

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

Financial Statements

December 31, 2018

**City of Dayton
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**City of Dayton
Elected Officials and Administration
December 31, 2018**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Tim McNeil	Mayor	December 31, 2018
Anne Ziebell	Council Member	December 31, 2018
Rick Shermer	Council Member	December 31, 2018
Jon Mellberg	Council Member	December 31, 2020
Bob O'Brien	Council Member	December 31, 2020

Administration

Tina Goodroad	City Administrator/Planning Director
Hannah Lynch	Contracted Finance Director
Amy Benting	City Clerk
Brandi Szenay	Finance Clerk

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Minnesota, as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Minnesota, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 75

As discussed in Note 10 to the financial statements, the City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

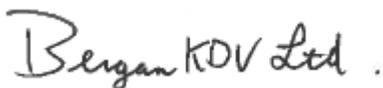
Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2018, 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dayton's internal control over financial reporting and compliance.



Minneapolis, Minnesota
April 11, 2019

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, 2018.

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 \$38,983,575 (net position).
- The City's total net position increased by \$3,235,438. While a change in accounting principle accounted for an additional increase of \$61,353.
- As of the close of the current year, all of the City's governmental funds reported combined ending fund balances of \$12,067,791, an increase of \$1,187,253 in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the General fund was \$1,932,839, or 55.4%, of total General Fund expenditures.
- The City's total bonded debt decreased \$2,452,000 during the current fiscal year due to scheduled principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. 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 of 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).

City of Dayton Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

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.

FUND FINANCIAL STATEMENTS

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is 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.

City of Dayton Management's Discussion and Analysis

FUND FINANCIAL STATEMENTS (CONTINUED)

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.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for Fiduciary funds is much like that used for proprietary funds.

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.

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 \$38,983,575 at the close of the most recent fiscal year.

A portion of the City's net position (\$21,785,327 or 55.9%) 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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the City's net position (\$11,634,290 or 29.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,563,958 or 14.3%) may be used to meet the City's ongoing obligations to citizens and creditors.

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 21,487,289	\$ 17,029,650	\$ 2,328,948	\$ 1,689,396	\$ 23,816,237	\$ 18,719,046
Capital assets (net of Accumulated depreciation)	24,235,095	27,935,896	19,086,451	19,855,030	43,321,546	47,790,926
Total assets	<u>45,722,384</u>	<u>44,965,546</u>	<u>21,415,399</u>	<u>21,544,426</u>	<u>67,137,783</u>	<u>66,509,972</u>
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	1,026,920	1,228,866	25,517	41,072	1,052,437	1,269,938
Total assets and deferred outflows of resources	<u>\$ 46,749,304</u>	<u>\$ 46,194,412</u>	<u>\$ 21,440,916</u>	<u>\$ 21,585,498</u>	<u>\$ 68,190,220</u>	<u>\$ 67,779,910</u>
Liabilities						
Current liabilities	\$ 3,416,141	\$ 3,253,707	\$ 115,700	\$ 89,495	\$ 3,531,841	\$ 3,343,202
Noncurrent liabilities	24,213,014	27,121,445	115,316	176,240	24,328,330	27,297,685
Total liabilities	<u>27,629,155</u>	<u>30,375,152</u>	<u>231,016</u>	<u>265,735</u>	<u>27,860,171</u>	<u>30,640,887</u>
Deferred Inflows of Resources						
Deferred inflows of resources related to pensions	1,320,754	1,421,366	21,222	30,873	1,341,976	1,452,239
Deferred inflows of resources related to OPEB	4,076	-	422	-	4,498	-
Total deferred inflows of resources	<u>1,324,830</u>	<u>1,421,366</u>	<u>21,644</u>	<u>30,873</u>	<u>1,346,474</u>	<u>1,452,239</u>
Net Position						
Net investment in capital assets	13,537,709	11,713,840	19,240,118	19,855,030	21,785,327	19,473,895
Restricted	11,624,241	11,889,501	10,049	9,035	11,634,290	11,898,536
Unrestricted	(7,366,631)	(9,205,447)	1,938,089	1,424,825	5,563,958	4,313,853
Total net position	<u>17,795,319</u>	<u>14,397,894</u>	<u>21,188,256</u>	<u>21,288,890</u>	<u>38,983,575</u>	<u>35,686,284</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 46,749,304</u>	<u>\$ 46,194,412</u>	<u>\$ 21,440,916</u>	<u>\$ 21,585,498</u>	<u>\$ 68,190,220</u>	<u>\$ 67,779,410</u>

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

GOVERNMENTAL ACTIVITIES

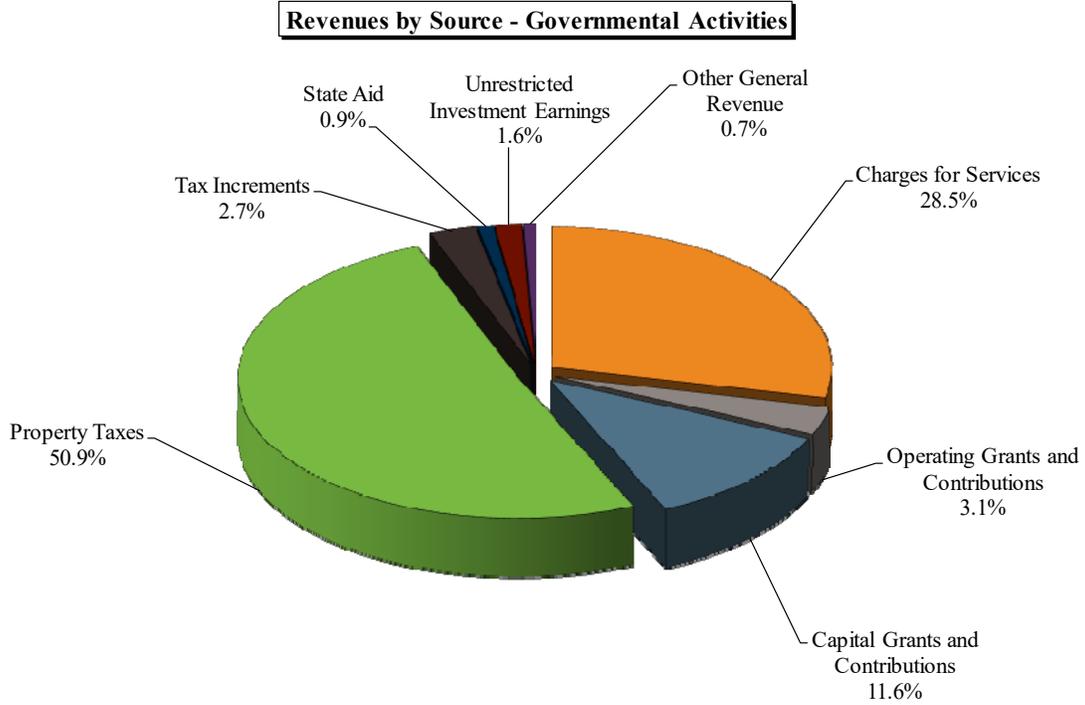
Governmental activities increased the City's net position by \$3,341,840.

Changes in Net Position

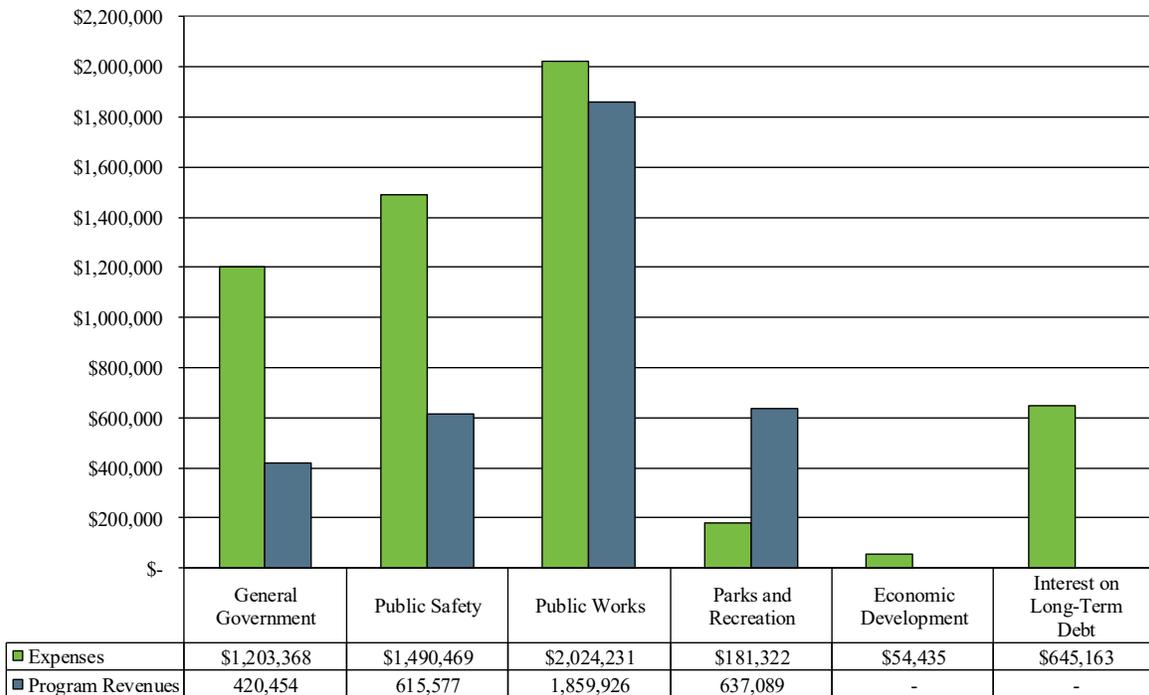
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities	2018	2017
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	\$ 2,326,983	\$ 1,886,538	\$ 1,960,770	\$ 1,718,271	\$ 4,287,753	\$ 3,604,809
Operating grants and contributions	255,974	342,446	-	-	255,974	342,446
Capital grants and contributions	950,089	835,217	-	-	950,089	835,217
General revenues						
Property taxes	4,157,046	3,546,133	-	-	4,157,046	3,546,133
Tax increments	221,087	274,327	-	-	221,087	274,327
State aid	72,713	53,512	-	-	72,713	53,512
Unrestricted investment earnings	127,399	251,208	35,750	24,188	163,149	275,396
Other general revenue	57,842	151,996	-	-	57,842	151,996
Gain on sale of capital assets	50,082	-	-	-	50,082	-
Total revenues	<u>8,219,215</u>	<u>7,341,377</u>	<u>1,996,520</u>	<u>1,742,459</u>	<u>10,215,735</u>	<u>9,083,836</u>
Expenses						
General government	1,203,368	919,818	-	-	1,203,368	919,818
Public safety	1,490,469	1,664,733	-	-	1,490,469	1,664,733
Public works	2,024,231	1,828,379	-	-	2,024,231	1,828,379
Parks and recreation	181,322	166,715	-	-	181,322	166,715
Economic development	54,435	59,879	-	-	54,435	59,879
Interest on long-term debt	645,163	1,201,069	-	-	645,163	1,201,069
Water	-	-	689,748	759,474	689,748	759,474
Sewer	-	-	691,561	717,840	691,561	717,840
Total expenses	<u>5,598,988</u>	<u>5,840,593</u>	<u>1,381,309</u>	<u>1,477,314</u>	<u>6,980,297</u>	<u>7,317,907</u>
Change in net position before transfers	2,620,227	1,500,784	615,211	265,145	3,235,438	1,765,929
Transfers	721,613	909,700	(721,613)	(909,700)	-	-
Change in net position	3,341,840	2,410,484	(106,402)	(644,555)	3,235,438	1,765,929
Net position - beginning of year	14,397,894	11,987,410	21,288,890	21,933,445	35,686,784	33,920,855
Change in accounting principle	55,585	-	5,768	-	61,353	-
Net position - beginning as restated	14,453,479	11,987,410	21,294,658	21,933,445	35,748,137	33,920,855
Net position - ending	<u>\$ 17,795,319</u>	<u>\$ 14,397,894</u>	<u>\$ 21,188,256</u>	<u>\$ 21,288,890</u>	<u>\$ 38,983,575</u>	<u>\$ 35,686,784</u>

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

GOVERNMENTAL ACTIVITIES (CONTINUED)



Expenses and Program Revenues - Governmental Activities

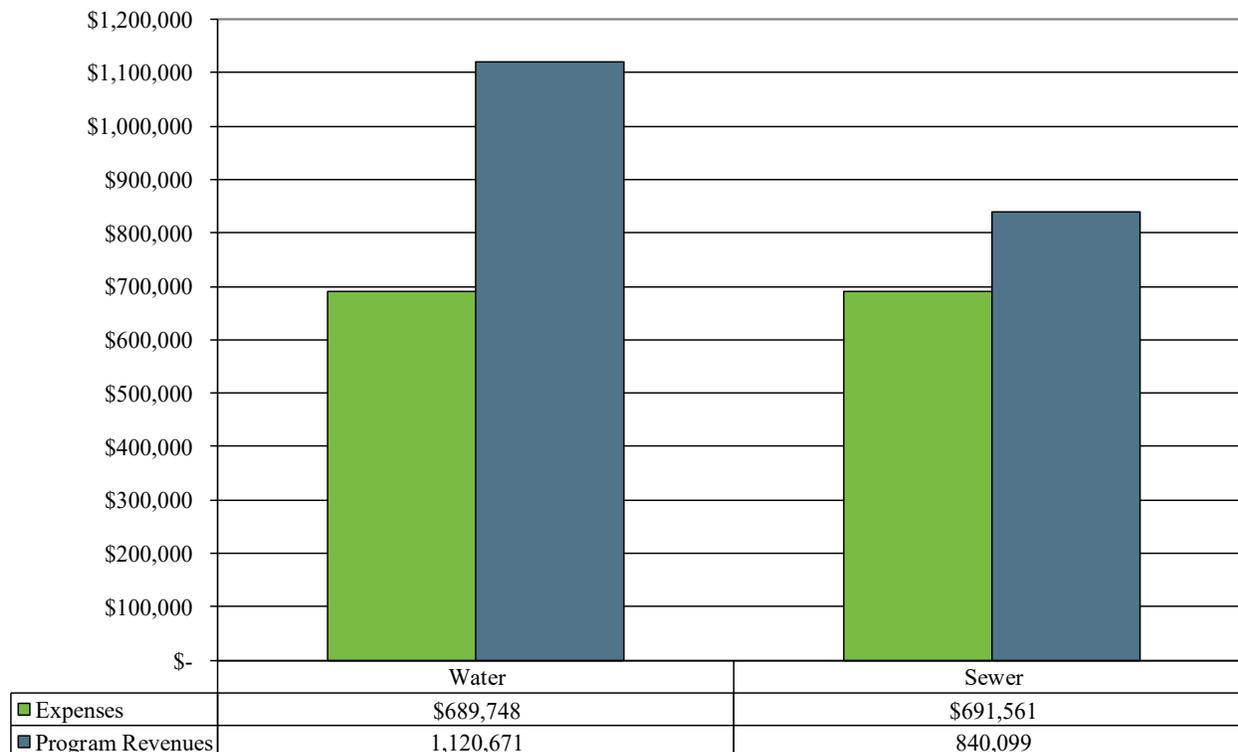


**City of Dayton
Management's Discussion and Analysis**

BUSINESS-TYPE ACTIVITIES

Business-Type Activities - Business-type activities decreased the City's net position \$106,402.

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 \$12,067,791 an increase of \$1,187,253 in comparison with the prior year. Of this total amount, -\$208,605 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 (\$172,744), 2) Restricted (\$6,925,470), 3) Committed (\$356,183), and 4) Assigned (\$4,821,999).

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 \$2,105,583. 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 60.3% of total General Fund expenditures.

The fund balance of the City's General Fund increased \$39,260 in 2018.

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 \$1,938,089. 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 and transfers in were over budget by \$457,343. Total expenditures and transfers out were over budget by \$418,083. Some of the significant variances can be briefly summarized as follows:

- Licenses and permits and charges for services were over budget by \$176,724 and \$118,287, respectively, due to more than anticipated development in the City.
- Proceeds from sale of capital asset was over budget by \$50,082 due to proceeds from sale of land and a police squad car. These proceeds were not budgeted.
- Transfers in were over budget by \$64,546 due to the closure of two governmental funds. These fund closures were not budgeted.
- Transfers out of General fund surplus (\$314,674) were not included in the budget but were approved by Council Resolution.

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

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, 2018, amounted to \$47,411,282 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, collection and distribution system, machinery and equipment, and construction in progress.

The City's most significant capital activity during the year related to the completion of the Sundance Trunk Sewer and Balsam Lane Streetscape projects.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,925,462	\$ 2,925,462	\$ 113,767	\$ 113,767	\$ 3,039,229	\$ 3,039,229
Buildings and improvements	5,424,461	5,166,841	-	-	5,424,461	5,166,841
Infrastructure	25,946,382	24,531,367	-	-	25,946,382	24,531,367
Collection and distribution system	-	-	26,082,586	26,082,586	26,082,586	26,082,586
Machinery and equipment	4,757,316	4,085,838	101,657	47,911	4,858,973	4,133,749
Construction in progress	1,010,607	1,866,043	39,900	-	1,050,507	1,866,043
Total capital assets	40,064,228	38,575,551	26,337,910	26,244,264	66,402,138	64,819,815
Less accumulated depreciation	(11,893,064)	(10,639,655)	(7,097,792)	(6,389,234)	(18,990,856)	(17,028,889)
Net capital assets	\$ 28,171,164	\$ 27,935,896	\$ 19,240,118	\$ 19,855,030	\$ 47,411,282	\$ 47,790,926

Long-term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of \$24,930,000. 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	
	2018	2017	2018	2017	2018	2017
G.O. Bonds, net	\$ 24,740,955	\$ 26,950,031	\$ -	\$ -	\$ 24,740,955	\$ 26,950,031
G.O. equipment certificates	-	105,000	-	-	-	105,000
PFA notes	885,000	1,107,000	-	-	885,000	1,107,000
Compensated absences	188,653	146,189	19,957	14,488	208,610	160,677
Contract for deed payable	-	155,000	-	-	-	155,000
Total	\$ 25,814,608	\$ 28,463,220	\$ 19,957	\$ 14,488	\$ 25,834,565	\$ 28,477,708

The City's total debt decreased \$2,643,143 primarily due to scheduled principal payments.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City has adopted a balanced budget for 2019. The General Fund revenue and expenditure budgets both total \$3,781,751. The general portion of the property tax levy for 2019 increased by 12.73% to \$2,840,362 while the debt service portion of the levy increased by 2.71% to \$986,126.

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 2019 property tax levy includes \$770,000 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.

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 growth and development. The City anticipates continued growth in the tax capacity.

The City's tax rate has slightly decreased from 55.66% in 2018 to 55.00% in 2019.

The City has experienced an increase in residential development in 2018 with this trend continuing into 2019. The City also continues to move ahead with plans for the development of the Dayton Parkway Interchange in the southwest area of City. The City is seeking financial assistance from federal, state, county and other local sources.

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 the Finance Director, City of Dayton, 12260 South Diamond Lake Road, Dayton, Minnesota 55327.

BASIC FINANCIAL STATEMENTS

**City of Dayton
Statement of Net Position
December 31, 2018**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 12,647,797	\$ 1,633,787	\$ 14,281,584
Taxes receivable - delinquent	63,519	-	63,519
Accounts receivable	13,490	146,449	159,939
Interest receivable	4,170	-	4,170
Due from other governments	98,530	20,740	119,270
Due from other funds (internal balances)	(342,858)	342,858	-
Special assessments receivable			
Current	875	-	875
Delinquent	10,582	2,161	12,743
Deferred	4,978,362	13,132	4,991,494
Prepaid items	4,715	16,154	20,869
Net pension asset - fire relief association	72,038	-	72,038
Capital assets not being depreciated			
Land	2,925,462	113,767	3,039,229
Construction in progress	1,010,607	39,900	1,050,507
Capital assets (net of accumulated depreciation)			
Buildings and improvements	4,312,126	-	4,312,126
Infrastructure	17,252,580	-	17,252,580
Collection and distribution system	-	19,035,548	19,035,548
Machinery and equipment	2,670,389	50,903	2,721,292
Total assets	<u>45,722,384</u>	<u>21,415,399</u>	<u>67,137,783</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	1,026,920	25,517	1,052,437
Total deferred outflows of resources			
Total assets and deferred outflows of resources	<u>\$ 46,749,304</u>	<u>\$ 21,440,916</u>	<u>\$ 68,190,220</u>
Liabilities			
Accounts payable	\$ 247,307	\$ 19,031	\$ 266,338
Due to other governments	55,565	89,077	144,642
Salaries and benefits payable	49,824	5,596	55,420
Interest payable	290,580	-	290,580
Bonds payable, net			
Payable within one year	2,525,000	-	2,525,000
Payable after one year	22,215,955	-	22,215,955
Notes payable			
Payable within one year	229,000	-	229,000
Payable after one year	656,000	-	656,000
Compensated absences payable			
Payable within one year	18,865	1,996	20,861
Payable after one year	169,788	17,962	187,750
Net other post employment benefits (OPEB) obligation	61,951	6,428	68,379
Net pension liability	1,109,320	90,926	1,200,246
Total liabilities	<u>27,629,155</u>	<u>231,016</u>	<u>27,860,171</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	1,320,754	21,222	1,341,976
Deferred inflows of resources related to OPEB	4,076	422	4,498
Total deferred inflows of resources	<u>1,324,830</u>	<u>21,644</u>	<u>1,346,474</u>
Net Position			
Net investment in capital assets	13,537,709	19,240,118	21,785,327
Restricted for			
Debt service	10,672,307	-	10,672,307
Other purposes	16,599	-	16,599
Park dedication	842,166	-	842,166
Tax increment	93,169	-	93,169
Infrastructure replacement	-	10,049	10,049
Unrestricted	(7,366,631)	1,938,089	5,563,958
Total net position	<u>17,795,319</u>	<u>21,188,256</u>	<u>38,983,575</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 46,749,304</u>	<u>\$ 21,440,916</u>	<u>\$ 68,190,220</u>

See notes to financial statements.

City of Dayton
Statement of Activities
Year Ended December 31, 2018

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	\$ 1,203,368	\$ 419,040	\$ 1,414	\$ -	\$ (782,914)	\$ -	\$ (782,914)
Public safety	1,490,469	487,232	124,345	4,000	(874,892)	-	(874,892)
Public works	2,024,231	822,652	91,185	946,089	(164,305)	-	(164,305)
Parks and recreation	181,322	598,059	39,030	-	455,767	-	455,767
Economic development	54,435	-	-	-	(54,435)	-	(54,435)
Interest on long-term debt	645,163	-	-	-	(645,163)	-	(645,163)
Total governmental activities	<u>5,598,988</u>	<u>2,326,983</u>	<u>255,974</u>	<u>950,089</u>	<u>(2,065,942)</u>	<u>-</u>	<u>(2,065,942)</u>
Business-type activities							
Water	689,748	1,120,671	-	-	-	430,923	430,923
Sewer	691,561	840,099	-	-	-	148,538	148,538
Total business-type activities	<u>1,381,309</u>	<u>1,960,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>579,461</u>	<u>579,461</u>
Total governmental and business-type activities	<u>\$ 6,980,297</u>	<u>\$ 4,287,753</u>	<u>\$ 255,974</u>	<u>\$ 950,089</u>	<u>(2,065,942)</u>	<u>579,461</u>	<u>(1,486,481)</u>
General revenues							
Property taxes					4,157,046	-	4,157,046
Tax increments					221,087	-	221,087
State aids					72,713	-	72,713
Unrestricted investment earnings					127,399	35,750	163,149
Other general revenue					57,842	-	57,842
Gain on sale of capital assets					50,082	-	50,082
Transfers					721,613	(721,613)	-
Total general revenues and transfers					<u>5,407,782</u>	<u>(685,863)</u>	<u>4,721,919</u>
Change in net position					<u>3,341,840</u>	<u>(106,402)</u>	<u>3,235,438</u>
Net position - beginning of year					<u>14,397,894</u>	<u>21,288,890</u>	<u>35,686,784</u>
Change in accounting principle (see Note 11)					<u>55,585</u>	<u>5,768</u>	<u>61,353</u>
Net position, beginning as restated					<u>14,453,479</u>	<u>21,294,658</u>	<u>35,748,137</u>
Net position - end of year					<u>\$ 17,795,319</u>	<u>\$ 21,188,256</u>	<u>\$ 38,983,575</u>

City of Dayton
Balance Sheet - Governmental Funds
December 31, 2018

	General Fund (101)	Debt Service	
		2014A and 2015A G.O. Improvement Bonds (342)	2009A G.O. Improvement Bond and 2010A Improvement Notes (348)
Assets			
Cash and investments	\$ 442,752	\$ 2,518,247	\$ 3,003,207
Receivables			
Taxes receivable - delinquent	63,519	-	-
Accounts receivable	1,727	-	-
Interest receivable	3,763	-	-
Due from other governments	92,705	-	-
Special assessments receivable			
Current	-	654	-
Delinquent	-	9,530	-
Deferred	1,435	3,582,869	746,318
Due from other funds	1,560,346	-	-
Advances to other funds	168,029	-	-
Prepaid items	4,715	-	-
Total assets	\$ 2,338,991	\$ 6,111,300	\$ 3,749,525
Liabilities			
Accounts payable	\$ 64,972	\$ -	\$ -
Due to other funds	-	-	-
Advance from other funds	-	-	-
Due to other governments	53,658	-	-
Salaries and benefits payable	49,824	-	-
Interest payable	-	-	-
Total liabilities	168,454	-	-
Deferred Inflows of Resources			
Unavailable revenue - property taxes	63,519	-	-
Unavailable revenue - grants	-	-	-
Unavailable revenue - special assessments	1,435	3,592,399	746,318
Total deferred inflows of resources	64,954	3,592,399	746,318
Fund Balances			
Nonspendable	172,744	-	-
Restricted	-	2,518,901	3,003,207
Committed	-	-	-
Assigned	-	-	-
Unassigned	1,932,839	-	-
Total fund balances	2,105,583	2,518,901	3,003,207
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,338,991	\$ 6,111,300	\$ 3,749,525

Capital Projects

Dayton Parkway (480)	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 6,683,591	\$ 12,647,797
-	-	63,519
-	11,763	13,490
-	407	4,170
5,825	-	98,530
-	221	875
-	1,052	10,582
504,000	143,740	4,978,362
-	-	1,560,346
-	10,285	178,314
-	-	4,715
<u>\$ 509,825</u>	<u>\$ 6,851,059</u>	<u>\$ 19,560,700</u>
\$ 82,668	\$ 99,667	\$ 247,307
1,560,346	-	1,560,346
-	521,172	521,172
-	1,907	55,565
-	-	49,824
-	407	407
<u>1,643,014</u>	<u>623,153</u>	<u>2,434,621</u>
-	-	63,519
5,825	-	5,825
504,000	144,792	4,988,944
<u>509,825</u>	<u>144,792</u>	<u>5,058,288</u>
-	-	172,744
-	1,403,362	6,925,470
-	356,183	356,183
-	4,821,999	4,821,999
(1,643,014)	(498,430)	(208,605)
<u>(1,643,014)</u>	<u>6,083,114</u>	<u>12,067,791</u>
<u>\$ 509,825</u>	<u>\$ 6,851,059</u>	<u>\$ 19,560,700</u>

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City of Dayton
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2018

Total fund balances - governmental funds \$ 12,067,791

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	40,064,228
Less accumulated depreciation	(11,893,064)

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	(24,045,000)
Unamortized bond premium	(695,955)
Notes payable	(885,000)
Compensated absences payable	(188,653)
Unfunded OPEB liability	(61,951)
Net pension liability	(1,109,320)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.

Deferred inflows of resources related to pensions	(1,320,754)
Deferred outflows of resources related to pensions	1,026,920
Deferred inflows of resources related to OPEB	(4,076)

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

72,038

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

Delinquent taxes receivable	63,519
Delinquent special assessments receivable	10,582

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

Due from other governments - deferred grants	5,825
Deferred special assessments receivable	4,978,362

Governmental funds do not report a liability for accrued interest due and payable. (290,173)

Total net position - governmental activities \$ 17,795,319

City of Dayton
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2018

	General Fund (101)	Debt Service	
		2014A and 2015A G.O. Improvement Bonds (342)	2009A G.O. Improvement Bond and 2010A Improvement Notes (348)
Revenues			
Property taxes	\$ 2,506,888	\$ 175,000	\$ -
Tax increments	-	-	-
Special assessments	-	764,855	106,774
Licenses and permits	534,951	-	-
Intergovernmental	249,876	-	-
Charges for services	335,136	4,750	-
Fines and forfeitures	35,639	-	-
Miscellaneous			
Investment income	15,753	17,977	33,901
Contributions and donations	7,213	-	-
Other	42,914	-	-
Total revenues	<u>3,728,370</u>	<u>962,582</u>	<u>140,675</u>
Expenditures			
Current			
General government	974,611	-	-
Public safety	1,297,076	-	-
Public works	1,066,039	-	-
Parks and recreation	117,340	-	-
Economic development	-	-	-
Debt service			
Principal	-	1,175,000	178,000
Interest and other charges	-	478,287	93,876
Capital outlay			
General government	14,607	-	-
Public safety	3,881	-	-
Public works	1,705	-	-
Parks and recreation	13,805	-	-
Total expenditures	<u>3,489,064</u>	<u>1,653,287</u>	<u>271,876</u>
Excess of revenues over (under) expenditures	239,306	(690,705)	(131,201)
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	50,082	-	-
Transfers in	64,546	882,142	-
Transfers out	(314,674)	(634)	(8,081)
Total other financing sources (uses)	<u>(200,046)</u>	<u>881,508</u>	<u>(8,081)</u>
Net change in fund balances	39,260	190,803	(139,282)
Fund Balances			
Beginning of year	<u>2,066,323</u>	<u>2,328,098</u>	<u>3,142,489</u>
End of year	<u>\$ 2,105,583</u>	<u>\$ 2,518,901</u>	<u>\$ 3,003,207</u>

Capital Projects

Dayton Parkway (480)	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,475,077	\$ 4,156,965
-	221,087	221,087
108,165	53,743	1,033,537
-	-	534,951
33,856	25,000	308,732
-	2,064,925	2,404,811
-	-	35,639
2	59,766	127,399
-	14,130	21,343
-	29,507	72,421
<u>142,023</u>	<u>3,943,235</u>	<u>8,916,885</u>
-	158,191	1,132,802
-	-	1,297,076
-	2,409	1,068,448
-	-	117,340
-	54,435	54,435
155,000	1,099,000	2,607,000
7,750	174,296	754,209
-	123,322	137,929
-	115,665	119,546
269,189	540,686	811,580
-	387,157	400,962
<u>431,939</u>	<u>2,655,161</u>	<u>8,501,327</u>
(289,916)	1,288,074	415,558
-	-	50,082
44,060	933,998	1,924,746
<u>(191,799)</u>	<u>(687,945)</u>	<u>(1,203,133)</u>
<u>(147,739)</u>	<u>246,053</u>	<u>771,695</u>
(437,655)	1,534,127	1,187,253
<u>(1,205,359)</u>	<u>4,548,987</u>	<u>10,880,538</u>
<u>\$ (1,643,014)</u>	<u>\$ 6,083,114</u>	<u>\$ 12,067,791</u>

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, 2018

Net change in fund balances - governmental funds \$ 1,187,253

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 is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	1,112,091
Depreciation expense	(1,264,146)
Loss on disposal	(2,016)
Contributed asset	389,339

Compensated absences are recognized as paid in the governmental funds, but recognized as the expense is incurred in the Statement of Activities. (42,464)

OPEB costs are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (9,870)

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	3,359
State aid related to pension expense	9,004

Principal payments on long-term debt are recognized as expenditures in the governmental funds, but have no effect on net position in the Statement of Activities. 2,607,000

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. 84,076

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. 24,970

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.

Due from other governments - deferred grants	5,825
Deferred special assessments	(762,086)
Delinquent special assessments	(576)

Delinquent property taxes receivable will be collected in subsequent years, and, therefore, are deferred in the funds. 81

Change in net position - governmental activities \$ 3,341,840

City of Dayton
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
Property taxes	\$ 2,540,276	\$ 2,506,888	\$ (33,388)
Special assessments	-	-	-
Licenses and permits	358,227	534,951	176,724
Intergovernmental revenue	171,503	249,876	78,373
Charges for services	216,849	335,136	118,287
Fines and forfeitures	51,500	35,639	(15,861)
Miscellaneous			
Investment income	23,000	15,753	(7,247)
Contributions and donations	-	7,213	7,213
Other	24,300	42,914	18,614
Total revenues	<u>3,385,655</u>	<u>3,728,370</u>	<u>342,715</u>
Expenditures			
Current			
General government	895,107	974,611	79,504
Public safety	1,355,573	1,297,076	(58,497)
Public works	907,180	1,066,039	158,859
Parks and recreation	117,295	117,340	45
Capital outlay			
General government	20,000	14,607	(5,393)
Public safety	9,500	3,881	(5,619)
Public works	6,000	1,705	(4,295)
Parks and recreation	75,000	13,805	(61,195)
Total expenditures	<u>3,385,655</u>	<u>3,489,064</u>	<u>103,409</u>
Excess of revenues over expenditures	-	239,306	239,306
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	-	50,082	50,082
Transfers in	-	64,546	64,546
Transfers out	-	(314,674)	(314,674)
Total other financing sources (uses)	<u>-</u>	<u>(200,046)</u>	<u>(200,046)</u>
Net change in fund balance	<u>\$ -</u>	39,260	<u>\$ 39,260</u>
Fund Balance			
Beginning of year		<u>2,066,323</u>	
End of year		<u>\$ 2,105,583</u>	

City of Dayton
Statement of Net Position - Proprietary Funds
December 31, 2018

	<u>Water (601)</u>	<u>Sewer (602)</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 1,627,026	\$ 6,761	\$ 1,633,787
Accounts receivable	70,832	75,617	146,449
Special assessments receivable	7,208	8,085	15,293
Advances to other funds	171,429	171,429	342,858
Due from other governments	3,585	17,155	20,740
Prepaid expenses	-	16,154	16,154
Total current assets	<u>1,880,080</u>	<u>295,201</u>	<u>2,175,281</u>
Noncurrent assets			
Capital assets			
Land	113,767	-	113,767
Collection and distribution system	11,789,361	14,293,225	26,082,586
Machinery and equipment	52,398	49,259	101,657
Construction in progress	39,900	-	39,900
Total capital assets	<u>11,995,426</u>	<u>14,342,484</u>	<u>26,337,910</u>
Less accumulated depreciation	(3,233,223)	(3,864,569)	(7,097,792)
Net capital assets	<u>8,762,203</u>	<u>10,477,915</u>	<u>19,240,118</u>
Total assets	<u>10,642,283</u>	<u>10,773,116</u>	<u>21,415,399</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	13,931	11,586	25,517
Total assets and deferred outflows of resources	<u>\$ 10,656,214</u>	<u>\$ 10,784,702</u>	<u>\$ 21,440,916</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 13,244	\$ 5,787	\$ 19,031
Salaries and benefits payable	3,017	2,579	5,596
Due to other governments	53,481	35,596	89,077
Current compensated absences	1,030	966	1,996
Total current liabilities	<u>70,772</u>	<u>44,928</u>	<u>115,700</u>
Noncurrent liabilities			
Compensated absences	9,270	8,692	17,962
Unfunded OPEB liability	3,214	3,214	6,428
Net pension liability	49,641	41,285	90,926
Total noncurrent liabilities	<u>62,125</u>	<u>53,191</u>	<u>115,316</u>
Total liabilities	<u>132,897</u>	<u>98,119</u>	<u>231,016</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	11,586	9,636	21,222
Deferred inflows of resources related to OPEB	211	211	422
Total deferred inflows of resources	<u>11,797</u>	<u>9,847</u>	<u>21,644</u>
Net Position			
Net investment in capital assets	8,762,203	10,477,915	19,240,118
Restricted for infrastructure replacement	-	10,049	10,049
Unrestricted	1,749,317	188,772	1,938,089
Total net position	<u>10,511,520</u>	<u>10,676,736</u>	<u>21,188,256</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 10,656,214</u>	<u>\$ 10,784,702</u>	<u>\$ 21,440,916</u>

See notes to financial statements.

City of Dayton
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2018

	<u>Water (601)</u>	<u>Sewer (602)</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 502,021	\$ 386,737	\$ 888,758
Permits, hookup fees, and penalties	56,356	3,095	59,451
Other charges	6,897	6,897	13,794
Total operating revenues	<u>565,274</u>	<u>396,729</u>	<u>962,003</u>
Operating Expenses			
Wages and salaries	71,756	59,485	131,241
Employee benefits	(3,215)	(5,762)	(8,977)
Materials and supplies	84,639	586	85,225
Repairs and maintenance	15,030	12,150	27,180
Contracted services	51,085	224,932	276,017
Utilities	136,755	5,424	142,179
Depreciation	322,766	385,792	708,558
Equipment	-	1,815	1,815
Miscellaneous	10,932	7,139	18,071
Total operating expenses	<u>689,748</u>	<u>691,561</u>	<u>1,381,309</u>
Operating loss	(124,474)	(294,832)	(419,306)
Nonoperating Revenues			
Investment income	24,728	11,022	35,750
Connection charges	555,397	443,370	998,767
Total nonoperating revenue	<u>580,125</u>	<u>454,392</u>	<u>1,034,517</u>
Income before transfers	455,651	159,560	615,211
Transfers out	<u>(271,425)</u>	<u>(450,188)</u>	<u>(721,613)</u>
Change in net position	184,226	(290,628)	(106,402)
Net Position			
Beginning of year, as previously stated	10,324,410	10,964,480	21,288,890
Change in accounting principle (Note 11)	2,884	2,884	5,768
Beginning of year	<u>10,327,294</u>	<u>10,967,364</u>	<u>21,294,658</u>
End of year	<u>\$ 10,511,520</u>	<u>\$ 10,676,736</u>	<u>\$ 21,188,256</u>

See notes to financial statements.

City of Dayton
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2018

	Water (601)	Sewer (602)	Total
Cash Flows - Operating Activities			
Receipts from customers and users	\$ 547,895	\$ 369,569	\$ 917,464
Payments to suppliers	(265,544)	(257,936)	(523,480)
Payments to employees	(92,464)	(76,670)	(169,134)
Net cash flows - operating activities	189,887	34,963	224,850
Cash Flows - Noncapital			
Financing Activities			
Loan to/from other funds	42,857	(5,533)	37,324
Transfer from other funds	286,174	-	286,174
Transfer to other funds	(557,599)	(450,188)	(1,007,787)
Net cash flows - noncapital financing activities	(228,568)	(455,721)	(684,289)
Cash Flows - Capital and Related			
Financing Activities			
Connection charges	555,397	443,370	998,767
Acquisition of capital assets	(66,773)	(26,873)	(93,646)
Net cash flows - capital and related financing activities	488,624	416,497	905,121
Cash Flows - Investing Activities			
Interest and dividends received	24,728	11,022	35,750
Net Change in Cash and Cash Equivalents	474,671	6,761	481,432
Cash and Cash Equivalents			
January 1	1,152,355	-	1,152,355
December 31	\$ 1,627,026	\$ 6,761	\$ 1,633,787
Reconciliation of Operating Loss to			
Net Cash Flows - Operating Activities			
Operating loss	\$ (124,474)	\$ (294,832)	\$ (419,306)
Adjustments to reconcile operating loss to net cash flows - operating activities			
Depreciation expense	322,766	385,792	708,558
Net pension expense	(26,348)	(24,700)	(51,048)
Accounts receivable	(18,953)	(12,765)	(31,718)
Special assessments receivable	1,571	(828)	743
Due from other governments	3	(13,567)	(13,564)
Prepaid items	4,709	(1,947)	2,762
Accounts payable	5,473	5,170	10,643
Due to other governments	22,715	(9,113)	13,602
Salaries payable	721	691	1,412
Compensated absences payable	3,056	2,414	5,470
Net OPEB payable	(1,352)	(1,352)	(2,704)
Total adjustments	314,361	329,795	644,156
Net cash flows - operating activities	\$ 189,887	\$ 34,963	\$ 224,850

City of Dayton
Statement of Fiduciary Net Position - Agency Funds
December 31, 2018

	<u>Agency Funds</u>
Assets	
Cash and investments	\$ 722,534
Other receivables	<u>413,881</u>
Total assets	<u><u>\$ 1,136,415</u></u>
Liabilities	
Escrow payable	<u><u>\$ 1,136,415</u></u>

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City of Dayton
Notes to 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. The fiduciary funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

City of Dayton
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. 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.

City of Dayton
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds:

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 2006A and 2007A bond issuances and bond repayment.

2009A G.O. Improvement Bond and 2010A Improvement Notes – This fund accounts for costs and revenues associated with the 2009A and 2010A bond issuances and bond repayment.

Dayton Parkway Project – This fund accounts for the resources accumulated for the Dayton Parkway improvements.

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.

Fiduciary Funds:

Developer Escrow Agency Fund – This fund accounts for the amounts related to developer escrows held by the City in a custodial capacity.

Landscaping Escrow Agency Fund – This fund accounts for the landscaping costs related to developer escrows held by the City in a custodial capacity.

ROW Escrow Fund – This fund accounts for the amounts related to right-of-way escrows held in a custodial capacity.

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

City of Dayton
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include salaries and benefits, supplies, repairs, miscellaneous costs, 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 in 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, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

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

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

**City of Dayton
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables (Continued)

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.

4. Capital Assets

Capital assets, which include property, plant, equipment, intangible, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

City of Dayton
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period 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 and OPEB for various estimate differences that will be amortized and recognized over future years.

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

6. Compensated Absences

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

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

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

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bond.

City of Dayton
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long-Term Obligations (Continued)

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

8. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Fund Equity

a. Classification

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

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

City of Dayton
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Equity (Continued)

a. Classification (Continued)

- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

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

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

b. Minimum Fund Balance

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

10. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. A reclassification of \$10,992,500 was made between this net position class and unrestricted net position in the total column of the Statement of Net Position to recognize the portion of debt attributable to capital assets donated from governmental activities to business-type activities. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

City of Dayton
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
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, 2018:

Dayton Parkway	\$ 1,643,014
TIF No. 16 Sand Companies	11,232
TIF No. 15 French Lake Industrial Park	1,484
Sundance Sewer Truck	485,714

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.

City of Dayton
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of bank failure, the City's deposits, and investments may not be returned to it. The City has a policy in place to address custodial credit risk for deposits, stating all deposits will be insured or collateralized in accordance with *Minnesota Statutes* 118A. As of December 31, 2018, the City's bank balance of \$4,391,798 was not exposed to custodial credit risk as the amount was insured through FDIC insurance and secured with pledged collateral.

As of December 31, 2018, the City's book balance for deposits was as follows:

Deposits	\$ 4,148,262
Petty cash	396
	\$ 4,148,658
Total deposits	\$ 4,148,658

B. Investments

As of December 31, 2018, the City had the following investments:

Investment Type	Investment Maturities				Greater than Five Years
	Fair Value	Less than One Year	1-3 Years	3-5 Years	
Municipal bonds	\$ 299,109	\$ -	\$ 299,109	\$ -	\$ -
Brokered certificates of deposit	2,421,184	1,370,020	819,415	231,749	-
Brokered money market account	8,135,167	8,135,167	-	-	-
Total	\$ 10,855,460	\$ 9,505,187	\$ 1,118,524	\$ 231,749	\$ -

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 municipal bonds were rated A to AAA by Standard & Poor's (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, 2018, no investments exceeded 5% of the City's total investments.

City of Dayton
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states all financial institutions and broker/dealers qualified for investment transactions with the City must comply with *Minnesota Statutes* 118A. The policy further states all investment securities will be held by brokers only to the extent SIPC and excess SIPC coverage is available. The City's investments held by the broker-dealer were insured by Securities Investor Protection Corporation (SIPC) or other supplemental insurance as of December 31, 2018. 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.

The City has the following recurring fair value measurements as of December 31, 2018:

- \$299,109 of investments are valued using a quoted market prices (Level 1 inputs)
- \$2,421,184 of investments are valued using a matrix pricing model (Level 2 inputs)

The following is a summary of total deposits and investments:

Deposits	\$ 4,148,658
Investments	<u>10,855,460</u>
Total deposits and investments	<u><u>\$ 15,004,118</u></u>

Deposits and investments are presented in the December 31, 2018, basic financial statements as follows:

Statement of Net Position	
Cash and investments (including cash equivalents)	\$ 14,281,584
Statement of Fiduciary Net Position	
Cash and investments	<u>722,534</u>
Total deposits and investments	<u><u>\$ 15,004,118</u></u>

City of Dayton
Notes to Financial Statements

NOTE 4 – INTERFUND ACTIVITY

A. Transfers

	Transfers In				Total
	General Fund	2014A and 2015A G.O. Improvement Bonds	Dayton Parkway	Other Governmental Funds	
Transfers out					
General Fund	\$ -	\$ -	\$ -	\$ 314,674	\$ 314,674
2014A and 2015A G.O. Improvement Bonds	-	-	-	634	634
2009A G.O. Improvement Bond	-	-	-	8,081	8,081
Dayton Parkway	-	-	-	191,799	191,799
Other governmental funds	64,545	430,379	44,060	148,961	687,945
Water Fund	-	271,425	-	-	271,425
Sewer Fund	-	180,338	-	269,850	450,188
Total	<u>\$ 64,545</u>	<u>\$ 882,142</u>	<u>\$ 44,060</u>	<u>\$ 933,999</u>	<u>\$ 1,924,746</u>

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

B. Interfund Balances

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

	Due from Other Funds <u>General Fund</u>
Due to other funds	
Dayton Parkway	<u>\$ 1,560,346</u>
Total	<u>\$ 1,560,346</u>

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

	Advances from Other Funds Other Governmental Funds
Advances to other funds	
General Fund	\$ 168,029
Other governmental funds	10,285
Water Fund	171,429
Sewer Fund	<u>171,429</u>
Total	<u>\$ 521,172</u>

Interfund loans for the Sewer Trunk and Tax Increment Funds are payable over more than one year.

City of Dayton
Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 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	\$ 2,925,462	\$ -	\$ -	\$ 2,925,462
Construction in progress	<u>1,866,043</u>	<u>1,017,996</u>	<u>1,873,432</u>	<u>1,010,607</u>
Total capital assets not being depreciated	<u>4,791,505</u>	<u>1,017,996</u>	<u>1,873,432</u>	<u>3,936,069</u>
Capital assets being depreciated				
Buildings and improvements	5,166,841	257,620	-	5,424,461
Infrastructure	24,531,367	1,415,015	-	25,946,382
Machinery and equipment	<u>4,085,838</u>	<u>684,230</u>	<u>12,752</u>	<u>4,757,316</u>
Total capital assets being depreciated	<u>33,784,046</u>	<u>2,356,865</u>	<u>12,752</u>	<u>36,128,159</u>
Less accumulated depreciation for				
Buildings and improvements	964,766	147,569	-	1,112,335
Infrastructure	7,850,478	843,324	-	8,693,802
Machinery and equipment	<u>1,824,411</u>	<u>273,253</u>	<u>10,737</u>	<u>2,086,927</u>
Total accumulated depreciation	<u>10,639,655</u>	<u>1,264,146</u>	<u>10,737</u>	<u>11,893,064</u>
Total capital assets being depreciated, net	<u>23,144,391</u>	<u>1,092,719</u>	<u>2,015</u>	<u>24,235,095</u>
Governmental activities capital assets, net	<u><u>\$ 27,935,896</u></u>	<u><u>\$ 2,110,715</u></u>	<u><u>\$ 1,875,447</u></u>	<u><u>\$ 28,171,164</u></u>

City of Dayton
Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 113,767	\$ -	\$ -	\$ 113,767
Construction in progress	<u>-</u>	<u>39,900</u>	<u>-</u>	<u>39,900</u>
Total capital assets not being depreciated	<u>113,767</u>	<u>39,900</u>	<u>-</u>	<u>153,667</u>
Capital assets being depreciated				
Collection and distribution system	26,082,586	-	-	26,082,586
Machinery and equipment	<u>47,911</u>	<u>53,746</u>	<u>-</u>	<u>101,657</u>
Total capital assets being depreciated	<u>26,130,497</u>	<u>53,746</u>	<u>-</u>	<u>26,184,243</u>
Less accumulated depreciation for				
Collection and distribution system	6,342,846	704,193	-	7,047,039
Machinery and equipment	<u>46,388</u>	<u>4,365</u>	<u>-</u>	<u>50,753</u>
Total accumulated depreciation	<u>6,389,234</u>	<u>708,558</u>	<u>-</u>	<u>7,097,792</u>
Total capital assets being depreciated, net	<u>19,741,263</u>	<u>(654,812)</u>	<u>-</u>	<u>19,086,451</u>
Business-type activities, capital assets, net	<u>\$ 19,855,030</u>	<u>\$ (614,912)</u>	<u>\$ -</u>	<u>\$ 19,240,118</u>

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

Governmental activities	
General government	\$ 39,828
Public safety	183,868
Public works	1,009,201
Parks and recreation	<u>31,249</u>
Total depreciation expense - governmental activities	<u>\$ 1,264,146</u>
Business-type activities	
Water	\$ 322,766
Sewer	<u>385,792</u>
Total depreciation expense - business-type activities	<u>\$ 708,558</u>

City of Dayton
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-term liabilities						
Governmental activities						
Bonds payable						
2009A G.O. Improvement	11/19/09	2.25%-4.55%	\$ 3,060,000	02/01/30	\$ 1,970,000	\$ 145,000
2014A G.O. Refunding	09/09/14	2.0%-3.0%	9,685,000	02/01/30	9,060,000	705,000
2015A G.O. Refunding	01/08/15	2.25%-3.0%	7,430,000	02/01/27	6,880,000	590,000
2016A G.O. CIP	09/01/16	2.00%-2.75%	3,610,000	02/01/37	3,450,000	200,000
Street reconstruction						
2015B G.O. Street Reconstruction	05/13/15	2.000%	2,325,000	02/01/23	1,690,000	325,000
Utility revenue						
2013A G.O. Utility Revenue	11/20/13	3.0%	2,335,000	02/01/24	995,000	560,000
PFA notes payable						
2000A G.O. Improvement Notes	08/20/01	3.25%	1,137,000	08/20/21	124,000	40,000
2010A Improvement Notes	05/06/10	1.65%	750,449	08/20/29	461,000	39,000
2012B G.O. Refunding Notes	08/16/12	0.35%-1.25%	1,170,000	08/01/20	300,000	150,000
Unamortized premium					695,955	-
Compensated absences					188,653	18,865
Total government activities					<u>25,814,608</u>	<u>2,772,865</u>
Business-type activities						
Compensated absences					19,957	1,996
Total long-term liabilities					<u>\$ 25,834,565</u>	<u>\$ 2,774,861</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.

City of Dayton
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
Bonds payable				
G.O. Improvement Bonds	\$ 5,720,000	\$ -	\$ 300,000	\$ 5,420,000
G.O. Equipment Certificates	105,000	-	105,000	-
G.O. Refunding Bonds	17,115,000	-	1,175,000	15,940,000
G.O. Utility Revenue	1,325,000	-	330,000	995,000
G.O. Street Construction	2,010,000	-	320,000	1,690,000
Unamortized premium	780,031	-	84,076	695,955
Notes payable	1,107,000	-	222,000	885,000
Contract for deed payable	155,000	-	155,000	-
Compensated absences	146,189	69,708	27,244	188,653
	<u>28,463,220</u>	<u>69,708</u>	<u>2,718,320</u>	<u>25,814,608</u>
Total governmental activities				
Compensated absences	<u>14,488</u>	<u>7,696</u>	<u>2,227</u>	<u>19,957</u>
	<u>\$ 28,477,708</u>	<u>\$ 77,404</u>	<u>\$ 2,720,547</u>	<u>\$ 25,834,565</u>
Total long-term liabilities				

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

City of Dayton
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

C. Long-Term Debt

The annual requirements to amortize all bonded debt outstanding follows:

<u>Year Ended</u> <u>December 31,</u>	Governmental Activities			
	G.O. Improvement Bonds		PFA - Notes Payable	
	Principal	Interest	Principal	Interest
2019	\$ 345,000	\$ 154,455	\$ 229,000	\$ 15,030
2020	340,000	145,297	230,000	11,585
2021	350,000	135,945	83,000	7,732
2022	365,000	126,028	40,000	5,673
2023	305,000	116,199	41,000	5,012
2024-2028	1,675,000	426,976	217,000	14,605
2029-2033	1,250,000	173,842	45,000	744
2034-2038	790,000	43,900	-	-
Total	<u>\$ 5,420,000</u>	<u>\$ 1,322,642</u>	<u>\$ 885,000</u>	<u>\$ 60,381</u>

<u>Year Ended</u> <u>December 31,</u>	Governmental Activities			
	G.O. Street Reconstruction		G.O. Refunding Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 325,000	\$ 30,550	\$ 1,295,000	\$ 443,938
2020	330,000	24,000	1,225,000	412,637
2021	340,000	17,300	1,170,000	382,163
2022	345,000	10,450	1,205,000	346,587
2023	350,000	3,500	1,240,000	305,087
2024-2028	-	-	6,830,000	951,319
2029-2033	-	-	2,975,000	90,075
Total	<u>\$ 1,690,000</u>	<u>\$ 85,800</u>	<u>\$ 15,940,000</u>	<u>\$ 2,931,806</u>

City of Dayton
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

C. Long-Term Debt (Continued)

Year Ended December 31,	Governmental Activities			
	G.O. Utility Revenue		Total Governmental Activities	
	Principal	Interest	Principal	Interest
2019	\$ 560,000	\$ 21,450	\$ 2,754,000	\$ 665,423
2020	85,000	11,775	2,210,000	605,294
2021	85,000	9,225	2,028,000	552,365
2022	85,000	6,675	2,040,000	495,413
2023	90,000	4,050	2,026,000	433,848
2024-2028	90,000	1,350	8,812,000	1,394,250
2029-2033	-	-	4,270,000	264,661
2034-2038	-	-	790,000	43,900
2037	-	-	-	-
Total	\$ 995,000	\$ 54,525	\$ 24,930,000	\$ 4,455,154

NOTE 7 – FUND BALANCE DETAIL

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

	General Fund	2006A and 2007A G.O. Improvement Bonds	2009A G.O. Improvement Bond and 2010A Improvement Notes	Brockton / Transportation Fund	Other Governmental Funds	Total
Nonspendable						
Advances to other funds	\$ 168,029	\$ -	\$ -	\$ -	\$ -	\$ 168,029
Prepaid items	4,715	-	-	-	-	4,715
Total nonspendable	172,744	-	-	-	-	172,744
Restricted						
Debt service	-	2,518,901	3,003,207	-	451,428	5,973,536
Police forfeitures	-	-	-	-	16,599	16,599
TIF districts	-	-	-	-	93,169	93,169
Park dedication	-	-	-	-	842,166	842,166
Total restricted	-	2,518,901	3,003,207	-	1,403,362	6,925,470
Committed						
Cable Fund	-	-	-	-	126,075	126,075
EDA	-	-	-	-	118,047	118,047
Park development	-	-	-	-	112,061	112,061
Total restricted	-	-	-	-	356,183	356,183
Assigned						
Park trails	-	-	-	-	421,770	421,770
Capital projects	-	-	-	-	4,400,229	4,400,229
Total unassigned	-	-	-	-	4,821,999	4,821,999
Unassigned	1,932,839	-	-	(1,643,014)	(498,430)	(208,605)
Total fund balance	\$ 2,105,583	\$ 2,518,901	\$ 3,003,207	\$ (1,643,014)	\$ 6,083,114	\$12,067,791

City of Dayton
Notes to Financial Statements

NOTE 8 – 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 2018 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2018, there were no other claims liabilities reported in the Fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2018, was \$153,864. The components of pension expense are noted in the following plan summaries.

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 (General Employees Plan, accounted for in the General Employees Fund)

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.

City of Dayton
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

Public Employees Police and Fire Plan (Police and Fire Plan, accounted for in the Police and Fire Fund)

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

B. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July, 1 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated member is 1.2% for each of the first ten 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. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

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 ten 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 ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

City of Dayton
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0% increase. An annual adjustment will equal 2.5% any time the plan exceeds a 90% funded ratio for two consecutive years. If the adjustment is increased to 2.5% and the funded ratio falls below 80% for one year or 85% for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in calendar year 2018. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2018. The City's contributions to the General Employees Fund for the year ended December 31, 2018, were \$64,295. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary and the City was required to contribute 16.20% of pay for members in fiscal year 2018. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018, were \$94,135. 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, 2018, the City reported a liability of \$615,782 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. 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 \$20,262. The net pension liability was measured as of June 30, 2018, 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 proportion 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion share was 0.0111%, which was an increase of 0.0012% from its proportion measured as of June 30, 2017.

City of Dayton
Notes to Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

General Employees Fund Pension Costs (Continued)

D. Pension Costs (Continued)

City's proportionate share of the net pension liability	\$	615,782
State of Minnesota's proportionate share of the net pension liability associated with the City		20,262
Total		\$ 636,044

For the year ended December 31, 2018, the City recognized pension expense of \$67,289 for its proportionate share of General Employees Plan's pension expense. Included in the amount the City recognized \$4,725 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, 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	\$ 14,615	\$ 15,695
Changes in actuarial assumptions	51,404	64,071
Difference between projected and actual investment earnings	-	63,956
Changes in proportion	74,645	-
Contributions paid to PERA subsequent to the measurement date	32,148	-
	\$ 172,812	\$ 143,722

City of Dayton
Notes to Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

\$32,148 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, 2019. Other amounts reported as deferred outflows and deferred 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>
2019	\$ 46,587
2020	(9,230)
2021	(27,563)
2022	<u>(12,852)</u>
Total	<u>\$ (3,058)</u>

Police and Fire Fund Pension Costs

At December 31, 2018, the City reported a liability of \$584,464 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, 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 proportion 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.0553%, which was an increase of 0.0043% from its proportion measured as of June 30, 2017. The City also recognized \$4,977 for the year ended December 31, 2018, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2018, the City recognized pension expense of \$68,761 for its proportionate share of the Police and Fire Fund pension expense.

City of Dayton
Notes to Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

At December 31, 2018, 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 sources below and on the following page.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 22,690	\$ 136,379
Changes in actuarial assumptions	702,342	801,795
Difference between projected and actual investment earnings	-	117,602
Changes in proportion	65,423	71,508
Contributions paid to PERA subsequent to the measurement date	47,067	-
	\$ 837,522	\$ 1,127,284

\$47,067 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2019	\$ (12,558)
2020	(37,304)
2021	(71,352)
2022	(223,348)
2023	7,733
Total	\$ (336,829)

City of Dayton
Notes to Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan, 1.0% per year for the Police and Fire Plan, and 2.0% per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- 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.

Police and Fire Fund

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year, thereafter, to 1.0% for all years, with no trigger.

City of Dayton
Notes to Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	36 %	5.10 %
International stocks	17	5.30
Bonds	20	0.75
Alternative assets	25	5.90
Cash	<u>2</u>	0.00
Total	<u><u>100 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on those assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Dayton
Notes to Financial Statements**

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following table 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 <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase in Discount Rate <u>(8.5%)</u>
City's proportionate share of the General Employees Fund net pension liability	\$ 1,000,725	\$ 615,782	\$ 298,023
	1% Decrease in Discount Rate <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase in Discount Rate <u>(8.5%)</u>
City's proportionate share of the Police and Fire Fund net pension liability	\$ 1,258,822	\$ 584,464	\$ 26,798

H. Pension Plan Fiduciary Net Position

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

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

A. Plan Description

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

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

**City of Dayton
Notes to Financial Statements**

NOTE 9 - PENSION PLANS (CONTINUED)

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

B. Benefits Provided

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

C. Employees Covered by Benefit Terms

At December 31, 2016, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefits	9
Active employees	20
	29
Total	29

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 \$39,362 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Investment rate of return	6.25 % net of pensions plan investment expense: including inflation

**City of Dayton
Notes to Financial Statements**

NOTE 9 - PENSION PLANS (CONTINUED)

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

E. Net Pension Liability (Continued)

Actuarial assumptions (Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	24.26 %	0.58 %
Fixed income	12.78	1.99
International equity	20.53	5.24
Domestic equity	42.43	4.19
Total	100.00 %	

Discount rate

The discount rate used to measure the total pension liability was 6.25%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

City of Dayton
Notes to Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter'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, 2017	\$ 520,443	\$ 537,566	\$ (17,123)
Changes for the year			
Service cost	17,214	-	17,214
Interest	33,453	-	33,453
Difference between expected and actual experience	-	-	-
Changes in assumptions	3,224	-	3,224
State and municipal contributions	-	48,403	(48,403)
Projected investment return	-	-	-
Gain or loss	-	71,389	(71,389)
Benefit payments, including refunds of employee contributions	(46,000)	(46,000)	-
Administrative expense	-	(10,986)	10,986
Net charges	7,891	62,806	(54,915)
Balances at December 31, 2018	\$ 528,334	\$ 600,372	\$ (72,038)

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 6.25%, 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 (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City's net pension liability	\$ (64,901)	\$ (72,038)	\$ (78,718)

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 Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

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

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

For the year ended December 31, 2018, the City recognized pension expense of \$(17,634). At December 31, 2017, 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	\$ -	\$ 19,712
Change of assumptions	2,740	30,797
Difference between expected and actual liability	-	20,461
Contributions paid to Relief subsequent to the measurement date	39,363	-
Total	\$ 42,103	\$ 70,970

\$39,363 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as shown on the following page:

2019	\$ (11,106)
2020	(10,785)
2021	(17,418)
2022	(16,795)
2023	(9,098)
Thereafter	(3,028)
Total	\$ (68,230)

H. Payable to the Pension Plan

At December 31, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2018.

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage. Medical coverage is administered by BlueCross BlueShield. It is the City's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees.

**City of Dayton
Notes to Financial Statements**

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

B. Benefits Provided

Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy.

C. Contributions

Contribution requirements are established by the City, based on the contract terms with BlueCross BlueShield. The required contributions are based on projected pay-as-you-go financing requirements. For year 2018, the City contributed \$0 to the plan. As of December 31, 2018, there were no retirees receiving health benefits from the City's health plan.

D. Members

As of December 31, 2018, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	14
Total	14

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	4.09%, net of investment expenses
Salary increases	3.50%, including inflation
Inflation	2.75%
Healthcare cost trend increases	8.5% initially, decreasing 0.5% per year to an ultimate rate of 5.0%
 Mortality assumption	 RP-2014 with MP-2016 generational inputs

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2017– December 31, 2017.

The discount rate used to measure the total OPEB liability was 4.09% based on 20 year municipal bond index.

City of Dayton
Notes to Financial Statements

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

The City's total OPEB liability of \$68,379 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at January 1, 2018	\$ 65,711
Changes for the year	
Service cost	5,100
Interest	2,436
Changes of assumptions	(4,868)
Net changes	2,668
Balances at December 31, 2018	\$ 68,379

Changes of assumptions and other inputs reflect a change in the discount rate from 3.44% in 2017 to 4.09% in 2018.

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 4.09% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability/(Asset)		
1% decrease (3.09%)	Current (4.09%)	1% increase (5.09%)
\$ 76,005	\$ 68,379	\$ 61,506

City of Dayton
Notes to Financial Statements

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability/(Asset)		
1% decrease (7.5% decreasing to 4.0%)	Current (8.5% decreasing to 5.0%)	1% increase (9.5% decreasing to 6.0%)
\$ 58,677	\$ 68,379	\$ 79,877

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the City recognized OPEB expense of \$(6,493). At December 31, 2018, the Distract reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 4,499
Total	\$ -	\$ 4,499

**City of Dayton
Notes to Financial Statements**

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>December 31,</u>	<u>Total</u>
2019	\$ (369)
2020	(369)
2021	(369)
2022	(369)
2023	(369)
Thereafter	(2,654)
Total	\$ (4,499)

NOTE 12 TAX INCREMENT FINANCING

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

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

During the year ended December 31, 2018, the City generated \$221,087 in tax increment revenue and made \$194,782 in payments to developers.

NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This resulted in an adjustment to the beginning net position on the Statement of Activities of \$61,353 to subtract from the beginning total OPEB liability.

City of Dayton
Notes to Financial Statements

NOTE 14 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 83, Certain Asset Retirement Obligations establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This statement will be effective for the year ending December 31, 2019.

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will be effective for the year ending December 31, 2019.

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

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements improves the information that is disclosed in the notes to the financial statements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement will be effective for the year ending December 31, 2019.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2020.

GASB Statement No. 90, Majority Equity Interests improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement will be effective for the year ending December 31, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

City of Dayton
Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>December 31, 2018</u>
Total OPEB Liability	
Service cost	\$ 5,100
Interest	2,436
Changes of assumptions	(4,868)
Net change in total OPEB liability	2,668
Beginning of year	65,711
End of year	\$ 68,379
Covered-employee payroll	\$ 900,000
Net OPEB liability as a percentage of covered-employee payroll	7.60%

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

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

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0090%	\$ 466,427	\$ -	\$ 466,427	\$ 518,613	89.9%	78.2%
2016	0.0097%	787,592	10,258	797,850	599,760	131.3%	68.9%
2017	0.0099%	632,009	7,914	639,923	635,107	99.5%	75.9%
2018	0.0111%	615,782	20,262	636,044	746,387	82.5%	79.5%

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

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

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0500%	\$ 568,117	\$ 442,198	128.5%	86.6%
2016	0.0530%	2,126,982	512,105	415.3%	63.9%
2017	0.0510%	683,971	527,062	129.8%	85.4%
2018	0.0553%	584,464	583,309	100.2%	88.8%

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

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

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2015	\$ 37,484	\$ 37,484	\$ -	\$ 499,787	7.5%
2016	39,581	39,581	-	527,747	7.5%
2017	42,931	42,931	-	572,413	7.5%
2018	64,295	64,295	-	857,267	7.5%

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

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

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2015	\$ 79,181	\$ 79,181	\$ -	\$ 488,772	16.2%
2016	87,135	87,135	-	537,870	16.2%
2017	96,777	96,777	-	597,389	16.2%
2018	94,135	94,135	-	581,080	16.2%

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

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

	Measurement Date			
	2014	2015	2016	2017
Total Pension Liability (TPL)				
Service cost	\$ 18,149	\$ 18,648	\$ 20,406	\$ 17,214
Interest	38,117	37,818	38,745	33,453
Differenced between expected and actual experience	-	-	(28,111)	-
Changes of assumptions	-	-	(42,311)	3,224
Changes of benefit terms	-	-	-	-
Benefit payments, including refunds or member contributions	(122,750)	-	(87,913)	(46,000)
Net change in total pension liability	<u>(66,484)</u>	<u>56,466</u>	<u>(99,184)</u>	<u>7,891</u>
Beginning of year	<u>629,645</u>	<u>563,161</u>	<u>619,627</u>	<u>520,443</u>
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
Loss on investments	-	-	-	-
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	<u>(54,831)</u>	<u>26,248</u>	<u>(26,429)</u>	<u>62,806</u>
Beginning of year	<u>592,578</u>	<u>537,747</u>	<u>563,995</u>	<u>537,566</u>
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 pension liability	95.5%	91.0%	103.3%	113.6%
Covered employee payroll	n/a	n/a	n/a	n/a
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.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer					
Statutorily determined contribution (SDC)	\$ 6,762	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the SDC	<u>6,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Non-employer					
2% aid	<u>\$ 34,832</u>	<u>\$ 33,529</u>	<u>\$ 31,212</u>	<u>\$ 38,803</u>	<u>\$ 39,363</u>
Covered employee payroll	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	n/a	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.

City of Dayton
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

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% percent per year.

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in 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.

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.

City of Dayton
Notes to Required Supplementary Information

POLICE AND FIRE FUND

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year, thereafter, to 1.0% for all years, with no trigger.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.

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 assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in 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

POLICE AND FIRE FUND

2015 Changes (Continued)

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.

Other Post Employment Benefits

There are no assets accumulated in a trust.

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SUPPLEMENTARY INFORMATION

City of Dayton
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
Revenues			
Property taxes	\$ 2,540,276	\$ 2,506,888	\$ (33,388)
Licenses and permits	358,227	534,951	176,724
Intergovernmental			
Local government aid	5,387	5,387	-
Market value homestead credit	-	11,768	11,768
PERA aid	1,456	1,414	(42)
Fire aid	22,660	42,363	19,703
Police aid	36,050	55,101	19,051
Federal grants	15,450	26,781	11,331
Other grants and aids	90,500	107,062	16,562
Total intergovernmental	<u>171,503</u>	<u>249,876</u>	<u>78,373</u>
Charges for services			
General government	198,849	311,609	112,760
Public safety	11,500	13,173	1,673
Public works	5,200	9,223	4,023
Parks and recreation	1,300	1,131	(169)
Total charges for services	<u>216,849</u>	<u>335,136</u>	<u>118,287</u>
Fines and forfeitures	51,500	35,639	(15,861)
Miscellaneous			
Investment income	23,000	15,753	(7,247)
Contributions and Donations	-	7,213	7,213
Other	24,300	42,914	18,614
Total miscellaneous	<u>47,300</u>	<u>65,880</u>	<u>18,580</u>
Total revenues	<u>3,385,655</u>	<u>3,728,370</u>	<u>342,715</u>
Expenditures			
General government			
Mayor and council	64,206	65,451	1,245
Administrative and finance	424,946	446,629	21,683
Other general government	405,955	462,531	56,576
Capital outlay	20,000	14,607	(5,393)
Total general government	<u>915,107</u>	<u>989,218</u>	<u>74,111</u>

City of Dayton
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures			
Public safety			
Police			
Current	\$ 1,109,773	\$ 1,039,212	\$ (70,561)
Capital outlay	9,500	3,881	(5,619)
Total police	1,119,273	1,043,093	(76,180)
Fire			
Current	245,800	257,864	12,064
Total public safety	1,365,073	1,300,957	(64,116)
Public works			
Streets and highways			
Street maintenance and storm sewers	756,770	917,518	160,748
Street lighting	42,010	32,175	(9,835)
Street construction capital outlay	6,000	-	(6,000)
Total streets and highways	804,780	951,398	146,618
Sanitation			
Recycling	108,400	116,346	7,946
Total public works	913,180	1,067,744	154,564
Parks and recreation			
Current	117,295	117,340	45
Capital outlay	75,000	13,805	(61,195)
Total parks and recreation	192,295	131,145	(61,150)
Total expenditures	3,385,655	3,489,064	103,409
Excess of revenues over expenditures	-	239,306	239,306
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	-	50,082	50,082
Transfers in	-	64,546	64,546
Transfers out	-	(314,674)	(314,674)
Total other financing sources (uses)	-	(200,046)	(200,046)
Net change in fund balance	\$ -	39,260	\$ 39,260
Fund Balance			
Beginning of year		2,066,323	
End of year		\$ 2,105,583	

City of Dayton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2018

	Special Revenue			Debt Service
	Cable Fund (226)	EDA (225)	Police Forfeiture (235)	2000A G.O. Improvement- H.V., PFA Sewer and Water (332)
Assets				
Cash and investments	\$ 114,612	\$ 107,355	\$ 16,599	\$ 177,370
Accounts receivable	11,763	-	-	-
Interest receivable	-	407	-	-
Special assessments receivable				
Current	-	-	-	221
Delinquent	-	-	-	1,052
Deferred	-	-	-	143,740
Advances to other funds	-	10,285	-	-
	\$ 126,375	\$ 118,047	\$ 16,599	\$ 322,383
Liabilities				
Accounts payable	\$ 300	\$ -	\$ -	\$ -
Advance from other funds	-	-	-	-
Due to other governments	-	-	-	-
Interest payable	-	-	-	-
Total liabilities	300	-	-	-
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	144,792
Fund Balances				
Restricted	-	-	16,599	177,591
Committed	126,075	118,047	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	126,075	118,047	16,599	177,591
Total liabilities, deferred inflows of resources, and fund balances	\$ 126,375	\$ 118,047	\$ 16,599	\$ 322,383

Debt Service			Capital Projects		
2016A G.O. Bonds (355)	2013A Territorial Road Revenue Bond (360)	2015B G.O. Street Reconstruction Bonds (376)	Capital Equipment Fund (401)	Park Development Fund (404)	Park Dedication Fund (405)
\$ 267,104	\$ 6,733	\$ 151,575	\$ 149,251	\$ 112,061	\$ 842,166
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 267,104</u>	<u>\$ 6,733</u>	<u>\$ 151,575</u>	<u>\$ 149,251</u>	<u>\$ 112,061</u>	<u>\$ 842,166</u>
\$ -	\$ -	\$ -	\$ 84,322	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	84,322	-	-
-	-	-	-	-	-
-	-	-	-	-	-
267,104	6,733	-	-	-	842,166
-	-	-	-	112,061	-
-	-	151,575	64,929	-	-
-	-	-	-	-	-
<u>267,104</u>	<u>6,733</u>	<u>151,575</u>	<u>64,929</u>	<u>112,061</u>	<u>842,166</u>
<u>\$ 267,104</u>	<u>\$ 6,733</u>	<u>\$ 151,575</u>	<u>\$ 149,251</u>	<u>\$ 112,061</u>	<u>\$ 842,166</u>

City of Dayton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2018

	Capital Projects			
	Pavement Management and Improvements Fund (414)	Stormwater (415)	Capital Facilities Fund (410)	Temporary Financing Fund (409)
Assets				
Cash and investments	\$ 600,665	\$ 998,084	\$ 276,824	\$ 676,644
Accounts receivable	-	-	-	-
Interest receivable	-	-	-	-
Special assessments receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Advances to other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 600,665</u>	<u>\$ 998,084</u>	<u>\$ 276,824</u>	<u>\$ 676,644</u>
Liabilities				
Accounts payable	\$ -	\$ 1,242	\$ -	\$ -
Advance from other funds	-	-	-	-
Due to other governments	-	-	-	-
Interest payable	-	-	-	-
Total liabilities	<u> </u>	<u>1,242</u>	<u> </u>	<u> </u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	-
Fund Balances				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	600,665	996,842	276,824	676,644
Unassigned	-	-	-	-
Total fund balances	<u>600,665</u>	<u>996,842</u>	<u>276,824</u>	<u>676,644</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 600,665</u>	<u>\$ 998,084</u>	<u>\$ 276,824</u>	<u>\$ 676,644</u>

Capital Projects

TIF No. 14 - Liberty Fund (438)	TIF No. 16 Sand Companies (435)	TIF No. 15 French Lake Industrial Park (477)	City Wide Transportation Project (485)	Sundance Sewer Trunk (479)
\$ 93,911	\$ -	\$ 24,314	\$ 1,646,553	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 93,911</u>	<u>\$ -</u>	<u>\$ 24,314</u>	<u>\$ 1,646,553</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 13,803	\$ -
-	10,285	25,173	-	485,714
742	540	625	-	-
-	407	-	-	-
<u>742</u>	<u>11,232</u>	<u>25,798</u>	<u>13,803</u>	<u>485,714</u>
-	-	-	-	-
93,169	-	-	-	-
-	-	-	-	-
-	-	-	1,632,750	-
-	(11,232)	(1,484)	-	(485,714)
<u>93,169</u>	<u>(11,232)</u>	<u>(1,484)</u>	<u>1,632,750</u>	<u>(485,714)</u>
<u>\$ 93,911</u>	<u>\$ -</u>	<u>\$ 24,314</u>	<u>\$ 1,646,553</u>	<u>\$ -</u>

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**City of Dayton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2018**

	<u>Capital Projects</u>	
	Park Trail Development (408)	Total Other Governmental Funds
Assets		
Cash and investments	\$ 421,770	\$ 6,683,591
Accounts receivable	-	11,763
Interest receivable	-	407
Special assessments receivable		
Current	-	221
Delinquent	-	1,052
Deferred	-	143,740
Advances to other funds	-	10,285
	\$ 421,770	\$ 6,851,059
Total assets	\$ 421,770	\$ 6,851,059
Liabilities		
Accounts payable	\$ -	\$ 99,667
Advance from other funds	-	521,172
Due to other governments	-	1,907
Interest payable	-	407
Total liabilities	-	623,153
Deferred Inflows of Resources		
Unavailable revenue - special assessments	-	144,792
	-	144,792
Fund Balances		
Restricted	-	1,403,362
Committed	-	356,183
Assigned	421,770	4,821,999
Unassigned	-	(498,430)
Total fund balances	421,770	6,083,114
Total liabilities, deferred inflows of resources, and fund balances	\$ 421,770	\$ 6,851,059

City of Dayton
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2018

	Special Revenue		
	Cable Fund (226)	Donation Fund (231)	EDA (225)
Revenues			
Property taxes	\$ -	\$ -	\$ 50,000
Tax increments	-	-	-
Special assessments	-	-	-
Intergovernmental	-	-	-
Charges for services	54,821	-	-
Miscellaneous			
Investment income	1,188	87	1,325
Contributions and donations	-	100	-
Other	-	-	-
Total revenues	56,009	187	51,325
Expenditures			
Current			
General government	4,208	-	-
Public works	-	-	-
Economic development	-	1,465	2,199
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
General government	23,200	-	-
Public safety	-	-	-
Public works	-	-	-
Parks and recreation	-	-	-
Total expenditures	27,408	1,465	2,199
Excess of revenues over (under) expenditures	28,601	(1,278)	49,126
Other Financing			
Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	(61,538)	-
Total other financing sources (uses)	-	(61,538)	-
Net change in fund balances	28,601	(62,816)	49,126
Fund Balances			
Beginning of year	97,474	62,816	68,921
End of year	\$ 126,075	\$ -	\$ 118,047

Special Revenue	Debt Service				
Police Forfeiture (235)	2000A G.O. Improvement- H.V., PFA Sewer and Water (332)	2016A G.O. Bonds (355)	2012A G.O. Equipment Certificate (357)	2013A Territorial Road Revenue Bond (360)	2015B G.O. Street Reconstruction Bonds (376)
\$ -	\$ 55,000	\$ 290,076	\$ -	\$ 115,000	\$ 325,000
-	-	-	-	-	-
-	53,743	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,256	2,406	5	11	257
-	-	-	-	-	-
-	-	-	-	-	-
-	110,999	292,482	5	115,011	325,257
-	-	-	-	-	5,000
-	-	-	-	-	-
-	-	-	-	-	-
-	184,000	160,000	105,000	330,000	320,000
-	10,355	78,338	735	35,275	37,450
-	-	-	-	-	-
245	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
245	194,355	238,338	105,735	365,275	362,450
(245)	(83,356)	54,144	(105,730)	(250,264)	(37,193)
-	-	-	8,081	-	-
-	-	-	-	-	-
-	-	-	8,081	-	-
(245)	(83,356)	54,144	(97,649)	(250,264)	(37,193)
16,844	260,947	212,960	97,649	256,997	188,768
\$ 16,599	\$ 177,591	\$ 267,104	\$ -	\$ 6,733	\$ 151,575

City of Dayton
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2018

	Capital Projects		
	Capital Equipment Fund (401)	Park Development Fund (404)	Park Dedication Fund (405)
Revenues			
Property taxes	\$ 325,000	\$ -	\$ -
Tax increments	-	-	-
Special assessments	-	-	-
Intergovernmental	-	-	25,000
Charges for services	-	5,561	386,390
Miscellaneous:			
Investment income	892	1,018	8,554
Contributions and donations	-	-	14,030
Other	4,000	-	-
Total revenues	329,892	6,579	433,974
Expenditures			
Current			
General government	-	-	-
Public works	-	-	-
Economic development	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
General government	40,203	-	-
Public safety	115,419	-	-
Public works	312,756	-	-
Parks and recreation	15,767	-	371,390
Total expenditures	484,145	-	371,390
Excess of revenues over (under) expenditures	(154,253)	6,579	62,584
Other Financing			
Sources (Uses)			
Transfers in	49,112	44,863	-
Transfers out	-	-	-
Total other financing sources (uses)	49,112	44,863	-
Net change in fund balances	(105,141)	51,442	62,584
Fund Balances			
Beginning of year	170,070	60,619	779,582
End of year	\$ 64,929	\$ 112,061	\$ 842,166

Capital Projects

Municipal Development (407)	Pavement Management and Improvements Fund (414)	Stormwater (415)	TIF No. 13 - Cemstone Fund (444)	Brockton Interchange Project Design (454)	So. Diamond Lake Road Project (460)
\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	748,391	-	-	-
72	5,370	10,561	1	-	55
-	-	-	-	-	-
-	-	-	-	-	-
<u>72</u>	<u>255,370</u>	<u>758,952</u>	<u>1</u>	<u>-</u>	<u>55</u>
-	-	-	-	-	-
-	-	-	24	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	25,128	12,660	-	95,230	-
-	-	-	-	-	-
<u>-</u>	<u>25,128</u>	<u>12,660</u>	<u>24</u>	<u>95,230</u>	<u>-</u>
72	230,242	746,292	(23)	(95,230)	55
-	-	-	634	191,799	-
<u>(54,985)</u>	<u>-</u>	<u>(384,729)</u>	<u>-</u>	<u>-</u>	<u>(40,770)</u>
<u>(54,985)</u>	<u>-</u>	<u>(384,729)</u>	<u>634</u>	<u>191,799</u>	<u>(40,770)</u>
(54,913)	230,242	361,563	611	96,569	(40,715)
<u>54,913</u>	<u>370,423</u>	<u>635,279</u>	<u>(611)</u>	<u>(96,569)</u>	<u>40,715</u>
<u>\$ -</u>	<u>\$ 600,665</u>	<u>\$ 996,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Dayton
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2018

	Capital Projects		
	Capital Facilities Fund (410)	Temporary Financing Fund (409)	CDAА Park Improvement Fund (406)
Revenues			
Property taxes	\$ 65,001	\$ -	\$ -
Tax increments	-	-	-
Special assessments	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Miscellaneous			
Investment income	2,773	1,711	288
Contributions and donations	-	-	-
Other	-	-	-
Total revenues	67,774	1,711	288
Expenditures			
Current			
General government	-	-	-
Public works	-	-	-
Economic development	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Public works	69,159	-	-
Parks and recreation	-	-	-
Total expenditures	69,159	-	-
Excess of revenues over (under) expenditures	(1,385)	1,711	288
Other Financing			
Sources (Uses)			
Transfers in	54,985	314,674	-
Transfers out	-	-	(44,863)
Total other financing sources (uses)	54,985	314,674	(44,863)
Net change in fund balances	53,600	316,385	(44,575)
Fund Balances			
Beginning of year	223,224	360,259	44,575
End of year	\$ 276,824	\$ 676,644	\$ -

Capital Projects

TIF No. 14 - Liberty Fund (438)	Territorial Road Improvement Project (402)	TIF No. 16 Sand Companies (435)	TIF No. 15 French Lake Industrial Park (477)	City Wide Transportation Project (485)
\$ -	\$ -	\$ -	\$ -	\$ -
163,844	-	1,485	55,758	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	668,001
228	65	245	82	16,872
-	-	-	-	-
-	-	-	-	-
164,072	65	1,730	55,840	684,873
146,464	-	2,519	-	-
-	-	-	-	-
-	-	-	50,747	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	40,124
-	-	-	-	-
-	-	-	-	-
146,464	-	2,519	50,747	40,124
17,608	65	(789)	5,093	644,749
-	-	-	-	-
-	(4,880)	-	-	(44,060)
-	(4,880)	-	-	(44,060)
17,608	(4,815)	(789)	5,093	600,689
75,561	4,815	(10,443)	(6,577)	1,032,061
\$ 93,169	\$ -	\$ (11,232)	\$ (1,484)	\$ 1,632,750

City of Dayton
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2018

	Capital Projects		
	FEMA - Storm Shelter (851)	Sundance Sewer Trunk (479)	Public Works Facility Construction Project (455)
Revenues			
Property taxes	\$ -	\$ -	\$ -
Tax increments	-	-	-
Special assessments	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Miscellaneous			
Investment income	-	10	39
Contributions and donations	-	-	-
Other	-	-	25,507
Total revenues	-	10	25,546
Expenditures			
Current			
General government	-	-	-
Public works	-	2,409	-
Economic development	-	-	-
Debt service			
Principal	-	-	-
Interest and other charges	-	12,143	-
Capital outlay			
General government	-	-	19,795
Public safety	1	-	-
Public works	-	25,753	-
Parks and recreation	-	-	-
Total expenditures	1	40,305	19,795
Excess of revenues over (under) expenditures	(1)	(40,295)	5,751
Other Financing			
Sources (Uses)			
Transfers in	-	269,850	-
Transfers out	(3,007)	-	(49,113)
Total other financing sources (uses)	(3,007)	269,850	(49,113)
Net change in fund balances	(3,008)	229,555	(43,362)
Fund Balances			
Beginning of year	3,008	(715,269)	43,362
End of year	\$ -	\$ (485,714)	\$ -

Capital Projects

<u>Park Trail Development (408)</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ 1,475,077
-	221,087
-	53,743
-	25,000
201,761	2,064,925
3,395	59,766
-	14,130
-	29,507
<u>205,156</u>	<u>3,943,235</u>
-	158,191
-	2,409
-	54,435
-	1,099,000
-	174,296
-	123,322
-	115,665
-	540,686
-	387,157
<u>-</u>	<u>2,655,161</u>
<u>205,156</u>	<u>1,288,074</u>
-	933,998
<u>-</u>	<u>(687,945)</u>
<u>-</u>	<u>246,053</u>
205,156	1,534,127
<u>216,614</u>	<u>4,548,987</u>
<u>\$ 421,770</u>	<u>\$ 6,083,114</u>

**City of Dayton
Statement of Changes in
Agency Fund Assets and Liabilities
Year Ended December 31, 2018**

Developer Escrow Fund (801)

	January 1, 2018	Additions	Deductions	December 31, 2018
Assets				
Cash and investments	\$ (203,020)	\$ 274,766	\$ 485,627	\$ (413,881)
Other receivables	203,020	(274,766)	(485,627)	413,881
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Escrow payable	<u>\$ -</u>	<u>\$ 485,627</u>	<u>\$ 485,627</u>	<u>\$ -</u>

Landscaping Escrow Fund (802)

	January 1, 2018	Additions	Deductions	December 31, 2018
Assets				
Cash and investments	<u>\$ 963,665</u>	<u>\$ 468,250</u>	<u>\$ 321,500</u>	<u>\$ 1,110,415</u>
Liabilities				
Escrow payable	<u>\$ 963,665</u>	<u>\$ 468,250</u>	<u>\$ 321,500</u>	<u>\$ 1,110,415</u>

ROW Escrow Fund (803)

	January 1, 2018	Additions	Deductions	December 31, 2018
Assets				
Current				
Cash and investments	<u>\$ -</u>	<u>\$ 26,000</u>	<u>\$ -</u>	<u>\$ 26,000</u>
Liabilities				
Escrow payable	<u>\$ -</u>	<u>\$ 26,000</u>	<u>\$ -</u>	<u>\$ 26,000</u>
Total				
	January 1, 2018	Additions	Deductions	December 31, 2018
Assets				
Cash and investments	\$ 760,645	\$ 769,016	\$ 807,127	\$ 722,534
Other receivables	203,020	(274,766)	(485,627)	413,881
Total assets	<u>\$ 963,665</u>	<u>\$ 494,250</u>	<u>\$ 321,500</u>	<u>\$ 1,136,415</u>
Liabilities				
Escrow payable	<u>\$ 963,665</u>	<u>\$ 979,877</u>	<u>\$ 807,127</u>	<u>\$ 1,136,415</u>

**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 the 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, 2018, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 11, 2019.

Internal Control over Financial Reporting

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

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

Internal Control over Financial Reporting (Continued)

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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses on Internal Control as Audit Finding 2018-001 to be a significant deficiency.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Bergan KDV Ltd.

Minneapolis, Minnesota
April 11, 2019

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dayton, Minnesota as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 11, 2019.

The *Minnesota Legal Compliance Audit Guide for Cities/Towns*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Dayton failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities/Other Political Subdivisions/Towns*. 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.

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.



Minneapolis, Minnesota
April 11, 2019

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

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING

Significant Deficiency:

Audit Finding 2018-001 – 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.

During our audit, the following access, verification and implementation issues were noted:

- The Accounting Clerk is the individual who prepares the deposits, enters deposits into accounting software, and is responsible for delivering them to the bank.
- The Accounting Clerk is responsible for check stock and is the one preparing the checks.
- The Accounting Clerk duties related to payroll include custody, recording, and reconciliation. This is mitigated to a certain extent by separate authorization and monitoring of the reconciliation process.

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