,349</u>
Total	<u>\$ 3,875,000</u>	<u>\$ 562,796</u>	<u>\$ 262,000</u>	<u>\$ 15,349</u>

City of Dayton
Notes to Basic Financial Statements

NOTE 7 - LONG-TERM DEBT (CONTINUED)

D. Long-Term Debt (Continued)

Year Ended December 31,	Governmental Activities			
	G.O. Tax Increment		G.O. Refunding Bonds	
	Principal	Interest	Principal	Interest
2024	\$ -	\$ 297,790	\$ 1,270,000	\$ 265,731
2025	50,000	262,800	1,315,000	228,556
2026	410,000	251,300	1,360,000	191,587
2027	680,000	224,050	1,390,000	153,769
2028	715,000	189,175	1,495,000	111,675
2029-2033	4,095,000	426,450	2,975,000	90,075
Total	<u>\$ 5,950,000</u>	<u>\$ 1,651,565</u>	<u>\$ 9,805,000</u>	<u>\$ 1,041,393</u>

Year Ended December 31,	Governmental Activities			
	Lease Liabilities		Total Governmental Activities	
	Principal	Interest	Principal	Interest
2024	\$ 36,817	\$ 13,938	\$ 1,688,817	\$ 669,930
2025	40,354	10,401	1,793,354	584,809
2026	44,660	6,095	2,212,660	522,398
2027	35,571	1,541	2,514,571	442,889
2028	-	-	2,670,000	356,046
2029-2033	-	-	8,380,000	683,106
2033-2037	-	-	790,000	43,900
Total	<u>\$ 157,402</u>	<u>\$ 31,975</u>	<u>\$ 20,049,402</u>	<u>\$ 3,303,078</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	2020A G.O. Improvement Bond	Capital Equipment Fund	Pavement Management and Improvements Fund	2022 TIF Street Improvement	Other Governmental Funds	Total
Nonspendable								
Inventory	\$ 28,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,785
Prepaid items	176,695	-	-	-	-	-	-	176,695
Total nonspendable	<u>205,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,480</u>
Restricted								
Debt service	-	2,953,481	256,693	-	-	-	409,173	3,619,347
Police forfeitures	-	-	-	-	-	-	12,745	12,745
TIF districts	-	-	-	-	-	-	239,928	239,928
Park dedication	-	-	-	-	-	-	2,536,890	2,536,890
Total restricted	<u>-</u>	<u>2,953,481</u>	<u>256,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,198,736</u>	<u>6,408,910</u>
Committed								
Cable fund	-	-	-	-	-	-	195,547	195,547
EDA	-	-	-	-	-	-	672,182	672,182
Gambling	-	-	-	-	-	-	2,265	2,265
Fire public safety	-	-	-	-	-	-	145,122	145,122
Police public safety	-	-	-	-	-	-	175,500	175,500
Park development	-	-	-	-	-	-	167,429	167,429
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,358,045</u>	<u>1,358,045</u>
Assigned								
Park trails	-	-	-	-	-	-	2,631,969	2,631,969
Capital projects	-	-	-	-	3,075,836	80,203	6,169,548	9,325,587
Total unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,075,836</u>	<u>80,203</u>	<u>8,801,517</u>	<u>11,957,556</u>
Unassigned	<u>2,567,271</u>	<u>-</u>	<u>-</u>	<u>(262,495)</u>	<u>-</u>	<u>-</u>	<u>(1,028,265)</u>	<u>1,276,511</u>
Total fund balance	<u>\$ 2,772,751</u>	<u>\$ 2,953,481</u>	<u>\$ 256,693</u>	<u>\$ (262,495)</u>	<u>\$ 3,075,836</u>	<u>\$ 80,203</u>	<u>\$ 12,330,033</u>	<u>\$ 21,206,502</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 2023 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, 2023, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 10 - PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2023, was \$732,255. 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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 2023 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were \$132,479. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023, were \$204,069. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$1,028,907 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 \$28,353.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0184% at the end of the measurement period and 0.0185% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 1,028,907
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>28,353</u>
Total	<u><u>\$ 1,057,260</u></u>

For the year ended December 31, 2023, the City recognized pension expense of \$237,899 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$127 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.

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)

At December 31, 2023, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 33,833	\$ 6,202
Changes in actuarial assumptions	146,611	282,014
Net difference between projected and actual investment earnings	5,005	-
Changes in proportion	69,232	5,940
Contributions paid to PERA subsequent to the measurement date	66,239	-
	<u>320,920</u>	<u>294,156</u>
Total	<u>\$ 320,920</u>	<u>\$ 294,156</u>

The \$66,239 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2024	\$ 66,693
2025	(106,608)
2026	22,760
2027	(22,320)
	<u>(39,475)</u>
Total	<u>\$ (39,475)</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, 2023, the City reported a liability of \$1,450,571 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0840% at the end of the measurement period and 0.0690% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that meets the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2022. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$58,441.

City's proportionate share of the net pension liability	\$ 1,450,571
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>58,441</u>
Total	<u><u>\$ 1,509,012</u></u>

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer pension allocation schedules for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of \$475,481 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized (\$3,520) 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 \$7,560 for the year ended December 31, 2023, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City of 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, 2023, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 366,610	\$ -
Changes in actuarial assumptions	1,355,458	2,037,273
Net difference between projected and actual investment earnings	-	56,098
Changes in proportion	593,114	7,251
Contributions paid to PERA subsequent to the measurement date	<u>102,034</u>	<u>-</u>
Total	<u><u>\$ 2,417,216</u></u>	<u><u>\$ 2,100,622</u></u>

The \$102,034 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2024	\$ 115,227
2025	68,280
2026	319,439
2027	(37,280)
2028	<u>(251,106)</u>
Total	<u><u>\$ 214,560</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>Expected Real</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
	<hr/>	
Total	<u>100.0 %</u>	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1% for the Police and Fire Plan.

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

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

City of 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 2022. 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 2023 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 2023:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees and Police and Fire Plans were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Dayton
Notes to Basic Financial Statements

NOTE 10 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the General Employees Fund net pension liability	\$ 1,820,220	\$ 1,028,907	\$ 378,023
	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 2,878,105	\$ 1,450,571	\$ 276,946

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.

Defined Benefit Pension Plan - Volunteer Firefighter'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 Firefighter'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.

City of Dayton
Notes to Basic Financial Statements

NOTE 10 - PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan - Volunteer Firefighter's Relief Association (Continued)

C. Employees Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefits	14
Active employees	27
	<hr/>
Total	41
	<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 \$70,940 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022.

Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %	
Investment rate of return	6.50 %	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 Pub-2010 Public Safety Employee Mortality tables with projected mortality improvements based on scale MP-2021.

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.

City of Dayton
Notes to Basic Financial Statements

NOTE 10 - PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan - Volunteer Firefighter's Relief Association (Continued)

C. Employees Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefits	14
Active employees	27
	<hr/>
Total	41
	<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 \$70,940 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022.

Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %	
Investment rate of return	6.50 %	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 Pub-2010 Public Safety Employee Mortality tables with projected mortality improvements based on scale MP-2021.

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.

City of Dayton
Notes to Basic Financial Statements

NOTE 10 - PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan - Volunteer Firefighter's Relief Association (Continued)

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, 2022	\$ 412,997	\$ 534,614	\$ (121,617)
Changes for the year			
Service cost	33,808	-	33,808
Interest	22,619	-	22,619
Difference between expected and actual experience	(55,060)	-	(55,060)
Changes in assumptions	(14,571)	-	(14,571)
State and municipal contributions	-	66,648	(66,648)
Net investment income	-	(73,867)	73,867
Benefit payments, including refunds of employee contributions	(106,867)	(106,867)	-
Administrative expense	-	(12,835)	12,835
Net changes	(120,071)	(126,921)	6,850
Balances at December 31, 2023	\$ 292,926	\$ 407,693	\$ (114,767)

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 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease in Discount Rate (5.50%)	Current Discount Rate Rate (6.50%)	1% Increase in Discount Rate (7.50%)
City's net pension liability (asset)	\$ (97,334)	\$ (114,767)	\$ (130,958)

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.

City of Dayton
Notes to Basic Financial Statements

NOTE 10 - PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan - Volunteer Firefighter's Relief Association (Continued)

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

For the year ended December 31, 2023, the City recognized pension expense of \$18,875. At December 31, 2023, 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
Net difference between projected and actual earnings on pension plan investments	\$ 15,532	\$ 127,096
Change of assumptions	6,265	15,036
Difference between expected and actual liability	27,367	-
Contributions paid to Relief subsequent to the measurement date	70,940	-
	<u>120,104</u>	<u>142,132</u>
Total	<u>\$ 120,104</u>	<u>\$ 142,132</u>

The \$70,940 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as shown in the following table:

Year Ending December 31,	Pension Expense Amount
2024	\$ (25,444)
2025	(10,716)
2026	(3,041)
2027	5,806
2028	(18,509)
Thereafter	<u>(41,064)</u>
Total	<u>\$ (92,968)</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 Statutes* § 469. The City entered into these agreements for the purpose of economic development.

City of Dayton
Notes to Basic Financial Statements

NOTE 11 TAX INCREMENT FINANCING (CONTINUED)

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, 2023, the City generated \$394,907 in tax increment revenue and made \$270,720 in payments to developers.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

At December 31, 2023, the City had outstanding construction contract commitments totaling \$7,076,655.

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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 Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee 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%
2023	0.0184%	1,028,907	28,353	1,057,260	1,462,347	70.4%	83.10%

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

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

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee 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%
2023	0.0840%	1,450,571	58,441	1,509,012	1,103,610	131.4%	86.47%

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

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
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%
2023	132,479	132,479	-	1,766,387	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

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
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%
2023	204,067	204,067	-	1,152,921	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

	2014	2015	2016	2017
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

2018	2019	2020	2021	2022	2023
\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 39,363	\$ 41,288	\$ 45,076	\$ 49,410	\$ 53,787	\$ 60,025
n/a	n/a	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 experien	-	-	(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	<u>\$ 563,161</u>	<u>\$ 619,627</u>	<u>\$ 520,443</u>	<u>\$ 528,334</u>
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	<u>\$ 537,747</u>	<u>\$ 563,995</u>	<u>\$ 537,566</u>	<u>\$ 600,372</u>
Net Pension Liability (NPL)	<u>\$ 25,414</u>	<u>\$ 55,632</u>	<u>\$ (17,123)</u>	<u>\$ (72,038)</u>
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	2022
\$ 18,045	\$ 27,258	\$ 35,374	\$ 33,064	\$ 33,808
29,994	28,109	29,874	23,105	22,619
35,292	-	(112,314)	-	(55,060)
1,750	-	7,593	-	(14,571)
86,955	134,449	-	-	-
(132,958)	(252,359)	(84,688)	(23,880)	(106,867)
39,078	(62,543)	(124,161)	32,289	(120,071)
528,334	567,412	504,869	380,708	412,997
<u>\$ 567,412</u>	<u>\$ 504,869</u>	<u>\$ 380,708</u>	<u>\$ 412,997</u>	<u>\$ 292,926</u>
\$ -	\$ -	\$ -	\$ -	\$ -
56,363	60,288	78,897	74,889	66,648
(14,020)	81,278	58,746	69,181	(73,867)
-	200	-	-	-
(132,958)	(252,359)	(84,688)	(23,880)	(106,867)
(10,118)	(8,234)	(9,914)	(9,429)	(12,835)
(100,733)	(118,827)	43,041	110,761	(126,921)
600,372	499,639	380,812	423,853	534,614
<u>\$ 499,639</u>	<u>\$ 380,812</u>	<u>\$ 423,853</u>	<u>\$ 534,614</u>	<u>\$ 407,693</u>
<u>\$ 67,773</u>	<u>\$ 124,057</u>	<u>\$ (43,145)</u>	<u>\$ (121,617)</u>	<u>\$ (114,767)</u>
88.06%	75.43%	111.33%	129.45%	139.18%
n/a	n/a	n/a	n/a	n/a

City of Dayton
Notes to Required Supplementary Information

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

City of Dayton
Notes to Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- ◆ Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- ◆ Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- ◆ Contribution stabilizer provisions were repealed.
- ◆ Annual 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.

City of Dayton
Notes to Required Supplementary Information

General Employees Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ The assumed annual increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Dayton
Notes to Required Supplementary Information

Police and Fire Fund

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

City of Dayton
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2021 Changes (Continued)

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- ◆ Assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- ◆ Assumed rates of retirement were changed, resulting in fewer retirements.
- ◆ The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- ◆ The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

City of Dayton
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- ◆ Assumed percentage of married female members was decreased from 65% to 60%.
- ◆ Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- ◆ The assumed percentage of female members electing Joint and Survivor annuities was increased.
- ◆ The assumed annual increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- ◆ The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Dayton
Notes to Required Supplementary Information

Dayton Fire Relief Association

2023 Changes

Changes in Actuarial Assumptions

- ◆ The **expected** investment return and discount rate increased from 5.75% to 6.50%.
- ◆ The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2020, Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2022, Minnesota PERA Police & Fire Plan actuarial valuation.
- ◆ The inflation assumption increased from 2.25% to 2.50%.

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, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 4,590,235	\$ 4,462,957	\$ (127,278)
Licenses and permits	1,205,100	946,146	(258,954)
Intergovernmental			
Market value homestead credit	-	10,628	10,628
PERA aid	1,400	(3,393)	(4,793)
Fire aid	50,000	70,940	20,940
Police aid	79,980	103,570	23,590
Federal grants	202,665	198,940	(3,725)
Other grants and aids	134,000	182,305	48,305
Total intergovernmental	<u>468,045</u>	<u>562,990</u>	<u>94,945</u>
Charges for services			
General government	323,000	214,394	(108,606)
Public safety	12,700	1,641	(11,059)
Public works	6,500	11,079	4,579
Parks and recreation	500	208	(292)
Total charges for services	<u>342,700</u>	<u>227,322</u>	<u>(115,378)</u>
Fines and forfeitures	40,000	28,376	(11,624)
Miscellaneous			
Investment income	10,000	86,111	76,111
Contributions and Donations	2,750	1,799	(951)
Other	35,000	136,537	101,537
Total miscellaneous	<u>47,750</u>	<u>224,447</u>	<u>176,697</u>
Total revenues	<u>6,693,830</u>	<u>6,452,238</u>	<u>(241,592)</u>
Expenditures			
General government			
Mayor and council	68,280	63,007	(5,273)
Administrative and finance	421,530	496,426	74,896
Other general government	690,130	877,559	187,429
Capital outlay	25,000	33,547	8,547
Total general government	<u>1,204,940</u>	<u>1,470,539</u>	<u>265,599</u>

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures			
Public safety			
Police			
Current	\$ 2,204,600	\$ 2,244,170	\$ 39,570
Capital outlay	18,000	17,427	(573)
Total police	<u>2,222,600</u>	<u>2,261,597</u>	<u>38,997</u>
Fire			
Current	595,750	700,535	104,785
Capital outlay	5,000	985	(4,015)
Total fire	<u>600,750</u>	<u>701,520</u>	<u>100,770</u>
Other public safety			
Current	675,870	600,696	(75,174)
Total public safety	<u>3,499,220</u>	<u>3,563,813</u>	<u>64,593</u>
Public works			
Streets and highways			
Street maintenance and storm sewers	1,192,090	1,339,681	147,591
Street lighting	68,500	95,907	27,407
Street construction capital outlay	35,000	-	(35,000)
Capital outlay	-	34,919	34,919
Total streets and highways	<u>1,295,590</u>	<u>1,470,507</u>	<u>174,917</u>
Sanitation			
Recycling	171,000	181,494	10,494
Total public works	<u>1,466,590</u>	<u>1,652,001</u>	<u>185,411</u>
Parks and recreation			
Current	491,080	475,991	(15,089)
Capital outlay	32,000	25,922	(6,078)
Total parks and recreation	<u>523,080</u>	<u>501,913</u>	<u>(21,167)</u>
Total expenditures	<u>6,693,830</u>	<u>7,188,266</u>	<u>494,436</u>
Excess of revenues over (under) expenditures	-	(736,028)	(736,028)
Other Financing Sources (Uses)			
Transfers in	-	853,368	853,368
Net change in fund balance	<u>\$ -</u>	<u>117,340</u>	<u>\$ 117,340</u>
Fund Balance			
Beginning of year		<u>2,655,411</u>	
End of year		<u>\$ 2,772,751</u>	

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

	Special Revenue			
	Cable Fund (226)	EDA (225)	Police Forfeiture (235)	Gambling (227)
Assets				
Cash and investments	\$ 182,976	\$ 672,182	\$ 12,745	\$ 2,265
Accounts receivable	12,796	-	-	-
Due from other governments	-	-	-	-
Special assessments receivable				
Deferred	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 195,772	\$ 672,182	\$ 12,745	\$ 2,265
Liabilities				
Accounts and contracts payable	\$ 225	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	225	-	-	-
Deferred Inflows of Resources				
Advanced appropriations - State Shared Taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances				
Restricted	-	-	12,745	-
Committed	195,547	672,182	-	2,265
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	195,547	672,182	12,745	2,265
Total liabilities, deferred inflows of resources, and fund balances	\$ 195,772	\$ 672,182	\$ 12,745	\$ 2,265

Special Revenue		Debt Service			Capital Projects
Fire Public Safety Aid (236)	Police Public Safety Aid (237)	2016A G.O. Bonds (355)	2023A CRG TIF Bond Fund (379)	2009A G.O. Improvement Bond and 2010A Improvement Notes (348)	Park Development Fund (404)
\$ 145,122	\$ 175,500	\$ 168,490	\$ -	\$ 240,683	\$ 167,429
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	376,568	-
-	-	-	-	-	-
<u>\$ 145,122</u>	<u>\$ 175,500</u>	<u>\$ 168,490</u>	<u>\$ -</u>	<u>\$ 617,251</u>	<u>\$ 167,429</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	22,789	-	-
-	-	-	-	-	-
-	-	-	22,789	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	376,568	-
-	-	-	-	376,568	-
-	-	168,490	-	240,683	-
145,122	175,500	-	-	-	167,429
-	-	-	-	-	-
-	-	-	(22,789)	-	-
<u>145,122</u>	<u>175,500</u>	<u>168,490</u>	<u>(22,789)</u>	<u>240,683</u>	<u>167,429</u>
<u>\$ 145,122</u>	<u>\$ 175,500</u>	<u>\$ 168,490</u>	<u>\$ -</u>	<u>\$ 617,251</u>	<u>\$ 167,429</u>

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

	Capital Projects			
	Park Dedication Fund (405)	Stormwater (415)	Capital Facilities Fund (410)	Temporary Financing Fund (409)
Assets				
Cash and investments	\$ 2,593,255	\$ 2,290,895	\$ 1,282,417	\$ 2,019,602
Accounts receivable	-	-	-	-
Due from other governments	-	8,503	-	-
Special assessments receivable				
Deferred	-	-	-	-
Due from other funds	-	588,314	-	-
Total assets	<u><u>\$ 2,593,255</u></u>	<u><u>\$ 2,887,712</u></u>	<u><u>\$ 1,282,417</u></u>	<u><u>\$ 2,019,602</u></u>
Liabilities				
Accounts and contracts payable	\$ 56,365	\$ 5,388	\$ 14,795	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u><u>56,365</u></u>	<u><u>5,388</u></u>	<u><u>14,795</u></u>	<u><u>-</u></u>
Deferred Inflows of Resources				
Advanced appropriations - State Shared Taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fund Balances				
Restricted	2,536,890	-	-	-
Committed	-	-	-	-
Assigned	-	2,882,324	1,267,622	2,019,602
Unassigned	-	-	-	-
Total fund balances	<u><u>2,536,890</u></u>	<u><u>2,882,324</u></u>	<u><u>1,267,622</u></u>	<u><u>2,019,602</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,593,255</u></u>	<u><u>\$ 2,887,712</u></u>	<u><u>\$ 1,282,417</u></u>	<u><u>\$ 2,019,602</u></u>

Capital Projects

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)	Park Trail Development (408)
\$ -	\$ 179,115	\$ 22,810	\$ 131,329	\$ -	\$ 2,636,467
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	10,441	-	-	-	-
<u>\$ -</u>	<u>\$ 189,556</u>	<u>\$ 22,810</u>	<u>\$ 131,329</u>	<u>\$ -</u>	<u>\$ 2,636,467</u>
\$ -	\$ 22,479	\$ 16,031	\$ 58,065	\$ -	\$ 4,498
134,350	-	-	7,192	10,441	-
-	-	-	-	-	-
<u>134,350</u>	<u>22,479</u>	<u>16,031</u>	<u>65,257</u>	<u>10,441</u>	<u>4,498</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	167,077	6,779	66,072	-	-
-	-	-	-	-	-
-	-	-	-	-	2,631,969
(134,350)	-	-	-	(10,441)	-
<u>(134,350)</u>	<u>167,077</u>	<u>6,779</u>	<u>66,072</u>	<u>(10,441)</u>	<u>2,631,969</u>
<u>\$ -</u>	<u>\$ 189,556</u>	<u>\$ 22,810</u>	<u>\$ 131,329</u>	<u>\$ -</u>	<u>\$ 2,636,467</u>

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

	Capital Projects			
	City Wide Transportation Project (485)	ROW Escrow Fund(421)	Dayton Parkway Interchange (480)	Total Other Governmental Funds
Assets				
Cash and investments	\$ -	\$ 39,000	\$ -	\$ 12,962,282
Accounts receivable	-	-	-	12,796
Due from other governments	-	-	-	8,503
Special assessments receivable				
Deferred	-	-	-	376,568
Due from other funds	-	-	-	598,755
Total assets	\$ -	\$ 39,000	\$ -	\$ 13,958,904
Liabilities				
Accounts and contracts payable	\$ -	\$ 39,000	\$ 225,515	\$ 442,361
Due to other funds	-	-	204,761	379,533
Due to other governments	-	3,000	-	3,000
Total liabilities	-	42,000	430,276	824,894
Deferred Inflows of Resources				
Advanced appropriations - State Shared Taxes	427,409	-	-	427,409
Unavailable revenue - special assessments	-	-	-	376,568
Total deferred inflows of resources	427,409	-	-	803,977
Fund Balances				
Restricted	-	-	-	3,198,736
Committed	-	-	-	1,358,045
Assigned	-	-	-	8,801,517
Unassigned	(427,409)	(3,000)	(430,276)	(1,028,265)
Total fund balances	(427,409)	(3,000)	(430,276)	12,330,033
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 39,000	\$ -	\$ 13,958,904

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

	Special Revenue			
	Cable Fund (226)	EDA (225)	Police Forfeiture (235)	Gambling (227)
Revenues				
Property taxes	\$ -	\$ 100,000	\$ -	\$ -
Tax increments	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	52,781	-	-	-
Fines and forfeitures	-	-	4,780	-
Miscellaneous				
Investment income	9,059	28,329	-	-
Contributions and donations	-	-	-	-
Other	-	1,200	-	-
Total revenues	61,840	129,529	4,780	-
Expenditures				
Current				
General government	20,635	-	-	-
Public safety	-	-	1,693	-
Park and recreation	-	-	-	-
Economic development	-	16,615	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	44,950	-	-	-
Public safety	-	-	562	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Total expenditures	65,585	16,615	2,255	-
Excess of revenues over (under) expenditures	(3,745)	112,914	2,525	-
Other Financing				
Sources (Uses)				
Proceeds from sale of capital asset	-	35,950	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	35,950	-	-
Net change in fund balances	(3,745)	148,864	2,525	-
Fund Balances				
Beginning of year	199,292	523,318	10,220	2,265
End of year	\$ 195,547	\$ 672,182	\$ 12,745	\$ 2,265

Special Revenue		Debt Service		
Fire Public Safety Aid (236)	Police Public Safety Aid (237)	2016A G.O. Bonds (355)	2023A CRG TIF Bond Fund (379)	2015B G.O. Street Reconstruction Bonds (376)
\$ -	\$ -	\$ 210,000	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
175,500	175,500	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	3,508	-	2,935
-	-	-	-	-
-	-	-	-	-
175,500	175,500	213,508	-	2,935
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	150,000	-	350,000
-	-	58,737	-	6,500
-	-	-	-	-
30,378	-	-	-	-
-	-	-	-	-
-	-	-	-	-
30,378	-	208,737	-	356,500
145,122	175,500	4,771	-	(353,565)
-	-	-	-	-
-	-	-	-	-
-	-	-	(22,789)	(61,551)
-	-	-	(22,789)	(61,551)
145,122	175,500	4,771	(22,789)	(415,116)
-	-	163,719	-	415,116
\$ 145,122	\$ 175,500	\$ 168,490	\$ (22,789)	\$ -

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

	Debt Service	Capital Projects		
	2009A G.O. Improvement Bond and 2010A Improvement Notes (348)	Park Development Fund (404)	Park Dedication Fund (405)	Stormwater (415)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Special assessments	91,157	-	-	-
Intergovernmental	-	-	50,000	-
Charges for services	-	-	632,230	421,737
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment income	9,876	8,707	108,568	141,796
Contributions and donations	-	17,009	-	-
Other	-	-	-	-
Total revenues	<u>101,033</u>	<u>25,716</u>	<u>790,798</u>	<u>563,533</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Park and recreation	-	-	11,803	-
Economic development	-	-	-	-
Debt service				
Principal	41,000	-	-	-
Interest and other charges	5,011	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	127,232
Parks and recreation	-	48,360	55,357	-
Total expenditures	<u>46,011</u>	<u>48,360</u>	<u>67,160</u>	<u>127,232</u>
Excess of revenues over (under) expenditures	<u>55,022</u>	<u>(22,644)</u>	<u>723,638</u>	<u>436,301</u>
Other Financing				
Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(216,300)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(216,300)</u>
Net change in fund balances	55,022	(22,644)	723,638	220,001
Fund Balances				
Beginning of year	<u>185,661</u>	<u>190,073</u>	<u>1,813,252</u>	<u>2,662,323</u>
End of year	<u>\$ 240,683</u>	<u>\$ 167,429</u>	<u>\$ 2,536,890</u>	<u>\$ 2,882,324</u>

Capital Projects

Capital Facilities Fund (410)	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)
\$ 370,000	\$ -	\$ 30,000	\$ -	\$ -	\$ -
-	-	-	209,380	35,624	149,903
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
52,879	134,516	2,035	5,580	494	3,639
-	-	-	-	-	-
-	-	-	-	-	-
<u>422,879</u>	<u>134,516</u>	<u>32,035</u>	<u>214,960</u>	<u>36,118</u>	<u>153,542</u>
-	-	-	-	-	-
-	37,714	-	-	-	-
-	-	-	-	-	-
-	-	-	126,838	34,217	118,723
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
89,007	-	-	-	-	-
-	-	195,927	-	-	-
<u>89,007</u>	<u>37,714</u>	<u>195,927</u>	<u>126,838</u>	<u>34,217</u>	<u>118,723</u>
333,872	96,802	(163,892)	88,122	1,901	34,819
-	-	-	-	-	-
-	-	-	-	-	-
-	(853,368)	-	-	-	-
-	(853,368)	-	-	-	-
333,872	(756,566)	(163,892)	88,122	1,901	34,819
933,750	2,776,168	29,542	78,955	4,878	31,253
<u>\$ 1,267,622</u>	<u>\$ 2,019,602</u>	<u>\$ (134,350)</u>	<u>\$ 167,077</u>	<u>\$ 6,779</u>	<u>\$ 66,072</u>

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

	Capital Projects			
	TIF No. 17 - Graco (436)	Park Trail Development (408)	City Wide Transportation Project (485)	TIF No. 19 - CRG (428)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	350,995	-
Charges for services	-	149,128	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment income	-	122,674	-	-
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	-	271,802	350,995	-
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Park and recreation	-	-	-	-
Economic development	351	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	50,779	-	-
Total expenditures	351	50,779	-	-
Excess of revenues over (under) expenditures	(351)	221,023	350,995	-
Other Financing				
Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Transfers in	-	-	-	22,789
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	22,789
Net change in fund balances	(351)	221,023	350,995	22,789
Fund Balances				
Beginning of year	(10,090)	2,410,946	(778,404)	(22,789)
End of year	<u>\$ (10,441)</u>	<u>\$ 2,631,969</u>	<u>\$ (427,409)</u>	<u>\$ -</u>

Capital Projects

TIF 18 - Scannell (429)	ROW Escrow Fund(421)	TIF 20 Graco 2 Fund (430)	Dayton Parkway Interchange (480)	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 710,000
-	-	-	-	394,907
-	-	-	-	91,157
-	-	-	510,000	1,261,995
22,744	-	21,921	-	1,300,541
-	-	-	-	4,780
-	-	-	-	634,595
-	-	-	-	17,009
-	-	-	-	1,200
22,744	-	21,921	510,000	4,416,184
-	-	-	-	20,635
-	-	-	-	39,407
-	3,000	-	-	14,803
-	-	-	-	296,744
-	-	-	-	541,000
-	-	-	-	70,248
-	-	-	-	44,950
-	-	-	-	30,940
-	-	-	93,060	309,299
-	-	-	-	350,423
-	3,000	-	93,060	1,718,449
22,744	(3,000)	21,921	416,940	2,697,735
-	-	-	-	35,950
-	-	-	-	22,789
-	-	-	-	(1,154,008)
-	-	-	-	(1,095,269)
22,744	(3,000)	21,921	416,940	1,602,466
(22,744)	-	(21,921)	(847,216)	10,727,567
\$ -	\$ (3,000)	\$ -	\$ (430,276)	\$ 12,330,033

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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, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 3, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings on Internal Control that we consider to be significant deficiencies, as Audit Finding 2023-01 .

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 Finding

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

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.

Bergan KDV Ltd.

St. Cloud, Minnesota
May 3, 2024



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, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 3, 2024.

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 - bid laws, depositories of public funds and public 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.

Bergan KDV Ltd.

St. Cloud, Minnesota
May 3, 2024

**City of Dayton
Schedule of Findings on Internal Control**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:

Significant Deficiency:

Audit Finding 2023-001 - Lack of Segregation of Accounting Duties

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

Management and 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's 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.