

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

Financial Statements

December 31, 2020



**City of Dayton
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**City of Dayton
Elected Officials and Administration
December 31, 2020**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Tim McNeil	Mayor	December 31, 2020
Dennis Fisher	Council Member	December 31, 2022
Julie Gustafson	Council Member	December 31, 2022
Jon Mellberg	Council Member	December 31, 2020
Bob O'Brien	Council Member	December 31, 2020
<u>Administration</u>		
Tina Goodroad	City Administrator/Planning Director	
Zachary Doud	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, 2020, 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

The City of Dayton's 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, 2020, 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.

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. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards 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 the Schedule of Expenditures of Federal Awards 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 May 10, 2021, on our consideration of the City of Dayton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dayton's internal control over financial reporting and compliance.

Bergan KDV Ltd .

Minneapolis, Minnesota
May 10, 2021

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, 2020.

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 \$61,435,153 (net position).
- The City's total net position increased by \$15,715,779.
- As of the close of the current year, all of the City's governmental funds reported combined ending fund balances of \$11,357,351, an increase of \$304,888 in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the General fund was \$1,961,845, or 40.2%, of total General fund expenditures.
- The City's total bonded debt decreased \$1,965,000 during the current fiscal year due to scheduled principal payments along with an issuance of a new debt for the Dayton Parkway Interchange.

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).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, economic development, and interest on long-term debt. The business-type activities of the City include the water and sewer utilities.

City of Dayton Management's Discussion and Analysis

FUND FINANCIAL STATEMENTS

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

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

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

The City maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and other major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

Proprietary Funds - The City maintains two proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utility services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, all of which are considered to be major funds of the City.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

City of Dayton Management's Discussion and Analysis

OTHER INFORMATION

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$61,435,153 at the close of the most recent fiscal year.

A portion of the City's net position (\$43,806,211 or 71.3%) reflects its investment in capital assets of (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$9,260,485 or 15.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position 8,357,241 or 13.6%) may be used to meet the City's ongoing obligations to citizens and creditors.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 21,096,572	\$ 18,988,964	\$ 4,133,853	\$ 3,550,616	\$ 25,230,425	\$ 22,539,580
Capital assets (net of Accumulated depreciation)	44,763,411	31,149,131	19,899,001	18,989,886	64,662,412	50,139,017
Total assets	<u>65,859,983</u>	<u>50,138,095</u>	<u>24,032,854</u>	<u>22,540,502</u>	<u>89,892,837</u>	<u>72,678,597</u>
Deferred Outflows of Resources						
Deferred outflows of resources related to OPEB	2,191	1,310	196	118	2,387	1,428
Deferred outflows of resources related to pensions	784,057	876,814	38,586	25,796	822,643	902,610
Total deferred inflows of resources	<u>786,248</u>	<u>878,124</u>	<u>38,782</u>	<u>25,914</u>	<u>825,030</u>	<u>904,038</u>
Total assets and deferred outflows of resources	<u>\$ 66,646,231</u>	<u>\$ 51,016,219</u>	<u>\$ 24,071,636</u>	<u>\$ 22,566,416</u>	<u>\$ 90,717,867</u>	<u>\$ 73,582,635</u>
Liabilities						
Current liabilities	\$ 5,815,437	\$ 5,978,282	\$ 554,527	\$ 301,273	\$ 6,369,964	\$ 6,279,555
Noncurrent liabilities	20,750,406	20,375,052	170,000	138,285	20,920,406	20,513,337
Total liabilities	<u>26,565,843</u>	<u>26,353,334</u>	<u>724,527</u>	<u>439,558</u>	<u>27,290,370</u>	<u>26,792,892</u>
Deferred Inflows of Resources						
Unavailable revenue - grants	1,352,441	-	-	-	1,352,441	-
Deferred inflows of resources related to OPEB	51,905	55,834	4,636	4,988	56,541	60,822
Deferred inflows of resources related to pensions	578,094	991,547	5,268	18,000	583,362	1,009,547
Total deferred inflows of resources	<u>1,982,440</u>	<u>1,047,381</u>	<u>9,904</u>	<u>22,988</u>	<u>1,992,344</u>	<u>1,070,369</u>
Net Position						
Net investment in capital assets	31,567,710	18,054,027	19,899,001	18,989,886	43,806,211	27,351,138
Restricted	9,260,485	10,223,141	11,216	10,642	9,271,701	10,233,783
Unrestricted	(2,730,247)	(4,661,664)	3,426,988	3,103,342	8,357,241	8,134,453
Total net position	<u>38,097,948</u>	<u>23,615,504</u>	<u>23,337,205</u>	<u>22,103,870</u>	<u>61,435,153</u>	<u>45,719,374</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 66,646,231</u>	<u>\$ 51,016,219</u>	<u>\$ 24,071,636</u>	<u>\$ 22,566,416</u>	<u>\$ 90,717,867</u>	<u>\$ 73,582,635</u>

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

GOVERNMENTAL ACTIVITIES

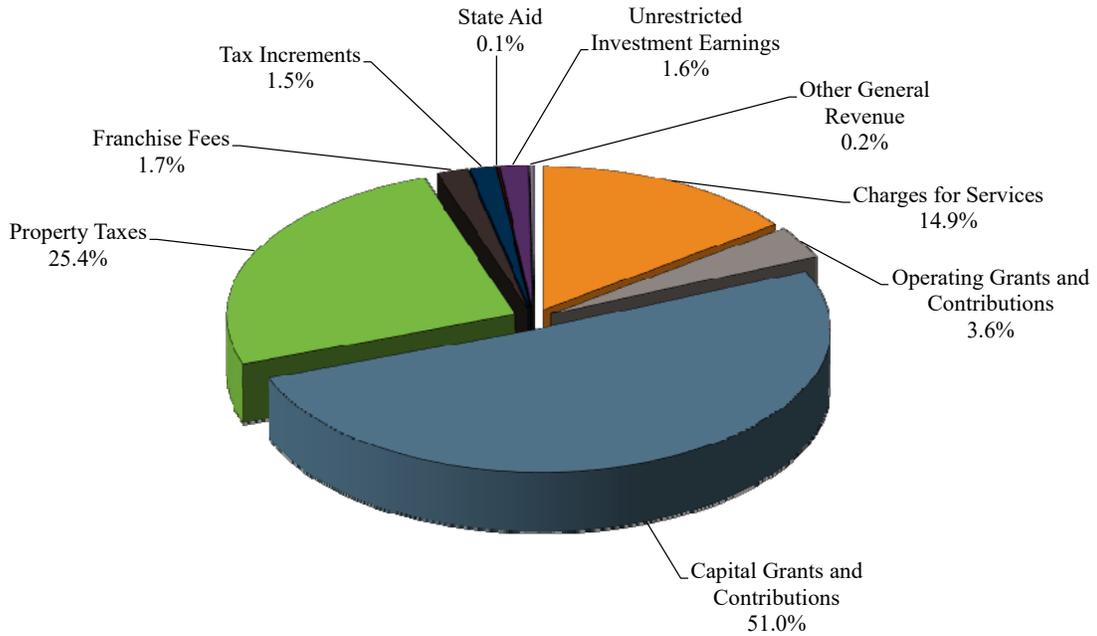
Governmental activities increased the City's net position by \$14,482,444.

	Governmental Activities 2020	Governmental Activities 2019	Business-Type Activities 2020	Business-Type Activities 2019	Total 2020	Total 2019
Revenues						
Program revenues						
Charges for services	\$ 3,147,453	\$ 2,905,346	\$ 3,883,163	\$ 3,146,652	\$ 7,030,616	\$ 6,051,998
Operating grants and contributions	767,404	250,604	-	37,375	767,404	287,979
Capital grants and contributions	10,768,785	3,411,749	150,108	-	10,918,893	3,411,749
General revenues						
Property taxes	5,365,652	4,720,633	-	-	5,365,652	4,720,633
Franchise fees	367,075	-	-	-	367,075	-
Tax increments	311,831	252,725	-	-	311,831	252,725
State aid	20,139	44,950	-	-	20,139	44,950
Unrestricted investment earnings	335,217	180,552	99,653	81,501	434,870	262,053
Other general revenue	40,832	13,145	-	-	40,832	13,145
Gain on sale of capital assets	5,869	9,910	-	-	5,869	9,910
Total revenues	<u>21,130,257</u>	<u>11,789,614</u>	<u>4,132,924</u>	<u>3,265,528</u>	<u>25,263,181</u>	<u>15,055,142</u>
Expenses						
General government	1,644,087	1,443,871	-	-	1,644,087	1,443,871
Public safety	2,394,198	1,884,101	-	-	2,394,198	1,884,101
Public works	1,996,257	2,628,476	-	-	1,996,257	2,628,476
Parks and recreation	438,961	85,097	-	-	438,961	85,097
Economic development	392,242	72,703	-	-	392,242	72,703
Interest on long-term debt	528,857	576,178	-	-	528,857	576,178
Water	-	-	1,295,279	842,667	1,295,279	842,667
Sewer	-	-	857,521	786,250	857,521	786,250
Total expenses	<u>7,394,602</u>	<u>6,690,426</u>	<u>2,152,800</u>	<u>1,628,917</u>	<u>9,547,402</u>	<u>8,319,343</u>
Change in net position before transfers	13,735,655	5,099,188	1,980,124	1,636,611	15,715,779	6,735,799
Transfers	746,789	720,997	(746,789)	(720,997)	-	-
Change in net position	<u>14,482,444</u>	<u>5,820,185</u>	<u>1,233,335</u>	<u>915,614</u>	<u>15,715,779</u>	<u>6,735,799</u>
Net position - beginning of year	23,615,504	17,795,319	22,103,870	21,188,256	45,719,374	38,983,575
Net position - ending	<u>\$ 38,097,948</u>	<u>\$ 23,615,504</u>	<u>\$ 23,337,205</u>	<u>\$ 22,103,870</u>	<u>\$ 61,435,153</u>	<u>\$ 45,719,374</u>

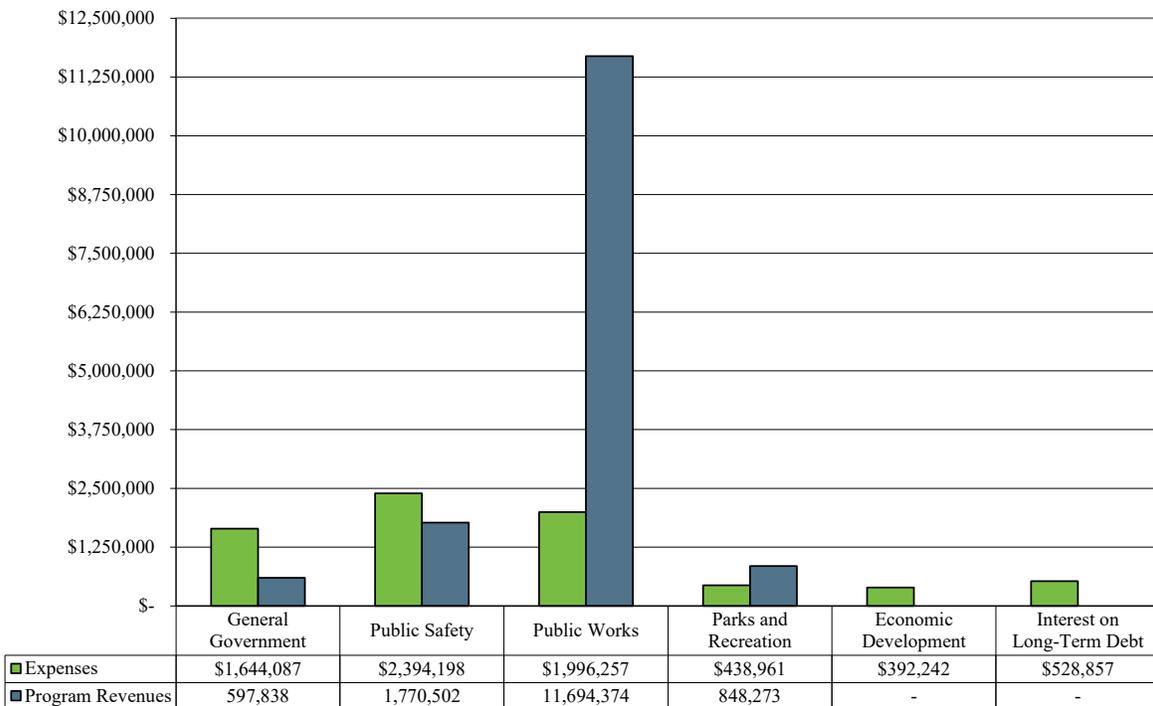
**City of Dayton
Management's Discussion And Analysis**

GOVERNMENTAL ACTIVITIES (CONTINUED)

Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities

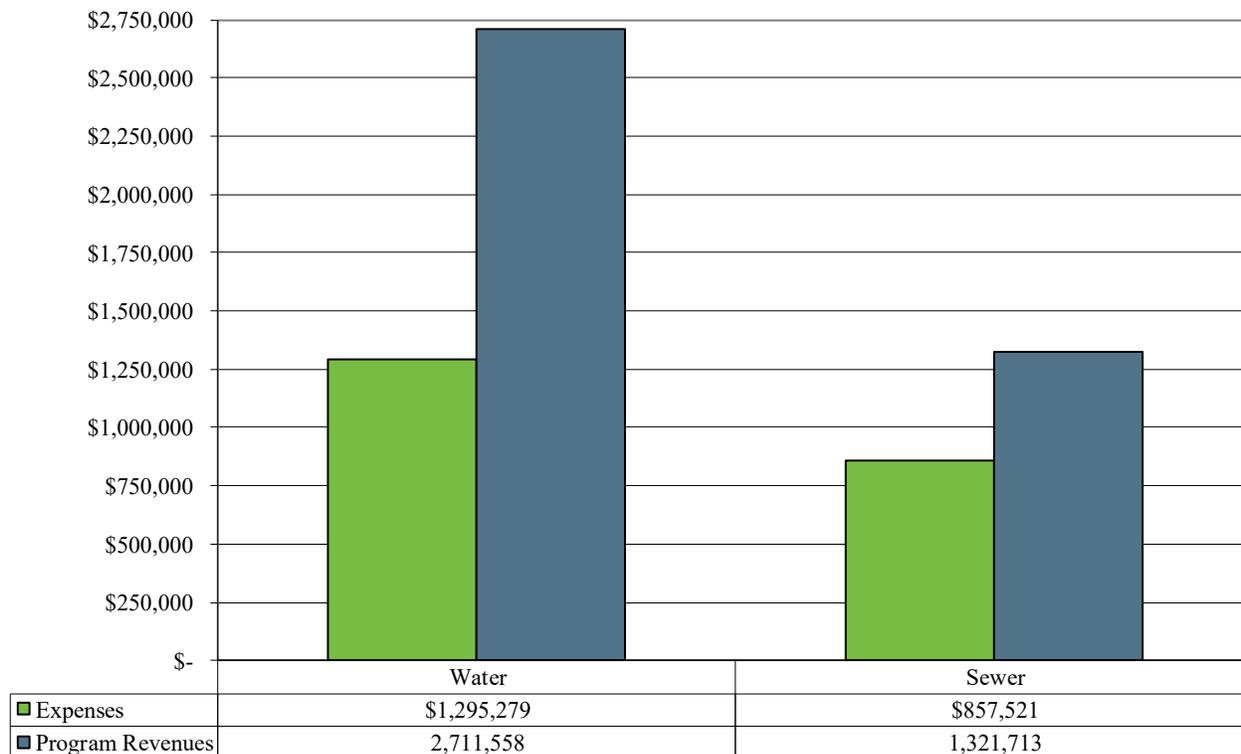


**City of Dayton
Management's Discussion and Analysis**

BUSINESS-TYPE ACTIVITIES

Business-Type Activities - Business-type activities increased the City's net position \$1,233,335.

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 \$11,357,351 an increase of \$304,888 in comparison with the prior year. Of this total amount, \$163,262 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 (\$143,965), 2) Restricted (\$4,639,169), 3) Committed (\$653,408), and 4) Assigned (\$5,757,547).

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

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 \$2,105,810. 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 43.1% of total General Fund expenditures.

The fund balance of the City's General fund decreased \$126 in 2020.

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 \$3,426,988. 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 proceeds from sale of capital assets were over budget by \$1,514,567. Total expenditures and transfers out were over budget by \$1,514,693. Some of the significant variances can be briefly summarized as follows:

- Licenses and permits and charges for services were over budget by \$678,709 and \$335,529, respectively, due to more than anticipated residential development in the City.
- General government expenditures were over budget by \$467,187 primarily due to CARES funding that was received in 2020 and spent on various items approved by the CARES funding.
- Public safety expenditures were over budget by \$299,177 primarily due to increased building inspection costs.
- Transfers out of General fund surplus (\$814,000) were not included in the budget but were approved by Council Resolution.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounted to \$64,662,412 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, collection and distribution system, machinery and equipment, and construction in progress.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

The City's most significant capital activity during the year was the construction in progress related to the Dayton Parkway Interchange project. The project is expected to be completed in 2021.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,925,462	\$ 2,925,462	\$ 113,767	\$ 113,767	\$ 3,039,229	\$ 3,039,229
Buildings and improvements	5,717,830	5,669,950	-	-	5,717,830	5,669,950
Infrastructure	26,709,598	25,946,382	-	-	26,709,598	25,946,382
Collection and distribution system	-	-	26,752,865	26,160,152	26,752,865	26,160,152
Machinery and equipment	5,234,763	4,836,540	134,508	100,010	5,369,271	4,936,550
Construction in progress	18,337,386	4,759,518	1,423,382	419,957	19,760,768	5,179,475
Total capital assets	58,925,039	44,137,852	28,424,522	26,793,886	87,349,561	70,931,738
Less accumulated depreciation	(14,161,628)	(12,988,721)	(8,525,521)	(7,804,000)	(22,687,149)	(20,792,721)
Net capital assets	\$ 44,763,411	\$ 31,149,131	\$ 19,899,001	\$ 18,989,886	\$ 64,662,412	\$ 50,139,017

Long-term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of \$20,211,000. 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	
	2020	2019	2020	2019	2020	2019
G.O. Bonds, net	\$ 20,430,201	\$ 22,281,879	\$ -	\$ -	\$ 20,430,201	\$ 22,281,879
PFA notes	426,000	506,000	-	-	426,000	506,000
Compensated absences	231,385	215,274	26,781	22,308	258,166	237,582
Total	\$ 21,087,586	\$ 23,003,153	\$ 26,781	\$ 22,308	\$ 21,114,367	\$ 23,025,461

The City's total bonded debt decreased \$1,851,678 due to scheduled principal payments.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City has adopted a balanced budget for 2021. The General fund revenue and expenditure budgets both total \$4,821,550. The general portion of the property tax levy for 2021 increased by 14.94% to \$3,480,835 while the debt service portion of the levy decreased by 16.86% to \$781,821.

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 2021 property tax levy includes \$1,665,000 of property tax revenue for the capital funds. The City continues to review and update the long-term capital improvement planning process to improve infrastructure, facilities, and equipment.

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

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

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

The City's tax rate has decreased from 54.14% in 2020 to 51.09% in 2021.

The City has experienced an increase in residential development in 2020 with this trend continuing into 2021. The City also continues to complete the development of the Dayton Parkway Interchange in the southwest area of City. The City has received financial assistance from federal, state, county and other local sources for the project.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Zach Doud, Finance Director at City of Dayton, 12260 South Diamond Lake Road, Dayton, Minnesota 55327.

BASIC FINANCIAL STATEMENTS

**City of Dayton
Statement of Net Position
December 31, 2020**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 15,987,580	\$ 3,492,254	\$ 19,479,834
Taxes receivable - delinquent	41,166	-	41,166
Accounts receivable	150,301	255,283	405,584
Interest receivable	19,756	-	19,756
Due from other governments	142,303	32,888	175,191
Due from other funds (internal balances)	(171,428)	171,428	-
Special assessments receivable			
Current	11,605	-	11,605
Delinquent	12,407	1,629	14,036
Deferred charges	4,848,327	158,834	5,007,161
Inventories	21,760	-	21,760
Prepaid items	32,795	21,537	54,332
Capital assets not being depreciated			
Land held for resale	2,925,462	113,767	3,039,229
Construction in progress	18,337,386	1,423,382	19,760,768
Capital assets (net of accumulated depreciation)			
Buildings and improvements	4,293,873	-	4,293,873
Infrastructure	16,312,121	-	16,312,121
Collection and distribution system	-	18,284,876	18,284,876
Machinery and equipment	2,894,569	76,976	2,971,545
Total assets	<u>65,859,983</u>	<u>24,032,854</u>	<u>89,892,837</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to OPEB	2,191	196	2,387
Deferred outflows of resources related to pensions	784,057	38,586	822,643
Total deferred outflows of resources	<u>786,248</u>	<u>38,782</u>	<u>825,030</u>
Total assets and deferred outflows of resources	<u>\$ 66,646,231</u>	<u>\$ 24,071,636</u>	<u>\$ 90,717,867</u>
Liabilities			
Accounts and contracts payable	\$ 3,335,088	\$ 221,933	\$ 3,557,021
Due to other governments	40,513	321,141	361,654
Salaries and benefits payable	93,557	8,775	102,332
Interest payable	239,418	-	239,418
Unearned revenue	15,722	-	15,722
Bonds payable, net			
Payable within one year	1,985,000	-	1,985,000
Payable after one year	18,445,201	-	18,445,201
Notes from direct borrowing			
Payable within one year	83,000	-	83,000
Payable after one year	343,000	-	343,000
Compensated absences payable			
Payable within one year	23,139	2,678	25,817
Payable after one year	208,246	24,103	232,349
Total OPEB liability	15,749	1,407	17,156
Net pension liability	1,738,210	144,490	1,882,700
Total liabilities	<u>26,565,843</u>	<u>724,527</u>	<u>27,290,370</u>
Deferred Inflows of Resources			
Unavailable revenue - grants	1,352,441	-	1,352,441
Deferred inflows of resources related to pensions	578,094	5,268	583,362
Deferred inflows of resources related to OPEB	51,905	4,636	56,541
Total deferred inflows of resources	<u>1,982,440</u>	<u>9,904</u>	<u>1,992,344</u>
Net Position			
Net investment in capital assets	31,567,710	19,899,001	43,806,211
Restricted for			
Debt service	8,261,894	-	8,261,894
Capital projects	309,504	-	309,504
Police forfeitures	5,320	-	5,320
Park dedication	630,826	-	630,826
Tax increment	52,941	-	52,941
Infrastructure replacement	-	11,216	11,216
Unrestricted	<u>(2,730,247)</u>	<u>3,426,988</u>	<u>8,357,241</u>
Total net position	<u>38,097,948</u>	<u>23,337,205</u>	<u>61,435,153</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 66,646,231</u>	<u>\$ 24,071,636</u>	<u>\$ 90,717,867</u>

**City of Dayton
Statement of Activities
Year Ended December 31, 2020**

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	\$ 1,644,087	\$ 139,946	\$ 457,892	\$ -	\$ (1,046,249)	\$ -	\$ (1,046,249)
Public safety	2,394,198	1,614,746	155,756	-	(623,696)	-	(623,696)
Public works	1,996,257	579,777	118,467	10,768,785	9,470,772	-	9,470,772
Parks and recreation	438,961	812,984	35,289	-	409,312	-	409,312
Economic development	392,242	-	-	-	(392,242)	-	(392,242)
Interest on long-term debt	528,857	-	-	-	(528,857)	-	(528,857)
Total governmental activities	<u>7,394,602</u>	<u>3,147,453</u>	<u>767,404</u>	<u>10,768,785</u>	<u>7,289,040</u>	<u>-</u>	<u>7,289,040</u>
Business-type activities							
Water	1,295,279	2,711,558	-	-	-	1,416,279	1,416,279
Sewer	857,521	1,171,605	-	150,108	-	464,192	464,192
Total business-type activities	<u>2,152,800</u>	<u>3,883,163</u>	<u>-</u>	<u>150,108</u>	<u>-</u>	<u>1,880,471</u>	<u>1,880,471</u>
Total governmental and business-type activities	<u>\$ 9,547,402</u>	<u>\$ 7,030,616</u>	<u>\$ 767,404</u>	<u>\$ 10,918,893</u>	7,289,040	1,880,471	9,169,511
General revenues							
Property taxes					5,365,652	-	5,365,652
Franchise fees					367,075	-	367,075
Tax increments					311,831	-	311,831
State aids					20,139	-	20,139
Unrestricted investment earnings					335,217	99,653	434,870
Other general revenue					40,832	-	40,832
Gain on sale of capital assets					5,869	-	5,869
Transfers					746,789	(746,789)	-
Total general revenues and transfers					<u>7,193,404</u>	<u>(647,136)</u>	<u>6,546,268</u>
Change in net position					<u>14,482,444</u>	<u>1,233,335</u>	<u>15,715,779</u>
Net position - beginning of year					<u>23,615,504</u>	<u>22,103,870</u>	<u>45,719,374</u>
Net position - end of year					<u>\$ 38,097,948</u>	<u>\$ 23,337,205</u>	<u>\$ 61,435,153</u>

See notes to financial statements.

City of Dayton
Balance Sheet - Governmental Funds
December 31, 2020

	General Fund (101)	Debt Service		Capital Projects
		2014A and 2015A G.O. Improvement Bonds (342)	2020A G.O. Improvement Bond (378)	City Wide Transportation Project (485)
Assets				
Cash and investments	\$ 2,181,909	\$ 2,261,086	\$ 348,950	\$ 655,176
Receivables				
Taxes receivable - delinquent	41,166	-	-	-
Accounts receivable	141	-	-	-
Interest receivable	19,756	-	-	-
Due from other governments	45,282	-	-	-
Special assessments receivable				
Current	-	6,078	1,761	-
Delinquent	-	9,479	-	-
Deferred	-	2,574,313	1,606,514	-
Due from other funds	-	-	-	-
Advances to other funds	89,410	-	-	-
Inventories	21,760	-	-	-
Prepaid items	32,795	-	-	-
Total assets	<u>\$ 2,432,219</u>	<u>\$ 4,850,956</u>	<u>\$ 1,957,225</u>	<u>\$ 655,176</u>
Liabilities				
Accounts and contracts payable	\$ 154,627	\$ -	\$ -	\$ 629,519
Due to other funds	-	-	-	59,331
Advance from other funds	-	-	-	-
Due to other governments	37,059	-	-	-
Salaries and benefits payable	93,557	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>285,243</u>	<u>-</u>	<u>-</u>	<u>688,850</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	41,166	-	-	-
Unavailable revenue - grants	-	-	-	1,352,441
Unavailable revenue - special assessments	-	2,583,792	1,606,514	-
Total deferred inflows of resources	<u>41,166</u>	<u>2,583,792</u>	<u>1,606,514</u>	<u>1,352,441</u>
Fund Balances				
Nonspendable	143,965	-	-	-
Restricted	-	2,267,164	350,711	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	1,961,845	-	-	(1,386,115)
Total fund balances	<u>2,105,810</u>	<u>2,267,164</u>	<u>350,711</u>	<u>(1,386,115)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,432,219</u>	<u>\$ 4,850,956</u>	<u>\$ 1,957,225</u>	<u>\$ 655,176</u>

Capital Projects

Dayton Parkway Interchange (480)	Landscaping Escrow Fund (420)	Other Governmental Funds	Total Governmental Funds
\$ 681,041	\$ 1,345,750	\$ 8,513,668	\$ 15,987,580
-	-	-	41,166
-	-	150,160	150,301
-	-	-	19,756
90,525	-	6,496	142,303
-	-	3,766	11,605
-	-	2,928	12,407
-	-	667,500	4,848,327
67,599	-	3,209	70,808
-	-	-	89,410
-	-	-	21,760
-	-	-	32,795
<u>\$ 839,165</u>	<u>\$ 1,345,750</u>	<u>\$ 9,347,727</u>	<u>\$ 21,428,218</u>
\$ 527,426	\$ 1,345,750	\$ 677,766	\$ 3,335,088
-	-	11,477	70,808
-	-	260,838	260,838
2,235	-	1,219	40,513
-	-	-	93,557
-	-	15,722	15,722
<u>529,661</u>	<u>1,345,750</u>	<u>967,022</u>	<u>3,816,526</u>
-	-	-	41,166
-	-	-	1,352,441
-	-	670,428	4,860,734
<u>-</u>	<u>-</u>	<u>670,428</u>	<u>6,254,341</u>
-	-	-	143,965
309,504	-	1,711,790	4,639,169
-	-	653,408	653,408
-	-	5,757,547	5,757,547
-	-	(412,468)	163,262
<u>309,504</u>	<u>-</u>	<u>7,710,277</u>	<u>11,357,351</u>
<u>\$ 839,165</u>	<u>\$ 1,345,750</u>	<u>\$ 9,347,727</u>	<u>\$ 21,428,218</u>

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City of Dayton
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2020

Total fund balances - governmental funds	\$ 11,357,351
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	58,925,039
Less accumulated depreciation	(14,161,628)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bonds payable	(19,785,000)
Unamortized bond premium	(645,201)
Notes payable	(426,000)
Compensated absences payable	(231,385)
Total OPEB liability	(15,749)
Net pension liability	(1,738,210)
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	(578,094)
Deferred outflows of resources related to pensions	784,057
Deferred inflows of resources related to OPEB	(51,905)
Deferred outflows of resources related to OPEB	2,191
Delinquent receivables will be collected in subsequent years, but are not available soon enough pay for the current period's expenditures and, therefore, are deferred in the funds.	
Delinquent taxes receivable	41,166
Delinquent special assessments receivable	12,407
Deferred receivables are not available to pay for current expenditures and, therefore, are deferred in the funds.	
Deferred special assessments receivable	4,848,327
Governmental funds do not report a liability for accrued interest due and payable.	
	<u>(239,418)</u>
Total net position - governmental activities	<u>\$ 38,097,948</u>

City of Dayton
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2020

	General Fund (101)	Debt Service		Capital Projects
		2014A and 2015A G.O. Improvement Bonds (342)	2020A G.O. Improvement Bond (378)	City Wide Transportation Project (485)
Revenues				
Property taxes	\$ 3,022,977	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	-	724,862	350,140	-
Licenses and permits	1,157,559	-	-	-
Intergovernmental	736,828	-	-	1,281,559
Charges for services	637,054	-	-	100,116
Fines and forfeitures	34,393	-	-	-
Miscellaneous				
Investment income	48,634	31,278	571	47,001
Contributions and donations	1,500	-	-	-
Other	52,868	-	-	-
Total revenues	<u>5,691,813</u>	<u>756,140</u>	<u>350,711</u>	<u>1,428,676</u>
Expenditures				
Current				
General government	1,492,342	-	-	-
Public safety	2,133,844	-	-	-
Public works	1,041,593	-	-	-
Parks and recreation	172,337	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	1,225,000	-	-
Interest and other charges	-	416,173	-	-
Capital outlay				
General government	14,785	-	-	-
Public safety	14,049	-	-	-
Public works	6,157	-	-	4,364,858
Parks and recreation	10,662	-	-	-
Total expenditures	<u>4,885,769</u>	<u>1,641,173</u>	<u>-</u>	<u>4,364,858</u>
Excess of revenues over (under) expenditures	806,044	(885,033)	350,711	(2,936,182)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	7,830	-	-	-
Bond issuance	-	-	-	-
Bond premium	-	-	-	-
Transfers in	-	804,975	-	-
Transfers out	(814,000)	-	-	-
Total other financing sources (uses)	<u>(806,170)</u>	<u>804,975</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(126)	(80,058)	350,711	(2,936,182)
Fund Balances				
Beginning of year	2,105,936	2,347,222	-	1,550,067
End of year	<u>\$ 2,105,810</u>	<u>\$ 2,267,164</u>	<u>\$ 350,711</u>	<u>\$ (1,386,115)</u>

<u>Capital Projects</u>		
Dayton Parkway Interchange (480)	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,341,821	\$ 5,364,798
-	311,831	311,831
-	367,075	367,075
-	170,562	1,245,564
-	-	1,157,559
9,366,366	49,688	11,434,441
-	1,291,429	2,028,599
-	699	35,092
8,358	199,375	335,217
-	15,426	16,926
-	-	52,868
<u>9,374,724</u>	<u>4,747,906</u>	<u>22,349,970</u>
-	30,955	1,523,297
-	-	2,133,844
-	-	1,041,593
-	154,206	326,543
-	386,524	386,524
-	2,675,000	3,900,000
50,949	168,412	635,534
-	58,444	73,229
-	401,984	416,033
8,304,065	687,688	13,362,768
-	1,042,072	1,052,734
<u>8,355,014</u>	<u>5,605,285</u>	<u>24,852,099</u>
1,019,710	(857,379)	(2,502,129)
-	-	7,830
1,935,000	-	1,935,000
117,398	-	117,398
-	1,512,612	2,317,587
-	(756,798)	(1,570,798)
<u>2,052,398</u>	<u>755,814</u>	<u>2,807,017</u>
3,072,108	(101,565)	304,888
(2,762,604)	7,811,842	11,052,463
<u>\$ 309,504</u>	<u>\$ 7,710,277</u>	<u>\$ 11,357,351</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, 2020

Net change in fund balances - governmental funds \$ 304,888

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital outlays	14,946,755
Depreciation expense	(1,330,514)
Loss on disposal	(1,961)

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

(16,111)

OPEB costs are recognized as paid in the governmental funds but recognized as the expense incurred in the Statement of Activities.

1,634

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	(150,944)
State aid related to pension expense	14,283

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.

3,900,000

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.

22,601

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

Bonds payable	(1,935,000)
Premium on bonds issued	(117,398)

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	(14,399)
Deferred special assessments	(1,226,330)
Delinquent special assessments	10

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

854

Change in net position - governmental activities

\$ 14,482,444

City of Dayton
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 3,028,487	\$ 3,022,977	\$ (5,510)
Licenses and permits	478,850	1,157,559	678,709
Intergovernmental revenue	238,214	736,828	498,614
Charges for services	301,525	637,054	335,529
Fines and forfeitures	40,000	34,393	(5,607)
Miscellaneous			
Investment income	25,000	48,634	23,634
Contributions and donations	-	1,500	1,500
Other	25,000	52,868	27,868
Total revenues	4,137,076	5,691,813	1,554,737
Expenditures			
Current			
General government	1,019,940	1,492,342	472,402
Public safety	1,833,716	2,133,844	300,128
Public works	1,055,000	1,041,593	(13,407)
Parks and recreation	198,920	172,337	(26,583)
Capital outlay			
General government	20,000	14,785	(5,215)
Public safety	15,000	14,049	(951)
Public works	5,000	6,157	1,157
Parks and recreation	37,500	10,662	(26,838)
Total expenditures	4,185,076	4,885,769	700,693
Excess of revenues over (under) expenditures	(48,000)	806,044	854,044
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	-	7,830	7,830
Transfers in	48,000	-	(48,000)
Transfers out	-	(814,000)	(814,000)
Total other financing sources (uses)	48,000	(806,170)	(854,170)
Net change in fund balance	\$ -	(126)	\$ (126)
Fund Balance			
Beginning of year		2,105,936	
End of year		\$ 2,105,810	

City of Dayton
Statement of Net Position - Proprietary Funds
December 31, 2020

	Water (601)	Sewer (602)	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,933,886	\$ 558,368	\$ 3,492,254
Accounts receivable	127,778	127,505	255,283
Special assessments receivable	10,017	150,446	160,463
Advances to other funds	85,714	85,714	171,428
Due from other governments	7,253	25,635	32,888
Prepaid expenses	221	21,316	21,537
Total current assets	<u>3,164,869</u>	<u>968,984</u>	<u>4,133,853</u>
Noncurrent assets			
Capital assets			
Land	113,767	-	113,767
Collection and distribution system	12,388,502	14,364,363	26,752,865
Machinery and equipment	61,282	73,226	134,508
Construction in progress	1,168,920	254,462	1,423,382
Total capital assets	<u>13,732,471</u>	<u>14,692,051</u>	<u>28,424,522</u>
Less accumulated depreciation	<u>(3,883,410)</u>	<u>(4,642,111)</u>	<u>(8,525,521)</u>
Net capital assets	<u>9,849,061</u>	<u>10,049,940</u>	<u>19,899,001</u>
Total assets	<u>13,013,930</u>	<u>11,018,924</u>	<u>24,032,854</u>
Deferred outflows of resources related to pensions			
Deferred outflows of resources related to OPEE	98	98	196
Deferred outflows of resources related to pensions	20,743	17,843	38,586
Total deferred outflows of resources	<u>20,841</u>	<u>17,941</u>	<u>38,782</u>
Total assets and deferred outflows of resources	<u>\$ 13,034,771</u>	<u>\$ 11,036,865</u>	<u>\$ 24,071,636</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 209,081	\$ 12,852	\$ 221,933
Salaries and benefits payable	4,717	4,058	8,775
Due to other governments	193,326	127,815	321,141
Current compensated absences	1,386	1,292	2,678
Total current liabilities	<u>408,510</u>	<u>146,017</u>	<u>554,527</u>
Noncurrent liabilities			
Compensated absences	12,474	11,629	24,103
Unfunded OPEB liability	704	703	1,407
Net pension liability	77,674	66,816	144,490
Total noncurrent liabilities	<u>90,852</u>	<u>79,148</u>	<u>170,000</u>
Total liabilities	<u>499,362</u>	<u>225,165</u>	<u>724,527</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	2,832	2,436	5,268
Deferred inflows of resources related to OPEB	2,318	2,318	4,636
Total deferred inflows of resources	<u>5,150</u>	<u>4,754</u>	<u>9,904</u>
Net Position			
Net investment in capital assets	9,849,061	10,049,940	19,899,001
Restricted for infrastructure replacement	-	11,216	11,216
Unrestricted	2,681,198	745,790	3,426,988
Total net position	<u>12,530,259</u>	<u>10,806,946</u>	<u>23,337,205</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 13,034,771</u>	<u>\$ 11,036,865</u>	<u>\$ 24,071,636</u>

See notes to financial statements.

City of Dayton
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2020

	Water (601)	Sewer (602)	Total
Operating Revenues			
Charges for services	\$ 884,632	\$ 629,189	\$ 1,513,821
Permits, hookup fees, and penalties	129,418	1,085	130,503
Other charges	7,253	7,253	14,506
Total operating revenues	<u>1,021,303</u>	<u>637,527</u>	<u>1,658,830</u>
Operating Expenses			
Wages and salaries	92,276	79,691	171,967
Employee benefits	34,153	29,324	63,477
Materials and supplies	236,592	2,899	239,491
Repairs and maintenance	22,955	16,571	39,526
Contracted services	307,665	320,220	627,885
Utilities	254,652	9,168	263,820
Depreciation	332,358	389,163	721,521
Equipment	1,517	-	1,517
Miscellaneous	13,111	10,485	23,596
Total operating expenses	<u>1,295,279</u>	<u>857,521</u>	<u>2,152,800</u>
Operating loss	(273,976)	(219,994)	(493,970)
Nonoperating Revenues			
Investment income	80,853	18,800	99,653
Special assessments	-	143,864	143,864
Connection charges	1,690,255	534,078	2,224,333
Total nonoperating revenue	<u>1,771,108</u>	<u>696,742</u>	<u>2,467,850</u>
Income before transfers	1,497,132	476,748	1,973,880
Capital contributions	-	6,244	6,244
Transfers out	(419,250)	(327,539)	(746,789)
Change in net position	1,077,882	155,453	1,233,335
Net Position			
Beginning of year	<u>11,452,377</u>	<u>10,651,493</u>	<u>22,103,870</u>
End of year	<u>\$ 12,530,259</u>	<u>\$ 10,806,946</u>	<u>\$ 23,337,205</u>

City of Dayton
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2020

	Water (601)	Sewer (602)	Total
Cash Flows - Operating Activities			
Receipts from customers and users	\$ 992,101	\$ 601,070	\$ 1,593,171
Payments to suppliers	(637,407)	(309,785)	(947,192)
Payments to employees	(122,304)	(105,112)	(227,416)
Net cash flows - operating activities	232,390	186,173	418,563
 Cash Flows - Noncapital			
Financing Activities			
Loan to/from other funds	42,857	42,857	85,714
Transfer to other funds	(419,250)	(327,539)	(746,789)
Net cash flows - noncapital financing activities	(376,393)	(284,682)	(661,075)
 Cash Flows - Capital and Related			
Financing Activities			
Connection charges	1,690,255	534,078	2,224,333
Acquisition of capital assets	(1,291,561)	(332,831)	(1,624,392)
Net cash flows - capital and related financing activities	398,694	201,247	599,941
 Cash Flows - Investing Activities			
Interest and dividends received	80,853	18,800	99,653
 Net Change in Cash and Cash Equivalents	335,544	121,538	457,082
 Cash and Cash Equivalents			
January 1	2,598,342	436,830	3,035,172
December 31	\$ 2,933,886	\$ 558,368	\$ 3,492,254
 Reconciliation of Operating Loss to			
Net Cash Flows - Operating Activities			
Operating loss	\$ (273,976)	\$ (219,994)	\$ (493,970)
Adjustments to reconcile operating loss to net cash flows - operating activities			
Depreciation expense	332,358	389,163	721,521
Net pension expense	911	971	1,882
Accounts receivable	(26,655)	(44,546)	(71,201)
Special assessments receivable	1,086	6,298	7,384
Due from other governments	(3,633)	1,791	(1,842)
Prepaid items	(221)	(2,125)	(2,346)
Accounts payable	153,188	4,618	157,806
Contracts payable	28,837	-	28,837
Due to other governments	17,281	47,065	64,346
Salaries payable	975	843	1,818
Compensated absences payable	2,311	2,162	4,473
Net OPEB payable	(72)	(73)	(145)
Total adjustments	506,366	406,167	912,533
Net cash flows - operating activities	\$ 232,390	\$ 186,173	\$ 418,563
 Noncash capital activities			
Capital asset contributions from other governments	-	\$ 6,244	\$ 6,244

See notes to financial statements.

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

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

City of Dayton
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. However, revenues related to grants are considered to be available within 12 months of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Description of Funds:

Major Governmental Funds:

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

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

2020A General Obligation (G.O.) Improvement Bond – This fund accounts for costs and revenues associated with the 2020A debt issuance and bond repayment.

City Wide Transportation Project – This fund accounts for the resources accumulated and expenditures incurred for construction projects related to city wide transportation.

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: (Continued)

Major Governmental Funds: (Continued)

Dayton Parkway Interchange – This fund accounts for the resources accumulated and expenditures incurred for the Dayton Parkway Interchange improvement.

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

Major Proprietary Funds:

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Deposits and Investments

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

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

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

1. Deposits and Investments (Continued)

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

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

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

2. Receivables and Payables

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

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditors for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Hennepin County and Wright County are the collecting agencies for the levy and remit the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditors prepare the tax lists for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditors also collect all special assessments, except for certain prepayments paid directly to the City.

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

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)**

3. Inventory and Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

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

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 three items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to grant revenue that are not yet available and pensions 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

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 \$7,660,500 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, 2020:

City Wide Transportation Project	\$ 1,386,115
Capital Equipment Fund	135,307
TIF No. 16 Sand Companies	5,055
TIF No. 15 French Lake Industrial Park	20,981
TIF No. 17 Graco	8,268
Sundance Sewer Trunk	242,857

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, 2020, the City's bank balance was not exposed to custodial credit risk as the amount was insured through FDIC insurance and secured with pledged collateral.

As of December 31, 2020, the City's book balance for deposits was as follows:

Deposits	\$ 3,905,308
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B. Investments

As of December 31, 2020, 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	\$ 851,991	\$ -	\$ 237,264	\$ 614,727	\$ -
Government Securities	7,482,535	726,548	4,650,284	1,841,417	264,286
Brokered money market account	60,221	60,221	-	-	-
4M fund	7,179,779	7,179,779	-	-	-
Total	\$ 15,574,526	\$ 7,966,548	\$ 4,887,548	\$ 2,456,144	\$ 264,286

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy limits investments to the following: government securities, certificates of deposit fully covered by FDIC insurance, repurchase agreements, reverse repurchase agreements, prime commercial paper, and general obligations of the State of Minnesota or any of its municipalities and bankers' acceptances. The City's investments in Fannie Mae and Freddie Mac were rated AA+ by Standard & Poor's (S&P). The City's municipal investments were rated Aa2-AAA by S&P. The remaining investments were unrated.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy states the City will attempt to diversify its investments according to type and maturity. As of December 31, 2020, 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, 2020. 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, 2020:

- \$7,482,535 of investments are valued using a quoted market prices (Level 1 inputs)
- \$851,991 of investments are valued using a matrix pricing model (Level 2 inputs)

The following is a summary of total deposits and investments:

Deposits	\$ 3,905,308
Investments	<u>15,574,526</u>
Total deposits and investments	<u><u>\$ 19,479,834</u></u>

Deposits and investments are presented in the December 31, 2020, basic financial statements as follows:

Statement of Net Position	
Cash and investments (including cash equivalents)	<u><u>\$ 19,479,834</u></u>

City of Dayton
Notes to Financial Statements

NOTE 4 – INTERFUND ACTIVITY

A. Transfers

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

	Transfers In		Total
	2014A and 2015A G.O. Improvement Bonds	Other Governmental Funds	
Transfers out			
General Fund	\$ -	\$ 814,000	\$ 814,000
Other governmental funds	186,900	569,898	756,798
Water Fund	419,250	-	419,250
Sewer Fund	198,825	128,714	327,539
	<u>\$ 804,975</u>	<u>\$ 1,512,612</u>	<u>\$ 2,317,587</u>

B. Interfund Balances

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

	Due to Other Funds		Total
	City Wide Transportation Project	Other Governmental Funds	
Due from other funds			
Dayton Parkway Interchange	\$ 59,331	\$ 8,268	\$ 67,599
Other governmental funds	-	3,209	3,209
	<u>59,331</u>	<u>11,477</u>	<u>70,808</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	\$ 89,410
Water Fund	85,714
Sewer Fund	85,714
	<u>\$ 260,838</u>

Interfund loan for the Sewer Trunk is 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, 2020 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>4,759,518</u>	<u>14,197,518</u>	<u>619,650</u>	<u>18,337,386</u>
Total capital assets not being depreciated	<u>7,684,980</u>	<u>14,197,518</u>	<u>619,650</u>	<u>21,262,848</u>
Capital assets being depreciated				
Buildings and improvements	5,669,950	57,675	9,795	5,717,830
Infrastructure	25,946,382	763,216	-	26,709,598
Machinery and equipment	<u>4,836,540</u>	<u>547,996</u>	<u>149,773</u>	<u>5,234,763</u>
Total capital assets being depreciated	<u>36,452,872</u>	<u>1,368,887</u>	<u>159,568</u>	<u>37,662,191</u>
Less accumulated depreciation for				
Buildings and improvements	1,262,903	170,849	9,795	1,423,957
Infrastructure	9,547,430	850,047	-	10,397,477
Machinery and equipment	<u>2,178,388</u>	<u>309,618</u>	<u>147,812</u>	<u>2,340,194</u>
Total accumulated depreciation	<u>12,988,721</u>	<u>1,330,514</u>	<u>157,607</u>	<u>14,161,628</u>
Total capital assets being depreciated, net	<u>23,464,151</u>	<u>38,373</u>	<u>1,961</u>	<u>23,500,563</u>
Governmental activities capital assets, net	<u><u>\$ 31,149,131</u></u>	<u><u>\$ 14,235,891</u></u>	<u><u>\$ 621,611</u></u>	<u><u>\$ 44,763,411</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>419,957</u>	<u>1,559,497</u>	<u>556,072</u>	<u>1,423,382</u>
Total capital assets not being depreciated	<u>533,724</u>	<u>1,559,497</u>	<u>556,072</u>	<u>1,537,149</u>
Capital assets being depreciated				
Collection and distribution system	26,160,152	592,713	-	26,752,865
Machinery and equipment	<u>100,010</u>	<u>34,498</u>	<u>-</u>	<u>134,508</u>
Total capital assets being depreciated	<u>26,260,162</u>	<u>627,211</u>	<u>-</u>	<u>26,887,373</u>
Less accumulated depreciation for				
Collection and distribution system	7,756,613	711,376	-	8,467,989
Machinery and equipment	<u>47,387</u>	<u>10,145</u>	<u>-</u>	<u>57,532</u>
Total accumulated depreciation	<u>7,804,000</u>	<u>721,521</u>	<u>-</u>	<u>8,525,521</u>
Total capital assets being depreciated, net	<u>18,456,162</u>	<u>(94,310)</u>	<u>-</u>	<u>18,361,852</u>
Business-type activities, capital assets, net	<u>\$ 18,989,886</u>	<u>\$ 1,465,187</u>	<u>\$ 556,072</u>	<u>\$ 19,899,001</u>

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

Governmental activities	
General government	\$ 59,817
Public safety	171,138
Public works	1,038,408
Parks and recreation	<u>61,151</u>
Total depreciation expense - governmental activities	<u>\$ 1,330,514</u>
Business-type activities	
Water	\$ 332,358
Sewer	<u>389,163</u>
Total depreciation expense - business-type activities	<u>\$ 721,521</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						
2014A G.O. Refunding	09/09/14	2.0%-3.0%	9,685,000	02/01/30	7,760,000	495,000
2015A G.O. Refunding	01/08/15	2.25%-3.0%	7,430,000	02/01/27	5,660,000	675,000
2016A G.O. CIP	09/01/16	2.00%-2.75%	3,610,000	02/01/37	3,045,000	205,000
2020A G.O. Improvement	06/04/20	2.0%-3.0%	1,935,000	02/01/30	1,935,000	185,000
Street reconstruction						
2015B G.O. Street Reconstruction	05/13/15	2.000%	2,325,000	02/01/23	1,035,000	340,000
Utility revenue						
2013A G.O. Utility Revenue	11/20/13	3.0%	2,335,000	02/01/24	350,000	85,000
PFA notes from direct borrowing						
2000A G.O. Improvement Notes	08/20/01	3.25%	1,137,000	08/20/21	43,000	43,000
2010A Improvement Notes	05/06/10	1.65%	750,449	08/20/29	383,000	40,000
Unamortized premium					645,201	-
Compensated absences					231,385	23,139
Total government activities					<u>21,087,586</u>	<u>2,091,139</u>
Business-type activities						
Compensated absences					26,781	2,678
Total long-term liabilities					<u>\$21,114,367</u>	<u>\$ 2,093,817</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, 2020, 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	\$ 5,075,000	\$ 1,935,000	\$ 2,030,000	\$ 4,980,000
G.O. Refunding Bonds	14,795,000	-	1,375,000	13,420,000
G.O. Utility Revenue	435,000	-	85,000	350,000
G.O. Street Construction	1,365,000	-	330,000	1,035,000
Unamortized premium	611,879	117,398	84,076	645,201
Notes from direct borrowing	506,000	-	80,000	426,000
Compensated absences	215,274	163,193	147,082	231,385
Total governmental activities	<u>23,003,153</u>	<u>2,215,591</u>	<u>4,131,158</u>	<u>21,087,586</u>
Business-type activities				
Compensated absences	<u>22,308</u>	<u>14,155</u>	<u>9,682</u>	<u>26,781</u>
Total long-term liabilities	<u>\$ 23,025,461</u>	<u>\$ 2,229,746</u>	<u>\$ 4,140,840</u>	<u>\$ 21,114,367</u>

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:

Year Ended December 31,	Governmental Activities			
	G.O. Improvement Bonds		PFA - Notes from Direct Borrowing	
	Principal	Interest	Principal	Interest
2021	\$ 390,000	\$ 123,281	\$ 83,000	\$ 7,732
2022	385,000	105,563	40,000	5,673
2023	330,000	96,662	41,000	5,012
2024	340,000	88,138	42,000	4,333
2025	345,000	79,412	43,000	3,639
2026-2030	1,860,000	267,988	177,000	7,377
2031-2035	925,000	116,050	-	-
2036-2040	405,000	11,206	-	-
Total	<u>\$ 4,980,000</u>	<u>\$ 888,300</u>	<u>\$ 426,000</u>	<u>\$ 33,766</u>

Year Ended December 31,	Governmental Activities			
	G.O. Street Reconstruction		G.O. Refunding Bonds	
	Principal	Interest	Principal	Interest
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	305,088
2024	-	-	1,270,000	265,731
2025	-	-	1,315,000	228,556
2026-2030	-	-	7,220,000	547,106
Total	<u>\$ 1,035,000</u>	<u>\$ 31,250</u>	<u>\$ 13,420,000</u>	<u>\$ 2,075,231</u>

Year Ended December 31,	Governmental Activities			
	G.O. Utility Revenue		Total Governmental Activities	
	Principal	Interest	Principal	Interest
2021	\$ 85,000	\$ 9,225	\$ 2,068,000	\$ 539,701
2022	85,000	6,675	2,060,000	474,948
2023	90,000	4,050	2,051,000	414,312
2024	90,000	1,350	1,742,000	359,552
2025	-	-	1,703,000	311,607
2026-2030	-	-	9,257,000	822,471
2031-2035	-	-	925,000	116,050
2036-2037	-	-	405,000	11,206
Total	<u>\$ 350,000</u>	<u>\$ 21,300</u>	<u>\$ 20,211,000</u>	<u>\$ 3,049,847</u>

**City of Dayton
Notes to Financial Statements**

NOTE 7 – FUND BALANCE DETAIL

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

	General Fund	2014 A and 2015A G.O. Improvement Bonds	2020A G.O. Improvement Bond	City Wide Transportation Project	Dayton Parkway Interchange	Other Governmental Funds	Total
Nonspendable							
Advances to other funds	\$ 89,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,410
Inventory	21,760	-	-	-	-	-	21,760
Prepaid items	32,795	-	-	-	-	-	32,795
Total nonspendable	<u>143,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,965</u>
Restricted							
Debt service	-	2,267,164	350,711	-	-	1,022,703	3,640,578
Police forfeitures	-	-	-	-	-	5,320	5,320
TIF districts	-	-	-	-	-	52,941	52,941
Park dedication	-	-	-	-	-	630,826	630,826
Capital projects	-	-	-	-	309,504	-	309,504
Total restricted	<u>-</u>	<u>2,267,164</u>	<u>350,711</u>	<u>-</u>	<u>309,504</u>	<u>1,711,790</u>	<u>4,639,169</u>
Committed							
Cable fund	-	-	-	-	-	172,826	172,826
EDA	-	-	-	-	-	320,410	320,410
Gambling	-	-	-	-	-	426	426
Park development	-	-	-	-	-	159,746	159,746
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>653,408</u>	<u>653,408</u>
Assigned							
Park trails	-	-	-	-	-	879,573	879,573
Capital projects	-	-	-	-	-	4,877,974	4,877,974
Total unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,757,547</u>	<u>5,757,547</u>
Unassigned							
	<u>1,961,845</u>	<u>-</u>	<u>-</u>	<u>(1,386,115)</u>	<u>-</u>	<u>(412,468)</u>	<u>163,262</u>
Total fund balance	<u>\$ 2,105,810</u>	<u>\$ 2,267,164</u>	<u>\$ 350,711</u>	<u>\$ (1,386,115)</u>	<u>\$ 309,504</u>	<u>\$ 7,710,277</u>	<u>\$ 11,357,351</u>

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 2020 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

City of Dayton
Notes to Financial Statements

NOTE 8 – RISK MANAGEMENT (CONTINUED)

At December 31, 2020, 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, 2020, was \$424,801. The components of pension expense are noted in the following plan summaries.

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

City of Dayton
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase was fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

City of Dayton
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020, were \$74,222. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3% of pay to 11.8% and employer rates increased from 16.95% to 17.7% on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$133,288. 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, 2020, the City reported a liability of \$893,323 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$27,620. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0149% at the end of the measurement period and 0.0125% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 893,323
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>27,620</u>
Total	<u><u>\$ 920,943</u></u>

City of Dayton
Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2020, the City recognized pension expense of \$118,872 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$2,404 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, 2020, 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	\$ 6,803	\$ 3,381
Changes in actuarial assumptions	-	29,187
Net collective difference between projected and actual investment earnings	37,141	-
Changes in proportion	157,505	-
Contributions paid to PERA subsequent to the measurement date	37,111	-
Total	\$ 238,560	\$ 32,568

The \$37,111 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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	\$ 41,322
2022	56,033
2023	49,943
2024	21,583
Total	\$ 168,881

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

At December 31, 2020, the City reported a liability of \$865,320 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was 0.0661% at the end of the measurement period and 0.0608% for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state aid was paid on October 1, 2019. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$139,635 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$6,319 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$5,949 for the year ended December 31, 2020, 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.

At December 31, 2020, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

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, 2020, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 34,934	\$ 33,175
Changes in actuarial assumptions	234,114	424,589
Net collective difference between projected and actual investment earnings	51,984	-
Changes in proportion	120,813	26,754
Contributions paid to PERA subsequent to the measurement date	<u>66,644</u>	<u>-</u>
Total	<u>\$ 508,489</u>	<u>\$ 484,518</u>

The \$66,644 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2021	\$ (12,249)
2022	(164,245)
2023	66,836
2024	56,968
2025	<u>10,017</u>
Total	<u>\$ (42,673)</u>

**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, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>
Inflation	2.25 % Per Year	2.50 % Per year
Salary increase	3.00 % Per Year	3.25 % Per year
Investment rate of return	7.50 %	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 and 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020. The recommended assumptions for that plan was adopted by the Board and will be effective with the July 1, 2021, actual valuation if approved by the Legislature.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.

City of Dayton
Notes to Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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:

City of Dayton
Notes to Financial Statements

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term
Domestic equity	35.5 %	5.10 %
Private markets	25.0	5.90
Fixed income	20.0	0.75
International equity	17.5	5.90
Cash equivalents	2.0	0.00
Total	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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 these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 1,431,687	\$ 893,323	\$ 449,216
City's proportionate share of the Police and Fire Fund net pension liability	\$ 1,730,615	\$ 865,320	\$ 149,440

**City of Dayton
Notes to Financial Statements**

NOTE 9 - PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

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.

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, 2019, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>25</u>
Total	<u><u>34</u></u>

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 \$45,076 made by the State of Minnesota for the Relief Association.

**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

The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions:

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Investment rate of return	6.00 % net of pensions plan investment expense: including inflation

The value of death benefits is similar to the value of the retirement pension. Mortality rates for active members, retirees, and disabilitants were based on RP 2014 tables, with slight adjustments for male rates.

The value of death benefits is similar to the value of the retirement pension. Mortality rates for active members, retirees, and disabilitants were based on RP 2014 tables, with slight adjustments for male rates.

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	27.00 %	0.74 %
Fixed income	12.00	2.01
International equity	3.00	5.41
Domestic equity	58.00	4.76
Total	<u>100.00 %</u>	

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)

Discount Rate:

The discount rate used to measure the total pension liability was 6.00%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

F. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2020	\$ 567,412	\$ 499,639	\$ 67,773
Changes for the year			
Service cost	27,258	-	27,258
Interest	28,109	-	28,109
Changes in assumptions	-	-	-
Changes of benefit terms	134,449	-	134,449
State and municipal contributions	-	60,288	(60,288)
Gain or loss	-	81,278	(81,278)
Other additions	-	200	(200)
Benefit payments, including refunds of employee contributions	(252,359)	(252,359)	-
Administrative expense	-	(8,234)	8,234
Net changes	(62,543)	(118,827)	56,284
Balances at December 31, 2020	\$ 504,869	\$ 380,812	\$ 124,057

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 (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.00%, 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 (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's net pension liability	\$ 137,996	\$ 124,057	\$ 110,815

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

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

For the year ended December 31, 2020, the City recognized pension expense of \$166,294. At December 31, 2020, 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	\$ -	\$ 34,182
Change of assumptions	3,130	19,283
Difference between expected and actual liability	27,388	12,811
Contributions paid to Relief subsequent to the measurement date	45,076	-
Total	\$ 75,594	\$ 66,276

**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 (Continued)**

\$45,076 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as shown in the following table:

Year Ending December 31,	Pension Expense Amount
2021	\$ (15,425)
2022	(14,802)
2023	(7,103)
2024	(10,582)
2025	4,148
Thereafter	8,006
Total	\$ (35,758)

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. No assets are acclimated in a trust.

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 2020, the City contributed \$0 to the plan. As of December 31, 2020, there were no retirees receiving health benefits from the City's health plan.

City of Dayton
Notes to Financial Statements

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Members

As of December 31, 2020, 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	23
Total	23

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, 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	2.12%, net of investment expenses
Salary increases	3.25%, including inflation
Inflation	2.75%
Healthcare cost trend increases	7.5% initially, decreasing 0.5% per year to an ultimate rate of 5.0%
Mortality assumption	RP-2014 with MP-2018 generational inputs

The actuarial assumptions used in the December 31, 2020, valuation was based on the results of an actuarial experience study for the period January 1, 2019 – December 31, 2019.

The discount rate used to measure the total OPEB liability was 2.12% based on 20 year municipal bond index.

F. Total OPEB Liability

The City's total OPEB liability of \$17,156 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

City of Dayton
Notes to Financial Statements

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at January 1, 2020	<u>\$ 13,695</u>
Changes for the year	
Service cost	1,903
Interest	427
Differences between expected and actual economic experience	-
Changes of assumptions	1,131
Net investment income	-
Benefit payments	-
Administrative expense	-
Other charges	-
Net changes	<u>3,461</u>
Balances at December 31, 2020	<u><u>\$ 17,156</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.74% in 2019 to 2.12% in 2020.

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 2.12% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability/(Asset)		
1% decrease (1.12%)	Current (2.12%)	1% increase (3.12%)
\$ 19,020	\$ 17,156	\$ 15,462

City of Dayton
Notes to Financial Statements

NOTE 10 – 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 (6.5% decreasing to 4.0%)	Current (7.5% decreasing to 5.0%)	1% increase (8.5% decreasing to 6.0%)
\$ 14,515	\$ 17,156	\$ 20,376

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

For the year ended December 31, 2020, the City recognized OPEB expense of \$(1,777). At December 31, 2020, 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
Differences between expected and actual economic experience	\$ -	\$ 52,780
Changes of assumptions	2,387	3,761
Total	\$ 2,387	\$ 56,541

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

Year Ending December 31,	Total
2021	\$ (4,107)
2022	(4,107)
2023	(4,107)
2024	(4,107)
2025	(4,107)
Thereafter	(33,619)
Total	\$ (54,154)

City of Dayton
Notes to Financial Statements

NOTE 11 TAX INCREMENT FINANCING

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

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

During the year ended December 31, 2020, the City generated \$311,831 in tax increment revenue and made \$280,505 in payments to developers.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

At December 31, 2020, the City had outstanding construction contract commitments totaling \$15,759,548.

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the City may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the City's financial statements at December 31, 2020 cannot be determined at this time.

NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2022.

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, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

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

	December 31, 2018	December 31, 2019	December 31, 2020
Total OPEB Liability			
Service cost	\$ 5,100	\$ 1,530	\$ 1,903
Interest	2,436	2,859	427
Differenced between expected and actual experience	-	(60,600)	-
Changes of assumptions	(4,868)	1,527	1,131
Net change in total OPEB liability	2,668	(54,684)	3,461
Beginning of year	65,711	68,379	13,695
End of year	\$ 68,379	\$ 13,695	\$ 17,156
Covered-employee payroll	\$ 900,000	\$ 1,600,000	\$ 1,700,000
Net OPEB liability as a percentage of covered-employee payroll	7.60%	0.86%	1.01%

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%	78.19%
2016	0.0097%	787,592	10,258	797,850	599,760	131.3%	68.91%
2017	0.0099%	632,009	7,914	639,923	635,107	99.5%	75.90%
2018	0.0111%	615,782	20,262	636,044	746,387	82.5%	79.53%
2019	0.0125%	691,097	21,499	712,596	887,280	77.9%	80.23%
2020	0.0149%	893,323	27,620	920,943	1,063,773	84.0%	79.06%

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

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

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0500%	\$ 568,117	\$ -	\$ 568,117	\$ 442,198	128.5%	86.61%
2016	0.0530%	2,126,982	-	2,126,982	512,105	415.3%	63.88%
2017	0.0510%	683,971	-	683,971	527,062	129.8%	85.43%
2018	0.0553%	584,464	-	584,464	583,309	100.2%	88.84%
2019	0.0608%	639,069	-	639,069	627,475	101.8%	89.26%
2020	0.0661%	865,320	20,539	885,859	730,339	118.5%	87.19%

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

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

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

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

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

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

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

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

	2014	2015	2016
Employer			
Statutorily determined contribution (SDC)	\$ 6,762	\$ -	\$ -
Contribution in relation to the SDC	6,762	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution deficiency (excess)			
Non-employer			
2% aid	<u>\$ 34,832</u>	<u>\$ 33,529</u>	<u>\$ 31,212</u>
Covered employee payroll	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	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, 2014, which required a ten-year presentation, but does not require retroactive reporting. Information prior to 2014 is not available. Additional years will be reported as they become available.

2017	2018	2019	2020
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ 38,803	\$ 39,363	\$ 41,288	\$ 45,076
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a

15. The schedules within the Required Supplementary Information section I 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
Total Pension Liability (TPL)			
Service cost	\$ 18,149	\$ 18,648	\$ 20,406
Interest	38,117	37,818	38,745
Differenced between expected and actual experience	-	-	(28,111)
Changes of assumptions	-	-	(42,311)
Changes of benefit terms	-	-	-
Benefit payments, including refunds or member contributions	(122,750)	-	(87,913)
Net change in total pension liability	<u>(66,484)</u>	<u>56,466</u>	<u>(99,184)</u>
Beginning of year	<u>629,645</u>	<u>563,161</u>	<u>619,627</u>
End of year	<u>\$ 563,161</u>	<u>\$ 619,627</u>	<u>\$ 520,443</u>
Plan Fiduciary Net Pension (FNP)			
Contributions - employer	\$ 6,762	\$ -	\$ -
Contributions - non-employer	31,242	30,529	33,212
Net investment income	37,200	1,754	36,637
Other additions	-	-	-
Benefit payments, including refunds of member contributions	(122,750)	-	(87,913)
Administrative expense	(7,285)	(6,035)	(8,365)
Net change in plan fiduciary net position	<u>(54,831)</u>	<u>26,248</u>	<u>(26,429)</u>
Beginning of year	<u>592,578</u>	<u>537,747</u>	<u>563,995</u>
End of year	<u>\$ 537,747</u>	<u>\$ 563,995</u>	<u>\$ 537,566</u>
Net Pension Liability (NPL)	<u>\$ 25,414</u>	<u>\$ 55,632</u>	<u>\$ (17,123)</u>
Plan fiduciary net position as a percentage of the total	95.49%	91.02%	103.29%
Net pension liability as a percentage of covered payroll	n/a	n/a	n/a

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

Measurement Date		
2017	2018	2019
\$ 17,214	\$ 18,045	\$ 27,258
33,453	29,994	28,109
-	35,292	-
3,224	1,750	-
-	86,955	134,449
(46,000)	(132,958)	(252,359)
7,891	39,078	(62,543)
<u>520,443</u>	<u>528,334</u>	<u>567,412</u>
<u>\$ 528,334</u>	<u>\$ 567,412</u>	<u>\$ 504,869</u>
\$ -	\$ -	\$ -
48,403	56,363	60,288
71,389	(14,020)	81,278
-	-	200
(46,000)	(132,958)	(252,359)
(10,986)	(10,118)	(8,234)
62,806	(100,733)	(118,827)
<u>537,566</u>	<u>600,372</u>	<u>499,639</u>
<u>\$ 600,372</u>	<u>\$ 499,639</u>	<u>\$ 380,812</u>
<u>\$ (72,038)</u>	<u>\$ 67,773</u>	<u>\$ 124,057</u>
113.63%	88.06%	75.43%
n/a	n/a	n/a

City of Dayton
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

City of Dayton
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2018 Changes Continued)

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of Dayton
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Dayton
Notes to Required Supplementary Information

POLICE AND FIRE FUND

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

City of Dayton
Notes to Required Supplementary Information

POLICE AND FIRE FUND (CONTINUED)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Dayton
Notes to Required Supplementary Information

DAYTON FIRE RELIEF ASSOCIATION

2020 Changes

Changes in Actuarial Assumptions

- None

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 3,028,487	\$ 3,022,977	\$ (5,510)
Licenses and permits	478,850	1,157,559	678,709
Intergovernmental			
Market value homestead credit	11,800	12,594	794
PERA aid	1,414	-	(1,414)
Fire aid	50,000	45,076	(4,924)
Police aid	55,000	80,951	25,951
Federal grants	20,000	487,195	467,195
Other grants and aids	100,000	111,012	11,012
Total intergovernmental	<u>238,214</u>	<u>736,828</u>	<u>498,614</u>
Charges for services			
General government	280,625	612,342	331,717
Public safety	13,100	15,261	2,161
Public works	6,500	8,894	2,394
Parks and recreation	1,300	557	(743)
Total charges for services	<u>301,525</u>	<u>637,054</u>	<u>335,529</u>
Fines and forfeitures	40,000	34,393	(5,607)
Miscellaneous			
Investment income	25,000	48,634	23,634
Contributions and Donations	-	1,500	1,500
Other	25,000	52,868	27,868
Total miscellaneous	<u>50,000</u>	<u>103,002</u>	<u>53,002</u>
Total revenues	<u>4,137,076</u>	<u>5,691,813</u>	<u>1,554,737</u>
Expenditures			
General government			
Mayor and council	73,550	55,492	(18,058)
Administrative and finance	494,850	498,498	3,648
Other general government	451,540	938,352	486,812
Capital outlay	20,000	14,785	(5,215)
Total general government	<u>1,039,940</u>	<u>1,507,127</u>	<u>467,187</u>

City of Dayton
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures			
Public safety			
Police			
Current	\$ 1,423,201	\$ 1,430,340	\$ 7,139
Capital outlay	15,000	14,049	(951)
Total police	1,438,201	1,444,389	6,188
Fire			
Current	310,515	294,080	(16,435)
Other public safety:			
Current	100,000	409,424	309,424
Total public safety	1,848,716	2,147,893	299,177
Public works			
Streets and highways			
Street maintenance and storm sewers	891,500	868,330	(23,170)
Street lighting	41,000	48,602	7,602
Street construction capital outlay	5,000	-	(5,000)
Capital outlay	-	6,157	6,157
Total streets and highways	937,500	923,089	(14,411)
Sanitation			
Recycling	122,500	124,661	2,161
Total public works	1,060,000	1,047,750	(12,250)
Parks and recreation			
Current	198,920	172,337	(26,583)
Capital outlay	37,500	10,662	(26,838)
Total parks and recreation	236,420	182,999	(53,421)
Total expenditures	4,185,076	4,885,769	700,693
Excess of revenues over expenditures	(48,000)	806,044	854,044
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	-	7,830	7,830
Transfers in	48,000	-	(48,000)
Transfers out	-	(814,000)	(814,000)
Total other financing sources (uses)	48,000	(806,170)	(854,170)
Net change in fund balance	\$ -	(126)	\$ (126)
Fund Balance			
Beginning of year		2,105,936	
End of year		\$ 2,105,810	

**City of Dayton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2020**

	Special Revenue			
	Cable Fund (226)	EDA (225)	Police Forfeiture (235)	Gambling (227)
Assets				
Cash and investments	\$ 158,336	\$ 320,410	\$ 5,320	\$ 426
Accounts receivable	17,334	-	-	-
Due from other governments	-	-	-	-
Special assessments receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Due from other funds	-	-	-	-
	\$ 175,670	\$ 320,410	\$ 5,320	\$ 426
Total assets	\$ 175,670	\$ 320,410	\$ 5,320	\$ 426
Liabilities				
Accounts and contracts payable	\$ 2,844	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenue	-	-	-	-
	2,844	-	-	-
Total liabilities	2,844	-	-	-
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	-
Fund Balances				
Restricted	-	-	5,320	-
Committed	172,826	320,410	-	426
Assigned	-	-	-	-
Unassigned	-	-	-	-
	172,826	320,410	5,320	426
Total fund balances	172,826	320,410	5,320	426
Total liabilities, deferred inflows of resources, and fund balances	\$ 175,670	\$ 320,410	\$ 5,320	\$ 426

Debt Service					Capital Projects	
2000A G.O. Improvement- H.V., PFA Sewer and Water (332)	2016A G.O. Bonds (355)	2013A Territorial Road Revenue Bond (360)	2015B G.O. Street Reconstruction Bonds (376)	2009A G.O. Improvement Bond and 2010A Improvement Notes (348)	Capital Equipment Fund (401)	Park Development Fund (404)
\$ 12,921	\$ 295,412	\$ 622,063	\$ 88,541	\$ -	\$ 100,812	\$ 159,746
-	-	-	-	-	-	-
-	-	-	-	-	-	-
557	-	-	-	3,209	-	-
2,723	-	-	-	205	-	-
47,316	-	-	-	620,184	-	-
-	-	3,209	-	-	-	-
<u>\$ 63,517</u>	<u>\$ 295,412</u>	<u>\$ 625,272</u>	<u>\$ 88,541</u>	<u>\$ 623,598</u>	<u>\$ 100,812</u>	<u>\$ 159,746</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 236,119	\$ -
-	-	-	-	3,209	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,209	236,119	-
50,039	-	-	-	620,389	-	-
13,478	295,412	625,272	88,541	-	-	-
-	-	-	-	-	-	159,746
-	-	-	-	-	-	-
-	-	-	-	-	(135,307)	-
<u>13,478</u>	<u>295,412</u>	<u>625,272</u>	<u>88,541</u>	<u>-</u>	<u>(135,307)</u>	<u>159,746</u>
<u>\$ 63,517</u>	<u>\$ 295,412</u>	<u>\$ 625,272</u>	<u>\$ 88,541</u>	<u>\$ 623,598</u>	<u>\$ 100,812</u>	<u>\$ 159,746</u>

**City of Dayton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2020**

	Capital Projects			
	Park Dedication Fund (405)	Pavement Management and Improvements Fund (414)	Stormwater (415)	Capital Facilities Fund (410)
Assets				
Cash and investments	\$ 680,621	\$ 1,307,550	\$ 1,052,169	\$ 307,197
Accounts receivable	-	89,589	-	-
Due from other governments	-	6,496	-	-
Special assessments receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Due from other funds	-	-	-	-
	<u>\$ 680,621</u>	<u>\$ 1,403,635</u>	<u>\$ 1,052,169</u>	<u>\$ 307,197</u>
Total assets	<u>\$ 680,621</u>	<u>\$ 1,403,635</u>	<u>\$ 1,052,169</u>	<u>\$ 307,197</u>
Liabilities				
Accounts and contracts payable	\$ 49,795	\$ 17,970	\$ 12,760	\$ 4,216
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>49,795</u>	<u>17,970</u>	<u>12,760</u>	<u>4,216</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	-
Fund Balances				
Restricted	630,826	-	-	-
Committed	-	-	-	-
Assigned	-	1,385,665	1,039,409	302,981
Unassigned	-	-	-	-
Total fund balances	<u>630,826</u>	<u>1,385,665</u>	<u>1,039,409</u>	<u>302,981</u>
	<u>\$ 680,621</u>	<u>\$ 1,403,635</u>	<u>\$ 1,052,169</u>	<u>\$ 307,197</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 680,621</u>	<u>\$ 1,403,635</u>	<u>\$ 1,052,169</u>	<u>\$ 307,197</u>

Capital Projects

Temporary Financing Fund (409)	TIF No. 14 - Liberty Fund (438)	TIF No. 16 Sand Companies (435)	TIF No. 15 French Lake Industrial Park (477)	TIF No. 17 - Graco (436)	Sundance Sewer Trunk (479)	Park Trail Development (408)
\$ 2,149,919	\$ 143,643	\$ 19,475	\$ 25,423	\$ -	\$ -	\$ 879,573
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 2,149,919</u>	<u>\$ 143,643</u>	<u>\$ 19,475</u>	<u>\$ 25,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 879,573</u>
\$ -	\$ 90,080	\$ 23,933	\$ 12,701	\$ -	\$ -	\$ -
-	-	-	-	8,268	-	-
-	-	-	17,981	-	242,857	-
-	622	597	-	-	-	-
-	-	-	15,722	-	-	-
-	<u>90,702</u>	<u>24,530</u>	<u>46,404</u>	<u>8,268</u>	<u>242,857</u>	<u>-</u>
-	-	-	-	-	-	-
-	52,941	-	-	-	-	-
-	-	-	-	-	-	-
2,149,919	-	-	-	-	-	879,573
-	-	(5,055)	(20,981)	(8,268)	(242,857)	-
<u>2,149,919</u>	<u>52,941</u>	<u>(5,055)</u>	<u>(20,981)</u>	<u>(8,268)</u>	<u>(242,857)</u>	<u>879,573</u>
<u>\$ 2,149,919</u>	<u>\$ 143,643</u>	<u>\$ 19,475</u>	<u>\$ 25,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 879,573</u>

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**City of Dayton
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2020**

	Capital Projects		
	Developer Escrow Fund(411)	ROW Escrow Fund(421)	Total Other Governmental Funds
Assets			
Cash and investments	\$ 112,111	\$ 72,000	\$ 8,513,668
Accounts receivable	43,237	-	150,160
Due from other governments	-	-	6,496
Special assessments receivable			
Current	-	-	3,766
Delinquent	-	-	2,928
Deferred	-	-	667,500
Due from other funds	-	-	3,209
	<u>\$ 155,348</u>	<u>\$ 72,000</u>	<u>\$ 9,347,727</u>
Liabilities			
Accounts and contracts payable	\$ 155,348	\$ 72,000	\$ 677,766
Due to other funds	-	-	11,477
Advance from other funds	-	-	260,838
Due to other governments	-	-	1,219
Unearned revenue			15,722
Total liabilities	<u>155,348</u>	<u>72,000</u>	<u>967,022</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	-	670,428
Fund Balances			
Restricted	-	-	1,711,790
Committed	-	-	653,408
Assigned	-	-	5,757,547
Unassigned	-	-	(412,468)
Total fund balances	<u>-</u>	<u>-</u>	<u>7,710,277</u>
	<u>\$ 155,348</u>	<u>\$ 72,000</u>	<u>\$ 9,347,727</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 155,348</u>	<u>\$ 72,000</u>	<u>\$ 9,347,727</u>

City of Dayton
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2020

	Special Revenue			
	Cable Fund (226)	EDA (225)	Police Forfeiture (235)	Gambling (227)
Revenues				
Property taxes	\$ -	\$ 110,000	\$ -	\$ -
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	54,243	-	-	-
Fines and forfeitures	-	-	699	-
Miscellaneous				
Investment income	4,333	6,748	-	-
Contributions and donations	-	-	-	426
Total revenues	<u>58,576</u>	<u>116,748</u>	<u>699</u>	<u>426</u>
Expenditures				
Current				
General government	15,068	-	-	-
Park and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	15,276	-	-	-
Public safety	-	-	8,460	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Total expenditures	<u>30,344</u>	<u>-</u>	<u>8,460</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>28,232</u>	<u>116,748</u>	<u>(7,761)</u>	<u>426</u>
Other Financing				
Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	28,232	116,748	(7,761)	426
Fund Balances				
Beginning of year	<u>144,594</u>	<u>203,662</u>	<u>13,081</u>	<u>-</u>
End of year	<u>\$ 172,826</u>	<u>\$ 320,410</u>	<u>\$ 5,320</u>	<u>\$ 426</u>

		Debt Service			Capital Projects		
2000A G.O. Improvement- H.V., PFA Sewer and Water (332)	2016A G.O. Bonds (355)	2013A Territorial Road Revenue Bond (360)	2015B G.O. Street Reconstruction Bonds (376)	2009A G.O. Improvement Bond and 2010A Improvement Notes (348)	Capital Equipment Fund (401)	Park Development Fund (404)	
\$ 55,000	\$ 286,821	\$ 115,000	\$ 325,000	\$ -	\$ 585,000	\$ -	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
70,414	-	-	-	100,148	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
2,182	2,300	73	102	15,509	780	4,877	
-	-	-	-	-	-	15,000	
<u>127,596</u>	<u>289,121</u>	<u>115,073</u>	<u>325,102</u>	<u>115,657</u>	<u>585,780</u>	<u>19,877</u>	
-	-	-	2,000	-	13,887	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
191,000	205,000	85,000	330,000	1,864,000	-	-	
7,843	70,688	12,350	24,475	45,771	-	-	
-	-	-	-	-	43,168	-	
-	-	-	-	-	393,524	-	
-	-	-	-	-	288,381	-	
-	-	-	-	-	-	-	
<u>198,843</u>	<u>275,688</u>	<u>97,350</u>	<u>356,475</u>	<u>1,909,771</u>	<u>738,960</u>	<u>-</u>	
<u>(71,247)</u>	<u>13,433</u>	<u>17,723</u>	<u>(31,373)</u>	<u>(1,794,114)</u>	<u>(153,180)</u>	<u>19,877</u>	
-	-	569,898	-	-	-	-	
-	-	-	-	(569,898)	-	-	
-	-	569,898	-	(569,898)	-	-	
<u>(71,247)</u>	<u>13,433</u>	<u>587,621</u>	<u>(31,373)</u>	<u>(2,364,012)</u>	<u>(153,180)</u>	<u>19,877</u>	
<u>84,725</u>	<u>281,979</u>	<u>37,651</u>	<u>119,914</u>	<u>2,364,012</u>	<u>17,873</u>	<u>139,869</u>	
<u>\$ 13,478</u>	<u>\$ 295,412</u>	<u>\$ 625,272</u>	<u>\$ 88,541</u>	<u>\$ -</u>	<u>\$ (135,307)</u>	<u>\$ 159,746</u>	

City of Dayton
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2020

	Capital Projects			
	Park Dedication Fund (405)	Pavement Management and Improvements Fund (414)	Stormwater (415)	Capital Facilities Fund (410)
Revenues				
Property taxes	\$ -	\$ 815,000	\$ -	\$ 50,000
Tax increments	-	-	-	-
Franchise fees	-	367,075	-	-
Special assessments	-	-	-	-
Intergovernmental	49,688	-	-	-
Charges for services	400,517	-	425,769	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment income	39,450	14,831	31,768	10,631
Contributions and donations	-	-	-	-
Total revenues	<u>489,655</u>	<u>1,196,906</u>	<u>457,537</u>	<u>60,631</u>
Expenditures				
Current				
General government	-	-	-	-
Park and recreation	143,287	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	144,134	131,887	123,286
Parks and recreation	885,872	-	-	-
Total expenditures	<u>1,029,159</u>	<u>144,134</u>	<u>131,887</u>	<u>123,286</u>
Excess of revenues over (under) expenditures	<u>(539,504)</u>	<u>1,052,772</u>	<u>325,650</u>	<u>(62,655)</u>
Other Financing				
Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(186,900)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(186,900)</u>	<u>-</u>
Net change in fund balances	(539,504)	1,052,772	138,750	(62,655)
Fund Balances				
Beginning of year	<u>1,170,330</u>	<u>332,893</u>	<u>900,659</u>	<u>365,636</u>
End of year	<u>\$ 630,826</u>	<u>\$ 1,385,665</u>	<u>\$ 1,039,409</u>	<u>\$ 302,981</u>

Capital Projects

Temporary Financing Fund (409)	TIF No. 14 - Liberty Fund (438)	TIF No. 16 Sand Companies (435)	TIF No. 15 French Lake Industrial Park (477)	TIF No. 17 - Graco (436)	Sundance Sewer Trunk (479)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	199,860	53,183	58,788	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
40,478	1,344	46	115	-	-
-	-	-	-	-	-
<u>40,478</u>	<u>201,204</u>	<u>53,229</u>	<u>58,903</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	249,742	70,394	58,120	8,268	-
-	-	-	-	-	-
-	-	-	-	-	7,285
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>249,742</u>	<u>70,394</u>	<u>58,120</u>	<u>8,268</u>	<u>7,285</u>
<u>40,478</u>	<u>(48,538)</u>	<u>(17,165)</u>	<u>783</u>	<u>(8,268)</u>	<u>(7,285)</u>
814,000	-	-	-	-	128,714
-	-	-	-	-	-
<u>814,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,714</u>
854,478	(48,538)	(17,165)	783	(8,268)	121,429
<u>1,295,441</u>	<u>101,479</u>	<u>12,110</u>	<u>(21,764)</u>	<u>-</u>	<u>(364,286)</u>
<u>\$ 2,149,919</u>	<u>\$ 52,941</u>	<u>\$ (5,055)</u>	<u>\$ (20,981)</u>	<u>\$ (8,268)</u>	<u>\$ (242,857)</u>

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City of Dayton
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2020

	<u>Capital Projects</u>	
	Park Trail Development (408)	Total Other Governmental Funds
Revenues		
Property taxes	\$ -	\$ 2,341,821
Tax increments	-	311,831
Franchise fees	-	367,075
Special assessments	-	170,562
Intergovernmental	-	49,688
Charges for services	410,900	1,291,429
Fines and forfeitures	-	699
Miscellaneous		
Investment income	23,808	199,375
Contributions and donations	-	15,426
Total revenues	434,708	4,747,906
Expenditures		
Current		
General government	-	30,955
Park and recreation	10,919	154,206
Economic development	-	386,524
Debt service		
Principal	-	2,675,000
Interest and other charges	-	168,412
Capital outlay		
General government	-	58,444
Public safety	-	401,984
Public works	-	687,688
Parks and recreation	156,200	1,042,072
Total expenditures	167,119	5,605,285
Excess of revenues over (under) expenditures	267,589	(857,379)
Other Financing		
Sources (Uses)		
Transfers in	-	1,512,612
Transfers out	-	(756,798)
Total other financing sources (uses)	-	755,814
Net change in fund balances	267,589	(101,565)
Fund Balances		
Beginning of year	611,984	7,811,842
End of year	\$ 879,573	\$ 7,710,277

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City of Dayton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

<u>Federal Grantor/Pass-Through Grantor/Grant Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Department of Treasury		
Passed through Minnesota Management and Budget:		
COVID - Coronavirus Relief Fund	21.019	\$ 457,466
Election Assistance Commission		
Passed through Hennepin County		
COVID - Election Security Grants	90.404	<u>4,639</u>
Department of Transportation		
Passed through Minnesota Management and Budget:		
Highway Planning and Construction	20.205	<u>5,394,505</u>
Total federal expenditures		<u><u>\$ 5,856,610</u></u>

City of Dayton
Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Dayton, Minnesota and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the regulatory basis financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INDIRECT COST RATE

The City did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Minnesota as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 10, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Finding and Response on Internal Control as Audit Finding 2020-001 to be a significant deficiency.

Compliance and Other Matters

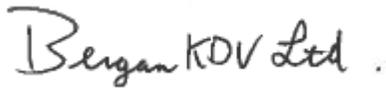
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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.

A handwritten signature in cursive script that reads "BergankDV Ltd." followed by a period.

Minneapolis, Minnesota
May 10, 2021

**Report on Compliance for each Major Federal Program
and Report on Internal Control over Compliance In Accordance
With the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Minneapolis, Minnesota
May 10, 2021

City of Dayton
Schedule of Findings and Questioned Costs

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal control over financial reporting:
 • Material weakness(es) identified? No
 • Significant deficiency(ies) identified? Yes, Audit Finding 2020-001

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:
 • Material weakness(es) identified? No
 • Significant deficiency(ies) identified? No

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of Major Programs

CFDA No.: 20.205
 Name of Federal Program or Cluster: Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? No

City of Dayton
Schedule of Finding and Questioned Costs

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2020-001

Criteria:

Internal control that supports the City's ability to initiate record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:

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

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

Context:

This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect:

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.

Cause:

There are a limited number of office employees.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Views of Responsible Officials and Planned Corrective Action:

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.

City of Dayton
Schedule of Finding and Questioned Costs

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

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Minnesota Legal Compliance

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Minnesota as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 10, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

BerganKDV Ltd.

Minneapolis, Minnesota
May 10, 2021